

Eternal Materials Co., Ltd.

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

INDEPENDENT AUDITORS' REPORT

Eternal Materials Co., Ltd.

Opinion

We have audited the accompanying standalone financial statements of Eternal Materials Co., Ltd. (the Company), which comprise the standalone balance sheets as of December 31, 2018 and 2017, and the standalone statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the standalone 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 standalone financial statements present fairly, in all material respects, the standalone financial position of the Company as of December 31, 2018 and 2017, and its standalone financial performance and its standalone cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 standalone financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the standalone 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's standalone 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 3% of the Company's 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 23% and 18% of the Company's total comprehensive income for the year ended December 31, 2018 and 2017, respectively.

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

Management is responsible for the preparation and fair presentation of the standalone financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of standalone financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone 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 standalone 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 standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

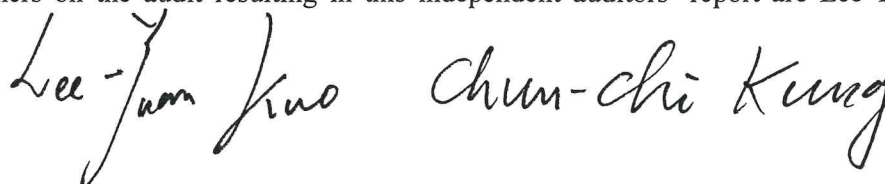
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 standalone 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.

Deloitte & Touche
Taipei, Taiwan
Republic of China



March 27, 2019

Notice to Readers

The accompanying standalone financial statements are intended only to present the standalone 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 standalone financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying standalone 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 standalone financial statements shall prevail.

Eternal Materials Co., Ltd.

STANDALONE BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2018		December 31, 2017		LIABILITIES AND EQUITY	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 4 and 6)	\$ 266,244	1	\$ 660,560	1	Short-term borrowings (Notes 4 and 18)	\$ 1,974,614	5	\$ 2,269,522	5
Notes receivable, net (Notes 4 and 7)	382,064	1	379,645	1	Notes payable (Note 4)	23,519	-	6,043	-
Notes receivable from related parties, net (Notes 4, 7 and 28)	133	-	325	-	Accounts payable (Note 28)	1,519,338	3	1,342,961	3
Accounts receivable, net (Notes 4, 5 and 7)	2,608,286	6	2,943,730	7	Other payables - other	817,306	2	850,511	2
Accounts receivable from related parties, net (Notes 4, 5, 7 and 28)	909,174	2	883,022	2	Current tax liabilities (Note 23)	74,713	-	88,045	1
Other receivables (Note 28)	619,801	1	504,013	1	Current portion of long-term borrowings (Note 18)	3,283,000	8	3,623,331	8
Inventories (Notes 4, 5 and 8)	2,875,556	7	3,129,254	7	Other current liabilities - other (Note 21)	<u>27,728</u>	-	<u>28,843</u>	-
Non-current assets held for sale (Notes 4 and 9)	9,243	-	-	-	Total current liabilities	<u>7,720,218</u>	<u>18</u>	<u>8,209,256</u>	<u>19</u>
Other financial assets - current (Note 10)	14,830	-	14,830	-	NONCURRENT LIABILITIES				
Other current assets - other (Note 23)	<u>162,210</u>	-	<u>133,638</u>	-	Long-term borrowings (Note 4 and 18)	11,021,142	25	11,559,000	26
Total current assets	<u>7,847,541</u>	<u>18</u>	<u>8,649,017</u>	<u>19</u>	Deferred tax liabilities (Notes 4 and 23)	2,826,460	7	2,964,831	7
NONCURRENT ASSETS					Other noncurrent liabilities (Notes 5 and 19)	<u>1,012,727</u>	<u>2</u>	<u>1,150,283</u>	<u>2</u>
Financial assets at fair value through other comprehensive income - noncurrent (Notes 3, 4 and 11)	554,198	1	-	-	Total noncurrent liabilities	<u>14,860,329</u>	<u>34</u>	<u>15,674,114</u>	<u>35</u>
Available-for-sale financial assets - noncurrent (Notes 4 and 12)	-	-	548,376	1	Total liabilities	<u>22,580,547</u>	<u>52</u>	<u>23,883,370</u>	<u>54</u>
Financial assets measured at cost - noncurrent (Notes 4 and 13)	-	-	99,031	-	EQUITY (Note 20)				
Investments accounted for using the equity method (Notes 4 and 14)	28,757,727	66	28,851,367	65	Ordinary shares	<u>12,402,795</u>	<u>28</u>	<u>11,591,397</u>	<u>26</u>
Property, plant and equipment (Notes 4 and 15)	6,034,560	14	5,909,844	14	Capital surplus	<u>356,046</u>	<u>1</u>	<u>359,900</u>	<u>1</u>
Investment properties (Notes 4 and 16)	17,057	-	9,243	-	Retained earnings				
Intangible assets (Notes 4 and 17)	89,365	-	7,779	-	Legal reserve	3,787,789	9	3,596,826	8
Deferred tax assets (Notes 4, 5 and 23)	260,998	1	263,517	1	Special reserve	426,930	1	426,930	1
Other noncurrent assets - other	<u>22,180</u>	-	<u>51,956</u>	-	Unappropriated earnings	<u>4,540,412</u>	<u>10</u>	<u>4,473,325</u>	<u>10</u>
Total noncurrent assets	<u>35,736,085</u>	<u>82</u>	<u>35,741,113</u>	<u>81</u>	Total retained earnings	<u>8,755,131</u>	<u>20</u>	<u>8,497,081</u>	<u>19</u>
					Other equity	<u>(510,893)</u>	<u>(1)</u>	<u>58,382</u>	<u>-</u>
					Total equity	<u>21,003,079</u>	<u>48</u>	<u>20,506,760</u>	<u>46</u>
TOTAL	<u>\$ 43,583,626</u>	<u>100</u>	<u>\$ 44,390,130</u>	<u>100</u>	TOTAL	<u>\$ 43,583,626</u>	<u>100</u>	<u>\$ 44,390,130</u>	<u>100</u>

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

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

Eternal Materials Co., Ltd.

STANDALONE 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 4, 21 and 28)	\$ 16,113,899	100	\$ 16,451,548	100
OPERATING COSTS (Notes 8, 19, 22 and 28)	<u>13,817,004</u>	<u>86</u>	<u>13,665,669</u>	<u>83</u>
GROSS PROFIT	<u>2,296,895</u>	<u>14</u>	<u>2,785,879</u>	<u>17</u>
OPERATING EXPENSES (Notes 19 and 22)				
Selling and marketing expenses	745,922	5	827,663	5
General and administrative expenses	719,005	4	726,512	4
Research and development expenses	951,264	6	927,407	6
Expected credit loss	<u>38,943</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>2,455,134</u>	<u>15</u>	<u>2,481,582</u>	<u>15</u>
PROFIT/(LOSS) FROM OPERATIONS	<u>(158,239)</u>	<u>(1)</u>	<u>304,297</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 22 and 28)	548,620	4	456,607	3
Other gains and losses (Note 22)	185,818	1	13,996	-
Net foreign exchange gains and losses	19,739	-	(54,283)	-
Finance costs (Notes 4 and 22)	(286,353)	(2)	(244,201)	(2)
Share of the profit of subsidiaries, associates and joint ventures	<u>1,202,485</u>	<u>7</u>	<u>1,514,546</u>	<u>9</u>
Total non-operating income and expenses	<u>1,670,309</u>	<u>10</u>	<u>1,686,665</u>	<u>10</u>
PROFIT BEFORE INCOME TAX	1,512,070	9	1,990,962	12
INCOME TAX BENEFIT (EXPENSE) (Notes 4 and 23)	<u>38,445</u>	<u>1</u>	<u>(81,328)</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>1,550,515</u>	<u>10</u>	<u>1,909,634</u>	<u>12</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 19, 20 and 23)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(7,129)	-	(82,680)	-

(Continued)

Eternal Materials Co., Ltd.

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

	For the Year Ended December 31			
	2018		2017	
	Amount	%	Amount	%
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	\$ (114,425)	(1)	\$ -	-
Remeasurement of defined benefit plans of subsidiaries, associates and joint ventures accounted for using the equity method	(372)	-	573	-
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	(46,887)	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	20,142	-	13,958	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	(433,325)	(3)	(431,942)	(3)
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	<u>(598,272)</u>	<u>(4)</u>	<u>(493,225)</u>	<u>(3)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 952,243</u>	<u>6</u>	<u>\$ 1,416,409</u>	<u>9</u>
EARNINGS PER SHARE (Note 24)				
Basic	\$ 1.25		\$ 1.54	
Diluted	1.25		1.53	

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

(Concluded)

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

Eternal Materials Co., Ltd.

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

	Capital Surplus					Retained Earnings			Other Equity			Total 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
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
Appropriation of 2016 earnings (Note 20)													
Legal reserve	-	-	-	-	-	262,638	-	(262,638)	-	-	-	-	-
Cash dividends - NT\$1.5 per share	-	-	-	-	-	-	-	(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)
Net profit for the year ended December 31, 2017	-	-	-	-	-	-	-	1,909,634	-	-	-	-	1,909,634
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)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	-	-	1,841,485	(436,156)	11,080	-	(425,076)	1,416,409
Disposal of subsidiaries (Note 20)	-	-	-	-	-	-	-	-	58,386	-	-	58,386	58,386
Changes in ownership of subsidiaries (Note 14)	-	-	-	-	-	-	-	(4,541)	-	-	-	-	(4,541)
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
Effect of retrospective application and retrospective restatement (Note 3)	-	-	-	-	-	-	-	97,371	-	(265,246)	295,375	30,129	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
Appropriation of 2017 earnings (Note 20)													
Legal reserve	-	-	-	-	-	190,963	-	(190,963)	-	-	-	-	-
Cash dividends - NT\$0.5 per share	-	-	-	-	-	-	-	(579,570)	-	-	-	-	(579,570)
Share dividends - NT\$0.7 per share	811,398	-	-	-	-	-	-	(811,398)	-	-	-	-	-
	811,398	-	-	-	-	190,963	-	(1,581,931)	-	-	-	-	(579,570)
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	-	1,550,515	-	-	-	-	1,550,515
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)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	-	1,557,433	(449,601)	-	(155,589)	(605,190)	952,243
Disposal of investments accounted for using the equity method (Note 20)	-	-	-	(3,854)	(3,854)	-	-	-	-	-	-	-	(3,854)
Disposal of investments in equity instruments designated as at fair value through other comprehensive income (Note 20)	-	-	-	-	-	-	-	(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

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

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

Eternal Materials Co., Ltd.

STANDALONE 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	\$ 1,512,070	\$ 1,990,962
Adjustments for:		
Depreciation expense	645,182	612,033
Amortization expense	3,489	3,221
Expected credit losses	38,943	-
Impairment loss recognized on accounts receivables	-	15,999
Finance costs	286,353	244,201
Interest income	(775)	(1,031)
Dividend income	(42,861)	(1,250)
Share of the profit of subsidiaries, associates and joint ventures	(1,202,485)	(1,514,546)
Loss (gain) on disposal of property, plant and equipment	(9,462)	5,919
Gain on disposal of investments	(195,696)	(52,338)
Impairment loss recognized on non-financial assets	45,571	33,832
Others	-	573
Changes in operating assets and liabilities		
Notes receivable	(2,419)	22,832
Notes receivable from related parties	192	254
Accounts receivable	302,192	(678,464)
Accounts receivable from related parties	(31,843)	189,255
Other receivables	(38,540)	12,127
Inventories	208,127	(421,537)
Other current assets	(13,505)	(10,555)
Notes payable	17,476	(10,947)
Accounts payable	176,377	(32,527)
Other payables	(6,575)	(128,351)
Other current liabilities	4,714	(2,299)
Other noncurrent liabilities	(152,506)	(38,483)
Cash generated from operations	1,544,019	238,880
Interest received	775	1,129
Dividends received	694,158	600,115
Interest paid	(291,513)	(244,503)
Income taxes paid	(104,667)	(121,875)
Net cash generated from operating activities	<u>1,842,772</u>	<u>473,746</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	3,333	-
Proceeds from capital reduction of financial assets measured at cost	-	2,098
Acquisition of investments accounted for using the equity method	(368,876)	(1,245,753)
Proceeds from disposal of investments accounted for using the equity method	270,455	-
		(Continued)

Eternal Materials Co., Ltd.

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

	For the Year Ended December 31	
	2018	2017
Proceeds from capital reduction of investments accounted for using the equity method	\$ 540,034	\$ -
Acquisition of property, plant and equipment	(871,506)	(836,484)
Proceeds from disposal of property, plant and equipment	(5,685)	4,761
Acquisition of intangible assets	(85,075)	(3,256)
Decrease in other financial assets - current	-	9,170
Decrease in other noncurrent assets	<u>29,778</u>	<u>508</u>
Net cash used in investing activities	<u>(487,542)</u>	<u>(2,068,956)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	(294,908)	905,578
Proceeds from long-term borrowings	13,836,765	9,365,239
Repayments of long-term borrowings	(14,713,919)	(7,264,667)
Increase in guarantee deposits received	2,086	8
Dividends paid	<u>(579,570)</u>	<u>(1,655,914)</u>
Net cash generated from (used in) financing activities	<u>(1,749,546)</u>	<u>1,350,244</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(394,316)	(244,966)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>660,560</u>	<u>905,526</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 266,244</u>	<u>\$ 660,560</u>

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

(Concluded)

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

Eternal Materials Co., Ltd.

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The standalone 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's 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 has performed an assessment of the classification of recognized financial assets and has 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			Carrying Amount		Remark	
	IAS 39	IFRS 9	IAS 39	IFRS 9			
Cash and cash equivalents	Loans and receivables	Amortized cost	\$ 660,560	\$ 660,560	a)		
Notes receivable, net (including related parties)	Loans and receivables	Amortized cost	379,970	379,970	a)		
Accounts receivable, net (including related parties)	Loans and receivables	Amortized cost	3,826,752	3,826,752	a)		
Other receivables (including related parties)	Loans and receivables	Amortized cost	504,013	504,013	a)		
Time deposits with original maturities of more than 3 months	Loans and receivables	Amortized cost	14,830	14,830	a)		
Refundable deposits	Loans and receivables	Amortized cost	14,696	14,696	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	99,031	123,580	c)		
Investments accounted for using the equity method	-	-	28,851,367	28,954,318	d)		
	Carrying Amount as of January 1, 2018 (IAS 39)	Reclassifi- cations	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 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)	-	99,031	24,549	123,580	37,396	(12,847)	c)
	<u>-</u>	<u>647,407</u>	<u>24,549</u>	<u>671,956</u>	<u>37,396</u>	<u>(12,847)</u>	
Financial assets measured at amortized cost							
Reclassification from loans and receivables (IAS 39)	-	5,400,821	-	5,400,821	-	-	a)
Investment accounted for using the equity method	28,851,367	-	102,951	28,954,318	59,975	42,976	d)
	<u>\$ 28,851,367</u>	<u>\$ 6,048,228</u>	<u>\$ 127,500</u>	<u>\$ 35,027,095</u>	<u>\$ 97,371</u>	<u>\$ 30,129</u>	

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 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 previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, a decrease of \$12,847 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\$37,396 thousand in retained earnings on January 1, 2018.

- d) Investments in unlisted shares and certificates of interest that were held by subsidiaries which are recorded as investments accounted for using the equity method by the Company previously measured at cost under IAS 39 had been designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in an increase of NT\$110,783 thousand in investments accounted for using the equity method, NT\$42,976 thousand in other equity - unrealized gains and losses on financial assets at FVTOCI, and NT\$67,807 thousand in retained earnings on January 1, 2018.

A mutual fund held by a subsidiary which are recorded as investments accounted for using the equity method by the Company previously classified as financial assets measured at cost under IAS 39 was classified mandatorily as at FVTPL under IFRS 9 and was remeasured at fair value, 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 based on percentage of ownership and resulted in a decrease of \$7,832 thousand in investments accounted for using the equity method and 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 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 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 as lessee

Upon initial application of IFRS 16, the Company will recognize right-of-use assets and lease liabilities for all leases on the standalone 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 standalone statements of comprehensive income, the Company will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the standalone 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. Cash flows for operating leases are classified within operating activities on the standalone statements of cash flows.

The Company anticipates 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 expects to apply the following practical expedients:

- 1) The Company will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Company will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- 3) The Company will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- 4) The Company will use hindsight, such as in determining the lease terms if the contract contains options to extend or terminate the lease.

The Company as lessor

The Company will not make any adjustments for leases in which it is a lessor 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	\$ 4,641	\$ (4,641)	\$ -
Right-of-use assets	<u>-</u>	<u>39,292</u>	<u>39,292</u>
Total effect on assets	<u>\$ 4,641</u>	<u>\$ 34,651</u>	<u>\$ 39,292</u>
Lease liabilities - current	\$ -	\$ 11,583	\$ 11,583
Lease liabilities - noncurrent	<u>-</u>	<u>23,068</u>	<u>23,068</u>
Total effect on liabilities	<u>\$ -</u>	<u>\$ 34,651</u>	<u>\$ 34,651</u>

Except for the above impact, as of the date the standalone financial statements were authorized for issue, the Company 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

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

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

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

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

- 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 sells or contributes 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 loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Company sells or contributes 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's interest as an unrelated investor in the associate or joint venture, i.e. the Company's share of the gain or loss is eliminated. Also, when the Company loses control of a subsidiary that does not contain a business (as defined in IFRS 3) but retains 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's interest as an unrelated investor in the associate or joint venture, i.e. the Company's 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 standalone financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards, amendments and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

a. Statement of compliance

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

b. Basis of preparation

The standalone 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.

When preparing the standalone financial statements, the Company accounted for investments in subsidiaries and associates by using the equity method. In order for the amount of net income, other comprehensive income and equity in the standalone financial statements equal to those attributable to owners of the Company in the consolidated financial statements, the differences of the accounting treatment between the standalone basis and the consolidated basis are adjusted under the heading of investments accounted for using the equity method, share of profits of subsidiaries, associates and joint

ventures, share of other comprehensive income of subsidiaries, associates and joint ventures and capital surplus in the standalone financial statements.

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. 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.

When a business combination is achieved in stages, the Company's 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.

e. Foreign currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the 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.

On the disposal of a foreign operation (i.e. a disposal of the Company's 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 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 included in the calculation of equity transactions but 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.

f. 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.

g. Investments in subsidiaries

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

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

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

When the Company's share of loss of a subsidiary equals to or exceeds its interest in that subsidiary (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's net investment in the subsidiary), the Company continues recognizing its share of further losses.

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

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount of cash-generating units based on the entire financial statements of the invested company. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes

the profit for reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount (net of amortization) that had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in subsequent periods.

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

Unrealized profits or losses resulting from downstream transactions with subsidiaries are eliminated in the standalone financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the standalone financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

h. Investments in associates

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

An associate is an entity over which the Company has significant influence and that is not a subsidiary.

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

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

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - share of changes in equities of associates and investments accounted for using the equity method. If the Company's ownership interest is reduced due to non-subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate 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's share of losses of an associate equals or exceeds their interest in that associate (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's net investment in the associate), the Company discontinues recognizing their share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

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 deducted from investment and the carrying amount of investment is net of impairment loss. Any reversal of that impairment loss is recognized to the extent that the

recoverable amount of the investment has subsequently increased.

The Company discontinues the use of the equity method from the date on which the investment ceases to be an associate. 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 associate attributable to the retained interest and its fair value is included in the determination of the gains or losses on disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

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

i. Property, plant, and equipment

Property, plant and equipment 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.

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

j. Investment properties

Investment properties are land held for a currently undetermined future use. Investment properties are measured initially at cost, including transaction costs.

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. Intangible assets

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

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.

l. Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered 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 estimates 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.

m. 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.

n. Financial instruments

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

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

2018

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

i 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.

- ii Investments in equity instruments at FVTOCI

On initial recognition, the Company 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's 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 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's 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

2018

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

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

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. 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.

2017

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

If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and any associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues 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 measures 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.

o. Revenue recognition

2018

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

1) Revenue from the sale of goods

Revenue from the sale of goods is recognized when the committed goods are delivered from the Company 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 with customers. For a contract where the period between the date the Company transfers a promised good to a customer and the date the customer pays for that good is one year or less, the Company does 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 pertain to intangible asset licensing and 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 does 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 pertain to intangible asset licensing and logistics support. The service price is charged according to the basis of calculation as stated in the contract.

p. 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 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 standalone 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.

q. 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.

r. 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.

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

The carrying amount of deferred tax assets is reviewed at 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 expects, 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's 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 uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

2017

When there is objective evidence of impairment loss, the Company takes 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

	<u>December 31</u>	
	2018	2017
Cash on hand	\$ 3,841	\$ 3,885
Checking accounts and demand deposits	<u>262,403</u>	<u>656,675</u>
	<u>\$ 266,244</u>	<u>\$ 660,560</u>

7. NOTES AND ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	2018	2017
Notes receivable	<u>\$ 382,064</u>	<u>\$ 379,645</u>
Notes receivable from related parties	<u>133</u>	<u>325</u>
Accounts receivable	\$ 2,679,047	\$ 2,993,903
Less: Allowance for loss/doubtful accounts	<u>(70,761)</u>	<u>(50,173)</u>
	<u>\$ 2,608,286</u>	<u>\$ 2,943,730</u>
Accounts receivable from related parties	\$ 914,865	\$ 883,022
Less: Allowance for loss	<u>(5,691)</u>	<u>-</u>
	<u>\$ 909,174</u>	<u>\$ 883,022</u>

2018

The notes and accounts receivable of the Company are measured at amortized cost. For the related credit management policies, refer to Note 27.

The loss allowance of the Company's accounts receivables is recognized by the uses 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's provision matrix.

December 31, 2018

	Not Past Due	0 to 30 Days	31 to 90 Days	91 to 180 Days	Over 180 Days	Total
Expected credit loss rate (%)	0.07	0.80	5.16	44.13	100	
Gross carrying amount	\$ 3,577,782	\$ 220,343	\$ 85,064	\$ 45,366	\$ 47,554	\$ 3,976,109
Loss allowance (Lifetime ECL)	<u>(2,722)</u>	<u>(1,770)</u>	<u>(4,386)</u>	<u>(20,020)</u>	<u>(47,554)</u>	<u>(76,452)</u>
Amortized cost	<u>\$ 3,575,060</u>	<u>\$ 218,573</u>	<u>\$ 80,678</u>	<u>\$ 25,346</u>	<u>\$ -</u>	<u>\$ 3,899,657</u>

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

	2018
Balance at January 1, 2018 (IAS 39)	\$ 50,173
Adjustment on initial application of IFRS 9	<u>-</u>
Balance at January 1, 2018 (IFRS 9)	50,173
Recognized in current year	38,943
Written off in current year	<u>(12,664)</u>
Balance at December 31, 2018	<u>\$ 76,452</u>

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	\$ 3,879,591
0 to 30 days	262,972
31-90 days	65,598
91-180 days	18,287
More than 181 days	<u>30,447</u>
	<u>\$ 4,256,895</u>

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	\$ 45,610
Recognized in current year	15,999
Write-off in current year	<u>(11,436)</u>
Balance at December 31, 2017	<u>\$ 50,173</u>

8. INVENTORIES

	December 31	
	2018	2017
Raw materials	\$ 1,291,423	\$ 1,368,442
Supplies	74,482	78,697

(Continued)

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Finished goods	\$ 1,420,209	\$ 1,497,534
Inventory in transit	<u>89,442</u>	<u>184,581</u>
	<u>\$ 2,875,556</u>	<u>\$ 3,129,254</u>

(Concluded)

The cost of inventories recognized as operating costs for the years ended December 31, 2018 and 2017 was NT\$13,817,004 thousand and NT\$13,665,669 thousand, respectively, including write-down of inventories of NT\$45,571 thousand and NT\$33,832 thousand, respectively.

9. NON-CURRENT ASSETS HELD FOR SALE

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Land held for sale	<u>\$ 9,243</u>	<u>\$ -</u>

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

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Time deposits with original maturities of more than three months	<u>\$ 14,830</u>	<u>\$ 14,830</u>

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

	<u>December 31,</u> <u>2018</u>
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.	<u>2,609</u>
	<u>504,555</u>

(Continued)

	December 31, 2018
Foreign investments	
Listed shares	
TBG Diagnostics Limited	<u>\$ 49,643</u>
	<u>\$ 554,198</u>
	(Concluded)

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's 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, 12 and 13 for information relating to their reclassification and comparative information for 2017.

12. 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	<u>196,300</u>
	307,312
Valuation adjustment	<u>241,064</u>
	<u>\$ 548,376</u>

13. FINANCIAL ASSETS MEASURED AT COST - NONCURRENT

	December 31, 2017
Universal Venture Capital Investment Corp.	\$ 51,500
Universal Development & Investment Capital I Co., Ltd.	47,838
Mega I Venture Capital Co., Ltd.	16,537
The Orchard Corp. of Taiwan Ltd.	12,161
Der Yang Biotechnology Venture Capital Co., Ltd.	<u>8,390</u>
	136,426
Less: Accumulated impairment	<u>(37,395)</u>
	<u>\$ 99,031</u>

Since there are wide ranges of estimated fair values of the Company's 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. and Mega I Venture Capital Co., Ltd., the Company recognized an impairment loss for the excess of carrying amounts over the estimated recoverable amounts.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2018	2017
Investments in subsidiaries	\$ 27,649,065	\$ 27,686,064
Investments in associates	<u>1,108,662</u>	<u>1,165,303</u>
	<u>\$ 28,757,727</u>	<u>\$ 28,851,367</u>

Investments in subsidiaries

	December 31			
	2018		2017	
	Amount	Percentage	Amount	Percentage
Eternal Holdings Inc.	\$ 16,496,052	100	\$ 16,614,663	100
Eternal Global (BVI) Co., Ltd.	4,495,084	100	4,442,340	100
Mixville Holdings Inc.	4,277,420	100	4,331,049	100
Eternal Materials (Malaysia) Sdn. Bhd.	893,340	90	1,052,411	90
Nikko-Materials Co., Ltd.	851,745	100	658,318	100
Elga Europe S.r.l.	225,694	72.68	180,676	60
New E Materials Co., Ltd.	171,864	62.80	175,808	62.80
Eternal Electronic Material (Thailand) Co., Ltd.	119,176	75	114,885	75
CHOU-KOU Materials Co., Ltd.	87,122	100	81,785	100
Eternal Capatech Co., Ltd.	<u>31,568</u>	96.71	<u>34,129</u>	96.71
	<u>\$ 27,649,065</u>		<u>\$ 27,686,064</u>	

The Company indirectly owns 35% of the equity of Elga Europe S.r.l (Elga) through its subsidiary Eternal (China) Investment Co., Ltd. Due to its global operation strategy, the Company acquired directly 60% ownership of Elga in 2017 and Elga became a subsidiary of the Company. In 2018, the Company subscribed for a cash increase of EUR 2,375 thousand (NT\$84,241 thousand) of the subsidiary. The Company and its subsidiaries still own 95% of the equity of the subsidiary after cash increase.

In 2017, the Company acquired 80% ownership of Nikko-Mechanics Co., Ltd. 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.

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 ownership from 80% to 96.71%. The Company's unappropriated earnings reduced by the difference between the cost of the additional shares and the shares in the equity of the investee.

Investments in associates

	December 31	
	2018	2017
Associates that are not individually material	<u>\$ 1,108,662</u>	<u>\$ 1,165,303</u>

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

	For the Year Ended December 31	
	2018	2017
The Company's share of		
Net profit for the year	\$ 170,400	\$ 187,926
Other comprehensive income	<u>(7,658)</u>	<u>2,261</u>
 Total comprehensive income for the year	 <u>\$ 162,742</u>	 <u>\$ 190,187</u>

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

	December 31	
	2018	2017
Daxin Materials Corporation	<u>\$ 2,178,415</u>	<u>\$ 1,647,159</u>

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 Table 8 for the main business and country of incorporation.

15. 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	<u>\$ 2,494,660</u>	<u>\$ 912,591</u>	<u>\$ 1,612,525</u>	<u>\$ 127,713</u>	<u>\$ 303,847</u>	<u>\$ 43,696</u>	<u>\$ 414,812</u>	<u>\$ 5,909,844</u>
<u>Cost</u>								
Balance at January 1, 2018	\$ 2,494,660	\$ 3,158,939	\$ 8,385,073	\$ 586,326	\$ 1,012,916	\$ 128,774	\$ 414,812	\$ 16,181,500
Additions	-	248,415	548,818	54,999	47,323	18,438	(71,451)	846,542
Transferred to investment properties (Note 16)	(17,057)	-	-	-	-	-	-	(17,057)
Disposals	-	(30,513)	(166,219)	(10,647)	(23,055)	(2,939)	-	(233,373)
Balance at December 31, 2018	<u>\$ 2,477,603</u>	<u>\$ 3,376,841</u>	<u>\$ 8,767,672</u>	<u>\$ 630,678</u>	<u>\$ 1,037,184</u>	<u>\$ 144,273</u>	<u>\$ 343,361</u>	<u>\$ 16,777,612</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2018	\$ -	\$ 2,246,348	\$ 6,772,548	\$ 458,613	\$ 709,069	\$ 85,078	\$ -	\$ 10,271,656
Depreciation	-	168,627	372,798	24,838	65,664	13,255	-	645,182
Disposals	-	(24,507)	(114,338)	(10,284)	(21,858)	(2,799)	-	(173,786)
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 2,390,468</u>	<u>\$ 7,031,008</u>	<u>\$ 473,167</u>	<u>\$ 752,875</u>	<u>\$ 95,534</u>	<u>\$ -</u>	<u>\$ 10,743,052</u>
Carrying amount at December 31, 2018	<u>\$ 2,477,603</u>	<u>\$ 986,373</u>	<u>\$ 1,736,664</u>	<u>\$ 157,511</u>	<u>\$ 284,309</u>	<u>\$ 48,739</u>	<u>\$ 343,361</u>	<u>\$ 6,034,560</u>

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	<u>\$ 2,494,660</u>	<u>\$ 901,298</u>	<u>\$ 1,548,526</u>	<u>\$ 115,722</u>	<u>\$ 262,197</u>	<u>\$ 37,946</u>	<u>\$ 279,129</u>	<u>\$ 5,639,478</u>
<u>Cost</u>								
Balance at January 1, 2017	\$ 2,494,660	\$ 3,026,349	\$ 7,991,799	\$ 556,994	\$ 1,034,154	\$ 112,375	\$ 279,129	\$ 15,495,460
Additions	-	161,547	434,511	35,851	107,648	17,839	135,683	893,079
Disposals	-	(28,957)	(41,237)	(6,519)	(128,886)	(1,440)	-	(207,039)
Balance at December 31, 2017	<u>\$ 2,494,660</u>	<u>\$ 3,158,939</u>	<u>\$ 8,385,073</u>	<u>\$ 586,326</u>	<u>\$ 1,012,916</u>	<u>\$ 128,774</u>	<u>\$ 414,812</u>	<u>\$ 16,181,500</u>

(Continued)

	Land	Buildings	Machinery and Equipment	Storage Equipment	Examination Equipment	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
<u>Accumulated depreciation</u>								
Balance at January 1, 2017	\$ -	\$ 2,125,051	\$ 6,443,273	\$ 441,272	\$ 771,957	\$ 74,429	\$ -	\$ 9,855,982
Depreciation	-	144,817	367,779	23,785	63,799	11,853	-	612,033
Disposals	-	(23,520)	(38,504)	(6,444)	(126,687)	(1,204)	-	(196,359)
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ 2,246,348</u>	<u>\$ 6,772,548</u>	<u>\$ 458,613</u>	<u>\$ 709,069</u>	<u>\$ 85,078</u>	<u>\$ -</u>	<u>\$ 10,271,656</u>
Carrying amount at December 31, 2017	<u>\$ 2,494,660</u>	<u>\$ 912,591</u>	<u>\$ 1,612,525</u>	<u>\$ 127,713</u>	<u>\$ 303,847</u>	<u>\$ 43,696</u>	<u>\$ 414,812</u>	<u>\$ 5,909,844</u>

(Concluded)

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

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.

16. INVESTMENT PROPERTIES

	Land
Balance at January 1, 2017 and December 31, 2017	\$ 9,243
Transferred from property, plant and equipment	17,057
Reclassified as non-current assets held for sale	<u>(9,243)</u>
Balance at December 31, 2018	<u>\$ 17,057</u>

In consideration of the group's strategy, the Company's land located in Pingtung was transferred from property, plant and equipment to investment properties in 2018, its fair value was 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 \$17,901 thousand was arrived at by reference to market evidence of transaction prices for similar properties.

17. INTANGIBLE ASSETS

For the Year Ended December 31, 2018

	Computer Software	Other Intangible Assets	Total
Carrying amount at January 1, 2018	<u>\$ -</u>	<u>\$ 7,779</u>	<u>\$ 7,779</u>

<u>Cost</u>			
Balance at January 1, 2018	\$ -	\$ 15,236	\$ 15,236
Additions	82,736	2,339	85,075

(Continued)

	Computer Software	Other Intangible Assets	Total
Disposals	\$ <u> </u> -	\$ <u>(5,935)</u>	\$ <u>(5,935)</u>
Balance at December 31, 2018	\$ <u>82,736</u>	\$ <u>11,640</u>	\$ <u>94,376</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2018	\$ -	\$ 7,457	\$ 7,457
Amortization expense	345	3,144	3,489
Disposals	<u> </u> -	<u>(5,935)</u>	<u>(5,935)</u>
Balance at December 31, 2018	\$ <u>345</u>	\$ <u>4,666</u>	\$ <u>5,011</u>
Carrying amount at December 31, 2018	\$ <u>82,391</u>	\$ <u>6,974</u>	\$ <u>89,365</u> (Concluded)

For the Year Ended December 31, 2017

	Other Intangible Assets
Carrying amount at January 1, 2017	\$ <u>7,744</u>
<u>Cost</u>	
Balance at January 1, 2017	\$ 11,980
Additions	<u>3,256</u>
Balance at December 31, 2017	\$ <u>15,236</u>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2017	\$ 4,236
Amortization expense	<u>3,221</u>
Balance at December 31, 2017	\$ <u>7,457</u>
Carrying amount at December 31, 2017	\$ <u>7,779</u>

Intangible assets are amortized on a straight-line basis over the estimated useful lives:

Computer software	20 years
Other intangible assets	3-5 years

18. BORROWINGS

a. Short-term borrowings

	Type of Borrowings	Interest Rate Range (%)	Amount
December 31, 2018			
	Bank loans		
	Unsecured loans	2.95-3.77	\$ 1,904,330
	Purchase loans	2.96-3.63	<u>70,284</u>
			<u>\$ 1,974,614</u>
December 31, 2017			
	Bank loans		
	Unsecured loans	0.99-2.68	\$ 2,093,920
	Purchase loans	1.89-2.47	<u>175,602</u>
			<u>\$ 2,269,522</u>

b. Long-term borrowings

	Type of Borrowings	Agreement Period and Interest Payable Schedule	Interest Rate Range (%)	Amount
December 31, 2018				
	Bank loans			
	Unsecured loans	From February 19, 2014 to October 2, 2023. Interest payment by applicable interest period.	0.85-2.08	\$ 13,405,177
				<u> </u>
	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
	Less: Unamortized discounts			<u>(1,035)</u>
				<u>898,965</u>
				14,304,142
	Less: Current portion of long-term borrowings			<u>(3,283,000)</u>
				<u>\$ 11,021,142</u>

The above commercial paper was 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			
Bank loans			
Unsecured loans	From March 29, 2013 to October 2, 2023. Interest payment by applicable interest period.	0.71-2.08	\$ 15,182,331
Less: Current portion of long-term borrowings			(3,623,331)
			<u>\$ 11,559,000</u>

c. Facility agreements and financial covenants

- 1) During the period of the credit facility agreements, the Company 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 breaches 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 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

- 3) As of December 31, 2018, the Company 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.

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company 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 makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

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.

The amounts included in the standalone balance sheets in respect of the Company’s defined benefit plans were as follows:

	December 31	
	2018	2017
Present value of defined benefit obligation	\$ 2,181,581	\$ 2,245,188
Fair value of plan assets	<u>(1,187,487)</u>	<u>(1,097,861)</u>
Net defined benefit liabilities	<u>\$ 994,094</u>	<u>\$ 1,147,327</u>

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	<u>\$ 2,245,188</u>	<u>\$ (1,097,861)</u>	<u>\$ 1,147,327</u>
Service cost			
Current service cost	37,128	-	37,128
Interest expense (income)	<u>26,942</u>	<u>(13,174)</u>	<u>13,768</u>
Recognized in profit or loss	<u>64,070</u>	<u>(13,174)</u>	<u>50,896</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(33,213)	(33,213)
Actuarial loss - changes in financial assumptions	25,472	-	25,472
Actuarial loss - experience adjustments	<u>14,870</u>	<u>-</u>	<u>14,870</u>
Recognized in other comprehensive income	<u>40,342</u>	<u>(33,213)</u>	<u>7,129</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Contributions from the employer	\$ -	\$ (198,564)	\$ (198,564)
Benefits paid	<u>(168,019)</u>	<u>155,325</u>	<u>(12,694)</u>
	<u>(168,019)</u>	<u>(43,239)</u>	<u>(211,258)</u>
Balance at December 31, 2018	<u>\$ 2,181,581</u>	<u>\$ (1,187,487)</u>	<u>\$ 994,094</u>
Balance at January 1, 2017	<u>\$ 2,319,577</u>	<u>\$ (1,216,447)</u>	<u>\$ 1,103,130</u>
Service cost			
Current service cost	43,068	-	43,068
Interest expense (income)	<u>34,794</u>	<u>(18,247)</u>	<u>16,547</u>
Recognized in profit or loss	<u>77,862</u>	<u>(18,247)</u>	<u>59,615</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	7,230	7,230
Actuarial loss - changes in financial assumptions	79,407	-	79,407
Actuarial gain - experience adjustments	<u>(3,957)</u>	<u>-</u>	<u>(3,957)</u>
Recognized in other comprehensive income	<u>75,450</u>	<u>7,230</u>	<u>82,680</u>
Contributions from the employer	-	(82,696)	(82,696)
Benefits paid	<u>(227,701)</u>	<u>212,299</u>	<u>(15,402)</u>
	<u>(227,701)</u>	<u>129,603</u>	<u>(98,098)</u>
Balance at December 31, 2017	<u>\$ 2,245,188</u>	<u>\$ (1,097,861)</u>	<u>\$ 1,147,327</u> (Concluded)

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

	<u>For the Year Ended December 31</u>	
	2018	2017
Operating costs	\$ 22,595	\$ 26,830
Operating expenses	<u>28,301</u>	<u>32,785</u>
	<u>\$ 50,896</u>	<u>\$ 59,615</u>

Through the defined benefit plans under the Labor Standards Law, the Company is 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 (%)	1.10	1.20
Expected rate of salary increase (%)	3.00	3.00
Mortality rate (%)	Population was based on the 5th Taiwan Standard Ordinary Experience Mortality Table	Population was based on the 5th Taiwan Standard Ordinary Experience Mortality 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	<u>\$ (62,923)</u>	<u>\$ (66,443)</u>
0.25% decrease	<u>\$ 65,504</u>	<u>\$ 69,242</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 58,675</u>	<u>\$ 62,239</u>
0.25% decrease	<u>\$ (56,775)</u>	<u>\$ (60,157)</u>

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	<u>\$ 153,562</u>	<u>\$ 188,782</u>
The average duration of the defined benefit obligation	12 years	13 years

20. EQUITY

a. Share capital

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

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

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
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	<u>19,642</u>	<u>19,642</u>
	<u>328,659</u>	<u>328,659</u>
May be used to offset deficit only		
Share of change in equities of associates or joint ventures	<u>27,387</u>	<u>31,241</u>
	<u>\$ 356,046</u>	<u>\$ 359,900</u>

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 capital reserve 10% of the remaining profits, until the accumulated legal reserve equals the paid-in capital.
- 4) Appropriate as special capital 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 exemption 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:

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

	<u>Appropriation of Earnings</u>	<u>Dividend Per Share (NT\$)</u>
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

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Balance, beginning of the year	\$ (206,864)	\$ 170,906
Recognized for the year		
Exchange differences on translating foreign operations	(433,325)	(431,942)
Share of exchange differences of associates accounted for using the equity method	(16,276)	(4,214)
Reclassification adjustment		
Disposal of foreign operations	-	<u>58,386</u>
Balance, end of the year	<u>\$ (656,465)</u>	<u>\$ (206,864)</u>

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
Recognized for the year	
Unrealized gains and losses	<u>11,080</u>
Balance, end of the year	<u>\$ 265,246</u>

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	<u>295,375</u>
Balance, beginning of the year (IFRS 9)	<u>295,375</u>
Effect of change in tax rate	4,166
Recognized for the year	
Unrealized gains and losses - equity instruments	(112,868)
Share of associates accounted for using the equity method	<u>(46,887)</u>
Other comprehensive income recognized for the year	<u>(155,589)</u>
Reclassification adjustment	
Cumulative unrealized gains and losses of equity instruments transferred to retained earnings due to disposal from subsidiaries	<u>5,786</u>
Balance, end of the year	<u>\$ 145,572</u>

21. REVENUE

	For the Year Ended December 31	
	2018	2017
Revenue from contracts with customers		
Revenue from the sale of goods	<u>\$ 16,113,899</u>	<u>\$ 16,451,548</u>

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

b. Contract balances

	December 31, 2018
Notes and accounts receivable (Note 7)	<u>\$ 3,899,657</u>
Contract liabilities (recorded as other current liabilities - other)	
Sale of goods	<u>\$ 10,050</u>

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	<u>\$ 9,414</u>

c. Disaggregation of revenue

	Reportable Segments				Total
	Resins Materials	Electronic Materials	High Performance Materials	Others	
For the year ended December 31, 2018					
Type of revenue					
Sale of goods	<u>\$ 9,607,487</u>	<u>\$ 4,411,641</u>	<u>\$ 2,079,749</u>	<u>\$ 15,022</u>	<u>\$ 16,113,899</u>

22. PROFIT BEFORE INCOME TAX

a. Other income

	For the Year Ended December 31	
	2018	2017
Dividend income	\$ 42,861	\$ 1,250
Interest income	775	1,031
Others (Note 28)	<u>504,984</u>	<u>454,326</u>
	<u>\$ 548,620</u>	<u>\$ 456,607</u>

b. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Gains on disposal of investments	\$ 195,696	\$ 52,338
Gains (losses) on disposal of property, plant and equipment	9,462	(5,919)
Others	<u>(19,340)</u>	<u>(32,423)</u>
	<u>\$ 185,818</u>	<u>\$ 13,996</u>

c. Finance costs

	For the Year Ended December 31	
	2018	2017
Interest on bank loans	\$ 292,587	\$ 249,707
Less: Amounts included in the cost of qualifying assets	<u>(6,234)</u>	<u>(5,506)</u>
	<u>\$ 286,353</u>	<u>\$ 244,201</u>

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2018	2017
Capitalized interest amount	<u>\$ 6,234</u>	<u>\$ 5,506</u>
Capitalization rates (%)	1.48-1.76	1.54-1.76

d. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Property, plant and equipment	\$ 645,182	\$ 612,033
Intangible assets	<u>3,489</u>	<u>3,221</u>
	<u>\$ 648,671</u>	<u>\$ 615,254</u>
Analysis of depreciation by function		
Operating costs	\$ 494,230	\$ 470,133
Operating expenses	<u>150,952</u>	<u>141,900</u>
	<u>\$ 645,182</u>	<u>\$ 612,033</u>
Analysis of amortization by function		
Operating expenses	<u>\$ 3,489</u>	<u>\$ 3,221</u>

e. Employee benefits

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits		
Salaries	\$ 1,805,583	\$ 1,834,219
Labor and health insurance	147,353	150,681
Others	<u>121,282</u>	<u>118,447</u>
	<u>2,074,218</u>	<u>2,103,347</u>
Post-employment benefits		
Defined contribution plans	55,860	55,480
Defined benefit plans (Note 19)	<u>50,896</u>	<u>59,615</u>
	<u>106,756</u>	<u>115,095</u>
	<u>\$ 2,180,974</u>	<u>\$ 2,218,442</u>

(Continued)

	For the Year Ended December 31	
	2018	2017
Analysis by function		
Operating costs	\$ 884,964	\$ 888,975
Operating expenses	<u>1,296,010</u>	<u>1,329,467</u>
	<u>\$ 2,180,974</u>	<u>\$ 2,218,442</u>
		(Concluded)

f. 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	<u>\$ 77,544</u>	<u>\$ 72,181</u>
Remuneration of directors - cash	<u>\$ 14,400</u>	<u>\$ 14,400</u>

If there is a change in the proposed amounts after the annual standalone 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 standalone 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	<u>95,490</u>	<u>14,400</u>	<u>137,810</u>	<u>8,000</u>
Difference	<u>\$ (952)</u>	<u>\$ -</u>	<u>\$ (4,780)</u>	<u>\$ -</u>

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.

23. 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	\$ 74,713	\$ 88,044
Adjustment for prior years	<u>2,552</u>	<u>4,975</u>
	<u>77,265</u>	<u>93,019</u>
Deferred tax		
In respect of the current year	(87,277)	(11,691)
Effect of tax rate changes	<u>(28,433)</u>	<u>-</u>
	<u>(115,710)</u>	<u>(11,691)</u>
	<u>\$ (38,445)</u>	<u>\$ 81,328</u>

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	\$ <u>1,512,070</u>	\$ <u>1,990,962</u>
Income tax expense calculated at the statutory rate	\$ 302,414	\$ 338,464
Effect from items adjusted by regulation	(290,998)	(225,340)
Income tax on unappropriated earnings	25,501	5,652
Investment credits	(49,481)	(42,423)
Effect of tax rate changes	(28,433)	-
Adjustment for prior years	<u>2,552</u>	<u>4,975</u>
	<u>\$ (38,445)</u>	<u>\$ 81,328</u>

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.

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)	-

(Continued)

	For the Year Ended December 31	
	2018	2017
Recognized for the year		
Remeasurement of defined benefit plans	\$ (1,425)	\$ (14,055)
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	<u>-</u>	<u>(18,881)</u>
	<u>\$ (20,142)</u>	<u>\$ (32,839)</u> (Concluded)

c. Current tax assets and liabilities

	December 31	
	2018	2017
Current tax assets		
Prepaid income tax (recorded as other current assets - other)	<u>\$ 50,423</u>	<u>\$ 36,353</u>
Current tax liabilities		
Income tax payable	<u>\$ 74,713</u>	<u>\$ 88,045</u>

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	Balance, End of the Year
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit plan	\$ 194,054	\$ (32,052)	\$ 14,324	\$ 176,326
Others	<u>69,463</u>	<u>9,486</u>	<u>5,723</u>	<u>84,672</u>
	<u>\$ 263,517</u>	<u>\$ (22,566)</u>	<u>\$ 20,047</u>	<u>\$ 260,998</u>
<u>Deferred tax liabilities</u>				
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	<u>(5,694)</u>	<u>5,253</u>	<u>-</u>	<u>(441)</u>
	<u>\$(2,964,831)</u>	<u>\$ 138,276</u>	<u>\$ 95</u>	<u>\$(2,826,460)</u>

For the Year Ended December 31, 2017

	Balance, Beginning of the Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of the Year
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit plan	\$ 186,550	\$ (6,551)	\$ 14,055	\$ 194,054
Others	<u>49,810</u>	<u>772</u>	<u>18,881</u>	<u>69,463</u>
	<u>\$ 236,360</u>	<u>\$ (5,779)</u>	<u>\$ 32,936</u>	<u>\$ 263,517</u>
<u>Deferred tax liabilities</u>				
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	<u>(2,278)</u>	<u>(3,416)</u>	<u>-</u>	<u>(5,694)</u>
	<u>\$(2,982,204)</u>	<u>\$ 17,470</u>	<u>\$ (97)</u>	<u>\$(2,964,831)</u>

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.

24. EARNINGS PER SHARE

	<u>For the Year Ended December 31</u>	
	2018	2017
Basic earnings per share	<u>\$ 1.25</u>	<u>\$ 1.54</u>
Diluted earnings per share	<u>\$ 1.25</u>	<u>\$ 1.53</u>

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	<u>\$ 1.65</u>	<u>\$ 1.54</u>
Diluted earnings per share	<u>\$ 1.64</u>	<u>\$ 1.53</u>

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

	<u>For the Year Ended December 31</u>	
	2018	2017
Net profit for the year	<u>\$ 1,550,515</u>	<u>\$ 1,909,634</u>
<u>Number of ordinary shares</u>		
	Unit: Thousand Shares	
	<u>For the Year Ended December 31</u>	
	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	<u>-</u>	<u>81,140</u>
Weighted average number of ordinary shares used in the computation of basic earnings per share after retrospective adjustment	1,240,280	1,240,280
Effect of potentially dilutive ordinary shares		
Employees' compensation	<u>3,977</u>	<u>3,933</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>1,244,257</u>	<u>1,244,213</u>

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.

25. CASH FLOW INFORMATION

	<u>For the Year Ended December 31</u>	
	2018	2017
Acquisition of property, plant and equipment	\$ 846,542	\$ 893,079
Decrease (increase) in payables for equipment	<u>31,198</u>	<u>(51,089)</u>
	877,740	841,990
Capitalized interest	<u>(6,234)</u>	<u>(5,506)</u>
Cash paid	<u>\$ 871,506</u>	<u>\$ 836,484</u>
Cost of disposal of property, plant and equipment	\$ 233,373	\$ 207,039
Accumulated depreciation and impairment of property, plant and equipment disposed of	(173,786)	(196,359)
Gain and loss on disposal of property, plant and equipment	9,462	(5,919)
Payables for disposal (recorded as other payables - other)	2,363	-
Receivables for disposal (recorded as other receivables)	<u>(77,097)</u>	<u>-</u>
Cash received (paid)	<u>\$ (5,685)</u>	<u>\$ 4,761</u>

26. CAPITAL MANAGEMENT

The Company's objectives in capital management are to safeguard the Company's 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.

27. 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
<hr/>				
December 31, 2018				
<hr/>				
Financial instruments at FVTOCI				
Equity instruments				
Domestic and foreign listed shares	\$ 443,545	\$ -	\$ -	\$ 443,545
Domestic and foreign unlisted shares	\$ -	\$ -	\$ 110,653	\$ 110,653
<hr/>				
December 31, 2017				
<hr/>				
Available-for-sale financial assets				
Equity instruments				
Domestic and foreign listed shares	\$ 548,376	\$ -	\$ -	\$ 548,376

The Company uses 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 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

Financial assets	<u>Equity Instruments FVTOCI</u>
Balance, beginning of the year (IAS 39)	\$ -
Adjustment on initial application of IFRS 9	<u>123,580</u>
Balance, beginning of the year (IFRS 9)	123,580
Recognized in other comprehensive income	(9,594)
Disposal	<u>(3,333)</u>
Balance, end of the year	<u>\$ 110,653</u>

c. Categories of financial instruments

Financial assets	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Loans and receivables (Note 1)	\$ -	\$ 5,400,821
Financial assets at amortized cost (Note 2)	4,814,745	-
Available-for-sale financial assets	-	548,376
Financial assets measured at cost	-	99,031
Financial assets at fair value through other comprehensive income - equity instruments	554,198	-
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 3)	18,638,919	19,651,368

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, 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 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 has set up policies, procedures and internal controls to manage the risks in its financial activities. The significant financial activities of the Company are in accordance with relevant regulations and internal controls approved by the board of directors. During the execution of financial management activities, the Company should be in compliance with the

relevant rules of financial risk management.

1) Market risk

a) Foreign currency risk

The Company's operating activities and net investments in foreign operation are denominated mainly in foreign currencies. Consequently, the Company is 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 utilizes 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's significant non-functional currency denominated monetary assets and liabilities at the balance sheet date, refer to Note 31.

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	
	2018	2017
<u>Foreign Currencies : Functional Currencies</u>		
Financial assets		
Monetary items		
USD:NTD	\$ 26,911	\$ 28,556
RMB:NTD	5,220	4,537
JPY:NTD	1,155	1,300
THB:NTD	-	1,414
Financial liabilities		
Monetary items		
USD:NTD	22,651	26,205
JPY:NTD	1,584	1,421

b) Interest rate risk

The borrowings of the Company 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's 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	\$ 14,830	\$ 14,830
Financial liabilities	8,839,000	9,502,000

(Continued)

	December 31	
	2018	2017
Cash flow interest rate risk		
Financial assets	\$ 132,327	\$ 300,294
Financial liabilities	7,439,756	7,949,853
		(Concluded)

If interest rates had been 1% higher and all other variables were held constant, the Company's cash flow interests rate risk from financial liabilities would have increased cash outflows by NT\$74,398 thousand and NT\$79,499 thousand for the years ended December 31, 2018 and 2017, respectively.

c) Other price risk

The Company was 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 was 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 refers to the risk of financial loss to the Company arising from default by clients or counterparties of financial instruments on the contract obligations. According to the Company's policy, each local entity in the Company 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 assesses 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 has 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 manages 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's 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	\$ 1,987,159	\$ -	\$ -	\$ -	\$ -	\$ 1,987,159
Notes payable	23,519	-	-	-	-	23,519
Accounts payable	1,519,338	-	-	-	-	1,519,338
Other payables	817,306	-	-	-	-	817,306
Long-term borrowings (including current portion)	5,545,408	3,417,860	1,709,335	4,072,904	-	14,745,507
Financial guarantee liabilities	<u>3,657,012</u>	<u>1,291,383</u>	<u>581,613</u>	<u>-</u>	<u>-</u>	<u>5,530,008</u>
	<u>\$ 13,549,742</u>	<u>\$ 4,709,243</u>	<u>\$ 2,290,948</u>	<u>\$ 4,072,904</u>	<u>\$ -</u>	<u>\$ 24,622,837</u>

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	\$ 2,279,107	\$ -	\$ -	\$ -	\$ -	\$ 2,279,107
Notes payable	6,043	-	-	-	-	6,043
Accounts payable	1,342,961	-	-	-	-	1,342,961
Other payables	850,511	-	-	-	-	850,511
Long-term borrowings (including current portion)	6,855,221	3,320,641	3,275,762	2,087,236	60,362	15,599,222
Financial guarantee liabilities	<u>4,221,463</u>	<u>144,814</u>	<u>1,137,039</u>	<u>-</u>	<u>-</u>	<u>5,503,316</u>
	<u>\$ 15,555,306</u>	<u>\$ 3,465,455</u>	<u>\$ 4,412,801</u>	<u>\$ 2,087,236</u>	<u>\$ 60,362</u>	<u>\$ 25,581,160</u>

The amounts included above for financial guarantee liabilities were the maximum amounts the Company could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the balance sheet date, the Company considers that it is unlikely to pay the amount under the arrangement.

28. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party names and relationships

<u>Related Party Name</u>	<u>Relationship</u>
Eternal Chemical (China) Co., Ltd.	Subsidiaries
Eternal Materials (Guangdong) Co., Ltd.	Subsidiaries
Eternal Synthetic Resins (Changshu) Co., Ltd.	Subsidiaries
Eternal Chemical (Tianjin) Co., Ltd.	Subsidiaries
Eternal Chemical (Chengdu) Co., Ltd.	Subsidiaries
Eternal Materials (Malaysia) Sdn. Bhd.	Subsidiaries
Eternal Electronic Material (Guangzhou) Co., Ltd.	Subsidiaries
Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Subsidiaries
Eternal Photoelectric Material Industry (Kunshan) Co., Ltd.	Subsidiaries
Eternal Electronic (Suzhou) Co., Ltd.	Subsidiaries
Eternal Optical Material (Suzhou) Co., Ltd.	Subsidiaries
Eternal Sun A. (Suzhou) Co., Ltd.	Subsidiaries
Changhe International Trading (GZFTZ) Co., Ltd.	Subsidiaries
Eternal Technology Corporation	Subsidiaries
Eternal Electronic Material (Thailand) Co., Ltd.	Subsidiaries
Nikko-Materials Co., Ltd.	Subsidiaries
Elga Europe S.r.l.	Subsidiaries
Eternal Specialty Materials (Zhuhai) Co., Ltd.	Subsidiaries
Eternal Specialty Materials (Suzhou) Co., Ltd.	Subsidiaries
Eternal (China) Investment Co., Ltd.	Subsidiaries
CHOU-KOU Materials Co., Ltd.	Subsidiaries
New E Materials Co., Ltd.	Subsidiaries
Eternal Capatech Co., Ltd.	Subsidiaries
Eternal Holdings Inc.	Subsidiaries
ESCO Specialty Coatings (Shanghai) Co., Ltd.	Associates (subsidiaries before December 2017)
Allnex-Eternal Resins Corporation Limited	Associates
Daxin Materials Corporation	Associates
DSM Resins (Far East) Co., Ltd.	Associates

(Continued)

<u>Related Party Name</u>	<u>Relationship</u>
Eternal Electronic Materials (Kunshan) Co., Ltd.	Associates (subsidiaries before March 2017)
Mitsubishi Polyester Film (Suzhou) Co., Ltd.	Other related parties
The Orchard Corp. of Taiwan Ltd.	Other related parties
Kwang Yang Motor Co., Ltd.	Key management personnel
Hangzhou Yongxinyang Photoelectric Materials Co., Ltd.	Joint venture
	(Concluded)

b. Operating revenues

<u>Account Item</u>	<u>Related Party Category</u>	<u>For the Year Ended December 31</u>	
		<u>2018</u>	<u>2017</u>
Revenue from sales of goods	Subsidiaries	\$ 3,197,922	\$ 3,292,090
	Associates	205,341	120,117
	Joint ventures	1,553	-
	Other related parties	444	1,895
	Key management personnel	30	147
			<u>3,405,290</u>

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

<u>Related Party Category</u>	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Subsidiaries	\$ 565,184	\$ 700,303
Associates	-	681
Other related parties	<u>670</u>	<u>3,807</u>
	<u>\$ 565,854</u>	<u>\$ 704,791</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Short-term employee benefits	\$ 88,058	\$ 97,942
Post-employment benefits	<u>14,368</u>	<u>1,985</u>
	<u>\$ 102,426</u>	<u>\$ 99,927</u>

e. Other income

Related Party Category/Name	For the Year Ended December 31	
	2018	2017
Subsidiaries		
Eternal (China) Investment Co., Ltd.	\$ 108,284	\$ 109,099
Eternal Materials (Guangdong) Co., Ltd.	66,424	68,763
Eternal Chemical (China) Co., Ltd.	57,557	64,124
Others	227,790	140,533
Associates	-	574
Key management personnel	15	7
	<u>\$ 460,070</u>	<u>\$ 383,100</u>

Inclusive of service fee, trademark license fee, technology license fee and endorsement/guarantee fee and so on.

f. Receivables from related parties

Account Item	Related Party Category	December 31	
		2018	2017
Notes and accounts receivable from related parties	Subsidiaries	\$ 827,897	\$ 821,069
	Associates	79,714	61,716
	Other related parties	133	531
	Key management personnel	-	31
	Joint ventures	1,563	-
		<u>\$ 909,307</u>	<u>\$ 883,347</u>

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\$5,691 thousand was recognized on accounts receivables from related parties.

Account Item	Related Party Category/Name	December 31	
		2018	2017
Other receivables	Subsidiaries		
	Eternal (China) Investment Co., Ltd.	\$ 112,927	\$ 111,503
	Eternal Materials (Guangdong) Co., Ltd.	65,465	70,072
	Eternal Chemical (China) Co., Ltd.	56,561	65,354
	Others	226,258	156,982
	Associates	554	22
	Key management personnel	16	11
		<u>\$ 461,781</u>	<u>\$ 403,944</u>

g. Payables to related parties

Account Item	Related Party Category	December 31	
		2018	2017
Accounts payable	Subsidiaries	\$ <u>61,039</u>	\$ <u>46,778</u>

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

h. Disposals of property, plant and equipment

Related Party Category/Name	Proceeds		Gain (Loss) on Disposal	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2018	2017	2018	2017
Joint venture - Hangzhou Yongxinyang Photoelectric Materials Co., Ltd.	\$ <u>15,852</u>	\$ <u>-</u>	\$ <u>10,206</u>	\$ <u>-</u>

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. Endorsements/guarantees provided

Refer to Table 2 for details of endorsements/guarantees provided.

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- The Company has issued but unused letters of credit with aggregate amount of NT\$69,067 thousand as of December 31, 2018.
- The Company has contracts that were not yet incurred to purchase property, plant and equipment and intangible assets with NT\$308,488 thousand at December 31, 2018.

30. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

None.

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	Foreign Currencies (In Thousands)	Exchange Rate		Carrying Amount
<u>December 31, 2018</u>				
Financial assets				
Monetary items				
USD	\$ 87,614	30.7150	(USD:NTD)	\$ 2,691,064
RMB	116,718	4.4720	(RMB:NTD)	521,963
JPY	415,189	0.2782	(JPY:NTD)	115,506
Non-monetary items				
Financial assets at fair value through other comprehensive income				
AUD	2,291	21.6650	(AUD:NTD)	49,643
Investments accounted for using the equity method				
USD	822,678	30.1750	(USD:NTD)	25,268,556
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
JPY	569,278	0.2782	(JPY:NTD)	158,373
<u>December 31, 2017</u>				
Financial assets				
Monetary items				
USD	95,954	29.7600	(USD:NTD)	2,855,591
RMB	99,387	4.5650	(RMB:NTD)	453,702
THB	154,131	0.9176	(THB:NTD)	141,431
JPY	491,962	0.2642	(JPY:NTD)	129,976
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
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
Financial liabilities				
Monetary items				
USD	88,055	29.7600	(USD:NTD)	2,620,517
JPY	537,981	0.2642	(JPY:NTD)	142,135

The total realized and unrealized foreign exchange gains and losses were a gain of NT\$19,739 thousand and a loss of NT\$54,283 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 currency.

32. 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 28)
 - 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)

33. SEGMENT INFORMATION

Disclosure of the segment information in standalone financial statements is waived.

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

(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: 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.

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.

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:

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

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

- Have a business relationship.
- The company owns directly or indirectly more than 50% of the voting shares of the company.
- Total ownership of more than 50% of the investee, either directly by the Company and/or indirectly by the Company's subsidiaries.
- Subsidiaries in which the Company owns directly or indirectly more than 90% of the voting shares.
- Companies where the Company is required to provide guarantees or endorsements for the construction project based on the construction contract.
- Companies where the shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership due to a joint venture.
- 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% of the parent company's net worth. However, subsidiaries in which the Company own directly or indirectly 100% of the voting shares are not included.

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	Note 3
	TBG Diagnostics Limited (stock)	-	Financial assets at fair value through other comprehensive income - noncurrent	40,200,000	49,643	18.48	49,643	
	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.

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.

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	-

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			% to Total Revenues or Assets (Note 3)
				Financial Statement Item (Note 6)	Amount	Terms	
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			% to Total Revenues or Assets (Note 3)
				Financial Statement Item (Note 6)	Amount	Terms	
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			% to Total Revenues or Assets (Note 3)
				Financial Statement Item (Note 6)	Amount	Terms	
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.

Eternal Materials Co., Ltd. and Subsidiaries

INFORMATION ON INVESTEEES (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.

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 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)

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STATEMENT 1

Eternal Materials Co., Ltd.

STATEMENT OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2018

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

Item	Description	Amount
Cash on hands		\$ 3,841
Cash in banks	Checking accounts	130,076
	NTD demand deposits	60,000
	USD demand deposits (USD2,087 thousand @30.7150)	64,096
	JPY demand deposits (JPY29,559 thousand @0.2782)	8,223
	RMB demand deposits (RMB2 thousand @4.4720)	8
		<hr/>
		<u>\$ 266,244</u>

STATEMENT 2

Eternal Materials Co., Ltd.

STATEMENT OF ACCOUNTS RECEIVABLE, NET

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Remark
Non-related parties			
Others (Note)		\$ 2,679,047	
Less: Allowance for loss		<u>(70,761)</u>	
		<u>\$ 2,608,286</u>	
Related parties			
Eternal Electronic Material (Thailand) Co., Ltd.	Sales of goods	\$ 138,164	
Eternal Specialty Materials (Zhuhai) Co., Ltd.	Sales of goods	103,222	
Eternal Chemical (China) Co., Ltd.	Sales of goods	88,521	
Eternal Technology Corporation	Sales of goods	76,767	
CHOU-KOU Materials Co., Ltd.	Sales of goods	69,690	
Eternal Electronic (Suzhou) Co., Ltd.	Sales of goods	67,109	
Eternal Materials (Guangdong) Co., Ltd.	Sales of goods	65,596	
Eternal Electronic Material (Guangzhou) Co., Ltd.	Sales of goods	57,100	
ESCO Specialty Coatings (Shanghai) Co., Ltd.	Sales of goods	55,844	
Eternal (China) Investment Co., Ltd.	Sales of goods	54,561	
Others (Note)		<u>138,291</u>	
		914,865	
Less: Allowance for loss		<u>(5,691)</u>	
		<u>\$ 909,174</u>	

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

STATEMENT 3

Eternal Materials Co., Ltd.

**STATEMENT OF OTHER RECEIVABLES
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Item	Description	Amount
Receivable for trademark license fee		\$ 256,269
Receivable for service fee		129,230
Receivable for equipment		77,098
Receivable for business tax		67,957
Receivable for endorsement and guarantee fee		50,403
Others (Note)		<u>38,844</u>
		<u>\$ 619,801</u>

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

STATEMENT 4

Eternal Materials Co., Ltd.

STATEMENT OF INVENTORIES

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Description	Amount		Remark
		Cost	Net realizable Value	
Raw materials		\$ 1,291,423	\$ 1,305,041	Note
Supplies		74,482	74,482	Note
Finished goods		1,420,209	1,775,100	Note
Inventory in transit		<u>89,442</u>	<u>89,442</u>	Note
		<u>\$ 2,875,556</u>	<u>\$ 3,244,065</u>	

Note: Refer to Note 4 (6) for the method used in determining the net realizable value.

Eternal Materials Co., Ltd.

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME-NONCURRENT
 FOR THE YEAR ENDED DECEMBER 31, 2018
 (In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Name	Beginning of the Year (Note 1)		Additions (Note 2)		Decrease (Note 3)		End of the Year		Guarantee or Pledge	Remark
	Shares	Fair Value (Note 4)	Shares	Amount	Shares	Amount	Shares	Fair Value (Note 4)		
Domestic listed shares										
President Securities Corp.	34,252,383	\$ 491,522	-	\$ -	-	\$ (97,620)	34,252,383	\$ 393,902	No	
Domestic unlisted shares										
The Orchard Corp. of Taiwan Ltd.	2,296,285	47,488	-	-	-	(5,932)	2,296,285	41,556	No	
Universal Venture Capital Investment Corp.	5,000,000	43,640	-	-	-	(5,933)	5,000,000	37,707	No	
Universal Development & Investment Capital I Co., Ltd.	2,827,400	21,513	-	2,937	-	-	2,827,400	24,450	No	
Der Yang Biotechnology Venture Capital Co., Ltd.	839,040	9,019	-	-	(333,334)	(4,688)	505,706	4,331	No	
Mega I Venture Capital Co., Ltd.	1,653,750	1,920	-	689	-	-	1,653,750	2,609	No	
Hwa Nan Venture Capital Co., Ltd.	57,438	-	-	-	-	-	57,438	-	No	
Foreign listed shares										
TBG Diagnostics Limited	40,200,000	56,854	-	-	-	(7,211)	40,200,000	49,643	No	
		<u>\$ 671,956</u>		<u>\$ 3,626</u>		<u>\$ (121,384)</u>		<u>\$ 554,198</u>		

Note 1: The balance of beginning of the year is the balance of retrospective application under IFRS 9 in January 1, 2018 .

Note 2: The additions for the year is valuation adjustment.

Note 3: The decrease for the year is capital reduction and valuation adjustment.

Note 4: Fair value is determined by the closing price or market approach and arrived at by reference to the type of industry, similar companies and the company's operations at the balance sheet date.

Eternal Materials Co., Ltd.

**STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2018**
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Name	Balance, Beginning of the Year		Additions (Note 2)		Decrease (Note 3)		Investment Gain (Loss)	Other Adjustments (Note 4)	Balance, End of the Year			Market Value or Net Assets Value		Guarantee or Pledge	Remark
	Shares (In Thousands)	Amount (Note 1)	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount			Shares (In Thousands)	%	Amount	Unit price (NT\$)	Total Amount		
Eternal Holdings Inc.	218,242	\$ 16,614,663	9,422	\$ 284,635	(14,300)	\$ (441,250)	\$ 337,232	\$ (299,228)	213,364	100.00	\$ 16,496,052	\$ 77	\$ 16,438,326	No	
Eternal Global (BVI) Co., Ltd.	19,321	4,449,567	-	-	-	(222,082)	376,692	(109,093)	19,321	100.00	4,495,084	243	4,699,539	No	
Mixville Holdings Inc.	32,730	4,426,773	-	-	(3,200)	(318,411)	286,072	(117,014)	29,530	100.00	4,277,420	145	4,295,441	No	
Eternal Materials (Malaysia) Sdn. Bhd.	165,856	1,052,411	-	-	-	-	(166,597)	7,526	165,856	90.00	893,340	5	894,706	No	
Nikko-Materials Co., Ltd.	12	658,318	-	-	-	(54,360)	212,355	35,432	12	100.00	851,745	74,332	856,303	No	
Daxin Materials Corporation	24,294	603,504	2,130	-	(3,000)	(149,289)	153,563	(3,854)	23,424	22.80	603,924	93	2,178,415	No	
Advanced PETFILM Investment Co., Ltd.	-	422,288	-	-	-	-	(19,677)	(7,846)	-	20.00	394,765	1,368,921	369,609	No	Note 5
New E Materials Co., Ltd.	17,269	175,808	-	-	-	(1,675)	(2,269)	-	17,269	62.80	171,864	10	171,863	No	
DSM Resins (Far East) Co., Ltd.	3,660	139,511	-	-	-	(66,240)	36,514	188	3,660	40.00	109,973	30	109,973	No	
Eternal Electronic Material (Thailand) Co., Ltd.	938	114,885	-	-	-	(13,931)	13,505	4,717	938	75.00	119,176	138	129,262	No	
CHOU-KOU Materials Co., Ltd.	4	81,785	-	-	-	-	944	4,393	4	100.00	87,122	22,085	88,342	No	
Elga Europe S.r.l.	-	180,676	-	84,241	-	-	(23,288)	(15,935)	-	72.68	225,694		101,441	No	Note 6
Eternal Capatech Co., Ltd.	14,700	<u>34,129</u>	-	-	-	-	<u>(2,561)</u>	-	14,700	96.71	<u>31,568</u>	2	31,567	No	
		<u>\$ 28,954,318</u>		<u>\$ 368,876</u>		<u>\$ (1,267,238)</u>	<u>\$ 1,202,485</u>	<u>\$ (500,714)</u>			<u>\$ 28,757,727</u>				

Note 1: The balance of beginning of the year is the balance of retrospective application under IFRS 9 in January 1, 2018.

Note 2: Subscription for new shares and share dividends.

Note 3: Capital reduction, disposal of the shares of investee and cash dividends.

Note 4: Other adjustments:

- 1) Exchange differences on translating foreign operations that are recognized using the equity method.
- 2) Recognized the difference between subscription that is not proportional to holding and the net asset of the investee.
- 3) Recognized remeasurement of defined benefit plans of investments accounted for using the equity method.
- 4) Recognized unrealized gains and losses on financial assets at FVTOCI of investments accounted for using the equity method.
- 5) A subsidiary increased investments in financial assets at FVTOCI and had significant influence over it. The difference of fair values are deemed as disposal.
- 6) Recognized capital surplus adjustment for disposal of investments accounted for using the equity method.

Note 5: Less than a thousand shares.

Note 6: No share issued, not applicable.

STATEMENT 7

Eternal Materials Co., Ltd.

STATEMENT OF ACCOUNTS PAYABLES

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Vendor Name	Description	Amount	Remark
Chang Chun Plastics Co., Ltd.	Purchase of goods	\$ 224,780	
Nan Ya Plastics Corporation	Purchase of goods	211,258	
Chang Chun Petrochemical Co., Ltd.	Purchase of goods	130,020	
Others (Note)		<u>953,280</u>	
		<u>\$ 1,519,338</u>	

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

STATEMENT 8

Eternal Materials Co., Ltd.

**STATEMENT OF OTHER PAYABLES - OTHER
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Item	Description	Amount
Payable for equipment		\$ 199,676
Payable for packaging materials		106,821
Bonus		82,261
Employee compensation		77,544
Others (Note)		<u>351,004</u>
		<u>\$ 817,306</u>

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

STATEMENT 9

Eternal Materials Co., Ltd.

STATEMENT OF OTHER NON-CURRENT LIABILITIES

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Remark
Net defined benefit liability		\$ 994,094	
Others (Note)		<u>18,633</u>	
		<u>\$ 1,012,727</u>	

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

Eternal Materials Co., Ltd.

STATEMENT OF LONG-TERM BORROWINGS
 DECEMBER 31, 2018
 (In Thousands of New Taiwan Dollars)

Creditors	Description	Loan Amount	Agreement Period	Interest Rate Range (%)	Pledge or Guarantee	Remark
Unsecured loans						
Syndicated credit facility with 11 banks led by Taipei Fubon Commercial Bank Co., Ltd.	Repay in installment, non-revolving credit	\$ 2,625,000	2015.08-2020.08	1.79-1.80	No	
First commercial bank	Bullet repayment, non-revolving credit	1,800,000	2014.09-2022.11	1.94-2.02	No	
Syndicated credit facility with 8 banks led by E.SUN Commercial Bank, Ltd.	Repay in installment, non-revolving credit	2,700,000	2018.07-2023.05	1.79	No	
HSBC Bank (Taiwan) Limited	Repay in installment, non-revolving credit	720,000	2014.11-2020.08	1.15-2.03	No	
Mizuho bank, Ltd.	Bullet repayment, revolving credit	680,000	2018.02-2020.02	0.88	No	
Mega International Commercial Bank Co., Ltd.	Bullet repayment, non-revolving credit	800,000	2017.09-2022.09	1.58	No	
E.SUN Commercial Bank, Ltd.	Repay in installment, non-revolving credit	600,000	2016.09-2021.11	1.20	No	
O-Bank Co., Ltd.	Bullet repayment, non-revolving credit	600,000	2016.09-2020.07	1.23	No	
Taipei Fubon Commercial Bank Co., Ltd.	Repay in installment, non-revolving credit	500,000	2016.07-2021.07	1.45	No	
Bank of Taiwan	Repay in installment, non-revolving credit	744,000	2014.02-2022.08	1.20-2.08	No	
Hua Nan bank	Bullet repayment, non-revolving credit	300,000	2016.11-2019.11	1.32	No	
CTBC Bank Co., Ltd.	Bullet repayment, non-revolving credit	116,177	2018.03-2021.03	0.87	No	
The Export-Import Bank of the Republic of China	Repay in installment, non-revolving credit	720,000	2017.10-2023.10	1.21	No	
Bank SinoPac	Bullet repayment, revolving credit	<u>500,000</u>	2018.08-2020.08	0.85	No	
		13,405,177			No	
Long-term bills payable Commercial paper (Note 1)		<u>898,965</u>	Note 2	1.33	No	
		14,304,142				
Less: Current portion of long-term borrowings		<u>(3,283,000)</u>				
		<u>\$ 11,021,142</u>				

Note 1: The commercial papers were issued by Taiwan Cooperative Bills Finance Corporation and International Bills Finance Corporation and were guaranteed by a syndicated credit facility agreement with 8 banks led by E.SUN Commercial Bank, Ltd.

Note 2: 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.

Eternal Materials Co., Ltd.

**STATEMENT OF OPERATING REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Item	Quantity	Amount	Remark
Resins materials	165 thousand tons	\$ 9,607,487	
Electronic materials	879,447 thousand square feet and 6 thousand tons	4,411,641	
High performance materials	13 thousand tons	2,079,749	
Others	459 thousand square feet	15,022	
		<hr/>	
		<u>\$ 16,113,899</u>	

STATEMENT 12**Eternal Materials Co., Ltd.****STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Item	Amount
Balance of raw materials and materials in transit, beginning the of year	\$ 1,555,158
Add: Raw materials purchased	10,434,521
Transferred from finished goods to manufacturing	9,296,635
Less: Raw materials sold	(231,510)
Others	(59,549)
Balance of raw materials and materials in transit, end of the year	(1,401,223)
Raw materials used	<u>19,594,032</u>
Direct labor	369,250
Manufacturing expenses	<u>2,189,910</u>
Manufacturing cost	22,153,192
Balance of finished goods, beginning of the year	1,547,379
Add: Finished goods purchased	520,792
Less: Transferred to manufacturing	(9,296,635)
Others	(34,557)
Balance of finished goods, end of the year	<u>(1,471,122)</u>
Operating costs - Cost of finished goods	13,419,049
Operating costs - Cost of raw materials	231,510
Operating costs - Others	<u>166,445</u>
Operating costs	<u>\$ 13,817,004</u>

Eternal Materials Co., Ltd.

**STATEMENT OF SELLING AND MARKETING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Item	Description	Amount	Remark
Export expense		\$ 262,560	
Payroll expense		164,131	
Commission		77,621	
Moving expense		59,291	
Others (Note)		<u>182,319</u>	
		<u>\$ 745,922</u>	

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

Eternal Materials Co., Ltd.

**STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Item	Description	Amount	Remark
Payroll expense		\$ 430,191	
Others (Note)		<u>288,814</u>	
		<u>\$ 719,005</u>	

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

Eternal Materials Co., Ltd.

**STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Item	Description	Amount	Remark
Payroll expense		\$ 471,328	
Depreciation expense		116,980	
Laboratory fees		90,084	
Others (Note)		<u>272,872</u>	
		<u>\$ 951,264</u>	

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

Eternal Materials Co., Ltd.

**STATEMENT OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION
FOR THE YEAR
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Function Nature	Year Ended December 31, 2018		
	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefit expense			
Salaries	721,783	1,065,650	1,787,433
Labor and health insurances	67,657	79,696	147,353
Pension	47,615	59,141	106,756
Board compensation	-	18,150	18,150
Others	47,909	73,373	121,282
Depreciation	494,230	150,952	645,182
Amortization	-	3,489	3,489

Function Nature	Year Ended December 31, 2017		
	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefit expense			
Salaries	713,970	1,103,149	1,817,119
Labor and health insurances	69,175	81,506	150,681
Pension	51,643	63,452	115,095
Board compensation	-	17,840	17,840
Others	54,187	63,520	117,707
Depreciation	470,133	141,900	612,033
Amortization	-	3,221	3,221

Note: As of December 31, 2018 and 2017, the Company had 1,997 and 2,036 employees, respectively. There were 7 non-employee directors for both years.