Eternal Materials Co., Ltd. and Subsidiaries

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

REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Eternal Materials Co., Ltd. as of and for the year ended December 31, 2018, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard No.10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Eternal Materials Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

Eternal Materials Co., Ltd.

By

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Kao, Kuo-Lun
Chairman

March 27, 2019

Deloitte.

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INDEPENDENT AUDITORS' REPORT

Eternal Materials Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Eternal Materials Co., Ltd. (the Company) and its subsidiaries, 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.

In our opinion, based on our audits and the reports of other auditors (refer to the Other Matter paragraph) the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2018 and 2017, and their consolidated financial performance and their 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 (FSC) 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 Company and its subsidiaries 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. Based on our audits and the reports of other auditors, 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 of the Company and its subsidiaries' consolidated financial statements for the year ended December 31, 2018 are stated as follows:

Revenue Recognition

1. Description

   Due to pressure to meet management's projected targets and market expectations, there is a risk that reported operating revenue may be misstated. Therefore, revenue recognition is deemed as a key audit matter.

2. The audit procedures we performed in response to the above key audit matter are the following:

   a. We understood the internal controls on revenue recognition and tested their effectiveness; the internal controls cover customer master file, ordering, shipping, accounting and receiving.

   b. We obtained major customers' master file data and we verified the registered responsible person, business category, and business address, and so on, with public information, and we evaluated the reasonableness of credit limit relative to the company size.

   c. We evaluated the reasonableness of sales revenue, gross profit rate and transaction terms of major customers.

   d. We selected moderate sample size from sales revenue details, and we examined the payments received and goods delivery receipts, and we verified that the remitter matched the customer.

   e. We examined material subsequent events with respect to sales returns to verify that the sales transactions occurred before balance sheet date.

Other Matter

The financial statements of some associates which were used to account for investments by the equity method were audited by other auditors. Therefore, our opinion on the amounts and disclosures of such investments included in the accompanying financial statements were based on financial statements audited by other auditors. Such investments accounted for using the equity method amounted to NT$1,229,360 thousand and NT$1,245,009 thousand, representing 2% of the Company and its subsidiaries' total assets as of December 31, 2018 and 2017, respectively, and the share of the profit of associates amounted to NT$214,645 thousand and NT$248,308 thousand, representing 24% and 18% of the Company and its subsidiaries' total comprehensive income for the year ended December 31, 2018 and 2017, respectively.

We have also audited the standalone financial statements of the Company as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion with other matter paragraph.

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 the IFRS, IAS, IFRIC and SIC endorsed and issued into effect by the FSC 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 Company and its subsidiaries' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company and its subsidiaries' 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 Company and its subsidiaries' internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and its subsidiaries' 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 Company and its subsidiaries 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 Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Company and its subsidiaries' 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 Lee-Yuan Kuo and Chun-Chi Kung.

Lee-Yuan Kuo Chun-Chi Kung

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 27, 2019

<u>*Notice to Readers*</u>

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.

Eternal Materials Co., Ltd. and Subsidiaries

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2018 Amount	%	December 31, 2017 Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 6,085,433	11	$ 7,984,172	14
Notes receivable, net (Notes 4, 7 and 35)	3,149,642	6	2,755,332	5
Notes receivable from related parties, net (Notes 4, 7 and 34)	38,815	-	22,470	-
Accounts receivable, net (Notes 4, 7 and 35)	11,361,017	21	11,958,500	21
Accounts receivable from related parties, net (Notes 4, 7 and 34)	233,652	-	240,744	-
Other receivables (Note 34)	995,128	2	1,091,318	2
Inventories (Notes 4, 5 and 8)	7,917,850	15	7,802,547	14
Non-current assets held for sale (Notes 4 and 9)	9,243	-	-	-
Other financial assets - current (Note 10)	241,780	-	297,430	1
Other current assets - other (Notes 26 and 34)	634,011	1	997,421	2
Total current assets	30,666,571	56	33,149,934	59
NONCURRENT ASSETS				
Financial assets at fair value through profit or loss - noncurrent (Notes 3, 4 and 11)	7,341	-	-	-
Financial assets at fair value through other comprehensive income - noncurrent (Notes 3, 4 and 12)	716,037	1	-	-
Available-for-sale financial assets - noncurrent (Notes 3, 4 and 13)	-	-	548,376	1
Financial assets measured at cost - noncurrent (Notes 3, 4 and 14)	-	-	234,954	-
Investments accounted for using the equity method (Notes 4 and 16)	2,096,831	4	2,007,191	3
Property, plant and equipment (Notes 4, 17, 34 and 35)	18,792,384	35	18,466,249	33
Investment properties (Notes 4 and 18)	52,744	-	9,243	-
Intangible assets (Notes 4 and 19)	385,279	1	318,014	1
Deferred tax assets (Notes 4, 5 and 26)	411,601	1	401,664	1
Other noncurrent assets - other (Note 20)	1,231,491	2	1,329,880	2
Total noncurrent assets	23,693,708	44	23,315,571	41
TOTAL	$ 54,360,279	100	$ 56,465,505	100

LIABILITIES AND EQUITY	December 31, 2018 Amount	%	December 31, 2017 Amount	%
CURRENT LIABILITIES				
Short-term borrowings (Notes 4, 21 and 35)	$ 5,145,654	10	$ 6,104,636	11
Notes payable	116,847	-	40,567	-
Accounts payable (Note 34)	3,132,664	6	3,540,542	6
Other payables - other	2,122,776	4	2,016,929	4
Current tax liabilities (Note 26)	211,607	-	227,988	-
Current portion of long-term borrowings (Notes 21 and 35)	3,676,052	7	6,139,486	11
Other current liabilities - other (Note 24)	77,201	-	54,795	-
Total current liabilities	14,482,801	27	18,124,943	32
NONCURRENT LIABILITIES				
Long-term borrowings (Notes 4, 21 and 35)	14,165,861	26	12,988,248	23
Deferred tax liabilities (Notes 4 and 26)	2,826,482	5	2,965,200	5
Other noncurrent liabilities (Notes 5 and 22)	1,259,966	2	1,319,003	3
Total noncurrent liabilities	18,252,309	33	17,272,451	31
Total liabilities	32,735,110	60	35,397,394	63
EQUITY ATTRIBUTABALE TO OWNERS OF THE COMPANY (Note 23)				
Ordinary shares	12,402,795	23	11,591,397	20
Capital surplus	356,046	1	359,900	1
Retained earnings				
Legal reserve	3,787,789	7	3,596,826	6
Special reserve	426,930	1	426,930	1
Unappropriated earnings	4,540,412	8	4,473,325	8
Total retained earnings	8,755,131	16	8,497,081	15
Other equity	(510,893)	(1)	58,382	-
Total equity attributable to owners of the Company	21,003,079	39	20,506,760	36
NON-CONTROLLING INTERESTS (Note 23)	622,090	1	561,351	1
Total equity	21,625,169	40	21,068,111	37
TOTAL	$ 54,360,279	100	$ 56,465,505	100

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

(With Deloitte & Touche auditors’ report dated March 27, 2019)

Eternal Materials Co., Ltd. and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 24 and 34)	$ 43,300,155	100	$ 41,551,117	100
OPERATING COSTS (Notes 8, 25 and 34)	36,020,316	83	34,112,841	82
GROSS PROFIT	7,279,839	17	7,438,276	18
OPERATING EXPENSES (Notes 25 and 34)				
Selling and marketing expenses	2,155,446	5	2,296,882	6
General and administrative expenses	1,940,713	5	1,967,188	5
Research and development expenses	1,292,744	3	1,312,655	3
Expected credit loss	77,931	-	-	-
Total operating expenses	5,466,834	13	5,576,725	14
PROFIT FROM OPERATIONS	1,813,005	4	1,861,551	4
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 25 and 34)	355,657	1	330,869	1
Other gains and losses (Note 25)	51,402	-	333,020	1
Net foreign exchange gains and losses (Note 38)	26,947	-	(31,210)	-
Finance costs (Note 25)	(577,007)	(1)	(494,018)	(1)
Share of the profit of associates and joint ventures (Note 16)	193,967	-	270,397	-
Total non-operating income and expenses	50,966	-	409,058	1
PROFIT BEFORE INCOME TAX	1,863,971	4	2,270,609	5
INCOME TAX EXPENSE (Notes 4 and 26)	(371,648)	(1)	(406,509)	(1)
NET PROFIT FOR THE YEAR	1,492,323	3	1,864,100	4
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 23 and 26)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(8,195)	-	(81,596)	-
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	(161,312)	-	-	-

(Continued)

Eternal Materials Co., Ltd. and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2018		2017	
	Amount	%	Amount	%
Remeasurement of defined benefit plans of associates and joint ventures accounted for using the equity method	$ 188	-	$ -	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	20,508	-	13,590	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	(434,930)	(1)	(433,051)	(1)
Unrealized gains and losses on available-for-sale financial assets	-	-	(7,801)	-
Share of the other comprehensive income of associates and joint ventures	(16,276)	-	(4,214)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	-	-	18,881	-
Other comprehensive loss for the year, net of income tax	(600,017)	(1)	(494,191)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 892,306	2	$ 1,369,909	3
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ 1,550,515		$ 1,909,634	
Non-controlling interests	(58,192)		(45,534)	
	$ 1,492,323		$ 1,864,100	
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 952,243		$ 1,416,409	
Non-controlling interests	(59,937)		(46,500)	
	$ 892,306		$ 1,369,909	
EARNINGS PER SHARE (Note 27)				
Basic	$ 1.25		$ 1.54	
Diluted	1.25		1.53	

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

(With Deloitte & Touche auditors' report dated March 27, 2019)

Eternal Materials Co., Ltd. and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Equity Attributable to Owners of the Company														
		Capital Surplus				Retained Earnings			Other Equity						
	Ordinary Shares	Additional Paid-in Capital	Transaction of Treasury Share	Share of Changes in Equities of Associates and Joint Ventures	Total Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gains and Losses on Available-for-sale Financial Assets	Unrealized Gains and Losses on Financial Assets at Fair Value Through Other Comprehensive Income	Total Other Equity	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2017	$ 11,039,425	$ 309,017	$ 19,642	$ 31,241	$ 359,900	$ 3,334,188	$ 426,930	$ 5,106,905	$ 170,906	$ 254,166	$ -	$ 425,072	$ 20,692,420	$ 546,809	$ 21,239,229
Appropriation of 2016 earnings (Note 23)															
Legal reserve	-	-	-	-	-	262,638	-	(262,638)	-	-	-	-	-	-	-
Cash dividends - NT$1.5 per share	-	-	-	-	-	-	-	(1,655,914)	-	-	-	-	(1,655,914)	-	(1,655,914)
Share dividends - NT$0.5 per share	551,972	-	-	-	-	-	-	(551,972)	-	-	-	-	-	-	-
	551,972	-	-	-	-	262,638	-	(2,470,524)	-	-	-	-	(1,655,914)	-	(1,655,914)
Net profit for the year ended December 31, 2017	-	-	-	-	-	-	-	1,909,634	-	-	-	-	1,909,634	(45,534)	1,864,100
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	-	-	(68,149)	(436,156)	11,080	-	(425,076)	(493,225)	(966)	(494,191)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	-	-	1,841,485	(436,156)	11,080	-	(425,076)	1,416,409	(46,500)	1,369,909
Disposal of subsidiaries	-	-	-	-	-	-	-	-	58,386	-	-	58,386	58,386	-	58,386
Changes in ownership of subsidiaries (Note 30)	-	-	-	-	-	-	-	(4,541)	-	-	-	-	(4,541)	4,541	-
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	56,501	56,501
BALANCE AT DECEMBER 31, 2017	11,591,397	309,017	19,642	31,241	359,900	3,596,826	426,930	4,473,325	(206,864)	265,246	-	58,382	20,506,760	561,351	21,068,111
Effect of retrospective application and retrospective restatement (Note 3)	-	-	-	-	-	-	-	97,371	-	(265,246)	295,375	30,129	127,500	-	127,500
BALANCE AT JANUARY 1, 2018 AS RESTATED	11,591,397	309,017	19,642	31,241	359,900	3,596,826	426,930	4,570,696	(206,864)	-	295,375	88,511	20,634,260	561,351	21,195,611
Appropriation of 2017 earnings (Note 23)															
Legal reserve	-	-	-	-	-	190,963	-	(190,963)	-	-	-	-	-	-	-
Cash dividends - NT$0.5 per share	-	-	-	-	-	-	-	(579,570)	-	-	-	-	(579,570)	-	(579,570)
Share dividends - NT$0.7 per share	811,398	-	-	-	-	-	-	(811,398)	-	-	-	-	-	-	-
	811,398	-	-	-	-	190,963	-	(1,581,931)	-	-	-	-	(579,570)	-	(579,570)
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	-	1,550,515	-	-	-	-	1,550,515	(58,192)	1,492,323
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	-	6,918	(449,601)	-	(155,589)	(605,190)	(598,272)	(1,745)	(600,017)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	-	1,557,433	(449,601)	-	(155,589)	(605,190)	952,243	(59,937)	892,306
Disposal of investments accounted for using the equity method (Note 23)	-	-	-	(3,854)	(3,854)	-	-	-	-	-	-	-	(3,854)	-	(3,854)
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	120,676	120,676
Disposals of investments in equity instruments designated as at fair value through other comprehensive income (Note 23)	-	-	-	-	-	-	-	(5,786)	-	-	5,786	5,786	-	-	-
BALANCE AT DECEMBER 31, 2018	$ 12,402,795	$ 309,017	$ 19,642	$ 27,387	$ 356,046	$ 3,787,789	$ 426,930	$ 4,540,412	$ (656,465)	$ -	$ 145,572	$ (510,893)	$ 21,003,079	$ 622,090	$ 21,625,169

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

(With Deloitte & Touche auditors' report dated March 27, 2019)

Eternal Materials Co., Ltd. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2018	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 1,863,971	$ 2,270,609
Adjustments for:		
Depreciation expense	1,827,300	1,766,614
Amortization expense	39,039	47,388
Expected credit losses	77,931	-
Impairment loss recognized on accounts receivables	-	66,494
Net gain on fair value changes of financial assets designated as at fair value through profit or loss	(1,663)	-
Finance costs	577,007	494,018
Interest income	(112,028)	(86,259)
Dividend income	(49,519)	(3,475)
Share of the profit of associates and joint ventures	(193,967)	(270,397)
Loss on disposal of property, plant and equipment	9,422	23,569
Gain on disposal of investments	(167,537)	(515,624)
Impairment loss recognized on non-financial assets	81,540	105,228
Rental expense on land use rights	26,092	26,375
Others	-	573
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	732	-
Notes receivable	(394,310)	(466,238)
Notes receivable from related parties	(16,345)	(13,449)
Accounts receivable	361,105	(1,728,650)
Accounts receivable from related parties	924	51,329
Other receivables	88,797	(16,638)
Inventories	(196,843)	(1,106,215)
Other current assets	339,991	(143,778)
Derivative financial liabilities for hedging	-	639
Notes payable	75,835	(21,752)
Accounts payable	(396,841)	118,033
Other payables	(28,274)	(181,192)
Other current liabilities	28,297	(85,006)
Other noncurrent liabilities	(111,826)	(45,249)
Cash generated from operations	3,728,830	286,947
Interest received	114,595	101,306
Dividends received	189,142	135,438
Interest paid	(649,528)	(551,784)
Income taxes paid	(499,789)	(439,490)
Net cash generated from / (used in) operating activities	2,883,250	(467,583)

(Continued)

Eternal Materials Co., Ltd. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2018	**2017**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	$ 3,333	$ -
Purchase of financial assets measured at cost	-	(35,121)
Proceeds from disposal of financial assets measured at cost	-	407
Proceeds from capital reduction of financial assets measured at cost	-	2,098
Acquisition of investments accounted for using the equity method	(101,815)	(44,602)
Proceeds from disposal of investments accounted for using the equity method	270,455	-
Acquisition of subsidiaries	-	(278,278)
Disposal of subsidiaries	-	623,415
Acquisition of property, plant and equipment	(2,478,829)	(3,002,934)
Proceeds from disposal of property, plant and equipment	24,662	31,477
Decrease (increase) in other receivables from related parties	86,763	(351,505)
Acquisition of intangible assets	(101,511)	(6,921)
Decrease in other financial assets - current	55,650	373,687
Decrease (increase) in other noncurrent assets	50,415	(33,042)
Net cash used in investing activities	(2,190,877)	(2,721,319)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	(872,539)	2,872,924
Proceeds from long-term borrowings	19,616,629	14,623,061
Repayments of long-term borrowings	(20,954,094)	(12,483,119)
Increase (decrease) in other payables	211,779	(109,846)
Increase in guarantee deposits received	9,407	888
Decrease in finance lease payables	(3,817)	-
Dividends paid	(579,570)	(1,655,914)
Increase in non-controlling interests	120,676	30,092
Net cash generated from (used in) financing activities	(2,451,529)	3,278,086
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(139,583)	(371,874)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,898,739)	(282,690)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	7,984,172	8,227,218
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 6,085,433	$ 7,944,528

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets at December 31, 2018 and 2017:

Eternal Materials Co., Ltd. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	December 31	
	2018	**2017**
Cash and cash equivalents in the consolidated balance sheets	$ 6,085,433	$ 7,984,172
Cash and cash equivalents included in noncurrent assets held for sale, beginning of the year	-	(39,644)
Cash and cash equivalents in the consolidated statements of cash flows	$ 6,085,433	$ 7,944,528

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

(With Deloitte & Touche auditors' report dated March 27, 2019)

1. GENERAL INFORMATION

Eternal Materials Co., Ltd. (the Company) was established in December, 1964. The Company mainly operates in the research, manufacturing, processing, selling and trading of diversified industrial synthetic resins, epoxy resin, coating, molding compound, copper clad laminates, film materials, photovoltaic materials, photoresist materials, and electronic chemical materials.

The Company's shares have been listed on the Taiwan Stock Exchange (TWSE) since March, 1994.

The consolidated financial statements are presented in the Company's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors and authorized for issue on March 27, 2019.

3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

a. The 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), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

   Except for the following, the 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 any material impact on the Company and its subsidiaries' accounting policies.

   1) IFRS 9 "Financial Instruments" and related amendments

      IFRS 9 "Financial Instruments" 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 the related accounting policies.

      Classification, measurement and impairment of financial assets

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

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

Financial Assets	Measurement Category IAS 39	Measurement Category IFRS 9	Carrying Amount IAS 39	Carrying Amount IFRS 9	Remark
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 7,984,172	$ 7,984,172	a)
Notes receivable, net (including related parties)	Loans and receivables	Amortized cost	2,777,802	2,777,802	a)
Accounts receivable, net (including related parties)	Loans and receivables	Amortized cost	12,199,244	12,199,244	a)
Other receivables (including related parties)	Loans and receivables	Amortized cost	1,091,318	1,091,318	a)
Time deposits with original maturities of more than 3 months	Loans and receivables	Amortized cost	297,430	297,430	a)
Refundable deposits	Loans and receivables	Amortized cost	103,491	103,491	a)
Equity securities	Available-for-sale financial assets	Fair value through other comprehensive income (i.e. FVTOCI) equity instruments	548,376	548,376	b)
	Financial assets measured at cost	Fair value through other comprehensive income equity instruments	220,933	356,265	c)
Mutual funds	Financial assets measured at cost	Fair value through profit or loss (i.e. FVTPL)	14,021	6,189	d)

	Carrying Amount as of January 1, 2018 (IAS 39)	Reclassifi-cations	Remea-surements	Carrying Amount as of January 1, 2018 (IFRS 9)	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
Financial assets at fair value through profit or loss							
Reclassification from financial assets measured at cost (IAS 39)	$ -	$ 14,021	$ (7,832)	$ 6,189	$ (7,832)	$ -	d)
Financial assets at fair value through other comprehensive income							
Equity instruments							
Reclassification from available-for-sale financial assets (IAS 39)	-	548,376	-	548,376	-	-	b)
Reclassification from financial assets measured at cost (IAS 39)	-	220,933	135,332	356,265	105,203	30,129	c)
	-	769,309	135,332	904,641	105,203	30,129	
Financial assets measured at amortized cost							
Reclassification from loans and receivables (IAS 39)	-	24,453,457	-	24,453,457	-	-	a)
	$ -	$ 25,236,787	$ 127,500	$ 25,364,287	$ 97,371	$ 30,129	

a) Financial assets that had been previously classified as loans and receivables under IAS 39 were classified as at amortized cost under IFRS 9.

b) As investments in equity securities that were previously classified as available-for-sale financial assets under IAS 39 are not held for trading, the Company and its subsidiaries elected to designate these investments as at FVTOCI under IFRS 9. As a result, the related other equity - unrealized gains and losses on available-for-sale financial assets of NT$265,246 thousand were reclassified to other equity - unrealized gains and losses on financial assets at FVTOCI.

c) Investments in unlisted shares and certificates of interest previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, an increase of $30,129 thousand was recognized in both financial assets at

FVTOCI and other equity - unrealized gains and losses on financial assets at FVTOCI on January 1, 2018.

Impairment losses were recognized for those investments in equity securities previously classified as financial assets measured at cost under IAS 39. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted an increase of NT$105,203 thousand in retained earnings on January 1, 2018.

d) A mutual fund previously classified as financial assets measured at cost under IAS 39 was classified mandatorily as at FVTPL under IFRS 9, because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and it is not an equity instrument. Hence, an adjustment was made that resulted in a decrease of $7,832 thousand in retained earnings on January 1, 2018.

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 the related accounting policies.

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 January 1, 2018.

Note 3: The Company and its subsidiaries 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 leases that will supersede IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Company and its subsidiaries 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 Company and its subsidiaries as lessee

Upon initial application of IFRS 16, the Company and its subsidiaries will recognize right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties, 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 and its subsidiaries 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. Prior to the application of IFRS 16, payments under operating lease contracts are recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights of land located in foreign countries are recognized as prepayments for leases. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

The Company and its subsidiaries anticipate applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. Right-of-use assets are applied to impairment assessment under IAS 36.

The Company and its subsidiaries expect to apply the following practical expedients:

1) The Company and its subsidiaries will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

2) The Company and its subsidiaries will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

3) The Company and its subsidiaries will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.

4) The Company and its subsidiaries will use hindsight, such as in determining the lease terms if the contract contains options to extend or terminate the lease.

For leases currently classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 will be determined as the carrying amounts of the leased assets and finance lease payables as of December 31, 2018.

The Company and its subsidiaries as lessor

The Company and its subsidiaries will not make any adjustments for leases in which they are lessors and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

The anticipated impact of the initial application of the New IFRSs for application starting from 2019 is summarized below:

Anticipated impact on assets and liabilities

	Carrying Amount as of January 1, 2019	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Prepayments for leases - noncurrent	$ 1,004,213	$ (1,004,213)	$ -
Property, plant and equipment	28,919	(28,919)	-
Right-of-use assets	-	1,202,880	1,202,880
Total effect on assets	$ 1,033,132	$ 169,748	$ 1,202,880
Lease liabilities - current	$ -	$ 65,238	$ 65,238
Lease liabilities - noncurrent	-	135,405	135,405
Finance lease payables - current	3,831	(3,831)	-
Finance lease payables - noncurrent	27,064	(27,064)	-
Total effect on liabilities	$ 30,895	$ 169,748	$ 200,643

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Company and its subsidiaries assessed that application of other standards, amendments and interpretations will not have a significant impact on their financial position and financial performance.

c. The IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

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

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

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

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

1) Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The amendments stipulate that, when the Company and its subsidiaries sell or contribute assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Company and its subsidiaries lose control of a subsidiary that contains a business but retain significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Company and its subsidiaries sell or contribute assets that do not constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Company and its subsidiaries' interest as an unrelated investor in the associate or joint venture, i.e. the Company and its subsidiaries' share of the gain or loss is eliminated. Also, when the Company and its subsidiaries lose control of a subsidiary that does not contain a business (as defined in IFRS 3) but retain significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Company and its subsidiaries' interest as an unrelated investor in the associate or joint venture, i.e. the Company and its subsidiaries' share of the gain or loss is eliminated.

2) Amendments to IFRS 3 "Definition of a Business"

The amendments clarify that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process applied to the input that together significantly contribute to the ability to create outputs. The amendments narrow the definitions of outputs by focusing on goods and services provided to customers, and the reference to an ability to reduce costs is removed. Moreover, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Company and its subsidiaries are continuously assessing the possible impact that the application of other standards, amendments and interpretations will have on the Company and its subsidiaries' financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

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 and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which 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 the 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 noncurrent assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within twelve months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being used for an exchange or used to settle a liability for more than twelve months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities expected to be settled within twelve months after the reporting period; and

3) Liabilities without an unconditional right to defer settlement for at least twelve months after the reporting period.

Assets and liabilities that are not classified as above mentioned are classified as noncurrent.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its 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 disposals, 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-Company and its subsidiaries 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 Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests 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 Company and its subsidiaries lose 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 Company and its subsidiaries account for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company and its subsidiaries had directly disposed of the related assets or liabilities.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the cost on initial recognition of an investment in an associate.

The detailed information of subsidiaries (including the percentages of ownership and main businesses) is provided in Note 15 and, Tables 8 and 9.

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. Other types of non-controlling interests are measured at fair value.

When a business combination is achieved in stages, the Company and its subsidiaries' previously held equity interest in an acquiree is remeasured to fair value at the acquisition date, and the resulting gain or loss is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that has previously been recognized in other comprehensive income are recognized on the same basis as would be required if those interests were directly disposed of by the Company and its subsidiaries.

f. Foreign currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates closing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the year 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 from the retranslation of non-monetary items are included in profit or loss for the period 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 cases, 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 foreign operations (including subsidiaries, associates and joint ventures in other countries that use currencies different from the currency of the Company) are translated into the presentation currency - the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Company and its subsidiaries' entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange closing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

g. Inventories

Inventories consist of raw materials, supplies, finished goods and inventory in transit. Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item. The 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 weighted-average cost.

h. Investments in associates and joint ventures

An associate is an entity over which the Company and its subsidiaries have significant influence and that is neither a subsidiary nor an interest in a joint venture. A joint venture is a joint arrangement whereby the Company and its subsidiaries and other parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Company and its subsidiaries use the equity method to account for their investments in associates and joint ventures.

Under the equity method, an investment in an associate and a joint venture are initially recognized at cost and adjusted thereafter to recognize the Company and its subsidiaries' share of the profit or loss and other comprehensive income of the associate and joint venture. The Company and its subsidiaries also recognize the changes in the share of equity of associates and joint ventures.

Any excess of the cost of acquisition over the Company and its subsidiaries' share of the net fair value of the identifiable assets and liabilities of an associate or a joint venture at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company and its subsidiaries' 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 the Company and its subsidiaries subscribe for additional new shares of an associate and joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company and its subsidiaries' proportionate interest in the associate and joint venture. The Company and its subsidiaries record such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - share of changes in equities of the associates and joint ventures and investments accounted for using the equity method. If the Company and its subsidiaries' ownership interest is reduced due to non-subscription of the new shares of the associate and joint venture, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and joint venture is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be a deduction to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is deducted from retained earnings.

When the Company and its subsidiaries' share of losses of an associate and joint venture equal or exceed their interest in that associate and joint venture (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company and its subsidiaries' net investment in the associate and joint venture), the Company and its subsidiaries discontinue recognizing their share of further losses. Additional losses and liabilities are recognized only to the extent that the Company and its subsidiaries have incurred legal obligations, or constructive obligations, or made payments on behalf of that associate and joint venture.

When impairment loss is evaluated, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of 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 increased.

The Company and its subsidiaries discontinue the use of the equity method from the date on which their investment cease to be associates and joint ventures. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associates and the joint ventures attributable to the retained interest and their fair value are included in the determination of the gains or losses on disposal of the associates and the joint ventures. The Company and its subsidiaries account for all amounts previously recognized in other comprehensive income in relation to these associates and joint ventures on the same basis as would be required if that associates and joint ventures had directly disposed of the related assets or liabilities.

When the Company and its subsidiaries transact with their associates and joint ventures, profits and losses on these transactions are recognized in the consolidated financial statements only to the extent of interests in the associates and joint ventures that are not related to the Company and its subsidiaries.

i. Property, plant, and equipment

Property, plant and equipment (including assets held under finance leases) are measured at cost, less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less accumulated recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use and depreciated accordingly.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If a lease term is shorter than the asset's useful life, such asset is depreciated over the lease term.

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

j. Investment properties

Investment properties are properties held to earn rentals or land held for a currently undetermined future use. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

For a transfer from the property, plant and equipment classification to investment properties, the deemed cost of the property for subsequent accounting is its carrying amount at the end of owner-occupation.

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.

k. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Company and its subsidiaries' cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized on goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal.

l. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis.

2) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

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

m. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company and its subsidiaries review the carrying amounts of their tangible and intangible assets to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company and its subsidiaries estimate the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

The 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. The impairment loss is 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 prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

n. Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within 1 year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Recognition of depreciation of those assets would cease.

o. Financial instruments

Financial assets and financial liabilities are recognized when the Company and its subsidiaries become 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 or issuance of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement categories

<u>2018</u>

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and equity instruments at FVTOCI.

i Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends earned on such a financial asset. Fair value is determined in the manner described in Note 33.

ii Financial assets at amortized cost

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

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes and accounts receivable at amortized cost, other receivables, and other financial assets - current 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.

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.

iii Investments in equity instruments at FVTOCI

On initial recognition, the Company and its subsidiaries may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company and its subsidiaries' right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2017

Financial assets held by the Company and its subsidiaries are classified as available-for-sale financial assets and loans and receivables.

i Available-for-sale financial assets

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

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and reclassified to profit or loss when the investments are disposed of or are determined to be impaired.

Dividends on available-for-sale equity instruments are recognized when the Company and its subsidiaries' right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less any identified impairment loss at the end of each reporting period and presented as a separate line item as financial assets measured at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and fair value of such financial assets is recognized in other comprehensive income. Any impairment loss is recognized in profit or loss.

ii Loans and receivables

Loans and receivables including cash and cash equivalents, notes and accounts receivable, net (including related parties), other financial assets - current, other receivables (including related parties), refundable deposits and so on, 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 three months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

<u>2018</u>

The Company and its subsidiaries recognize a loss allowance for expected credit losses on financial assets at amortized cost which are expected credit loss on trade receivables.

The Company and its subsidiaries recognize lifetime expected credit losses (i.e. ECLs) for trade receivables. For all other financial instruments, the Company and its subsidiaries recognize lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company and its subsidiaries measure 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. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that are expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

<u>2017</u>

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

Financial assets at amortized cost, such as accounts receivable, are assessed for impairment on a collective basis even if there is no objective evidence of impairment individually. Objective evidence of impairment for a portfolio of receivables could include the Company and its subsidiaries' past experience of 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 defaults on receivables.

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

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

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, the disappearance of an active market for that financial asset because of financial difficulties, or it becoming probable that the borrower will enter bankruptcy or financial re-organization.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

For a financial asset measured at cost, the amount of the impairment losses is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account.

c) Derecognition of financial assets

The Company and its subsidiaries derecognize a financial asset only when the contractual rights to the cash flows from the asset expire, or when they transfer the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

If the Company and its subsidiaries neither transfer nor retain substantially all the risks and rewards of ownership and continue to control the transferred asset, the Company and its subsidiaries recognize their retained interest in the asset and any associated liability for amounts they may have to pay. If the Company and its subsidiaries retain substantially all the risks and rewards of ownership of a transferred financial asset, the Company and its subsidiaries continue to recognize the financial asset and also recognize a collateralized borrowing for the proceeds received.

Before 2017 (inclusive), 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 which had been recognized in other comprehensive income 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. On derecognition of an investment in an equity instrument at FVTOCI, in its entirety, the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Financial liabilities

a) Subsequent measurement

The Company and its subsidiaries measure all financial liabilities at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

p. Revenue recognition

<u>2018</u>

The Company and its subsidiaries identify contracts with customers, allocate the transaction price to the performance obligations and recognize revenue when performance obligations are satisfied.

1) Revenue from the sale of goods

Revenue from the sale of goods is recognized when the committed goods are delivered from the Company and its subsidiaries to customers to satisfy performance obligations. Unearned sales revenues are recognized as contract liabilities until performance obligations are satisfied.

Revenue is measured at fair value, which is transaction price (net of commercial discounts and quantity discounts) agreed to by the Company and its subsidiaries with customers. For a contract where the period between the date the Company and its subsidiaries transfer a promised good to a customer and the date the customer pays for that good is one year or less, the Company and its subsidiaries do not adjust the promised amount of consideration for any effect of a significant financing component.

2) Revenue from the rendering of services

The rendering of services of the Company and its subsidiaries pertain to logistics support. The service price is charged according to the basis of calculation as stated in the contract. Since the period between the date of service transferred and the date of collection is less than one year, the Company and its subsidiaries do not adjust the promised amount of consideration for any effect of a significant financing component.

2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated value-added tax, customer returns, rebates and other similar allowances.

1) Revenue from the sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods are transferred to the customers. Revenue is recognized because the earnings process is complete and revenue is realized or realizable.

2) Revenue from the rendering of services

The rendering of services of the Company and its subsidiaries pertain to logistics support. The service price is charged according to the basis of calculation as stated in the contract.

q. Leasing

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

Assets held under finance leases are initially recognized as assets of the Company and its subsidiaries at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheets as a finance lease obligation.

Finance expenses implicit in lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets; in which case, they are capitalized.

Operating lease payments are recognized as expenses over the lease term.

r. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All borrowing costs other than those stated above are recognized in profit or loss in the period in which they are incurred.

s. 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 services.

2) Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

t. 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 of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the 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 on all taxable temporary differences. Deferred tax assets are generally recognized on deductible temporary differences provided there will be sufficient taxable profit against which the benefits of the temporary differences can be used.

Deferred tax liabilities are recognized on taxable temporary differences associated with investments in subsidiaries and associates, except where the Company and its subsidiaries are 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 each balance sheet date 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 each balance sheet date 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 is realized, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company and its subsidiaries expect, at the balance sheet date, to recover or settle the carrying amount of the assets and liabilities.

3) Current and deferred taxes for the year

Current and deferred taxes 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 taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company and its subsidiaries' accounting policies, management is required to make judgments, estimates and assumptions 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 estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

a. Income taxes

The realizability of deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

b. Estimated impairment of accounts receivable

2018

The provision for impairment of accounts receivables is based on assumptions about risk of default and expected loss rates. The Company and its subsidiaries use judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company and its subsidiaries' 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.

2017

When there is objective evidence of impairment loss, the Company and its subsidiaries take into consideration the estimation of the future cash flows of such assets. The amount of the impairment loss is measured as the difference between 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 costs necessary to make the sale. 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.

d. Recognition and measurement of defined benefit plans

The resulting defined benefit costs under the defined benefit pension plans and the net defined benefit liabilities (assets) are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rates, rates of employee turnover, future salary increases rate, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of expenses and liabilities.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	**2017**
Cash on hand	$ 11,929	$ 12,495
Checking accounts and demand deposits	3,290,802	3,837,436
Cash equivalents (investments with original maturities of less than three months)		
Time deposits	2,782,702	4,134,241
	$ 6,085,433	$ 7,984,172

7. NOTES AND ACCOUNTS RECEIVABLE

	December 31	
	2018	**2017**
Notes receivable	$ 3,149,642	$ 2,755,332
Notes receivable from related parties	$ 38,815	$ 22,470
Accounts receivable	$ 11,633,903	$ 12,183,911
Less: Allowance for loss/doubtful accounts	(272,886)	(225,411)
	$ 11,361,017	$ 11,958,500
Accounts receivable from related parties	$ 239,820	$ 240,744
Less: Allowance for loss	(6,168)	-
	$ 233,652	$ 240,744

2018

The notes and accounts receivable of the Company and its subsidiaries are measured at amortized cost. For the related credit management policies, refer to Note 33.

The loss allowance of the Company and its subsidiaries' accounts receivables are recognized by the use of lifetime expected credit loss prescribed by IFRS 9. The lifetime expected credit losses on accounts receivables are estimated using a provision matrix by reference to the past collection experience of the customers and an increase in late payments over the credit period.

The following table details the loss allowance of notes and accounts receivable based on the Company and its subsidiaries' provision matrix.

	Not Past Due	0 to 30 Days	31 to 90 Days	91 to 180 Days	Over 180 Days	Total
Expected credit loss rate (%)	0.10	0.72	3.95	22.29	87.29	
Gross carrying amount	$ 12,542,766	$ 1,530,613	$ 585,745	$ 184,253	$ 218,803	$ 15,062,180
Loss allowance (Lifetime ECL)	(12,764)	(11,071)	(23,140)	(41,076)	(191,003)	(279,054)
Amortized cost	$ 12,530,002	$ 1,519,542	$ 562,605	$ 143,177	$ 27,800	$ 14,783,126

The movements of the loss allowance of accounts receivable were as follows:

	2018
Balance at January 1, 2018 (IAS 39)	$ 225,411
Adjustment on initial application of IFRS 9	-
Balance at January 1, 2018 (IFRS 9)	225,411
Recognized in current year	77,931
Written off in current year	(19,560)
Effect of foreign currency exchange differences	(4,728)
Balance at December 31, 2018	$ 279,054

2017

Allowance for doubtful accounts is recognized based on estimated irrecoverable amounts determined by reference to the account aging analysis, past experience, customers' past credit records and current financial positions.

On December 31, 2017, the accounts receivables that were no allowance recognized because there were no significant change in credit quality and we had some collaterals to enhance credit guarantee. In management's opinion, the accounts receivable were still considered recoverable.

The aging of notes and accounts receivable was as follows:

	December 31, 2017
Not past due	$ 13,163,477
0 to 30 days	1,355,525
31-90 days	438,857
91-180 days	130,438
More than 181 days	114,160
	$ 15,202,457

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

The movements of the allowance for doubtful accounts were as follows:

	2017
Balance at January 1, 2017	$ 175,648
Recognized in current year	66,494
Acquisition of subsidiaries	23,255

(Continued)

	2017
Effect of foreign currency exchange differences	$ 742
Written-off in current year	(21,532)
Disposal of subsidiaries	(19,196)
Balance at December 31, 2017	$ 225,411

(Concluded)

Refer to Note 33 for the details on factoring agreements for accounts receivable from subsidiaries.

Refer to Note 35 for the details on the amount of notes receivable pledged as collateral for bank borrowings.

8. INVENTORIES

	December 31	
	2018	2017
Raw materials	$ 3,341,102	$ 3,282,320
Supplies	216,823	221,203
Finished goods	4,103,832	3,964,122
Inventory in transit	256,093	334,902
	$ 7,917,850	$ 7,802,547

The cost of inventories recognized as operating costs for the years ended December 31, 2018 and 2017 was NT$36,020,316 thousand and NT$34,112,841 thousand, respectively, including write-down of inventories of NT$81,540 thousand and NT$34,426 thousand, respectively.

9. NON-CURRENT ASSETS HELD FOR SALE

	December 31	
	2018	2017
Land held for sale	$ 9,243	$ -

In consideration of asset management and financial planning, on March 20, 2018, the board of directors of the Company approved to sell the land located in Daliao District of Kaohsiung City (previously classified as investment properties), and the land was reclassified as non-current assets held for sale. In November 2018, the Company signed a sales contract with a non-related party, refer to Table 4 for the details.

10. OTHER FINANCIAL ASSETS - CURRENT

	December 31	
	2018	2017
Time deposits with original maturities of more than three months	$ 241,780	$ 297,430

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - NONCURRENT

	December 31, 2018
Non-derivative financial assets	
Mutual fund	
Pacven Walden Ventures V, L.P.	$ 7,341

The above mutual fund was previously classified as financial assets measured at cost under IAS 39. For information relating to its reclassification and comparative information for 2017, refer to Notes 3 and 14.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NONCURRENT

	December 31, 2018
Domestic investments	
Listed shares	
President Securities Corp.	$ 393,902
Unlisted shares	
The Orchard Corp. of Taiwan Ltd.	41,556
Universal Venture Capital Investment Corp.	37,707
Universal Development & Investment Capital I Co., Ltd.	24,450
Der Yang Biotechnology Venture Capital Co., Ltd.	4,331
Mega I Venture Capital Co., Ltd.	2,609
	504,555
Foreign investments	
Listed shares	
TBG Diagnostics Limited	49,643
Unlisted shares	
Grace THW Holdings Limited	130,624
Certificate of interest	
Orchard Decorative Materials (China) Co., Ltd.	31,215
	211,482
	$ 716,037

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company and its subsidiaries' strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale financial assets - noncurrent and financial assets measured at cost - noncurrent under IAS 39. Refer to Notes 3, 13 and 14 for information relating to their reclassification and comparative information for 2017.

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS - NONCURRENT

	December 31, 2017
Domestic investments - Listed shares	
President Securities Corp.	$ 111,012
Foreign investments - Listed shares	
TBG Diagnostics Limited	196,300
	307,312
Valuation adjustment	241,064
	$ 548,376

14. FINANCIAL ASSETS MEASURED AT COST - NONCURRENT

	December 31, 2017
Grace THW Holdings Limited	$ 123,742
Universal Venture Capital Investment Corp.	51,500
Universal Development & Investment Capital I Co., Ltd.	47,838
Polymer Instrumentation and Consulting Services, Ltd.	34,720
Orchard Decorative Materials (China) Co., Ltd.	31,248
Mega I Venture Capital Co., Ltd.	16,537
Pacven Walden Ventures V, L.P.	14,021
The Orchard Corp. of Taiwan Ltd.	12,161
Der Yang Biotechnology Venture Capital Co., Ltd.	8,390
	340,157
Less: Accumulated impairment	(105,203)
	$ 234,954

Since there are wide ranges of estimated fair values of the Company and its subsidiaries' investments, the Company concludes that the fair value cannot be reliably measured. Therefore, the investments are classified as financial assets measured at cost.

Based on the assessments of Universal Development & Investment Capital I Co., Ltd., Der Yang Biotechnology Venture Capital Co., Ltd., Mega I Venture Capital Co., Ltd., and Grace THW Holdings Limited, the Company and its subsidiaries recognized an impairment loss for the excess of carrying amounts over the estimated recoverable amounts.

15. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements were as follows:

Investor	Investee	Main Businesses	Percentage of Ownership (%) December 31, 2018	Percentage of Ownership (%) December 31, 2017	Additional Descriptions
The Company	Eternal Global (BVI) Co., Ltd.	International investment	100	100	
	Eternal Holdings Inc.	International investment	100	100	
	Mixville Holdings Inc.	International investment	100	100	
	CHOU-KOU Materials Co., Ltd.	Selling, trading and providing service of resins material, electronic material and other related products	100	100	
	Nikko-Materials Co., Ltd.	Manufacturing and selling of dry film photoresist and vacuum laminator	100	100	

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership (%) December 31, 2018	Percentage of Ownership (%) December 31, 2017	Additional Descriptions
	Eternal Electronic Material (Thailand) Co., Ltd.	Trading service, cutting and selling of dry film photoresist	75	75	
	New E Materials Co., Ltd.	Researching, developing, manufacturing and selling of photoelectric, semiconductor process related electronic chemical materials and equipment spare parts	62.80	62.80	
	Eternal Capatech Co., Ltd.	Manufacturing and selling of electronic spare parts and related materials parts	96.71	96.71	1)
	Eternal Materials (Malaysia) Sdn. Bhd.	Manufacturing, selling, trading and providing service of resins material related products	90	90	
	Elga Europe S.r.l.	Manufacturing, selling, dealing and processing of electronic-chemical products.	72.68	60	2) and Note 28
Eternal Global (BVI) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	Manufacturing and selling of resins material and processing products	100	100	
	Changhe International Trading (GZFTZ) Co., Ltd.	International trading, commercial trading, entrepot trading, products displayed, bonded warehousing and business consulting service	100	100	
Eternal Holdings Inc.	Eternal International (BVI) Co., Ltd.	International investment	100	100	
	E-Chem Corp.	International investment	100	100	
Eternal International (BVI) Co., Ltd.	Eternal Technology Corporation	Manufacturing and selling of photoresist	100	100	
	Eternal (China) Investment Co., Ltd.	Managing, investing consulting service, researching, manufacturing and selling of resins material and photoelectric chemical materials	100	100	
E-Chem Corp.	Eternal Specialty Materials (Zhuhai) Co., Ltd.	Manufacturing and selling of acrylic resin and methacrylic acid	90	90	
Mixville Holdings Inc.	High Expectation Limited	International investment activities	100	100	
High Expectation Limited	Eternal Materials (Guangdong) Co., Ltd.	Manufacturing and selling of adhesives, resins material and processing of products	100	100	
Eternal (China) Investment Co., Ltd.	Eternal Optical Material (Suzhou) Co., Ltd.	Manufacturing and selling of optical film	100	100	
	Eternal Photoelectric Material Industry (Yingkou) Co., Ltd.	Researching, developing and manufacturing of photoresist dry film, liquid photo imaginable solder masks and printed circuit board related materials	100	100	
	Eternal Synthetic Resins (Changshu) Co., Ltd.	Manufacturing and selling of unsaturated polyester resin	100	100	
	Eternal Chemical (Chengdu) Co., Ltd.	Researching and developing resins material and products	100	100	
	Eternal Electronic (Suzhou) Co., Ltd.	Researching, developing, and manufacturing of dry film photoresist and dry film solder mask which used in electronic materials, and selling, providing after sales service of self-produced products	100	100	
	Eternal Electronic Material (Guangzhou) Co., Ltd.	Coating, slitting, cutting, processing, and selling of photoresist	100	100	
	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Researching, developing, manufacturing and selling of electronic high-tech chemical and related products	100	100	
	Eternal Sun A. (Suzhou) Co., Ltd.	Researching, developing, and manufacturing of optical protective film which used in display, and selling, providing after sales service of self-produced products	60	60	
	Eternal Chemical (Tianjin) Co., Ltd.	Manufacturing and selling of adhesives, resins material and processing products	100	100	
	Eternal Specialty Materials (Suzhou) Co., Ltd.	Researching and developing chemical products, and selling, providing technical service of self-produced products	100	100	
	Eternal Photoelectric Material Industry (Kunshan) Co., Ltd.	Cutting and processing of dry film photoresist and selling self-products.	84.06	84.06	
	Elga Europe S.r.l.	Manufacturing, selling, agency and processing of electronic chemical products	22.32	35	2) and Note 28
	Eternal Materials (Changzhou) Co., Ltd.	Selling of fluorocarbon resin and polyester resin products	100	100	
Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Photoelectric Material Industry (Kunshan) Co., Ltd.	Cutting and processing of dry film photoresist and selling self-produced products	15.94	15.94	
Nikko-Materials Co., Ltd.	Nikko Mechanics Co., Ltd.	Designing, manufacturing, selling of industrial machinery and machine tool	80	80	Note 28

(Concluded)

1) Dissolved in December 2018 after resolution of the shareholders of the subsidiary in its shareholders' meeting.

2) In 2018, the Company subscribed for a cash increase of EUR 2,375 thousand (NT$84,241 thousand) in the subsidiary. The Company and its subsidiaries still own 95% of the equity of the subsidiary after the cash increase.

b. The company and its subsidiaries did not have any subsidiary with material non-controlling interests.

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2018	2017
Investments in associates	$ 2,101,788	$ 1,983,918
Investments in joint ventures	(4,957)	23,273
	$ 2,096,831	$ 2,007,191

a. Investments in associates

	December 31	
	2018	2017
Associates that are not individually material	$ 2,101,788	$ 1,983,918

Information about associates that are not individually material was as follows:

	For the Year Ended December 31	
	2018	2017
The Company and its subsidiaries' share of		
Net profit for the year	$ 221,822	$ 270,405
Other comprehensive income	(15,713)	(4,459)
Total comprehensive income for the year	$ 206,109	$ 265,946

Fair values (Level 1) of investments in associates with available published price quotation are summarized as follows:

	December 31	
	2018	2017
Daxin Materials Corporation	$ 2,178,415	$ 1,647,159

The Company and its subsidiaries obtained significant influence over Polymer instrumentation and Consulting services, Ltd. (Polymics Ltd.), which was originally classified as financial assets at fair value through other comprehensive income - noncurrent, after increasing their percentage of ownership to 30% in May 2018, and Polymics Ltd. was subsequently accounted for using the equity method.

The Company and its subsidiaries held 50% ownership of DSM Eternal Resins (Kunshan) Co., Ltd., but don't control it. Therefore, DSM Eternal Resins (Kunshan) Co., Ltd. was not included in the consolidated financial statements but was accounted for using the equity method.

b. Investments in joint ventures

	December 31	
	2018	2017
Joint ventures that are not individually material	$ (4,957)	$ 23,273

Information about joint ventures that are not individually material was as follows:

	For the Year Ended December 31	
	2018	2017
The Company and its subsidiaries' share of		
Net loss for the year	$ (27,855)	$ (8)
Other comprehensive income	(375)	245
Total comprehensive income	$ (28,230)	$ 237

Eternal (China) Investment Co., Ltd. held 51% ownership of Hangzhou Yongxinyang Photoelectric Materials Co., Ltd. However, since the investment is under joint control in a joint venture agreement, the investment is accounted for using the equity method.

The Company and its subsidiaries' share of losses of the joint venture exceeded their interest in that joint venture. They discontinue recognizing their share of further losses. Additional losses and liabilities are recognized only to the extent that the Company and its subsidiaries have incurred legal obligations or constructive obligations, or made payments on behalf of that joint venture.

The investments accounted for using the equity method and the share of profit and other comprehensive income of those investments are based on the associates' audited financial statements for the same period.

Refer to Tables 8 and 9 for the main business and country of incorporation of the associates and joint ventures.

17. PROPERTY, PLANT AND EQUIPMENT

For the Year Ended December 31, 2018

	Land	Buildings	Machinery and Equipment	Storage Equipment	Examination Equipment	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
Carrying amount at January 1, 2018	$ 2,739,777	$ 5,529,325	$ 5,858,544	$ 523,785	$ 462,046	$ 279,562	$ 3,073,210	$ 18,466,249
Cost								
Balance at January 1, 2018	$ 2,739,777	$ 10,317,482	$ 19,003,472	$ 1,281,760	$ 1,427,589	$ 721,974	$ 3,073,210	$ 38,565,264
Additions	-	962,763	2,039,490	226,375	103,116	90,497	(890,925)	2,531,316
Disposals	-	(102,255)	(504,144)	(23,246)	(62,439)	(26,452)	(282)	(718,818)
Transferred to investment properties (Note 18)	(17,057)	(139,668)	-	-	-	-	-	(156,725)
Effect of foreign currency exchange difference	430	(115,333)	(188,127)	(14,884)	(8,749)	(5,209)	(11,356)	(343,228)
Balance at December 31, 2018	$ 2,723,150	$ 10,922,989	$ 20,350,691	$ 1,470,005	$ 1,459,517	$ 780,810	$ 2,170,647	$ 39,877,809
Accumulated depreciation and impairment								
Balance at January 1, 2018	$ -	$ 4,788,157	$ 13,144,928	$ 757,975	$ 965,543	$ 442,412	$ -	$ 20,099,015
Depreciation	-	533,743	1,066,346	66,357	98,248	62,200	-	1,826,894
Disposals	-	(65,306)	(414,756)	(21,162)	(55,010)	(22,568)	-	(578,802)
Transferred to investment properties (Note 18)	-	(108,279)	-	-	-	-	-	(108,279)
Effect of foreign currency exchange difference	-	(39,492)	(99,693)	(5,970)	(5,471)	(2,777)	-	(153,403)
Balance at December 31, 2018	$ -	$ 5,108,823	$ 13,696,825	$ 797,200	$ 1,003,310	$ 479,267	$ -	$ 21,085,425
Carrying amount at December 31, 2018	$ 2,723,150	$ 5,814,166	$ 6,653,866	$ 672,805	$ 456,207	$ 301,543	$ 2,170,647	$ 18,792,384

For the Year Ended December 31, 2017

	Land	Buildings	Machinery and Equipment	Storage Equipment	Examination Equipment	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
Carrying amount at January 1, 2017	$ 2,547,201	$ 4,907,362	$ 5,391,507	$ 436,868	$ 421,318	$ 146,287	$ 3,412,823	$ 17,263,366
Cost								
Balance at January 1, 2017	$ 2,547,201	$ 9,184,577	$ 17,437,858	$ 1,154,441	$ 1,459,242	$ 559,506	$ 3,412,823	$ 35,755,648
Additions	-	1,283,849	1,622,009	153,623	157,814	185,532	(349,330)	3,053,497
Disposals	-	(49,786)	(183,843)	(18,795)	(154,380)	(21,746)	-	(428,550)
Effect of acquisition of subsidiaries	177,112	243,946	352,109	7,977	6,738	31,988	-	819,870
Effect of disposal of subsidiaries	-	(265,249)	(156,373)	(11,301)	(38,135)	(32,057)	(101)	(503,216)
Effect of foreign currency exchange differences	15,464	(79,855)	(68,288)	(4,185)	(3,690)	(1,249)	9,818	(131,985)
Balance at December 31, 2017	$ 2,739,777	$ 10,317,482	$ 19,003,472	$ 1,281,760	$ 1,427,589	$ 721,974	$ 3,073,210	$ 38,565,264
Accumulated depreciation and impairment								
Balance at January 1, 2017	$ -	$ 4,277,215	$ 12,046,351	$ 717,573	$ 1,037,924	$ 413,219	$ -	$ 18,492,282
Depreciation	-	496,861	1,063,601	60,636	96,247	49,269	-	1,766,614
Disposals	-	(35,796)	(157,509)	(16,319)	(145,710)	(18,170)	-	(373,504)
Impairment losses	-	3,289	59,292	-	1,487	1,334	-	65,402
Effect of acquisition of subsidiaries	-	159,845	301,186	6,578	6,437	27,190	-	501,236
Effect of disposal of subsidiaries	-	(93,812)	(121,556)	(8,280)	(28,287)	(27,261)	-	(279,196)
Effect of foreign currency exchange differences	-	(19,445)	(46,437)	(2,213)	(2,555)	(3,169)	-	(73,819)
Balance at December 31, 2017	$ -	$ 4,788,157	$ 13,144,928	$ 757,975	$ 965,543	$ 442,412	$ -	$ 20,099,015
Carrying amount at December 31, 2017	$ 2,739,777	$ 5,529,325	$ 5,858,544	$ 523,785	$ 462,046	$ 279,562	$ 3,073,210	$ 18,466,249

The subsidiary Eternal Capatech Co., Ltd., estimated that the future economic benefits that are expected to arise from the related buildings and equipment would decrease, leading to the recoverable amount being lower than the carrying amount, thus an impairment loss of $65,402 thousand was recognized in other gains and losses for the year ended December 31, 2017.

The Company and its subsidiaries determined the recoverable amount of the relevant assets on the basis of their fair value less costs of disposal. The fair value of the recoverable amount was determined by the cost method and categorized as a Level 3 measurement. Under the method, the fair value was the cost to purchase or build a new asset less physical devaluation, functional devaluation and economic devaluation.

The following items of property, plant and equipment are depreciated on a straight-line basis over the following useful lives:

Buildings	5-50 years
Machinery and equipment	3-20 years
Storage equipment	5-20 years
Examination equipment	5-15 years
Other equipment	3-12 years

Refer to Note 35 for the amounts of property, plant and equipment pledged by the Company and its subsidiaries as collateral for bank borrowings.

Land held by the Company was revalued in 1980, 1990, 1997 and 2004, as of December 31, 2018 and 2017, the revaluation increments of the land was $1,977,218 thousand.

18. INVESTMENT PROPERTIES

For the Year Ended December 31, 2018

	Land	Land Use Rights	Buildings	Total
Carrying amounts at January 1, 2018	$ 9,243	$ -	$ -	$ 9,243

(Continued)

	Land	Land Use Rights	Buildings	Total
Cost				
Balance at January 1,2018	$ 9,243	$ -	$ -	$ 9,243
Transferred from property, plant and equipment	17,057	-	139,668	156,725
Transferred from other noncurrent assets - other	-	6,589	-	6,589
Reclassified as non-current assets held for sale (Note 9)	(9,243)	-	-	(9,243)
Effect of foreign currency exchange differences	-	1	12	13
Balance at December 31, 2018	$ 17,057	$ 6,590	$ 139,680	$ 163,327
Accumulated depreciation and impairment				
Balance at January 1, 2018	$ -	$ -	$ -	$ -
Depreciation	-	12	394	406
Transferred from property, plant and equipment	-	-	108,279	108,279
Transferred from other noncurrent assets - other	-	1,888	-	1,888
Effect of foreign currency exchange differences	-	-	10	10
Balance at December 31, 2018	$ -	$ 1,900	$ 108,683	$ 110,583
Carrying amounts at December 31, 2018	$ 17,057	$ 4,690	$ 30,997	$ 52,744

(Concluded)

For the Year Ended December 31, 2017

	Land
Cost	
Balance at January 1 and December 31, 2017	$ 9,243

In consideration of the group’s strategy, the Company’s land located in Pingtung and the subsidiaries’ land use rights and buildings located in China were transferred from property, plant and equipment and other noncurrent assets - other to investment properties in 2018. Their fair value were not evaluated by an independent appraiser. The management of the Company used the valuation model that market participants would use in determining the fair value, and the fair value was measured by using Level 3 inputs. The fair value of $403,682 thousand was arrived at by reference to market evidence of transaction prices for similar properties and by using a discounted cash flow analysis.

On December 31, 2017, investment properties held by the Company and its subsidiaries are located where market transactions were not frequent and alternative reliable measurements of fair value were not available; therefore, the Company determined that the fair value of the investment properties cannot be reliably measured.

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

Land use right	50 years
Buildings	20 years

19. INTANGIBLE ASSETS

For the Year Ended December 31, 2018

	Goodwill	Expertise	Customer Relationships	Computer Software	Others	Total
Carrying amount at January 1, 2018	$ 73,984	$ 115,706	$ 91,653	$ -	$ 36,671	$ 318,014
Cost						
Balance at January 1, 2018	$ 73,984	$ 127,513	$ 104,038	$ -	$ 131,758	$ 437,293
Additions	-	-	-	82,736	18,775	101,511
Disposals	-	-	-	-	(7,745)	(7,745)
Effect of foreign currency exchange differences	2,175	-	-	-	(2,984)	(809)
Balance at December 31, 2018	$ 76,159	$ 127,513	$ 104,038	$ 82,736	$ 139,804	$ 530,250
Accumulated amortization and impairment						
Balance at January 1, 2018	$ -	$ 11,807	$ 12,385	$ -	$ 95,087	$ 119,279
Amortization expense	-	14,168	14,863	345	6,747	36,123
Disposals	-	-	-	-	(7,745)	(7,745)
Effect of foreign currency exchange differences	-	-	-	-	(2,686)	(2,686)
Balance at December 31, 2018	$ -	$ 25,975	$ 27,248	$ 345	$ 91,403	$ 144,971
Carrying amount at December 31, 2018	$ 76,159	$ 101,538	$ 76,790	$ 82,391	$ 48,401	$ 385,279

For the Year Ended December 31, 2017

	Goodwill	Expertise	Customer Relationships	Others	Total
Carrying amount at January 1, 2017	$ -	$ -	$ -	$ 38,266	$ 38,266
Cost					
Balance at January 1, 2017	$ -	$ -	$ -	$ 96,344	$ 96,344
Additions	-	-	-	6,921	6,921
Disposals	-	-	-	(6,621)	(6,621)
Effect of acquisition of subsidiaries	75,202	127,513	104,038	8,723	315,476
Effect of disposal of subsidiaries	-	-	-	(1,801)	(1,801)
Effect of foreign currency exchange differences	(1,218)	-	-	28,192	26,974
Balance at December 31, 2017	$ 73,984	$ 127,513	$ 104,038	$ 131,758	$ 437,293

(Continued)

	Goodwill	Expertise	Customer Relationships	Others	Total
Accumulated amortization and impairment					
Balance at January 1, 2017	$ -	$ -	$ -	$ 58,078	$ 58,078
Amortization expense	-	11,807	12,385	19,526	43,718
Disposals	-	-	-	(6,621)	(6,621)
Impairment losses recognized	-	-	-	5,400	5,400
Effect of disposal of subsidiaries	-	-	-	(1,108)	(1,108)
Effect of foreign currency exchange differences	-	-	-	19,812	19,812
Balance at December 31, 2017	$ -	$ 11,807	$ 12,385	$ 95,087	$ 119,279
Carrying amount at December 31, 2017	$ 73,984	$ 115,706	$ 91,653	$ 36,671	$ 318,014

(Concluded)

The Company and its subsidiaries' goodwill was tested for impairment at the end of the annual reporting period and the recoverable amount was determined based on the value in use. The value in use was calculated based on the cash flow forecast of the cash-generating units, and the Company used the annual discount rate in its test of impairment. However, based on the estimation, the recoverable amount was still higher than the related carrying amount. For the years ended December 31, 2018 and 2017, the Company and its subsidiaries did not recognize any impairment loss on goodwill.

Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Expertise	9 years
Customer relationships	7 years
Computer software	20 years
Other intangible assets	3-20 years

20. OTHER NONCURRENT ASSETS - OTHER

	December 31	
	2018	2017
Land use rights	$ 1,093,000	$ 1,139,186
Other noncurrent assets	138,491	190,694
	$ 1,231,491	$ 1,329,880

The Company and its subsidiaries entered into contracts to obtain land use rights to use land for 50 to 56 years.

Rental expense for the years ended December 31, 2018 and 2017 was $26,092 thousand and $26,375 thousand, respectively.

21. BORROWINGS

a. Short-term borrowings

Type of Borrowings	Interest Rate Range (%)	Amount
December 31, 2018		
Unsecured loans	2.95-5.22	$ 3,114,594
Purchase loans	2.96-4.03	72,652
Secured loans	1.57-5.00	1,958,408
		$ 5,145,654
December 31, 2017		
Unsecured loans	0.55-5.50	$ 4,093,391
Purchase loans	1.89-2.47	175,602
Secured loans	0.63-5.05	1,835,643
		$ 6,104,636

b. Long-term borrowings

Type of Borrowings	Agreement Period and Interest Payable Schedule	Interest Rate Range (%)	Amount
December 31, 2018			
Mortgage secured loans	From December 17, 2010 to December 31, 2025. Interest payment by applicable interest period.	0.86-2.70	$ 141,790
Secured loans	From July 15, 2016 to September 17, 2021. Interest payment by applicable interest period.	1.20-5.35	3,378,568
Unsecured loans	From February 13, 2014 to October 2, 2023. Interest payment by applicable interest period.	0.85-4.30	13,422,590
			16,942,948
Long-term bills payable			
Commercial paper	Revolving credit, the period of the agreement is five years. Maturity date is May 2023. Only banking surcharge and interests have to be paid before the maturity date.	1.33	900,000

(Continued)

Type of Borrowings	Agreement Period and Interest Payable Schedule	Interest Rate Range (%)	Amount
Less: Unamortized discounts			$ (1,035)
			898,965
			17,841,913
Less: Current portion of long-term borrowings			(3,676,052)
			$ 14,165,861

(Concluded)

The above commercial papers were issued by Taiwan Cooperative Bills Finance Corporation and International Bills Finance Corporation and guaranteed by a syndicated credit line from 8 banks led by E.SUN Commercial Bank, Ltd..

Type of Borrowings	Agreement Period and Interest Payable Schedule	Interest Rate Range (%)	Amount
December 31, 2017			
Mortgage secured loans	From December 17, 2010 to December 31, 2025. Interest payment by applicable interest period.	0.86-2.70	$ 162,879
Secured loans	From October 14, 2015 to February 4, 2020. Interest payment by applicable interest period.	1.30-5.35	3,741,128
Unsecured loans	From March 29, 2013 to October 2, 2023. Interest payment by applicable interest period.	0.71-3.68	15,223,727
			19,127,734
Less: Current portion of long-term borrowings			(6,139,486)
			$ 12,988,248

c. Facility agreements and financial covenants

1) During the period of the credit facility agreements, the Company and its subsidiaries undertook with the creditors that the current ratio, liability ratio, interest coverage ratio and net tangible assets of the consolidated financial statements will be maintained within a certain specified ratio or amount and reviewed at least once a year. If the Company or its subsidiaries breach these clauses, the bank and syndicated banks can cancel the credit line or declare that part or all of the loan together with accrued interest immediately due. The Company was in compliance with the syndicated credit facility agreements based on its consolidated financial statements for the years ended December 31, 2018 and 2017.

2) As of December 31, 2018, the Company and its subsidiaries utilized the credits under signed facility agreements of the following banks.

Bank	Currency	Credit line
HSBC Bank (Taiwan) Limited	NTD	$ 1,200,000
E.SUN Commercial Bank, Ltd.	NTD	600,000
O-Bank Co., Ltd.	NTD	600,000
Bank SinoPac	NTD	600,000
Taipei Fubon Commercial Bank Co., Ltd.	NTD	500,000
CTBC Bank Co., Ltd.	JPY	417,604
HSBC Bank (China) Company Limited	USD	2,100
BNP Paribas (China) Limited	RMB	40,000
Taipei Fubon Commercial Bank Co., Ltd.	EUR	5,000

3) As of December 31, 2018, the Company and its subsidiaries executed syndicated credit facility agreements with the following banks.

In November 2017, the Company entered into a syndicated credit facility agreement with 8 banks led by E.SUN Commercial Bank, Ltd. for a NT$4,200,000 thousand credit line; the proceeds are for repaying liabilities and expanding medium-term working capital.

In July 2015, the Company entered into a syndicated credit facility agreement with 11 banks led by Taipei Fubon Commercial Bank Co., Ltd. for a NT$4,500,000 thousand credit line; the proceeds are for repaying liabilities and expanding medium-term working capital.

In July 2018, a subsidiary entered into a syndicated credit facility agreement with 5 banks led by Taipei Fubon Commercial Bank Co., Ltd. for a USD55,000 thousand credit line; the proceeds are for repaying liabilities and expanding medium-term working capital.

In July 2016, a subsidiary entered into a syndicated credit facility agreement with BNP Paribas Malaysia Berhad, Mizuho Bank (Malaysia) Berhad and Sumitomo Mitsui Banking Corporation Malaysia Berhad for a MYR160,000 thousand credit line; the proceeds are for the capital expenditure of factory buildings.

4) Refer to Note 35 for the details of assets pledged as collateral for bank borrowings of the Company and its subsidiaries.

22. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company and its domestic subsidiaries adopted a pension plan under the Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Based on the LPA, the Company and its subsidiaries make monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

The subsidiaries in mainland China have defined contribution pension plans and contribute monthly an amount based on a certain percentage of employees’ monthly salaries and wages. The plan is administered by the government of mainland China. Other than the monthly contributions, the subsidiaries do not have other pension liabilities.

b. Defined benefit plans

The Company has a defined benefit plan in accordance with the Labor Standards Law; the pension plan is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 10% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. The Company has no right to influence the investment policy and strategy of the pension fund. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year.

Some subsidiaries also have their own defined benefit plan as approved by each subsidiary. The contribution depends on employees' job level and age, and payment to the employee must be completed within two months after the employee has left the company.

The amounts included in the consolidated balance sheets in respect of the Company and its subsidiaries' defined benefit plans were as follows:

	December 31	
	2018	**2017**
Present value of defined benefit obligation	$ 2,227,098	$ 2,283,351
Fair value of plan assets	(1,187,487)	(1,097,861)
Net defined benefit liabilities	$ 1,039,611	$ 1,185,490

Movements of net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liability**
Balance at January 1, 2018	$ 2,283,351	$ (1,097,861)	$ 1,185,490
Service cost			
Current service cost	40,919	-	40,919
Interest expense (income)	27,346	(13,174)	14,172
Recognized in profit or loss	68,265	(13,174)	55,091
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(33,213)	(33,213)
Actuarial loss - changes in financial assumptions	26,538	-	26,538
Actuarial loss - experience adjustments	14,870	-	14,870
Recognized in other comprehensive income	41,408	(33,213)	8,195
Contributions from the employer	-	(198,564)	(198,564)
Benefits paid	(168,019)	155,325	(12,694)
	(168,019)	(43,239)	(211,258)

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Exchange differences	$ 2,093	$ -	$ 2,093
Balance at December 31, 2018	$ 2,227,098	$ (1,187,487)	$ 1,039,611
Balance at January 1, 2017	$ 2,319,577	$ (1,216,447)	$ 1,103,130
Effect of acquisition of subsidiaries	38,851	-	38,851
Service cost			
Current service cost	44,236	-	44,236
Interest expense (income)	35,084	(18,247)	16,837
Recognized in profit or loss	79,320	(18,247)	61,073
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	7,230	7,230
Actuarial loss - changes in financial assumptions	78,323	-	78,323
Actuarial gain - experience adjustments	(3,957)	-	(3,957)
Recognized in other comprehensive income	74,366	7,230	81,596
Contributions from the employer	-	(82,696)	(82,696)
Benefits paid	(227,701)	212,299	(15,402)
	(227,701)	129,603	(98,098)
Exchange differences	(1,062)	-	(1,062)
Balance at December 31, 2017	$ 2,283,351	$ (1,097,861)	$ 1,185,490

(Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2018	2017
Operating costs	$ 24,474	$ 28,180
Operating expenses	30,617	32,893
	$ 55,091	$ 61,073

Through the defined benefit plans under the Labor Standards Law, the Company and its subsidiaries are exposed to the following risks:

1) Investment risk

The plan assets are invested in domestic and foreign equity securities, debt securities, and bank deposits, etc. The investment is conducted at the discretion of the Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk

A decrease in the government and corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2018	**2017**
Discount rate (%)	1.00-1.10	1.00-1.20
Expected rate of salary increase (%)	0.00-3.00	0.00-3.00
Mortality rate (%)	Population was based on the 5th Taiwan Standard Ordinary Experience Mortality Table/85% of National Life Table	Population was based on the 5th Taiwan Standard Ordinary Experience Mortality Table/85% of National Life Table
Resignation rate (%)	0.00-23.00	0.00-23.00
Early retirement rate (%)	0.1-99	0.1-99

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2018	**2017**
Discount rate		
0.25% increase	$ (64,402)	$ (67,787)
0.25% decrease	$ 67,042	$ 70,643
Expected rate of salary increase		
0.25% increase	$ 58,675	$ 62,239
0.25% decrease	$ (56,775)	$ (60,157)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2018	2017
The expected contributions to the plan for the next year	$ 153,562	$ 188,782
The average duration of the defined benefit obligation	12-14 years	13-14 years

23. EQUITY

a. Share capital

	December 31	
	2018	2017
Number of shares authorized (in thousands)	1,800,000	1,200,000
Shares authorized	$ 18,000,000	$ 12,000,000
Number of shares issued and fully paid (in thousands)	1,240,280	1,159,140
Shares issued	$ 12,402,795	$ 11,591,397

In June 2017, the Company's shareholders resolved amendments to the Company's Articles of Incorporation (the "Articles"). The authorized shares are increased to NT$18,000,000 thousand. In June 2018, the Company's shareholders resolved to issue share dividend of 81,140 thousand shares from unappropriated earnings of NT$811,398 thousand, the paid-in capital amounted to NT$12,402,795 thousand.

b. Capital surplus

	December 31	
	2018	2017
May be used to offset deficit, distribute cash or transfer to share capital (Note)		
Additional paid-in capital	$ 309,017	$ 309,017
Treasury share transactions	19,642	19,642
	328,659	328,659
May be used to offset deficit only		
Share of change in equities of associates or joint ventures	27,387	31,241
	$ 356,046	$ 359,900

Note: The capital surplus could be used to offset a deficit and distribute as cash dividends or transfer to capital when the Company has no deficit (limited to a certain percentage of the Company's paid-in capital and once a year).

c. Retained earnings and dividend policy

The Company's Articles stipulate that annual profit should be utilized in the following order:

1) Pay for income tax.

2) Offset deficit of previous years.

3) Appropriate as legal reserve 10% of the remaining profit, until the accumulated legal reserve equals the paid-in capital.

4) Appropriate as special reserve in accordance with the shareholders' meeting or as requested by the authorities.

5) The remainder along with the unappropriated earnings are considered as distributable earnings. In accordance with dividend policy, the proposal of earnings appropriation is prepared by the board of directors and resolved in the shareholders' meeting.

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

Under Rule No. 1010012865 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate to or reverse a special reserve. Special reserve of NT$426,930 thousand was appropriated because of the exemptions from IFRS 1 elected by the Company. There is not any reversal of special reserve in 2018.

The appropriations of earnings for 2017 and 2016 had been approved in the shareholders' meetings in June 2018 and June 2017, respectively. The appropriations and dividends per share were as follows:

	Appropriations of Earnings		**Dividends Per Share (NT$)**	
	2017	**2016**	**2017**	**2016**
Legal reserve	$ 190,963	$ 262,638		
Cash dividends	579,570	1,655,914	$ 0.5	$ 1.5
Share dividends	811,398	551,972	0.7	0.5

The appropriations of earnings for 2018 which had been proposed by the Company's board of directors in March 2019 are as follows:

	Appropriation of Earnings	**Dividend Per Share (NT$)**
Legal reserve	$ 155,051	
Special reserve	83,963	
Cash dividends	1,116,252	$ 0.9
Share dividends	-	-

The appropriations of earnings for 2018 are subject to resolution in the shareholders' meeting to be held in June 2019.

d. Other equity items

1) Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2018	**2017**
Balance, beginning of the year	$ (206,864)	$ 170,906
Recognized for the year		
Exchange differences on translating foreign operations	(433,325)	(431,942)

(Continued)

	For the Year Ended December 31	
	2018	**2017**
Share of exchange differences of associates accounted for using the equity method	$ (16,276)	$ (4,214)
Reclassification adjustment		
Disposal of foreign operations	-	58,386
Balance, end of the year	$ (656,465)	$ (206,864)

(Concluded)

Exchange differences on translating foreign operations decreased because the subsidiaries in mainland China were affected by the large depreciation of the RMB to the NTD.

2) Unrealized gains and losses on available-for-sale financial assets

	For the Year Ended December 31, 2017
Balance, beginning of the year	$ 254,166
Unrealized gains and losses for the year	11,080
Balance, end of the year	$ 265,246

3) Unrealized gains and losses on financial assets at FVTOCI

	For the Year Ended December 31, 2018
Balance, beginning of the year (IAS 39)	$ -
Adjustment on initial application of IFRS 9	295,375
Balance, beginning of the year (IFRS 9)	295,375
Effect of change in tax rate	4,166
Recognized for the year	
Unrealized gains and losses - equity instruments	(159,755)
Other comprehensive income recognized for the year	(155,589)
Reclassification adjustment	
Cumulative unrealized gains and losses of equity instruments transferred to retained earnings due to disposal	5,786
Balance, end of the year	$ 145,572

e. Non-controlling interests

	For the Year Ended December 31	
	2018	2017
Balance, beginning of the year	$ 561,351	$ 546,809
Share of net loss for the year	(58,192)	(45,534)
Other comprehensive income or loss during the year		
Exchange differences on translating foreign operations	(1,605)	(1,109)
Remeasurement on defined benefit plans	(140)	143
Dividends distributed by subsidiaries	(5,636)	(4,865)
Non-controlling interests arising from issuing of shares not proportional to holdings in subsidiaries	-	4,541
Non-controlling interest arising from issuing of shares proportional to holdings in subsidiaries	126,312	30,416
Non-controlling interest arising from acquisition of subsidiaries (Note 28)	-	30,950
Balance, end of the year	$ 622,090	$ 561,351

24. REVENUE

	For the Year Ended December 31	
	2018	2017
Revenue from contracts with customers		
Revenue from the sale of goods	$ 43,300,081	$ 41,550,821
Revenue from the rendering of services	74	296
	$ 43,300,155	$ 41,551,117

a. For information on customer contracts, refer to Note 4.

b. Contract balances

	December 31, 2018
Notes and accounts receivable (Note 7)	$ 14,783,126
Contract liabilities (recorded as other current liabilities - other)	
Sale of goods	$ 16,495

The changes in the balance of contract liabilities resulted primarily from the difference in timing between the satisfaction of performance obligations and customer payment, there were no other significant changes in 2018.

Revenue of the reporting period recognized from the balance of contract liabilities at the beginning of the year is as follows:

	For the Year Ended December 31, 2018
From the balance of contract liabilities at the beginning of the year	
Sale of goods	$ 13,533

c. Disaggregation of revenue

	Reportable Segments				
	Resins Materials	Electronic Materials	High Performance Materials	Others	Total
For the year ended December 31, 2018					
Type of revenue					
Sale of goods	$ 23,026,621	$ 13,128,780	$ 7,091,305	$ 53,375	$ 43,300,081
Rendering of services	-	-	-	74	74
	$ 23,026,621	$ 13,128,780	$ 7,091,305	$ 53,449	$ 43,300,155

25. PROFIT BEFORE INCOME TAX

a. Other income

	For the Year Ended December 31	
	2018	2017
Interest income	$ 112,028	$ 86,259
Dividend income	49,519	3,475
Others	194,110	241,135
	$ 355,657	$ 330,869

b. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Gains on disposal of investments	$ 167,537	$ 515,624
Loss on disposal of property, plant and equipment	(9,422)	(23,569)
Gains and losses on financial assets		
Financial assets designated as at FVTPL	1,663	-
Impairment loss	-	(70,802)
Others	(108,376)	(88,233)
	$ 51,402	$ 333,020

c. Finance costs

	For the Year Ended December 31	
	2018	2017
Interest on bank loans	$ 644,693	$ 551,934
Less: Amounts included in the cost of qualifying assets	(67,686)	(57,916)
	$ 577,007	$ 494,018

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2018	2017
Capitalized interest amount	$ 67,686	$ 57,916
Capitalization rates (%)	1.48-5.35	1.54-5.35

d. Impairment losses on non-financial assets

	For the Year Ended December 31	
	2018	2017
Inventories	$ 81,540	$ 34,426
Property, plant and equipment	-	65,402
Intangible assets	-	5,400
	$ 81,540	$ 105,228

e. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Property, plant and equipment	$ 1,826,894	$ 1,766,614
Investment properties	406	-
Intangible assets	36,123	43,718
Other noncurrent assets - other	2,916	3,670
	$ 1,866,339	$ 1,814,002
Analysis of depreciation by function		
Operating costs	$ 1,496,045	$ 1,447,357
Operating expenses	331,255	319,257
	$ 1,827,300	$ 1,766,614
Analysis of amortization by function		
Operating costs	$ 1,914	$ 1,890
Operating expenses	37,125	45,498
	$ 39,039	$ 47,388

f. Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2018	2017
Rental income	$ 425	$ -
Direct operating expenses from investment properties generating rental income	(47)	-
Direct operating expenses from investment properties not generating rental income	(359)	-
	$ 19	$ -

g. Employee benefits

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits		
Salaries	$ 3,393,680	$ 3,370,788
Labor and health insurance	302,940	296,915
Others	319,935	306,170
	4,016,555	3,973,873
Post-employment benefits		
Defined contribution plans	196,775	204,105
Defined benefit plans (Note 22)	55,091	61,073
	251,866	265,178
	$ 4,268,421	$ 4,239,051
Analysis by function		
Operating costs	$ 1,860,470	$ 1,799,475
Operating expenses	2,407,951	2,439,576
	$ 4,268,421	$ 4,239,051

h. Employees' compensation and remuneration of directors

The Company distributed employees' compensation and remuneration of directors at rates 4.5% (inclusive)-5.5% and no higher than 1%, respectively, of pre-tax profit prior to the deduction of employees' compensation and remuneration of directors, which are as follows:

	For the Year Ended December 31, 2018	
	Accrual Amounts Recognized in Financial Statements	Amounts Approved by the Company's Board of Directors
Employees' compensation - cash	$ 77,544	$ 72,181
Remuneration of directors - cash	$ 14,400	$ 14,400

If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the difference is recorded as a change in accounting estimate and will be adjusted in next year.

The employees' compensation and remuneration of directors and supervisors (all in cash) approved by the Company's board of directors in March 2018 and 2017, and accrual amounts recognized in the consolidated financial statements, respectively, were as follows:

	For the Year Ended December 31			
	2017		2016	
	Employees' Compensation	Remuneration of Directors	Employees' Compensation	Remuneration of Directors
Amounts approved in the board of directors' meeting	$ 94,538	$ 14,400	$ 133,030	$ 8,000
Amounts recognized in the annual financial statements	95,490	14,400	137,810	8,000
Difference	$ (952)	$ -	$ (4,780)	$ -

The differences were adjusted to profit and loss for the years ended December 31, 2018 and 2017.

Information on the employees' compensation and remuneration of directors approved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

26. INCOME TAX

a. Income tax expense (benefit) recognized in profit or loss

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current year	$ 497,602	$ 420,282
Adjustments for prior years	6,496	8,515
	504,098	428,797
Deferred tax		
In respect of the current year	(104,017)	(22,288)
Effect of tax rate changes	(28,433)	-
	(132,450)	(22,288)
	$ 371,648	$ 406,509

The reconciliation of accounting profit and income tax expense (benefit) was as follows:

	For the Year Ended December 31	
	2018	2017
Profit before income tax	$ 1,863,971	$ 2,270,609

(Continued)

	For the Year Ended December 31	
	2018	2017
Income tax expense calculated at the statutory rate	$ 726,399	$ 669,550
Effect from items adjusted by regulation	(305,378)	(234,785)
Income tax on unappropriated earnings	25,501	5,652
Unrecognized loss carryforwards and investment credits	(52,937)	(42,423)
Effect of tax rate changes	(28,433)	-
Adjustments for prior years	6,496	8,515
	$ 371,648	$ 406,509

(Concluded)

The Income Tax Act was amended in 2018 and the corporate income tax rate was adjusted from 17% to 20%. The effect of the change in tax rate on deferred tax had been recognized. In addition, the tax rate of the corporate unappropriated earnings in 2018 will be reduced from 10% to 5%.

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

The tax rate applicable to most subsidiaries in China is 25%. However, some subsidiaries which are high-tech enterprises in China have a preferential tax rate of 15%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

b. Income tax expenses (benefit) recognized in other comprehensive income

	For the Year Ended December 31	
	2018	2017
Deferred tax		
Effect of tax rate changes		
Remeasurement of defined benefit plans	$ (12,899)	$ -
Remeasurement of defined benefit plans of subsidiaries, associates and joint ventures accounted for using the equity method	17	-
Unrealized gains and losses on financial assets at fair value through other comprehensive income	(4,166)	-
Recognized for the year		
Remeasurement of defined benefit plans	(1,791)	(13,687)
Remeasurement of defined benefit plans of subsidiaries, associates and joint ventures accounted for using the equity method	(112)	97
Unrealized gains and losses on financial assets at fair value through other comprehensive income	(1,557)	-
Unrealized gains and losses on available-for-sale financial assets	-	(18,881)
	$ (20,508)	$ (32,471)

c. Current tax assets and liabilities

	December 31 2018	December 31 2017
Current tax assets		
Prepaid income tax (recorded as other current assets - other)	$ 56,816	$ 76,658
Current tax liabilities		
Income tax payable	$ 211,607	$ 227,988

d. Deferred tax assets and liabilities

Movements of deferred tax assets and liabilities were as follows:

For the Year Ended December 31, 2018

	Balance, Beginning of the Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Balance, End of the Year
Deferred tax assets					
Temporary differences					
Defined benefit plan	$ 194,054	$ (32,052)	$ 14,324	$ -	$ 176,326
Loss carryforwards	60,581	7,257	-	(876)	66,962
Others	147,029	18,969	5,723	(3,408)	168,313
	$ 401,664	$ (5,826)	$ 20,047	$ (4,284)	$ 411,601
Deferred tax liabilities					
Temporary differences					
Investment income	$ (2,318,420)	$ 133,023	$ 95	$ -	$ (2,185,302)
Gains on land revaluation	(640,717)	-	-	-	(640,717)
Unrealized gains on foreign exchange	(5,694)	5,253	-	-	(441)
Others	(369)	-	366	(19)	(22)
	$ (2,965,200)	$ 138,276	$ 461	$ (19)	$ (2,826,482)

For the Year Ended December 31, 2017

	Balance, Beginning of the Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Acquisition of Subsidiaries	Disposal of Subsidiaries	Exchange Differences	Balance, End of the Year
Deferred tax assets							
Temporary differences							
Defined benefit plan	$ 186,550	$ (6,551)	$ 14,055	$ -	$ -	$ -	$ 194,054
Loss carryforwards	12,037	(240)	-	51,680	(7,663)	4,767	60,581
Others	118,834	11,610	18,881	-	(272)	(2,024)	147,029
	$ 317,421	$ 4,819	$ 32,936	$ 51,680	$ (7,935)	$ 2,743	$ 401,664
Deferred tax liabilities							
Temporary differences							
Investment income	$ (2,339,209)	$ 20,886	$ (97)	$ -	$ -	$ -	$ (2,318,420)
Gains on land revaluation	(640,717)	-	-	-	-	-	(640,717)
Unrealized gains on foreign exchange	(2,278)	(3,416)	-	-	-	-	(5,694)
Others	-	(1)	(368)	-	-	-	(369)
	$ (2,982,204)	$ 17,469	$ (465)	$ -	$ -	$ -	$ (2,965,200)

e. Income tax assessment

The Company's income tax returns through 2015 have been assessed by the tax authorities.

f. The Company is entitled to "the Incentive of a Five-Year Exemption from Corporate Income Tax on Investments Made by Enterprises in the Manufacturing Industry and the Technical Service Industry between July 1, 2008 and December 31, 2009", and has been eligible for five-year income tax exemption since 2014.

27. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2018	2017
Basic earnings per share	$ 1.25	$ 1.54
Diluted earnings per share	$ 1.25	$ 1.53

Because of issuance of share dividends, the weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2017 were as follows:

Unit: NT$ Per Share

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	$ 1.65	$ 1.54
Diluted earnings per share	$ 1.64	$ 1.53

The net profit and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

	For the Year Ended December 31	
	2018	2017
Net profit for the year attributable to owners of the Company	$ 1,550,515	$ 1,909,634

Number of ordinary shares

Unit: Thousand Shares

	For the Year Ended December 31	
	2018	2017
Weighted average number of ordinary shares used in computation of basic earnings per share before retrospective adjustment	1,240,280	1,159,140
Retrospective adjustment for share dividends	-	81,140
Weighted average number of ordinary shares used in the computation of basic earnings per share after retrospective adjustment	1,240,280	1,240,280

(Continued)

	For the Year Ended December 31	
	2018	**2017**
Effect of potentially dilutive ordinary shares		
Employees' compensation	3,977	3,933
Weighted average number of ordinary shares used in the computation of diluted earnings per share	1,244,257	1,244,213

(Concluded)

Since the Company is allowed to settle the compensation paid to employees by cash or shares, the Company assumed that the entire amount of the compensation will be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the shares have a dilutive effect. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

28. BUSINESS COMBINATIONS

a. Subsidiaries acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Elga Europe S.r.l. (Elga)	Refer to Note 15.	March 9, 2017	60	$ 202,927
Nikko Mechanics Co., Ltd. (LX)	Refer to Note 15.	April 1, 2017	80	$ 107,897

The Company indirectly owns 35% of the equity of Elga through its subsidiary Eternal (China) Investment Co., Ltd. Due to its global operation strategy, the Company acquired directly 60% ownership of Elga and Elga became a subsidiary of the Company.

On April 1, 2017, the Company acquired 80% ownership of LX through its subsidiary, Nikko-Materials Co., Ltd., in order to obtain the knowledge of assembly, design and technical know-how of vacuum laminators, and to increase capacity for future business expansion.

b. Considerations transferred

	Elga	LX
Cash	$ 202,927	$ 107,897

c. Assets acquired and liabilities assumed at the date of acquisition

	Elga	LX
Current assets		
Cash and cash equivalents	$ 3,833	$ 12,091
Accounts receivable and other receivables	95,741	158,201

(Continued)

	Elga	LX
Inventories	$ 136,435	$ 81,016
Other current assets	24,173	-
Noncurrent assets		
Property, plant and equipment	303,308	15,326
Intangible assets	239,918	356
Other noncurrent assets	51,455	5,340
Current liabilities		
Short-term borrowings	(118,581)	-
Accounts payable and other payables	(156,729)	(146,360)
Other current liabilities	(11,302)	-
Noncurrent liabilities		
Long-term borrowings	(245,023)	-
Other noncurrent liabilities	(52,718)	(38,851)
	$ 270,510	$ 87,119

(Concluded)

d. Goodwill recognized on acquisitions

	Elga	LX
Consideration transferred	$ 202,927	$ 107,897
Plus: Fair value of investments previously owned	91,057	-
Non-controlling interests	13,526	17,424
Less: Fair value of identifiable net assets acquired	(270,510)	(87,119)
Goodwill recognized on acquisitions	$ 37,000	$ 38,202

The goodwill recognized in the acquisition of Elga and LX mainly represents the control premium included in the cost of the combination. In addition, the consideration paid for the combination effectively included amounts attributed to the benefits of expected synergies.

The difference between the book value of $39,179 thousand and fair value of $91,057 thousand in the amount of $51,878 thousand was recognized as other gains on investments at the acquisition date.

e. Net cash outflow on acquisition of subsidiaries

	Elga	LX
Consideration paid in cash	$ 202,927	$ 107,897
Less: Cash and cash equivalents acquired	(3,833)	(12,091)
Investments payable (recorded as other payables - other)	(16,622)	-
	$ 182,472	$ 95,806

f. Impact of acquisitions on the results of operations

Had these business combinations of Elga and LX been in effect at the beginning of the annual reporting period, the Company's revenue and net income for the year ended December 31, 2017 would have been NT$41,627,305 thousand and NT$1,849,067 thousand, respectively. This proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Company that actually would have been achieved had the acquisition been completed at the beginning of the year, nor is it intended to be a projection of future results.

29. DISPOSAL OF SUBSIDIARIES

On December 23, 2016, the Company's board of directors had approved to dispose of Eternal Electronic Materials (Kunshan) Co., Ltd. which was held by a subsidiary. The disposal of 60% ownership was completed and control was lost on March 7, 2017.

On August 11, 2017, the Company's board of directors had approved the disposal of 100% ownership of ESCO Specialty Coatings (Guangzhou) Co., Ltd. (ESCO (Guangzhou)), and 60% ownership of ESCO Specialty Coatings (Shanghai) Co., Ltd. (ESCO (Shanghai)). The disposals were completed on November 28, 2017 and December 28, 2017, respectively, on which dates control of ESC Co., Ltd. (Shanghai) and ESC Co., Ltd. (Guangzhou) passed to the acquirer.

a. Consideration received from disposal

	EEM (Kunshan)	ESCO (Guangzhou)	ESCO (Shanghai)
Total consideration received - cash	$ 268,260	$ 460,304	$ 48,937

b. Analysis of assets and liabilities on the date control was lost

	EEM (Kunshan)	ESCO (Guangzhou)	ESCO (Shanghai)
Current assets			
Cash and cash equivalents	$ 39,603	$ 6,220	$ 36,153
Notes and accounts receivable	183,797	58,228	173,011
Inventories	82,183	42,449	64,715
Other current assets	6,480	176,704	4,920
Noncurrent assets			
Property, plant and equipment	150,816	64,255	159,765
Intangible assets	429	668	24
Other noncurrent assets	18,010	32,454	58,968
Current liabilities			
Short-term borrowings	(143,072)	-	(470,195)
Payables	(36,055)	(19,795)	(54,112)
Other current liabilities	(27,264)	(14,052)	(10,153)
Noncurrent liabilities			
Guarantee deposits received	(9)	(358)	-
Net assets (liabilities) disposed of	$ 274,918	$ 346,773	$ (36,904)

c. Gain on disposal of subsidiaries

	EEM (Kunshan)	ESCO (Guangzhou)	ESCO (Shanghai)
Consideration received	$ 268,260	$ 460,304	$ 48,937
Fair value of investment retained	178,840	-	32,625
Net (assets) liabilities disposed of	(274,918)	(346,773)	36,904
Effect of foreign currency exchange differences	(728)	59,602	(488)
	$ 171,454	$ 173,133	$ 117,978

d. Net cash inflow (outflow) on disposal of subsidiaries

	EEM (Kunshan)	ESCO (Guangzhou)	ESCO (Shanghai)
Consideration received	$ 268,260	$ 460,304	$ 48,937
Less: Cash and cash equivalents disposed of	(39,603)	(6,220)	(36,153)
Other receivables - non-related parties	-	(23,173)	(48,937)
	$ 228,657	$ 430,911	$ (36,153)

30. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In 2017, the Company subscribed for additional new shares of Eternal Capatech Co., Ltd. at a percentage different from its existing ownership percentage, and increased its continuing interest from 80% to 96.71%. The Company's unappropriated earnings reduced by NT$ 4,541 thousand due to difference between the cost of the additional shares and the shares in the equity of the investee.

The above transactions were accounted for as equity transactions, since the Company did not cease to have control over the subsidiary.

31. CASH FLOW INFORMATION

a. Information on investment activities

	For the Year Ended December 31	
	2018	2017
Acquisition of property, plant and equipment	$ 2,531,316	$ 3,053,497
Increase in finance lease payables	(35,004)	-
Decrease in payables for equipment	50,203	7,353
	2,546,515	3,060,850
Capitalized interest	(67,686)	(57,916)
Cash paid	$ 2,478,829	$ 3,002,934
Costs of disposal of property, plant and equipment	$ 718,818	$ 428,550
Accumulated depreciation and impairment of property, plant and equipment disposed of	(578,802)	(373,504)
Loss on disposal of property, plant and equipment	(9,422)	(23,569)
Payables for disposal (recorded as other payables - other)	2,363	-
Receivables for disposal (recorded as other receivables)	(108,295)	-
Cash received	$ 24,662	$ 31,477

b. Changes in liabilities arising from financing activities

For the year ended December 31, 2018

	January 1, 2018	Cash Flows	Non-cash Changes: Exchange rate adjustment	Non-cash Changes: New Leases	December 31, 2018
Short-term borrowings	$ 6,104,636	$ (872,539)	$ (86,443)	$ -	$ 5,145,654
Long-term borrowings	19,127,734	(1,337,465)	51,644	-	17,841,913
Other payables - other	45,536	211,779	-	-	257,315
Guarantee deposits received (recorded as other noncurrent liabilities)	19,712	9,407	-	-	29,119
Finance lease payables (recorded as other current liabilities - other)	-	(3,817)	(292)	35,004	30,895
	$ 25,297,618	$ (1,992,635)	$ (35,091)	$ 35,004	$ 23,304,896

32. CAPITAL MANAGEMENT

The Company and its subsidiaries' objectives in capital management are to safeguard the Company and its subsidiaries' ability to continue as a going concern and to provide reasonable returns to shareholders, to maintain an optimal capital structure and to reduce the cost of capital.

The Company's capital management policy is to maintain a strong capital base that maintains the confidence of investors, creditors and the market, as well as supports future operations. Capital includes the Company's shares, capital surplus, and retained earnings.

33. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

Financial assets and liabilities that are not measured at fair value are of short-term duration and are usually repriced at the current market interest rate. Either their carrying amounts are close to their fair value, or their fair value could not be reliably measured.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
December 31, 2018				
Financial instruments at FVTPL				
Mutual funds	$ -	$ -	$ 7,341	$ 7,341
Financial instruments at FVTOCI				
Equity instruments				
Domestic and foreign listed shares	$ 443,545	$ -	$ -	$ 443,545

(Continued)

	Level 1	Level 2	Level 3	Total
Domestic and foreign unlisted shares	$ -	$ -	$ 241,277	$ 241,277
Certificates of interest	$ -	$ -	$ 31,215	$ 31,215
December 31, 2017				
Available-for-sale financial assets				
Equity instruments				
Domestic and foreign listed shares	$ 548,376	$ -	$ -	$ 548,376

(Concluded)

The Company and its subsidiaries use the published price quotations as fair value inputs (level 1). The market price of the listed shares is the closing price at the Taiwan Stock Exchange and the Australian Stock Exchange.

There was no transfer between Level 1 and Level 2 during the years ended December 31, 2018 and 2017, neither was there a transfer to Level 3.

2) Valuation techniques and inputs applied for level 3 fair value measurement

The fair values of domestic unlisted shares, foreign unlisted shares, certificates of interest and mutual funds were determined by the market approach and arrived at by reference to the type of industry, similar companies and the company's operations.

3) Reconciliation of Level 3 fair value measurements of financial instrument

For the Year Ended December 31, 2018

	Equity Instruments		
Financial assets	Financial Assets at FVTPL	Financial Assets at FVTOCI	Total
Balance, beginning of the year (IAS 39)	$ -	$ -	$ -
Adjustment on initial application of IFRS 9	6,189	356,265	362,454
Balance, beginning of the year (IFRS 9)	6,189	356,265	362,454
Recognized in profit or loss (recorded as other gains and losses)	1,663		1,663
Recognized in other comprehensive income		(56,482)	(56,482)
Disposal	(732)	(32,265)	(32,997)
Effect of foreign currency exchange differences	221	4,974	5,195
Balance, end of the year	$ 7,341	$ 272,492	$ 279,833
Unrealized other gains and losses	$ 1,663		$ 1,663

c. Categories of financial instruments

	December 31	
	2018	2017
Financial assets		
Fair value through profit or loss		
Mandatorily classified as at fair value through profit or loss	$ 7,341	$ -
Loans and receivables (Note 1)	-	24,453,457
Financial assets at amortized cost (Note 2)	22,184,025	-
Available-for-sale financial assets	-	548,376
Financial assets measured at cost	-	234,954
Financial assets at fair value through other comprehensive income - equity instruments	716,037	-
Financial liabilities		
Financial liabilities at amortized cost (Note 3)	28,359,854	30,830,408

Note 1: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable (including related parties), other financial assets - current, other receivables (including related parties) and refundable deposits.

Note 2: The balances included financial assets at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable (including related parties), other financial assets - current, other receivables (including related parties) and refundable deposits.

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

d. Financial risk management objectives and policies

The financial risk management objectives of the Company and its subsidiaries are mainly to manage the market risk, credit risk and liquidity risk related to operating activities and to verify, measure and manage the financial risks according to the policies. The Company and its subsidiaries have set up policies, procedures and internal controls to manage the risks in their financial activities. The significant financial activities of the Company and its subsidiaries are in accordance with relevant regulations and internal controls approved by the board of directors. During the execution of financial management activities, the Company and its subsidiaries should be in compliance with the relevant rules of financial risk management.

1) Market risk

a) Foreign currency risk

The Company and its subsidiaries’ operating activities and net investments in foreign operation are denominated mainly in foreign currencies. Consequently, the Company and its subsidiaries are exposed to foreign currency risk. To protect against reductions in the value of foreign currency assets and against the volatility of future cash flows caused by changes in foreign exchange rates, the Company and its subsidiaries utilize derivative financial instruments, such as foreign exchange forward contracts, or maintain net foreign currency assets and liabilities. Foreign currency risk could be reduced but might not be fully eliminated by these methods.

For the carrying amounts of the Company and its subsidiaries' significant non-functional currency denominated monetary assets and liabilities (including those eliminated on consolidation) at the balance sheet date, refer to Note 38.

Sensitivity analysis

The following table details the sensitivity to a 1% change in the functional currencies against the relevant foreign currencies.

	Impact on Profit or Loss	
Foreign Currencies : Functional Currencies	2018	2017
Financial assets		
Monetary items		
USD:NTD	$ 26,912	$ 28,558
USD:RMB	16,651	17,702
USD:MYR	1,656	-
USD:JPY	1,357	-
RMB:NTD	5,220	4,537
EUR:USD	1,863	2,791
JPY:NTD	1,156	1,300
THB:NTD	-	1,414
Financial liabilities		
Monetary items		
USD:NTD	22,651	26,205
USD:RMB	17,703	11,131
USD:MYR	2,786	-
JPY:NTD	1,584	1,421
EUR:USD	1,408	2,312

b) Interest rate risk

The borrowings of the Company and its subsidiaries with fixed interest rates were not exposed to cash flow risk. The borrowings with floating interest rates were exposed to cash flow risk as effective interest rates change.

The carrying amounts of the Company and its subsidiaries' financial assets and financial liabilities with exposure to interest rate risks at the balance sheet dates were as follows:

	December 31	
	2018	2017
Fair value interest rate risk		
Financial assets	$ 3,024,482	$ 4,431,671
Financial liabilities	8,839,000	9,502,000
Cash flow interest rate risk		
Financial assets	3,160,727	3,481,055
Financial liabilities	14,402,994	15,775,778

If interest rates had been 1% higher and all other variables were held constant, the Company and its subsidiaries' cash flow interests rate risk from financial liabilities would have increased cash outflows by NT$144,030 thousand and NT$157,758 thousand for the years ended December 31, 2018 and 2017, respectively.

c) Other price risk

The Company and its subsidiaries were exposed to equity price risk through their investments in equity securities. If equity prices had been 1% higher/lower, other comprehensive income for the year ended December 31, 2018 would have increased/decreased by $4,435 thousand, as a result of the changes in fair value of financial assets at FVTOCI.

The Company and its subsidiaries were exposed to equity price risk through their investments in equity securities. If equity prices had been 1% higher/lower, other comprehensive income for the year ended December 31, 2017 would have increased/decreased by $5,484 thousand, as a result of the changes in fair value of available-for-sale financial assets.

2) Credit risk

Credit risk refer to the risk of financial loss to the Company and its subsidiaries arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Company and its subsidiaries' policy, each local entity in the Company and its subsidiaries is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. The Company and its subsidiaries assess the credit quality of the customers by taking into account their financial position, past experience and other factors to conduct internal risk management. While the Company and its subsidiaries have procedures to monitor and limit exposure to credit risk on accounts receivable, there can be no assurance that such procedures will effectively limit credit risk and avoid losses. This risk is heightened during periods when economic conditions worsen.

3) Liquidity risk

The Company and its subsidiaries manage its liquidity risk by maintaining adequate cash and cash equivalents, bank borrowings, and so on. The table below summarizes the maturity profile of the Company and its subsidiaries' financial liabilities based on contractual undiscounted payments, including principal and interest.

December 31, 2018

	Less Than 1 Year	1-2 Years	2-3 Years	3-5 Years	Over 5 Years	Total
Non-derivative financial liabilities						
Short-term borrowings	$ 5,193,785	$ -	$ -	$ -	$ -	$ 5,193,785
Notes payable	116,847	-	-	-	-	116,847
Accounts payable	3,132,664	-	-	-	-	3,132,664
Other payables	2,122,776	-	-	-	-	2,122,776
Long-term borrowings (including current portion)	7,188,812	4,775,807	2,330,676	4,103,525	26,548	18,425,368
	$ 17,754,884	$ 4,775,807	$ 2,330,676	$ 4,103,525	$ 26,548	$ 28,991,440

December 31, 2017

	Less Than 1 Year	1-2 Years	2-3 Years	3-5 Years	Over 5 Years	Total
Non-derivative financial liabilities						
Short-term borrowings	$ 6,171,252	$ -	$ -	$ -	$ -	$ 6,171,252
Notes payable	40,567	-	-	-	-	40,567
Accounts payable	3,540,542	-	-	-	-	3,540,542
Other payables	2,016,929	-	-	-	-	2,016,929
Long-term borrowings (including current portion)	9,472,425	3,565,024	4,451,306	2,128,079	100,041	19,716,875
	$ 21,241,715	$ 3,565,024	$ 4,451,306	$ 2,128,079	$ 100,041	$ 31,486,165

e. Transfers of financial assets

As of December 31, 2018 and 2017, a subsidiary factored accounts receivable with an aggregate carrying amount of US$1,496 thousand and US$531 thousand, respectively, to a bank for cash proceeds of US$1,346 thousand and US$478 thousand, respectively. According to the contract, if the accounts receivable are not paid at maturity, the bank has the right to request the subsidiary to pay the unsettled balance. As the subsidiary has not transferred the significant risks and rewards relating to these accounts receivable, it continues to recognize the full carrying amount of the receivables and has recognized the cash received on the transfer as a secured borrowing.

As of December 31, 2018 and 2017, the carrying amount of the accounts receivable that have been transferred but have not been derecognized amounted to $47,224 thousand and $15,715 thousand, respectively, and the carrying amount of the related borrowings was $42,501 thousand and $14,143 thousand, respectively.

34. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Company and its subsidiaries and other related parties are disclosed below:

a. Related party names and relationships

Related Party Name	Relationship
Allnex-Eternal Resins Corporation Limited	Associates
Allnex-Eternal Resins (Guangdong) Co., Ltd.	Associates
Eternal Electronic Materials (Kunshan) Co., Ltd.	Associates (Notes 29)
Daxin Materials Corporation	Associates
Showa Denko New Material (Zhuhai) Co., Ltd.	Associates
Elga Europe S.r.l.	Associates (Note 28)
ESCO Specialty Coatings (Shanghai) Co., Ltd.	Associates (Note 29)
DSM Resins (Far East) Co., Ltd.	Associates
Polymics Ltd.	Associates (Note 16)
Hangzhou Yongxinyang Photoelectric Materials Co., Ltd.	Joint venture
Kwang Yang Motor Co., Ltd.	Key management personnel
Orchard Decorative Materials (China) Co., Ltd.	Other related parties
The Orchard Corp. of Taiwan Ltd.	Other related parties
Mitsubishi Polyester Film (Suzhou) Co., Ltd.	Other related parties

b. Operating revenues

Account Item	Related Party Category	For the Year Ended December 31 2018	2017
Revenue from sales of goods	Associates	$ 703,448	$ 479,115
	Joint ventures	1,660	-
	Key management personnel	30	147
	Other related parties	444	3,018
		$ 705,582	$ 482,280

Sales to related parties were made at prices similar to that of general transactions. The collection terms are 60-150 days from the end of the month.

c. Purchase of goods

Related Party Category	For the Year Ended December 31	
	2018	2017
Associates	$ 235	$ 809
Joint ventures	33,779	-
Other related parties	617	-
	$ 34,631	$ 809

Purchases from related parties were made at prices similar to that of general transactions. The payment terms are 30-120 days from the date the goods are received.

d. Compensation of key management personnel

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	$ 88,064	$ 97,957
Post-employment benefits	14,368	1,985
	$ 102,432	$ 99,942

e. Other income

Related Party Category/Name	For the Year Ended December 31	
	2018	2017
Associates		
Allnex-Eternal Resins (Guangdong) Co., Ltd.	$ 32,394	$ 51,154
Others	7,690	4,152
Key management personnel	15	7
	$ 40,099	$ 55,313

Inclusive of rental income, service fees and so on.

f. Receivables from related parties

Account Item	Related Party Category	December 31	
		2018	2017
Notes and accounts receivable	Associates	$ 270,771	$ 262,652
	Joint ventures	1,563	-
	Key management personnel	-	31
	Other related parties	133	531
		$ 272,467	$ 263,214

The receivables arise mainly from sales transactions; the receivables were not guaranteed, pledged and without interest. For the year ended December 31, 2018, the expected credit impairment loss of NT$6,168 thousand was recognized on accounts receivables from related parties.

g. Payables to related parties

Account Item	Related Party Category	December 31 2018	December 31 2017
Accounts payable	Associates	$ -	$ 769

The payables arise mainly from purchase transactions; the payables were not guaranteed and without interest.

h. Disposals of property, plant and equipment

	Proceeds For the Year Ended December 31		Gain (Loss) on Disposal For the Year Ended December 31	
Related Party Category/Name	**2018**	**2017**	**2018**	**2017**
Joint venture - Hangzhou Yongxinyang Photoelectric Materials Co., Ltd.	$ 46,968	$ -	$ 25,786	$ -

The prices and payment terms of the sale of property, plant and equipment were determined in accordance with mutual agreements. The disposal gains and losses were deferred according to the percentage of ownership, and such gains and losses were recognized over the useful lives of the disposed of assets.

i. Loans to related parties

Account Item	Related Party Category/Name	December 31 2018	December 31 2017
Other receivables	Associates		
	ESCO Specialty Coatings (Shanghai) Co., Ltd.	$ 184,246	$ 296,725
	Eternal Electronic Materials (Kunshan) Co., Ltd.	80,496	54,780
		$ 264,742	$ 351,505

The Company and its subsidiaries provided loans to related parties at rates comparable to market interest rates.

j. Other prepayments

Account Item	Related Party Category	December 31 2018	December 31 2017
Other prepayments from related parties (recorded as other current assets - other)	Associates	$ 29,800	$ -
	Joint ventures	15,952	-
		$ 45,752	$ -

Royalty fees, prices and payment terms are determined in accordance with mutual agreements.

35. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The Company and its subsidiaries' assets mortgaged or pledged as collateral for bank borrowings and discounted notes were as follows:

	December 31	
	2018	**2017**
Accounts receivable (Note 33)	$ 47,224	$ 15,715
Notes receivable	257,315	45,408
Property, plant and equipment	308,469	316,189
	$ 613,008	$ 377,312

36. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. The Company and its subsidiaries have issued but unused letters of credit with aggregate amount of NT$105,771 thousand as of December 31, 2018.

b. The Company and its subsidiaries have contracts that were not yet incurred to purchase property, plant and equipment and intangible assets with NT$624,071 thousand at December 31, 2018.

37. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

None.

38. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Company and its subsidiaries before elimination and the exchange rates between the foreign currencies and the respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2018	Foreign Currencies (In Thousands)	Exchange Rate		Carrying Amount
Financial assets				
Monetary items				
USD	$ 87,620	30.7150	(USD:NTD)	$ 2,691,248
USD	54,210	6.8683	(USD:RMB)	1,665,060
USD	5,392	4.3188	(USD:MYR)	165,615
USD	4,419	110.4062	(USD:JPY)	135,730
RMB	116,718	4.4720	(RMB:NTD)	521,963
EUR	5,293	1.1460	(EUR:USD)	186,314
JPY	415,461	0.2782	(THB:NTD)	115,581

(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate		Carrying Amount
Non-monetary items				
Financial assets at fair value through other comprehensive income				
AUD	$ 2,291	21.6650	(AUD:NTD)	$ 49,643
RMB	6,980	0.1456	(RMB:USD)	31,215
Investments accounted for using the equity method				
USD	822,678	30.7150	(USD:NTD)	25,268,556
RMB	5,542,643	0.1456	(RMB:USD)	24,786,700
JPY	4,793,790	0.2782	(JPY:NTD)	1,333,632
MYR	125,610	7.1120	(MYR:NTD)	893,340
EUR	6,412	35.2000	(EUR:NTD)	225,694
THB	125,028	0.9532	(THB:NTD)	119,176
Financial liabilities				
Monetary items				
USD	73,746	30.7150	(USD:NTD)	2,265,108
USD	57,637	6.8683	(USD:RMB)	1,770,320
USD	9,071	4.3188	(USD:MYR)	278,616
JPY	569,278	0.2782	(JPY:NTD)	158,373
EUR	4,000	1.1460	(EUR:USD)	140,880
December 31, 2017				
Financial assets				
Monetary items				
USD	95,960	29.7600	(USD:NTD)	2,855,770
USD	59,481	6.5192	(USD:RMB)	1,770,155
RMB	99,387	4.5650	(RMB:NTD)	453,702
EUR	6,959	1.1952	(EUR:USD)	279,125
THB	154,131	0.9176	(THB:NTD)	141,431
JPY	492,234	0.2642	(JPY:NTD)	130,048
Non-monetary items				
Available-for-sale financial assets				
AUD	2,452	23.1850	(AUD:NTD)	56,854
Investments accounted for using the equity method				
USD	853,093	29.7600	(USD:NTD)	25,388,052
RMB	5,374,612	0.1534	(RMB:USD)	24,535,102
JPY	4,399,662	0.2642	(JPY:NTD)	1,162,391
MYR	148,814	7.0720	(MYR:NTD)	1,052,411
EUR	5,079	35.5700	(EUR:NTD)	180,676
THB	125,202	0.9176	(THB:NTD)	114,885
EUR	842	7.7919	(EUR:RMB)	29,938
Financial liabilities				
Monetary items				
USD	88,055	29.7600	(USD:NTD)	2,620,517
USD	37,402	6.5192	(USD:RMB)	1,113,084
EUR	6,500	1.1952	(EUR:USD)	231,205
JPY	537,981	0.2642	(JPY:NTD)	142,135

(Concluded)

The total realized and unrealized foreign exchange gains and losses were a gain of NT$26,947 thousand and a loss of NT$31,210 thousand for the years ended December 31, 2018 and 2017, respectively. It is impractical to disclose net foreign exchange gains and losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of each entity.

39. ADDITIONAL DISCLOSURES

a. Information about significant transactions and investees:

1) Financing provided to others (Table 1)

2) Endorsements/guarantees provided (Table 2)

3) Marketable securities held (Table 3)

4) Marketable securities acquired and disposed at costs or prices at least NT$300 million or 20% of the paid-in capital: None

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital: None

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital (Table 4)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 5)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 6)

9) Trading in derivative instruments: None

10) Others: The business relationship between the parent company and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions (Table 7)

11) Information on investees (Table 8)

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 gain 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 9)

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 5)

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period (Table 5)

c) The amount of property transactions and the amount of the resultant gains or losses (Note 34)

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes (Table 2)

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 receiving of services (Table 7)

40. 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 industrial materials. Reported segments of the Company and its subsidiaries were as follows:

- Resins Materials.

  Mainly operating variety of industrial resins materials.

- Electronic Materials

  Mainly operating electronic and optoelectronic industry raw material.

- High Performance Materials

  Mainly operating UV - curable products.

- Others

  The other operating segments which did not meet the quantitative threshold for separate reporting.

a. Segment revenues and operating results

The Company and its subsidiaries' segment profit (loss) is used as the basis for assessing the performance of the operating segments. The following is an analysis of the Company and its subsidiaries' revenues and results of operations by reportable segment.

	Resins Materials	Electronic Materials	High Performance Materials	Others	Adjustment and Elimination	Total
For the year ended December 31, 2018						
Revenues from external customers	$ 23,026,621	$ 13,128,780	$ 7,091,305	$ 53,449	$ -	$ 43,300,155
Inter-segment revenues	1,337,743	2,398,479	623,761	1,828	(4,361,811)	-
Total Revenue	$ 24,364,364	$ 15,527,259	$ 7,715,066	$ 55,277	$ (4,361,811)	$ 43,300,155
Segment operating profit (loss)	$ 662,403	$ 1,227,236	$ 360,920	$ (437,554)	$ -	$ 1,813,005
For the year ended December 31, 2017						
Revenues from external customers	$ 22,588,483	$ 12,055,995	$ 6,771,952	$ 134,687	$ -	$ 41,551,117
Inter-segment revenues	2,637,337	4,564,068	1,485,888	17,294	(8,704,587)	-
Total revenue	$ 25,225,820	$ 16,620,063	$ 8,257,840	$ 151,981	$ (8,704,587)	$ 41,551,117
Segment operating profit (loss)	$ 1,025,954	$ 1,017,810	$ 190,142	$ (372,355)	$ -	$ 1,861,551

b. The Company and its subsidiaries' revenues from external customers and noncurrent assets by location were detailed below:

	Revenues from External Customers		Noncurrent Assets	
	For the Year Ended December 31		December 31	
	2018	2017	2018	2017
Taiwan	$ 4,594,316	$ 4,576,332	$ 6,155,717	$ 5,973,689
China	26,824,127	25,720,001	11,105,664	11,176,871
Others	11,881,712	11,254,784	3,121,959	2,863,218
	$ 43,300,155	$ 41,551,117	$ 20,383,340	$ 20,013,778

Noncurrent assets excluded those classified as financial assets and deferred tax assets.

c. Information about major customers

No revenue from any individual customer exceeded 10% of the Company and its subsidiaries' total revenue for the years ended December 31, 2018 and 2017.

Eternal Materials Co., Ltd. and Subsidiaries

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 2)	Ending Balance (Note 3)	Amount Actually Drawn	Interest Rate (%)	Nature of Financing (Note 4)	Transaction Amounts	Reasons for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Limits	Note
													Item	Value			
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Photoelectric Material Industry (Kunshan) Co., Ltd.	Other receivables from related parties	Y	$ 365,200	$ 178,880	$ -	-	2	$ -	Operating needs	$ -	-	$ -	$ 13,243,536	$ 13,243,536	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Photoelectric Material Industry (Yingkou) Co., Ltd.	Other receivables from related parties	Y	456,500	223,600	113,583	4.350	2	-	Operating needs	-	-	-	13,243,536	13,243,536	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Photoelectric Material Industry (Yingkou) Co., Ltd.	Other receivables from related parties	Y	205,425	201,240	201,240	4.275	2	-	Operating needs	-	-	-	13,243,536	13,243,536	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Optical Material (Suzhou) Co., Ltd.	Other receivables from related parties	Y	913,000	447,200	274,086	4.350	2	-	Operating needs	-	-	-	13,243,536	13,243,536	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Changhe International Trading (GZFTZ) Co., Ltd.	Other receivables from related parties	Y	164,340	-	-	-	2	-	Operating needs	-	-	-	13,243,536	13,243,536	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Changhe International Trading (GZFTZ) Co., Ltd.	Other receivables from related parties	Y	91,300	-	-	-	2	-	Operating needs	-	-	-	13,243,536	13,243,536	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Chemical (Tianjin) Co., Ltd.	Long-term receivables from related parties	Y	365,200	357,760	357,760	4.275	2	-	Operating needs	-	-	-	13,243,536	13,243,536	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal (China) Investment Co., Ltd.	Other receivables from related parties	Y	447,370	438,256	438,256	4.275-4.350	2	-	Operating needs	-	-	-	13,243,536	13,243,536	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal (China) Investment Co., Ltd.	Long-term receivables from related parties	Y	1,086,470	760,240	760,240	4.275-4.750	2	-	Operating needs	-	-	-	13,243,536	13,243,536	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	Other receivables from related parties	Y	134,160	134,160	134,160	4.275	2	-	Operating needs	-	-	-	13,243,536	13,243,536	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	Long-term receivables from related parties	Y	593,450	447,200	447,200	4.750	2	-	Operating needs	-	-	-	13,243,536	13,243,536	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Chemical (Chengdu) Co., Ltd.	Long-term receivables from related parties	Y	821,700	760,240	760,240	4.275-4.750	2	-	Operating needs	-	-	-	13,243,536	13,243,536	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	ESCO Specialty Coatings (Shanghai) Co., Ltd.	Other receivables from related parties	Y	347,853	184,246	184,246	4.350	2	-	Operating needs	-	-	-	2,648,707	2,648,707	Note 6
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	Other receivables from related parties	Y	456,500	447,200	-	-	2	-	Operating needs	-	-	-	13,243,536	13,243,536	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Specialty Materials (Zhuhai) Co., Ltd.	Other receivables from related parties	Y	456,500	447,200	-	-	2	-	Operating needs	-	-	-	2,648,707	2,648,707	Note 6
2	Eternal Chemical (China) Co., Ltd.	Eternal Chemical (Tianjin) Co., Ltd.	Other receivables from related parties	Y	1,095,600	536,640	404,768	4.348-4.354	2	-	Operating needs	-	-	-	8,601,881	8,601,881	Note 5
2	Eternal Chemical (China) Co., Ltd.	Eternal Synthetic Resins (Changshu) Co., Ltd.	Other receivables from related parties	Y	1,369,500	670,800	249,328	4.348-4.354	2	-	Operating needs	-	-	-	8,601,881	8,601,881	Note 5
2	Eternal Chemical (China) Co., Ltd.	Eternal Materials (Guangdong) Co., Ltd.	Other receivables from related parties	Y	684,750	447,200	-	-	2	-	Operating needs	-	-	-	8,601,881	8,601,881	Note 5
2	Eternal Chemical (China) Co., Ltd.	Eternal Specialty Materials (Suzhou) Co., Ltd.	Other receivables from related parties	Y	730,400	357,760	68,209	4.348-4.354	2	-	Operating needs	-	-	-	8,601,881	8,601,881	Note 5
2	Eternal Chemical (China) Co., Ltd.	Eternal Specialty Materials (Suzhou) Co., Ltd.	Other receivables from related parties	Y	136,950	134,160	134,160	4.275	2	-	Operating needs	-	-	-	8,601,881	8,601,881	Note 5
2	Eternal Chemical (China) Co., Ltd.	Eternal Chemical (Chengdu) Co., Ltd.	Other receivables from related parties	Y	913,000	536,640	448,343	4.348-4.354	2	-	Operating needs	-	-	-	8,601,881	8,601,881	Note 5
2	Eternal Chemical (China) Co., Ltd.	Eternal Electronic Materials (Kunshan) Co., Ltd.	Other receivables from related parties	Y	187,824	187,824	80,496	4.350	2	-	Operating needs	-	-	-	1,720,376	1,720,376	Note 6
2	Eternal Chemical (China) Co., Ltd.	Eternal (China) Investment Co., Ltd.	Other receivables from related parties	Y	319,550	313,040	-	-	2	-	Operating needs	-	-	-	8,601,881	8,601,881	Note 5

(Continued)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 2)	Ending Balance (Note 3)	Amount Actually Drawn	Interest Rate (%)	Nature of Financing (Note 4)	Transaction Amounts	Reasons for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Limits	Note
													Item	Value			
3	Eternal Materials (Guangdong) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	Other receivables from related parties	Y	$ 502,150	$ 357,760	$ -	-	2	$ -	Operating needs	$ -	-	$ -	$ 8,292,171	$ 8,292,171	Note 5
3	Eternal Materials (Guangdong) Co., Ltd.	Eternal (China) Investment Co., Ltd.	Other receivables from related parties	Y	730,400	715,520	424,840	4.275	2	-	Operating needs	-	-	-	8,292,171	8,292,171	Note 5
3	Eternal Materials (Guangdong) Co., Ltd.	Eternal (China) Investment Co., Ltd.	Other receivables from related parties	Y	1,232,550	670,800	510,456	4.350	2	-	Operating needs	-	-	-	8,292,171	8,292,171	Note 5
3	Eternal Materials (Guangdong) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	Other receivables from related parties	Y	730,400	357,760	3,375	4.350	2	-	Operating needs	-	-	-	8,292,171	8,292,171	Note 5
3	Eternal Materials (Guangdong) Co., Ltd.	ESCO Specialty Coatings (Shanghai) Co., Ltd.	Other receivables from related parties	Y	136,950	-	-	-	2	-	Operating needs	-	-	-	1,658,434	1,658,434	Note 6
4	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Optical Material (Suzhou) Co., Ltd.	Other receivables from related parties	Y	730,400	357,760	357,760	4.350	2	-	Operating needs	-	-	-	7,791,000	7,791,000	Note 5
4	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	Long-term receivables from related parties	Y	228,250	223,600	223,600	4.275	2	-	Operating needs	-	-	-	7,791,000	7,791,000	Note 5
4	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Synthetic Resins (Changshu) Co., Ltd.	Long-term receivables from related parties	Y	365,200	357,760	357,760	4.513	2	-	Operating needs	-	-	-	7,791,000	7,791,000	Note 5
4	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	Other receivables from related parties	Y	228,250	223,600	-	-	2	-	Operating needs	-	-	-	7,791,000	7,791,000	Note 5
5	Eternal Holdings Inc.	Eternal Optical Material (Suzhou) Co., Ltd.	Other receivables from related parties	Y	430,010	215,005	215,005	4.069	2	-	Operating needs	-	-	-	32,876,588	32,876,588	Note 5
5	Eternal Holdings Inc.	Eternal (China) Investment Co., Ltd.	Other receivables from related parties	Y	307,150	307,150	307,150	4.289	2	-	Operating needs	-	-	-	32,876,588	32,876,588	Note 5
5	Eternal Holdings Inc.	Eternal Chemical (Tianjin) Co., Ltd.	Other receivables from related parties	Y	307,150	153,575	153,575	4.307	2	-	Operating needs	-	-	-	32,876,588	32,876,588	Note 5
5	Eternal Holdings Inc.	Eternal Technology Corporation	Other receivables from related parties	Y	491,440	491,440	245,720	4.424	2	-	Operating needs	-	-	-	32,876,588	32,876,588	Note 5
5	Eternal Holdings Inc.	Elga Europe S.r.l.	Other receivables from related parties	Y	373,485	140,800	140,800	2.000	2	-	Operating needs	-	-	-	6,575,318	6,575,318	Note 6
5	Eternal Holdings Inc.	Eternal Sun A. (Suzhou) Co., Ltd.	Other receivables from related parties	Y	110,574	110,574	110,574	4.077	2	-	Operating needs	-	-	-	6,575,318	6,575,318	Note 6
5	Eternal Holdings Inc.	Eternal Specialty Materials (Zhuhai) Co., Ltd.	Other receivables from related parties	Y	153,575	153,575	-	-	2	-	Operating needs	-	-	-	6,575,318	6,575,318	Note 6
5	Eternal Holdings Inc.	Eternal Materials (Malaysia) Sdn. Bhd.	Other receivables from related parties	Y	153,575	153,575	-	-	2	-	Operating needs	-	-	-	6,575,318	6,575,318	Note 6

Note 1: The representation of the numbers are as follows:

1. No. 0 represents the issuer.
2. Investees are numbered in order from No. 1.

Note 2: The maximum balance for the period is approved by the board of directors, and translated into NTD using the exchange rate at the balance sheet date.

Note 3: The ending balance for the period is approved by the board of directors, and translated into NTD using the exchange rate at the balance sheet date.

Note 4: Nature of financing is as follows:

1. Business relationship.
2. Short-term financing

Note 5: According to Operation Procedures for Lending Funds to Others of lender, either the financing limit for each borrowing company or financing company's total financing limits shall not exceed 200% of the net worth of the company as of December 31, 2018 and be translated into NTD using the exchange rate at the balance sheet date.

(Continued)

Note 6: According to Operation Procedures for Lending Funds to Others of lender, either the financing limit for each borrowing company or financing company's total financing limits shall not exceed 40% of the next worth of the company as of December 31, 2018 and be translated into NTD using the exchange rate at the balance sheet date.

Note 7: Amount was eliminated from the consolidated financial statements, except for investments accounted for using the equity method.

(Concluded)

TABLE 2

Eternal Materials Co., Ltd. and Subsidiaries

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period (Note 4)	Outstanding Endorsement/ Guarantee at the End of the Period (Note 5)	Amount Actually Drawn	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements (%)	Maximum Endorsement/ Guarantee Amount Allowable	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 (Note 2)											
0	Eternal Materials Co., Ltd.	Eternal Specialty Materials (Suzhou) Co., Ltd.	2	$ 21,003,079	$ 1,201,201	$ 897,105	$ 402,748	$ -	4.27	$ 21,003,079	Y	N	Y	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Eternal (China) Investment Co., Ltd.	2	21,003,079	460,725	460,725	245,720	-	2.19	21,003,079	Y	N	Y	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Eternal Holdings Inc.	2	21,003,079	3,225,075	1,689,325	1,154,270	-	8.04	21,003,079	Y	N	N	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Eternal Technology Corporation	2	21,003,079	307,150	307,150	245,720	-	1.46	21,003,079	Y	N	N	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Nikko-Materials Co., Ltd.	2	21,003,079	139,100	139,100	30,724	-	0.66	21,003,079	Y	N	N	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Eternal Synthetic Resins (Changshu) Co., Ltd.	2	21,003,079	701,035	701,035	389,159	-	3.34	21,003,079	Y	N	Y	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	2	21,003,079	2,746,022	1,640,282	555,872	-	7.81	21,003,079	Y	N	Y	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Eternal Chemical (Chengdu) Co., Ltd.	2	21,003,079	1,304,515	536,640	-	-	2.56	21,003,079	Y	N	Y	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Eternal Chemical (Tianjin) Co., Ltd.	2	21,003,079	952,590	947,235	615,441	-	4.51	21,003,079	Y	N	Y	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Eternal Sun A. (Suzhou) Co., Ltd.	2	21,003,079	405,438	110,574	50,065	-	0.53	21,003,079	Y	N	Y	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Eternal Materials (Malaysia) Sdn. Bhd.	2	21,003,079	2,116,266	2,116,266	1,698,081	-	10.08	21,003,079	Y	N	N	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Elga Europe S.r.l.	2	21,003,079	214,487	212,256	142,208	-	1.01	21,003,079	Y	N	N	Notes 3 and 6
1	Eternal Chemical (China) Co., Ltd.	Eternal Chemical (Tianjin) Co., Ltd.	4	4,300,940	136,950	134,160	-	-	3.12	4,300,940	N	N	Y	Note 7
1	Eternal Chemical (China) Co., Ltd.	Eternal Synthetic Resins (Changshu) Co., Ltd.	4	4,300,940	91,300	89,440	-	-	2.08	4,300,940	N	N	Y	Note 7
1	Eternal Chemical (China) Co., Ltd.	Eternal Specialty Materials (Suzhou) Co., Ltd.	4	4,300,940	91,300	89,440	-	-	2.08	4,300,940	N	N	Y	Note 7
1	Eternal Chemical (China) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	4	4,300,940	136,950	134,160	-	-	3.12	4,300,940	N	N	Y	Note 7
1	Eternal Chemical (China) Co., Ltd.	Eternal Chemical (Chengdu) Co., Ltd.	4	4,300,940	45,650	44,720	-	-	1.04	4,300,940	N	N	Y	Note 7
1	Eternal Chemical (China) Co., Ltd.	Eternal Materials (Guangdong) Co., Ltd.	4	4,300,940	91,300	89,440	-	-	2.08	4,300,940	N	N	Y	Note 7
1	Eternal Chemical (China) Co., Ltd.	Eternal Specialty Materials (Zhuhai) Co., Ltd.	4	2,100,308	273,900	268,320	-	-	12.78	2,100,308	N	N	Y	Note 7
1	Eternal Chemical (China) Co., Ltd.	Eternal (China) Investment Co., Ltd.	4	4,300,940	45,650	44,720	-	-	1.04	4,300,940	N	N	Y	Note 7
2	Eternal Chemical (Tianjin) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	4	692,546	136,950	134,160	-	-	19.37	692,546	N	N	Y	Note 7
3	Eternal Synthetic Resins (Changshu) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	4	134,309	91,300	89,440	-	-	66.59	134,309	N	N	Y	Note 7
4	Eternal Specialty Materials (Suzhou) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	4	1,132,980	91,300	89,440	-	-	7.89	1,132,980	N	N	Y	Note 7
5	Eternal Electronic (Suzhou) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	4	1,296,041	136,950	134,160	-	-	10.35	1,296,041	N	N	Y	Note 7

(Continued)

No. (Note 1)	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period (Note 4)	Outstanding Endorsement/ Guarantee at the End of the Period (Note 5)	Amount Actually Drawn	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements (%)	Maximum Endorsement/ Guarantee Amount Allowable	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 (Note 2)											
6	Eternal Materials (Guangdong) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	4	$ 4,146,086	$ 182,600	$ 178,880	$ -	$ -	4.31	$ 4,146,086	N	N	Y	Note 7
7	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	4	6,621,768	91,300	89,440	-	-	1.35	6,621,768	N	N	Y	Note 7
8	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	4	3,895,500	91,300	89,440	-	-	2.30	3,895,500	N	N	Y	Note 7
9	Eternal (China) Investment Co., Ltd.	Eternal Chemical (China) Co., Ltd.	4	14,133,708	45,650	44,720	-	-	0.32	14,133,708	N	N	Y	Note 7

(Concluded)

Note 1: The representation of the numbers are as follows:

1. No. 0 represents the issuer.
2. Investees are numbered in order from No. 1.

Note 2: Relationships between the endorser/guarantor and the party being endorsed/guaranteed are as follows:

1. Have a business relationship.
2. The company owns directly or indirectly more than 50% of the voting shares of the company.
3. Total ownership of more than 50% of the investee, either directly by the Company and/or indirectly by the Company's subsidiaries.
4. Subsidiaries in which the Company owns directly or indirectly more than 90% of the voting shares.
5. Companies where the Company is required to provide guarantees or endorsements for the construction project based on the construction contract.
6. Companies where the shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership due to a joint venture.
7. According to the Consumer Protection Act, companies that are required to provide guarantees and endorsements for joint and several liabilities if involved in the business of pre-sale of real estate.

Note 3: In accordance with the parent company's "Procedures for Provision of Endorsements and Guarantees", limit on endorsement/guarantee given on behalf of each party is 100% of the parent company's net worth based on financial statements for the year ended December 31, 2018.

Note 4: Maximum amount endorsed/guaranteed during the period is approved by the board of directors, and translated into NTD using the exchange rate at the balance sheet date.

Note 5: Outstanding endorsement/guarantee at the end of the period is approved by the board of directors, and translated into NTD using the exchange rate at the balance sheet date.

Note 6: In accordance with the parent company's "Procedures for Provision of Endorsements and Guarantees", maximum endorsement/guarantee amount allowable is 100% of the parent company's net worth based on financial statements for the year ended December 31, 2018.

Note 7: In accordance with the subsidiary's "Procedures for Provision of Endorsements and Guarantees", the limit on endorsement/guarantee given on behalf of each party and the maximum amount endorsed/guaranteed is based on its net worth in the financial statements for the year ended December 31, 2018.

Note 8: When subsidiaries in which the Company owns directly or indirectly more than 90% of the voting shares, the limit on endorsement/guarantee given on behalf of each party is 10% or the parent company's net worth. However, subsidiaries in which the Company own directly or indirectly 100% of the voting shares are not included.

TABLE 3

Eternal Materials Co., Ltd. and Subsidiaries

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Shares/Units	Carrying Amount	Percentage of Ownership	Fair Value	
Eternal Materials Co., Ltd.	President Securities Corp. (stock)	-	Financial assets at fair value through other comprehensive income - noncurrent	34,252,383	$ 393,902	2.46	$ 393,902	
	TBG Diagnostics Limited (stock)	-	Financial assets at fair value through other comprehensive income - noncurrent	40,200,000	49,643	18.48	49,643	Note 3
	Universal Venture Capital Investment Corp. (stock)	-	Financial assets at fair value through other comprehensive income - noncurrent	5,000,000	37,707	4.15	37,707	
	Mega I Venture Capital Co., Ltd. (stock)	-	Financial assets at fair value through other comprehensive income - noncurrent	1,653,750	2,609	4.90	2,609	
	Der Yang Biotechnology Venture Capital Co., Ltd. (stock)	-	Financial assets at fair value through other comprehensive income - noncurrent	505,706	4,331	11.11	4,331	
	Universal Development & Investment Capital I Co., Ltd. (stock)	-	Financial assets at fair value through other comprehensive income - noncurrent	2,827,400	24,450	19.74	24,450	
	The Orchard Corp. of Taiwan Ltd. (stock)	Second degree relative of the Company's director.	Financial assets at fair value through other comprehensive income - noncurrent	2,296,285	41,556	11.26	41,556	
	Hwa Nan Venture Capital Co., Ltd. (stock)	-	Financial assets at fair value through other comprehensive income - noncurrent	57,438	-	10.60	-	
Eternal Global (BVI) Co., Ltd.	Orchard Decorative Materials (China) Co., Ltd.	Second degree relative of the Company's director.	Financial assets at fair value through other comprehensive income - noncurrent	Note 2	31,215	6.36	31,215	Note 3
Mixville Holdings Inc.	Grace THW Holding Limited (stock)	-	Financial assets at fair value through other comprehensive income - noncurrent	1,900,000	130,624	Note 1	130,624	Note 3
	Pacven Walden Ventures V, L.P. (fund)	-	Financial assets at fair value through profit or loss - noncurrent	-	7,341	Note 1	7,341	Note 3

Note 1: The percentage of ownership is less than 1%.

Note 2: No share issued.

Note 3: Translated into NTD using the exchange rate at the balance sheet date.

Eternal Materials Co., Ltd.

DISPOSAL OF INDIVIDUAL REAL ESTATE AT PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Seller	Property	Event Date	Original Acquisition Date	Carrying Amount	Transaction Amount	Collection	Gain (Loss) on Disposal	Counterparty	Relationship	Purpose of Disposal	Price Reference	Other Terms
Eternal Materials Co., Ltd.	No.2509-2516, at Zhuanzaiyao section in Daliao District, Kaohsiung	November 30, 2018 (Note)	October 1, 1977 April 1, 1989	$ 9,243	$ 500,000	Not settled yet	Not settled yet	Legal entity	No	Disposal of idle assets	Negotiated by reference to real estate appraiser report	NA

Note: The Company had signed a contract with a non-related party. The transaction was settled and a gain on disposal of NT$ 420,438 thousand was recognized in February 2019.

TABLE 5

Eternal Materials Co., Ltd. and Subsidiaries

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

Company name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchases/Sales (Note 2)	Amount	% to Total	Payment Terms	Unit Price	Payment Term	Ending Balance	% to Total	
Eternal Materials Co., Ltd.	Eternal Specialty Materials (Zhuhai) Co., Ltd.	Subsidiary	Sales	$ 551,017	3	Note 1	$ -	-	$ 103,222	3	
	Eternal Chemical (China) Co., Ltd.	Subsidiary	Sales	359,455	2	Note 1	-	-	88,521	2	
	Eternal Electronic Material (Thailand) Co., Ltd.	Subsidiary	Sales	373,749	2	Note 1	-	-	138,164	4	
	CHOU-KOU Materials Co., Ltd.	Subsidiary	Sales	296,822	2	Note 1	-	-	69,690	2	
	Eternal Materials (Guangdong) Co., Ltd.	Subsidiary	Sales	305,760	2	Note 1	-	-	65,596	2	
	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Subsidiary	Sales	244,712	2	Note 1	-	-	41,282	1	
	Eternal Electronic Material (Guangzhou) Co., Ltd.	Subsidiary	Sales	318,637	2	Note 1	-	-	57,100	1	
	Eternal (China) Investment Co., Ltd.	Subsidiary	Sales	261,936	2	Note 1	-	-	54,561	1	
	Eternal Electronic (Suzhou) Co., Ltd.	Subsidiary	Sales	166,441	1	Note 1	-	-	67,109	2	
	Eternal Technology Corporation	Subsidiary	Sales	131,252	1	Note 1	-	-	76,767	2	
Eternal Materials (Guangdong) Co., Ltd.	Eternal Electronic Material (Guangzhou) Co., Ltd.	Sister company	Sales	322,365	6	Note 1	-	-	58,768	3	
	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Sister company	Sales	307,270	6	Note 1	-	-	53,438	3	
	Allnex-Eternal Resins (Guangdong) Co., Ltd.	Associate	Sales	282,428	5	Note 1	-	-	98,690	5	
Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	Sister company	Sales	644,959	24	Note 1	-	-	396,073	21	
	Eternal Electronic Material (Guangzhou) Co., Ltd.	Sister company	Sales	429,694	16	Note 1	-	-	200,122	11	
Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Sister company	Sales	463,758	17	Note 1	-	-	175,981	12	
	Eternal Electronic (Suzhou) Co., Ltd.	Sister company	Sales	182,118	7	Note 1	-	-	90,209	6	
Eternal Specialty Materials (Suzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	Sister company	Sales	221,149	11	Note 1	-	-	56,199	9	
Eternal (China) Investment Co., Ltd.	Eternal Material Co., Ltd.	Ultimate parent company	Sales	213,265	16	Note 1	-	-	-	-	
	Eternal Electronic (Suzhou) Co., Ltd.	Sister company	Sales	113,688	8	Note 1	-	-	-	-	

(Continued)

Company name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchases/Sales (Note 2)	Amount	% to Total	Payment Terms	Unit Price	Payment Term	Ending Balance	% to Total	
Nikko Mechanics Co., Ltd.	Nikko-Materials Co., Ltd.	Parent company	Sales	$ 628,399	94	Note 1	$ -	-	$ 109,128	97	
Eternal Chemical (Tianjin) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	Sister company	Sales	152,136	7	Note 1	-	-	53,480	7	
Eternal Chemical (China) Co., Ltd.	Eternal Chemical (Tianjin) Co., Ltd.	Sister company	Sales	140,356	3	Note 1	-	-	36,391	2	
	Allnex-Eternal Resins (Guangdong) Co., Ltd.	Associate	Sales	171,370	4	Note 1	-	-	68,867	4	
Eternal Specialty Materials (Zhuhai) Co., Ltd.	Eternal Material Co., Ltd.	Ultimate parent company	Sales	105,733	3	Note 1	-	-	24,394	2	

(Concluded)

Note 1: The terms are similar to that of non-related party transactions.

Note 2: For transactions between related parties, only one side of the transaction was disclosed.

Note 3: Amount was eliminated from the consolidated financial statements except for investments accounted for using the equity method.

TABLE 6

Eternal Materials Co., Ltd. and Subsidiaries

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Doubtful Accounts
					Amount	Actions Taken		
Eternal Materials Co., Ltd.	Eternal Specialty Materials (Zhuhai) Co., Ltd.	Subsidiary	$ 103,222	5.04	$ -	-	$ 19,943	$ -
Eternal Materials Co., Ltd.	Eternal Electronic Material (Thailand) Co., Ltd.	Subsidiary	138,164	2.81	-	-	35,927	-
Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	Sister company	396,073	1.8	65,404	-	59,872	-
Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Electronic Material (Guangzhou) Co., Ltd.	Sister company	200,122	2.54	64,896	-	66,064	-
Nikko Mechanics Co., Ltd.	Nikko-Materials Co., Ltd.	Parent company	109,128	4.87	-	-	38,884	-
Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Sister company	175,981	3.13	-	-	56,651	-

Note: Amount was eliminated from the consolidated financial statements.

TABLE 7

Eternal Materials Co., Ltd. and Subsidiaries

INTERCOMPANY BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counterparty	Relationship (Note 2)	Transactions Details			
				Financial Statement Item (Note 6)	Amount	Terms	% to Total Revenues or Assets (Note 3)
0	Eternal Materials Co., Ltd.	Eternal Specialty Materials (Zhuhai) Co., Ltd.	1	Revenue from sales of goods	$ 551,017	Note 4	1.27
0	Eternal Materials Co., Ltd.	Eternal Chemical (China) Co., Ltd.	1	Revenue from sales of goods	359,455	Note 4	0.83
0	Eternal Materials Co., Ltd.	Eternal Electronic Material (Thailand) Co., Ltd.	1	Revenue from sales of goods	373,749	Note 4	0.86
0	Eternal Materials Co., Ltd.	Eternal Electronic Material (Guangzhou) Co., Ltd.	1	Revenue from sales of goods	318,637	Note 4	0.74
0	Eternal Materials Co., Ltd.	CHOU-KOU Materials Co., Ltd.	1	Revenue from sales of goods	296,822	Note 4	0.69
0	Eternal Materials Co., Ltd.	Eternal Materials (Guangdong) Co., Ltd.	1	Revenue from sales of goods	305,760	Note 4	0.71
0	Eternal Materials Co., Ltd.	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	1	Revenue from sales of goods	244,712	Note 4	0.57
0	Eternal Materials Co., Ltd.	Eternal (China) Investment Co., Ltd.	1	Revenue from sales of goods	261,936	Note 4	0.60
0	Eternal Materials Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	1	Revenue from sales of goods	166,441	Note 4	0.38
0	Eternal Materials Co., Ltd.	Eternal Technology Corporation	1	Revenue from sales of goods	131,252	Note 4	0.30
0	Eternal Materials Co., Ltd.	Eternal Specialty Materials (Zhuhai) Co., Ltd.	1	Accounts receivable	103,222	Note 4	0.19
0	Eternal Materials Co., Ltd.	Eternal Electronic Material (Thailand) Co., Ltd.	1	Accounts receivable	138,164	Note 4	0.25
0	Eternal Materials Co., Ltd.	Eternal (China) Investment Co., Ltd.	1	Other income	108,284	Note 4	0.25
0	Eternal Materials Co., Ltd.	Eternal (China) Investment Co., Ltd.	1	Other receivables from related parties	112,927	Note 4	0.21
1	Eternal Holdings Inc.	Eternal (China) Investment Co., Ltd.	3	Other receivables from related parties	307,150	Note 5	0.57
1	Eternal Holdings Inc.	Eternal Technology Corporation	3	Other receivables from related parties	245,720	Note 5	0.45
1	Eternal Holdings Inc.	Elga Europe S.r.l.	3	Other receivables from related parties	140,800	Note 5	0.26
1	Eternal Holdings Inc.	Eternal Optical Material (Suzhou) Co., Ltd.	3	Other receivables from related parties	215,005	Note 5	0.40
1	Eternal Holdings Inc.	Eternal Chemical (Tianjin) Co., Ltd.	3	Other receivables from related parties	153,575	Note 5	0.28
1	Eternal Holdings Inc.	Eternal Sun A. (Suzhou) Co., Ltd.	3	Other receivables from related parties	110,574	Note 5	0.20
2	Eternal Chemical (China) Co., Ltd.	Eternal Chemical (Tianjin) Co., Ltd.	3	Revenue from sales of goods	140,356	Note 4	0.32
2	Eternal Chemical (China) Co., Ltd.	Eternal Chemical (Tianjin) Co., Ltd.	3	Other receivables from related parties	404,768	Note 5	0.74
2	Eternal Chemical (China) Co., Ltd.	Eternal Synthetic Resins (Changshu) Co., Ltd.	3	Other receivables from related parties	249,328	Note 5	0.46
2	Eternal Chemical (China) Co., Ltd.	Eternal Chemical (Chengdu) Co., Ltd.	3	Other receivables from related parties	448,343	Note 5	0.82
2	Eternal Chemical (China) Co., Ltd.	Eternal Specialty Materials (Suzhou) Co., Ltd.	3	Other receivables from related parties	202,369	Note 5	0.25

(Continued)

No. (Note 1)	Company Name	Counterparty	Relationship (Note 2)	Transactions Details			
				Financial Statement Item (Note 6)	Amount	Terms	% to Total Revenues or Assets (Note 3)
3	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Optical Material (Suzhou) Co., Ltd.	3	Other receivables from related parties	$ 274,086	Note 5	0.50
3	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Photoelectric Material Industry (Yingkou) Co., Ltd.	3	Other receivables from related parties	314,823	Note 5	0.58
3	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal (China) Investment Co., Ltd.	2	Other receivables from related parties	438,256	Note 5	0.81
3	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Chemical (Chengdu) Co., Ltd.	3	Long-term receivables from related parties	760,240	Note 5	1.40
3	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal (China) Investment Co., Ltd.	2	Long-term receivables from related parties	760,240	Note 5	1.40
3	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	3	Other receivables from related parties	134,160	Note 5	0.25
3	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	3	Long-term receivables from related parties	447,200	Note 5	0.82
3	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Chemical (Tianjin) Co., Ltd.	3	Long-term receivables from related parties	357,760	Note 5	0.66
3	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	3	Revenue from sale of goods	463,758	Note 4	1.07
3	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	3	Revenue from sale of goods	182,118	Note 4	0.42
3	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Photoelectric Materials (Guangzhou) Co., Ltd.	3	Accounts receivable	175,981	Note 4	0.32
4	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Optical Material (Suzhou) Co., Ltd.	3	Other receivables from related parties	357,760	Note 5	0.66
4	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Synthetic Resins (Changshu) Co., Ltd.	3	Long-term receivables from related parties	357,760	Note 5	0.66
4	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	3	Long-term receivables from related parties	223,600	Note 5	0.41
4	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	3	Revenue from sales of goods	644,959	Note 4	1.49
4	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Electronic Material (Guangzhou) Co., Ltd.	3	Revenue from sales of goods	429,694	Note 4	0.99
4	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	3	Accounts receivable	396,073	Note 4	0.73
4	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Electronic Material (Guangzhou) Co., Ltd.	3	Accounts receivable	200,122	Note 4	0.37

(Continued)

No. (Note 1)	Company Name	Counterparty	Relationship (Note 2)	Transactions Details			
				Financial Statement Item (Note 6)	**Amount**	**Terms**	**% to Total Revenues or Assets (Note 3)**
5	Eternal (China) Investment Co., Ltd.	Eternal Materials Co., Ltd.	2	Revenue from sales of goods	$ 213,265	Note 4	0.49
5	Eternal (China) Investment Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	1	Revenue from sales of goods	113,688	Note 4	0.26
6	Eternal Materials (Guangdong) Co., Ltd.	Eternal (China) Investment Co., Ltd.	3	Other receivables from related parties	935,296	Note 5	1.72
6	Eternal Materials (Guangdong) Co., Ltd.	Eternal Electronic Material (Guangzhou) Co., Ltd.	3	Revenue from sales of goods	322,365	Note 4	0.74
6	Eternal Materials (Guangdong) Co., Ltd.	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	3	Revenue from sales of goods	307,270	Note 4	0.71
7	Eternal Specialty Materials (Suzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	3	Revenue from sales of goods	221,149	Note 4	0.51
8	Nikko Mechanics Co., Ltd.	Nikko-Materials Co., Ltd.	2	Revenue from sales of goods	628,399	Note 4	1.45
8	Nikko Mechanics Co., Ltd.	Nikko-Materials Co., Ltd.	2	Accounts receivable	109,128	Note 4	0.20
9	Eternal Chemical (Tianjin) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	3	Revenue from sales of goods	152,136	Note 4	0.35
10	Eternal Specialty Materials (Zhuhai) Co., Ltd.	Eternal Materials Co., Ltd.	2	Revenue from sales of goods	105,733	Note 4	0.24

(Concluded)

Note 1: The transaction information of the Company and its subsidiaries numbered in column “No.”. The representation of the numbers are as follows：

1. No. 0 represents the Company.
2. Subsidiaries are numbered in order from No. 1.

Note 2: The relationships among the transaction parties are as follows:

1. The parent company to subsidiary.
2. The subsidiary to the parent company.
3. The subsidiary to another subsidiary.

Note 3: The percentage of transaction amount over the consolidated total revenues or total assets is as follows：Assets and liabilities are calculated using the ending balance divided by the consolidated total assets at the end of the reporting period; income accounts are calculated using the accumulated amount for the year divided by the consolidated total revenue during the reporting period.

Note 4: The terms are similar to non-related party transactions.

Note 5: In accordance with the Operational Procedures for Lending Funds to Others.

Note 6: For transactions between related parties, only one side of the transaction was disclosed.

TABLE 8

Eternal Materials Co., Ltd. and Subsidiaries

INFORMATION ON INVESTEES (EXCLUDING INVESTMENT IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2018			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2018	December 31, 2017	Shares	Percentage of Ownership	Carrying Amount			
Eternal Materials Co., Ltd.	Eternal Holdings Inc.	Samoa	International investment	$ 6,512,657	$ 6,669,271	213,363,859	100.00	$ 16,496,052	$ 345,426	$ 337,232	Note 1
Eternal Materials Co., Ltd.	Eternal Global (BVI) Co., Ltd.	British Virgin Islands	International investment	793,727	793,727	19,321,024	100.00	4,495,084	373,800	376,692	Note 1
Eternal Materials Co., Ltd.	Mixville Holdings Inc.	British Virgin Islands	International investment	989,582	1,088,366	29,530,000	100.00	4,277,420	287,887	286,072	Note 1
Eternal Materials Co., Ltd.	Advanced PETFILM Investment Co., Ltd.	Japan	International investment	788,630	788,630	270	20.00	394,765	(106,840)	(19,677)	
Eternal Materials Co., Ltd.	Daxin Materials Corporation	Taiwan	Manufacturing and selling of chemical, resins materials and electronic materials.	191,052	210,453	23,423,812	22.80	603,924	655,535	153,563	
Eternal Materials Co., Ltd.	New E Materials Co., Ltd.	Taiwan	Researching, developing, manufacturing and selling of photoelectric, semiconductor process related electronic chemical materials and equipment spare parts	185,936	185,936	17,268,963	62.80	171,864	(3,613)	(2,269)	
Eternal Materials Co., Ltd.	DSM Resins (Far East) Co., Ltd.	Taiwan	Manufacturing and selling of powder coating resin	36,400	36,400	3,660,000	40.00	109,973	91,284	36,514	
Eternal Materials Co., Ltd.	Eternal Capatech Co., Ltd.	Taiwan	Manufacturing and selling of electronic spare parts and related materials parts	147,000	147,000	14,700,000	96.71	31,568	(2,648)	(2,561)	
Eternal Materials Co., Ltd.	Eternal Electronic Material (Thailand) Co., Ltd.	Thailand	Trading service, cutting and selling of dry film photoresist	90,919	90,919	937,500	75.00	119,176	16,302	13,505	Note 1
Eternal Materials Co., Ltd.	CHOU-KOU Materials Co., Ltd.	Japan	Selling, trading and providing service of resins material, electronic material and other related products	60,431	60,431	4,000	100.00	87,122	(262)	944	Note 1
Eternal Materials Co., Ltd.	Nikko-Materials Co., Ltd.	Japan	Manufacturing and selling of dry film photoresist and vacuum laminator	257,657	257,657	11,520	100.00	851,745	216,790	212,355	Note 1
Eternal Materials Co., Ltd.	Eternal Materials (Malaysia) Sdn. Bhd.	Malaysia	Manufacturing, selling, trading and providing service of resins material related products	1,322,305	1,322,305	165,855,600	90.00	893,340	(183,603)	(166,597)	Note 1
Eternal Materials Co., Ltd.	Elga Europe S.r.l.	Italy	Manufacturing, selling, agency and processing of electronic chemical products	287,169	202,927	-	72.68	225,694	(59,140)	(23,288)	Note 1
Eternal Holdings Inc.	Eternal International (BVI) Co., Ltd.	British Virgin Islands	International investment	6,550,737	6,367,917	211,823,592	100.00	14,154,311	203,608	-	Notes 2 and 4
Eternal Holdings Inc.	E-Chem Corp.	Samoa	International investment	165,608	640,195	4,990,000	100.00	1,883,466	99,429	-	Notes 2, 3 and 4
Eternal Holdings Inc.	Allnex-Eternal Resins Corporation Limited	Hong Kong	Trading and international investment	155,870	140,851	4,851,000	49.00	263,947	87,488	-	Notes 2 and 4
Eternal Holdings Inc.	Polymer Instrumentation and Consulting Services, Ltd.	United states	Plastic products manufacturing	121,913	-	4,694,296	30.00	113,490	(40,160)	-	Notes 2 and 4
Eternal International (BVI) Co., Ltd.	Eternal Technology Corporation	United States	Manufacturing and selling of photoresist	600,693	600,693	2,333	100.00	(8,595)	(39,650)	-	Notes 2 and 4
Mixville Holdings Inc.	High Expectation Limited	Cayman Islands	International investment	871,519	871,519	26,005,000	100.00	4,148,776	285,520	-	Notes 2 and 4
Eternal (China) Investment Co., Ltd.	Elga Europe S.r.l.	Italy	Manufacturing, selling, agency and processing of electronic chemical products	58,610	58,610	-	22.32	26,113	(59,140)	-	Notes 2 and 4
Nikko-Materials Co., Ltd.	Nikko Mechanics Co., Ltd.	Japan	Designing, manufacturing, selling of industrial machinery and machine tool	107,897	107,897	5,248	80.00	168,288	42,978	-	Notes 2 and 4

Note 1: The difference between the net income (loss) of investees and the investment income or loss recognized by the Company is the unrealized gains and losses from the intercompany transaction and the amortization of the investment cost premium.

Note 2: It had been consolidated into the net income (loss) of investees recognized by the Company using the equity method, and also considered into the calculation of the Company's investment income or loss.

Note 3: The investment amounts included investments indirectly invested in another company by transferring retained earnings into capital or dividend distribution.

Note 4: Translated into NTD using the average exchange rate for the reporting period and exchange rate at the balance sheet date.

TABLE 9

Eternal Materials Co., Ltd. and Subsidiaries

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investments from Taiwan as of January 1, 2018 (Note 8)	Investment Flows		Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% of Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
					Outward	Inward							
Eternal Chemical (China) Co., Ltd.	Manufacturing and selling of resins material and processing products	$ 755,651	2	$ 625,549	$ -	$ -	$ 625,549	$ 352,631	100.00	$ 352,631	$ 4,300,940	$ 504,616	Notes 2 and 4
DSM Eternal Resins (Kunshan) Co., Ltd.	Manufacturing and selling of powder coating resin	183,470	2	91,735	-	-	91,735	37,384	50.00	18,511	314,029	479,187	Note 3
Changhe International Trading (GZFTZ) Co., Ltd.	International trading, commercial trading, entrepot trading, products displayed, bounded warehousing and business consulting service	13,661	2	7,020	-	-	7,020	(4,506)	100.00	(4,506)	21,704	-	Notes 2 and 4
Orchard Decorative Materials (China) Co., Ltd.	Printing and selling of industrial paper which used in plastic furniture and manufacturing and selling of plastic film.	549,118	2	19,392	-	-	19,392	51,394	6.36	-	31,215	32,871	Note 4
Eternal Photoelectric Material Industry (Kunshan) Co., Ltd.	Cutting and processing of dry film photoresist and selling self-products.	191,777	2	15,364	-	-	15,364	(39,261)	100.00	(39,261)	246,132	165,880	Notes 2 and 4
Eternal Electronic Material (Guangzhou) Co., Ltd.	Coating, slitting, cutting, processing, and selling of photoresist	1,259,046	2	444,685	-	-	444,685	356,415	100.00	356,415	6,621,768	983,767	Notes 2 and 4
Eternal Optical Material (Suzhou) Co., Ltd.	Manufacturing and selling of optical film	614,887	2	-	-	-	-	(73,770)	100.00	(73,770)	(546,219)	-	Notes 2 and 4
Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Researching, developing, manufacturing and selling of electronic high-tech chemical and related products	997,694	2	-	-	-	-	393,557	100.00	393,557	3,895,500	-	Notes 2 and 4
Eternal Photoelectric Material Industry (Yingkou) Co., Ltd.	Researching, developing and manufacturing of photoresist dry film, liquid photo imaginable solder masks and printed circuit board related materials	124,282	2	-	-	-	-	(7,169)	100.00	(7,169)	(200,070)	-	Notes 2 and 4
Eternal Electronic Materials (Kunshan) Co., Ltd.	Manufacturing and selling of epoxy molding compound which used in electronic parts and related products	524,337	2	456,427	-	-	456,427	13,177	40.00	6,057	201,434	-	Notes 3 and 4
Eternal Synthetic Resins (Changshu) Co., Ltd.	Manufacturing and selling of unsaturated polyester resin	726,426	2	279,811	-	-	279,811	(45,723)	100.00	(45,723)	134,309	-	Notes 2 and 4
Eternal Chemical (Tianjin) Co., Ltd.	Manufacturing and selling of adhesives, resins material and processing products	1,008,004	2	599,320	-	-	599,320	15,793	100.00	15,793	692,546	-	Notes 2 and 4
Eternal Specialty Materials (Zhuhai) Co., Ltd.	Manufacturing and selling of acrylic resin and methacrylic acid	611,011	2	243,540	-	-	243,540	139,970	90.00	130,587	1,870,233	607,788	Notes 2 and 4
ESCO Specialty Coatings (Shanghai) Co., Ltd.	Researching, manufacturing and selling of processing electronic high-tech chemical, high performance coating, material and products	403,180	2	196,680	-	-	196,680	(27,679)	40.00	(20,657)	11,702	-	Notes 2 and 4
Eternal Materials (Guangdong) Co., Ltd.	Manufacturing and selling of adhesives, resins material and processing products	1,297,259	2	868,175	-	-	868,175	285,701	100.00	285,701	4,146,086	445,942	Notes 2 and 4

(Continued)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investments from Taiwan as of January 1, 2018 (Note 8)	Investment Flows		Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% of Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
					Outward	Inward							
Eternal (China) Investment Co., Ltd.	Managing, investing consulting service, researching, manufacturing and selling of resins material and photoelectric chemicals materials	$ 8,369,307	2	$ 4,878,364	$ 182,820	$ -	$ 5,061,184	$ 242,641	100.00	$ 242,641	$ 14,133,708	$ -	Notes 2, 4 and 5
Eternal Chemical (Chengdu) Co., Ltd.	Researching and developing resins material and products	450,351	2	-	-	-	-	(185,250)	100.00	(185,250)	(87,620)	-	Notes 2 and 4
Eternal Electronic (Suzhou) Co., Ltd.	Researching, developing, and manufacturing of dry film photoresist and dry film solder mask which used in electronic materials, and selling, providing after sales service of self-produced products	1,381,040	2	-	-	-	-	64,845	100.00	64,845	1,296,041	-	Notes 2 and 4
Eternal Sun A. (Suzhou) Co., Ltd.	Researching, developing, and manufacturing of optical protective film which used in display, and selling, providing after sales service of self-produced products	751,443	2	-	-	-	-	(145,317)	60.00	(87,190)	214,973	-	Notes 2 and 4
Eternal Specialty Materials (Suzhou) Co., Ltd.	Researching and developing chemical products, and selling, providing technical service of self-produced products	1,199,225	2	-	-	-	-	94,288	100.00	94,288	1,132,980	-	Notes 2 and 4
Eternal Materials (Changzhou) Co., Ltd.	Selling of fluorocarbon resin and polyester resin products	602,000	2	-	-	-	-	46,248	100.00	46,248	629,442	-	Notes 2 and 4
Showa Denko New Material (Zhuhai) Co., Ltd.	Manufacturing and selling and manufacturing of functional resins, resins composite material and providing technical service.	366,881	2	-	-	-	-	4,809	30.00	3,093	88,523	-	Notes 2 and 4
Hangzhou Yongxinyang Photoelectric Materials Co. Ltd.	Researching, developing, selling and manufacturing optical film for liquid-crystal display	45,170	2	-	-	-	-	(34,429)	51.00	(27,855)	(4,957)	-	Notes 2 and 4

Investor Company	Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2018 (Notes 6 and 8)	Investment Amount Authorized by the Investment Commission, MOEA (Note 6)	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA (Note 7)
Eternal Materials Co., Ltd.	$ 8,915,034	$ 24,854,338	$ -

Note 1: Investment methods are classified into the following three categories:

1. Direct investment in a company in mainland China.
2. Investing through companies in a third region (Eternal Holdings Inc., Eternal Global (BVI) Co., Ltd and Mixville Holdings Inc.)
3. Others.

Note 2: The investment gains and losses were recognized is according to SAS No. 54 “Special Consideration - Audits of Group Financial Statements” from the financial statements audited by the parent company’s CPA in the ROC.

Note 3: The investment gains and losses were recognized from the financial statements audited by other CPAs.

Note 4: The difference between the outward remittance of investments and the company’s paid-in capital was the capital transferred from retained earnings or the investment of the Company’s other subsidiaries in China.

Note 5: The investment gains and losses of Eternal (China) Investment Co., Ltd. included investment income (loss) recognized by the invested company.

(Continued)

Note 6: The amounts included transferring retained earnings into capital by the invested company in mainland China and the investor company's dividends that were indirectly invested in another invested company in mainland China approved by the Investment Commission, MOEA, which were translated into NTD using the current exchange rate.

Note 7: According to the "Regulation Governing the Approval of Investment or Technical Cooperation in Mainland China", modified on August 29, 2008, the Company obtained the approval of the operational headquarters from the Industrial Development Bureau of Ministry of Economic Affairs. There is no ceiling for the investment amount.

Note 8: The difference between the summary and details of accumulated outward remittance for investments in mainland China at the end of the reporting period was mainly due to the capital from the disposal of subsidiaries not wired back to the Company but remaining on the accounts of the holding company.

(Concluded)