Share Code: 1711

Everlight Chemical

2018 Annual Report

Everlight Chemical Industrial Corporation

March 30, 2019

http: mops.twse.com.tw

http: www.ecic.com.tw

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  (03)483-8088
  3rd Plant: No.937, Sec. 2, Chenggong Rd., Guanyin Dist., Taoyuan City
  (03)483-7682
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  (03)473-7366
  Pharmaceutical Factory: No. 12, Gongye Rd. 3, Guanyin Dist., Taoyuan City
  (03)483-8088
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  TEL: (02)3393-0898
- CPA for the Financial Reports in the Most Recent Year
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  Accounting Firm: KPMG
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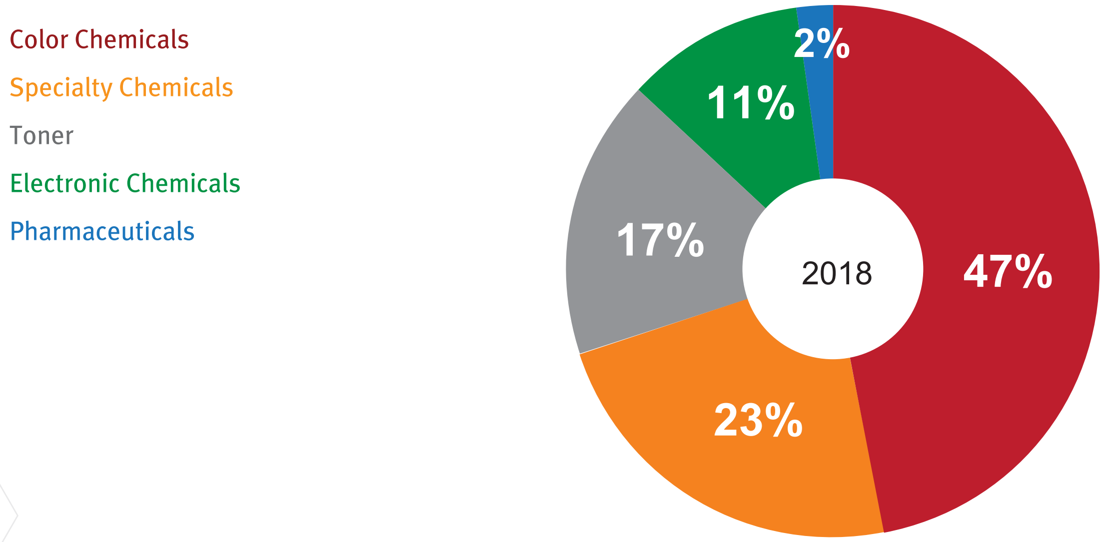
- Transaction location for overseas securities going listed: Not applicable
- Company Website
  http://www.ecic.com.tw/

Financial Highlights

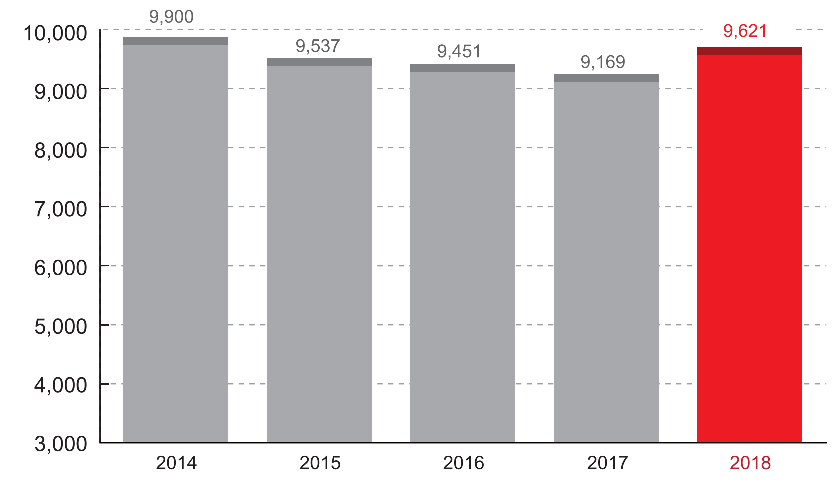
Revenue by B.U.



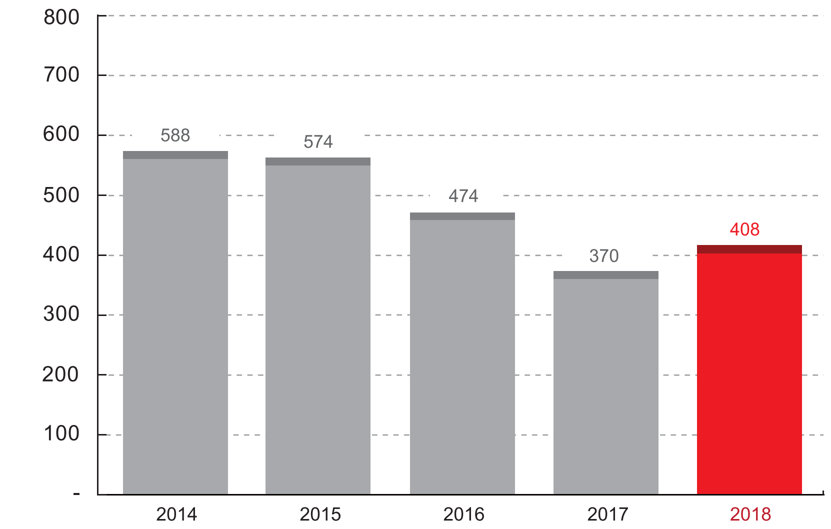
(in Million NT$)

Item	2017	2018
Revenues	9,169	9,621
Profit After Tax	370	408
Total Assets	13,725	13,858
Shareholder's Equity	8,037	7,913
Earnings Per Share (in NT$)	0.67	0.73

Consolidated Revenues (in Million NT$)



Consolidated Profit After Tax (in Million NT$)



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Letter To Shareholders

Dear shareholders,

Last year was an abundant year for the Everlight Chemical. First of all, to celebrate the 100th anniversary of China's dye manufacturing, the China Dyestuff Industry Association especially recognized companies and individuals with significant influence and outstanding contributions to China's dye industry at the dyes exhibition in Shanghai last April. Everlight Chemical is one of the few companies to receive a grand slam that included all four awards. Among which, our honorary chairman Chen, Ding-Chuan won the highest honor of the "Centennial Merit Award," and the Product Responsibility Office Director Huang, Hui-Cing received the "Science and Technology Contribution Award."

In addition, the Specialty Chemical Business Unit's formulated product developed for eco-friendly coating material "light stabilizer for the special use of the water-based light curing coating" won the highest honor in the Cross-Strait last year. The Awards were the "2018 Ringier Technology Innovation Awards-Coatings Industry" from China and the "2018 Chemical Technology Industry Elite Award and Product Innovation Award" from Taiwan, respectively. It means that the Specialty Chemical Business Unit has stepped out of the limitation to product imitation product (Me Too), and now has the capability to develop green products to meet customer needs by the patented technology of independent innovation.

More importantly, the Everlight Chemical's sales revenue in 2018 ended its three consecutive years of decline, reaching NTD 9,620 million, up by 5% from the previous year. The net profit after tax exceeded NTD 400 million, an increase of 10% over the previous year, with the earnings per share of NTD 0.73, an annual increase of 10%.

The results of operation are analyzed as below:

The sales revenue of the Color Chemical Business is NTD 4,520 million, accounting for 47%, an annual increase of 8.7%. According to the classification of the industries served, Everlight Chemical's sales revenue of dyes in the four industries of traditional textiles, digital ink, leather and pulp all saw growth last year. Among these, the digital ink industry (including two major areas of digital textile and commercial printing) had more growth. This year, we will continue to introduce the advantages of new products in various fields and expand the digital ink production line on both sides of the strait. We will also strengthen the technological service capacities and seek more rapidly growing market opportunities Although the unstable supply of upstream raw materials in China caused by strict controls on environmental protection, work safety accidents and other factors recently, we will continue to increase our resources in traditional textile, leather, pulp, aluminum anodes, industrial textiles and other applications as well as functional textile auxiliaries and spare no effort in seizing the market to expand the scale of business as the direction of our efforts.

The sales revenue of the specialty chemical business is NTD 2,160 million, accounting for 22.5%, an annual increase of 13%. As the global industrial economy thrived during the first three quarters of last year, the specialty chemical business followed with its aggressive expansion strategy, which worked well. Looking ahead to this year, the global economy has significantly slowed down, with automobile production estimates in major economies lower than last year. Furthermore, the Chinese government continues to strengthen environmental protection and safety inspection, resulting in higher costs of upstream raw materials and instability in the supply of raw materials. The specialty chemical business will continue to expand the sales areas and domains to maintain growth momentum, and actively improve the raw materials supply chain to ensure a stable supply. Meanwhile, the business will introduce new information tools to improve management effectiveness.

The sales revenue of the Toner business is NTD 1,630 million, accounting for 17%, an annual increase of 11%. Under many suppliers in China emerging and uniting to compete to put into production, the supply of Toner (particularly the black bulk products) has still exceeded the demand, and Toner prices continue to dip into red territory. We've not only sped up the development of color toners and high-speed copy machine toners, but also introduced the products to save the market with high cost-performance ratio in order to maintain a certain market share of bulk products. In addition, we've made a technology transfer from famous Toner firms in Japan and the U.S. to expand the production line. We will add a markup to the development of the high-end market in Europe and the U.S. and grasp more business opportunities accordingly.

The sales revenue of the Electronic Chemical business is NTD 1,080 million, accounting for 11%, an annual increase of 3%. Last year we have seen growth in both private brands and OEM products. We've also had a breakthrough in the Chinese market. We've shortened product development time and improved the effectiveness of order taking in business by introducing key raw materials suppliers and production and manufacturing partners. This year, the global semiconductor and optoelectronics industry experienced a slowdown due to the decline in the growth demand for end products. At the end of last year, domestic panel manufacturers claiming for re-organization and shutdowns has an impact on the orders placed with us. Other than continuing to expand the scale of supply chain localization in China, we will also actively strive to enter the supply chain of semiconductor plants in China. At the same time, we will accelerate the development of new type of displays and the materials required for the Fifth Generation (5G) mobile communications technology processes to prepare for the next phase of demand.

The sales revenue of the Pharmaceuticals business is NTD 224 million, accounting for 2.3%, an annual increase of 10%. In early March last year, after receiving the case closure notice from FDA for our GMP improvements, we actively made contact with our customers and they've gradually made purchases from Everlight Chemical again. Last year, there were also ophthalmic drug customers getting their U.S. generic drug listing applications (ANDA) approved, so they will be expected to be increasing their orders this year. Apart from continuing to increase the sales of existing products, we will complete the expansion of animal use medicine manufacturing firms, introduce the production facilities in line with international GMP standards and increase the sales of animal use medicine.

Compared with our peer competitors, the size of the Everlight Chemical's business product line is not big, and the market share is still quite small Each of our units has to transform into a customer-oriented, dynamic, globally competitive combat force and "become an invisible champion" in every field of operations as the goal of our efforts. We will proceed with "pro-active caution and steady climb" in response to the 2019 annual policy of the Everlight Chemical.

Thank you for your loyalty and support.

Chairman Chen, Chien-Hsin

I. 2018 Operating Performance

(I) Implementation results of operating plan

The Company's consolidated operating revenue in 2018 was TWD 9,621,019,000 which was a increase of 5%; in terms of operating income, the consolidated net income after tax was TWD 407,920,000, and EPS was TWD 0.73, which were increase of 10% respectively.

(II) Budget execution status

Unit: TWD thousand

Account	Plan for the whole year	Actual amount	Achievement rate
Operating revenue	10,300,000	9,621,019	93%
Operating cost	8,030,000	7,455,801	93%
Operating gross profit	2,270,000	2,165,218	95%
Operating expense	1,680,000	1,657,754	99%
Operating profit	590,000	507,464	86%
Net income before tax	600,000	519,544	87%

(III) Analysis on revenue and expense and profitability

Unit: TWD thousand

Item			2018	2017
Revenue and expense	Operating revenue		9,621,019	9,169,480
	Operating cost		7,455,801	7,199,208
	Operating gross profit		2,165,218	1,970,272
	Operating expense		1,657,754	1,607,853
	Operating profit		507,464	362,419
	Net non-operating revenue		12,080	109,973
	Net income before tax		519,544	472,392
	Income tax expense		111,624	102,148
	Net income after tax		407,920	370,244
	EPS (TWD)		0.73	0.67
Profitability Analysis	ROA		3.5%	3.1%
	ROE		5.1%	4.6%
	To paid-in capital	Operating profit	9.3%	6.6%
		Pre-tax income	9.5%	8.6%
	Profit margin		4.2%	4.0%
	EPS (TWD)		0.73	0.67

(IV) R&D status

Developing high-tech, high value-added chemical products, and continuously improving ecological benefits are our R&D goals. R&D expense in 2018 was about TWD 430,000,000, which accounted for 4.5% of operating revenue. The specific results of R&D are as follows:

1. Intellectual property right:

In 2018, there were 3 patents granted. As of Feb. 2019, the accumulated patent number was 162.

2. New product R&D results of each business:

In 2018, the completed items of new products developed by each business are: 33 items of color chemicals, 5 items of specialty chemicals, 13 items of electronic chemicals, 9 items of toner, and 2 items of Pharmaceuticals, which are 62 items in total.

II. Summary of 2019 Operation Plan

(I) Operation goals for the current year

The Company adopts "breaking through framework and making quick response" as its annual business policy, and implements the following strategies:

1. Adopt the mode of new thinking, and break through existing framework.
2. Respond to demand quickly and effectively solve problems.
3. Strengthen team integration and become invisible champion.

(II) Expected sales volume and its reference

According to the assessment of industrial environment and future market supply and demand, the expected sales targets of various products of the Company in 2019 are as follows:

Business and product type		Expected sales volume in 2019	Sales volume in 2018
Color chemicals		22,100 tons	20,513 tons
Specialty chemicals		4,600 tons	4,264 tons
Toner		9,200 tons	7,967 tons
Electronic chemicals	Photoresist	110,200 gallons	94,524 gallons
	Others	12,500 tons	13,139 tons
Pharmaceuticals	Prostaglandin	35,000 g	22,248 g
	Other material medicines	730 kg	240 kg

(III) Important production and sales policy

1. Sales policy:
   (1) Brand: Accumulated brand value, enhanced brand recognition.
   (2) Profit: Strengthen the promotion of niche products, explore more business opportunities and increase overall profit.
   (3) Flexibility: Promote safe products and sustainable solutions to optimize the portfolio of customer and product sales.
   (4) Innovation: comprehensively innovate in service and marketing to enhance customer satisfaction and create value mutually.
2. Production policy
   (1) Safety: Construct safety culture and reduce disaster risk.
   (2) Environment: Promote circular economy and achieve environmental goals.
   (3) Flexibility: Integrate the resources of the plant area and exert production efficiency.
   (4) Innovation: Accelerate smart production and enhance ecological benefits.

III. Impacts of External Environment

(I) External competitive environment

1. The China-US trade war will rewrite the global supply chain. Over the past 20 years, the world factory has been in China. In the future, the world factory will be in various countries.
2. The consolidation of multinational chemical companies to compete for market dominance will accelerate the adjustment of global industrial ecology.
3. The ZDHC 2020 zero emission commitment of hazardous chemicals will affect the global apparel industry and footwear major brands and their supply chain manufacturers, and bring a new wave of elimination and competition.
4. Environmental pressure in China becomes “New Normal.” It expedites survival of the fittest in the chemical industry, leading to the change in the industrial pattern on the supply side. Small and medium-sized chemical plants will be knocked out one after another. Limited production and halted production will cause a reduction in supply and a rise in prices.
5. Chinese companies continue to use the strategy of stock listing and M&A integration to lead the industry's territory.
6. "Industry 4.0" has prompted the manufacturing industry to think about new business strategies and new business models.

(II) Regulatory environment:

1. Countries have successively promulgated the Chemicals Management Act and strengthened management measures, in order to achieve the vision of the United Nations 2020 International Chemical Use Safety and Management.
2. The EU General Data Protection Regulation was fully implemented on May 25, 2018.
3. With the advent of the global anti-tax avoidance era, multinational corporations must conduct tax management with a more highly-integrated thinking, and face the challenges in different aspects set by tax bureaus in each country in a stable manner, in order to reduce global tax risk.

(III) Macroeconomic operating environment:

1. The global economy slows down, the U.S.-China trade war escalates, the domestic demand momentum weakens, the economic downside risk is aggravated and the pressure of RMB devaluation significantly increases.
2. The emerging markets face currency devaluation. Major currency depreciation in Turkey and Argentina triggered currency devaluation in other countries, including Venezuela, Brazil, South Africa, Russia, Indonesia, India, China, etc.
3. The core of Trump’s economic policy is to “expand the US job market”. The key points are “tax reduction”, “expanding fiscal policy”, “de-regulation” and “trade protection policy”. Under the US manufacturing trend, the supply chain in East Asia will be displaced. The global industry will rethink its positioning.
4. The increase in prices or volatility of raw materials, such as international oil prices, mainly due to trade warand geopolitical risks ratcheting up, requires our cautious response.
5. Information security risk will interfere with corporate operations, such as hacking, blackmailing viruses, corporate savvy data leakage, and negative network evaluation.

IV. Future Corporate Development Strategies

Everlight Chemical's 2020 Green Gold Vision is to "become a global happy company that will continue to innovate and provide green chemical solutions", and focus on four major aspects: sustainable environmental protection, innovative value, integrity and happiness, and global partners for development. We strive to provide a better life for human beings and implement the brand promise of “Better Chemistry Better Life”.

Company Profile

I. Date of Establishment: September, 1972

II. Company History:

1972 • The Company was established with capital amount of TWD 4 million.
1976 • Purchased the land of Dayuan Industry Park in Taoyuan City and set up the 1st Plant.
1986 • Purchased the CTCI Building on Dunhua S. Rd. in Taipei City as the Group's headquarters.
1987 • Purchased the land of Guanyin Industry Park in Taoyuan City and set up the 2nd Plant.
1988 • Stocks went publicly listed with capital amount of TWD 0.5 billion.
1989 • Established the company, Elite in Turkey.
1991 • Established Everlight U.S.A.
1992 • Purchased the land of Guanyin Industry Park in Taoyuan City and set up the 3rd Plant.
• Established Everlight (Hongkong) Ltd.
1993 • Passed the Quality Management System Examination of ISO 9002.
1994 • Passed the Quality Management System Examination of ISO 9001.
1995 • Won the Excellent Prize of the 3rd Premium Industry and Technology Development Award of MOEA.
1996 • Passed the Environment Management System Examination of ISO 14001.
• Established Everlight Europe B.V. (Netherlands).
• Established the factory for raw material medicine.
• Won the Excellent Manufacturer Prize of Energy Saving Award of Bureau of Energy, MOEA.
1997 • Established the electronic chemicals factory.
• Established Everlight (Singapore) Ltd.
• Merged Trend Tone Imaging, Inc.
• Won the Excellent Manufacturer Prize of Pollution Prevention Award of EPA.
1998 • Established Ethical (Shanghai) Ltd.
2000 • Won the 8th Premium Industry and Technology Development Award of MOEA.－ Excellent Prize
2001 • Passed the Vocational Safety and Hygiene Management System Examination of OHSAS 18001.
2002 • Established Ethical (Guangzhou) Ltd.
• Established Business Unit of Nanomaterial.
• The material medicine of Prostaglandin, Misoprostol, passed the inspection of US FDA.
2003 • Approved by the MOEA to establish the headquarters of business operation.
• Approved by the MOEA to establish High-Tech Chemicals Research and Development Division.
2004 • Won the Outstanding Corporate Citizen Award of MOEA.
• Trend Tone Imaging passed the examination of ISO 9001.
• DailyCare BioMedical Inc. passed the examinations of ISO 9001, ISO 13485, GMP for pharmaceuticals and equipment and CAMCAS.
2005 • Established Everlight (Shanghai) Ltd.
2006 • Established Everlight (Suzhou) Advanced Chemicals Ltd.
2010 • Approved by the MOEA to establish Green Energy High-Tech Chemicals Research and Development Division.
2011 • Merged Anda Semiconductor Technology (Suzhou) Co., Ltd.
• The material medicine of Prostaglandin, Misoprostol-HPMC, passed the inspection of EU GMP.
• Elected as one of the Top 100 Taiwan Brands.
• The 3rd Plant, also the bonded factory, went listed and formally began operation.
• Established Tianjin Branch of Everlight (Shanghai) Ltd.
• Elected into the special edition of Taiwan Ethical Corporate Management Stories.
• The first company to pass the GMP examination for food additives in Taiwan.
• Purchased the land of Taoyuan Technology Park in Taoyuan City and set up the 4th Plant.
2012 • Established Qingdao Branch of Everlight (Shanghai) Ltd.
• Established Suzhou Branch of Everlight (Shanghai) Ltd.
• Established Zhuhai Branch of Everlight (Suzhou) Advanced Chemicals Ltd.
• Passed the Business Continuity Management System (BCMS) Examination of BS 25999.
• Introduced the inventory of product carbon footprint and passed the inspection of PAS 2050 and ISO/TS 14067.
• Trend Tone Imaging won the Safety and Hygiene Role Model Award of MOEA.
2013 • Merged DailyCare BioMedical Inc.
• Established Evershine Investment Corp.
• Won the 1st Potential Mittelstand Award of MOEA.
• The material medicine of Prostaglandin, Bimatoprost and Misoprostol-HPMC, passed the inspection of US FDA.
• Won the Safety and Hygiene Role Model Award of MOEA.
• Passed the Quality Management System Examination of ISO/TS16949.
• Continually won the Excellence in Corporate Social Responsibility Award for seven years.
• Everlight (Suzhou) Advanced Chemicals Ltd. passed the examinations of ISO 14001 and OHSAS 18001.
• Trend Tone Imaging passed the examinations of TOSHMS CNS15066 and OHSAS 18001.
2014 • Passed the CG6008 General-Edition Corporate Governance System Evaluation of Taiwan Corporate Governance Association.

• Passed the Business Continuity Management System Examination of ISO 22301.
• Trend Tone Imaging passed the examination of ISO 14001.
• Trend Tone Imaging passed the greenhouse gas inventory inspection of ISO 14064-1.
2015 • Won the National Invention and Innovation Award of MOEA.
• Established Audit Committee and Nomination Committee.
2016 • Reactive dye (Everzol Black-B 133%) passed the Material Flow Cost Accounting inspection of ISO 14051 MFCA.
• The 3rd Plant won the Work-Life Balance Award of MOL.
2017 • The Plant IV was awarded the Green Building Label certificate from the Ministry of the Interior.
• 2016 CSR Report passed the inspection of British Standards

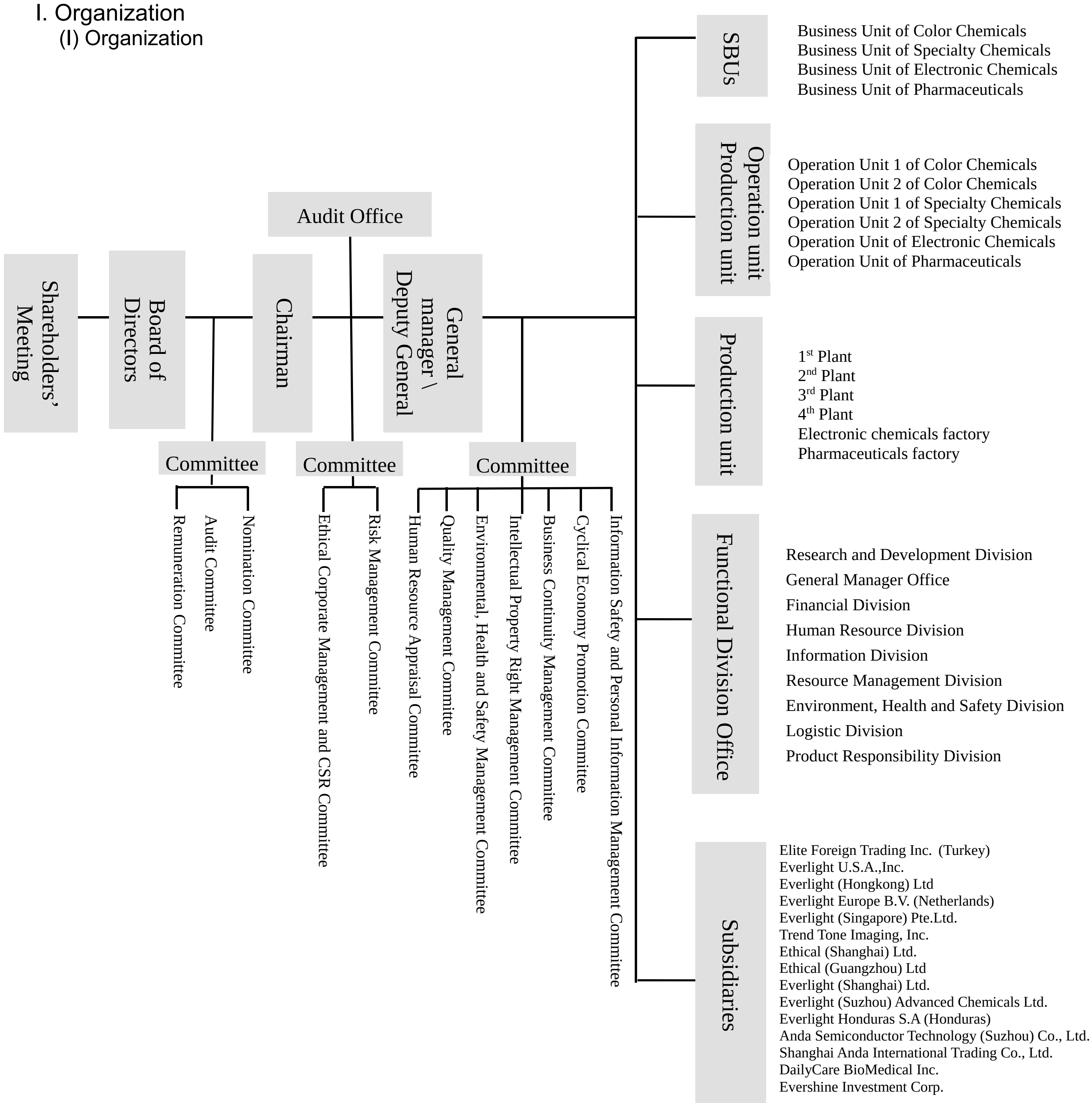
・Won the Industry Innovation Award of MOEA.
2007・The material medicine for cardiovascular disease, Felodipine, passed the inspection of US FDA.
2008・Merged Everlight Honduras S.A (Honduras).
2009・Won the National Invention and Innovation Award of MOEA.
・Won the Safety and Hygiene Role Model Award of MOEA.
・Everlight (Suzhou) Advanced Chemicals Ltd. passed the examination of ISO 9001.
2010・The 2nd Plant, also the bonded factory, went listed and formally began operation.
・Passed the examination of Taiwan Intellectual Property Management System (TIPS).

Institution (BSI).
・Won the Taiwan TOP50 Business Sustainability Award and Business Sustainability Report Award.
・Trend Tone Imaging passed the Talent Quality-Management System (TTQS) Examination.
2018・We signed the Safe Partner Declaration with the Occupational Safety and Health Administration, Ministry of Labor.
・The Plant IV obtained the Certificate of Cleaner Production Assessment and Green Factory Label from the Industrial Development Bureau.
・We passed the verification of Taiwan Intellectual Property Management System (TIPS) Grade A (Version 2016).
・We won the China Dyestuff Centennial Merit Award, Outstanding Entrepreneur Award, Science and Technology Contribution Award and Outstanding Enterprise Award of the China Dyestuff Industry Association.

Corporate Governance

I. Organization

(I) Organization



(II) Business of major department

Department	Responsibility
Audit Office	Internal control audit business
Business Unit of Color Chemicals	Operational business of products related to color chemicals
Business Unit of Specialty Chemicals	Operational business of products related to specialty chemicals
Business Unit of Electronic Chemicals	Operational business of products related to electronic chemicals
Business Unit of Pharmaceuticals	Operational business of products related to pharmaceuticals
Operation Unit 1 of Color Chemicals	Sales business of color chemicals in the Greater China area
Operation Unit 2 of Color Chemicals	Sales business of color chemicals in Europe, USA, Japan and Korea
Operation Unit 1 of Specialty Chemicals	Sales business of UV-stabilizer in the Greater China and East Asia
Operation Unit 2 of Specialty Chemicals	Sales business of UV-stabilizer in Europe, USA, Middle East, South Asia and Africa
Operation Unit of Electronic Chemicals	Sales business of electronic chemicals
Operation Unit of Pharmaceuticals	Sales business of pharmaceuticals
1st Plant	Production business of color chemicals and other products
2nd Plant	Production business of color chemicals and other products
3rd Plant	Production business of UV-stabilizer and other products
4th Plant	Production business of green materials and other products
Electronic chemicals factory	Production business of electronic chemicals
Pharmaceuticals factory	Production business of pharmaceuticals
Research and Development Division	Business of product development and R&D in applied technology
General Manager Office	Planning for corporate development, and business of legal affairs and projects
Financial Division	Business related to financial, accounting, investment management and shareholder service
Human Resource Division	Business related to human resource
Information Division	Business of information and Internet planning and maintenance
Resource Management Division	Business of raw material and equipment procurement
Environment, Health and Safety Division	Business of environmental safety and hygiene
Logistic Division	Business related to delivery management of color chemicals finished goods
Product Responsibility Division	Business of product safety

II. Directors, General Managers, Deputy General Managers, Associates and Managers of Each Department and Branch

(I) Director information

Feb. 28, 2018

Title	Nationality or registration place	Name	Gender	Date Elected / Appointed	Term period	Date elected for the 1st time	Shareholding when elected		Share number held currently		Shareholdings of spouse and minor children		Shares held with other person's name		Major working (educational) experience (Note)	Positions concurrently served in the Company and other companies	Other managers, directors or supervisors with relationship of spouse or within the kinship of the second-degree relatives		
							Share number	Shareholding ratio	Share number	Shareholding ratio	Share number	Shareholding ratio	Share number	Shareholding ratio			Title	Name	Relationship
Chairman	Taiwan R.O.C	Chen, Chien-Hsin	Male	June 6, 2018	Jun. 6, 2018 - Jun. 5, 2021	May 26, 1997	6,725,250	1.23	6,730,000	1.23	500,000	0.09	0	0	Master of Public Health (MPH), Harvard University	Chairman of companies such as Everlight Chemical Singapore, Trend Tone Imaging, Daily Care BioMedical and Keystone Pharmaceuticals, etc.; director of companies such as Elite Turkey and Good TV Broadcasting Corp, etc.	Director Director and General Manager Associate Manager	Chen, Ding-Chuan Chen, Wei-Wang Jason Ju	Father and son Brothers Brother-in-law
Director	Taiwan R.O.C	Chen, Ding-Chuan	Male	June 6, 2018	Jun. 6, 2018 - Jun. 5, 2021	Aug. 26, 1972	81,000,000	14.79	77,500,000	14.15	7,800,000	1.42	0	0	Department of International Trade, Tamkang Junior College of English Honorary doctorate in Management, Chang Jung Christian University	None	Director Chairman Director and General Manager Associate Manager	Chen, Ding-Chi Chen, Chien-Hsin Chen, Wei-Wang Jason Ju	Brothers Father and son Father and son Father- and son-in-law
Director	Taiwan R.O.C	Chen, Ding-Chi	Male	June 6, 2018	Jun. 6, 2018 - Jun. 5, 2021	Aug. 26, 1972	14,975,254	2.73	14,975,254	2.73	1,467,659	0.27	0	0	Doctor of Education, Cohen University, USA	None	Director Director	Chen, Ding-Chuan Chen, Chien-Ming	Brothers Father and son
Director	Taiwan R.O.C	Chen, Wei-Wang	Male	June 6, 2018	Jun. 6, 2018 - Jun. 5, 2021	May 26, 2000	6,300,000	1.15	6,300,000	1.15	448,350	0.08	0	0	PhD in Industrial and Operations Engineering, University of Michigan, USA	General Manager of Everlight Chemical, Chairman of companies such as Everlight (Suzhou) Advanced Chemicals Ltd., Established Everlight (Hongkong) Ltd., Ethical (Shanghai) Ltd., Everlight (Shanghai) Ltd., Ethical (Guangzhou) Ltd., Everlight U.S.A., and Everlight Europe B.V. (Netherlands), and Director of companies such as Trend Tone Imaging, Inc., Polytronics Technology Corp., Elite, Turkey, Anda Semiconductor Technology (Suzhou) Co., Ltd., and Suzhou Sanyi.	Director Chairman Associate Manager	Chen, Ding-Chuan Chen, Chien-Hsin Jason Ju	Father and son Brothers Brother-in-law
Director	Taiwan R.O.C	Chen, Chien-Ming	Male	June 6, 2018	Jun. 6, 2018 - Jun. 5, 2021	Jun. 8, 2006	3,503,192	0.64	3,503,192	0.64	0	0	0	0	PhD in Mechanical Engineering, University of Michigan, USA	Director and General Manager of Everlight U.S.A., and Director of Trend Tone Imaging, Inc.	Director	Chen, Ding-Chi	Father and son
Director	Taiwan R.O.C	Lee, Yung-Long	Male	June 6, 2018	Jun. 6, 2018 - Jun. 5, 2021	May 26, 1994	2,281,007	0.42	2,281,007	0.42	201,672	0.04	0	0	Department of Public Administration, National Chung Hsing University	None	None	None	None
Director	Taiwan R.O.C	Ken, Wen-Yuen	Male	June 6, 2018	Jun. 6, 2018 - Jun. 5, 2021	May 26, 2000	2,951,405	0.54	2,951,405	0.54	0	0	0	0	Master in Science in Computer Science, University of San Francisco	Chairman and General Manager of Chung Hwa Chemical Industrial Works, Ltd., and Director of HONEST FINE CHEMICAL CO., LTD.	None	None	None
Director	Taiwan R.O.C	Tsai, Kuang-Feng	Male	June 6, 2018	Jun. 6, 2018 - Jun. 5, 2021	June 6, 2018	312,636	0.06	312,636	0.06	0	0	0	0	Master in Chemical Engineering, University of Southern California, USA	Director of companies such as Everlight U.S.A. and Everlight Europe B.V. (Netherlands)	None	None	None
Independent Director	Taiwan R.O.C	Wang, Hsiu-Chun	Male	June 6, 2018	Jun. 6, 2018 - Jun. 5, 2021	May 24, 2012	0	0	0	0	0	0	0	0	PhD in Engineering economic systems, Stanford University, USA	Executive Partner of GRC SINOGREEN, Chairman of Sinogeenergy, and Independent Director of Swancor Holding Co., LTD.	None	None	None
Independent Director	Taiwan R.O.C	Hung, Ying-Cheng	Male	June 6, 2018	Jun. 6, 2018 - Jun. 5, 2021	May 24, 2012	0	0	0	0	0	0	0	0	PhD in Commerce, Graduate Institute of Business Administration, National Chengchi University	Associate Professor, Department of Business Administration, Tamkang University	None	None	None
Independent Director	Taiwan R.O.C	Wu, Chung-Fern	Female	June 6, 2018	Jun. 6, 2018 - Jun. 5, 2021	June 11, 2015	0	0	0	0	0	0	0	0	PhD in Accounting and Information Management and Systems, UCLA, USA	Professor in Department of Accounting, NTU, Director of Taiwan Cooperative Financial Holding Co., Ltd. (Representative of Ministry of Finance), Director of TWSE, Supervisor of Taiwan Cooperative Bank, Independent Director of Chunghwa Precision Test Tech.Co., Ltd.	None	None	None

Note: If experiences related to the current position were undertaken in the accounting firm which takes charge of auditing or in affiliates during the period mentioned above, the titles and responsibilities shall be clarified.

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Criteria / Name	Whether or not have at least five (5) years of working experience and the following professional qualifications			Status of independence (Note)										Number of public-listed companies in which concurrently served as independent director
	Lecturer or above in commerce, law, finance, accounting or subjects required by the business of the Company in public or private colleges or universities	Judge, public prosecutor, attorney-at-law, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company.	Required working experience in commerce, law, finance, accounting or other fields required by the business of the Company.	1	2	3	4	5	6	7	8	9	10	
Chen, Chien-Hsin			✓	✓				✓	✓	✓		✓	✓	0
Chen, Ding-Chuan			✓	✓	✓			✓	✓	✓		✓	✓	0
Chen, Ding-Chi			✓	✓	✓			✓	✓	✓		✓	✓	0
Chen, Wei-Wang			✓					✓	✓	✓		✓	✓	0
Chen, Chien-Ming			✓			✓		✓	✓	✓		✓	✓	0
Lee, Yung-Long			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Ken, Wen-Yuen			✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	0
Tsai, Kuang-Feng			✓			✓	✓	✓	✓	✓	✓	✓	✓	0
Wang, Hsiu-Chun			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Hung, Ying-Cheng	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Wu, Chung-Fern	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Note: For the directors meeting any of the following situations two (2) years before being elected and during their term of office, please write "✓" in the appropriate corresponding boxes.

(1) Not an employee of the Company or any of its affiliates.
(2) Not a director or supervisor of any of the Company's affiliates (however, an independent director set up by the Company, its parent company or subsidiary in accordance with the Law or local regulations is not restricted here).
(3) Not a natural-person shareholder or holder of shares, together with those held by a spouse, minor children, or held by the person under other names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranking within the top 10 in holdings.
(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the above persons mentioned in the above three paragraphs.
(5) Not a director, supervisor, or employee of a corporate/institutional shareholder that indirectly holds five percent or more of the total number of issued shares of the Company or ranks as its top five shareholders.
(6) Not a director, supervisor, manager or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the Company.
(7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, provided that this restriction does not apply to any member of the Remuneration Committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the GTSM".
(8) Not having a marital relationship with, or not a relative within the second degree of kinship of any other director of the Company.
(9) Not under any circumstances as noted in Article 30 of Company Act.
(10) Not a governmental, juridical person or its representative as defined in Article 27 of Company Act.

(II) General Managers, Deputy General Managers, Associates and Managers of Each Department and Branch

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Title (Note 1)	Nationality	Name	Gender	Date Elected / Appointed	Shareholding		Shareholdings of spouse and minor children		Shares held with other person's name		Major working (educational) experience (Note 2)	Positions concurrently served in other companies	Managers with relationship of spouse or within the kinship of the second-degree relatives		
					Share number	Shareholding ratio	Share number	Shareholding ratio	Share number	Shareholding ratio			Title	Name	Relationship
General manager	R.O.C	Chen, Wei-Wang	Male	Jan. 1, 2001	6,300,000	1.15	448,350	0.08	0	0	PhD in Industrial and Operations Engineering, University of Michigan, USA	Chairman of Everlight Chemical, Chairman of companies such as Everlight (Suzhou) Advanced Chemicals Ltd., Everlight (Hongkong) Ltd., Ethical (Shanghai) Ltd., Everlight (Shanghai) Ltd., Ethical (Guangzhou) Ltd., Everlight U.S.A., and Everlight Europe B.V. (Netherlands), and Director of companies such as Trend Tone Imaging, Inc., Polytronics Technology Corp., Elite, Turkey, Anda Semiconductor Technology (Suzhou) Co., Ltd., and Suzhou Sanyi.	Associate Manager	Jason Ju	Brother-in-law
Deputy General Manager	R.O.C	Chou, De-Kang	Male	Jan. 1, 2005	0	0	189,913	0.03	0	0	Chemistry, State University of New York, USA PhD	Chairman, Evershine Investment Corp.	None	None	None
Deputy General Manager	R.O.C	Tsai, Kuang-Feng	Male	Jan. 1, 2010	312,636	0.06	0	0	0	0	Master in Chemical Engineering, University of Southern California, USA	Director of Everlight Europe B.V. (Netherlands)	None	None	None
Deputy General Manager	R.O.C	Liao, Ming-Zhi	Male	Jan. 1, 2010	300,891	0.05	819	0.00	0	0	Department of Business Management, Tatung University	None	None	None	None
Deputy General Manager	R.O.C	Chen, Chong-Kuang	Male	Apr.1, 2010	174,521	0.03	44,309	0.01	0	0	Department of Fiber and Composite Materials, Feng Chia University	Director of companies such as Everlight U.S.A. and Everlight Honduras S.A (Honduras)	None	None	None
Deputy General Manager	R.O.C	Lin, Zhao-Wen	Male	Jan. 1, 2013	71,691	0.01	270	0.00	0	0	Macromolecule Fiber, NTUST Master	None	None	None	None
Deputy General Manager	R.O.C	Chen, Si-Feng	Male	Jan. 1, 2015	7,018	0.00	0	0	0	0	PhD in Chemistry, University of Maryland, USA	None	None	None	None
Special Asst. to Chairman	R.O.C	Du, Yi-Zhong	Male	Jan. 1, 2019	13,989	0.00	9,951	0.00	0	0	Master in Chemical Engineering, NTUST	Director of companies such as Chung Hwa Chemical Industrial Works and Evershine Investment Corp., etc.	None	None	None
Deputy General Manager	R.O.C	Chen, Qing-Tai	Male	Jan. 1, 2019	14,037	0.00	0	0	0	0	Master in Chemical Engineering, National Cheng Kung University	None	None	None	None
Associate Manager	R.O.C	Huang, Zheng-Lung	Male	Jan. 1, 1997	1,587	0.00	3,933	0.00	0	0	Major in Commerce and Arts, TSVS	None	None	None	None
Associate Manager	R.O.C	Wu, Yao-Ming	Male	Jan. 1, 2004	3,370	0.00	0	0	0	0	Major in Chemical Fiber, NTUT	None	None	None	None
Associate Manager	R.O.C	Jason Ju	Male	Jan. 1, 2005	281,824	0.05	6,333,950	1.16	0	0	PhD in Environmental Engineering, University of Delaware, USA	Director and General Manager of Everlight (Suzhou) Advanced Chemicals Ltd., Director of companies such as Trend Tone Imaging, Anda Semiconductor Technology (Suzhou), Shanghai Anda International Trading, and Supervisor of Suzhou Sanyi.	General manager	Chen, Wei-Wang	Brother-in-law
Associate Manager	R.O.C	Tseng, Kun-Mu	Male	Jan. 1, 2008	26,053	0.00	0	0	0	0	Major in Chemical Engineering, NTUT	None	None	None	None
Associate Manager	R.O.C	Chen, Xin-Zhi	Male	Jan. 1, 2012	0	0	0	0	0	0	MBA, Chang Gung University	Director of DailyCare BioMedical Inc.	None	None	None
Associate Manager	R.O.C	Liao, Nan-Ming	Male	Jan. 1, 2013	7,214	0.00	20,717	0.00	0	0	Major in Fiber, NTUT	General Manager of companies such as Ethical (Shanghai) Ltd. and Everlight (Shanghai) Ltd., and Supervisor of Everlight Chemical.	None	None	None
Associate Manager	R.O.C	Chen, Yi-Tang	Male	Nov. 16, 2017	16,577	0.00	27,847	0.01	0	0	Department of Fiber, NTUST	General Manager of Ethical (Guangzhou) Ltd.	None	None	None
Associate Manager	R.O.C	Huang, Tsung-Wen	Male	Jan. 1, 2018	10,000	0.00	0	0	0	0	Master in Chemistry, National Sun Yat-sen University	Factory Director of Everlight (Suzhou) Advanced Chemicals Ltd.	None	None	None
The 2nd Plant Factory Director	R.O.C	Yeh, Shun-Xing	Male	Jan. 1, 2013	1,157	0.00	43,792	0.01	0	0	MBA, National Central University	None	None	None	None
The 3rd Plant Factory Director	R.O.C	Kang, Yuan-Sheng	Male	Jan. 1, 2017	593	0.00	94,148	0.02	0	0	Department of Chemical Engineering, Chung Yuan Christian	None	None	None	None

Title (Note 1)	Nationality	Name	Gender	Date Elected / Appointed	Shareholding		Shareholdings of spouse and minor children		Shares held with other person's name		Major working (educational) experience (Note 2)	Positions concurrently served in other companies	Managers with relationship of spouse or within the kinship of the second-degree relatives		
					Share number	Shareholding ratio	Share number	Shareholding ratio	Share number	Shareholding ratio			Title	Name	Relationship
											University				
Head of Operation Unit 1 of Color Chemicals	R.O.C	Hsiao, Chong-Kun	Male	Jan. 1, 2015	13,063	0.00	17,800	0.00	0	0	MBA, Chinese Culture University	Director of companies such as Everlight (Hongkong) Ltd., Ethical (Shanghai) Ltd., Everlight (Shanghai) Ltd., and Ethical (Guangzhou) Ltd., etc.	None	None	None
Head of Operation Unit 2 of Color Chemicals	R.O.C	Lee, Fu-Xing	Male	Jan. 1, 2017	40,647	0.01	11,850	0.00	0	0	MBA, Saint Louis University, USA	None	None	None	None
Division of Technical Marketing Head of Division	R.O.C	Lai, Bao-Kun	Male	Jan. 1, 2002	92,288	0.02	381	0.00	0	0	MBA, Yuan Ze University	None	None	None	None
Head of Specialty Chemicals R&D Division	R.O.C	Chen, Ke-Lun	Male	Apr.1, 2016	0	0	0	0	0	0	PhD in Chemistry, National Tsing Hua University	None	None	None	None
Head of Specialty Chemicals Technics Division	R.O.C	Huang, Yao-Xing	Male	Apr.1, 2016	14,087	0.00	0	0	0	0	PhD in Chemistry, National Tsing Hua University	None	None	None	None
Head of Pharmaceuticals Production Division	R.O.C	Wu, Tian-Wang	Male	Jan. 1, 2002	105,107	0.02	0	0	0	0	Department of Chemistry, Tunghai University	None	None	None	None
Information Division Head of Division	R.O.C	Xue, Tzong-Yue	Male	Jan. 1, 2010	9,118	0.00	0	0	0	0	Department of Industrial Engineering, Tunghai University	None	None	None	None
Head of Resource Management Division	R.O.C	Sung, Bai-Li	Male	Jul. 16, 2012	148,812	0.03	4,534	0.00	0	0	Major in Chemical Engineering, NTUT	None	None	None	None
Environment, Health and Safety Division Head of Division	R.O.C	Huang, Zhi-Kuan	Male	Jan. 1, 2010	28,605	0.01	0	0	0	0	Department of Mechanical Engineering, College of Engineering, Tatung University	None	None	None	None
Head of Product Responsibility Division	R.O.C	Huang,Hui-Ching	Female	Jan. 1, 2019	27,782	0.01	0	0	0	0	Master in Chemical Engineering, Chung Yuan Christian University	Director of Evershine Investment Corp.	None	None	None
Audit Office General Auditor	R.O.C	Tzeng, Mei-Rong	Female	Oct. 1, 2014	10,633	0.00	1,514	0.00	0	0	Master in Business Management, Tatung University	None	None	None	None
Head of Financial Division and Supervisor of Financial and Accounting Department	R.O.C	Kuo-Pin Weng	Male	Jan. 1, 2010	7,726	0.00	0	0	0	0	Department of Business Administration, Feng Chia University	Director of companies such as Everlight U.S.A., Everlight (Singapore) Ltd., Ethical (Shanghai) Ltd., Everlight (Shanghai) Ltd. and Ethical (Guangzhou) Ltd., and Supervisor of Trend Tone Imaging, Inc.,Evershine Investment Corp.	None	None	None

Note 1: Shall include information of general managers, deputy general managers, associate managers, and supervisors of each department and branch. Those whose positions equivalent with general managers, deputy general managers or associate managers shall also be disclosed no matter what the titles are.
Note 2: If experiences related to the current position were undertaken in the accounting firm which takes charge of auditing or in affiliates during the period mentioned above, the titles and responsibilities shall be clarified.
Note 3: According to the Commission's regulation of Tai-Qai-Zheng-Zi No. 0920001301 published on Mar. 27, 2003, the applicable range for managers is as follows:

(1) General manager and those with equivalent ranking;
(2) Deputy general manager and those with equivalent ranking;
(3) Associate manager and those with equivalent ranking;
(4) Supervisor of Financial Department;
(5) Supervisor of Accounting Department;
(6) Others with rights of management and signing for the Company.

(III) Remuneration to Directors, General Managers and Deputy General Managers in the Most Recent Year

1. Remuneration paid to directors (including independent directors):

Unit: TWD thousand; thousand shares

Title	Name	Remuneration to directors: Remuneration (A)(Note2) – The Company	Remuneration to directors: Remuneration (A)(Note2) – All companies in the financial statements (Note 7)	Remuneration to directors: Severance pay and pensions (B) – The Company	Remuneration to directors: Severance pay and pensions (B) – All companies in the financial statements (Note 7)	Remuneration to directors: Remuneration to directors (C) (Note 3) – The Company	Remuneration to directors: Remuneration to directors (C) (Note 3) – All companies in the financial statements (Note 7)	Remuneration to directors: Business execution expense (D) (Note 4) – The Company	Remuneration to directors: Business execution expense (D) (Note 4) – All companies in the financial statements (Note 7)	Total remuneration (A+B+C+D) as a percentage of net income (Note 10) – The Company	Total remuneration (A+B+C+D) as a percentage of net income (Note 10) – All companies in the financial statements (Note 7)	Remuneration received for concurrently serving as employees: Wages, Bonuses and Special Disbursements, etc. (E) (Note 5) – The Company	Remuneration received for concurrently serving as employees: Wages, Bonuses and Special Disbursements, etc. (E) (Note 5) – All companies in the financial statements (Note 7)	Remuneration received for concurrently serving as employees: Severance pay and pensions (F) – The Company	Remuneration received for concurrently serving as employees: Severance pay and pensions (F) – All companies in the financial statements (Note 7)	Remuneration received for concurrently serving as employees: Remuneration to employees (G) (Note 6) – The Company – Cash amount	Remuneration received for concurrently serving as employees: Remuneration to employees (G) (Note 6) – The Company – Stock amount	Remuneration received for concurrently serving as employees: Remuneration to employees (G) (Note 6) – All companies in the financial statements (Note 7) – Cash amount	Remuneration received for concurrently serving as employees: Remuneration to employees (G) (Note 6) – All companies in the financial statements (Note 7) – Stock amount	Total remuneration (A+B+C+D+E+F+G) as a percentage of net income (Note 10) – The Company	Total remuneration (A+B+C+D+E+F+G) as a percentage of net income (Note 10) – All companies in the financial statements (Note 7)	Whether receiving remuneration from invested companies other than subsidiaries (Note 11)
Chairman	Chen, Chien-Hsin	3,613	3,613	0	0	10,622	10,622	2,943 (Illustration 1)	2,943 (Illustration 1)	4.90%	4.90%	5,994	9,086	326 (Illustration 2)	326 (Illustration 2)	218	0	218	0	6.53%	7.30%	None
Director	Chen, Ding-Chuan																					
Director	Chen, Ding-Chi																					
Director	Chen, Wei-Wang																					
Director	Chen, Chien-Ming																					
Director	Lee, Yung-Long																					
Director	Ken, Wen-Yuen																					
Director	Tsai, Kuang-Feng																					
Director	Chen, Chong-Kuang																					
Independent director	Wang, Hsiu-Chun	0	0	0	0	0	0	2,520	2,520													
Independent director	Hung, Ying-Cheng																					
Independent director	Wu, Chung-Fern																					

*In addition to those disclosed in the above statements, the remuneration paid to the Company's directors (if serving as non-employee consultants) for providing service to all companies in the financial statements in the most recent year: None.

Illustration 1: Business execution expenses include automobile and fuel expense; if there is a driver accompanied, the remuneration is TWD 1,229,000.
Illustration 2: Severance pay and pensions belong to the expense recognition amount of severance pay and pensions.

Table of Remuneration Range

Range of the Remuneration Paid to Each Director of the Company	Name of Director: Total remuneration (A+B+C+D) – The Company (Note 8)	Name of Director: Total remuneration (A+B+C+D) – All companies in the financial statements (Note 9) (I)	Name of Director: Total remuneration (A+B+C+D+E+F+G) – The Company (Note 8)	Name of Director: Total remuneration (A+B+C+D+E+F+G) – All companies in the financial statements (Note 9) (J)
< TWD 2,000,000	Chen, Ding-Chuan, Chen, Ding-Chi, Chen, Chien-Ming,Lee,Yung-Long,Ken,Wen-Yuen, Tsai, Kuang-Feng, Chen, Chong-Kuang, Wang, Hsiu-Chun, Hung, Ying-Cheng Wu, Chung-Fern	Chen, Ding-Chuan, Chen, Ding-Chi, Chen, Chien-Ming,Lee,Yung-Long,Ken,Wen-Yuen, Tsai, Kuang-Feng, Chen, Chong-Kuang, Wang, Hsiu-Chun, Hung, Ying-Cheng Wu, Chung-Fern	Chen, Ding-Chuan, Chen, Ding-Chi, Chen, Chien-Ming, Lee, Yung-Long Ken, Wen-Yuen, Wang, Hsiu- Chun, Hung, Ying-Cheng, Wu, Chung-Fern	Chen, Ding-Chuan, Chen, Ding-Chi, Lee, Yung-Long, Ken, Wen-Yuen Wang, Hsiu-Chun, Hung, Ying-Cheng, Wu, Chung-Fern
TWD 2,000,000 (inclusive) ～ TWD 5,000,000 (exclusive)	Chen, Wei-Wang	Chen, Wei-Wang	Chen, Wei-Wang, Tsai, Kuang-Feng,Chen, Chong-Kuang	Chen, Wei-Wang, Chen, Chien-Ming, Tsai, Kuang-Feng, Chen, Chong-Kuang
TWD 5,000,000 (inclusive) ～ TWD 10,000,000 (exclusive)	Chen, Chien-Hsin	Chen, Chien-Hsin	Chen, Chien-Hsin	Chen, Chien-Hsin
TWD 10,000,000 (inclusive) ～ TWD 15,000,000 (exclusive)				
TWD 15,000,000 (inclusive) ～ TWD 30,000,000 (exclusive)				
TWD 30,000,000 (inclusive) ～ TWD 50,000,000 (exclusive)				
TWD 50,000,000 (inclusive) ～ TWD 100,000,000 (exclusive)				

> TWD 100,000,000				

Note 1: The names of directors shall be listed separately (for corporate shareholder, the name of the corporate shareholder and its representative shall be listed respectively) and summarized for disclosure of each paid amount.
Note 2: Refer to the remuneration paid to directors in the most recent year (including wage, position bonus, severance pay, and each kind of bonus and reward, etc.)
Note 3: Fill in the director remuneration amount that is resolved to be distributed by the board in the most recent year.
Note 4: Refer to the business execution expense of directors in the most recent year (including transportation, special disbursements, each kind of bonuses, and real objects such as dormitory and company cars, etc.) When houses, automobiles and other transportation tools or personal exclusive expenditure are provided, the characteristics and costs of the assets provided, rent of actual value or evaluated at fair value, fuel expense and other payments shall be disclosed. In addition, if there is a driver accompanied, please clarify the driver's relevant remuneration in footnotes, which is not calculated into total remuneration.
Note 5: Refer to those directors received from serving concurrently as employees (including general managers, deputy general managers, other managers and employees) in the most recent year, including wages, position bonuses, severance pay, each kind of bonuses and rewards, transportation expenses, special disbursements, each kind of bonuses, and real objects such as dormitories and company cars, etc.) When houses, automobiles and other transportation tools or personal exclusive expenditure are provided, the characteristics and costs of the assets provided, rent of actual value or evaluated at fair value, fuel expense and other payments shall be disclosed. In addition, if there is a driver accompanied, please clarify the driver's relevant remuneration in footnotes, which is not calculated into total remuneration. In addition, the wage expense recognized according to IFRS 2 "Share-based Payment", including obtaining employee stock option certificates, employee restricted new shares and participating in share purchases in capital increase by cash, etc., shall be calculated into total remuneration.
Note 6: For the employee remuneration received by directors from serving concurrently as employees (including general managers, deputy general managers, other managers and employees) in the most recent year, the employee remuneration amount resolved to be distributed by the board in the most recent year shall be disclosed.
Note 7: The total remuneration paid to the Company's directors by all companies (including the Company) in the consolidated financial statements shall be disclosed.
Note 8: For the total remuneration paid to each director by the Company, the director's name shall be disclosed in the corresponding ranking.
Note 9: The total remuneration paid to each of the Company's director by all companies (including the Company) in the consolidated financial statements shall be disclosed, and the names of directors shall be disclosed in the corresponding ranking.
Note 10: Net income refers to the net income after tax in the most recent year; for those having adopted IFRS, net income refers to the net income after tax in the individual financial statements in the most recent year.
Note 11: a. This section shall state all forms of remuneration the director has received from the Company's invested businesses other than subsidiaries.
b. For directors who receive remuneration from invested businesses other than subsidiaries, the amount of remuneration from these invested businesses should be added to column I in the table of remuneration ranges, and please change the column name into "All invested businesses" in such cases.
c. The remuneration refers to any returns, compensation (including remuneration to employees, directors and supervisors) and professional fees, etc. which the Company's presidents and vice presidents have received for serving as directors, supervisors, or managers in invested businesses other than subsidiaries.

* The remuneration disclosed in this table is different from the income concept of the Income Tax Act, and thus this table is only for information disclosure but not for taxation.

2. Remuneration to General Managers and Deputy General Managers:

Unit: TWD thousand; thousand shares

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Salary (A)</th><th colspan="2">Severance pay and pensions (B)</th><th colspan="2">Bonus and special allowances, etc. (C)</th><th colspan="4">Amount of employee compensation (D)</th><th colspan="2">Total remuneration (A+B+C+D) as a percentage of net income (%)</th><th rowspan="3">Whether receiving remuneration from invested companies other than subsidiaries</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">All companies in the financial statements</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the financial statements</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the financial statements</th><th colspan="2">The Company</th><th colspan="2">All companies in the financial statements</th><th rowspan="2">The Company</th><th rowspan="2">All companies in the financial statements</th></tr>
<tr><th>Cash amount</th><th>Stock amount</th><th>Cash amount</th><th>Stock amount</th></tr>
<tr><td>General manager</td><td>Chen, Wei-Wang</td><td rowspan="8">14,223</td><td rowspan="8">14,223</td><td rowspan="8">834
(Illustration 1)</td><td rowspan="8">834
(Illustration 1)</td><td rowspan="8">3,412
(Illustration 2)</td><td rowspan="8">3,412
(Illustration 2)</td><td rowspan="8">507</td><td rowspan="8">0</td><td rowspan="8">507</td><td rowspan="8">0</td><td rowspan="8">4.72%</td><td rowspan="8">4.72%</td><td rowspan="8">None</td></tr>
<tr><td>Deputy General Manager</td><td>Chou, De-Kang</td></tr>
<tr><td>Deputy General Manager</td><td>Tsai, Kuang-Feng</td></tr>
<tr><td>Deputy General Manager</td><td>Liao, Ming-Zhi</td></tr>
<tr><td>Deputy General Manager</td><td>Chen, Chong-Kuang</td></tr>
<tr><td>Deputy General Manager</td><td>Lin, Zhao-Wen</td></tr>
<tr><td>Deputy General Manager</td><td>Chen, Si-Feng</td></tr>
<tr><td>Deputy General Manager</td><td>Du, Yi-Zhong</td></tr>
</table>

Illustration 1: Severance pay and pensions belong to the expense recognition amount of severance pay and pensions
Illustration 2: Bonuses and special disbursements include automobiles and fuel expenses.

Table of Remuneration Range

Range of the compensation paid to each general manager and deputy general manager of the Company	Name of general managers and deputy general managers: The Company	Name of general managers and deputy general managers: All companies in the financial statements
< TWD 2,000,000	Chen, Si-Feng	Chen, Si-Feng
TWD 2,000,000 (inclusive) ～ TWD 5,000,000 (exclusive)	Chen, Wei-Wang, Chou, De-Kang, Tsai, Kuang-Feng, Liao, Ming-Zhi,Chen, Chong-Kuang, Lin, Zhao-Wen, Du, Yi-Zhong	Chen, Wei-Wang, Chou, De-Kang, Tsai, Kuang-Feng, Liao, Ming-Zhi,Chen, Chong-Kuang, Lin, Zhao-Wen, Du, Yi-Zhong
TWD 5,000,000 (inclusive) ～ TWD 10,000,000 (exclusive)		
TWD 10,000,000 (inclusive) ～ TWD 15,000,000 (exclusive)		
TWD 15,000,000 (inclusive) ～ TWD 30,000,000 (exclusive)		
TWD 30,000,000 (inclusive) ～ TWD 50,000,000 (exclusive)		
TWD 50,000,000 (inclusive) ～ TWD 100,000,000 (exclusive)		
> TWD 100,000,000		

3. Name of managers receiving employee compensation and the distribution status:

Title	Name	Stock amount	Cash amount	Total	Total amount as a percentage of net income (%)
For the name list, refer to the information of general managers, deputy general managers, associate managers and supervisors of each department.		0	1,524	1524	0.38%

(IV) The comparison analysis of the ratio of remuneration paid from the Company and from all consolidated entities in the most recent two (2) years to the Company's directors, general managers and deputy general managers to net income in the individual financial statement, and the illustration of remuneration policy, standards and packages, procedures of setting remuneration, and the linkage to operating performance and future risk exposure.

(1) The ratio of total director remuneration to net income after tax decreased by 0.03%, respectively, due to the growing of net income after tax as compared with the previous year. The ratio of total remuneration of general managers and deputy general manager to net income after tax decreased by 2.66%, respectively, due to the growing of net income after tax as compared with the previous year and the payment of pension to a deputy general manager 2017.

(2) According to the Company's Articles of Incorporation, the Company's director remuneration is authorized to be determined by the Board of Directors based on the director's participation procedure

in the Company's operation and the value of contribution, no matter whether the Company has realized profit or loss. The standard of the industry is also taken into consideration when deciding director remuneration. According to the resolution of 1998 Shareholders' Meeting, the directors are paid with fixed remuneration instead of variable remuneration.

(3) According to the Company's standards of remuneration, the wages and bonuses paid to general managers and deputy general managers is individually examined and discussed by the Remuneration Committee periodically and then sent to the Board of Directors for resolution, considering the manager's position, contribution, performance and responsibility undertaken. If the Company has annual profit, the Remuneration Committee will propose the director remuneration and the amount and method of distribution (by cash or shares) of employee remuneration to directors and managers concurrently serving as employees in accordance with Articles of Incorporation, and then send them to the Board of Directors for resolution.

III. Status of Corporate Governance

(I) Operation status of the Board of Directors

In 2018, the Board of Directors has convened 8 meetings (A), and the participation status of directors is listed below:

Title	Name	Attendance in person (B)	By proxy	Rate of attendance in person (%) (B/A)	Notes
Chairman	Chen, Chien-Hsin	8	0	100%	
Director	Chen, Ding-Chuan	8	0	100%	
Director	Chen, Wei-Wang	8	0	100%	
Director	Chen, Chien-Ming	8	0	100%	
Director	Chen, Chong-Kuang	3	0	100%	
Director	Tsai, Kuang-Feng	5	0	100%	
Director	Chen, Ding-Chi	6	2	75%	
Director	Lee, Yung-Long	8	0	100%	
Director	Ken, Wen-Yuen	8	0	100%	
Independent director	Wang, Hsiu-Chun	8	0	100%	
Independent director	Hung, Ying-Cheng	8	0	100%	
Independent director	Wu, Chung-Fern	8	0	100%	

Note: Date of election inauguration of the 17th term of Directors: June 6, 2018.

Other items that shall be recorded:

1. The following situations did not occur during Board meetings:
   (1) Matters listed in Article 14-3 of the Securities and Exchange Act.
   (2) In addition to matters mentioned above, others that are opposed or reserved by the Independent Directors and have records or written statements.
2. Implementation status of Director’s avoidance of conflict of interest:
   (1) During the resolution by the 18th Meeting of the 16th Term Board of Directors on the compensation of the managerial officers as defined in the Securities and Exchange Act, two Directors of Chen, Wei-Wang and Chen, Chong-Kuang both recused themselves from participation in the discussion and voting due to their holding concurrent positions as managerial officers.
   (2) During the resolution by the 1st Meeting of the 17th Term Board of Directors on the appointment of the Company's 4th Term Compensation Committee members, the tree Independent Directors of Wang, Hsiu-Chun, Hung, Ying-Cheng and Wu, Chung-Fern all recused themselves from participation in the discussion and voting.
   (3) During the resolution by the 2nd Meeting of the 17th term Board of Directors on the remuneration to Independent Directors, the three Independent Directors of Wang, Hsiu-Chun, Hung, Ying-Cheng and Wu, Chung-Fern all recused themselves from participation in the discussion and voting.
   (4) During the resolution by the 2nd Meeting of the 17th Term Board of Directors on the appointment of the Company's 2nd Term Nomination Committee members, the five Directors of Chen, Chien-Hsin, Chen, Ding-Chuan, Hung, Ying-Cheng, Wang, Hsiu-Chun and Wu, Chung-Fern all recused themselves from participation in the discussion and voting.
   (5) During the resolution by the 4th Meeting of the 17th Term Board of Directors on the compensation adjustment of the managerial officers defined in the Securities and Exchange Act, two Directors of Chen, Wei-Wang and Tsai, Kuang-Feng both recused themselves from participation in the discussion and voting due to their holding concurrent positions as managerial officers.
   (6) During the resolution by the 5th Meeting of the 17th Term Board of Directors on the renewal of U.S. Everlight Chemical’s General Manager, the Director Chen, Chien-Ming recused himself from participation in the discussion and voting due to conflict of interest.
   (7) During the resolution by the 5th Meeting of the 17th Term Board of Directors on the year-end bonuses of the managerial officers defined in the Securities and Exchange Act, two Directors of Chen, Wei-Wang and Tsai, Kuang-Feng both recused themselves from participation in the discussion and voting.
3. Measures undertaken during the current year and the most recent years in order to strengthen the functions of the Board of Directors and assessment of their implementation:
   (1) Strengthening the functions of the Board: To make the outside Directors have full participation in the development and discussions of the Company's important strategies, the development Strategy meeting of the Group was held on November 7, 2018. The responsible heads of the Company's business were reporting to all Directors, and were discussing and forming a strategy together. It will be held annually thereafter.

(2) Evaluation on the Board of Directors: The internal performance evaluation for 2018 was carried by on the Board of Directors and various Functional Committees. Members of the Board of Directors and Functional Committees completed the performance evaluation questionnaire for self-assessment and submitted the results to the Board of Directors after discussion by the Nomination Committee. In 2017, the external institution Taiwan Corporate Governance Association was commissioned to process the suggestion for the performance evaluation on the Board of Directors. It has been implemented and reported to the Board of Directors on December 13, 2018, with the state of implementation disclosed on the Company's website.

(3) Enhancing information transparency: Summary figures of quarterly earnings, dividends distribution and shareholders' meetings are all published in the form of material information. Each month, when the self-cleared profit and loss is cleared, it is entered into the MOPS, in order to lower the gap between inside and outside information and provide it to investors for reference.

(II)Operation of Audit Committee

The Audit Committee of the Company comprises three Independent Directors. The Audit Committee shall assist the Board in fulfilling its overseeing responsibilities in relation to accounting, auditing, financial reporting process and quality and integrity in financial control.

The matters under review of the Audit Committee for 2018 mainly include:

1. Audit of financial statements and accounting policies and procedures
2. Internal control system and related policies and procedures
3. Significant investment transactions
4. Report on the implementation of integrity management
5. Earnings distribution
6. Legal compliance
7. Whether or not the managerial officer and the Director have transactions with related parties and the possible conflicts of interest?
8. Complaint report
9. Fraud prevention plan and fraud investigation report
10. Information security
11. Corporate risk management
12. Qualifications, independence and performance evaluation of Certified Public Accountants
13. Appointment or dismissal of Certified Public Accountants, or remuneration to there to.
14. Implementation of the responsibilities of the Audit Committee
15. Audit Committee performance evaluation self-assessment questionnaire

Review of financial reports

The Board of Directors prepared the Company's 2018 annual business report, financial statements and proposal for distribution of earnings, in which the Financial Statements have been audited by the commissioned CPAs, Chen, Ya-Ling and Lisa Kuang of KPMG Taiwan, with an Independent Audit Report being issued. The above-mentioned annual business report, financial statements and proposal for distribution of earnings have been reviewed and determined to be correct and accurate by the Audit Committee.

Evaluate the effectiveness of the internal control system

The Audit Committee assesses the effectiveness of the policies and procedures of the Company's internal control system (including finance, operations, risk management, information security, outsourcing, compliance and other control measures) and reviews the Company's Audit Department and Certified Public Accountant, as well as the management's periodic reports, including risk management and legal compliance. Referring to the internal control system issued by the Sponsoring Organizations of the Treadway Commission (COSO) in 2013 – the Internal Control — Integrated Framework, the Audit Committee considers that the Company's risk management and internal control system are effective and that the Company has adopted the necessary control mechanisms to monitor and correct violations.

Commissioned Certified Public Accountant

The Audit Committee has been given the duty to supervise the CPA firm to ensure the fairness of the financial statements.

In general, other than tax-related services or specially approved items, CPA firm is not allowed to provide other services of the Company. All services provided by CPA firm are required to be approved by the Audit Committee.

To ensure the independence of the CPA firm, the Audit Committee has drawn up an independent assessment form referring to Article 47 of the Certified Public Accountant Act and the "integrity, Impartiality and objectivity and independence" of the Bulletins No. 10 of the Norm of Professional Ethics for Certified Public Accountant. It evaluates whether or not the CPA firm and the Company are related parties, have business with each other or have a relationship involving financial interests and others based on independence, professionalism and suitability of CPAs. The 5th Meeting of the 2nd Term of the Audit Committee on December 13, 2018 and the 5th Meeting of the 17th Term Board of Directors on December 13, 2018 reviewed and resolved that the two CPAs, Chen, Ya-Lin and Guan, Chun-Xiu of KPMG Taiwan both met the standards for the evaluation of independence and are sufficient to act as CPAs for our financial statements.

In the most recent year, the Audit Committee has held the meeting seven times (A), with the Independent Directors present and In attendance as follows:

Title	Name	Attendance in person (B)	By proxy	Rate of attendance in person (%) (B/A)(Note)	Notes
Convener	Wu, Chung-Fern	7	0	100%	Reelected
Commissioner	Wang, Hsiu-Chun	7	0	100%	Reelected
Commissioner	Hung, Ying-Cheng	7	0	100%	Reelected

Note: The Audit Committee of the Company was established on June 11 2015, with 3 Committee members. Term of office of the (2nd Term) Commission members: June 6, 2018 to June 5, 2120.

I. Operation of the year:

(I) Matters listed in Article 14-5 of the Securities and Exchange Act.

Board of Directors Date and Term	Content of motion	Resolution results of Audit Committee	The Company's handling of the opinions expressed
March 29, 2018 The 16th Term The 18th Meeting	Proposal for 2017 Remuneration to Employees and Directors Proposal for 2017 Financial Statements Proposal for 2017 Earnings Distribution Proposal for Review on the Internal Control Self-assessment Results	After the chair has inquired all attending commissioners, the motion was passed without objection.	All attending Directors agreed and passed the motion.
June 14, 2018 The 17th Term The 2nd Meeting	Proposal for cash injection on the subsidiary, Evershine Investment Corp.	Proposal for cash injection on the subsidiary, Grand Bright International Investment Limited was agreed by all the	The resolution of the Audit Committee was agreed by all attending Directors
August 9, 2018 The 17th Term The 3rd Meeting	Second Quarter 2018 Financial Statements	After the chair has inquired all attending commissioners, the motion was passed without objection.	Report by the Board of Directors.
November 8, 2018 The 17th Term The 4th Meeting	Proposal for the Amendments to the Subsidiaries Management Measures	After discussion, the suggestion of the Independent Director Hong was unanimously agreed by all attending members and was reported to the Board of	The resolution of the Audit Committee was agreed by all attending Directors

		Directors for discussion.	
December 13, 2018 The 17th Term The 5th Meeting	Proposal for 2019 Internal Audit Plan Proposal for 2019 Appointment of Certified Public Accountants for review on the Financial Statements and their compensation	After the chair has inquired all attending commissioners, the motion was passed without objection.	All attending Directors agreed and passed the motion.

(II) Other resolutions not approved by the Audit Committee but agreed by more than two-thirds of all Directors: None.

II. Implementation status of Independent Director's avoidance of conflict of interest: None.

III. Communication between Independent Directors and internal audit supervisors and accountants is as follows

(I) Independent Directors review monthly internal audit work reports and quarterly audit tracking reports.

(II) The audit supervisor attended the 2018 of Audit Committee for six times, and all conducted separate business reports to Independent Directors, and fully communicated the implementation and effectiveness of the audit business.

Date of Audit Committee meeting	Matters of communication	Results
March 29, 2018	December 2017 ~ February 2018 Internal Audit Business Execution Report.	Acknowledged.
	Proposal for 2017 Management's Reports on Internal Control to be Discussed.	The motion was passed without objection, and was reported to the Board of Directors for resolution.
May 4, 2018	March 1, 2018 ~ April 26, 2018 Internal Audit Business Execution Report.	Acknowledged.
June 14, 2018	April 27, 2018 ~ May 31, 2018 Internal Audit Business Execution Report.	Acknowledged.
	Q1, 2014~2018 Trend and Analysis on Inventory of the Group	Acknowledged.
August 9, 2018	June 1, 2018 ~ June 20, 2018 Internal Audit Business Execution Report.	Acknowledged.
	Establishment of the Audit Committee member's mailbox.	Approval of establishment
November 8, 2018	July 21, 2018 ~ October 20, 2018 Internal Audit Business Execution Report.	Acknowledged.
	Plan IV Procurement Report.	Acknowledged.
December 13, 2018	October 21, 2018 ~ November 25, 2018 Internal Audit Business Execution Report.	Acknowledged.
	The Company's 2019 Annual Audit Plan Discussion.	The motion was passed without objection, and was reported to the Board of Directors for resolution.

(III) The accountants attended the 2018 Audit Committee for four times to report the review or review results and findings on Financial Statements to the Independent Directors.

Date of Audit Committee meeting	Matters of communication	Results
March 29, 2018	Report of the Review on 2017 Financial Statements	Acknowledged.
May 4, 2018	Report of the Review on the First Quarter 2018 Financial Statements	Acknowledged.
August 9, 2018	Report of the Review on the Second Quarter 2018 Financial Statements	Acknowledged.

November 8, 2018	Report of the Review on the Third Quarter 2018 Financial Statements.	Acknowledged.

(IV) In normal times, the audit supervisor and the accountant may directly communicate with the Independent Director as necessary, and the communication goes well.

(V) The Company also makes a disclosure of the communication between Independent Directors and internal audit supervisors and accountants on the Company's website.

(III) The state of the Company's implementation of corporate governance, any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such departure

Evaluation Item	Implementation Status			Departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such departure
	Yes	No	Summary	
I. Does the company follow the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" to establish and disclose its corporate governance practices?	V		The practices were set up on Aug. 26, 2010, amended on Mar. 28, 2019, and disclosed on the company website and the MOPS.	No discrepancy.
II. Shareholding structure and shareholders' interests (I) Does the company set up internal operation procedures for recommendations, concerns, disputes, and litigation raised by shareholders, and implement such matters in accordance with the procedures?	V		(I) The Company has designated dedicated personnel such as the supervisor of Shareholder Service Room and the Company's spokesperson, etc., to handle the suggestions of shareholders or problems such as disputes.	No discrepancy.
(II) Does the company have a roster of its major, actual controlling shareholders as well as the ultimate controllers?	V		(II) The Company's Shareholder Service Room regularly provides reports and statements and relevant information every quarter or during the preparation period of shareholders' meeting.	No discrepancy.
(III) Has the company built and executed risk management and firewall system between the Company and its affiliates?	V		(III) The Company has formulated "Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises" and "Rules Governing Transfer Pricing in Affiliated Enterprises" to control the transaction management, endorsements and guarantees, fund lending, etc., with its affiliates. In addition, the Company has defined the operation of "Supervision and Management on Subsidiaries" in the "Internal Control System" and "Rules Governing Subsidiaries", in order to implement its risk control mechanism on subsidiaries.	No discrepancy.
(IV) Has the company established internal rules prohibiting insider trading on undisclosed information?	V		(IV) The Company has formulated "Operating Procedures for Preventing Insider Trading," "Ethical Corporate Management Principles," and "Procedures for Ethical Management and Guidelines for Conduct," and volunteers to instantly publish its revenue and profitability information after clearance every month, which lowers the information gap of shareholders as much as possible and prevents insiders from seizing the opportunities of using unpublished information. The Company will also irregularly conduct reviews to meet the needs of the existing laws and regulations and practical management. The above-mentioned rules can be looked up from the Company's website.	No discrepancy.
III. Composition and responsibilities of the Board of Directors (I) Has the company established a diversification policy for the composition of its Board of Directors and implemented it accordingly?	V		(I)1.The Company has formulated the Corporate Governance Principles and Procedures for Electing Directors, defined clearly the policy of board diversity, and disclosed them on the company website. 2.Among the name list of the Company's 17th directors, there is one female member; those accompanied with operation judgement, business management, crisis handling ability, industry knowledge, international market view and leading and decision-making ability are Chen, Chien-Hsin, Chen, Ding-Chuan, Chen, Ding-Chi, Chen, Wei-Wang, Chen, Chien-Ming, Tsai, Kuang-Feng, Ken, Wen-Yuen, Lee, Yung-Long, and Wang, Hsiu- Chun; those accompanied with accounting and financial abilities are Chen, Ding-Chuan and Wu, Chung-Fern; those accompanied with management education ability are Hung, Ying-Cheng and Wu, Chung-Fern; those having contribution to the charity business are Chen, Chien-Hsin, Chen, Ding-Chuan, Chen, Ding-Chi, Chen, Wei-Wang, and Hung, Ying-Cheng; besides, Wu, Chung-Fern once served as a dedicated commissioner of FSC. 3. The Company's Directors as an employee represented 27% of the total number of Directors, and Independent Directors represented 27% and female Directors represented 9%, respectively. One Independent Director has served for 4-6 years, and two Independent Directors have	No discrepancy.

Evaluation Item	Implementation Status			Departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such departure
	Yes	No	Summary	
			served for 7-9 years. Two Directors are over 70 years old, four are 60-69 years old and five are under 60 years old.	
(II) Other than the Remuneration Committee and the Audit Committee which are established in accordance with laws, does the company plan to set up other functional committees?	V		(II) The Company volunteered to establish the Nomination Committee in Jun. 2015.	No discrepancy.
(III) Has the company established methodology for evaluating the performance of its Board of Directors on the annual basis?	V		(III) "Regulations for the Board Performance Evaluation" formulation has been adopted by the Company through Board of Directors resolution on March 26, 2015. Each year, the regular assessments shall be conducted by the Nomination Committee in accordance with the Regulations for the Board Performance Evaluation, and for at least three years conducted by an external institution. It has added the performance evaluation of the Functional Committee since 2018, with the results of the evaluation disclosed on the Company's website.	No discrepancy.
(IV) Has the company regularly evaluate its auditor's independence?	V		(IV) Before the Company's Board of Directors resolve to elect CPAs in the end of each year, the independence of CPAs will be examined first, in which the Company will check if they are not the Company's directors, shareholders or receive wages from the Company. At the same time, the CPAs will be checked if they are not stakeholders and have no other financial gains and business relationships with the Company except for receiving the fees for certificating and financial and tax cases. Once all of the above standards for independence have been met and the CPAs have provided the "Confirmation of independence," the audit on the CPAs' hiring and fees are then conducted.	No discrepancy.
IV. Has the company established a full-time (concurrent) corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to providing information required for business execution by directors and supervisors, handling matters related to board meetings and shareholders' meetings in accordance with laws, handling corporate registration and amendment registration, and producing handbooks of board meetings and shareholders meetings, etc.)?	V		The Company's Board of Directors designated by the board of directors of the company is the Finance Div.. Responsible for providing the data needed by directors in executing business, holding board meetings and handling matters related to the meetings, preparing minutes of board meetings, and arranging matters related to on-the-job further study courses for directors.	No established of corporate governance director
V. Has the company provided proper communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers, etc.), and created dedicated sections on its website to address corporate social responsibility issues that are of significant concern to stakeholders?	V		The Company communicates with each of its stakeholders, including but not limited to suppliers, clients, banks, investors, local government and social group, etc., through the "Stakeholder Engagement" section on the company website with specific window and contact information disclosed. The Company also actively sends out quarterly journals to share information with stakeholders and replies in correspondence to the questions raised by investors. The Company regularly publishes CSR Report to respond to the issues that are paid attention by stakeholders.	No discrepancy.
VI. Has the company appointed a professional shareholders service agent to process the affairs related to shareholders' meetings?	V		Yes; since Apr. 20, 2015, the Company's shareholders' meeting affairs have been outsourced to Share Transfer Agency Department of Mega Securities Co., Ltd.	No discrepancy.
VII. Information disclosure				
(I) Has the company established a company website to disclose information regarding its financial, operational and corporate governance status?	V		(I) Company website: http://www.ecic.com.tw/	No discrepancy.
(II) Does the company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, and webcasting investors conference to be put on the company website, etc.)?	V		(II) The Company has set up dedicated personnel in each department for collection the Company's information and sending to the Company's spokesperson for disclosure; the "Operation Guidelines for Company Spokesperson and Deputy Spokesperson" have been implemented and operated for many years; before investor conferences, important information is released and published in accordance with regulations, and slides prepared in Chinese and English and videos will be uploaded and disclosed on company website.	No discrepancy.
H. Has the company disclosed other information to facilitate a better understanding of its corporate governance practices (including but not limited to employee rights, employee care, investor relations, supplier relations, rights of stakeholders, training of directors and	V		(I) Employee rights and care: Please refer to the section for labor-employer relationship in the annual report. (II) Investor relationship: 1. The Company published conditions of operation and profitability every month, and has a spokesperson set up for answering the questions asked by shareholders. 2. On the company website (http://www.ecic.com.tw/), there is	No discrepancy.

Evaluation Item	Implementation Status			Departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such departure
	Yes	No	Summary	
supervisors, implementation of risk management policies and risk evaluation measures, implementation of customer relations policies, and purchasing insurance for directors and supervisors)?			information of investor relationship, newest information and activities, news collection, quarterly journals of Everlight Chemical, and sections for introduction to Everlight Chemical, CSR and stakeholders, providing information that investors care about. (III) Supplier relationship: The Company establishes long-term, trusting and beneficial relationship with its suppliers based on the Company's quality policy, environmental policy, and safety and hygiene policy; supports the spirit of green procurement and purchases from suppliers doing environmental protection well with priority; integrates the shipping mode of suppliers and utilizes information tools to lower carbon emission of the supply chain, enhance efficiency and transparency of procurement business; holds conferences and educational training programs for suppliers to advocate cyclical economics, green gold vision, sustainability operation and fulfilling CSR; requires contractors to obey the Management Rules in Safety and Hygiene for Contractors, in order to maintain the safety in the work place and the rights of employees. (IV) Rights of related parties: 1. Setting up the Technical Marketing and Service Department, assisting customers in the application of technology and problem solving, and conducting customer satisfaction survey every year. 2. Sticking to the principles of fair competition and reaching business goals with methods not violating business ethics. 3. Others: such as starting up group meetings of risk management to respond to the sudden changes of the economic environment, and continuously communicating with stakeholders such as customers, suppliers, and correspondent banks, etc., in order to maintain the rights of both parties. (V) On-the-job further study of directors: see the statistic table on next page. (VI) Implementation status of risk control policies and risk measuring standards: The formulation of risk control policy has been resolved by the board in Nov.14, 2013; please refer to risk items. (VII) The Company's purchase of liability insurance for directors: The Company has bought liability insurance for all directors and has reported on the board meeting on Aug. 9, 2018.	
IX. Please state the corrective actions already taken and also propose the matters to be improved as the first priority and countermeasures against them, based on the corporate governance evaluation results released by the Corporate Governance Center of TWSE in the most recent year. (1)Results of 2017 corporate governance evaluation: The Company is the top 6%~20% of the group of the listed companies. Six items improved compared with last year, including the completion of the English Meeting Handbook and English financial statements with disclosure at the Public Information Observatory and on the English Company's website, the stipulation of specific dividends policies, the description in details on the implementation of the resolutions of the Annual Meeting of Shareholders and the acquisition of third party verification on the corporate social responsibility report. (2) 13 items indicated no score in 2017, and 3 items given higher priority to be enhanced in 2018: A full and accurate disclosure made in the Annual Report on the results of the Audit Committee's resolution of the major proposals and the Company's handling of the opinions of the Audit Committee, the implementation of the Board members diversity policy by individual Directors with disclosure in the Annual Report and on the Company's website, the communication each time between Independent Directors and internal audit supervisors and accountants and the opinions of Independent Directors and the subsequent processing with disclosure on the Company's website.				

Statistics of continuing education for Directors (Including Independent Directors)

Reference period: January 1, 2018 - December 31, 2018

Title	Name	Date	Organizer	Course name	Hours
Chairman	Chen, Chien-Hsin	January 4, 2018	Taiwan Corporate Governance Association	Performance evaluation on the Board of Directors	3
		May 8 ,2018	Taiwan Corporate Governance Association	The Listed Companies' New Version of Corporate Governance Blueprint Summit Forum	3
Director	Chen, Ding-Chuan	January 4, 2018	Taiwan Corporate Governance Association	Performance evaluation on the Board of Directors	3
		October 15, 2018	Securities and Futures Institute	The 12th Term of Taipei Corporate Governance Forum	6
Director	Chen,	March 23,	Taiwan Corporate	Response to the Global and Cross-Strait Anti-tax Avoidance	3

	Ding-Chi	2018	Governance Association	Policies and Measures	
		June 12, 2018	Taiwan Corporate Governance Association	Development Trend and Best Practices of Corporate Governance and Corporate Social Responsibility	3
Director	Chen, Wei-Wang	January 4, 2018	Taiwan Corporate Governance Association	Performance evaluation on the Board of Directors	3
		May 15, 2018	Chinese National Association of Industry and Commerce	The Enterprise Innovation, Information Technology and Competitive Advantage Directors and Supervisor Needed to Understand	3
		July 19, 2018	Chinese National Association of Industry and Commerce	Discussion on Enterprise Information Security from the Point of View of Corporate Governance	3
Director	Chen, Chien-Ming	March 23, 2018	Taiwan Corporate Governance Association	Response to the Global and Cross-Strait Anti-tax Avoidance Policies and Measures	3
		June 12, 2018	Taiwan Corporate Governance Association	Development Trend and Best Practices of Corporate Governance and Corporate Social Responsibility	3
Director	Lee, Yung-Long	June 12, 2018	Taiwan Corporate Governance Association	Development Trend and Best Practices of Corporate Governance and Corporate Social Responsibility	3
		July 10, 2018	Securities and Futures Institute	2018 Listed and Non-listed Public Companies Insider Equity Trading Legal Compliance Guidance Seminar	3
Director	Ken, Wen-Yuen	March 20, 2018	Taiwan Corporate Governance Association	Constructing the Board of Directors under a Healthy and Dynamic Leadership	3
		October 15, 2018	Securities and Futures Institute	The 12th Term of Taipei Corporate Governance Forum	6
		November 13, 2018	Taiwan Corporate Governance Association	Discussion on the Practice of Board Operation	3
Director	Tsai, Kuang-Feng	July 10, 2018	Securities and Futures Institute	2018 Listed and Non-listed Public Companies Insider Equity Trading Legal Compliance Guidance Seminar	3
		August 9, 2018	Securities and Futures Institute	【Corporate Strategy and Key Performance Indicators】~Advanced Seminar on the Practice of (Independent) Directors and Supervisors	3
		October 15, 2018	Securities and Futures Institute	The 12th Term of Taipei Corporate Governance Forum	6
Independent Director	Wang, Hsiu-Chun	January 4, 2018	Taiwan Corporate Governance Association	Performance evaluation on the Board of Directors	3
		November 2, 2018	Taiwan Corporate Governance Association	Response and Application of the Board of Directors to the Evaluation of Corporate Governance	3
		November 2, 2018	Taiwan Corporate Governance Association	Obligations and Responsibilities of the Company and Directors and Supervisors under the Securities and Exchange Act	3
Independent Director	Hung, Ying-Cheng	January 4, 2018	Taiwan Corporate Governance Association	Performance evaluation on the Board of Directors	3
		April 27, 2018	Taiwan Corporate Governance Association	Prevention of Corporate Internal Fraud and Establishment of Whistle-blowing System	3
		September 19, 2018	Taiwan Corporate Governance Association	【Summit】The 14th Term Corporate Governance International Forum —Compliance and Duty of the Supervision of Directors and Accountability of Independent Directors (Morning Session)	3
		October 15, 2018	Securities and Futures Institute	The 12th Term of Taipei Corporate Governance Forum	3
Independent Director	Wu, Chung-Fern	January 4, 2018	Taiwan Corporate Governance Association	Performance evaluation on the Board of Directors	3
		July 19, 2018	Securities and Futures Institute	Analysis and Decision Making Applications of Enterprise Financial Information	3

Conclusion: All directors meet the time requirement of on-the-job further study.

(IV) Remuneration and the composition, responsibilities and operation status of Nomination Committee

1. Information about Remuneration and Nomination Committee members

Identity	Criteria / Name	Number of public companies where the person holds the title as a member of Remuneration Committee	Committee member	
			Remuneration	Nomination
Chairman	Chen, Chien-Hsin	0		✓
Director	Chen, Ding-Chuan	0		✓
Independent director	Wang, Hsiu-Chun	1	✓	✓
Independent director	Hung, Ying-Cheng	0	✓	✓
Independent director	Wu, Chung-Fern	0	✓	✓

Note: For whether or not have at least five (5) years of working experience, professional qualifications and status of independence, please refer to data of directors.

2. Information about the operations of Remuneration Committee
   (1) The Company's Remuneration Committee consists of 3 members.
   (2) The term of the 4rd Committee members is from June 6, 2018 until June 5, 2021. The Committee has convened 6 meetings (A) during the most recent year. The qualification and participation of the commissioners are listed below:

Title	Name	Attendance in person (B)	By proxy	Rate of attendance in person (%) (B/A)	Notes
Convener	Wang, Hsiu-Chun	6	0	100%	Reelected
Commissioner	Hung, Ying-Cheng	6	0	100%	Reelected
Commissioner	Wu, Chung-Fern	6	0	100%	Reelected

Other items that shall be recorded:

Operation of the year

Date／Term	Reasons for Discussion	Resolution Results	The Company's handling of Member's Opinions
March 29, 2018 The 14th Meeting of the 3rd Term	Proposal for 2017 Remuneration to Employees and Directors	All members agreed and passed the motion.	All attending Directors agreed and passed the motion.
	The Company's 2017 Remuneration to Directors and the compensation distribution of the managerial officers defined in the Securities and Exchange Act	All members agreed and passed the motion.	All attending Directors agreed and passed the motion.
June 6, 2018 The 1st Meeting of the 4rd Term	Proposal for recommendations of the 4th Term Convener of the Committee	All the Committee members recommended member Hung, Ying-Cheng as Convener.	-
June 14, 2018 The 2nd Meeting of the 4rd Term	Proposal for salaries and remuneration to the current directors	This proposal was reported to the Board of Directors. It is recommended to review the Chairman's salary in a timely manner.	All attending Directors agreed and passed the motion.
August 9, 2018 he 3rd Meeting of the 4rd Term	Proposal for internal managerial officers' pension payments	All members agreed and passed the motion.	All attending Directors agreed and passed the motion.
November 8, 2018 he 4th Meeting of the 4rd Term	Proposal for the compensation adjustment of the managerial officers defined in the Securities and Exchange Act	All members agreed and passed the motion.	All attending Directors agreed and passed the motion.
December 13, 2018 he 5th Meeting of the 4rd Term	Proposal for the Company's annual high-level bonus distribution	All members agreed and passed the motion.	All attending Directors agreed and passed the motion.

	Proposal for 2018 annual year-end bonuses distribution of the managerial officers defined in the Securities and Exchange Act	All members agreed and passed the motion.	All attending Directors agreed and passed the motion.
	Proposal for the promotion salary adjustment of the Company's managerial officers	All members agreed and passed the motion.	All attending Directors agreed and passed the motion.
	Proposal for job change salary adjustment of the Company's managerial officers	All members agreed and passed the motion.	All attending Directors agreed and passed the motion.
	Proposal for renewal salary adjustment of the subsidiary of U.S. Everlight Chemical's General Manager	All members agreed and passed the motion.	All attending Directors agreed and passed the motion.

3. Information about the operations of Nomination Committee
   (1) The Company's Nomination Committee consists of 5 members.
   (2) The term of the commissioners: the term of the 2st Nomination Committee began on Jun. 14, 2018 and ended on Jun.5, 2021. The Nomination Committee has convened 4 meetings (A) during the most recent year. The qualification and participation of the commissioners are listed below:

Title	Name	Attendance in person (B)	By proxy	Rate of attendance in person (%) (B/A)	Notes
Convener	Hung, Ying-Cheng	4	0	100%	
Commissioner	Chen, Chien-Hsin	4	0	100%	
Commissioner	Chen, Ding-Chuan	4	0	100%	
Commissioner	Wang, Hsiu-Chun	4	0	100%	
Commissioner	Wu, Chung-Fern	4	0	100%	

Responsibilities and operation status:

The Nomination Committee of the Company has been established since 2015. In accordance with the Organizational Regulations for the Nomination Committee of the Company, the Committee members consist of three Independent Directors plus two other Directors. The Committee, with the authority of the Board of Directors, faithfully performs its functions with the care of a good administrator and submits its suggestions to the Board of Directors for discussion:

I. Develop the standards for professional knowledge, technology, experience, gender and other diversification in backgrounds as well as independence required by Board members and senior managers, and to seek, review and nominate candidates for Directors and senior managers accordingly.

II. Construct and develop the organizational structure of the Board of Directors and committees, conduct performance evaluations of Board of Directors, committees, Directors and senior managers, and evaluate the independence of Independent Directors.

III. Set up with regular reviews on the continuing education plan for Directors and the succession plan for Directors and senior managers.

IV. Lay down the Company's Code of Practice on Corporate Governance.

The Committee shall convene at least twice every year, and may call a meeting at its discretion whenever necessary.

(V) Fulfillment of social responsibility

For the Company's systems, measures and the status of fulfillment regarding environmental protection, community engagement, social contribution, social service, social welfare, consumer rights, human rights, safety and hygiene, and other social responsibility activities: please refer to the Company's CSR Report which is published every year.

Evaluation Item	Implementation Status			Departure of such implementation from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the reason for any such departure
	Yes	No	Summary	
I.Implementation of corporate governance				
(I) Does the company have a corporate social responsibility policy and evaluate its implementation?	V		The Company's CSR policy is to "implement business commitment and fulfill social responsibility". The Board of Directors is the Company's highest governance institution. The "Ethical Corporate Management and CSR Committee" is also set up, which periodically reports to the board about execution plans and results. The duties of the Committee include formulating and reviewing CSR policy, system or relevant management goals.	No discrepancy
(II)Does the company hold regular CSR training?	V		The Company has published CSR Principles and Ethical Corporate Management Best Practice Principles, and periodically conducts educational trainings for employees and directors in accordance with regulations. The Company holds a monthly meeting every month, helping employees understand the Company's operation management activities and decisions, deepening the business culture of operating decently and managing lovingly. The Company issues CSR Report every year, and lets employees lead the reading, in order to help them understand the system and fulfillment of engaging in CSR activities.	No discrepancy
(III)Does the company have a dedicated (or concurrent) CSR organization which is taken charge of by the senior management under the authorization of the board and reports to the Board of Directors?	V		The Company's "Ethical Corporate Management and CSR Committee" is the unit dedicated for the promotion. The Chairman serves as the chair commissioner. Four executive teams are also set up, which are in charge of corporate governance (promotion and improvement of systems related to corporate governance), sustainable environment (promotion and improvement of systems related to sustainable development and environmental protection), social welfare (promotion of social welfare and character education), and ethical corporate management (promotion of systems related to ethical corporate management and forbidding of unethical behavior), respectively. Four senior managers are authorized to supervise them respectively. There are two meetings convened every year. In 2018, it was held on 6/11 and 12/26 respectively,each team reports content of work and reviews execution status, and 8/9 reports to the Board of Directors about the execution results.	No discrepancy
(IV) Does the company set up reasonable compensation policies, integrate employee appraisal with CSR policy, and establish clear and effective incentive and disciplinary policies?	V		The Company has set up the Procedures for Remuneration and Procedures for Performance, Rewards and Punishments, and is planning for a policy of combining performance evaluation system with CSR policy. The Company has set up the Rules for Distributing Performance Rewards, Rules for Production Rewards, and Rules for Distributing Annual Rewards, etc., which reflect operation results on employees' remuneration.	No discrepancy
II.Developing sustainable environment				
(I)Is the company committed to improving resource-using efficiency and to the use of renewable materials with low environmental impact?	V		The Company's product development, design, production and packaging are based on the eco-friendly concept of environmental protection. The plant also promotes recycling of raw materials, waste reduction, recycling, energy conservation, water conservation, greenhouse gas reduction, in order to improve the efficiency of the use of various energy resources. The Company also adopts the Environmental Accounting System to measure specific performance.	No discrepancy
(II) Has the company set up an environmental management system that suits the industry characteristics?	V		The Company implements the Environment Management System of ISO 14001. The Company follows the environmental policy of "cherishing the Earth's resources and complying with environmental regulations". The Company has passed the first examination of DNV-GL in 1996. Subsidiaries, Everlight (Suzhou) Advanced Chemicals Ltd.	No discrepancy

Evaluation Item	Implementation Status			Departure of such implementation from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the reason for any such departure
	Yes	No	Summary	
			and Trend Tone Imaging, Inc., have also passed the examination in 2013 and 2014, respectively.	
(III) Does the company track the impact of climate change on operations, carry out greenhouse gas checks, and set up energy conservation and greenhouse gas reduction strategy?	V		The Company is deeply aware of the impact of climate change on operational activities, and actively devotes in energy conservation and carbon reduction. Since 2005, it has started greenhouse gas inventory. The subsidiary, Trend Tone Imaging, Inc., has started greenhouse gas emissions inventory since 2012. The Company has set the revenue of producing per kilogram of greenhouse gas as the greenhouse gas eco-efficiency indicator, and aims to set increasing the eco-efficiency of greenhouse gases in 2020 to 2.5 times that of 2005 as the Company's greenhouse gas eco-efficiency target. The Company's energy-saving, carbon reduction and greenhouse gas reduction strategies include the introduction of the circular economy operation mode, the application of 12 principles of green chemistry, and the improvement of atomic utilization. Everlight Chemical sets the atomic utilization rate as 65.8% in 2020.	No discrepancy
III. Maintaining social welfare (I) Does the company set up policies and procedures in compliance with regulations and internationally recognized human rights principles?	V		The Company formulates regulations related to human resources in accordance with the Labor Standards Act. In addition, the UN's Universal Declaration of Human Rights and the four principles of International Labour Organization are served as our core labor standards: no child labor, labor-management consultation meetings held more than twice a year, labor-law-based labor arrangements, compliance with Act of Gender Equality in Employment and Employment Service Act, in order to protect the human rights of laborers.The company plans to develop a human rights policy in 2019 and expose it to the company's website.	No discrepancy
(II) Does the company have system and channel through which employees may raise complaints? Are employee complaints handled properly?	V		The Company has established a clear complaint system and channel, and has established a complete processing procedure and a dedicated unit for the process.	No discrepancy
(III) Does the company provide employees with a safe and healthy working environment, and regular safety and health trainings?	V		The Company implements environmental 5S and equipment TPM activities in the workplace to maintain the effective functions of the workplace cleanliness and equipment safety protection measures; it regularly implements education training and propagation on labor safety and health, organizes employee health check once a year, and arrange the physician to explain the report separately depending on the needs of employees. Please refer to the section of Labor Relations.	No discrepancy
(IV)Has the company established a mechanism for regular communication with employees? Does it use reasonable measures to notify employees of operational changes which may cause significant impact to them?	V		The Company regularly organizes monthly meetings, symposiums for management/class-level supervisors, and employee year-end symposia to publicize important company information and give employees the right to express their opinions. Labor-management consultation meetings are held quarterly to promote the negotiation and cooperation between employers, employees and employee representatives.	No discrepancy
(V)Has the company established effective career development training plans?	V		The Company formulates educational training implementation methods and class training implementation regulations to cultivate employees' knowledge, skills and attitudes.	No discrepancy
(VI) Has the company set up consumer protection policies and grievance procedures regarding its R&D, procurement,production, perations,and service processes?	V		The Company has set up Division of Technical Marketing to provide customers with product-related services, assist customers in the application of technical support and problem solving, while accepting customer complaints from the final-end-application on the products to protect customer rights, and conducts customer satisfaction survey every year. Resource Management Division requires that the goods supplied by the suppliers comply with the requirements of the hazardous substances in the "Raw Material's Hazardous Substances Criteria" to protect final consumers in safely	No discrepancy

Evaluation Item	Implementation Status			Departure of such implementation from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the reason for any such departure
	Yes	No	Summary	
			using the products of Everlight Chemical.	
(VII) Does the company follow related regulations and international standards regarding the marketing and labelling of its products and services?	V		The Company's product packaging has a hazard label in accordance with the regulations of Global Harmonized System (GHS).	No discrepancy
(VIII) Does the company evaluate environmental and social track records before engaging with potential suppliers?	V		Prior to Resource Management Division's dealings with suppliers, the supplier's goodwill will be checked, including whether the supplier has records of environmental and social impacts in the past, and then the Division will decide whether to conduct procurement operations.	No discrepancy
(IX)Does the company's contracts with major suppliers include termination clauses if they violate CSR policy and cause significant environmental and social impact?	V		The CSR clause is included in the procurement contract of Resource Management Division to inform the supplier's compliance; the supplier assessment form is also included in the CSR assessment items. If the supplier violates, it will assess whether to purchase from suppliers.	No discrepancy
IV.Strengthening information isclosure (I)Does the company disclose relevant and reliable CSR information on its website and the MOPS?	V		The Company's CSR information has been disclosed in the CSR section on the company website (http://www.ecic.com.tw/).	No discrepancy

V. If the Company has its own CSR principles based on the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", please describe the difference between its operation and that defined in the Principles: the Corporate Social Responsibility Principles for Everlight Chemical were formulated on Mar. 28, 2013, and revised on Nov. 10, 2016. the Implementation Team of Ethical Corporate Management and CSR Committee will promote the execution on a case-by-case basis in accordance with the Principles, and there is no difference.

VI. Other important information that is beneficial to understanding the operation status of CSR:

(I) Engagement in social welfare:

The total amount of contributions for 2018 was NTD 5,350,000. Various categories of activity and amounts were as follows:

Category of activity	Community (Taoyuan) Education and Activities	University/Social Education	Industrial Development	Religious Public Benefit Activities	Total
Amount (in NTD 10,000)	135	193	24	183	535

(II) Promotion of children education:

We held the "Discover Taiwan's Little Life Warriors" activity, by which the needs of these children were seen. In 2018, there were 29 schoolchildren receiving recognition.

(III) Character formation begins at school:

In 2018, we again held the Everlight Chemical Children's Character Camp at Shulin Elementary School in Guanyin District for three days . With forgiveness and moderation as the theme of the camp, we taught children to learn and cultivate character and morality with the right attitude. Everlight Chemical's employees, their family members and volunteer groups, a total of 200 adults and children, together continued the promotion of Everlight Chemical's character activities.

(IV) Care for the environment:

Everlight Chemical's Plant II held Coastal Clean-Up Activities at south coast of Fulin River, Guanyin Beach and others on January 20, 2018, April 22, 2018 and September 29, 2018 to remove a lot of accumulated artificial waste and restore the coast to its original appearance. Our colleagues and their families, about a hundred people enthusiastically participated in solid actions to support environmental protection and together protect the marine environment. At the end of the Coastal Clean-Up Activity, a total of 10,480 kilograms of garbage were picked up. The fishing port was given back a clean beach.

(V) Community care and feedback to the village:

The impact of global climate change has produced extreme weather, which has caused the frequency of typhoons and rainfall in the flood season to hit new highs, causing great damage to the social environment. Based on humanitarian care and giving back to the community, the central and local forces joined hands with the country-wide flood control swearing ceremony. Everlight Chemical's Plant II and the nearby Shulin Village signed a Memorandum of Cooperation to enhance the community's disaster prevention capacity. And also won the Prize for Honor of Flood Control issued by the Taoyuan Government.

Evaluation Item	Implementation Status			Departure of such implementation from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the reason for any such departure
	Yes	No	Summary	
VII. If the company's CSR Report has passed the verification standards of relevant verification institutions, it shall clarify about it: Based on the basic concept of continuous improvement, we entrusted the independent notary unit, British Standards Institution (BSI), for the first time in 2017 to conduct the third-party verification based on the AA1000 Assurance Standard (2008), in order to ensure that the content we collect and compose is in line with the core option standards of Global Resilience Report (GRI Standards), providing stakeholders with correct and complete information.				

(VI) Status of implementation of ethical corporate management

Evaluation Item	Implementation Status			Departure of such implementation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reason for any such departure
	Yes	No	Summary	
I. Formulation of ethical corporate management policies and projects (I) Has the company stated in its Memorandum or external correspondence about the policies and practices it has to maintain ethical corporate management? Are the Board of Directors and the management committed in fulfilling this commitment?	V		(I) The Company has issued the "Ethical Corporate Management Principles" and "Procedures for Ethical Management and Guidelines for Conduct," and detailed the policy of the Company's ethical corporate management in the annual report and CSR report. With the business philosophy of integrity, transparency and responsibility, the Company developed a policy based on honesty and establish a good corporate governance and risk control mechanism to create an operating environment of sustainable development; the Board of Directors and the management level actively implement the commitment of ethical corporate management policies, and require all employees of the Group to abide by.	No discrepancy.
(II) Has the company established solutions for the prevention of unethical conduct and specify relevant operating procedures, guidelines, disciplinary actions for violations and complaining system and carried out relevant operations accordingly?	V		(II) The ethical corporate management policy formulated by the Company clearly sets out the specific ethical management practices and the measures to prevent dishonest behavior; the "Reporting System for Violation of Ethical Corporate Management Regulations" and the "Complaint System" are clearly identified. Those found to violate the regulations are punished according to the Company's rules.	No discrepancy.
(III) Has the company taken steps to prevent occurrences listed in Item, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" or business conducts that are prone to integrity risks?	V		(III) The Company has established an effective accounting system and internal control system, and expressly prohibits operating activities with higher dishonest and risk, such as bribery and bribery, provision of illegal political contributions, conflicts of interest, and illegal relationships with third parties, etc.; regular advocacy and education trainings are also held to strengthen the implementation of ethical corporate management policies.	No discrepancy.
II. Implementation of ethical corporate management (I) Does the company evaluate the integrity of all counterparts it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?	V		(I) The Company has assessed the integrity record of the counter party. The terms of ethical behavior are specified in the signed contract. If any act of dishonesty is involved, the Company may terminate or dissolve the terms of the contract at any time.	No discrepancy.
(II) Does the company set up a unit which is dedicated to or tasked with promoting the company's ethical standards and reports directly to the Board of Directors with periodical updates on	V		(II) The Company established a dedicated unit, "Ethical Corporate Management and CSR Committee," on Jan. 1, 2015. The Chairman serves as the chair commissioner. The "Ethical Management Team" is in charge of the promotion of relevant systems, the prohibition of dishonest behavior, and the proposal	No discrepancy.

Evaluation Item	Implementation Status			Departure of such implementation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reason for any such departure
	Yes	No	Summary	
relevant matters?			of improvement suggestions. It also regularly Mar. reports to the Board of Directors about the system design and execution status every year.	
(III) Does the company establish policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?	V		(III) The Company has formulated a policy to prevent conflicts of interest to identify, supervise and manage the risks of conflicts of interest that may lead to dishonest behavior. It has also provided appropriate channels for directors and managers and other stakeholders attending the Board of Directors to actively explain whether they have potential conflicts of interest with the Company.	No discrepancy.
(IV) Has the company fulfilled the ethical management by establishing an effective accounting system and internal control system and had an internal audit unit conduct periodic audits or appointed an external auditor to conduct audits?	V		(IV) In response to the risk of higher dishonest behavior, the Company has established an effective accounting and internal control system. The internal audit department shall prepare an annual audit plan based on the risk assessment results, and report to the Board of Directors and the management level about the audit results and subsequent improvement plans, in order to implement audit effectiveness.	No discrepancy.
(V) Does the company provide internal and external ethical conduct training programs on a regular basis?	V		(V) The Company regularly organizes internal education training and propagation on issues related to ethical corporate management every year, and arranges relevant personnel to receive external training courses as needed. On June 14, 2018, the Board of Directors proclaimed all the important rules such as prevention of insider trading, integrity management code, integrity operation procedures and behavior guidelines, directors and managers' ethical conduct standards.From July to August 2018, through the briefing and film to the group colleagues, a total of 26 monthly meetings were held, with 2,384 trainees and 190 hours of training.	No discrepancy.
III. The operating status of the company's reporting system (I) Does the company establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received?	V		(I) The Company has issued a "Reporting System for Violation of Ethical Corporate Management Regulations," which specifies the details of the reporting hotline：+886-2-2326-3502 and mailbox：informant@ecic.com.tw, and clearly designates dedicated personnel as the responsible person of Ethical Management Team. Also set up the Audit Committee mailbox：AuditCommittee@ecic.com.tw.	After discussion, the Company temporarily excludes reward measures.
(II) Does the company establish standard operating procedures for investigating the complaints received and ensuring such complaints are handled in a confidential manner?	V		(II) The system of the preceding paragraph clearly defines the procedures for handling reports and the confidentiality measures for relevant personnel.	No discrepancy.
(III) Does the company adopt proper measures to protect a complainant from improper treatment for the filing of the complaint?	V		(III)The Company shall keep the identity of the complainant and the contents of the report confidential, and promise to protect the complainant from being improperly treated due to their report.	No discrepancy.
IV.Strengthening information disclosure (I) Does the company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and the Market Observation Post System (MOPS)?	V		The Company has disclosed the Ethical Corporate Management Best Practice Principles on the company website and MOPS, and has disclosed the promotion results on the company website.	No discrepancy.

Evaluation Item	Implementation Status			Departure of such implementation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reason for any such departure
	Yes	No	Summary	
V. If the company has established corporate governance policies based on the "Corporate Conduct and Ethics Best Practice Principles for TWSE/GTSM-Listed Companies," please describe any discrepancy between the policies and their implementation: No discrepancy.				
VI. Other important information for facilitating better understanding of the company's implementation of Code of Ethics and Business Conduct: None.				

(VII) If the Company has formulated Corporate Governance Principles and relevant regulations and articles, it shall disclose inquiry methods.

Yes; please refer to the section of corporate governance on the company website (http://www.ecic.com.tw/d_financial/invest10.htm) or Corporate Governance / Rules for Formulating Relevant Regulations of Corporate Governance on the MOPS (http://mops.twse.com.tw/mops/web/t100sb04_1).

(VIII) Other important information that is enough to enhance the understanding of the operation of corporate governance shall be disclosed together.

The Company is a co-founder and permanent member of Taiwan Corporate Governance Association. The Chairman serves as the Supervisor of the Association. All directors of the Company are members of the Director and Supervisor Club founded by Taiwan Corporate Governance Association and definite members of the Association. They actively participate in various courses and forum activities of the Association to enhance their corporate governance concepts and grow from exchanging the experiences of corporate governance practices.

(IX) Execution status of internal control system

1. Statement of internal control:

Everlight Chemical Industrial Corporation
Statement of Internal Control System

Date: Mar. 28, 2019

Based on the findings of the self-auditing, the Company states the following with regard to its internal control system during the year 2018:

I. The Company knows that the board and the management are responsible for establishing, implementing, and maintaining the internal control system. The Company has established the system. It aims at providing reasonable assurance regarding the achievement of objectives in the effectiveness and efficiency of operations (including profitability, performance, and the safeguard of assets), reliability, timeliness and transparency of reporting, and compliance with all the applicable laws and regulations.

II. The internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its above 3 stated objectives. Moreover, the effectiveness of the internal control system may change due to changes in the environment and situations. Nevertheless, the internal control system of the Company contains self-monitoring mechanisms, and corrective action is taken whenever a deficiency is identified.

III. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems of Public Companies" (herein below, the Regulations). The criteria adopted by the "Regulations" identify five components of internal control based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. Each component further contains several items. Please refer to the "Regulations" for details.

IV. The Company has evaluated the design and operating effectiveness of its internal control system according to the above-mentioned Regulations.

V. Based on the findings of the evaluation mentioned above, the Company believes that, on December 31, 2018, its internal control system (including the supervision on and management of subsidiaries), as well as the design and operations of internal control systems for understanding its operational effectiveness and efficiency, the achievement level of objectives, reliability, timeliness, transparency and regulatory compliance in reporting, and compliance with the applicable laws and regulations, were effective, and the Company can provide reasonable assurance that the above-stated objectives would be achieved.

VI. This Statement is an integral part of the Company's annual report and prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

VII. This statement was passed by the Company's board in their meeting held on March 28, 2019, with none of the 11 attending directors expressing dissenting opinions, and all of them affirming the content of this Statement.

Everlight Chemical Industrial Corporation

Chairman: Chen, Chien-Hsin

General manager: Chen, Wei-Wang

2. While entrusting an accountant to review the internal control system on project basis, the review report shall be disclosed: None.

(X) Punishment of the Company and its internal personnel in accordance with the laws, the Company's punishment of its internal personnel for violating internal control system regulations, main deficiencies and improvements during the most recent year up to the printed date of this annual report: Refer to the information of environmental expenditure.

(XI) Important resolutions of board meetings and shareholders' meetings and the execution status of the resolved matters of shareholders' meetings in the most recent year and up to the publication date of the annual report

1. Resolutions of the Board meeting:

(1) Resolutions of the Board meeting on Mar. 29, 2018:

The following motions have been passed: (1) Reporting items of 2018 Annual Meeting of Shareholders; (2) Motion of 2017 Remuneration to Employees and Directors; (3) Motion of 2017 Remuneration to Directors; (4) Motion of 2017 Remuneration to Managers Defined in Securities and Exchange Act; (5) Motion of 2017 Financial Reports; (6) Motion of 2017 Earnings Distribution; (7) Motion of Auditing on 2017 Self-Evaluation Result of Internal Control; (8) Motion of Re-electing Directors; and (9) Cancellation of Non-competition Restriction on the 17th Term of Newly-Elected Directors.

(2) Resolutions of the Board meeting on April 19, 2018:

Approval of (1) review on qualification for the candidates of the 17th term Director and Independent Director.

(3) Resolutions of the Board meeting on May, 10, 2018:

Approval of (1) appointment of Directors of the subsidiary, Trend Tone Imaging, Inc.

(4) Resolutions of the Board meeting on June 6, 2018:

Resolved the (1) recommendations of the 17th term Chairman of the Board and (2) appointment of the 4th term Compensation Committee members.

(5) Resolutions of the Board meeting on June 14, 2018:

Approval of (1) The ex-dividend record date for shareholders' cash dividends will be July 11, 2018 and distribution date will be July 27, 2018. (2) Proposal for purchase of liability insurance for Directors and key employees, (3) Proposal for salaries and remuneration to the current directors, (4) Proposal for remuneration to Independent Directors, (5) Proposal for appointment of the 2nd Term Nomination Committee members, and (6) Proposal for cash injection on the subsidiary, Evershine Investment Corp..

(6) Resolutions of the Board meeting on August 9, 2018:

Approval of (1) Proposal for application to Chinatrust for the medium-term credit loan limit and (2) Proposal for Associate Manager Yin's pension payment.

(7) Resolutions of the Board meeting on November 11, 2018:

Approval of (1) Proposal for the Amendments to the Subsidiaries Management Measures and (2) Proposal for compensation adjustment of the managerial officers defined in the Securities and Exchange Act

(8) Resolutions of the Board meeting on December 13, 2018:

Approval of (1) Proposal for 2019 Operation Plan and Business Budget; (2) Proposal for 2019 Internal Audit Plan; (3) Proposal for 2019 the total limits on annual short-term loans; (4) Proposal for 2019 Appointment of Certified Public Accountants for review on the Financial Statements and their compensation; (5) Proposal for convening the Annual Meeting of Shareholders on May 30, 2019; (6) Proposal for the period and places for 2019 Annual Meeting of Shareholders to accept proposals from shareholders; (7) Proposal for job change salary adjustment of the managerial officers; (8) Proposal for the promotion of the personnel above the level of Associate Managers; (9) Proposal for re-appointment of Directors of the subsidiary; (10) Proposal for renewal of the subsidiary of U.S. Everlight Chemical's General Manager; (11) Proposal for annual year-end bonuses of the managerial officers defined in the Securities and Exchange Act.

(9) Resolutions of the Board meeting on March 28, 2018:

Approval of (1) Proposal for Reporting items of the 2019 Annual Meeting of Shareholders; (2) Motion of 2018 Remuneration to Employees and Directors; (3) Motion of 2018 Remuneration to Directors; (4) Motion of 2018 Remuneration to Managers Defined in Securities and Exchange Act; (5) Motion of 2018 Financial Reports; (6) Motion of 2018 Earnings Distribution; (7) Motion of Auditing on 2018 Self-Evaluation Result of Internal Control; (8) Motion of the Amendments to the Management Regulations for Acquisition or Disposal of Assets; (9) Motion of the Amendments to the Regulations Governing Derivatives Transactions; (10) Motion of the Amendments to the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees; (11) Motion of the Amendments to the Articles of Association; (12) Motion of the Revision of the Agenda of the Company's 2019 Annual Meeting of Shareholders; (13) Motion of the Revision of the Code of Corporate Governance; (14) Motion of the Amendments to the Regulations for the Board Performance Evaluation; (15) Motion of Handling the formulation of Standard Operating Procedures required by Directors; (16) Motion of 2019 Re-appointment of Certified Public Accountants for review on the Financial Statements; (17) Motion of renewal of the subsidiary of Suzhou Everlight Chemical's General Manager; (18) Motion of renewal of the subsidiary of Shanghai Mingde/Dehua Everlight Chemical's General Manager.

2. Implementation of the resolutions of the 2018 Annual Meeting of Shareholders

(1) Approval of 2017 Annual Business Report and Financial Statement.

(2) Approval of 2017 Earnings Distribution; earnings were distributed to shareholders on July 27, 2018, with a cash dividend per share of NTD 0.5.

(3) Approval of the re-election of the 17th term Directors; the change of registration was approved by the Ministry of Economy on June 19, 2018.

(4)Approval of restrictions on the prohibition of competition for the 17^{th} term new Directors.

(XII) Recorded or written statements made by any director who specified dissent to important resolutions passed by the Board of Directors during the most recent year and up to the date of publication of the annual report:None.

(XIII) A summary of the resignation status of Chairman, General Manager, Accounting Supervisor, Financial Supervisor, Internal Audit Supervisor, and R&D Supervisor: None.

IV. Information of CPA's Professional Fees

Range Table of CPA's Audit Fee

Unit: TWD thousand

Amount range \ Fee		Audit fee	Non-audit fee	Total
1	0 ～TWD 1,999,999		990	990
2	TWD 2,000,000 ～TWD 3,999,999	3,200		3,200
3	TWD 4,000,000 ～TWD 5,999,999			0
4	TWD 6,000,000 ～TWD 7,999,999			0
5	TWD 8,000,000 ～TWD 9,999,999			0
6	TWD 10,000,000 and more			0

(I) Those with non-audit fee paid to CPAs, their subjected and other affiliated firms accounts for more than one-fourth of the audit fee:

Unit: TWD thousand

Name of the accounting firm	Name of the CPA	Audit fee	Non-audit fee					Audit period of CPA	Notes
			System design	Company registration	Human resource	Others	Subtotal		
KPMG	Ya-Lin Chen Chun-Hsiu Kuang	3,200						Jan. 1, 2018 ~ Dec. 31, 2018	
	Yeh, Wei-Dun					690	690		Transfer pricing Tax service
KPMG Business Management Co., Ltd.	Yu, Ji-Long					300	300	Jan. 1, 2018 ~ Dec. 31, 2018	IT system maintenance and technical support

(II) Whether there is any change of accounting firm and the audit fee paid in the replacement year is less than that paid in the preceding year: None.

(III) Whether the ratio of audit fee for the preceding year decreases by 15% or more: None.

V. Information of changing accountants: None.

VI. Disclosure of any instance of the Company's chairman, general manager, and finance or accounting manager having held a position in the CPA firm or its affiliates in the most recent year: None.

VII. Equity transfer and equity pledge changes of directors, managers and shareholders with shareholding exceeding 10% in the most recent year and up to the date when this annual report is printed

(I) Equity changes of directors, managers and major shareholders: Unit: shares

Title (Note 1)	Name	2018		The current year as of Feb. 28, 2019		Notes
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged	
Chairman	Chen, Chien-Hsin	4,750	0	0	0	
Director and major shareholder	Chen, Ding-Chuan	(3,500,000)	0	0	0	
Director and General Manager	Chen, Wei-Wang	0	0	0	0	
Director	Chen, Ding-Chi	(170,000)	0	0	0	
Director	Chen, Chien-Ming	100,000	0	0	0	
Director	Lee, Yung-Long	0	0	0	0	
Director	Ken, Wen-Yuen	0	0	0	0	
Director and Deputy General Manager	Tsai, Kuang-Feng	0	0	0	0	
Independent director	Wang, Hsiu-Chun	0	0	0	0	
Independent director	Hung, Ying-Cheng	0	0	0	0	
Independent director	Wu, Chung-Fern	0	0	0	0	
Deputy General Manager	Chou, De-Kang	0	0	0	0	
Deputy General Manager	Liao, Ming-Zhi	132,000	0	0	0	
Deputy General Manager	Chen, Chong-Kuang	20,000	0	0	0	
Deputy General Manager	Lin, Zhao-Wen	0	0	0	0	
Deputy General Manager	Chen, Si-Feng	0	0	0	0	
Special Asst. to Chairman	Du, Yi-Zhong	0	0	0	0	New in office on Jan. 1, 2019
Deputy General Manager	Chen, Qing-Ta	0	0	0	0	New in office on Jan. 1, 2019
Associate Manager	Yin, Yuan-De	0	0	0	0	Retired on Aug. 1, 2018

Title (Note 1)	Name	2018		The current year as of Feb. 28, 2019		Notes
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged	
Associate Manager	Huang, Zheng-Lung	0	0	0	0	
Associate Manager	Liao, Nan-Ming	0	0	0	0	
Associate Manager	Wu, Yao-Ming	0	0	0	0	
Associate Manager	Jason Ju	0	0	0	0	
Associate Manager	Tseng, Kun-Mu	0	0	0	0	
Associate Manager	Chen, Xin-Zhi	0	0	0	0	
Associate Manager	Chen, Yi-Tang	0	0	0	0	
Associate Manager	Huang, Tsung-Wen	10,000	0	0	0	
Factory Director of the 2rd Plant	Yeh,Shun-Xing	0	0	0	0	
Factory Director of the 3rd Plant	Kang, Yuan-Sheng	0	0	0	0	
Head of Operation Unit 1 of Color Chemicals	Hsiao, Chong-Kun	5,000	0	0	0	
Head of Operation Unit 2 of Color Chemicals	Lee, Fu-Xing	0	0	0	0	
Division of Technical Marketing Head of Division	Lai, Bao-Kun	0	0	0	0	
Head of Specialty Chemicals R&D Division	Chen, Ke-Lun	0	0	0	0	
Head of Specialty Chemicals Technics Division	Huang, Yao-Xing	0	0	0	0	
Head of Pharmaceuticals Production Division	Wu, Tian-Wang	0	0	0	0	
Head of Information Division	Xue, Tzong-Yue	0	0	0	0	
Head of Resource Management Division	Sung, Bai-Li	0	0	0	0	
Head of Environment, Health and Safety Division	Huang, Zhi-Kuan	0	0	0	0	
Head of Product Responsibility Division	Huang,Hui-Ching	0	0	0	0	New in office on Jan. 1, 2019
General Auditor of Audit Office	Tzeng, Mei-Rong	0	0	0	0	
Head of Financial Division and Supervisor of Accounting Department	Kuo-Pin Weng	0	0	0	0	

Note 1: Those with more than 10% shareholding of the Company shall be noted as a major shareholder, and shall be listed separately.
Note 2: If the counter party of equity transfer or equity pledge is a related party, the following table shall be filled in.

(II) Information of stock transfer

Name	Reasons for transfer	Transfer date	Counter parties	Relationship with the Company's directors, supervisors and shareholders with shareholdings of 10% and more	Share number (shares)	Transfer price
Chen, Ding-Chi	Gifting	Mar. 3, 2018	Chen, Chien-Ming Chen, Yi-Jun	Father and son Father and daughter	100,000 70,000	17.0

(III) Information of equity pledge: Not applicable.

VIII. Information of the shareholders with top 10 shareholding ratio and are related to each other or spouses or within the kinship of second-degree relatives

Ex-dividend date: Jul. 11, 2018

Rank	Name (Note 1)	Shareholding held by the person		Shareholdings of spouse and minor children		Total shares held with other person's name		Disclosure of information on related parties, spousal relationship or relations within second degree of kinship, among the top ten shareholders, including their names and relationships (Note 3)		Notes
		Share number	Shareholding ratio	Share number	Shareholding ratio	Share number	Shareholding ratio	Name	Relationship	
1	Chen, Ding-Chuan	81,000,000	14.79%	8,800,000	1.61%	0	0	Chen, Ding-Chi Wu, Lee-Ji Chen, Chien-Hsin Chen, Wei-Wang Chen, Ru-Aei	Brothers Spouse Father and son Father and son Father and daughter	
2	Yung-De Investment Co., Ltd.	19,500,000	3.56%	0	0	0	0	None	None	
	Representative, Chen, Ru-Aei	5,939,850	1.08%	1,070,024	0.19%	0	0	Chen, Ding-Chuan Wu, Lee-Ji Chen, Chien-Hsin Chen, Wei-Wang	Father and daughter Mother and daughter Brother and sister Brother and sister	
3	Chen, Ding-Chi	14,975,254	2.73%	1,467,659	0.27%	0	0	Chen, Ding-Chuan	Brothers	
4	Wu, Lee-Ji	8,800,000	1.61%	81,000,000	14.79%	0	0	Chen, Ding-Chuan Chen, Chien-Hsin Chen, Wei-Wang Chen, Ru-Aei	Spouse Mother and son Mother and son Mother and daughter	
5	iShares Core MSCI Emerging Markets ETF	7,540,781	1.38%	0	0	0	0	None	None	
6	Tsai, Gou-Liang	7,259,044	1.33%	0	0	0	0	None	None	
7	Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds	6,884,200	1.26%	0	0	0	0	None	None	
8	Chen, Chien-Hsin	6,725,250	1.23%	496,125	0.09%	0	0	Chen, Ding-Chuan Wu, Lee-Ji Chen, Wei-Wang Chen, Ru-Aei	Father and son Mother and son Brothers Brother and sister	
9	Chen, Wei-Wang	6,300,000	1.15%	448,350	0.08%	0	0	Chen, Ding-Chuan Wu, Lee-Ji Chen, Chien-Hsin Chen, Ru-Aei	Father and son Mother and son Brothers Brother and sister	
10	Chen, Ru-Aei	5,939,850	1.08%	1,070,024	0.19%	0	0	Chen, Ding-Chuan Wu, Lee-Ji Chen, Chien-Hsin Chen, Wei-Wang	Father and daughter Mother and daughter Brother and sister Brother and sister	Representative of Yung-De Investment Co., Ltd.

Note 1: The top 10 shareholders shall all be listed. For those corporate shareholders, the name of the corporate shareholder and the name of the representative shall be listed separately.
Note 2: The shareholding is calculated as the ratio of the shares held with the person, his or her spouse, minor children or others.
Note 3: The relationship between the above-mentioned shareholders (including legal and natural persons) shall be disclosed in accordance with Regulations Governing the Preparation of Financial Reports by Issuers.

IX. Comprehensive Shareholding Ratio

Shareholdings of the same investment business by the Company, the Company's directors and managers, and businesses directly or indirectly controlled by the Company, and the comprehensive shareholding ratio:

Dec. 31, 2018 Unit: shares; %

Re-invested business (Note)	The Company's investment		Investment by directors, managers and directly- or indirectly-controlled businesses		Comprehensive investment	
	Share number	Shareholding ratio	Share number	Shareholding ratio	Share number	Shareholding ratio
Elite, Turkey	21,900	50%	0	0%	21,900	50%
Everlight U.S.A.	300,000	100%	0	0%	300,000	100%
Everlight (Hongkong) Ltd.	1,000,000	100%	0	0%	1,000,000	100%
Everlight Europe B.V. (Netherlands)	500	100%	0	0%	500	100%
Everlight (Singapore) Ltd.	24,300,000	100%	0	0%	24,300,000	100%
Trend Tone Imaging, Inc.	44,906,400	76%	264,944	1%	45,171,344	77%
DailyCare BioMedical Inc.	6,324,538	91%	0	0%	6,324,538	91%
Evershine Investment Corp.	10,000,000	100%	0	0%	10,000,000	100%
Good TV Broadcasting Corp	1,900,000	22%	0	0%	1,900,000	22%
TAK TECHNOLOGY CO., LTD.	10,000,000	17%	3,000,000	5%	13,000,000	22%

Note: The investment made with Equity Method by the Company.

Capital Overview

I. Capital and Shares

(I) Source of capital

1. Shares and types of share in the most recent year and up to the publication date of the annual report:

Unit: shares; TWD thousand

Month/Year	Issuing price	Authorized capital		Paid-up capital		Notes		
		Share number	Dollar amount	Share number	Dollar amount	Source of capital	Paid in properties other than cash	Others
Aug., 2016	10	800,000,000	8,000,000,000	547,752,226	5,477,522,260	Stock dividends from retained earnings 26,083,440 shares	None	Note 1

Note 1:JIN-SHOU-SHANG-TZU No.10501200760 has been completed registration on Aug. 18, 2016.

Unit: shares

Share type	Authorized capital			Notes
	Outstanding shares	Unissued shares	Total	
Registered common shares	547,752,226	252,247,774	800,000,000	Shares of listed companies

2. Relevant information of summary reporting system: Not applicable.

(II) Composition of shareholders:

Ex-dividend date: Jul. 11, 2018

Shareholder structure / Amount	Government agency	Financial institution	Other corporations	Individual	Foreign institution and individual	Total
Number of shareholders	1	8	74	45,657	110	45,850
Shareholding	439,000	1,180,688	35,520,067	466,500,338	44,112,133	547,752,226
Shareholding ratio	0.08%	0.22%	6.48%	85.17%	8.05%	100.00%

(III) Distribution of shares

1. Common stock:

Ex-dividend date: Jul.11, 2018

Shareholder ownership	Number of shareholders	Shareholding	Shareholding ratio
1 ~ 999	23,301	3,028,590	0.55%
1,000 ~ 5,000	13,736	30,482,575	5.57%
5,001 ~ 10,000	3,733	26,996,958	4.93%
10,001 ~ 15,000	1,718	20,894,507	3.81%
15,001 ~ 20,000	725	12,907,421	2.36%
20,001 ~ 30,000	945	23,105,577	4.22%
30,001 ~ 50,000	659	25,518,310	4.66%
50,001 ~ 100,000	534	36,956,930	6.75%
100,001 ~ 200,000	240	32,807,526	5.99%
200,001 ~ 400,000	134	36,372,214	6.64%
400,001 ~ 600,000	41	20,139,657	3.68%
600,001 ~ 800,000	19	12,697,446	2.32%
800,001 ~ 1,000,000	15	13,556,954	2.48%
1,000,001 above	50	252,287,561	46.04%
Total	45,850	547,752,226	100.00%

2. Preferred stock: Not applicable.

(IV) List of major shareholders: shareholders with shareholding ratio above 5%

Ex-dividend date: Jul. 11, 2018

Shares / Name of major shareholders	Share amount	Shareholding ratio
Chen, Ding-Chuan	81,000,000	14.79%

(V) Information of market price per share, net worth, earnings and dividends

Unit: TWD

Item			2018	2017	The current year as of Feb. 28, 2019(Note 8)
Market price per share(Note 1)	Highest		20.10	22.40	17.30
	Lowest		15.20	16.65	15.80
	Average		17.68	19.26	16.33
Net worth per share (Note 2)	Before distribution		13.87	14.10	—
	After distribution		—	13.60	—
EPS	Weighted average shares (thousand shares)		547,752	547,752	—
	EPS (Note 3)	Before retroactive adjustment	0.73	0.67	—
		After retroactive adjustment	—	0.67	—
Dividends per share	Cash dividends		0.5	0.5	—
	Stock grants	Stock dividends from retained earnings	—	—	—
		Stock dividends from capital reserve	—	—	—
	Accumulated undistributed dividend (Note 4)		—	—	—
Analysis of return on investment	P/E Ratio (Note 5)		24	29	—
	P/D Ratio (Note 6)		35	39	—
	Cash dividend yield (Note 7)		0.03	0.03	—

*If new shares of capital increase are issued by earnings or capital surplus, the market price adjusted retrospectively by the issued shares and cash dividends shall also be disclosed.
* Cash dividends in 2017 are TWD 0.5, which is sent for the general shareholders' meeting for resolution.

Note 1: The highest and lowest market price of common shares in each year are listed, and the average market price each year is calculated according to the trading value and volume each year.
Note 2: Please refer to the shares issued at the end of the year and fill in based on the distribution resolved by the shareholders' meeting next year.
Note 3: If there are any numbers not needed to be retrospectively adjusted due to conditions such as stock grants, the EPS before and after adjustment shall be listed.
Note 4: If the issuing condition of equity securities contains the requirement that the undistributed dividends in the current year may be accumulated to the year with earnings, the accumulated undistributed dividends as of the current year shall be disclosed.
Note 5: PE ratio = Average closing price per share of the current year / EPS.
Note 6: PD ratio = Average closing price per share of the current year / cash dividends per share.
Note 6: Cash dividend yield = cash dividends per share / average closing price per share of the current year.
Note 8: Net worth per share and EPS shall be filled in with the data audited by the CPA in the most recent quarter and up to the date when the annual report was printed; the remaining columns shall be filled in with the data in the current year and up to the date when the annual report was printed.

(VI) Dividend policy and its implementation status

The Company's dividend policy is in line with the needs of the Company's various business development investments and takes into account the interests of shareholders. In no other special circumstances, the distributed dividends are no less than 50% of the earnings after-tax after deducting legal reserve.

The annual cash dividend is not less than 25% of the total dividends.

The above dividend policy was passed by the resolution of 2017 Shareholders' Meeting.

The shareholders' meeting proposed to distribute cash dividends of TWD 0.5 per share to shareholders.

(VII) The impact of the stock grants proposed by the shareholders' meeting on the Company's operating performance and EPS: The Company has no share dividends distributed, and thus is not applicable here.

(VIII) Remuneration to employees and directors

1. The percentages or ranges of remuneration to employees and directors listed in the Articles of Incorporation:

If the Company has profits in the current year, it shall appropriate 5% as employee remuneration and no more than 2% as director remuneration. However, when the Company still has accumulated losses, the amount for compensation should be retained in advance.

The parties whose remuneration is paid with stocks or cash defined in the preceding paragraph include the employees of the subordinate companies that are reported to and passed by the Board of Directors.

2. If there is any difference between the estimated basis of remuneration to employees and directors, the calculation basis for the number of shares distributed to employees as remuneration, the actual distribution amount and the estimated numbers in the current period, please state the method of accounting treatment:
   (1) The estimated amount of the remuneration paid to employees and directors in the current period is based on the basis set out in the preceding paragraph, and the distributed amount has been passed by the resolution of the Board of Directors.
   (2) Not applicable. The remuneration to employees and directors are all distributed with cash this period.
3. The remuneration distribution passed by the Board of Directors:
   (1) Amount of remuneration to employees and directors distributed with cash or shares If there is any discrepancy with the estimated amount in the expense recognition year, the difference amount, reasons for the difference and the handling situation shall be disclosed:
   The remuneration amount paid to employees and directors proposed to be distributed in the current period is the same with the estimated amount in the recognition year.
   (2) The amount of employee remuneration paid by stocks and its proportion to the summation of net income after tax in individual financial reports and total amount of employee remuneration in the current period: Not applicable.
4. The actual distribution status of remuneration to employees and directors in the previous year (including number of shares, amount and stock price); if there is any discrepancy with the recognized remuneration to employees and directors, the difference amount, reasons for the difference and the handling situation shall be stated:

The amount of employee remuneration in 2017 was TWD 23,356,876 and the amount of director remuneration was TWD 9,342,750, which are the same as the original estimated amount recognized as expenses.

(IX) Conditions that the Company buys back its shares: None.

II. Issuance of corporate bonds: None.

III. Issuance of preferred stocks: None.

IV. Issuance of GDRs: None.

V. ssuance of employee stock warrants: As of the date when the annual report is printed, the Company has not issued employee stock warrants.

VI. Issuance of new restricted employee shares: As of the date when the annual report is printed, the Company has not issued new restricted employee shares.

VII. Issuance of New Shares Upon any Merger and Acquisition With Other Companies: None.

VIII. Implementation of Capital Allocation Plans:

As of the previous one quarter up to the date when the annual report was printed, the Company has not encountered situations that issued or private placement securities have not been completed, or that plans have been completed within the most recent three (3) years but the efficacy has not revealed.

Operational Highlights

I. Contents of Business

(I) Scope of business

1. Main content of business:

(1) C802200 Paints, Varnishes, Lacquers, Dyeing Mills and Dyestuff Manufacturing;
(2) C802120 Industrial Catalyst Manufacturing;
(3) C802990 Other Chemical Products Manufacturing;
(4) C802041 Drugs and Medicines Manufacturing;
(5) C802060 Animal Use Medicine Manufacturing;
(6) C802100 Cosmetics Manufacturing;
(3) C801990 Other Chemical Materials Manufacturing;
(8) CA04010 Metal Surface Treating;
(9) C801010 Basic Industrial Chemical Manufacturing;
(10) F401010 International Trade;
(11) C199990 Other Food Manufacturing Not Elsewhere Classified;
(12) C802110 Cosmetics Ingredients Manufacturing;
(13) F108051 Wholesale of Cosmetics Ingredients;
(14) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval;
(15) C801030 Precision Chemical Materials Manufacturing;

2. Business percentages in 2018:

<table>
<tr><th colspan="2">Business and product type</th><th>Sales volume</th><th>Sales amount (TWD thousand)</th><th>Percentage</th></tr>
<tr><td colspan="2">Color chemicals</td><td>20,513tons</td><td>4,523,811</td><td>47.0%</td></tr>
<tr><td colspan="2">Specialty chemicals</td><td>4,264tons</td><td>2,160,854</td><td>22.5%</td></tr>
<tr><td colspan="2">Toner</td><td>7,967tons</td><td>1,627,720</td><td>16.9%</td></tr>
<tr><td rowspan="2">Electronic chemicals</td><td>Photoresist</td><td>94,524gallons</td><td>323,232</td><td rowspan="2">11.2%</td></tr>
<tr><td>Others</td><td>13,139tons</td><td>755,909</td></tr>
<tr><td rowspan="2">Pharmaceuticals</td><td>Prostaglandin</td><td>22,248g</td><td>213,143</td><td rowspan="2">2.3%</td></tr>
<tr><td>Other material medicines</td><td>240kg</td><td>11,470</td></tr>
<tr><td colspan="2">Others</td><td>2,425units</td><td>4,880</td><td>0.1%</td></tr>
<tr><td colspan="3">Total</td><td>9,621,019</td><td>100.0%</td></tr>
</table>

3. Current product items and new products planned to be developed:

Product type	Current products	New products planned to be developed
Color chemicals	● Textile dye ● Leather dye ● High-purity dye used in ink jet printing ● High-purity dye used in digital textile printing ● Ink of digital textile printing ● Anodized aluminum dye ● Paper dye ● Functional chemicals used in textile ● Solar energy dye	● Increasing items of each type of existing products
Specialty chemicals	● UV-absorber ● Hindered amine light stabilizer ● Formulated product ● Functional Masterbatches ● Antioxidants ● High-molecular polymerizable dye	● Increasing items of each type of existing products
Toner	● Colored toner ● Black toner ● Toner finished cartridges ● Carrier and developer	● Increasing items of existing products ● Enhancing the applicable range of existing products
Electronic chemicals	Use in IC, LCD, LED and TP industry ● Photoresist ● Developer ● Slurry ● Wet chemicals ● Functional ink of thermosetting and UV curing ● Electronic functional chemicals	● Increasing items of each type of existing products ● IC package amplified Photoresist ● Photoresist with low-temperature embedded covering ● Photosensitive polyimide
Pharmaceuticals	● Material medicine for Prostaglandin ● Other material medicines	● Increasing the items of material medicine for Prostaglandin ● Materials medicines for the elderly uses and other purposes

(II) Industry overview

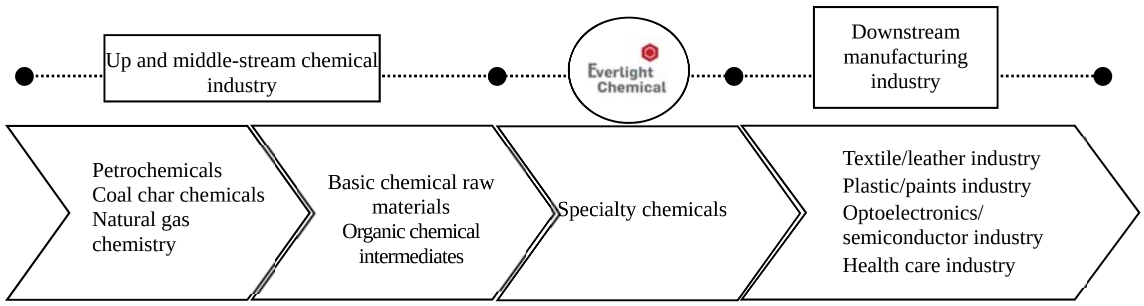
1. The current condition and development of the industry

Chemicals can be broadly classified into three categories: bulk chemicals, fine chemicals and specialty chemicals. Specialty chemicals are mainly used in processes or final products for the purpose of improving product characteristics, and are mostly high value-added products. The products of Everlight Chemical are all specialty chemicals. The demand for global specialty chemicals is growing steadily.

High value is the development direction of Taiwan's chemical industry. The so-called high value development includes the development of existing chemical products in the direction of high value, the development of high-priced or high value-added products, or the development of advanced materials, etc. The key to high value development is to master the core technology, key materials and intellectual property rights, as well as the ability to continuously innovate.

2. Relevance between the up, middle and downstream of industry

The direct upstream of the specialty chemicals industry is basic chemical raw material and organic chemical intermediate, and the next upstream is petrochemical, coal char chemical and natural gas chemistry. The specialty chemicals industry is the most technical and innovative field in the chemical industry, and is also a key industry directly supporting the manufacturing of electronics, optoelectronics, pharmaceuticals, and textile, etc., in the chemical industry. The development of specialty chemicals industry not only requires the strengthening of the upstream chemical industry supply chain and the effective grasping the source of key raw materials, but also needs the crossing of the gap between downstream and other industries and the development of application technology, in order to establish a bridge of technical communication with customers.



3. Product development trends and competition situations

All the products of the Company belong to the "specialty chemicals" with the characteristics of small amount, various type and high value-added, which are generally in a fully-competitive market with many manufacturers. The followings are the development trends of the products in the top four business divisions with the highest operating revenue:

In the Color Chemical business, dye Industry has a stable development towards the trends of environmental protection, energy saving, emission reduction, appeal of green dyeing and finishing. More stringent environmental protection policies and supply and demand of raw materials are still the main factors affecting price fluctuations in the dye market. Reactive dye development continues to provide overall solutions for special fastness and differentiated commodity demand. For example: PCA free dyes and enhancers related to textile fastness, cotton knitted fabric in the cold pressure dyeing application process, etc. In the dyeing of nylon fabrics, we continue to develop high-fastness bright color series acidic dye products, such as Everacid PA, S, X-Type. The development of digital textile printing technology has matured and stabilized. the main technology threshold is still in the hands of mechanical equipment merchants and ink suppliers, and the overall market demand is moving in the positive direction.

In the Specialty Chemical industry, the main development direction of polymer additives is the formulation technology to increase the weather resistance, yellowing resistance, easy processing and recyclability of polymer materials. The most potential growth applications include automotive component related industries, green energy, photovoltaic industry, composite materials, and beauty care products, etc.

In the toner business, with the popularity of color machines, color toner will become the mainstream of the market. Capital investment, technological innovation and upstream and downstream integration are the key to beating competitors. Black toner continues to maintain product competitiveness on the market by production management, simplified process and tightly-control costs.

In the Electronic Chemicals business, 5G bringing the rise of industrial transformation drives AI and IOT integrated with wearable mobile devices, automotive, smart homes and other applications; therefore, the demand for MEMS process materials will continue to increase. With the high-end intelligent mobile phone display focusing on AMOLED paired with LTPS and embedded touch sensor (In-cell, On-cell), the demand for the low temperature process and LTPS process material is driven and support for the opportunities of commercialization of new displays.

(III) Overview of technology and R&D

The R&D expenses devoted and successfully developed technology or products in 2018 and up to the publication date of the annual report:

Amount: TWD thousand

Item \ Year		2018	The current year until Feb. 28, 2019
R&D expense devoted		430,979	67,882
R&D results:			
Patent	Patents granted	3	1
	Accumulated patents	161	162
New products developed		62	7

(IV) Development programs for long- and short-term business

1. Long-term development program:

Everlight Chemical's 2020 Green Gold Vision is to "become a global happy company that will continue to innovate and provide green chemical solutions", and focus on four major aspects: sustainable environmental protection, innovative value, integrity and happiness, and global partners for development. We strive to provide a better life for human beings and implement the brand promise of “Better Chemistry Better Life”.

2. Short-term development program:

(1) Production globalization project.

(2) Manpower efficiency enhancement project.

(3) Project of business legal compliance and management.

(4) Import and export logistics integration project.

(5) Accounts receivable management project.

(6) Cost control project.

(7) Continuing to promote the 2020 Green Gold Vision Action Plan: a. New product marketing project, b. Atomic utilization improvement project, c. Global well-known enterprise partner promotion project, and d. Happiness enterprise project.

II. Market and Production Profile

(I) Market analysis

1. Sales areas of major products:

Unit: TWD thousand

Sales areas	2018		2017	
	Dollar amount	Percentage (%)	Dollar amount	Percentage (%)
Asia	5,056,871	52	4,719,855	51
Taiwan	1,709,483	18	1,628,737	18
Europe	1,526,343	16	1,630,932	18
Americas	1,076,558	11	1,011,877	11
Other areas	251,764	3	178,079	2
Total	9,621,019	100	9,169,480	100

2. Market share and supply and demand and growth of the market in the future:

Color Chemicals: In 2018, the total global dye market grew slightly to 1.59 million tons, and the Company's market share was about 1.3%. On the global dye market in the past decade, the dye capacity of Mainland China and India in the same industry has expanded rapidly and the supply is sufficient. Overall, the market situation is oversupply. However, the supply side of the dye and intermediate industry in Mainland China has been tightened due to past destocking and high environmental compliance requirements. In the long run, there is an opportunity for supply and demand to gradually balance. In the future, dye products will be researched and developed in the direction of high exhaustion, high fixation, water-saving and toxic-free due to the awareness of environmental protection.

Specialty Chemicals: In 2018, the global market for UV absorbers and light stabilizers totaled approximately TWD49billion, and the market share of Everlight Chemical was approximately 4.4%. The global compound annual growth rate is estimated to be 6%~7% in the next five years. The main growth momentum comes from the demand for various types of plastics, including packaging materials, automotive plastics and agricultural films. The second largest growth momentum comes from the coatings industry, such as industrial coatings and construction coatings. Due to the high technical threshold, additive manufacturers are concentrated in a few developed industrial countries. Emerging markets and new application areas have become the most important growth opportunities.

Toner business: In 2018 on the global AM (After Market), the demand for toner remained flat. The total market volume remained at 67,000 tons, and the Company's market share was about 12%. In the past two (2) years, with the popularity of color machines, the demand for color toner has gradually increased. Due to the withdrawal of individual manufacturers, the supply of low-level black toner has decreased. However, as Chinese manufacturers continue to expand their equipment capacity, products will fall into oversupply once again. Expanding the European and American markets and developing color toner will be the main growth opportunities in the future.

Electronic Chemicals: 2018 annual global photoresist and process chemicals market size was about NTD 260 billion. There will be about 6~8% annual growth rate over the next 3 years The Company's market share has not reached 1%. In the future, electronic consumer products will develop towards the mobile device with a rapid response speed, so FOWLP, FOPLP packaging technology will become the mainstream of the latter segment packaging, and then drive the demand for thick film light resistance and chemical amplified photoresist to grow. On the other hand, the flexible low temperature process material will be the focus of the new display critical part manufacturers.

3. Niche for competition:

(1) Through the promotion of corporate brand and brand management, the Company's market competitiveness will be strengthened.

(2) Continuing to accumulate autonomous key technologies, and continuously developing new products to meet the needs of customers.

(3) The global logistic, marketing channel and technical service network have been established to provide fast and immediate service and increase customer satisfaction, in order to build long-term and stable partnerships.

(4) Technological innovation, competitiveness enhancement and profitability:

① Differentiating products and technologies to increase the market share of products.

② Promoting niche and superior products to increase added value.

4. Favorable and unfavorable factors of development vision and responding measures:

(1) Favorable factors:

① Regional and national chemical-related regulations have been promulgated. Governments such as China have greatly improved the implementation of environmental protection regulations, resulting in higher environmental protection costs, rising entry thresholds and operating costs of the chemical industry. The survival space of low-cost competitors in developing countries will be compressed.

② Governments around the globe pay attention to the development of high-tech chemical materials that are environmentally sustainable.

③ The price of color machines has decreased, and the color toner market has become more popular.

(2) Unfavorable factors:

① The exchange rate changes are fierce and the supply and demand of raw materials are unbalanced, making supply chain management difficult and cost not easily controlled.

② Taiwan's major trade competition countries have actively negotiated regional and bilateral free-trade agreements, which has certain degree of influence on Taiwan's export competitiveness.

③ The international large-scale chemical industry continues to conduct M&As, and the pressure on small and medium-sized factories continues to increase.

④ The exchange rate has large variations, which causes the exchange gains and losses to fluctuate greatly.

(3) Response measures:

① Developing towards "high-tech knowledge industry" and "green economy industry," we will promote high-tech chemicals of environmental green energy with the core of R&D advantage, technology application and manufacturing capabilities.

② Grasp the opportunity of global supply chain transfer of China-US trade war, and progressively develop the potential market.

③ Accelerating the expansion of service energy, extending to the upstream and downstream of the value chain, and becoming a multi-dimensional chemical company with equal emphasis on production and service.

④ Integrating the R&D, sales and production resources of the cross-strait toner business.

(II) Important uses of main products and their production process:

1. Important uses of main products:

Product type	Product name	Purposes
Color chemicals	Textile dye	For cotton, hemp, rayon, wool, silk and nylon
	Leather dye	For leather and fur
	High-purity dye used in ink jet printing	For office supplies, advertisement printing, labeling, and packaging materials
	High-purity dye used in digital textile printing	For textile printing, leather printing, wallpaper, and outdoor advertising
	Digital textile printing Printing ink	
	Anodized aluminum dye	For aluminum metal, 3C housing, bicycle, and screw
	Paper dye	Used in the paper industry
	Functional chemicals used in textile	Used in the textile/leather industry
	Solar energy dye	For solar sensitized dye batteries
Specialty chemicals	UV-absorber	For coatings, adhesives, plastics, polyurethanes, elastomers and cosmetics
	Hindered amine light stabilizer	
	Functional Masterbatches	
	Antioxidants	
	Formulated product	
	High-molecular polymerizable dye	For polyurethane foams, adhesives and elastomers
Toner	Colored toner	For color laser printers, color printers and multifunction printers
	Black toner	For black and white laser printers, black and white printers and multifunction printers
	Toner finished cartridges	For color / black and white printers and multifunction printers
	Carrier and developer	
Electronic chemicals	Photoresist	Used in yellow lithography process such as IC, LCD, LED, TP and IC assembly
	Developer	For rinsing imaging process
	Slurry	For substrate flattening process
	Wet chemicals	Used in semiconductor and substrate surface cleaning, and process such as electroplating
	Functional ink of thermosetting and UV curing	Used in surface coating for substrates such as metals and glass
	Electronic functional chemicals	Functional chemicals for the electronic assembly industry
Pharmaceuticals	Material medicine for Prostaglandin	Treatment of gastric ulcer, glaucoma, induction of labor, treatment of sexual dysfunction, and animal reproductive management, etc.
	Other material medicines	Treatment of hypertension, Parkinson's disease, allergic conjunctivitis, cancer, and central nervous system, etc.

2. Production process:

The production process of the Group's main products can be roughly divided into the following three categories:

(1) Production process based on chemical reaction:

Material → Intermediate → Semi-finished product → Finished product

Step 1: the basic raw material is formed into an intermediate through one or more chemical reactions.

Step 2: the intermediate is then converted into a semi-finished product by chemical changes.

Step 3: the semi-finished product is made into a product through different processes, such as refining, purification, drying, crushing, and batching, etc.

Products that fall into this type of production process include: various type of dyes, light stabilizers, yellowing resistance agents, and pharmaceuticals, etc.

(2) Production process based on formula mixing:

Main ingredients	→	Formula mixing	→	Filtering	→	Finished good replenishing

Step 1: precisely putting in the required raw materials.

Step 2: mixing and performing a process inspection.

Step 3: conducting precision filtering through the various stages and performing a process inspection.

Step 4: the finished product is replenished and packaged, and then inspected.

Products that fall into this type of production process include: electronic chemicals, inkjet ink dyes, and nanomaterials.

(3) Production process of toner:

Main ingredients	→	Formula mixing	→	Extrusion	→	Milling	→
Mixing	→	Finished good - replenish					

Step 1: precisely putting in the required raw materials.

Step 2: mixing the raw materials with a mixer.

Step 3: the mixing of raw material is carried out by the extruder, so that the raw materials are uniformly dispersed, and then a process inspection is performed.

Step 4: grinding toner to the required particle size and a process inspection is performed.

Step 5: mixing toner and external additives into the mixer, and performing a process inspection.

Step 6: the finished product is replenished and packaged, and then inspected.

Products that fall into this type of production process include: laser printer toner, and printer toner, etc.

(III) Supply of main raw materials

The main raw materials of various specialty chemicals of the Company are organic chemical intermediates (benzene and naphthalene series, etc.) and basic chemicals (acid, alkali, salt, and solvent, etc.). Mainland China, India and Taiwan are the main sources of the materials. The supply capacity and price of raw materials are mainly affected by the following factors: the environmental protection and the inspection of industrial security is becoming stricter and stricter in Mainland China and India, the production capacity of manufacturers is limited, and production cost and supply risks has increased. The serious smog of Mainland China also affects transportation of goods and thus the price rises.

The main raw materials of toner are polymer materials such as acrylic and polyester resins, magnetic iron oxide and carbon black, etc. Japan, Europe and the United States are the main sources. Due to the depreciation of Japanese Yen, the prices of Japanese oil brain and related imported raw materials have risen. The production costs of labor and energy in Europe and the United States have increased year by year. Some of the magnetic iron oxide suppliers have withdrawn from the market, causing short-term supply and demand of magnetic iron oxide to be imbalanced and the market to become the seller's market. Expected price will gradually increase.

(IV) The name of the customer who has once accounted for more than 10% of the total purchase (sales) of goods in any of the year within the most recent two (2) years, the amount and proportion of the purchase (sales), and the reasons for the increase or decrease: there were no such matters in the most recent two (2) years.

(V) Production volume and value in the most recent two (2) years

Unit: TWD thousand

Year / Production volume and value / Business and product type		2018			2017		
		Production capacity	Production amount	Production value	Production capacity	Production amount	Production value
Color chemicals		37,000tons	21,219tons	3,412,478	37,400tons	19,059tons	2,839,397
Specialty chemicals		5,000tons	4,020tons	1,646,208	5,000tons	3,623tons	1,446,386
Toner		11,600tons	7,880tons	1,416,770	11,600tons	9,317tons	1,624,454
Electronic chemicals	Photoresist	200,000gallons	97,381gallons	260,194	200,000gallons	96,437gallons	267,950
	Others	18,000tons	13,033tons	663,728	18,250tons	13,137tons	673,124
Pharmaceuticals	Prostaglandin	48,000g	31,814g	182,488	42,000g	16,642g	110,683
	Other aterial medicines	3,000kg	284kg	6,958	3,000kg	197kg	4,188
Total				7,588,824			6,966,182

Note 1: Capacity refers to the quantity that can be produced using existing production equipment under normal operation after the Company has evaluated factors such as necessary stoppages and holidays, etc.

Note 2: The production value is calculated at cost.

(VI) Sales volume and value in the most recent two (2) years

Unit: TWD thousand

Year / Sales volume and value / Business and product type		2018				2017			
		Domestic sales		Abroad sales		Domestic sales		Abroad sales	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Color chemicals		3,075tons	564,268	17,438tons	3,959,543	2,761 tons	511,566	15,700 tons	3,650,645
Specialty chemicals		465tons	247,396	3,799tons	1,913,458	432 tons	237,334	3,247 tons	1,678,126
Toner		120tons	41,667	7,847tons	1,586,053	149 tons	49,635	8,967 tons	1,783,924
Electronic chemicals	Photoresist	19,564gallons	102,551	74,960gallons	220,681	22,516 gallons	117,548	69,268 gallons	180,502
	Others	11,542tons	693,445	1,597tons	62,464	12,156 tons	703,923	1,125 tons	45,412
Pharmaceuticals	Prostaglandin	38g	451	22,210g	212,692	79 g	1,618	18,291 g	194,308
	Other material medicines	74kg	4,003	166kg	7,467	66 kg	3,227	164 kg	5,083
Others		1,939units	3,660	486units	1,220	1,837 units	3,886	1,876 units	2,743
Total			1,657,441		7,963,578		1,628,737		7,540,743

Note: In 2018, the Company's consolidated domestic and foreign sales ratio was 17%: 83%.

III. Information of the employees of the Company and affiliates

Year		2018	2017	The current year as of Feb. 28, 2019
Employee number	Company	298	293	287
	Factory	1,671	1,677	1,660
	Total	1,969	1,970	1,947
Average age		38.8	38.1	38.9
Average service years		9.9	9.4	10.0
Percentages distribution of education (%)	PhD	2	2	2
	Master	22	20	22
	College	55	55	55
	Below (and include) high school	21	23	21

IV. Information of Environmental Protection Expenditure

(I) Damage from environmental pollution and total penalties: None.

(II) Possible expenditure of pollution prevention and improvement:

The Company’s pollution control measures have complied with the existing national control standards. To achieve more rigorous control, and considering the gradual improvement of environmental quality requirements, It is expected to invest NTD 201,835 thousand in 2019 to improve the prevention and control of various pollution.

(III) Penalties and improvement measures for violations of environmental protection laws in 2018:

(1) The Environmental Protection Bureau conducted a cross check on the water right filing records. It was found that the Plant III pumped groundwater for its use within the regulating period in violation of the “Soil and Groundwater Pollution Remediation Act” and was fined NTD 150,000 accordingly. The fact that we conveyed to the competent authorities was the depth of the groundwater well in the plant area reaching 150 meters, with the water quality different from that of the shallow soil pollution. After extraction and inspection by the competent authorities, the water quality posed no risk in the result. Our application for water use was submitted again, and was approved on July 25, 2018 for legal use in the process.

(2) The Environmental Protection Bureau personnel entered the plant and found that open storage of waste and no equipment or measures set up to prevent the inflow and infiltration of surface water, rain water and groundwater. The plant was fined NTD 6,000 in violation of the Waste Clean Act. For the breach on of waste storage due to negligence in human operations, the relevant application for groundwater extraction and improvement has been immediately completed.

(3) The Environmental Protection Bureau cross checked the raw materials usage by Plant II and Plant III declared for 2016 and found that it exceeded the approved quantity. Each was fined NTD 100,000 in violation of the Air Pollution Protection Act. To comply with the regulatory requirements, we have made the production line adjustment, and applied for change of the process air pollution permit to meet the actual production needs.

V. Labor Relations

(I) Employee welfare measures, on-the-job further study, training, retirement system, working environment of the Company and personal safety protection of employees and its implementation, as well as the agreement between labor and employer and the maintenance measures of various employees' rights and interests

1. Welfare measures

The Company focuses on the care of employees, and provides employees with complete salary, reward, bonus and welfare system, so that employees can contribute their efforts in the workplace. Meanwhile, in order to honor the long-term contribution of senior staff and excellent employees to the Company, they will be given commemorative gold coins and awarded trophies respectively. General health checkups for employees and physical examinations for senior staff will be conducted regularly every year. Relevant welfare measures include the followings:

(1) Rewards: year-end bonus / holiday gift / Labor Day bonus / birthday gift

(2) Subsidies: wedding gift / maternity allowance / child education award and subsidy / travel subsidy / injury relief payment / death subsidy

(3) Insurance: labor insurance / health insurance / employee group insurance / voluntary group insurance / business travel insurance

(4) Systems: factory uniform / food stipend / performance bonus / proposal bonus / club activity

(5) Equipment: nursing room / staff dorms / staff transportation vehicle / staff restaurant / gym / basketball court / library / special store

(6) System of day-offs (vacations): pre-borrowed annual leave / paternity leave / family care leave / menstrual leave / nursing leave

2. Educational training

The Company promotes employee character education in the long run. Based on character education, in management, the supervisors embrace the service spirit of "servant," educate the staff full-heartedly and practice what they preach, in order to deepen the integration and cooperation of employees into the Company's business philosophy and corporate culture. Based on job functional structure, Everlight Chemical conducts talent selection, talents education, talents exertion and performance management.

According to the annual training plan, the Company compares the structure with the education and training system (including inspiration training, orientation education, class training, professional training, and project training). The Company provides education and training for employees, in the hope of balancing the sustainable development of talents in the fields of production, R&D, marketing, and management. In addition, employees may be designated by the Company to study domestically or abroad (including retrieving master's degree or PhD degree or professional technical study) if necessary for their work or tasks.

3. Retirement system

The Company established the "Labor Pension Reserve Supervision Committee" in accordance with the Labor Standards Act, which monthly appropriates pension reserve into the account in Taiwan Bank; employees who meet retirement criteria may be distributed with pension fund, of which the pension base is calculated according to the service years. The Company will reimburse the pension fund by 6% in accordance with laws and remit it into the personal account of an employee who satisfies the new system of retirement. In addition, the Company has also formulated the “Application Rules for Early Retirement of Employees”. Any qualified employees can be retired early if approved by the Company.

4. Working environment and employee personal safety protection and its implementation

The Company manages the corporation with the truth-love inspired by the Bible, shapes the working environment in which employees can exert their abilities, and motivates employees to achieve the mutual goals.

Adhering to the core values of decent management and love management, the Company holds gratitude worships every year to let employees feel a warm and grateful culture. The Company's introduction of the project, "Character First," has entered 22 years, which enables employees to cultivate good character in their work, in families and in lives and to regard character as the goal of lifelong learning.

The Company incorporates related regulations of Act of Gender Equality in Employment into the Work Rules and have reported to Taipei City Government for examination.

The Company adheres to the safety and health policy of “Respect for Life, and Pursue Zero Disasters,” and implements the Vocational Safety and Hygiene Management System (OHSAS 18001) to ensure employee safety and company assets through the management spirit of Plan-Do-Check-Action (PDCA) cycle. Every factory of Everlight Chemical has obtained the certification of OHSAS 18001.

In order to provide a safe workplace, the Company has set vocational safety regulations and training methods, implements employee health checks every year, and regularly organizes emergency response drills and promotes zero-disaster activities, in order to prevent accidents and minimize occupational injuries.

In addition to holding safety and health committee meetings every quarter, each factory also holds safety and health propagations on monthly factory meetings to explain safety and health issues such as regulatory updates, common missing items, propaganda items and promotion plans, etc.

(1) Zero-disaster exercise

Introducing the concept of zero disasters. Every day before the start of construction, the job site supervisor will lead the colleagues to carry out health confirmation, response measures, identification calls, which increase the alertness of employees during their work and reduce mistakes in the work.

(2) Emergency response

Every year, self-defense firefighting training and drills and poisoning disaster drills are regularly held in accordance with laws and regulations. The Company also continuous to improve and hold irregular trainings to ensure that the Company can minimize disaster losses in any emergency.

(3) Monitoring of operation environment

The Company improves the working environment based on the characteristics of the job site, in order to provide a safe and comfortable working environment. To prevent occupational hazards and protect employees' health, the Company teaches and requires workers to use personal protective equipment to reduce the exposed harm to an acceptable level.

The Company entrusts qualified institutions to carry out regular operation environment monitoring in accordance with the “Measures for Implementing Labor Operation Environmental Monitoring”. The monitoring contents are all in accordance with statutory requirements (about chemical and physical factors). The unit may also propose an assessment for operations with concern of hazards. If there is any abnormality in the monitoring results, corrections and improvements will be made to ensure the safety of employees.

(4) External training

In accordance with the "Occupational Safety and Health Education and Training Rules", the personnel for special operations of the Company have completed safety and health education and training for special operations, and obtained operational qualification certificates/licenses. The Company actively dispatches staff to participate in business supervisor trainings related to occupational safety and health, and cultivates seed personnel to obtain relevant qualifications. The Company also actively participates in the Industrial Zone Safety and Health Promotion Association, letting the staff learn from the safety management experiences of other factories. For the management of the contractor, all contracting and outsourced personnel who enter the Company's factory area must abide by the relevant safety and health regulations of the Company, in order to ensure the safety of the construction personnel. Under the continuous deepening of various business concepts, the Company's corporate value has been significantly improved, which has also been positively recognized by all the staff and customers.

5. Negotiation between labor and employer and the status of each measure for maintaining employees' rights

Establishing business trade unions, quarterly holding labor-management consultation meetings, and handling problems regarding the rights and interests of employees in accordance with the law.

(II) Losses due to labor-employer disputes, estimated amount of current and future possible losses and response measures in the most recent year and up to the publication date of the annual report: None.

(III) The Company has always adhered to the core values of decent management and love management. In order to implement the philosophy of decent management, Regulations for Work and Professional Ethics have been formulated and included in the employee handbook for employees to follow. The management rules are as follows:

1. Personal interests should be avoided to infringe the interests of the Company.
2. Do not speak on behalf of the Company on the media without permission.
3. Do not use company information to conduct insider trading.
4. There must be no acts that undermine the happiness of other families or having extramarital affairs.
5. Colleagues should be respectful of each other, and there shall not be frivolous teasing or malicious attacks.
6. If any unethical or illegal behavior is found, you must report to the personnel unit or supervisor.
7. The "Employee Commitment Letter" should be signed and the contents of the commitment letter must be strictly obeyed.
8. Employees should be fully dedicated to their jobs during work time.
9. When implementing the work, if you know that you cannot complete the task, you should immediately report it on your own initiative.
10. Do not talk about the Company's confidential information in public or with unrelated people.
11. The recommendations to the Company should be provided through normal channels.
12. It is not allowed to sell products of other companies.
13. Sales should be done with the promotion of the Company's various advantages. Employees shall not make false criticisms of competitors.
14. Important business opportunities on the market should be reported immediately and should not be concealed for private use.
15. Do not disclose the Company's R&D information and marketing strategy to competitors.
16. Do not make any commitment to customers or suppliers with undetermined matters.
17. Do not ask for remuneration or gifts from customers.
18. Do not accept kickbacks or improper gifts from suppliers.
19. Do not engage in social interaction with customers or suppliers in improper places.

VI. Important Contracts

The contracts that are still valid and will expire in the most recent year as of the date of publication of the annual report are as follows:

Contract characteristics	Litigant	Begin and End Date of contract	Main content	Restrictive covenant
Merchandising contract	Ko Hsieh Instruments Co., Ltd.	February 2018 - April 2018	Ion Chromatograph System	None
Engineering contract	Lien Hua Engineering Enterprise Co., Ltd.	April 2018 - June 2018	DTP piping engineering	None
Engineering contract	Yong Shen Company Limited	July 2018 - October 2018	Exhaust gas equipment production and installation	None
Fixed Asset Purchase Contract	JG Environmental Technology Co., Ltd.	July 2018 - November 2018	RTO Furnace Construction	None
Fixed Asset Purchase Contract	JG Environmental Technology Co., Ltd.	August 2018 - November 2018	Wet Scrubber of ROT	None
Consulting contract	Kaufman Flynn Consulting Services, LLC.	October 2017 - March 2018	Assist in passing the inspection of units such as FDA	None
Engineering contract	SheHui Machinery Co., Ltd.	August 2018 - February 2019	Ink refill packaging engineering	None
Engineering contract	Yong Shen Company Limited	October 2018 - February 2019	Dust collector engineering	None
Fixed Asset Purchase Contract	Data Systems Consulting Co., Ltd.	June 2018 - June 2019	SV95 Intelligence Project	None
Borrowing contract	7 banks such as CTBC Bank	Mar. 2015 - Mar. 2020	Syndicated credit contract	1. This case and the case of 2011 syndicated loan can coexist at the same time, but the total amount of money used shall not exceed the credit line of this case. 2. The first use of the loan within three (3) months after the signing date 3. The first term starts from the 2nd year after the borrowing date. Afterwards, 1 term lasts for 6 months, and the loan is amortized in 7 terms in total. The amortization ratio is 10%, 10%, 10%, 15%, 15%, 20%, and 20%, respectively.
Engineering contract	Shou Jing Construction Co., Ltd.	October 2018 – August 2020	The first phase of the rehabilitation engineering for biology of first order	None

Financial Information, Financial Performance, And Risk Management

I. Condensed Balance Sheet and Comprehensive Income Statement Data in the Most Recent five (5) Years

(I) Condensed Balance Sheet and Comprehensive Income Statement Data

Condensed Balance Sheet - Consolidated

Unit: TWD thousand

Item \ Year		Financial data in the most recent 5 years (Note 1)				
		2018	2017	2016	2015	2014
Current assets		6,577,789	6,301,647	6,323,846	6,115,332	5,994,211
Property, plant and equipment (Note 2)		5,754,565	5,789,476	5,685,055	5,522,018	4,967,231
Intangible assets		131,270	119,020	32,592	–	–
Other assets (Note 2)		1,394,402	1,514,475	1,562,477	1,721,852	1,770,008
Total assets		13,858,026	13,724,618	13,603,970	13,359,202	12,731,450
Current liabilities	Before distribution	4,070,946	3,414,980	4,173,084	4,326,481	4,165,203
	After distribution	–	3,688,856	4,446,960	4,587,315	4,413,617
Non-Current liabilities		1,873,884	2,272,860	1,450,751	1,058,757	824,547
Total liabilities	Before distribution	5,944,830	5,687,840	5,623,835	5,385,238	4,989,750
	After distribution	–	5,961,716	5,897,711	5,646,072	5,238,164
Equity attributable to owners of the parent company		7,599,139	7,724,086	7,658,408	7,649,681	7,419,855
Capital stock		5,477,522	5,477,522	5,477,522	5,216,688	4,968,274
Capital surplus		473,558	473,558	473,558	473,558	473,558
Retained earnings	Before distribution	1,797,826	1,673,952	1,571,900	1,683,039	1,650,106
	After distribution	–	1,400,076	1,298,024	1,161,371	1,153,278
Other equity		(149,767)	99,054	135,428	276,396	327,917
Treasury stock		–	–	–	–	–
Non-controlling interests		314,057	312,692	321,727	324,283	321,845
Total equity	Before distribution	7,913,196	8,036,778	7,980,135	7,973,964	7,741,700
	After distribution	–	7,762,902	7,706,259	7,713,130	7,493,286

* If the Company has prepared individual financial statements, it shall also prepare the individual condensed balance sheets and comprehensive income statements for the most recent five (5) years separately.

* If the financial information prepared based on IFRSs refers to that for less than the most recent five (5) years, the Company shall also prepare the financial information based on the R.O.C. Financial Accounting Standards as shown in the following Table (2): Not applicable.

Note 1: The years of which data has not been audited by the CPA shall be noted.

Note 2: Those who have applied for asset revaluation in the current year shall list the date of processing and the value of revaluation.

Note 3: As of the date when the annual report is printed, companies that have been listed or whose stocks have been traded in the securities firm's business locations shall be disclosed together if they have the latest financial data audited by the CPA.

Note 4: For the above figures referred to as the number after distribution, please fill in according to the resolution of the shareholders' meeting of the next year.

Note 5: Financial data shall be listed with the corrected or restated numbers and be noted with the circumstances and reasons once the Company has been notified by the competent authority to make corrections or restatements by itself.

Condensed Balance Sheet - Individual

Unit: TWD thousand

Item \ Year		Financial data in the most recent 5 years				
		2018	2017	2016	2015	2014
Current assets		4,678,231	4,419,149	4,236,078	4,074,675	3,977,828
Property, plant and equipment		4,532,783	4,469,701	4,311,865	4,097,415	3,602,058
Intangible assets		120,734	116,119	30,882	—	—
Other assets		3,051,516	3,274,997	3,278,061	3,568,322	3,604,281
Total assets		12,383,264	12,279,966	11,856,886	11,740,412	11,184,167
Current liabilities	Before distribution	3,004,070	2,422,266	2,942,901	3,067,336	2,975,896
	After distribution	—	2,696,142	3,216,777	3,328,170	3,224,310
Non-Current liabilities		1,780,055	2,133,614	1,255,577	1,023,395	788,416
Total liabilities	Before distribution	4,784,125	4,555,880	4,198,478	4,090,731	3,764,312
	After distribution	—	4,829,756	4,472,354	4,351,565	4,012,726
Equity attributable to owners of the parent company		—	—	—	—	—
Capital stock		5,477,522	5,477,522	5,477,522	5,216,688	4,968,274
Capital surplus		473,558	473,558	473,558	473,558	473,558
Retained earnings	Before distribution	1,797,826	1,673,952	1,571,900	1,683,039	1,650,106
	After distribution	—	1,400,076	1,298,024	1,161,371	1,153,278
Other equity		(149,767)	99,054	135,428	276,396	327,917
Treasury stock		—	—	—	—	—
Non-controlling interests		—	—	—	—	—
Total equity	Before distribution	7,599,139	7,724,086	7,658,408	7,649,681	7,419,855
	After distribution	—	7,450,210	7,384,532	7,388,847	7,171,441

Condensed Comprehensive Income Statement - Consolidated

Unit: TWD thousand

Item \ Year	Financial data in the most recent 5 years (Note 1)				
	2018	2017	2016	2015	2014
Operating revenue	9,621,019	9,169,480	9,450,874	9,537,421	9,899,878
Operating gross profit	2,165,218	1,970,272	2,098,902	2,284,514	2,247,890
Operating income	507,464	362,419	467,439	672,554	677,300
Non-operating revenue and expense	12,080	109,973	105,295	52,462	71,050
Net income before tax	519,544	472,392	572,734	725,016	748,350
Net income of going-concern operation unit	407,920	370,244	473,834	573,662	588,226
Loss from discontinued unit	—	—	—	—	—
Net income (loss)	407,920	370,244	473,834	573,662	588,226
Other comprehensive income (Net amount after tax)	(263,835)	(29,590)	(202,659)	(81,995)	70,508
Total comprehensive income	144,085	340,654	271,175	491,667	658,734
Net income attributable to owners of the parent company	401,983	366,138	468,534	565,347	578,435
Net income attributable to non-controlling interests	5,937	4,106	5,300	8,315	9,791
Comprehensive income attributable to owners of the parent company	138,502	344,353	269,561	480,345	642,764
Comprehensive income attributable to non-controlling interests	5,583	(3,699)	1,614	11,322	15,970
EPS	0.73	0.67	0.86	1.03	1.06

* If the Company has prepared individual financial statements, it shall also prepare the individual condensed balance sheets and comprehensive income statements for the most recent five (5) years separately.
* If the financial information prepared based on IFRSs refers to that for less than the most recent five (5) years, the Company shall also prepare the financial information based on the R.O.C. Financial Accounting Standards as shown in the following Table (2): Not applicable.

Note 1: The years of which data has not been audited by the CPA shall be noted.

Note 2: As of the date when the annual report is printed, companies that have been listed or whose stocks have been traded in the securities firm's business locations shall be disclosed together if they have the latest financial reports audited by the CPA.

Note 3: Loss from discontinued unit is listed with the net value after deducting income tax.

Note 4: Financial data shall be listed with the corrected or restated numbers and be noted with the circumstances and reasons once the Company has been notified by the competent authority to make corrections or restatements by itself.

Condensed Comprehensive Income Statement - Individual

Unit: TWD thousand

Item \ Year	Financial data in the most recent 5 years				
	2018	2017	2016	2015	2014
Operating revenue	7,405,726	6,833,550	6,925,150	7,013,072	7,614,616
Operating gross profit	1,495,962	1,311,488	1,413,961	1,585,102	1,536,186
Operating income	427,447	285,853	347,949	536,076	540,776
Non-operating revenue and expense	66,464	148,585	182,494	137,975	157,095
Net income before tax	493,911	434,438	530,443	674,051	697,871
Net income of going-concern operation unit	401,983	366,138	468,534	565,347	578,435
Loss from discontinued unit	—	—	—	—	—
Net income (loss)	401,983	366,138	468,534	565,347	578,435
Other comprehensive income (Net amount after tax)	(263,481)	(21,785)	(198,973)	(85,002)	64,329
Total comprehensive income	138,502	344,353	269,561	480,345	642,764
Net income attributable to owners of the parent company	—	—	—	—	—
Net income attributable to non-controlling interests	—	—	—	—	—
Comprehensive income attributable to owners of the parent company	—	—	—	—	—
Comprehensive income attributable to non-controlling interests	—	—	—	—	—
EPS	0.73	0.67	0.86	1.03	1.06

(II) Name of CPA and audited opinions

Year	Name of CPA		Audited opinions
2014~2015	KPMG	Lily Lu Chun-Hsiu Kuang	Unqualified opinion with explanatory language
2016 - 2017	KPMG	Lily Lu Chun-Hsiu Kuang	Unqualified opinion
2018	KPMG	Ya-Ling Chen Chun-Hsiu Kuang	Unqualified opinion

II. Financial analysis for the most recent 5 years

(I) Financial analysis - consolidated financial statements

Analysis items (Note 3) / Year (Note 1)		Financial analysis for the most recent 5 years				
		2018	2017	2016	2015	2014
Financial Structure (%)	Debt ratio	43	41	41	40	39
	Long term fund to property, plant and equipment ratio	170	178	166	164	172
Liquidity analysis (%)	Current ratio	162	185	152	141	144
	Quick ratio	66	81	66	65	62
	Interest coverage	6	7	9	12	12
Operating Performance Analysis	Account receivable turnover (times)	5.3	5.2	5.1	5.0	5.3
	Average collection turnover	69	71	71	74	69
	Inventory turnover (times)	2.1	2.1	2.2	2.3	2.5
	Account payable turnover (times)	11.8	11.3	12.2	14.3	14.4
	Average inventory turnover days	175	172	163	162	148
	PPE turnover (times)	1.7	1.6	1.7	1.8	2.1
	Total assets turnover(times)	0.7	0.7	0.7	0.7	0.8
Profitability	ROA (%)	3	3	4	5	5
	ROE (%)	5	5	6	7	8
	Net income before tax to paid-up capital ratio (%) (Note 7)	9	9	10	14	15
	Net margin (%)	4	4	5	6	6
	EPS (TWD)	0.73	0.67	0.86	1.03	1.06
Cash flow	Cash flow ratio (%)	18	28	23	30	11
	Cash flow adequacy ratio (%)	79	95	91	80	83
	Cash reinvestment ratio (%)	3	4	4	6	2
Leverage	Operating leverage	5	6	5	4	4
	Financial leverage	1.2	1.3	1.2	1.1	1.1

The reasons for the change of each financial ratio in the most recent two (2) years:

1. The decrease of cash flow ratio was mainly due to the increase of Inventory and current liabilities.
2. The decrease of cash reinvestment ratio was mainly due to the decrease of net cash flows from operating activities and increase of current liabilities .

* If the Company has prepared individual financial statements, it shall also prepare the individual financial ratio analysis separately.

* If the financial information prepared based on IFRSs refers to that for less than the most recent five (5) years, the Company shall also prepare the financial information based on the R.O.C. Financial Accounting Standards as shown in the following Table (2): Not applicable.

Financial analysis - individual financial statements

Analysis items (Note 3) / Year (Note 1)		Financial analysis for the most recent 5 years				
		2018	2017	2016	2015	2014
Financial Structure (%)	Debt ratio	39	37	35	35	34
	Long term fund to property, plant and equipment ratio	207	221	207	212	228
Liquidity analysis (%)	Current ratio	156	182	144	133	134
	Quick ratio	64	83	62	60	58
	Interest coverage	8	9	12	17	17
Operating Performance Analysis	Account receivable turnover (times)	5.2	4.9	5.2	5.0	5.2
	Average collection turnover	71	74	71	73	70
	Inventory turnover (times)	2.4	2.4	2.5	2.6	3.1
	Account payable turnover (times)	11.0	10.6	11.3	12.6	13.1
	Average inventory turnover days	154	152	146	143	120
	PPE turnover (times)	1.7	1.6	1.7	1.8	2.3
	Total assets turnover(times)	0.6	0.6	0.6	0.6	0.7
Profitability	ROA (%)	4	3	4	5	6
	ROE (%)	5	5	6	8	8
	Net income before tax to paid-up capital ratio (%) (Note 7)	9	8	10	13	14
	Net margin (%)	6	5	7	9	8
	EPS (TWD)	0.73	0.67	0.86	1.03	1.06
Cash flow	Cash flow ratio (%)	24	29	26	35	16
	Cash flow adequacy ratio (%)	66	62	71	67	57
	Cash reinvestment ratio (%)	3	2	3	5	2
Leverage	Operating leverage	5	7	6	3	3
	Financial leverage	1.2	1.2	1.1	1.1	1.1

The reasons for the change of each financial ratio in the most recent two (2) years:

1. The decrease of current ratio was mainly due to the increase of current liabilities.
2. The dencrease of Operating leverage was mainly due to the increase of Operating income.
3. The inncrease of ROA was mainly due to the increase of profit.
4. The increase of cash reinvestment ratio was mainly due to the increase of net cash flows from operating activities .

Note 1: The years of which data has not been audited by the CPA shall be noted.

Note 2: As of the date when the annual report is printed, companies that have been listed or whose stocks have been traded in the securities firm's business locations shall be analyzed together if they have the latest financial data audited by the CPA.

Note 3: The following calculation formulas must be listed at the end of the foregoing table:

1. Financial structure
   (1) Debt ratio= Total Liabilities / Total Assets
   (2) Long-term funds to property, plant and equipment = (Total equity + Non-current liabilities) / Property, plant and equipment, net
2. Liquidity analysis
   (1) Current ratio = Current assets / Current liability
   (2) Quick ratio = (Current Assets - Inventories - Prepaid expenses) / Current liability
   (3) Times interest earned = Profit Before Credit for Income Tax / Current interest expense
3. Operating performance analysis
   (1) Average collection turnover (Including Accounts Receivable and Notes Receivable from operation) = Sales / Average trade receivables
   (2) Days to collect accounts receivable = 365 / Average collection turnover
   (3) Average inventory turnover = Cost of goods sold / Average inventories
   (4) Average payment turnover (Including Accounts Payable and Notes Payable from operation) = operating costs / Average trade payables
   (5) Average days to sell inventory = 365 / Average inventory turnover
   (6) Property, plant and equipment turnover rate = Net sales / average property, plant and equipment, net
   (7) Total assets turnover = Sales / Average total assets
4. Profitability
   (1) Rate of return on assets = [Profit + Interest expense x (1 - Tax rate)] / Average assets
   (2) Rate of return on equity = Profit / Average total Equity
   (3) Profit to sales = Profit / Sales
   (4) Earnings per share = (Equity attributable to owners of parent - Dividend-preferred stock) / Weighted average outstanding shares (Note 4)
5. Cash flow
   (1) Cash flow ratio = Net cash provided by operating activities / Current liability
   (2) Cash flow adequacy ratio = 5-year net cash provided by operating activities / 5-year (Capital expense + Increase in inventories + Cash dividend)
   (3) Cash flow reinvestment ratio = (Net cash provided by operating activities - Cash dividend) - (Property, plant and equipment, net + Long-term investments + Other non-current assets + Operating Capital) (Note 5)
6. Leverage:
   (1) Operating Leverage= (Net operating revenue – Variable cost and expense) / Operating income (Note 6)
   (2) Financial leverage = Operating income / (Operating income – Interest expenses)

Note 4: Please note the following when measuring based on said calculation of EPS:

1. Based on the number of weighted average common shares, instead of the number of shares already issued at the end of year.
2. In the event of cash capital increase or exchange of treasury stock, please take the outstanding period into consideration when calculating the weighted average outstanding shares.
3. In the event of recapitalization of earnings or capital surplus, the calculation of annual and semi-annual EPS in the past shall be adjusted retroactively subject to the capital increase ratio, without taking the issuance period for the capital increase into consideration.
4. If the preferred stock refers to non-convertible accumulated preferred stock, the current stock dividend (whether allocated or not) shall be deducted from the net income after tax, or the net loss after tax should be increased. If the preferred stock refers to non-accumulated preferred stock, the preferred stock dividend shall be deducted from the net income after tax, if any, provided that if the Company suffers loss, it is not necessary to make the adjustment.

Note 5: Please note the following when measuring under cash flow analysis:

1. The net cash flow from operating activities means the net cash inflow from operating activities in the statement of cash flow.
2. The capital expenditure means the cash outflow from the capital investment each year.
3. The increase in inventory will be included only when the balance at ending is more than the balance at beginning. If the inventory decreases at the end of year, it should be calculated as 0.
4. The cash dividend includes the cash dividend on common stock and preferred stock.
5. The gross of property, plant and equipment means the total property, plant and equipment before deduction of accumulated depreciation.

Note 6: The issuer shall categorize various operating costs and expenses into fixed and floating ones by nature. If any estimation or subjective judgment is involved, please note the reasonableness and consistency thereof.

Note 7: If the Company’s stock is a no-par-value stock or stock with par value other than TWD10, the paid-in capital ratio mentioned above shall be calculated based on the percentage of the equity attributed to owners of parent company in the balance sheet.

III. Audit Report of Audit Committee

Audit Committee's Review Report, Everlight Chemical Industrial Corporation

The Board of Directors have prepared the Company's 2018 Business Report, financial reports and the Motion of Earnings Distribution, etc., among which the financial reports have been audited by CPAs of KPMG, Ya-Ling Chen and Chun-Hsiu Kuang, who have also prepared the audit reports. After the above Business Report, financial reports and the Motion of Earnings Distribution have been audited, the Audit Committee does not regard them as inappropriate and thus submits the report as above in accordance with the Securities and Exchange Act and Company Act.

Yours sincerely

To

The Company's 2019 General Shareholders' Meeting

Convener of Audit Committee, Wu, Chung-Fern

Mar. 28, 2019

IV. If any financial problems are encountered by the Company and its affiliates which might affect the financial conditions of the Company in the most recent year and until the date of publication of this annual report, their impacts on the Company's financial condition shall be clarified: None.

V. Comparative analysis of financial conditions

Unit: TWD thousand

Item \ Year	2018	2017	Difference	
			Dollar amount	%
Current assets	6,577,789	6,301,647	276,142	4
Property, plant and equipment	5,754,565	5,789,476	(34,911)	(1)
Intangible assets	131,270	119,020	12,250	10
Other non-current assets	1,394,402	1,514,475	(120,073)	(8)
Total assets	13,858,026	13,724,618	133,408	1
Current liabilities	4,070,946	3,414,980	655,966	19
Non-Current liabilities	1,873,884	2,272,860	(398,976)	(18)
Total liabilities	5,944,830	5,687,840	256,990	5
Capital stock	5,477,522	5,477,522	0	—
Capital surplus	473,558	473,558	0	—
Retained earnings	1,797,826	1,673,952	123,874	7
Other equity	(149,767)	99,054	(248,821)	(251)
Non-controlling interests	314,057	312,692	1,365	—
Shareholders' equity	7,913,196	8,036,778	(123,582)	(2)

1. The main reasons for the significant changes of assets, liabilities and equity in the most recent two (2) years:
   (1) The decrease of other equity was mainly due to the decrease of unrealized gains (loss) on financial assets measured at fair value through other comprehensive income.
2. Future response plan for matters with significant influence: There are no matters that have significant influence on the Company’s financial condition.

VI. Financial performance

Unit: TWD thousand

Year / Item	2018	2017	Increase (decrease) dollar amount	Changes %
Operating revenue	9,621,019	9,169,480	451,539	5
Operating cost	7,455,801	7,199,208	256,593	4
Operating gross profit	2,165,218	1,970,272	194,946	10
Operating expense	1,657,754	1,607,853	49,901	3
Net operating profit	507,464	362,419	145,045	40
Non-operating revenue and expense	12,080	109,973	(97,893)	(89)
Pre-tax profit of going-concern operation department	519,544	472,392	47,152	10
Income tax expense	111,624	102,148	9,476	9
Net income after tax of going-concern operation department	407,920	370,244	37,676	10

1. The main reasons for the significant changes of operating revenue, operating income and pre-tax income in the most recent two (2) years:
   (1) The increase of operating income with the previous period was mainly due to the increase of operating revenue.
   (2) The decrease of Non-operating revenue and expense was mainly due to there was a profit of about $69 million for sale of the available-for-sale financial assets last year.
2. For expected sales volume and its reference,
   please refer to Summary of 2018 Operation Plan.
3. Possible impacts on the Company's future financial operations and response measures: There are no significant impacts.

VII. Cash Flows

(I) Any cash flow changes during the most recent year, corrective measures to be taken in response to illiquidity

1. The decrease of cash flow ratio was mainly due to the decrease of net cash flows from operating activities and the increase of current liabilities compared with last period.
2. The decrease of cash flow adequacy ratio was mainly due to the decrease of net cash flows from operating activities in the most current five (5) years.
3. The decrease of cash reinvestment ratio was mainly due to the decrease of net cash flows from operating activities compared with last period.
4. Corrective measures to be taken in response to insufficient liquidity: Not applicable.

(II) Liquidity analysis for the coming year:

Unit: TWD thousand

Cash - beginning balance (1)	Expected net cash flow from operating activities for the year (2)	Expected cash outflow (3)	Expected cash balance (insufficiency) (1)＋(2)－(3)	Countermeasures against cash insufficiency	
				Investment plan	Wealth management plan
838,593	870,000	1,184,000	524,593	0	0

1. Net cash flows from operating activities: mainly due to the increase of profit, depreciation recognition and accounts payable.
2. Cash outflows: mainly due to the payment of each factory's significant capital expenditure and the payment of cash dividends, etc.

VIII. Impact of major capital expenditures on financial operations in the most recent year

Not applicable; there are no significant impacts on the Company's financial operations.

IX. Reinvestment policy in the most recent year, the main reasons for the profit or loss, improvement plans and investment plans in the upcoming year：Not applicable

X. Risk Items

(I) Risk management policy

The Company's risk management policy is "implementing risk management and ensuring sustainability operation," which has been discussed and passed by the Board of Directors on Nov. 14, 2013.

(II) Risk management strategy

1. Establishing risk management strategy for the Group's operation.
2. Implementing educational trainings to strengthen the staff's risk awareness.
3. Providing insight about the fluctuation trend of operation environment.
4. Abiding by international product safety rules.
5. Ensuring industrial safety and environmental protection.

(III) Risk management organization

The Company has set up Risk Management Committee, which is convened by the Chairman and participated by the General Manager and supervisors of production, R&D, security and environmental protection, human resources, finance, procurement, auditing. Committee meetings are regularly held to discuss related issues.

In 2009, the Business Continuity Management System (BCMS) introduced by the Company is part of the Group's risk management system. It passed the BS25999 certification in 2012 and the ISO22301 certification in 2014.

The Company's major risk management organizations and various implementation and dedicated units of risk management are as follows:

1. Financial risk, liquidity risk, credit risk and legal risk: The financial accounting and legal units formulate and implement various strategies, and take various response measures according to the analysis of laws, policies and market changes. The Audit Office controls over and audits on the risk items mentioned above.
2. Market risk: In addition to the operational responsibilities of each business unit and functional units, the Company sets various strategies and implements them, and evaluates to adopt various response measures according to the analysis of laws, policies and market changes. The decision-making level and the management team of each business division sets up a project team whenever necessary to control the risks caused by the rapid changes of the market.
3. Strategic operational risk: The risk assessment of the annual operating policy is carried out by the General Manager Office and the management team of each business division, and performance tracking is conducted regularly to ensure that the operational strategy is in line with the Company's vision and can achieve operational objectives.

(IV) Various risk evaluation

The analysis for the risk items in the latest annual report and up to the date when the annual report was printed is as follows:

1. The influence of changes in interest rates and exchange rates and inflation on the Group's profit and loss and future countermeasures:

(1) Changes in interest rates:

The currencies in which the Group's borrowings are mainly U.S. dollar and New Taiwan dollar. Regarding the interest rate trend of these two currencies in the coming year, part of the dollar, for U.S. dollar, the United States is likely to end earlier the balance sheet reduction, and the probability of interest rate hikes is lower. For New Taiwan dollar, on the other hand, Because the global economy is slowing, inflation outlook remains moderate, and the interest rates in the country are still in the middle value compared to those of the major countries.

The short-term and long-term borrowings of the Group are debts with floating interest rates. Changes in market interest rates will cause the effective interest rates of short-term and long-term borrowings to change, which will cause future cash flows to fluctuate. If market interest rate increases by 1%, the Group's interest expenses will increase by about TWD 30 ~ 40 million.

The Group will continue to closely observe the trend of interest rates, and use interest rate hedging or other capital market financing channels in a timely manner to control the Group's financing costs to a relatively low point of market interest rates.

(2) Exchange rate fluctuation:

The Group's import and export is mainly based on USD and RMB. It is estimated that the appreciation of one NTD will reduce the Group's net profit margin by approximately 1%. The Group's foreign exchange policy is based on the principle that the foreign exchange position is self-squared, and the surplus or needed parts of the account are hedged in a timely manner. In addition, the Group's borrowings of Everlight (Suzhou) Advanced Chemicals Ltd., a subsidiary in Mainland China, was unable to be hedged because they are USD borrowings of foreign debts. The Group has consulted the bank to lend in RMB to facilitate the self-squaring of foreign exchange position to reduce the risk.

(3) Inflation:

According to the prediction of the Directorate General of Budget, Accounting and Statistics, Executive Yuan, the annual rate of increase in consumer price index was only 0.73 % in 2019, and inflation outlook remains moderate. It is also pointed out by the report of the Central bank, as the global economic growth momentum is weakened and international oil prices may be lower than last year, inflation expectations in major economies have slightly fallen, and inflation remains moderate. Other emerging countries, as a result of raising doubts about the slowdown in global economic growth, inflation cooling down and the Fed adopting a more dovish stance, the monetary policy shifts towards a more prudent stance. Therefore, it is estimated that inflation in 2019 is moderate and stable, which has no significant impact on the Group's financial business.

2. The policy, main reasons for the profit or loss, and future response measures of high risk, high leverage investment, Lending of capital, endorsements and guarantees and derivatives tradings:
   (1) The Company does not engage in investments of high risk and high leverage.
   (2) Lending of capital, endorsements and guarantees: The purpose of the Company's lending of capital and endorsements and guarantees is to deal with the fund transfer within the group, which is handled according to the "Management Rules for Lending of Capital, Endorsements and Guarantees" formulated by the Company in accordance with government regulations. For the Company's lending of capital, endorsements and guarantees in 2018, please refer to Appendix Table 1 and 2 of Consolidated Financial Report.
   (3) Derivatives tradings: The Company's derivatives tradings are for the purpose of hedging (including financial hedging) and the trading commodities should be selected to avoid the risks arising from the Company's business operations, which are based on the Company's "Regulations Governing Derivatives Transactions" in accordance with government regulations. In order to avoid the impact of exchange rate changes, the derivatives business of foreign exchange in 2018 was mainly foreign currency option contracts. For its profit or loss, please refer to the notes about financial products in Consolidated Financial Report. In addition, since Mar. 1, 2016, the FSC has set up many restrictions on financial derivative products. The Company will continue to pay attention to the exchange rate changes of the foreign currencies held and abide by relevant operational regulations of the competent authority. The restrictions mentioned above have not had a significant impact on the financial operations of the Company.
3. Research and development (R&D) plans to be carried out in the future and the expected R&D expenditures:

   For sustainability operation and international development, Everlight Chemical is expected to invest TWD400 million in R&D expense in 2019. For future R&D plans, please refer to the section of Operational Profile about the new products planned to be developed.
4. The influence of important policies and changes in laws at home and abroad on the Company's financial business and the countermeasures:

   Our country has been in line with the IFRS16 "Leases" in 2019. The Company obtained complete and specific financial effects in the course of the first adoption of the above-mentioned financial statements, and confirmed that there was no significant impact on financial business after discussions with accountants.

   The "Toxic and Concerned Chemical Substances Control Act" was amended and promulgated by Presidential Order on January 16, 2019, with "Concerned Chemical Substances Control" newly adopted. Everlight Chemical took an action in accordance with the law, which has no significant impact on the Company's financial business.

   The "Air Pollution Control Act" was amended and promulgated by Presidential Order on August a, 2018. Everlight Chemical took an action in accordance with the law, which has no significant impact on the Company's financial business.

   On July 2018, the "Decree Detailing and Guiding a Number of Articles of Law on Chemicals" (Decree 113/2017/ND-CP) and Vinachemia declared that the "National Chemicals Database" system officially operated, and collected a list of existing chemical substances. The company has completed the existing material report according to actual needs.
5. The influence of scientific and technological change and industrial transformation on the Company's financial business and the countermeasures:

   Artificial intelligence, cloud computing and Industry 4.0, will whip up the huge waves of changes in the industrial intelligence technology. There will be an estimated influence on the Company's financial business.

   Based on sustainable development and response to climate change, the industry has been moving towards a trend of low-carbon environmental protection. Everlight Chemical takes "low-carbon green energy" as the response strategy for product innovation and R&D. We do not use harmful substances but rather conduct R&D into green chemical processes. At the same time, we always ensure that the products of Everlight Chemical comply with international chemical regulations and safety rules. With the evolution of automation technology of Industry 4.0, Everlight Chemical also promotes automated production technology. Accordingly, technology and industry changes are beneficial to Everlight Chemical.
6. Effect of corporate image change on the Company's crisis management, and measures to be taken in response:

   Since its establishment, the Company has been adhering to the business principle of "decent management," doing the right thing in the spirit of honesty, law-abiding and fairness, establishing a good reputation and image, and has been well received by all circles. There are no risks of changing business image.
7. Expected benefits and possible risks associated with any merger and acquisitions, and response measures to be taken:

   As of the printed date, there are no plans for merger and acquisition, and thus is not applicable here.
8. Expected benefit and possible risk associated with plant expansion, and measures to be taken in response: None.
9. Risks associated with purchasing or sales consolidation, and measures to be taken in response:

   The amount of single customer or supplier of the Company in 2018 was less than 10% of the total sales or purchase amount, and there was no risk of concentrated sales.

10. Effect upon and risk to the Company in the event a major quantity of shares held by a director or a major shareholder with more than 10% shareholding has been transferred or changed hands, and measures to be taken in response:

    The directors of the Company and the major shareholder holding more than 10% of the shares have no significant transfer of shares and replacement of seats, which has no impacts on the Company and no special response measures are required.

11. Effect upon and risk to Company associated with any change in governance personnel or top management, and measures to be taken in response:

    The major shareholders of the Company all focused on the operation of their own business, and harmoniously and unanimously support the development of the Company's various business development. There should be no risk of changes in management rights, and no special response measures are required.

12. Litigious and non-litigious matters: List major litigious, non-litigious or administrative disputes that involve the Company and/or any of the Company's directors, supervisors, general manager, any persons with actual responsibility for the Company, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the Company and have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report.

    None of the above-mentioned people of the Company have the conditions mentioned in the previous paragraph.

13. Other important risks and response measures:

    To implement information security and personal information protection management, the Company set up the Information Safety and Personal Information Management Committee in 2016. After evaluation, currently the information security threat issues that cause the organization not being operational are mainly cyber-attacks, data leaks, and unexpected information service interruptions. The Company takes the following measures in response to these information security threats:

    (1) For cyber-attacks, mainly referring to ransomware and hacking, other than strengthening the defense functions of firewall on the equipment, intercepting and filtering malicious messages and making updates to antivirus software and operating systems and data backup, the Company also instructs on information security risks and strengthens awareness of information security on a regular basis.
    (2) For confidential information leakage, the Company not only introduces the trade secret project counseling, but also implements the file encryption system in the aspect of information, to reinforce the control of confidential files and prevent the leakage of confidential information.
    (3) For unexpected information services interruption, the Company formulates the Business Continuity Plan in regard to information risks, adopts virtual host remote backup, remote data storage, signing backup contracts with the manufacturers for important equipment and other measures, and also conducts periodic exercises to ensure uninterrupted operations.

    There have been no major cyber-attacks or security incidents in the Company and no significant negative impact on the Company's business and operations management during 2018 or during the current fiscal year up to the date of publication of the annual report.

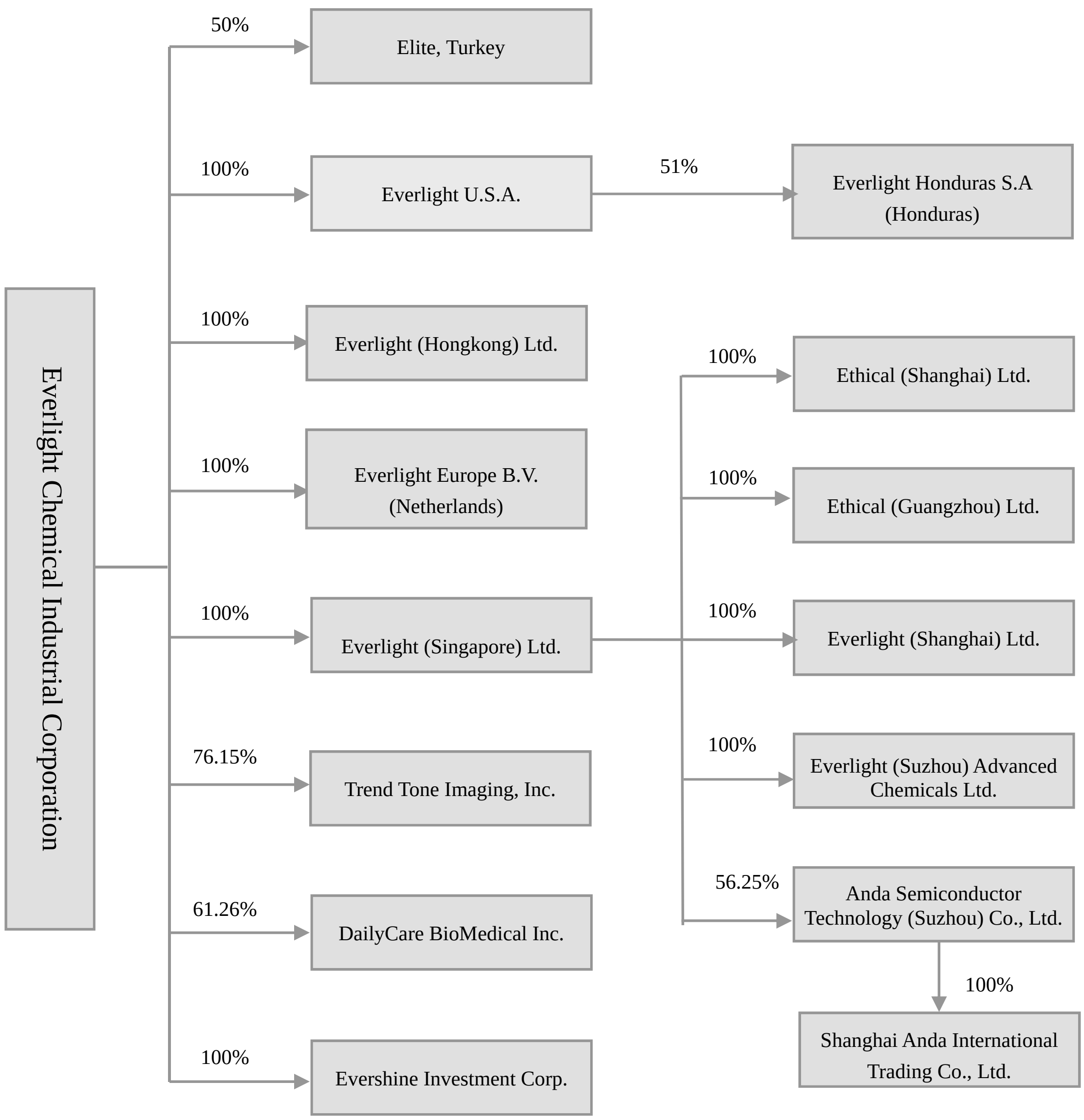
XI. Other important matters: None.

Special Disclosure

I. Information Related to the Company's Affiliates

(I) Overview of affiliates

1. Affiliates' Organizational Chart: Mar. 29, 2019



2. Basic information of affiliates:

Unit: TWD thousand

Name of business	Date of establishment	Address	Paid-in capital	Scope of business/production
Parent company Everlight Chemical Industrial Corporation	Sep. 7, 1972	Taipei City	NTD 5,477,522	Color chemicals, Specialty chemicals, pharmaceuticals, and electronic chemicals
Elite, Turkey	Apr. 24, 1989	Turkey	USD 5,604	Merchandising chemical products and materials
Everlight U.S.A.	Apr. 3, 1991	USA	USD 3,000	Merchandising chemical products and materials
Everlight (Hongkong) Ltd.	Jun. 23, 1992	Hong Kong	HKD 10,000	Merchandising chemical products and materials
Everlight Europe B.V. (Netherlands)	Dec. 18, 1996	Netherlands	EUR 227	Merchandising chemical products and materials
Everlight (Singapore) Ltd.	Dec. 18, 1997	Singapore	USD 24,300	Investment as profession
Trend Tone Imaging, Inc.	Apr. 9, 1990	Hsinchu City	NTD 589,680	Production and sale of toner and cartridges for laser printers, photocopiers and fax machines
Ethical (Shanghai) Ltd.	Apr. 6, 1998	Shanghai	USD 1,700	Merchandising chemical products and materials
Ethical (Guangzhou) Ltd.	Dec. 30, 2001	Guangzhou	USD 700	Merchandising chemical products and materials
Everlight (Shanghai) Ltd.	Nov. 15, 2005	Shanghai	USD 1,250	Merchandising chemical products and materials
Everlight (Suzhou) Advanced Chemicals Ltd.	Mar. 15, 2006	Suzhou	USD 20,000	Production and sale of high-tech chemicals for toner and electronics
Everlight Honduras S.A (Honduras)	Jan. 9, 2007	Honduras	USD 200	Merchandising chemical products and materials
Anda Semiconductor Technology (Suzhou) Co., Ltd.	Dec. 18, 2002	Suzhou	USD 1,200	Sale of high-tech chemicals for electronics
Shanghai Anda International Trading Co., Ltd.	Apr. 28, 2011	Shanghai	RMB 1,000	Sale of high-tech chemicals for electronics
DailyCare BioMedical Inc.	Nov. 14, 2003	Taoyuan County	NTD 69,300	Production of medical equipment and provision of biotechnology services
Evershine Investment Corp.	Oct. 28, 2013	Taipei City	NTD 100,000	Investment as profession

3. Presumptive reasons for the presumption of control and subordinate relationship and related information of personnel: None.

4. The industries covered by the business operations of overall affiliates and the division of labor:

(1) All the remaining industries are chemical engineering, except that Evershine Investment Corp. is an investment business and that DailyCare BioMedical Inc. belongs to the medical equipment industry.

(2) Everlight (Singapore) Ltd. is a holding company that indirectly invests in Mainland China.

(3) Everlight U.S.A., Everlight Europe B.V. (Netherlands), Everlight (Hongkong) Ltd. and Elite, Turkey are overseas subsidiaries of the Company, which mainly engage in the sales of the parent company’s products.

(4) Ethical (Shanghai) Ltd., Everlight (Shanghai) Ltd. and Ethical (Guangzhou) Ltd., Everlight (Suzhou) Advanced Chemicals Ltd. and Anda Semiconductor Technology (Suzhou) Co., Ltd. are the Company’s reinvested companies of subsidiaries in China; the remaining companies all focus on selling the products of the parent company, except that Everlight (Suzhou) Advanced Chemicals Ltd. produces and sells the parent company’s color chemicals, electronic chemicals and the toner of affiliates, and that Anda Semiconductor Technology (Suzhou) Co., Ltd. focuses on the sales of electronic chemicals.

(5) Everlight Honduras S.A (Honduras) is the reinvested company of the subsidiary, Everlight U.S.A., which focuses on the sales of the parent company’s products.
Shanghai Anda International Trading Co., Ltd. is the reinvested company of Anda Semiconductor Technology (Suzhou) Co., Ltd., which focuses on the sales of Anda Semiconductor Technology (Suzhou) Co., Ltd.

5. Information of directors, supervisors and general manager of the Company's affiliates:

Mar. 29, 2019

Name of business	Title	Name or representative	Shareholding: Share number (shares)	Shareholding: Shareholding ratio (%)
Everlight U.S.A.	Chairman	Everlight Chemical Industrial Corporation Representative, Chen, Wei-Wang	300,000	100.00
	Director	Everlight Chemical Industrial Corporation Representative, Chen, Chong-Kuang		
	Director	Everlight Chemical Industrial Corporation Representative, Kuo-Pin Weng		
	Chairman and General manager	Everlight Chemical Industrial Corporation Representative, Chen, Chien-Ming		
	Director	Everlight Chemical Industrial Corporation Representative, Tsai, Kuang-Feng		
Everlight (Hongkong) Ltd.	Chairman	Everlight Chemical Industrial Corporation Representative, Chen, Wei-Wang	1,000,000	100.00
	Director	Everlight Chemical Industrial Corporation Representative, Hsiao, Chong-Kun		
	Director	Everlight Chemical Industrial Corporation Representative, Lee, Ming-Wen		
	Manager	Hsu, Jei-Kuang	0	0
Everlight Europe B.V. (Netherlands)	Chairman	Everlight Chemical Industrial Corporation Representative, Chen, Wei-Wang	500	100.00
	Director	Everlight Chemical Industrial Corporation Representative, Tsai, Kuang-Feng		
	Chairman and General manager	Everlight Chemical Industrial Corporation Representative, Yang, Bao-Tai		
Everlight (Singapore) Ltd.	Chairman	Everlight Chemical Industrial Corporation Representative, Chen, Chien-Hsin	24,300,000	100.00
	Director	Everlight Chemical Industrial Corporation Representative, Kuo-Pin Weng		
	Chairman and Manager	Everlight Chemical Industrial Corporation Representative, Lee, Ming-Wen		
	Director	Tan Hwa Seng	0	0
Evershine Investment Corp.	Chairman	Everlight Chemical Industrial Corporation Representative, Chou, De-Kang	10,000,000	100.00
	Director	Everlight Chemical Industrial Corporation Representative, Du, Yi-Zhong		
	Director	Everlight Chemical Industrial Corporation		

Name of business	Title	Name or representative	Shareholding	
			Share number (shares)	Shareholding ratio (%)
		Representative, Huang, Hui-Cing		
	Supervisor	Everlight Chemical Industrial Corporation Representative, Kuo-Pin Weng		
DailyCare BioMedical Inc.	Chairman	Everlight Chemical Industrial Corporation Representative, Chen, Chien-Hsin	6,324,538	91.26
	Director	Everlight Chemical Industrial Corporation Representative, Chan, Po - Yuan		
	Director	Everlight Chemical Industrial Corporation Representative, Chen, Xin-Zhi		
	Director	Industrial Technology Investment Corporation Representative, Chang, Yuan-Zhen	209,300	3.02
	Director	Chuan Ren Chung Yuan Business Incubating investment Co., Ltd.	9,100	0.13
	Supervisor	Ju, Chuen-Fong	18,200	0.26
	General manager	Lai, Zhi-Heng	0	0
Trend Tone Imaging, Inc.	Chairman	Everlight Chemical Industrial Corporation Representative, Chen, Chien-Hsin	44,906,400	76.15
	Director	Everlight Chemical Industrial Corporation Representative, Chen, Wei-Wang		
	Director	Everlight Chemical Industrial Corporation Representative, Chen, Chien-Ming		
	Director	Everlight Chemical Industrial Corporation Representative, Jason Ju		
	Director	Everlight Chemical Industrial Corporation Representative, Huang, Dong-Sheng		
	Chairman and General manager	Everlight Chemical Industrial Corporation Representative, Chiu, Gui-Ying		
	Director	OuYang, Jin-Kun	10,029	0.02
	Supervisor	Huang, Qing-Yuan	996,317	1.69
	Supervisor	Yung-De Investment Co., Ltd. Representative, Kuo-Pin Weng	4,667,750	7.92
Elite, Turkey	Chairman and General Manager	SAMİR GÜNAŞTI	3,942	9.00
	Director	DILER GÜNAŞTI	5,685	12.98
	Vice Chairman	Everlight Chemical Industrial Corporation Representative, Chen, Chien-Hsin	21,900	50.00
	Director	Everlight Chemical Industrial Corporation Representative, Chen, Wei-Wang		
	Director	Everlight Chemical Industrial Corporation		

Name of business	Title	Name or representative	Shareholding	
			Share number (shares)	Shareholding ratio (%)
		Representative, Yang, Bao-Tai		
	Supervisor	Everlight Chemical Industrial Corporation Representative, Lee, Ming-Wen		
	Independent Supervisor	SELÇUK YÜCEL	0	0
	Independent Supervisor	FARUK DELEN	0	0
Everlight Honduras S.A (Honduras)	Chairman and General manager	Everlight U.S.A. Representative, Chen, Sheng-Hui	1,927	51.00
	Director	Everlight U.S.A. Representative, Chen, Chong-Kuang		
	Director	Everlight U.S.A. Representative, Marvin Davis		
	Director	Representative of ABSA, Oscar Guillermo Salazar	1,852	49.00
	Director	Representative of ABSA, Luis Calderon		
	Supervisor	Everlight U.S.A. Representative, Wu, Yu-Fang	1,927	51.00
Ethical (Shanghai) Ltd.	Chairman	Representative of Everlight (Singapore) Ltd., Chen, Wei-Wang	USD1,700,000	100.00
	Director	Representative of Everlight (Singapore) Ltd., Hsiao, Chong-Kun		
	Director	Representative of Everlight (Singapore) Ltd., Kuo-Pin Weng		
	Supervisor	Representative of Everlight (Singapore) Ltd., Chen, Ru-Aei		
	General manager	Liao, Nan-Ming	0	0
Ethical (Guangzhou) Ltd.	Chairman	Representative of Everlight (Singapore) Ltd., Chen, Wei-Wang	USD700,000	100.00
	Director	Representative of Everlight (Singapore) Ltd., Hsiao, Chong-Kun		
	Director	Representative of Everlight (Singapore) Ltd., Kuo-Pin Weng		
	Supervisor	Representative of Everlight (Singapore) Ltd., Lee, Ming-Wen		
	General manager	Chen, Yi-Tang	0	0
Everlight (Shanghai) Ltd.	Chairman	Representative of Everlight (Singapore) Ltd., Chen, Wei-Wang	USD1,250,000	100.00
	Director	Representative of Everlight (Singapore) Ltd., Hsiao, Chong-Kun		
	Director	Representative of Everlight (Singapore) Ltd., Kuo-Pin Weng		
	Supervisor	Representative of Everlight (Singapore) Ltd., Chen, Ru-Aei		
	General manager	Liao, Nan-Ming	0	0
Everlight (Suzhou) Advanced Chemicals Ltd.	Chairman	Representative of Everlight (Singapore) Ltd., Chen, Wei-Wang	USD20,000,000	100.00
	Director	Representative of Everlight (Singapore) Ltd., Huang, Dong-		

Name of business	Title	Name or representative	Shareholding	
			Share number (shares)	Shareholding ratio (%)
		Sheng		
	Director	Representative of Everlight (Singapore) Ltd., Cao, Yin		
	Director	Representative of Everlight (Singapore) Ltd., Du, Yi-Zhong		
	Chairman and General manager	Representative of Everlight (Singapore) Ltd., Jason Ju		
	Supervisor	Representative of Everlight (Singapore) Ltd., Liao, Nan-Ming		
Anda Semiconductor Technology (Suzhou) Co., Ltd.	Chairman	Anda Technology Pte Ltd Representative, Cao, Yin	USD525,000	43.75
	Director	Anda Technology Pte Ltd Representative, Wang, Xue-Mei		
	Director	Representative of Everlight (Singapore) Ltd., Chen, Wei-Wang	USD675,000	56.25
	Director	Representative of Everlight (Singapore) Ltd., Jason Ju		
	Director	Representative of Everlight (Singapore) Ltd., Sun, Zhe-Ren		
	Supervisor	Representative of Everlight (Singapore) Ltd., Chen, Ru-Aei		
	General manager	Tao, Yu-Ju	0	0
Shanghai Anda International Trading Co., Ltd.	Chairman	Anda Semiconductor Technology (Suzhou) Representative, Cao, Yin	RMB1,000,000	100.00
	Director	Anda Semiconductor Technology (Suzhou)Representative, Jason Ju		
	Director	Anda Semiconductor Technology (Suzhou)Representative, Wang, Xue-Mei		
	Supervisor	Anda Semiconductor Technology (Suzhou)Representative, Chen, Ru-Aei		
	General manager	Tao, Yu-Ju	0	0

(II) Operational highlights of business of various affiliates

Unit: TWD thousand

Dec. 31, 2018

Name of business	Capital amount	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit	Net income for the current period (after tax)	EPS (TWD) (after tax)
Parent company Everlight Chemical Industrial Corporation	5,477,522	12,383,264	4,784,125	7,599,139	7,405,726	427,447	401,983	0.73
Elite, Turkey	156,320	335,783	116,180	219,603	574,786	10,771	13,025	297.37
Everlight U.S.A.	86,825	306,751	197,766	108,985	716,263	(5,190)	334	1.11
Everlight (Hongkong) Ltd.	34,580	64,946	20,753	44,193	151,655	4,014	4,867	4.87
Everlight Europe B.V. (Netherlands)	7,890	130,028	93,551	36,477	714,180	(1,386)	1,881	3,762.00
Everlight (Singapore) Ltd.	779,115	928,363	63	928,300	0	0	39,367	1.62
Trend Tone Imaging, Inc.	589,680	1,476,207	632,447	843,760	1,085,942	13,141	5,156	0.09
Ethical (Shanghai) Ltd.	53,326	158,880	21,702	137,178	193,889	8,120	6,614	—
Ethical (Guangzhou) Ltd.	22,919	124,103	52,793	71,310	172,670	5,363	8,461	—
Everlight (Shanghai) Ltd.	39,931	246,147	112,709	133,438	440,183	22,593	16,627	—
Everlight (Suzhou) Advanced Chemicals Ltd.	638,427	1,014,201	505,204	508,997	1,002,380	30,298	756	—
Anda Semiconductor Technology (Suzhou) Co., Ltd.	37,331	94,251	74,058	20,193	175,679	5,706	2,096	—
DailyCare BioMedical Inc.	69,300	25,499	3,334	22,165	4,880	(31,269)	(31,121)	(4.49)
Evershine Investment Corp.	100,000	56,239	50	56,189	0	(73)	(12,180)	(1.22)

Note 1: The numbers of Everlight U.S.A. are the combined ones including Everlight Honduras S.A (Honduras). The numbers of Anda Semiconductor Technology (Suzhou) Co., Ltd. are the combined ones including Shanghai Anda International Trading Co., Ltd.

Note 2: If affiliates are foreign companies, related numbers are listed with NT dollars exchanged at the rate on the reporting date.

(III) Consolidated financial statements of affiliates

Declaration

The Company is required to prepare consolidated financial statements for year 2018 (from January 1 to December 31, 2018) with its subsidiaries under the “Standards for the Preparation of Consolidated Report on Operation, Consolidated Financial Statements, and Report on Affiliations between Parent and Subsidiaries”. Subsidiaries to be included in the consolidated financial statements are identical to that prepared in accordance with IFRS 10 recognized by the FSC, and operation performance of such subsidiaries has been included in the disclosure of the aforementioned consolidated financial statement between parent and subsidiaries and therefore will not be prepared separately.

Issued by

Company name: Everlight Chemical Industrial Corporation

Chairman: Chen, Chien-Hsin

Date: Mar. 28, 2019

(IV) Affiliation Reports: None.

II. Status of private placement of securities: None.

III. Holding or disposal of shares in the Company by the Company's subsidiaries in the most recent year and until the date of publication of the annual report: None.

IV. Other Necessary Supplementary Explanations: None.

V. Any occurrence of the Matters Defined in Term 2, Provision 2, Article 36 of Securities Exchange Act that Have a Significant Impact on Shareholders’ Equity or Security Price during the most recent year and up to the date of publication of this annual report:None.

Eight. Financial Report

I. Consolidated Financial Report

安侯建業聯合會計師事務所
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Independent Auditors' Report

To the Board of Directors of Everlight Chemical Industrial Corporation:

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

1. Revenue recognition

   Please refer to Note 4(n) "Revenue" for accounting policy and Note 6(r) to the consolidated financial statements for the disclosure of revenue recognition.

   Description of key audit matters

   The Group is a listed company in related to public interest, and the investors are highly expecting the financial performance, resulting in revenue recognition is one of the key judgmental areas of our audit.

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How the matter was addressed in our audit

Our major audit procedures included testing of the design and implement of controls over sales and collection of receivable transactions; evaluate if there is any significant abnormal changes through performing trend analysis on top 10 customers by comparing the related changes or differences; assessing and testing if the management obtained sufficient external evidence showing that the controls rewards of ownership have been transferred to the customers, to support the timing of revenue recognition; evaluating the adequacy of revenue recognition by testing the sale transactions during the period before and after the balance sheet date.

2. Valuation of accounts receivable

   Please refer to Note 4(f) "Financial Instruments" for accounting policy, Note 5(a) for accounting assumption, judgments and estimation uncertainty of accounts receivable and Note 6(c) for the disclosure of the valuation of accounts receivable to the consolidated financial statements.

   Description of key audit matters

   Given the challenging economic climate, the risk of receivables recovery remains high, resulting in significant judgment being applied in the management's assessment of the recoverability of accounts receivable. Consequently, this is one of the key judgmental areas of our audit.

   How the matter was addressed in our audit

   Our major audit procedures included testing the adequacy of the formula of the calculation for the expected loss rate; testing the adequacy of aging report by tracing to related vouchers; evaluating the appropriateness of loss allowance and expected credit loss by testing if the loss allowance was made by expected loss rate; assessing if the evaluation document of loss allowance for accounts receivable was compliance with the Group's accounting policy; evaluating the adequacy of the disclosure of loss allowance for accounts receivable prepared by management.

Other Matter

Everlight Chemical Industrial Corporation has prepared its parent-company-only financial statements as of and for the years ended December 31, 2018 and 2017, on which we have issued an unmodified opinion.

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

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

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

Those charged with governance (including the Audit committee) are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period 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 Ya-Ling Chen and Chun-Hsiu Kuang.

KPMG

Taipei, Taiwan (Republic of China)
March 28, 2019

Notes to Readers

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

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and consolidated financial statementsfinancial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2018 and 2017

(expressed inthousands New Taiwan dollars)

	Assets	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 838,593	6	947,185	7
1110	Financial assets at fair value through profit or loss-current (note 6(b))	13,556	-	-	-
1150	Notes receivable, net (notes 6(c) and (r))	333,665	2	274,904	2
1170	Accounts receivable, net (notes 6(c) and (r))	1,470,253	11	1,532,710	11
130X	Inventories (note 6(d))	3,757,724	27	3,392,199	25
1476	Other current financial assets	29,031	-	17,143	-
1479	Other current assets (note 6(h))	134,967	1	137,506	1
	Total current assets	6,577,789	47	6,301,647	46
	Non-current assets:				
1517	Financial assets at fair value through other comprehensive income-non-current (notes 6(b) and (v))	1,035,709	8	-	-
1523	Available-for-sale financial assets-non-current (notes 6(b) and (u))	-	-	1,038,813	7
1543	Financial measured assets at cost-non-current (note 6(b))	-	-	89,200	1
1550	Investments accounted for using equity method (note 6(e))	135,803	1	143,035	1
1600	Property, plant and equipment (notes 6(g) and 9)	5,754,565	42	5,789,476	42
1780	Intangible assets (note 6(i))	131,270	1	119,020	1
1840	Deferred tax assets (note 6(n))	119,722	1	103,989	1
1915	Prepayments for equipment	55,724	-	93,632	1
1980	Other non-current financial assets (notes 6(c) and (r))	4,762	-	5,480	-
1985	Long-term prepaid rents	22,439	-	23,524	-
1990	Other non-current assets	20,243	-	16,802	-
	Total non-current assets	7,280,237	53	7,422,971	54
	Total assets	$ 13,858,026	100	13,724,618	100

	Liabilities and Equity	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current liabilities:				
2100	Short-term borrowings (notes 6(j) and 9)	$ 2,589,403	19	2,063,876	15
2322	Long-term borrowings, current portion (note 6(k))	185,000	1	60,000	-
2150	Notes payable	190,752	1	238,797	2
2170	Accounts payable (note 7)	438,743	3	400,002	3
2209	Other payable (note 6(q))	494,878	4	512,701	4
2213	Payables on equipment	38,697	-	56,920	1
2230	Current tax liabilities	77,128	1	42,102	-
2399	Other current liabilities	56,345	-	40,582	-
	Total current liabilities	4,070,946	29	3,414,980	25
	Non-current liabilities:				
2540	Long-term borrowings (note 6(k))	1,538,988	11	1,913,228	14
2570	Deferred tax liabilities (note 6(n))	68,933	1	55,064	1
2640	Net defined benefit liabilities (note 6(m))	265,963	2	304,568	1
	Total non-current liabilities	1,873,884	14	2,272,860	16
	Total liabilities	5,944,830	43	5,687,840	41
	Equity attributable to owners of parent (notes 6(b), (e), (m), (n), (o), (u) and (v)):				
3100	Common shares	5,477,522	40	5,477,522	40
3200	Capital surplus	473,558	3	473,558	3
3300	Retained earnings	1,797,826	13	1,673,952	12
3400	Other equity	(149,767)	(1)	99,054	2
	Total equity attributable to owners of parent:	7,599,139	55	7,724,086	57
36XX	**Non-controlling interests (notes 6(f) and (o))**	314,057	2	312,692	2
	Total equity	7,913,196	57	8,036,778	59
	Total liabilities and equity	$ 13,858,026	100	13,724,618	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

(expressed in thousands of New Taiwan dollarsexcept for earnings per share)

		2018		2017	
		Amount	%	Amount	%
4000	**Operating revenues (notes 6(r) and (s))**	$ 9,621,019	100	9,169,480	100
5000	**Operating costs (notes 6(d), (g), (i), (l), (m), (q), 7 and 12)**	7,455,801	78	7,199,208	79
5950	**Gross profit from operations**	2,165,218	22	1,970,272	21
6000	**Operating expenses (notes 6(c), (g), (i), (l), (m), (q), 7 and 12):**				
6100	Selling expenses	857,874	9	853,830	9
6200	Administrative expenses	350,388	4	347,459	4
6300	Research and development expenses	430,979	4	406,564	4
6450	Expected credit loss	18,513	-	-	-
	Total operating expenses	1,657,754	17	1,607,853	17
6900	**Net operating income**	507,464	5	362,419	4
7000	**Non-operating income and expenses (notes 6(b), (e), (g) and (t)):**				
7010	Other income	48,639	-	64,797	1
7020	Other gains and losses	61,576	1	131,954	1
7050	Finance costs	(90,824)	(1)	(71,690)	(1)
7060	Share of losses of associates accounted for using equity method	(7,311)	-	(15,088)	-
	Total non-operating income and expense	12,080	-	109,973	1
7900	**Income before income tax**	519,544	5	472,392	5
7950	**Income tax expense (note 6(n))**	111,624	1	102,148	1
8200	**Net income**	407,920	4	370,244	4
8300	**Other comprehensive income (loss) (notes 6(e), (m), (n), (o), (u) and (v)):**				
8310	**Items that may not be reclassified subsequently to profit or loss**				
8311	Gains (losses) on remeasurements of defined benefit plans	(11,898)	-	17,566	-
8316	Unrealized losses from financial assets measured at fair value through other comprehensive income	(250,930)	(3)	-	-
8349	Income tax related to items that may not be reclassified subsequently to profit or loss	7,305	-	(2,986)	-
	Total items that may not be reclassified subsequently to profit or loss	(255,523)	(3)	14,580	-
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	(8,752)	-	(37,777)	-
8362	Unrealized losses on available-for-sale financial assets	-	-	(5,291)	-
8370	Share of other comprehensive income of associates accounted for using equity method	440	-	(1,102)	-
8399	Income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-
	Total items that may be reclassified subsequently to profit or loss	(8,312)	-	(44,170)	-
8300	**Other comprehensive income (after tax)**	(263,835)	(3)	(29,590)	-
8500	**Total comprehensive income**	$ 144,085	1	340,654	4
	Profit attributable to:				
8610	Owners of parent	$ 401,983	4	366,138	4
8620	Non-controlling interests	5,937	-	4,106	-
		$ 407,920	4	370,244	4
	Comprehensive income attributable to:				
8710	Owners of parent	$ 138,502	1	344,353	4
8720	Non-controlling interests	5,583	-	(3,699)	-
		$ 144,085	1	340,654	4
9750	**Basic earnings per share (note 6(p)) (experssed in New Taiwan dollars)**	$	0.73		0.67
9850	**Diluted earnings per share (note 6(p)) (experssed in New Taiwan dollars)**	$	0.73		0.67

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of parent		Retained earnings			
	Common shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total
Balance on January 1, 2017	$ 5,477,522	473,558	914,935	43,346	613,619	1,571,900
Net income	-	-	-	-	366,138	366,138
Other comprehensive income	-	-	-	-	14,589	14,589
Total comprehensive income	-	-	-	-	380,727	380,727
Appropriation and distribution of retained earnings:						
Legal reserve	-	-	46,853	-	(46,853)	-
Cash dividends	-	-	-	-	(273,876)	(273,876)
Changes in ownership interests in subsidiaries	-	-	-	-	(4,799)	(4,799)
Balance on December 31, 2017	5,477,522	473,558	961,788	43,346	668,818	1,673,952
Effects of retrospective application	-	-	-	-	-	-
Balance on January 1, 2018 after adjustments	5,477,522	473,558	961,788	43,346	668,818	1,673,952
Net income	-	-	-	-	401,983	401,983
Other comprehensive income	-	-	-	-	(4,600)	(4,600)
Total comprehensive income	-	-	-	-	397,383	397,383
Appropriation and distribution of retained earnings:						
Legal reserve	-	-	36,614	-	(36,614)	-
Cash dividends	-	-	-	-	(273,876)	(273,876)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	367	367
Balance on December 31, 2018	$ 5,477,522	473,558	998,402	43,346	756,078	1,797,826

	Other equity						
	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Total	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance on January 1, 2017	(26,120)	-	161,548	135,428	7,658,408	321,727	7,980,135
Net income	-	-	-	-	366,138	4,106	370,244
Other comprehensive income	(31,083)	-	(5,291)	(36,374)	(21,785)	(7,805)	(29,590)
Total comprehensive income	(31,083)	-	(5,291)	(36,374)	344,353	(3,699)	340,654
Appropriation and distribution of retained earnings:							
Legal reserve	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(273,876)	(5,626)	(279,502)
Changes in ownership interests in subsidiaries	-	-	-	-	(4,799)	290	(4,509)
Balance on December 31, 2017	(57,203)	-	156,257	99,054	7,724,086	312,692	8,036,778
Effects of retrospective application	-	166,684	(156,257)	10,427	10,427	-	10,427
Balance on January 1, 2018 after adjustments	(57,203)	166,684	-	109,481	7,734,513	312,692	8,047,205
Net income	-	-	-	-	401,983	5,937	407,920
Other comprehensive income	(11,217)	(247,664)	-	(258,881)	(263,481)	(354)	(263,835)
Total comprehensive income	(11,217)	(247,664)	-	(258,881)	138,502	5,583	144,085
Appropriation and distribution of retained earnings:							
Legal reserve	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(273,876)	(4,218)	(278,094)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(367)	-	(367)	-	-	-
Balance on December 31, 2018	(68,420)	(81,347)	-	(149,767)	7,599,139	314,057	7,913,196

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(expressed in thousands of New Taiwan dollars)

	2018	2017
Cash flows from operating activities:		
Income before income tax	$ 519,544	472,392
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	625,014	593,812
Amortization expense	15,056	10,765
Expected credit loss / Provision for bad allowance of impairment	18,513	32,897
Net gains on financial assets at fair value through profit and loss	(70)	(23)
Interest expense	90,824	71,690
Interest income	(4,865)	(5,085)
Dividend income	(43,774)	(59,712)
Share of losses of associates accounted for using equity method	7,311	15,088
Gains on disposal of property, plants and equipment	(250)	(15,500)
Gains on disposal of available-for-sale financial assets	-	(68,962)
Gains on remeasurement of financial assets measured at cost	-	(4,853)
Total adjustments to reconcile profit	707,759	570,117
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	(59,130)	(711)
Accounts receivable and overdue receivable (under other non-current financial assets)	43,196	(83,314)
Inventories	(382,439)	(14,619)
Other current financial assets	(10,531)	41,178
Other current assets	2,717	24,514
Total changes in operating assets	(406,187)	(32,952)
Changes in operating liabilities:		
Notes payable	(48,017)	11,968
Accounts payable	47,299	(11,891)
Other payable	(22,711)	(2,246)
Other current liabilities	15,923	9,712
Net defined benefit liability	(50,502)	(22,780)
Total changes in operating liabilities	(58,008)	(15,237)
Total changes in operating assets and liabilities	(464,195)	(48,189)
Total adjustments	243,564	521,928
Cash inflow generated from operations	763,108	994,320
Interest received	4,851	5,095
Dividends received	43,774	59,712
Income taxes paid	(63,978)	(119,439)
Net cash flows from operating activities	747,755	939,688
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through profit or loss	(131,500)	(93,500)
Proceeds from disposal of financial assets at fair value through profit or loss	118,014	93,523
Proceeds from disposal of available-for-sale financial assets	-	94,584
Acquisition of financial assets at fair value through other comprehensive income	(149,800)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	1,602	-
Acquisition of investments accounted for using equity method	-	(45,000)
Acquisition of property, plants and equipment	(611,435)	(753,814)
Proceeds from disposal of property, plants and equipment	2,441	31,444
Acquisition of intangible assets	(26,696)	(96,616)
Decrease (increase) in other non-current financial assets	816	(833)
Increase in other non-current assets	(3,265)	(7,337)
Decrease in prepayments for equipment	30,677	5,830
Net cash flows used in investing activities	(769,146)	(771,719)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	7,801,071	6,424,754
Decrease in short-term borrowings	(7,268,236)	(6,918,593)
Proceeds from long-term borrowings	150,000	1,500,000
Repayments of long-term borrowings	(400,000)	(828,540)
Cash dividends paid	(273,876)	(273,876)
Interest paid	(97,870)	(78,903)
Subsidiaries distributed cash dividends to non-controlling interests	(4,218)	(5,626)
Increase in non-controlling interests	(354)	(7,515)
Net cash used in financing activities	(93,483)	(188,299)
Effect of exchange rate changes on cash and cash equivalents	6,282	(13,623)
Net decrease in cash and cash equivalents	(108,592)	(33,953)
Cash and cash equivalents at beginning of period	947,185	981,138
Cash and cash equivalents at end of period	$ 838,593	947,185

See accompanying notes to consolidated financial statements.

(expressed in thousands of New Taiwan dollars, unless otherwise specified)

(1) Company history

Everlight Chemical Industrial Corporation (the "Company") was incorporated on September 7, 1972 as a Company limited by shares and registered in accordance with the ROC Company Act. Everlight Chemical Industrial Corporation and subsidiaries ("the Group") engage in manufacturing and selling of dye, UV absorber, specialty chemicals, toners, electronic chemicals, pharmaceutical product and material, chemical intermediary photoresistance, and etc. Please refer to note 14.

(2) Approval date and procedures of the consolidated financial statements:

These consolidated financial statements were authorized for issuance by the board of directors on March 28, 2019.

(3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

(Continued)

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 “Revenue” and IAS 11 “Construction Contracts”.

The following are the nature and impacts on changing of accounting policies:

1) Sales of goods

For the sale of products, revenue is currently recognized by respective transaction terms which is taken to be the point in time at which the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods.

2) Impacts on financial statements

The adoption of IFRS 15 did not have any significant adjustment on the consolidated financial statements.

(ii) IFRS 9 “Financial Instruments”

IFRS 9 replaces IAS 39 “ Financial Instruments: Recognition and Measurement” which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Group adopted the consequential amendments to IAS 1 “Presentation of Financial Statements” which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss. Previously, the Group’s approach was to include the impairment of trade receivables in administrative expenses. Additionally,the Group adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

(Continued)

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available-for-sale financial assets. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(g).

The adoption of IFRS 9 did not have any significant impact on its accounting policies on financial liabilities. .

2) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with the 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see note 4(g).

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

- Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and other equity as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

  — The determination of the business model within which a financial asset is held.

  — The designation of certain investments in equity instruments not held for trading as at FVOCI.

(Continued)

4) Classification of financial assets on the date of initial application of IFRS 9

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

	IAS 39		IFRS 9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Financial Assets				
Cash and equivalents	Loans and receivables (note 1)	947,185	Amortized cost	947,185
Equity instruments	Available-for-sale financial assets (equity instruments) (note 2)	1,038,813	Fair value through other comprehensive income	1,038,813
	Financial assets measured at cost (note 2)	89,200	Fair value through other comprehensive income	99,627
Trade and other receivables	Loans and receivables (note 1)	1,807,614	Amortized cost	1,807,614
Other financial assets (Refundable deposits and others)	Loans and receivables (note 1)	22,623	Amortized cost	22,623

Note 1: Cash and equivalents, notes receivable, accounts receivable, other receivables and other financial assets that were classified as loans and receivable under IAS 39 are now classified as financial assets at amortized cost.

Note 2: These equity securities (including financial assets measured at cost) represent investments that the Group intends to hold for the long-term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI. Accordingly, an increase of $10,427 thousand in those assets recognized, and an increase of $10,427 thousand in the other equity.

(iii) Amendments to IAS 7 "Disclosure Initiative"

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Group present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities as note 6(y).

(Continued)

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16"Leases"

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Group can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Group is assessing the potential impact of using the practical expedient. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

(Continued)

2) Transition

As a lessee, the Group can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases.

On January 1, 2019, the Group plans to initially apply IFRS 16 using the modified retrospective approach, which the amount of right-of-use assets will be determined by the lease liabilities. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance at January 1, 2019, with no restatement of comparative information.

When applying modified retrospective approach leases previously classified as operating leases under IAS 17, the leasee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group will apply the following practical expedients:

- apply a single discount rate to a portfolio of leases with similar characteristics.
- apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.
- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) So far, the most significant impact identified is that the Group will have to recognize the right-of-use assets and the lease liabilities for the operating leases of its offices, factories and warehouses. The Group estimated that the right-of-use assets and the lease liabilities to increase by $361,962 thousand and $339,523 thousand respectively, and long-term prepaid rents decrease by $22,439 thousand, respectively. The Group does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

(Continued)

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date 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

The Group assessed that the above IFRSs may not be relevant to the Group.

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

(4) Summary of significant accounting policies:

The accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language consolidated financial statements, the Chinese version shall prevail.

The significant accounting policies presented in the consolidated financial statements are summarized below. Except note3, note4(g) and note 4(n) for those indicated accounting changes, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations") and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the Financial Supervisory Commission, ROC (hereinafter referred to as "the IFRSs endorsed by the FSC).

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

1) Financial assets (liabilities) instruments measured at fair value through profit or loss are measured at fair value;

(Continued)

2) Financial assets measured at fair value through other comprehensive income (Available-for-sale financial assets) are measured at fair value;

3) The defined benefit liability is recognized as the present value of the defined benefit obligation less plan assets and the effect of the plan assets ceiling disclosure in note 4(o).

(ii) Functional and presentation currency

The functional currency is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan dollars, which is the Company' s functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. When the Company is exposed to the variable remuneration from investing on other individual or sharing the rights of the remuneration, also, is able to influence the rewards, the Company controls the individual.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

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

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholder of parent.

(ii) List of subsidiaries in the consolidated financial statements

			Shareholding percentage		
Name of investor	**Name of subsidiary**	**Principal activity**	**December 31, 2018**	**December 31, 2017**	**Note**
The Company (ECIC)	EVERLIGHT USA, INC. (EVUS)	Selling chemical product and related raw materials	100.00	100.00	-
ECIC	EVERLIGHT (HONG KONG) LIMITED (EVHK)	Selling chemical product and related raw materials	100.00	100.00	-
ECIC	EVERLIGHT CHEMICALS (SINGAPORE) PTE LTD. (EVSG)	Investing business	100.00	100.00	-
ECIC	EVERLIGHT EUROPE B.V. (EVEU)	Selling chemical product and related raw materials	100.00	100.00	-
ECIC	TREND TONE IMAGING, INC. (TTI)	Manufacturing and selling toners of laser printer, copier and fax machine	76.15	76.15	-
ECIC	ELITE FOREIGN TRADING INCORPORATION (ELITE)	Selling chemical product and related raw materials	50.00	50.00	(note)

(Continued)

Name of investor	Name of subsidiary	Principal activity	Shareholding percentage December 31, 2018	Shareholding percentage December 31, 2017	Note
ECIC	DAILYCARE BIOMEDICAL INC. (DCBM)	Manufacturing of medical supplies and providing service of biological technology	91.26	91.26	-
EVSG	ETHICAL INTERNATIONAL TRADING & WAREHOUSING (SHANGHAI) CO., LTD. (ETSH)	Selling chemical product and related raw materials	100.00	100.00	-
EVSG	GUANGZHOU ETHICAL TRADING CO., LTD. (ETGZ)	Selling chemical product and related raw materials	100.00	100.00	-
EVSG	SHANGHAI EVERLIGHT TRADING CO., LTD. (EVSH)	Selling chemical product and related raw materials	100.00	100.00	-
EVSG	EVERLIGHT (SUZHOU) ADVANCED CHEMICALS LTD. (EVSZ)	Manufacturing and selling color chemicals, toners and electronic high-tech chemical product	100.00	100.00	-
EVSG	ANDA SEMICONDUCTOR TECHNOLOGY (SUZHOU) CO., LTD. (ANDA)	Selling electronic high-tech chemical product	56.25	56.25	-
EVUS	EVERLIGHT HONDUARS S.A. de C.V. (EVHOSH)	Selling chemical product and related raw materials	51.00	51.00	-
ANDA	SHANGHAI ANDA INTERNATIONAL TRADING CO., LTD. (ADSH)	Selling electronic high-tech chemical product	100.00	100.00	-
ECIC	GREATLIGHT INVESTMENT COPRORATION (GLTP)	Investing business	100.00	100.00	-

(note): The Company has the right to appoint more than half of members of board of directors and has control over the board of directors. The subsidiary is deemed to be consolidated.

(iii) List of subsidiaries which are not included in the consolidated financial statement: None.

(d) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of the Group at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and the payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate of the date the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Foreign currency differences arising from retranslation are recognized in profit or loss, except for the following differences which are recognized in other comprehensive income:

1) Fair value through other comprehensive income (Available-for-sale) equity investment;

2) A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

3) Qualifying cash flow hedges to the extent that the hedge is effective.

(Continued)

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the reporting currency of the consolidated financial statements at the exchange rates of the reporting date. The income and expenses of foreign operations are translated to the reporting currency of the consolidated financial statements at average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity.

However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of investment in an associate of joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely predicted in the foreseeable future, the foreign currency gains and losses arising from such items are considered to a part of investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(Continued)

(iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issuance of equity instruments that do not affect its classification.

(f) Cash and cash equivalents

Cash comprised of cash on hand and cash in bank. Cash equivalents are those short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits, which meet the above criteria and for the purpose of fulfilling short-term commitments instead of the purpose of investing activities or others, are categorized as cash equivalents.

(g) Financial instruments

(i) Financial assets (applicable from January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on precognition is recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trading date.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of debt investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of debt investments are reclassified to retain earnings instead of profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as a pplicable, using trading date.

Dividend income derived from equity investments is recognized on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trading date.

(Continued)

4) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized cost, notes and accounts receivable, other receivable, refundable deposit and other financial assets).

The Group measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date ; and
- bank balances, other receivable, refundable deposits and other financial assets for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable is always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group holds time deposits for domestic financial institutions, it is considered to be low credit risk.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 365 days past due or the borrower is unlikely to pay its credit obligations to the Group in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

(Continued)

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is ' credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

·significant financial difficulty of the borrower or issuer;

·a breach of contract such as a default or being more than 90 days past due;

·the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

·it is probable that the borrower will enter bankruptcy or other financial reorganization; or

·the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Group recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

(ii) Financial assets (applicable before January 1, 2019)

Financial assets are classified into the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets, non-current financial assets measured at cost and loans and receivables.

1) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

(Continued)

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss, and included in non-operating income and expenses. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade-date accounting.

2) Available for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available for sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and included in the non-operating income and expenses. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade-date accounting.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at amortized cost, and included in financial assets measured at cost.

Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is included in the non-operating income and expenses.

3) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables other than insignificant interest on short term receivables are measured at amortized cost using the effective interest method, less any impairment losses. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade-date accounting.

Interest income is recognized in non-operating income and expenses.

4) Impairment of financial assets

Except for financial assets at fair value through profit or loss, financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

(Continued)

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is considered objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than the those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its 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 is not reversible in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount except for accounts receivable, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available for sale equity security is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available for sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

Impairment losses and recoveries of accounts receivable are recognized in profit or loss; impairment losses and recoveries of other financial assets are recognized in non-operating income and expenses.

5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the assets are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

(Continued)

(iii) Financial liabilities

1) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if it is classified as held for trading or is designated as such on initial recognition. Financial liabilities are classified as held for trading if acquired principally for the purpose of selling in the short term.

Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss, and included in non-operating income and expenses.

2) Other financial liabilities

Financial liabilities not classified as held for trading or designated as at fair value through profit or loss are measured at fair value, plus any directly attributable transaction costs at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capitalized cost is recognized in profit or loss, and included in non-operating income and expenses.

3) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in non-operating income and expenses.

4) Offsetting of financial assets and liabilities

The Group presents financial assets and liabilities on a net basis when the Group has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(iv) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are initially measured at fair value. Any attributable transaction costs thereof are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and are included in the line item of non-operating income and expense. When a derivative is designated as, and effective for, a hedging instrument, its timing of recognition in profit or loss is determined based on the nature of the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset, whereas when the fair value is negative, it is classified as a financial liability.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the non-financial asset's host contract are not closely related to the embedded derivatives and the host contract is not measured at FVTPL.

(Continued)

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition, less any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align their accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. The Group recognizes any changes, proportionately with the shareholding ratio under additional paid in capital, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual controlling power.

Unrealized profits resulting from transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Group's share of losses exceeds its interests in an associate, the carrying amount of the investment, including any long term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent the Group has an obligation or has made payments on behalf of the associate.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately unless the useful life and depreciation method of that significant part are the same as those of another significant part of that same item.

(Continued)

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized in profit or loss, under net other income and expenses.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Group. The carrying amount of those parts of fixed assets that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

1) Buildings 25~55 years

2) Equipment 3~15 years

The depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change is accounted for as a change in accounting estimate.

(k) Intangible assets

(i) Other intangible assets

Other intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(Continued)

(iii) Amortization

The amortizable amount is the cost of an asset less its residual value. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. the estimated useful lives for the current and comparative periods are as follows:

1)	REACH registration related expense	5 years
2)	Others	3-5 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful lifes shall be reviewed at least annually at each fiscal year end. Any changes shall be accounted for as changes in an accounting estimates.

(l) Lease

Leases in which the Group are classified as finance leases. There leases are operating leases and are not recognized in the Group's balance sheets. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

(m) Revenue recognition

(i) Revenue from contracts with customers (applicable from January 1, 2018)

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

1) Sale of goods

The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over use the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

2) Financing components

The group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

(Continued)

(ii) Revenue (applicable before January 1, 2019)

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that a discount will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

(n) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than assets arising from inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. If it is not possible to determine the recoverable amount (the higher of its fair value less costs of disposal and its value in use) for the individual asset, then the Group will have to determine the recoverable amount for the asset's cash generating unit (CGU).

The recoverable amount for an individual asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

There is no goodwill recognized under the Group. An assessment is made at the end of each reporting period as to whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated. An impairment loss recognized in prior periods for an asset other than goodwill is reversed if, and only if, there has been an improvement in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, based on the discounted present value of the said defined benefit obligation. Any unrecognized past service costs and the fair value of any plan assets are deducted for purposes of determining the Group's net defined benefit obligation. The discount rate used in calculating the present value is the market yield at the reporting date of government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. If the calculation results in a benefit to the Group, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In calculating the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

If the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight line basis over the average vesting period. To the extent that the benefits vest immediately, pension cost is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest), and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group the amounts in retained earnings.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(p) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

(Continued)

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

(i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) arising from the transaction.

(ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

(iii) Initial recognition of goodwill.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, which are normally the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

(i) the entity has the legal right to settle tax assets and liabilities on a net basis; and

(ii) the taxing of deferred tax assets and liabilities fulfills one of the below scenarios:

1) levied by the same taxing authority; or

2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset is recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences are also reevaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(q) Earnings per share

The Group discloses the Group's basic and diluted earnings per share attributable to common shareholders of the Group. Basic earnings per share are calculated as the profit attributable to common shareholders of the Group divided by the weighted-average number of common shares outstanding. Diluted earnings per share are calculated as the profit attributable to common shareholders of the Group divided by the weighted-average number of common shares outstanding after adjustment for the effects of all potentially dilutive common shares.

(Continued)

(r) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the consolidated financial statements in conformity with the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

There is no information about judgments made in applying accounting policies that have the significant effects on the amounts recognized in the consolidated financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

In the process of evaluating the potential impairment of tangible and intangible assets other than goodwill, the Group is required to make subjective judgments in determining the independent cash flows, useful lives, expected future income and expenses related to the specific asset groups considering of the nature of the industry. Any changes in these estimates based on changed economic conditions or business strategies and could result in significant impairment charges or reversal in future years. Please refer to note 6(c) for further description of the key assumptions used to determine the recoverable amount.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand	$ 3,332	2,324
Cash in bank	752,469	855,104
Time deposits	82,792	89,757
Cash and cash equivalents	$ 838,593	947,185

Please refer to note 6(v) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

(Continued)

(b) Financial assets and liabilities

(i) Financial assets at fair value through profit or loss:

	December 31, 2018	December 31, 2017
Financial assets mandatorily measured at fair value through profit or loss:		
Monetary market fund	$ 13,556	-

(ii) Financial assets at fair value through other comprehensive income

	December 31, 2018
Stocks listed on domestic and foreign markets	$ 942,940
Domestic unlisted common shares	92,769
Total	$ 1,035,709

The Group designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term for strategic purposes. These investments were classified as available-for-sale financial assets on December 31, 2017.

For the year ended December 31, 2018, the Group has sold financial assets at fair value through other comprehensive income for strategic purposes. The shares sold had a fair value of $1,602 thousand and the Group realized a gain of $367 thousand, which is already included in other comprehensive income. The gain has been transferred to retained earnings.

(iii) Available-for-sale financial assets -non-current

	December 31, 2017
Stocks listed on domestic markets	$ 881,350
Stocks listed on foreign markets	157,463
Total	$ 1,038,813

The proceeds from disposal of available-for-sale financial assets was amounted to $94,584 thousand in for the year ended December 31, 2017. Please refer to note 6(t), for the gains on disposal of available-for-sale financial assets.

(iv) Financial assets measured at cost

	December 31, 2017
Domestic unlisted common shares	$ 89,200

(Continued)

The Group hold 40% shares of 3E Chemical (Suzhou) Co., Ltd. (3ESZ) and became the major shareholder in June, 2017. Because the Group has significant influence over 3ESZ, the investment was accounted for by using the equity method, resulting in a remeasurement gain of $4,853 thousand. However, since the shareholding and the members of its board of directors are less than 50%, the Group has no control over 3ESZ in substance. As a result, 3ESZ is not included in the consolidated financial statements of the Group.

The aforementioned stock investments held by the Group were measured by cost less impairment loss on December 31, 2017. Though the reasonable estimated interval of fair value is significant and the probabilities of every estimate cannot be measured reasonably, which make the management consider the fair value can't be measured reliably.

(v) For credit risk and market risk, please refer to note 6(v).

(vi) As of December 31, 2018, the aforementioned financial assets were not pledged.

(vii) Derivative financial instruments—non-hedge

The Group hold derivative financial instruments to hedge its foreign currency and interest rate exposures. However, the derivative financial instruments do not meet the criteria for hedge accounting. The Group recognized gains on forward exchange contracts and foreign currency options amounted to $11,118 thousand and $8,216 thousand, respectively, in 2018 and 2017.

(c) Receivables

		December 31, 2018	December 31, 2017
Notes receivable	$	333,705	274,956
Accounts receivable		1,506,912	1,562,632
Overdue receivable (under other non-current financial assets)		59,895	87,757
Less: loss allowance		(96,594)	(117,731)
	$	1,803,918	1,807,614

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31, 2018. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision as of December 31, 2018 was determined as follows:

		Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$	1,633,389	0.01%~0.74%	6,143
1 to 90 days past due		172,208	6.07%~20.20%	15,616
91 to 365 days past due		35,020	42.66%	14,940
More than 365 days past due		59,895	100%	59,895
Total	$	1,900,512		96,594

(Continued)

The detail of loss allowance were as follows:

	December 31, 2018	December 31, 2017
Notes receivable	$ 40	52
Accounts receivable	36,659	29,922
Overdue receivable	59,895	87,757
	$ 96,594	117,731

As of December 31, 2017, the Group applies the incurred loss model to consider the loss allowance provision of receivables, and the aging analysis of receivables, which were past due but not impaired, were as follows:

	December 31, 2017
Past due 1 to 90 days	$ 329,098
Past due 91 to 365 days	15,471
	$ 344,569

The movement in the allowance for receivables were as follows:

		2017		
	2018	Individually assessed impairment	Collectively assessed impairment	Total
Balance on January 1, per IAS 39	$ 117,731	59,623	38,274	97,897
Adjustment on initial application of IFRS 9	-			
Balance on January 1, per IFRS 9	117,731			
Impairment losses recognized	18,513	38,407	(5,510)	32,897
Amounts written off	(39,600)	(10,007)	(1,422)	(11,429)
Effect of movements in exchange rates	(50)	(266)	(1,368)	(1,634)
Balance on December 31	$ 96,594	87,757	29,974	117,731

The aforementioned financial assets were not pledged.

(d) Inventories

	December 31, 2018	December 31, 2017
Raw materials	$ 1,043,645	859,303
Supplies	20,545	20,275
Work in progress	698,252	637,663
Finished goods	1,878,919	1,740,475
Materials in transit	116,363	134,483
	$ 3,757,724	3,392,199

(Continued)

In 2018 and 2017, except cost of goods sold and inventories recognized as expenses, the remaining gain or losses which were recognized as operating cost or deduction of operating cost were as follows:

		2018	2017
Losses on valuation of inventories	$	10,987	5,403
Losses on inventory count		3,589	1,226
Unallocated production overheads		206,377	350,913
Losses on obsolescence		11,296	11,746
Scrap income		(4,170)	(4,191)
	$	228,079	365,097

In 2018 and 2017, the expense resulted from obtaining the certification of GMP for pharmaceuticals division was included in unallocated production overheads.

As of December 31, 2018 and 2017, the inventories were not pledged.

(e) Investments accounted for using equity method

(i) The components of investments accounted for using the equity method at the reporting date were as follows:

		December 31, 2018	December 31, 2017
Associates	$	135,803	143,035

Summary of financial information for by the individually insignificant investments in associates accounted for using the equity method were as follows. The aforementioned financial information was included in the consolidated financial statements of the Group.

		December 31, 2018	December 31, 2017
Carrying amount of individually insignificant associates	$	135,803	143,035

		2018	2017
Attributable to the Group:			
Loss from continuing operations	$	(7,311)	(15,088)
Other comprehensive income		440	(1,102)
Total comprehensive income	$	(6,871)	(16,190)

(ii) Pledge

As of December 31, 2018 and 2017, the aforementioned investment accounted for using equity method were not pledged.

(Continued)

(f) Material non-controlling interest of subsidiaries

The material non-controlling interests of subsidiaries were as follows:

Subsidiaries	Main operation place	Percentage of non-controlling interests December 31, 2018	Percentage of non-controlling interests December 31, 2017
TTI	Taiwan	23.85 %	23.85 %

The following information of the aforementioned subsidiaries have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Included in these information are the fair value adjustment made during the acquisition and relevant difference in accounting principles between the Group as at the acquisition date. Intra-group transactions were not eliminated in this information.

	December 31, 2018	December 31, 2017
Current assets	$ 629,679	633,600
Non-current assets	846,528	825,676
Current liabilities	(538,618)	(450,576)
Non-current liabilities	(93,829)	(138,743)
Net assets	$ 843,760	869,957
Non-controlling interest	$ 201,204	207,451

	2018	2017
Operating revenues	$ 1,085,942	1,207,259
Net income	$ 5,156	25,619
Other comprehensive income	(13,663)	(40)
Total comprehensive income	$ (8,507)	25,579
Profit, attributable to non-controlling interests	$ 1,230	6,109
Comprehensive income, attributable to non-controlling interests	$ (3,259)	6,100

	2018	2017
Net cash flows from operating activities	$ 50,258	114,650
Net cash flows from investing activities	(128,366)	(98,435)
Net cash flows from financing activities	45,708	(158,889)
Net decrease in cash and cash equivalents	$ (32,400)	(142,674)
Cash dividend distributed to non-controlling interests	$ 4,218	5,626

(Continued)

(g) Property, plant and equipment

The detail of movement of the property, plant and equipment for the Group were as follows:

		Land	Buildings and construction	Equipment	Construction in progress and equipment to be inspected	Total
Cost:						
Balance on January 1, 2018	$	894,035	4,235,094	8,728,197	474,192	14,331,518
Additions		-	18,588	152,103	248,041	418,732
Disposals		-	(170)	(112,724)	-	(112,894)
Reclassification		-	65,302	429,565	(312,479)	182,388
Effect of movements in exchange rates		118	(5,974)	(14,252)	(143)	(20,251)
Balance on December 31, 2018	$	894,153	4,312,840	9,182,889	409,611	14,799,493
Balance on January 1, 2017	$	896,072	4,082,797	8,367,203	451,986	13,798,058
Additions		-	16,322	135,336	307,218	458,876
Disposals		(1,730)	(19,216)	(151,749)	-	(172,695)
Reclassification		-	161,186	387,356	(284,443)	264,099
Effect of movements in exchange rates		(307)	(5,995)	(9,949)	(569)	(16,820)
Balance on December 31, 2017	$	894,035	4,235,094	8,728,197	474,192	14,331,518
Accumulated depreciation and impairment:						
Balance on January 1, 2018	$	-	2,070,936	6,471,106	-	8,542,042
Depreciation		-	165,775	459,239	-	625,014
Disposals		-	(166)	(110,537)	-	(110,703)
Effect of movements in exchange rates		-	(2,135)	(9,290)	-	(11,425)
Balance on December 31, 2018	$	-	2,234,410	6,810,518	-	9,044,928
Balance on January 1, 2017	$	-	1,918,318	6,194,685	-	8,113,003
Depreciation		-	162,623	431,189	-	593,812
Disposals		-	(7,711)	(149,040)	-	(156,751)
Effect of movements in exchange rates		-	(2,294)	(5,728)	-	(8,022)
Balance on December 31, 2017	$	-	2,070,936	6,471,106	-	8,542,042
Carrying amounts:						
Balance on December 31, 2018	$	894,153	2,078,430	2,372,371	409,611	5,754,565
Balance on January 1, 2017	$	894,035	2,164,158	2,257,091	474,192	5,789,476
Balance on December 31, 2017	$	896,072	2,164,479	2,172,518	451,986	5,685,055

(i) Impairment test

According to IFRS 36 "Impairment of assets", the carrying amounts of the Group's property, plant and equipment are reviewed to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of cash-generating unit (the "CGU") is applying the appropriate discount rate to those future cash flows. Based on the assessment, the recoverable amount of CGU which was evaluated by a value in use exceeds its carrying amount, therefore, there is no impairment loss as of December 31, 2017.

(Continued)

The recoverable amount of the CGU was evaluated by discount rate, and the critical assumptions were made by the cash flow, which was estimated on the basis of future operating plan, changes in industrial business, market competition, the previous experience, actual operating result, and management-approved financial budget.

There is no any indication of impairment for the years ended December 31, 2018.

(ii) For the years ended December 31, 2018 and 2017, the Group capitalized the interest expenses on construction in progress, please amounted to $8,628 thousand and $9,543 thousand respectively, and the monthly interest rate used for capitalization calculation were 0.16% and 0.12~0.19%, respectively.

(iii) As of December 31, 2018 and 2017, the property, plant and equipment of the Group had not been pledged.

(h) Other current assets

	December 31, 2018	December 31, 2017
Prepayments	$ 80,807	81,123
Tax refund receivable	43,034	42,284
Payment on behalf of others	6,653	9,370
Others	4,473	4,729
	$ 134,967	137,506

(i) Intangible assets

	REACH registration related expenses	Others	Total
Cost :			
Balance on January 1, 2018	$ 137,520	8,670	146,190
Additions	16,348	10,348	26,696
Effect of movement in exchange rate	-	(40)	(40)
Balance on December 31, 2018	$ 153,868	18,978	172,846
Balance on January 1, 2017	$ 43,531	5,989	49,520
Additions	93,989	2,627	96,616
Effect of movement in exchange rate	-	54	54
Balance on December 31, 2017	$ 137,520	8,670	146,190
Accumulated amortization:			
Balance on January 1, 2018	$ 22,364	4,806	27,170
Amortization	11,700	2,745	14,445
Effect of movement in exchange rate	-	(39)	(39)
Balance on December 31, 2018	$ 34,064	7,512	41,576

(Continued)

	REACH registration related expenses	Others	Total
Balance on January 1, 2017	$ 13,658	3,270	16,928
Amortization	8,706	1,455	10,161
Effect of movement in exchange rate	-	81	81
Balance on December 31, 2017	$ 22,364	4,806	27,170
Carrying amounts:			
Balance on January 1, 2018	$ 115,156	3,864	119,020
Balance on December 31, 2018	$ 119,804	11,466	131,270
Balance on December 31, 2017	$ 115,156	3,864	119,020
Balance on January 1, 2017	$ 29,873	2,719	32,592

(i) Amortization expense

For the years ended December 31, 2018 and 2017, the amortization of intangible assets are included in the statement of comprehensive income as follows:

	2018	2017
Operating costs	$ 1,284	1,047
Operating expense	13,161	9,114
	$ 14,445	10,161

(ii) Pledge

As of December 31, 2018 and 2017, the intangible assets of the Group were not pledged as collateral.

(j) Short-term borrowings

	December 31, 2018	December 31, 2017
Unsecured bank loans	$ 2,569,426	2,053,898
Short-term notes and bills payable	19,977	9,978
Total	$ 2,589,403	2,063,876
Unused credit lines (including short-term and long-term borrowings)	$ 3,498,523	3,877,806
Range of interest rate	1.16%~5.22%	1.16%~4.79%

As of December 31, 2018 and 2017, the Group issued short-term notes and bills payable through Dah Chung Bills Finance Corp. to obtain funds from the currency market.

(Continued)

(k) Long-term borrowings

	December 31, 2018			
	Currency	**Rate**	**Maturity year**	**Amount**
Unsecured syndicated bank loan	NTD	1.7895%	2015.4~2020.4	$ 498,988
Unsecured bank loans	NTD	1.33%~1.75%	2019.2~2021.8	1,225,000
Less: long-term borrowings, current portion				(185,000)
Total				$ 1,538,988

	December 31, 2017			
	Currency	**Rate**	**Maturity year**	**Amount**
Unsecured syndicated bank loan	NTD	1.7895%	2015.4~2020.4	$ 998,228
Unsecured bank loans	NTD	1.20%~1.79%	2019.6~2021.8	975,000
Less: long-term borrowings, current portion				(60,000)
Total				$ 1,913,228

As of March 5, 2015, the Group entered into a five-year syndicated loan agreement with CTBC Bank and other six banks. The total credit line under this loan agreement is $1,800,000 and is due in five years when the first draw on the loan. The first draw on the loan must be within three months after the date of the contract signed. Every draw on the loan, the amount was restricted to exceed $50,000 and the portion of exceeding $50,000 or unused credit line shall be a multiple of $10,000.

The credit line will be diminished by seven period from the date, that lasted twenty-four months from first draw on the loan and thereafter every six months. The diminished periods and diminished percentage are as follows;

(i) Period 1 to period 3: 10%,

(ii) Period 4 and period 5: 15%,

(iii) Period 6 and period 7: 20%.

When the credit line is diminished, the Group had to redeem the loans if the loan outstanding amount is exceeding to the credit line.

The related financial covenants and restrictions for the syndicated loans mentioned above were as follows:

(i) Current ratio (current assets/current liabilities): shall not be lower than 120%.

(ii) Liability ratio (liabilities/tangible net assets value): shall not be higher than 100%.

(iii) Interest coverage ratio (profit before tax + depreciation + amortization + interest expense) / (interest expense): shall not be lower than 4 time.

(iv) Tangible net assets value (equity minus intangible assets): shall not be lower than $6,000,000 thousand.

(Continued)

The aforementioned ratio and criteria shall be reviewed semi-annually from 2015 based on the year-end consolidated financial statements audited by certified public accountant, and the semi-annual consolidated financial statements reviewed by certified public accountant. The Group was in compliance with the above financial covenants and restrictions.

The Group had not pledged the assets as collateral for bank loans.

(l) Operating lease

Non-cancellable operating lease rentals payable were as follows:

	December 31, 2018	December 31, 2017
Less than one year	$ 37,529	34,674
Between one and five years	53,949	68,996
Over five years	31,941	37,725
	$ 123,419	141,395

The Group leases a number of office, equipment, warehouse and factory facilities under operating leases. The leases typically run for a period of 1 to 5 years, with an option to renew the lease after that date.

For the years ended December 31, 2018 and 2017, the rent expense amounted to $43,559 thousand and $40,958 thousand, respectively, which were recorded as operating costs and operating expenses.

(m) Employee benefits

(i) Defined benefit plans

Reconciliations of defined benefit obligation at present value and plan asset at fair value were as follows:

	December 31, 2018	December 31, 2017
Present value of the defined benefit obligations	$ 909,407	879,453
Fair value of plan assets	(643,444)	(574,885)
Net defined benefit liabilities	$ 265,963	304,568

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan and Insurance account with Bank of Nan Shan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employees to received retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

(Continued)

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance and Insurance account with Bank of Nan Shan amounted to $643,444 thousand as of December 31, 2018. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

For the year ended December 31, 2018 and 2017, the movement in present value of the defined benefit obligations for the Group were as follows:

	2018	2017
Defined benefit obligations as of January 1	$ 879,453	901,240
Current service costs and interest cost	26,789	26,549
Net remeasurements of defined benefit liabilities:		
—Actuarial losses arising from changes in financial assumptions	27,247	(18,402)
Past service credit	-	(5,389)
Benefits paid by the plan	(24,082)	(24,545)
Defined benefit obligations as of December 31	$ 909,407	879,453

3) Movements of defined benefit plan assets

For the years ended December 31, 2018 and 2017, the movement in the fair value of the plan assets were as follows:

	2018	2017
Fair value of plan assets as of January 1	$ 574,885	556,328
Return on plan assets (excluding the interest expense)	8,019	6,344
Net remeasurements of the defined benefit assets:		
—Actuarial gains arising from changes in finanical assumptions	15,349	(836)
Contributions paid by employer	62,717	29,626
Benefits paid	(17,526)	(16,577)
Fair value of plan assets as of December 31	$ 643,444	574,885

(Continued)

4) Expenses recognized in profit or loss

For the years ended December 31, 2018 and 2017, the expenses recognised in profit or losses for the Group were as follows:

	2018	2017
Current service costs	$ 14,748	16,433
Net interest expense of net defined benefit liabilities	4,022	3,772
Curtailment of settlement gains	-	(5,389)
	$ 18,770	14,816

	2018	2017
Operating costs	$ 11,017	11,747
Operating expenses	7,753	3,069
	$ 18,770	14,816

5) comprehensive income

The Group's re-measurement of the net defined benefit liabilities (assets) recognized in other comprehensive income for the years ended December 31, 2018 and 2017, were as follows:

	2018	2017
Accumulated amount as of January 1	$ (164,219)	(181,785)
Recognized during the period	(11,898)	17,566
Accumulated amount as of December 31	$ (176,117)	(164,219)

6) Actuarial assumptions

At the reporting date, the principal actuarial assumptions were as follows:

	December 31, 2018	December 31, 2017
Discount rate	1.125%~1.375%	1.375%~1.625%
Future salary increasing rate	1.270%~1.500%	1.270%~1.500%

The Group expects to make contributions of $28,704 thousand to the defined benefit plans in the next year starting from December 31, 2018.

The weighted-average lifetime of the defined benefits plans is 12.67～15.45 years.

(Continued)

7) Sensitivity analysis

As of December 31, 2018 and 2017, if the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	The impact of defined benefit obligations	
	Increased	**Decreased**
December 31, 2018		
Discount rate decreased (increased) 0.25%	$ 25,525	(20,126)
Future salary increasing rate increased (decreased) 0.25%	19,511	(24,988)
December 31, 2017		
Discount rate decreased (increased) 0.25%	26,076	(20,005)
Future salary increasing rate increased (decreased) 0.25%	20,040	(25,632)

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

The method and assumptions used on current sensitivity analysis is the same as those of the prior year.

(ii) Defined contribution plans

The Group allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of Labor Insurance amounted to $66,261 thousand and $63,272 thousand for the years ended December 31, 2018 and 2017, respectively.

(n) Income taxes

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, and increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing FY 2018.

(Continued)

(i) Income tax expense

The components of income tax expenses for the years ended December 31, 2018 and 2017 were as follows:

		2018	2017
Current tax expense (benefit)			
Current period	$	114,167	99,578
Adjustment for prior periods		(7,984)	4,930
		106,183	104,508
Deferred tax expense (benefit)			
Origination and reversal of temporary differences		8,133	(2,360)
Adjustment in tax rate		(2,692)	-
		5,441	(2,360)
Income tax expense	$	111,624	102,148

The amount of income tax expenses (benefit) recognized in other comprehensive income for the years ended December 31, 2018 and 2017 were as follows:

		2018	2017
Re-measurements of defined benefit plans	$	(7,305)	2,986

Reconciliation of income tax expense and profit before tax for 2018 and 2017 were as follows:

		2018	2017
Profit before tax	$	519,544	472,392
Income tax using the Company's domestic tax rate	$	103,909	80,307
Effect of tax rates in foreign jurisdiction		5,902	23,189
Adjustment in tax rate		(2,692)	-
Gain on disposal of investment		(88)	(11,727)
Dividend revenue		(8,479)	(9,882)
Current-year losses for which no deferred tax assets was recognized		541	4,652
Change in unrecognized temporary difference		8,120	1,242
Tax-exempt income on proceeds from sales of land		-	(3,425)
Undistributed earnings additional tax at 10%		7,561	17,567
Other		(3,150)	225
Total	$	111,624	102,148

(Continued)

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following item:

	December 31, 2018	December 31, 2017
The carryforward of unused tax losses	$ 147,820	130,052
Others	-	5,029
	$ 147,820	135,081

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilized the benefits therefrom.

As at December 31, 2018, the information of the Group's unutilized business losses, for which no deferred tax assets were recognized, are as follow:

Year of loss	Unutilized business loss	Expiry date
2009	$ 10,471	2019
2010	9,024	2020
2011	7,462	2021
2012	9,353	2022
2013	8,986	2023
2014	15,986	2024
2015	14,077	2025
2016	16,679	2026
2017	27,364	2027
2018	28,418	2028
	$ 147,820	

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2018 and 2017 were as follows:

Deferred tax assets:

	Loss allowance of receivables	Allowance for valuation of inventories	Defined benefit plans	Other	Total
Balance as of January 1, 2018	$ 13,300	6,105	52,658	31,926	103,989
Recognized in profit or loss	3,329	(6)	616	4,489	8,428
Recognized in other comprehensive income	-	-	7,305	-	7,305
Balance as of December 31, 2018	$ 16,629	6,099	60,579	36,415	119,722

(Continued)

		Loss allowance of receivables	Allowance for valuation of inventories	Defined benefit plans	Other	Total
Balance as of January 1, 2017	$	7,098	5,136	58,635	31,991	102,860
Recognized in profit or loss		6,202	969	(2,991)	(65)	4,115
Recognized in other comprehensive income		-	-	(2,986)	-	(2,986)
Balance as of December 31, 2017	$	13,300	6,105	52,658	31,926	103,989

Deferred tax liabilities:

		Unrealized investment income under equity method	Unrealized foreign exchange gains	Other	Total
Balance as of January 1, 2018	$	(52,296)	(2,265)	(503)	(55,064)
Recognized in profit or loss		(14,712)	340	503	(13,869)
Balance as of December 31, 2018	$	(67,008)	(1,925)	107	(68,933)
Balance as of January 1, 2017	$	(52,224)	-	(1,085)	(53,309)
Recognized in profit or loss		(72)	(2,265)	582	(1,755)
Balance as of December 31, 2017	$	(52,296)	(2,265)	(503)	(55,064)

(iii) The Company's income tax return for the years through 2016 were assessed and approved by the tax authorities.

(o) Capital and other equity

(i) Common share

As of December 31, 2018 and 2017, the Company's authorized share capital consisted of 800,000 thousand shares of common share, with $10 dollars par value per share, of which 547,752 thousand shares, respectively, were issued and outstanding.

(ii) Capital surplus

The balance of capital surplus as of December 31, 2018 and 2017, were as follows:

		December 31, 2018	December 31, 2017
Cash subscription in excess of par value of shares	$	462,559	462,559
Treasury share transactions		10,999	10,999
	$	473,558	473,558

(Continued)

According to the ROC Group Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

In accordance with the amendment to Company's article of incorporation on June 8, 2017, it stipulates that the Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance is to be appropriated as follows:

1) Legal reserve should be at 10%.

2) Special reserve should be appropriated (reversed) in accordance with related rules.

3) Remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

The Company's dividend policy is as follows:

In order for the requirement of future investment, the cash dividend ratio should not exceed 50% of total dividends. However, if the dividend of current year is not exceeded $1 dollar per share, the dividend policy is not restricted by aforementioned restriction.

In accordance with on the amendment to Company's article of incorporation on June 8, 2017, in order for the requirement of future investment and shareholders' interest, the dividend payment is not lower than 50% of net profit of current year deduct legal reserve and the payment of cash dividend should exceed 25% of total dividends.

1) Legal reserve

According to the ROC Company Act, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of total capital. When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and the distribution amount is limited to the portion of legal reserve which exceeds 25% of the paid-in capital.

2) Special reserve

The Company adopted to exemptions of IFRS 1 First-time Adoption of International Financial Reporting Standards of first time adoption in accordance with the IFRSs approved by the FSC. Based on the exemptions, the Company increased retained earnings amounted to $132,824 thousand from reserve for revaluation increment and cumulative translation adjustments (gains). In accordance with Rule No. 1010012865 issued by the FSC on April 6, 2012, the Company shall reserve a special reserve amounted to $18,752 thousand, which is same as the increased amount at first time adoption of IFRSs. The Company shall reverse to distribute of earnings proportionately based on the prior special reserve when the related assets had been used, disposal or reclassified. As of December 31, 2018 and 2017, the special reserve is amounted to $18,646 thousand.

According to the aforementioned ruling, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal to the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve to account for cumulative changes to other shareholders' equity, and does not qualify for earnings distribution. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

As of December 31, 2018 and 2017, the Company appropriated special reserve amounted to $24,700 thousand based on the income tax temporary difference.

(iv) Distribution of earnings

Distribution of earnings for 2017 and 2016 have been approved by the general meeting of shareholders held on June 6, 2018 and June 8, 2017, respectively. The relevant dividend distributions to shareholders were as follows:

	2017		2016	
	Amount per share	**Amount**	**Amount per share**	**Amount**
Dividends distributed to ordinary shareholders:				
Cash	$ 0.50	$ 273,876	0.50	273,876

On March 28, 2019, the Company's Board of Directors proposed to resolved to appropriate the 2018 earnings. These earnings will be appropriated as follows:

	2018	
	Amount per share	**Amount**
Dividends distributed to ordinary shareholders:		
Cash	$ 0.50	$ 273,876

(Continued)

(v) Other equity (net of tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Non-Controlling interest	Total
Balance on January 1, 2018	$ (57,203)	-	156,257	2,643	101,697
Effects of retrospective application	-	166,684	(156,257)	-	10,427
Balance on January 1, 2018 after adjustments	(57,203)	166,684	-	2,643	112,124
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(247,664)	-	(3,266)	(250,930)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(367)	-	-	(367)
Exchange differences on translation of foreign financial statements	(11,657)	-	-	2,905	(8,752)
Exchange differences on associates accounted for using equity method	440	-	-	-	440
Balance on December 31, 2018	$ (68,420)	(81,347)	-	2,282	(147,485)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Non-Controlling interest	Total
Balance on January 1, 2017	$ (26,120)	161,548	10,439	145,867
Exchange differences on translation of foreign financial statements	(29,981)	-	(7,796)	(37,777)
Exchange differences on associates accounted for using equity method	(1,102)	-	-	(1,102)
Unrealized gains (losses) on available-for-sale financial assets	-	(5,291)	-	(5,291)
Balance on December 31, 2017	$ (57,203)	156,257	2,643	101,697

(p) Earning per share

For the December 31, 2018 and 2017, the Group' s earnings per share were calculated as follows:

	2018	2017
Basic earning per share		
Profit attributable to common shareholders of the Company	$ 401,983	366,138
Weighted-average number of common shares outstanding	$ 547,752	547,752
Basic earnings per share (express in New Taiwan dollar)	$ 0.73	0.67

(Continued)

		2018	2017
Diluted earning per share			
Profit attributable to common shareholders of the Company	$	401,983	366,138
Weighted-average number of common shares outstanding (basic)		547,752	547,752
Effect of employee compensation		1,952	1,559
Weighted-average number of common shares outstanding (diluted)		549,704	549,311
Diluted earnings per share (express in New Taiwan dollar)	$	0.73	0.67

(q) Employees compensation and directors' remuneration

In accordance with the articles of incorporation, the Company should contribute 5% of the profit as employee compensation and a maximum of 2% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2018 and 2017, the Company estimated its employee compensation amounting to $26,554 thousand and $23,357 thousand and directors' remuneration amounting to $10,622 thousand and $9,343 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles.These remunerations were expensed under operating costs or operating expenses for each period. Related information would be available at the Market Observation Post System website. The amounts, as stated in the parent-company-only financial statements, are identical to those of the actual distributions for 2018 and 2017.

(r) Revenue from contract with customers

(i) Disaggregation of revenue

		For the year ended December 31, 2018						
		Color chemicals	Specialty chemicals	Electronic chemicals	Toners	Pharmaceuticals	Others	Total
Primary geographical markets:								
Taiwan	$	564,269	247,396	846,817	41,667	4,454	4,880	1,709,483
America		333,559	493,530	-	206,313	43,156	-	1,076,558
Asia		2,876,144	916,123	232,088	964,249	68,267	-	5,056,871
Europe		654,630	433,233	236	371,814	66,430	-	1,526,343
Other		95,209	70,572	-	43,677	42,306	-	251,764
	$	4,523,811	2,160,854	1,079,141	1,627,720	224,613	4,880	9,621,019
Major products:								
Chemicals	$	4,523,811	2,160,854	1,079,141	-	-	-	7,763,806
Toners		-	-	-	1,627,720	-	-	1,627,720
Other		-	-	-	-	224,613	4,880	229,493
	$	4,523,811	2,160,854	1,079,141	1,627,720	224,613	4,880	9,621,019

(Continued)

(ii) Contract balance

	December 31, 2018	January 1, 2018
Receivables	$ 1,900,512	1,925,345
Less: loss allowance	(96,594)	(117,731)
	$ 1,803,918	1,807,614

For the detail on receivables and loss allowance, please refer to note 6(c).

(s) Revenue

For the year ended December 31, 2017, the revenue were as follows:

	2017
Sales of goods	$ 9,169,480

(t) Non-operating income and expenses

(i) Other income

	2018	2017
Interest income	$ 4,865	5,085
Dividend income	43,774	59,712
	$ 48,639	64,797

(ii) Other gains and losses

	2018	2017
Foreign exchange gains (losses), net	$ (5,979)	4,146
Gains on disposal of available-for-sale financial assets	-	68,962
Net gains (losses) on disposal of financial assets and liabilities at fair value through profit or loss	70	23
Gains (losses) on disposal of property, plant and equipment	250	15,500
Gains on remeasurment of financial assets measured at cost	-	4,853
Others	67,235	38,470
	$ 61,576	131,954

(iii) Finance costs

	2018	2017
Interest expense	$ 99,452	81,233
Less: capitalization of interest	(8,628)	(9,543)
	$ 90,824	71,690

(Continued)

(u) Reclassification adjustments of components of other comprehensive income

The reclassification adjustments of components for other comprehensive income were as follows:

		2017
Available-for-sale financial assets		
Change in fair value reclassified to profit or loss	$	63,671
Net change in fair value		(68,962)
Net change in fair value recognized in other comprehensive income	$	(5,291)

(v) Financial instruments

(i) Credit risk

1) Credit risk exposure

As of December 31, 2018 and 2017, the Group's exposure to credit risk and the maximum exposure were mainly from:

a) The carrying amount of financial assets recognized in the balance sheet; and

b) The amounts which the Company providing financial guarantees were $61,430 thousand and $59,520 thousand, respectively.

2) Concentration of credit risk

The Group has exposure to credit risk of individual counterparty or group of counterparties with similar credit characteristics. Those related parties of which having transactions with the Group are regarded as group of counterparties with similar credit characteristics. There was no concentration of credit risk.

3) Receivables and debt securities

For credit risk exposure of receivables, please refer note 6(c).

Other financial assets at amortized cost includes other receivables and refundable deposits. There were no loss allowance provision for the year ended December 31, 2018 and 2017. All of these financial assets are condidered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. (Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(g).

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payable and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	within 1 year	1~2 years	2~5 years	Over 5 years
December 31, 2018						
Non-derivative financial liabilities						

(Continued)

	Carrying amount	Contractual cash flows	within 1 year	1~2 years	2~5 years	Over 5 years
Short-term borrowings	$ 2,589,403	2,593,766	2,593,766	-	-	-
Notes payable	190,752	190,752	190,752	-	-	-
Accounts payable	438,743	438,743	438,743	-	-	-
Other payable	335,864	335,864	335,864	-	-	-
Payables on equipment	38,697	38,697	38,697	-	-	-
Long-term borrowings (including current portion)	1,723,988	1,771,864	194,194	1,274,694	302,976	-
	$ 5,317,447	5,369,686	3,792,016	1,274,694	302,976	-
December 31, 2017						
Non derivative financial liabilities						
Short-term borrowings	$ 2,063,876	2,067,279	2,067,279	-	-	-
Notes payable	238,797	238,797	238,797	-	-	-
Accounts payable	400,002	400,002	400,002	-	-	-
Other payable	320,817	320,817	320,817	-	-	-
Payables on equipment	56,920	56,920	56,920	-	-	-
Long-term borrowings (including current portion)	1,973,228	2,046,538	60,360	739,655	1,246,523	-
	$ 5,053,640	5,130,353	3,144,175	739,655	1,246,523	-

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

	December 31, 2018			December 31, 2017		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD	$ 31,748	30.72	975,285	39,764	29.76	1,183,365
JPY	319,386	0.28	89,562	264,083	0.26	68,662
RMB	62,722	4.47	380,367	71,743	4.57	327,864
Non-monetary items						
JPY	200,900	0.28	55,890	596,000	0.26	157,463
Financial liabilities						
Monetary items						
USD	52,880	30.74	1,575,637	51,597	29.76	1,535,528
JPY	122,129	0.28	34,196	222,929	0.26	57,962
RMB	6,312	4.50	28,130	5,620	4.57	25,685

(Continued)

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, loans and borrowings, and accounts payable that are denominated in foreign currency. A strengthening (weakening) 1% of appreciation (depreciation) of the NTD against the USD, JPY and RMB for the years ended December 31, 2018 and 2017, would have changed the profit by $1,542 thousand and $326 thousand, respectively, and equity by $559 thousand and $1,575 thousand, respectively. The analysis is performed on the same basis for 2018 and 2017.

3) Foreign exchange gains and losses on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gains (losses) on monetary items is disclosed by total amount. For the years ended December 31, 2018 and 2017, foreign exchange gains (losses) (including realized and unrealized portions) are exchange losses amounted to $5,979 thousand, exchange gains amounted to $4,146 thousand, respectively.

(iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expresses as the interest rate increase or decreases by 1% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased/decreased by 1%, the Group's profit would have decreased/increased by $34,507 thousand and $33,508 thousand, respectively, for the years ended December 31, 2018 and 2017, with all other variable factors that remain constant. This is mainly due to the Group's borrowing at floating rates.

(v) Other price riks

If the equity price changes, and if it is based on the same basis for both year and assumes that all other variables remain the same, the impact to other comprehensive income will be as follows:

	2018		2017	
Equity priee at reporting day	**Other comprehensive income after tax**	**Net income**	**Other comprehensive income after tax**	**Net income**
Increase 1%	$ 10,357	-	10,388	-
Decrease 1%	$ (10,357)	-	(10,388)	-

(Continued)

(vi) Fair value of financial instruments

1) Categories and fair values of financial instruments

The fair value of financial assets and liabilities at fair value through profit and loss and financial assets at fair value through other comprehensive income (available-for-sale financial assets) is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows, however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

	December 31, 2018				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss					
Monetary market fund	$ 13,556	13,556	-	-	13,556
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic and forergn markets	942,940	942,940	-	-	942,940
Domestic unlisted common shares	92,769	-	-	92,769	92,769
Subtotal	1,035,709	942,940	-	92,769	1,035,709
Financial assets measured at amortized cost					
Cash and cash equivalents	838,593	-	-	-	-
Notes and accounts receivable	1,803,918	-	-	-	-
Other financial assets	33,793	-	-	-	-
Subtotal	2,676,304	-	-	-	-
Total	$ 3,725,569	956,496	-	92,769	1,049,265
Financial liabilities measured at amortized cost					
Bank loans	$ 4,313,391	-	-	-	-
Notes and accounts payable	629,495	-	-	-	-
Other payable	335,864	-	-	-	-
Payables on equipment	38,697	-	-	-	-
Subtotal	5,317,447	-	-	-	-
Total	$ 5,317,447	-	-	-	-

(Continued)

	December 31, 2017				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Stocks listed on domestic and foreign markets	$ 1,038,813	1,038,813	-	-	1,038,813
Financial assets measured at cost	89,200	-	-	-	-
Subtotal	1,128,013	1,038,813			1,038,813
Loans and receivables					
Cash and cash equivalents	947,185	-	-	-	-
Notes and accounts receivable	1,807,614	-	-	-	-
Other financial assets	22,623	-	-	-	-
Subtotal	2,777,422	-	-	-	-
Total	$ 3,905,435	1,038,813	-	-	1,038,813
Financial liabilities measured at amortized cost					
Bank loans	$ 4,037,104	-	-	-	-
Notes and accounts payable	638,799	-	-	-	-
Other payable	320,817	-	-	-	-
Payables on equipment	56,920	-	-	-	-
Subtotal	5,053,640	-	-	-	-
Total	$ 5,053,640	-	-	-	-

2) Valuation techniques for financial instruments measured at fair value

a) Non-derivative instruments

The fair value of financial instruments traded in an active market is based on the quoted market prices. The quotations, which is published by the main exchange center, is included in the fair value of the listed securities instruments in an active market with open bid.

A financial instrument is regarded as the quoted price in an active market if the quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency; and if those prices represent the actual and regularly occurring market transactions on an arm's length basis. Otherwise, the market is deemed to be inactive. Normally, a market is considered to be inactive as follows:

i) the bid-ask spread is increasing; or

ii) the bid-ask spread varies significantly; or

iii) there has been a significant decline in trading volume.

When the financial instrument of the Group is traded in an active market, its fair value is illustrated by the category and nature as follows:

- The fair value of stocks listed on domestic and foreign markets, which are the financial assets with standard terms and conditions and traded in an active market, are based on the market closing prices.

Except the aforementioned financial instruments, with active market the others' fair value is based on valuation techniques. Fair value, measured by using valuation technique that can be extrapolated from either similar financial instruments or discounted cash flow method or other valuation techniques, including models, is calculated based on available market data at the reporting data.

When the financial instrument of the Group is traded in an inactive market, its fair value is illustrated by the category and nature as follows:

- Unquoted equity instruments: the fair value of financial instruments transactions in an inactive market, which is valued by comparable method. The main hypothesis is referred from the quotations of comparable listed companies and earning multiplies of PBR proportion as basic, which is adjusted by the discount affections of equity securities lacking market liquidity.

b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models. Fair value of forward currency is usually determined by the forward currency exchange rate.

3) Transfers between Level 1 and Level 2

The Group didn't have any fair value transfer between levels for the years ended December 31, 2018 and 2017.

4) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income Unquoted equity instruments
Balance on adjustment January 1, 2018	$ 89,200
Total gains or losses:	
Recognized in other comprehensive income	3,569
Balance on December 31, 2018	$ 92,769

(Continued)

The aforementioned total gains or losses were included "unrealized gains (losses) on equity investment measured at fair value through other comprehensive income", which related to holding assets on December 31, 2018 were as follows:

	December 31, 2018
Recognized in other comprehensive income	$ 3,569

5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value were "financial assets measured at fair value through other comprehensive income – debt investments".

Most of the Group's financial instruments that use level 3 inputs to measure fair value have multiple significant unobservable inputs. There is no correlation existence among the significant unobservable inputs of equity investments that have no active markets because they were independent of each other.

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobse rvable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets measured at fair value through other comprehensive income- equity investments without an active market	Comparable Listed companies approach	• Price-Book Ratio (as of December 31, 2018 was 3.77) • Market liquidity discount rate (as of December 31, 2018 was 20%)	• The estimated fair value would increse if the multiplier was higher. • The estimated fair value would decrease if market liquidity discount rate was higher.

6) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The Group's measurements of financial instruments' fair value were reasonable, only if using different variables leading different results. For the fair value measurements in level 3, if changing valuation variables, would have the following effects on other comprehensive income on December 31, 2018:

		Fair value variation on other comprehensive income	
Inputs	Upwards or Downwards	Favorable	Unfavorable
Price-book ratio	5%	4,505	(4,505)
Market liquidity discount rate	5%	4,739	(4,739)

The favourable and unfavourable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

(Continued)

(w) Financial risk management

(i) Overview

The Group have exposures to the following risks from its financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

Detailed information about exposure risk arising from the aforementioned risk and the Group's objective, policies and process for managing risks have been stated below. Further quantitative disclosures have been disclosed as notes to the consolidated financial statements.

(ii) Risk management framework

The Group's inter departmental management and committee, which consists of general manager and managers from all departments, including manufacturing, research and development, environment, health and safety, financial and audit, is responsible to hold a meeting regularly for monitoring the Group's risk management policies.

The executive and responsible departments of risk management are as follows:

1) Financial risk, liquidity risk, credit risk and legal risk: based on regulations, government policy and analysis of market change, financial division and legal division make the strategy to reflect, then execute the strategy. The internal auditor reviews the risks control and procedures for the aforementioned risks.

2) Market risk: the Group's SBUs and functional division are responsible to make the strategy to identify risk based on regulation, government policy and analysis of market change, then execute the strategy. In order to manage the risk of market change dramatically, management with SBUs managers will establish a task force when it is necessary.

3) Operating strategy risk: in order to monitor the operating strategy in compliance with the Group's vision and meet the operating goals, general manager division with management of SBUs will evaluate the risk of operational policy through performance evaluation periodically.

The Group's Audit Committee oversees how management monitors counterparty with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's Audit Committee is assisted in its oversight role by the internal auditor. The internal auditor undertakes both regular and exceptional reviews of risk management controls and the procedures, and the result of which are reported to the Audit Committee.

(Continued)

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or compterparty to financial instruments fails to meet it contractual obligations that arises principally from the Group's accounts receivable and investments in securities.

1) Accounts receivable and other receivable

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. According to the credit policy, the Group analyze each new customer individually for their credit worthiness before granting the new customer standard payment terms. Credit lines are established for each customer and reviewed periodically.

The Group did not require any collateral for accounts receivable and other receivable.

2) Investments

The credit risk exposure in the bank deposits, and equity instruments are measured and monitored by the Group's finance department. Since the Group's transactions resulted from the external parties with good credit standing highly rated financial institutions, publicly-traded stock companies and unlisted companies with good reputation, there are no incompliance issues and therefore no significant credit risk.

3) Guarantees

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries.

(iv) Liquidity risk

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

Loans and borrowings from the bank form an important source of liquidity for the Group. As of December 31, 2018 and 2017, the Group's unused credit line were amounted to $3,498,523 thousand and $3,877,806 thousand, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risk. All such transactions are carried out within the guidelines of derivative transaction management set by the board of directors and general meeting of shareholders and the related financial transactions are under oversight by internal auditor. The management of the Group's market risk are as follows:

1) Currency risk

The Group is exposed to currency risk on foreign currency assets and liabilities resulted from operating, financing and investing activities. The Group hedges the currency risk by derivatives. Most of the foreign exchange gains and losses arising from foreign currency assets and liabilities will be offset by the gains or losses on derivative instruments. The Group may reduce the currency risk through derivative instruments but do not avoid all of the currency influence resulted from foreign currency exchange.

The Group monitors the exposure of individual foreign currency assets and liabilities periodically. When necessary, the Group uses foreign currency options and forward exchange contracts to hedge above currency risk exposure. The duration of foreign currency options and forward exchange contracts are within one year and do not meet the criteria for hedge accounting.

2) Interest rate risk

The Group's exposure of interest rate risk is mainly from floating-rate loans. Any change in interest rates will cause influence in the effective interest rates of loans and thus cause the alternation of future cash flows. The Group enters into and designates interest rate swaps and other capital market financing as hedges of the variability in cash flows by continuing to review the interest rate variability in order to control the financial cost at the relatively low in market interest rate.

3) Other market price risk

The Group monitors the risk arising from its available-for-sale security instruments, which are held for monitoring cash flow requirements and unused capital. The management of the Group monitors the combination of equity securities in its investment portfolio based on cash flow requirements. Material investments within the portfolio are managed on an individual basis, and all buy-and-sell decisions are approved by the Board of Directors.

(x) Capital management

The Board's policy is to keep a strong capital base in order to maintain investor, creditor and market confidence, and to sustain future development of the business. Capital consists of ordinary shares, paid-in capital, retained earnings and non-controlling interest of the Company. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

(Continued)

	December 31, 2018	December 31, 2017
Total liability	$ 5,944,830	5,687,840
Less: cash and cash equivalents	838,593	947,185
Net liability	$ 5,106,237	4,740,655
Total equity	$ 7,913,196	8,036,778
Debt-to-equity ratio	65 %	59 %

There were no change in the Group's approach to capital management for the year ended December 31, 2018.

(y) Investing and financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2018	Cash flows	Non-cash changes		December 31, 2018
			Foreign exchange movement	Other	
Short-term borrowings	$ 2,063,876	532,835	(7,308)	-	2,589,403
Long-term borrowings	1,973,228	(250,000)	-	760	1,723,988
Total liabilities from financing activities	$ 4,037,104	282,835	(7,308)	760	4,313,391

(7) Related-party transactions:

(a) Names and relationship with related parites

The following is the entity that has had transactions with related party during the periods covered in the consolidated financial statements.

Name of related party	Relationship with the Group
Chung Hwa Chemical Industrial Works, Ltd. (CHCIW)	The entity's chairman is the director of the Company

(b) Significant transactions with related parties

(i) Purchase

The amounts of significant purchases by the Group from related parties were as follows:

	2018	2017
CHCIW	$ 35,957	42,456

The prices, payment terms and other terms and conditions of purchase transactions with related parties were not materially different from those of the third-party vendors.

(Continued)

(ii) Payables to related parties

Account	Name of related party	December 31, 2018	December 31, 2017
Accounts payable	CHCIW	$ 2,167	3,954

(c) Key management personnel compensation

	2018	2017
Short-term employee benefits	$ 32,133	33,839
Post-employment benefits	834	863
	$ 32,967	34,702

(8) Pledged assets: None.

(9) Commitments and contingencies:

(a) The Group's unrecognized contractual commitment are as follows:

	December 31, 2018	December 31, 2017
Acquisition of property, plant and equipment	$ 344,814	284,455

(b) The Group's outstanding standby letter of credit are as follows:

	December 31, 2018	December 31, 2017
Outstanding standby letter of credit	$ 306	1,717

(10) Losses due to major disasters: None.

(11) Subsequent events: None.

(12) Other:

(a) A summary of employee benefits, depreciation, and amortization, by function, is as follows:

By function / By item	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	776,473	618,847	1,395,320	763,948	594,132	1,358,080
Labor and health insurance	71,264	58,755	130,019	71,144	59,517	130,661
Pension	47,215	37,816	85,031	47,126	30,962	78,088
Remuneration of directors	-	19,740	19,740	-	18,427	18,427
Others	34,499	27,872	62,371	34,607	26,559	61,166
Depreciation	493,602	131,412	625,014	472,493	121,319	593,812
Depletion	-	-	-	-	-	-
Amortization(note)	1,284	13,772	15,056	712	10,053	10,765

(Note) The amortization expenses included long-term prepaid rent, amountd to $611 thousand amd $604 thousand, respectively for the year ended December 31, 2018 and 2017.

(Continued)

(13) Other disclosures:

(a) Information on significant transactions

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the year ended December 31, 2018:

(i) Loans to other parties:

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 2)	Transaction amount for business between two parties	Reasons for short-term financing	Loss allowance bad debt	Collateral		Individual funding loan limits (Note 1)	Maximum limit of fund financing (Note 1)
													Item	Value		
0	ECIC	EVSZ	Other receivable from related parties	Yes	154,750	-	-	-	2	-	Short-term operation financing	-	NA	-	759,913	3,039,655

Note1 : According to the Company's Operating Procedures of Fund Lending and Guarantee, the amount of loaned fund shall be limited to 40% of the lending company's net worth. The individual lending amount shall not exceed 10% of the lending company's net worth.

Note2 : The nature of financing as follow:

1. Business transaction calls for a loan arrangement.
2. The need for short-term financing.

2. Guarantees and endorsements for other parties

Number	Name of guarantor	Counter -party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 1)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements Amount	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 1)	Parent company endorsements/guarantees to subsidiary	Subsidiary endorsements/guarantees to parent company	Endorsements/guarantees to the companies in mainland China
		Name	Relationship with the Company (Note 2)										
0	ECIC	EVUS	Subsidiary	759,913	61,900	61,430	30,715	-	0.81	1,899,784	Yes	No	No

Note1 : According to the Company's Operating Procedures of Fund Lending and Guarantee, the amount of guarantees shall be limited to 25% of the Company's net worth. The individual guarantee amount shall not exceed 10% of the Company's net worth.

Note2 : The relationship of guarantee and endorsement with the Company and counter-party:

1. The Company that has a business relationship with endorsement/guarantee provider.
2. A subsidiary in which endorser/guarantor provider holds directly over 50% of equity interest.
3. An investee in which endorsement/guarantee provider and its subsidiaries hold over 50% of equity interest.
4. An investor which holds directly or indirectly over 50% of equity interest of endorser/guarantor provider.
5. The Company that has provided guarantees to endorsement/guarantee provider, and vice versa, due to contractual requirements.
6. An investee in which endorsement/guarantee provider conjunctly invests with other stockholders, and for which endorsement/guarantee provider has provided endorsement/guarantee provider in proportion to its shareholding percentage.
7. Peer engaged in the escrow of the sales contract on pre-sale house under the Consumer Protection Act.

(Continued)

3. Securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures):

(in thousands of shares/units)

Name of holder	Category and name of security	Relationship with company	Account	Ending balance: Shares/Units	Carrying value	Percentage of Ownership	Fair value	Highest balance during the year	Note
GLTP	UPAMC James Bond Money Market Fund	-	Financial assets at fair value through profit or loss-current	812	13,556	-	13,556	812	
ECIC	Polytronics Technology Corp.	-	Financial assets at fair value through other comprehensive income-non-current	10,000	550,758	12%	542,000	10,000	
"	Formosa Labortories, Inc.	-	"	1,975	97,565	2%	75,642	2,000	
"	Chung Hwa Chemical Industrial Works, LTD	-	"	10,500	176,050	10%	147,000	10,500	
"	Hodogaya Chemical Co.,Ltd	-	"	100	56,948	1%	55,890	100	
"	General Plastic Industrial Co., Ltd.	-	"	2,140	74,900	2%	61,204	2,140	
"	Andros Pharmaceuticals Co., Ltd.	-	"	3,880	77,800	16%	85,632	3,880	
GLTP	Taiwan Bio Therapentics Co., Ltd.	-	"	1,140	11,400	9%	7,137	1,140	
TTI	General Plastic Industrial Co., Ltd.	-	"	2,140	74,900	2%	61,204	2,140	
			Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(84,612)				
	Total				1,035,709		1,035,709		

4. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None.
5. Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.
6. Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

7. Related-party transactions for purchases and sales with amounts exceeding the lower of NT$300 million or 20% of the capital stock:

Name of company	Counter-party	Nature of relationship	Purchase/Sale	Transaction details: Amount	Transaction details: Percentage of total purchases/sales	Transaction details: Payment terms	Transactions with terms different from others: Unit price	Transactions with terms different from others: Payment terms	Notes/Accounts receivable (payable): Ending balance	Notes/Accounts receivable (payable): Percentage of total notes/accounts receivable (payable)	Note
ECIC	EVUS	Subsidiary	Sale	518,274	5.39%	OA 100	Non material differences from those of third-parties	Non material differences from those of third-parties	143,218	7.54%	Note
"	ELITE	"	"	529,477	5.50%	OA 100	"	"	107,255	5.64%	Note
"	EVEU	"	"	553,527	5.75%	OA 90	"	"	79,014	4.16%	Note
"	EVSH	"	"	296,007	3.08%	OA 90	"	"	54,899	2.89%	Note
"	EVSZ	"	"	215,394	2.24%	OA 90	"	"	47,961	2.52%	Note
"	EVHK	"	"	130,551	1.36%	OA 90	"	"	13,287	0.70%	Note
"	ETSH	"	"	122,418	1.27%	OA 90	"	"	17,432	0.92%	Note

Note：The amounts of the transaction and the ending balance had been eliminated in the consolidated financial statements.

(Continued)

8. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

Name of company	Counter-party	Nature of relationship	Ending balance (Note)	Turnover rate	Overdue		Amounts received in subsequent period (As of February 27, 2019)	Loss Allowance
					Amount	Action taken		
ECIC	EVUS	Subsidiary	143,218	5.08	-	-	37,250	-
〃	ELITE	〃	107,255	5.51	-	-	66,772	-

Note：The amount of the transactions and the ending balance had been eliminated in the consolidated financial statements.

9. Trading in derivative instruments: Please refer to note 6(b).

10. Significant transactions and business relationships between the parent company and its subsidiaries:

Number (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentages of the consolidated net revenue or total assets
0	ECIC	EVEU	1	Operating revenue	553,527	No material differences from those of third parties	5.75%
0	〃	ELITE	1	〃	529,477	〃	5.50%
0	〃	EVUS	1	〃	518,274	〃	5.39%
0	〃	EVSH	1	〃	296,007	〃	3.08%
0	〃	ETSH	1	〃	122,418	〃	1.27%
0	〃	EVSZ	1	〃	215,394	〃	2.24%
0	〃	EVHK	1	〃	130,551	〃	1.36%
0	〃	EVUS	1	Accounts receivable from related parties	143,218	OA 100	1.03%

Note 1: Company numbering as follows:
Parent company - 0
Subsidiary starts from 1

Note 2: The numbering of the relationship between transaction parties as follows:
Parent company to subsidiary - 1
Subsidiary to parent company - 2

Note 3: These accounts are disclosed based on the amounts represented to 1% of consolidated net sales.

(Continued)

(b) Information on investments:

The following are the information on investees for the year ended December 31, 2018 (excluding investment in mainland China):

Units in thousands

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance of December 31, 2018			Highest balance during the year	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2018	December 31, 2017	Shares	Percentage of ownership	Carrying value				
ECIC	EVUS	America	Selling chemical product and related raw materials	88,868	88,868	300	100.00%	116,702	300	334	334	(Note 2)
〃	EVHK	Hong Kong	Selling chemical product and related raw materials	34,579	34,579	1,000	100.00%	44,193	1,000	4,867	4,867	(Note 2)
〃	EVSG	Singapore	Investing business	779,115	779,115	24,300	100.00%	928,299	24,300	39,367	39,367	(Note 2)
〃	EVEU	Netherland	Selling chemical product and related raw materials	7,890	7,890	1	100.00%	36,479	1	1,881	1,881	(Note 2)
〃	TTI	Hsinchu City	Manufacturing and selling toners of laser printer, copier and fax machine	242,192	242,192	44,906	76.15%	641,923	44,906	5,156	4,354	(Note 2)
〃	ELITE	Turkey	Selling chemical product and related raw materials	45,016	45,016	22	50.00%	109,802	22	13,025	6,513	(Note 2)
〃	GOOOTV	Taipei City	Cable TV channels	19,000	19,000	1,900	22.35%	20,490	1,900	573	128	(Note 1)
〃	TAK	Taoyuan City	Manufacturing of inductance core and cathode materials of Lithium ion battery	58,600	58,600	10,000	16.78%	33,506	10,000	(14,913)	(1,659)	(Note 1)
〃	DCBM	Taoyuan City	Manufacturing of medical supplies and providing service of biological technology	62,555	62,555	6,325	91.26%	20,227	6,325	(31,121)	(28,402)	(Note 2)
〃	GLTP	Taipei City	Investing business	100,000	100,000	10,000	100.00%	56,189	10,000	(12,180)	(12,180)	(Note 2)
	Unrealized gross profit on sales			-	-			(80,871)			-	
				1,437,815	1,437,815			1,926,939			15,203	
GLTP	KEYSTONE	Taipei City	Selling pharmaceuticals	75,000	75,000	7,500	34.09%	35,381	7,500	(35,677)	(12,163)	(Note 1)
EVUS	EVHOSA	Honduras	Selling chemical product and related raw materials	3,089 (USD 102)	3,089 (USD 102)	-	51.00%	(7,717)	-	-	-	(Note 2)

Note 1: These companies are the investees of investments accounted for using equity method. Investment income (loss) arisen from these companies were included in share of profit of subsidiaries accounted for using equity method of the Company.

Note 2: The amounts of the transactions and the ending balance had been eliminated in the consolidated financial statements.

(Continued)

(c) Information on investment in mainland China:

(i) The names of investees in mainland China, the main businesses and products, and other information:

Units in Thousands

Name of investee	Main businesses and products	Total amount of paid-in capital		Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2018		Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2018,		Net income (losses) of the investee	Percentage of ownership	Highest balance during the year	Investment income (losses) (Note 2)	Book value	Accumulated remittance of earnings in current eriod	
		USD	NTD		USD	NTD	Outflow	Inflow	USD	NTD						USD	NTD
ETSH (Note 7)	Selling chemical product and related raw materials	1,700 (Note 6)	52,216	(Note 1)	700	21,501			700	21,501	6,614	100.00%	100.00%	6,614 (Note 2)	137,176	2,770	85,081
ETGZ (Note 7)	Selling chemical product and related raw materials	700 (Note 4)	21,501	(Note 1)	200	6,143			200	6,143	8,461	100.00%	100.00%	8,461 (Note 3)	71,308	1,397	42,909
EVSH (Note 7)	Selling chemical product and related raw materials	1,250 (Note 4)	38,394	(Note 1)	1,100	33,787			1,100	33,787	16,627	100.00%	100.00%	16,627 (Note 2)	133,437	950	29,179
EVSZ (Note 7)	Manufacturing and selling color chemical, toners and electronic high tech chemical product	20,000 (Note 4)	614,300	(Note 1)	18,600	571,299			18,600	571,299	56,949	100.00%	100.00%	756 (Note 2)	508,998	-	-
ANDA (Note 7)	Selling electronic high tech chemical product	1,200 (Note 4)	36,858	(Note 1)	650	19,965			650	19,965	2,096	56.25%	56.25%	1,179 (Note 3)	11,358	-	-
ADSH (Note 7)	Selling electronic high tech chemical product	157 (Note 5)	4,822	(Note 5)	-	-			-	-	5,961	56.25%	56.25%	3,353 (Note 3)	6,139	-	-
3ESZ (Note 7)	Manufacturing and selling chemical product and related raw materials	6,600 (Note 4)	202,719	(Note 1)	2,490	76,480			2,490	76,480	15,957	40.00%	40.00%	6,383 (Note 3)	46,426	-	-

Note 1: Reinvest in mainland China through third place (EVSG).
Note 2: These financial statements are audited by the same auditor of the Taiwan parent company and accounted for equity method.
Note 3: Exchange rate: NTD vs USD (1:30.715). Expressed in thousands of New Taiwan dollars unless otherwise specified.
Note 4: EVSG invested in ETGZ USD 500 thousand, EVSH USD 150 thousand, EVSZ USD 1,400 thousand, ANDA USD 25 thousand and 3ESZ USD 150 thousand by owned funds.
Note 5: ANDA invested in ADSH amounted to RMB 1,000 thousand (USD 157 thousand) by owned funds.
Note 6: Included the capital increasing amounted to USD 1,000 thousand from earning.
Note 7: The amounts of the transaction and the ending balance had been eliminated in the consolidated financial statements.

(ii) Limitation on investment in mainland China:

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commision, MOEA	Upper Limit on Investment
781,300 (USD 25,437)	720,666 (USD 23,463)	4,559,483

As of December 31, 2018, the difference between accumulated investment in Mainland China and investment amounts authorized by Investment Commission, MOEA was amounted to USD (1,974) thousand, including the follows:

(i) ETSH: capital increasing amounted to USD 1,000 thousand from earning.

(ii) EVSG: investment amounted to USD 2,425 thousand by owned funds.

(iii) EVSG: remittance of earnings amounted to USD (5,399) thousand.

(iii) Siginificant transactions:

For the year ended December 31, 2018, the information on direct or indirect significant transactions with investees in mainland China, which had been eliminated in the consolidated financial statements, is disclosed in Note (13)(a) Information on significant transactions.

(Continued)

(14) Segment information:

(a) General information

The reportable segments and its operating were as follows:

(i) Color chemicals: manufacturing textile dye, leather dye, inkjet dye, metal dye, paper dye, texitle functional chemicals, digital texitle printing ink, dye for DSSC, colors pigments and etc.

(ii) Specialty chemicals: manufacturing of weatherability HALS, plastic HALS, PU/TPU anti-yellowing materials and cosmetic sun-screening materials.

(iii) Pharmaceuticals: manufacturing of prostaglandin API, cardiovascular disease API and parkinson disease API.

(iv) Electronic chemicals: manufacturing of industrial photoresist for IC, LCD, LED and TP, developers, slurry and functional surface nano coating.

(v) Toner: manufacturing and sale of toner for laser printer, copier and fax machine.

(b) Information about reportable segments and their measurement and reconciliations

Taxation, are managed on a group basis, and hence they are not able to be allocated to each reportable segment. The reportable amount is similar to that in the report used by the chief operating decision maker.

The operating segment accounting policies are similar to those described in note 4 "summary of significant accounting policies". The Group uses operating segment profit or loss as the basis to determine resource allocation and make a performance evaluation. The Group treated intersegment sales and transfers as third-party transactions.

The Group's operating segment information and reconciliation are as follow:

	For the year ended December 31, 2018							
	Color chemicals	Specialty chemicals	Electronic chemicals	Toner	Pharmaceuticals (Note)	Others	Reconciliation and elimination	Total
Revenue from external customers	$ 4,523,811	2,160,854	1,079,141	1,627,720	224,613	4,880	-	9,621,019
Intersegment revenue	-	-	-	-	-	-	-	-
Interest revenue	-	-	-	-	-	4,865	-	4,865
Total revenue	$ 4,523,811	2,160,854	1,079,141	1,627,720	224,613	9,745	-	9,625,884
Interest expense	$ 42,136	16,710	6,545	21,720	3,710	3	-	90,824
Depreciation and amortization	258,794	88,857	42,964	153,197	70,489	25,769	-	640,070
Losses on investment	-	-	-	-	-	7,311	-	7,311
Reportable segment profit or loss	$ 591,884	120,959	(31,666)	(23,255)	(150,742)	12,364	-	519,544

(Continued)

	For the year ended December 31, 2017							
	Color chemicals	Specialty chemicals	Electronic chemicals	Toner	Pharmaceuticals (Note)	Others	Reconciliation and elimination	Total
Revenue from external customers	$ 4,162,211	1,915,460	1,047,385	1,833,559	204,236	6,629	-	9,169,480
Intersegment revenue	-	-	-	-	-	-	-	-
Interest revenue	-	-	-	-	-	5,085	-	5,085
Total revenue	$ 4,162,211	1,915,460	1,047,385	1,833,559	204,236	11,714	-	9,174,565
Interest expense	$ 30,786	13,584	5,402	19,403	2,461	54	-	71,690
Depreciation and amortization	244,443	83,930	40,582	144,702	66,580	24,340	-	604,577
Losses on investment	-	-	-	-	-	15,088	-	15,088
Other material non-cash item								
Net gain on disposal of available-for-sale financial assets	-	-	-	-	-	68,962	-	68,962
Reportable segment profit or loss	$ 562,040	162,682	(103,949)	34,993	(289,557)	106,183	-	472,392

Note: The expense resulted from obtaining the certification of GMP for Pharmaceuticals division, please refer to note 6(d).

(c) Information for the entity as a whole

(i) Product and service information: the information is disclosed in note (14)(b), the Group's operating segment information and reconciliation.

(ii) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

Revenue from the external customers:

Area	2018	2017
Taiwan	$ 1,709,483	1,628,737
Netherland	1,526,343	1,630,932
China	5,056,871	4,719,855
America	1,076,558	1,011,877
Other	251,764	178,079
	$ 9,621,019	9,169,480

(Continued)

Non-current assets

Area	December 31, 2018	December 31, 2017
Taiwan	$ 5,480,208	5,481,623
Netherland	3,614	4,353
China	484,470	540,729
America	15,949	15,749
	$ 5,984,241	6,042,454

Non-current assets included property, plant and equipment, intangible assets and other assets, not including financial instruments, deferred tax assets, and rights arising from an contract (non-current).

(iii) Major customers

There is no revenue from the external customers greater than 10% of net revenue.

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Independent Auditors' Report

To the Board of Directors of Everlight Chemical Industrial Corporation:

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition

   Please refer to Note 4(n) "Revenue" for accounting policy and Note 6(q) to the parent-company-only financial statements for the disclosure of revenue recognition.

   Description of key audit matters

   The Company is a listed company in related to public interest, and the investors are highly expecting the financial performance, resulting in revenue recognition is one of the key judgmental areas of our audit.

How the matter was addressed in our audit

Our major audit procedures included testing of the design and implement of controls over sales and collection of receivable transactions; evaluate if there is any significant abnormal changes through performing trend analysis on top 10 customers by comparing the related changes or differences; assessing and testing if the management obtained sufficient external evidence showing that the controls of ownership have been transferred to the customers, to support the timing of revenue recognition; evaluating the adequacy of revenue recognition by testing the sale transactions during the period before and after the balance sheet date.

2. Valuation of accounts receivable

Please refer to Note 4(f) " Financial Instruments" for accounting policy, Note 5(a) for accounting assumptions, judgments and estimation uncertainty of accounts receivable and Note 6(c) for the disclosure of the valuation of accounts receivable to the parent company only financial statements.

Description of key audit matters

Given the challenging economic climate, the risk of receivables recovery remains high, resulting in significant judgment being applied in the management's assessment of the recoverability of accounts receivable. Consequently, this is one of the key judgmental areas of our audit.

How the matter was addressed in our audit

Our major audit procedures included testing the adequacy of the fomula of the calculation for expected loss rate; testing the adequacy of aging report by tracing to related vouchers; evaluating the appropriateness of loss allowance and expected credit loss by testing if the loss allowance was made by expected loss rate; assessing if the evaluation document of loss allowance for accounts receivable was compliance with the Company's accounting policy; evaluating the adequacy of the disclosure of loss allowance for accounts receivable prepared by management.

Responsibilities of Management and Those Charged with Governance for the Parent-Company-Only Financial Statements

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

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

Those charged with governance (including the Audit committee) are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period 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 Ya-Ling Chen and Chun-Hsiu Kuang.

KPMG

Taipei, Taiwan (Republic of China)
March 28, 2019

Notes to Readers

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

The independent auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION

Balance Sheets

December 31, 2018 and 2017

(expressed in thousands New Taiwan dollars)

	Assets	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 511,695	4	522,068	4
1150	Notes receivable, net (notes 6(c) and (q))	97,850	1	83,221	1
1170	Accounts receivable, net (notes 6(c) and (q))	755,738	6	811,808	6
1180	Accounts receivable due from related parties, net (notes 6(c), (q) and 7)	539,577	4	584,980	5
1210	Other receivables due from related parties (note 7)	5,980	-	3,890	-
130X	Inventories (note 6(d))	2,650,802	22	2,312,487	19
1476	Other current financial assets	25,195	-	13,963	-
1479	Other current assets (note 6(g))	91,394	1	86,732	1
	Total current assets	4,678,231	38	4,419,149	36
	Non-current assets:				
1517	Financial assets at fair value through other comprehensive income-non-current (notes 6(b) and (u))	967,368	8	-	-
1523	Available-for-sale financial assets-non-current (notes 6(b) and (t))	-	-	1,038,813	8
1543	Financial measured assets at cost-non-current (note 6(b))	-	-	77,800	1
1550	Investments accounted for using equity method (note 6(e))	1,926,939	15	1,987,342	16
1600	Property, plant and equipment (notes 6(f) and (q)	4,532,783	37	4,469,701	36
1780	Intangible assets (note 6(h))	120,734	1	116,119	1
1840	Deferred tax assets (note 6(m))	111,257	1	94,967	1
1915	Prepayments for equipment	43,100	-	73,670	1
1980	Other non-current financial assets (note 6(c))	2,852	-	2,405	-
	Total non-current assets	7,705,033	62	7,860,817	64
	Total assets	$ 12,383,264	100	12,279,966	100

	Liabilities and Equity	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current liabilities:				
2100	Short-term borrowings (notes 6(i) and 9)	$ 1,793,260	14	1,374,847	11
2322	Long-term borrowings, current portion (note 6(j))	140,000	1	10,000	-
2150	Notes payable	190,752	2	236,636	2
2170	Accounts payable (note 7)	348,899	3	295,664	3
2209	Other payable (notes 6(p) and 7)	388,187	3	398,972	3
2213	Payables on equipment	31,293	-	39,134	-
2230	Current tax liabilities	70,143	1	36,164	-
2399	Other current liabilities	41,536	-	30,849	-
	Total current liabilities	3,004,070	24	2,422,266	19
	Non-current liabilities:				
2540	Long-term borrowings (note 6(j))	1,458,988	12	1,788,228	15
2570	Deferred tax liabilities (note 6(m))	68,788	1	54,327	-
2640	Net defined benefit liabilities (note 6(l))	252,279	2	291,059	2
	Total non-current liabilities	1,780,055	15	2,133,614	17
	Total liabilities	4,784,125	39	4,555,880	36
	Equity (notes 6(b), (e), (l), (m), (n), (t) and (u)):				
3100	Common shares	5,477,522	44	5,477,522	45
3200	Capital surplus	473,558	4	473,558	4
3300	Retained earnings	1,797,826	14	1,673,952	14
3400	Other equity	(149,767)	(1)	99,054	1
	Total equity	7,599,139	61	7,724,086	64
	Total liabilities and equity	$ 12,383,264	100	12,279,966	100

See accompanying notes to parent-company-only financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION

Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

(expressed in thousands of New Taiwan dollars except for earnings per share)

		2018		2017	
		Amount	%	Amount	%
4000	**Operating revenues (notes 6(q), (r) and 7)**	$ 7,405,726	100	6,833,550	100
5000	**Operating costs (notes 6(d), (f), (h),(k), (l), (p), 7 and 12)**	5,899,062	80	5,530,529	81
5900	**Net gross profit from operations**	1,506,664	20	1,303,021	19
5910	Less:unrealized loss (profit) from sales	10,702	-	(8,467)	-
5950	**Net gross profit from operations**	1,495,962	20	1,311,488	19
6000	**Operating expenses (notes 6(c), (f), (k), (l), (p), 7 and 12):**				
6100	Selling expenses	533,369	7	515,589	8
6200	Administrative expenses	165,201	2	168,269	2
6300	Research and development expenses	357,431	5	341,777	5
6450	Expected credit loss	12,514	-	-	-
	Total operating expenses	1,068,515	14	1,025,635	15
6900	**Net operating income**	427,447	6	285,853	4
7000	**Non-operating income and expenses (notes 6(b), (e), and (s)):**				
7010	Other income	44,683	1	62,041	1
7020	Other gains and losses	66,812	1	102,018	2
7050	Finance costs	(60,234)	(1)	(46,204)	(1)
7060	Share of profit of subsidiaries and associates accounted for using equity method	15,203	-	30,730	-
	Total non-operating income and expense	66,464	1	148,585	2
7900	**Income before income tax**	493,911	7	434,438	6
7950	**Income tax expense (note 6(m))**	91,928	1	68,300	1
	Net income	401,983	6	366,138	5
8300	**Other comprehensive income (loss) (notes 6(e), (l), (m), (n), (t) and (u)):**				
8310	**Items that may not be reclassified subsequently to profit or loss**				
8311	Gains (losses) on remeasurements of defined benefit plans	(11,557)	-	17,612	-
8316	Unrealized losses from financial assets measured at fair value through other comprehensive income	(231,112)	(3)	-	-
8330	Share of other comprehensive income of subsidiaries, accounted for using equity method	(16,527)	(1)	(29)	-
8349	Income tax related to items that may not be not be reclassified subsequently to profit or loss	6,932	-	(2,994)	-
	Total items that may not be reclassified subsequently to profit or loss	(252,264)	(4)	14,589	-
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	(11,657)	-	(29,981)	-
8362	Unrealized losses on available-for-sale financial assets	-	-	(5,291)	-
8380	Share of other comprehensive income of associates accounted for using equity method	440	-	(1,102)	-
8399	Income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-
	Total items that may be reclassified subsequently to profit or loss	(11,217)	-	(36,374)	-
8300	**Other comprehensive income (after tax)**	(263,481)	(4)	(21,785)	-
8500	**Total comprehensive income**	$ 138,502	2	344,353	5
9750	**Basic earnings per share (note 6(o)) (expressed in New Taiwan dollars)**	$	0.73		0.67
9850	**Diluted earnings per share (note 6(o)) (expressed in New Taiwan dollars)**	$	0.73		0.67

See accompanying notes to parent-company-only financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION

Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(expressed in thousands of New Taiwan dollars)

			Retained earnings				Other equity				
	Common shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Total	Total equity
Balance on January 1, 2017	$ 5,477,522	473,558	914,935	43,346	613,619	1,571,900	(26,120)	-	161,548	135,428	7,658,408
Net income	-	-	-	-	366,138	366,138	-	-	-	-	366,138
Other comprehensive income	-	-	-	-	14,589	14,589	(31,083)	-	(5,291)	(36,374)	(21,785)
Total comprehensive income	-	-	-	-	380,727	380,727	(31,083)	-	(5,291)	(36,374)	344,353
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	46,853	-	(46,853)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(273,876)	(273,876)	-	-	-	-	(273,876)
Changes in ownership interests in subsidiaries	-	-	-	-	(4,799)	(4,799)	-	-	-	-	(4,799)
Balance on December 31, 2017	5,477,522	473,558	961,788	43,346	668,818	1,673,952	(57,203)	-	156,257	99,054	7,724,086
Effects of retrospective application	-	-	-	-	-	-	-	166,684	(156,257)	10,427	10,427
Balance on January 1, 2018 after adjustments	5,477,522	473,558	961,788	43,346	668,818	1,673,952	(57,203)	166,684	-	109,481	7,734,513
Net income	-	-	-	-	401,983	401,983	-	-	-	-	401,983
Other comprehensive income	-	-	-	-	(4,600)	(4,600)	(11,217)	(247,664)	-	(258,881)	(263,481)
Total comprehensive income	-	-	-	-	397,383	397,383	(11,217)	(247,664)	-	(258,881)	138,502
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	36,614	-	(36,614)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(273,876)	(273,876)	-	-	-	-	(273,876)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	367	367	-	(367)	-	(367)	-
Balance on December 31, 2018	$ 5,477,522	473,558	998,402	43,346	756,078	1,797,826	(68,420)	(81,347)	-	(149,767)	7,599,139

See accompanying notes to parent-company-only financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION

Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(expressed in thousands of New Taiwan dollars)

	2018	2017
Cash flows from operating activities:		
Income before income tax	$ 493,911	434,438
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	464,502	430,891
Amortization expense	12,035	9,041
Expected credit loss / provision for allowance of impairment	12,514	22,820
Net gains on financial assets at fair value through profit and loss	(14)	(9)
Interest expense	60,234	46,204
Interest income	(1,979)	(2,329)
Dividend income	(42,704)	(59,712)
Share of profit of subsidiaries and associates and accounted for using equity method	(15,203)	(30,730)
Losses (gains) on disposal of property, plants and equipment	(562)	127
Gains on disposal of available-for-sale financial assets	-	(68,962)
Unrealized (realized) gross profit on sale to subsidiaries	10,702	(8,467)
Total adjustments to reconcile profit	499,525	338,874
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	(14,629)	380
Accounts receivable and overdue receivable (under other non-current financial assets)	43,108	(74,617)
Accounts receivable due from related parties	45,403	(104,213)
Other receivable due from related parties	(2,090)	(702)
Inventories	(338,315)	(33,318)
Other current financial assets	(11,218)	53,584
Other current assets	(3,902)	23,719
Total changes in operating assets	(281,643)	(135,167)
Changes in operating liabilities:		
Notes payable	(45,884)	12,514
Accounts payable	53,235	4,011
Other payable	(12,199)	4,729
Other current liabilities	10,687	14,881
Net defined benefit liabilities	(50,336)	(17,152)
Total changes in operating liabilities	(44,497)	18,983
Total changes in operating assets and liabilities	(326,140)	(116,184)
Total adjustments	173,385	222,690
Cash inflow generated from operations	667,296	657,128
Interest received	1,965	2,340
Dividends received	81,722	110,028
Income taxes paid	(44,124)	(78,575)
Net cash flows from operating activities	706,859	690,921
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(74,900)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	1,602	-
Acquisition of financial assets designated at fair value through profit or loss	(118,000)	(80,000)
Proceeds from disposal of financial assets at fair value through profit or loss	118,014	80,009
Proceeds from disposal of available-for-sale financial assets	-	94,584
Acquisition of investments accounted for using equity method	-	(92,000)
Acquisition of property, plant and equipment	(536,361)	(632,090)
Proceeds from disposal of property, plant and equipment	1,498	1,179
Decrease in other receivables due from loans to related parties	-	32,230
Acquisition of intangible assets	(16,650)	(94,278)
Increase in other non-current financial assets	-	(66)
Decrease (increase) in prepayments for equipment	30,570	(2,375)
Net cash flows used in investing activities	(594,227)	(692,807)
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	5,982,062	5,193,778
Decrease in short-term borrowings	(5,563,649)	(5,488,375)
Proceeds from long-term borrowings	150,000	1,500,000
Repayments of long-term borrowings	(350,000)	(800,000)
Cash dividends paid	(273,876)	(273,876)
Interest paid	(67,542)	(53,431)
Net cash from (used in) financing activities	(123,005)	78,096
Net increase (decrease) in cash and cash equivalents	(10,373)	76,210
Cash and cash equivalents at beginning of period	522,068	445,858
Cash and cash equivalents at end of period	$ 511,695	522,068

See accompanying notes to parent-company-only financial statements.

(expressed in thousands of New Taiwan dollars , unless otherwise specified)

(1) Company history

Everlight Chemical Industrial Corporation (the "Company") was incorporated on September 7, 1972 as a Group limited by shares and registered in accordance with the ROC Company Act. The Company engages in manufacturing and selling of dye, UV absorber, specialty chemicals, electronic chemicals, pharmaceutical product and material, chemical intermediary photoresistance, and etc.

(2) Approval date and procedures of the financial statements:

These parent-company-only financial statements were authorized for issuance by the board of directors on March 28, 2019.

(3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

(Continued)

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts".

The following are the nature and impacts on changing of accounting policies:

1) Sales of goods

For the sale of products, revenue is currently recognized by respective transaction terms which is taken to be the point in time at which the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods.

2) Impacts on financial statements

The adoption of IFRS 15 did not have any significant adjustment on the parent-company-only financial statements.

(ii) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 " Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Company adopted the consequential amendments to IAS 1 "Presentation of Financial Statements" which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Company's approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Company adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

(Continued)

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available-for-sale financial assets. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Company classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(f).

The adoption of IFRS 9 did not have any significant impact on its accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with the 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see note 4(f).

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

- Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

  – The determination of the business model within which a financial asset is held.

  – The designation of certain investments in equity instruments not held for trading as at FVOCI.

(Continued)

4) Classification of financial assets on the date of initial application of IFRS 9

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

	IAS 39		IFRS 9	
Financial Assets	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Cash and equivalents	Loans and receivables (note 1)	522,068	Amortized cost	522,068
Equity instruments	Available-for-sale financial assets (equity instruments) (note 2)	1,038,813	Fair value through other comprehensive income	1,038,813
	Financial assets measured at cost (note 2)	77,800	Fair value through other comprehensive income	86,369
Trade and other receivables	Loans and receivables (note 1)	1,483,899	Amortized cost	1,483,899
Other financial assets (Refundable deposits and others)	Loans and receivables (note 1)	16,368	Amortized cost	16,368

Note 1: Cash and equivalents, notes receivable, accounts receivable (included related parties) , other receivables (included related parties) and other financial assets that were classified as loans and receivable under IAS 39 are now classified as financial assets at amortized cost.

Note 2: These equity securities (including financial assets measured at cost) represent investments that the Company intends to hold for the long-term for strategic purposes. As permitted by IFRS 9, the Company has designated these investments at the date of initial application as measured at FVOCI. Accordingly, an increase of $8,569 thousand in those assets recognized, and an increase of $8,569 thousand in the other equity. In addition, the Company recognized share of subsidiaries' fair value through other comprehensive income under equity method amounted to $1,858 thousand and an increase of $1,858 thousand in the other equity.

(iii) Amendments to IAS 7 "Disclosure Initiative"

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Company present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities as note 6(x).

(Continued)

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16"Leases"

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Company can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Company plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

(Continued)

2) Transition

As a lessee, the Company can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

The Company plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, right-of-use assets are recognized by the amount of lease liabilities, and the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance at January 1, 2019, with no restatement of comparative information.

The Company will apply the following practical expedients:

- apply a single discount rate to a portfolio of leases with similar characteristics.
- apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.
- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) So far, the most significant impact identified is that the Company will have to recognize the right-of-use assets and the lease liabilities for the operating leases of its offices factories and warehouse. The Company estimated that the right-of-use assets and the lease liabilities to increase by $55,469 thousand.

Besides, The Company does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date 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

(Continued)

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

(4) Summary of significant accounting policies:

The significant accounting policies presented in the parent-company-only financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the parent-company-only financial statements, except note 3, note (f) and note 4(n).

(a) Statement of compliance

These parent-company-only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations").

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the parent-company-only financial statements have been prepared on a historical cost basis:

1) Financial assets (liabilities) measured at fair value through profit or loss are measured at fair value;

2) Fair value through other comprehensive income (available-for-sale) financial assets are measured at fair value.

3) The defined benefit liability is recognized as the present value of the defined benefit obligation less plan assets and the effect of the plan assets ceiling disclosure in note 4(o).

(ii) Functional and presentation currency

The functional currency is determined based on the primary economic environment in which the entity operates. The parent-company-only financial statements are presented in New Taiwan dollars, which is the Company's functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period adjusted for the effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

(Continued)

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date when fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognized in profit or loss except for those differences relating to the following, which are recognized in other comprehensive income:

1) Fair value through other comprehensive income (available-for-sale) equity investment;

2) A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

3) Qualifying cash flow hedges to the extent the hedge is effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the reporting currency at the exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated at the average exchange rate. Translation differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Company disposes of only part of investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising thereon form part of the net investment in the foreign operation and are recognized in other comprehensive income, and presented in the exchange differences on translation of foreign financial statements in equity.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(Continued)

(iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprise cash and cash in bank. Cash equivalents are those short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

(i) Financial assets (applicable form January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The Company shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(Continued)

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade-date accounting.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of debt investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of debt investments are reclassified to retain earnings instead of profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade-date accounting.

Dividend income derived from equity investments is recognized on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

(Continued)

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade-date accounting.

4) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized cost, notes and accounts receivable, other receivable, refundable deposits and other financial assets).

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date ; and
- cash in bank, other receivable, refundable deposits and other financial assets for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable is always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

The Company holds time deposits for domestic financial institutions, it is considered to be low credit risk.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

(Continued)

The Company considers a financial asset to be in default when the financial asset is more than 365 days past due or the borrower is unlikely to pay its credit obligations to the Company in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is ' credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

·significant financial difficulty of the borrower or issuer;

·a breach of contract such as a default or being more than 365 days past due;

·the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

·it is probable that the borrower will enter bankruptcy or other financial reorganization; or

·the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Company recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

(Continued)

(ii) Financail assets (policy applicable before January 1, 2018)

Financial assets are classified into the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

1) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss, and included in non-operating income and expenses. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade-date accounting.

2) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available for sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and included in the non-operating income and expenses. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade-date accounting.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at amortized cost, and included in financial assets measured at cost.

Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is included in the non-operating income and expenses.

3) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables other than insignificant interest on short term receivables are measured at amortized cost using the effective interest method, less any impairment losses. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade-date accounting.

(Continued)

Interest income is recognized in non-operating income and expenses.

4) Impairment of financial assets

Except for financial assets at fair value through profit or loss, financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is considered objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than the those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its 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 is not reversible in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount except for accounts receivable, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available for sale equity security is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available for sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

(Continued)

Impairment losses and recoveries of accounts receivable are recognized in selling expenses; impairment losses and recoveries of other financial assets are recognized in non-operating income and expenses.

5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the assets are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in "other equity – unrealized gains or losses on available-for-sale financial assets" in profit or loss is included in non-operating income and expenses.

The Company separates the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income shall be recognized in profit or loss.

(iii) Financial liabilities

1) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if it is classified as held for trading or is designated as such on initial recognition. Financial liabilities are classified as held for trading if acquired principally for the purpose of selling in the short term.

Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss, and included in non-operating income and expenses.

2) Other financial liabilities

Financial liabilities (including short-term and long-term borrowings, accounts payable, payables to equipment and other payable) not classified as held for trading or designated as at fair value through profit or loss are measured at fair value, plus any directly attributable transaction costs at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capitalized cost is recognized in profit or loss, and included in non-operating income and expenses.

(Continued)

3) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired.

The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in non-operating income and expenses.

4) Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the Company has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(iv) Derivative financial instruments and hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are recognized initially at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and included in non-operating income and expenses. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

Embedded derivatives are separated from the host contract and accounted for separately when the economic characteristics and risk of the hose contact and the embedded derivatives are not closely related.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition, less any accumulated impairment losses.

(Continued)

The parent-company-only financial statements include the Company's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align their accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases. The Company recognizes any changes, proportionately with the shareholding ratio

under additional paid in capital, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual controlling power.

Unrealized profits resulting from transactions between the Company and an associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Company's share of losses exceeds its interests in an associate, the carrying amount of the investment, including any long term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent the Company has an obligation or has made payments on behalf of the associate.

(i) Investment in subsidiaries

When preparing the parent-company-only financial statements, investments in subsidiaries which are controlled by the Company, are accounted for using the equity method. Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The Company also recognized its share in the changes in the equity of subsidiaries.

Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately unless the useful life and depreciation method of that significant part are the same as those of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized in profit or loss, under net other income and expenses.

(Continued)

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Company. The carrying amount of those parts of fixed assets that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately.

Land has an unlimited useful life and therefore is not depreciated.

1)	REACH registration related expense	5 years
2)	Others	3～5 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful lifes shall be reviewed at least annually at each fiscal year end. Any changes shall be accounted for as changes in an accounting estimates.

(k) Lease

Leases in which the Company are classified as finance leases. There leases are operating leases and are not recognized in the Company's balance sheets. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

(l) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than assets arising from inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. If it is not possible to determine the recoverable amount (the higher of its fair value less costs of disposal and its value in use) for the individual asset, then the Group will have to determine the recoverable amount for the asset's cash generating unit (CGU).

The recoverable amount for an individual asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

(Continued)

There is no goodwill recognized under the Company. An assessment is made at the end of each reporting period as to whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated. An impairment loss recognized in prior periods for an asset other than goodwill is reversed if, and only if, there has been an improvement in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.

(m) Revenue

(i) Revenue from contracts with customers (applicable from January 1, 2018)

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

1) Sale of goods

The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over use the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

2) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(ii) Revenue (policy applicuble before January , 2018)

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that a discount will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

(Continued)

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, based on the discounted present value of the said defined benefit obligation. Any unrecognized past service costs and the fair value of any plan assets are deducted for purposes of determining the Company's net defined benefit obligation. The discount rate used in calculating the present value is the market yield at the reporting date of government bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. If the calculation results in a benefit to the Company, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In calculating the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

If the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight line basis over the average vesting period. To the extent that the benefits vest immediately, pension cost is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest), and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company the amounts in retained earnings.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(Continued)

(o) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

(i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) arising from the transaction.

(ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

(iii) Initial recognition of goodwill.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, which are normally the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

(i) the entity has the legal right to settle tax assets and liabilities on a net basis; and

(ii) the taxing of deferred tax assets and liabilities fulfills one of the below scenarios:

1) levied by the same taxing authority; or

2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset is recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences are also reevaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(p) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to common shareholders of the Company. Basic earnings per share are calculated as the profit attributable to common shareholders of the Company divided by the weighted-average number of common shares outstanding. Diluted earnings per share are calculated as the profit attributable to common shareholders of the Company divided by the weighted-average number of common shares outstanding after adjustment for the effects of all potentially dilutive common shares.

(q) Operating segments

The Company discloses its segment reporting in the consolidated financial statements. Therefore, the Company does not disclose segment information in the parent-company-only financial statements.

(r) Cash and cash equivalents

Cash comprise cash and cash in bank. Cash equivalents are those short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(s) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the parent-company-only financial statements in conformity with the Regulations requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

There is no information about judgments made in applying accounting policies that have the significant effects on the amounts recognized in the parent-company-only financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

In the process of evaluating the potential impairment of tangible and intangible assets other than goodwill, the Company is required to make subjective judgments in determining the independent cash flows, useful lives, expected future income and expenses related to the specific asset groups considering of the nature of the industry. Any changes in these estimates based on changed economic conditions or business strategies and could result in significant impairment charges or reversal in future years. Please refer to note 6(c) for further description of the key assumptions used to determine the recoverable amount.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand	$ 2,058	1,163
Cash in bank	434,372	431,148
Time deposits	75,265	89,757
Cash and cash equivalents	$ 511,695	522,068

Please refer to note 6(u) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Company.

(b) Financial assets and liabilities

(i) Financial assets at fair value through other comprehensive income

	December 31, 2018
Stocks listed on domestic and foreign markets	$ 881,736
Domestic unlisted common shares	85,632
Total	$ 967,368

The Company designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term for strategic purposes. These investments were classified as available-for-sale financial assets on December 31, 2017.

For the year ended December 31, 2018, the Company has sold financial assets at fair value through other comprehensive income for strategic plan. The shares sold had a fair value of $1,602 thousand and the Company realized a gain of $367 thousand, which is already included in other comprehensive income. The gain has been transferred to retained earnings.

(Continued)

(ii) Available-for-sale financial assets -non-current

	December 31, 2017
Stocks listed on domestic markets	$ 881,350
Stocks listed on foreign markets	157,463
Total	$ 1,038,813

The proceeds from disposal of available-for-sale financial assets was amounted to $94,584 thousand for the year ended December 31, 2017. Please refer to note 6(s), for the gains on disposal of available-for-sale financial assets.

(iii) Financial assets measured at cost

	December 31, 2017
Domestic unlisted common shares	$ 89,200

The aforementioned stock investments held by the Company were measured by cost less impairment loss on reporting date for the year ended December 31, 2017. Though the reasonable estimated interval of fair value is significant and the probabilities of every estimate cannot be measured reasonably, which make the management consider the fair value can't be measured reliably.

(iv) For credit risk and market risk, please refer to note 6(u).

(v) The aforementioned financial assets were not pledged.

(vi) Derivative financial instruments—non-hedge

The Company hold derivative financial instruments to hedge its foreign currency and interest rate exposures. However, the derivative financial instruments can't meet the criteria for hedge accounting. The Company recognized gain on forward exchange contracts and foreign currency options amounted to $11,118 thousand and $8,216 thousand in 2018 and 2017, respectively.

(c) Receivables

	December 31, 2018	December 31, 2017
Notes receivable	$ 97,850	83,221
Accounts receivable	769,684	824,657
Accounts receivable from related parties	539,577	584,980
Overdue receivable (under other non-current financial assets)	29,582	55,545
Less: loss allowance	(43,528)	(68,394)
	$ 1,393,165	1,480,009

(Continued)

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31, 2018. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and reverent industry infomation. The loss allowance provision as of December 31, 2018 was determined as follows:

	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 1,351,602	0.01%~0.12%	1,594
1 to 90 days past due	44,695	7.67%~29.99%	6,407
91 to 365 days past due	10,814	34.45%~100%	5,945
More than 365 days past due	29,582	100%	29,582
Total	$ 1,436,693		43,528

The detail of loss allowance were as follows:

	December 31, 2018	December 31, 2017
Accounts receivable	13,946	12,849
Overdue receivable	29,582	55,545
	$ 43,528	68,394

As of December 31, 2017, the Company applies the incurred loss model to consider the loss allowance provision of receivables, and the aging analysis of receivables, which were past due but not impaired, were as follows:

	December 31, 2017
1 to 90 days past due	$ 148,460

The movement in the allowance for receivables were as follows:

		2017		
	2018	Individually assessed impairment	Collectively assessed impairment	Total
Balance on January 1, per IAS 39	$ 68,394	32,633	12,941	45,574
Adjustment on initial application of IFRS 9	-			
Balance on January 1, per IFRS 9	68,394			
Impairment losses recognized	12,514	22,912	(92)	22,820
Amounts written off	(37,380)	-	-	-
Balance on December 31	$ 43,528	55,545	12,849	68,394

(Continued)

(d) Inventories

	December 31, 2018	December 31, 2017
Raw materials	$ 838,151	686,577
Supplies	13,009	10,663
Work in progress	402,605	369,167
Finished goods	1,338,350	1,163,832
Materials in transit	58,687	82,248
	$ 2,650,802	2,312,487

Except cost of goods sold and inventories recognized as expenses, the remaining gain or losses which were recognized as operating cost or deduction of operating cost were as follows:

	2018	2017
Gains (losses) on valuation of inventories	$ (318)	5,498
Losses on obsolescence	9,872	5,130
Losses on inventory count	3,583	1,258
Unallocated production overheads	203,251	349,755
Scrap income	(4,003)	(3,949)
	$ 212,385	357,692

For the years ended December 31, 2018 and 2017, the expense resulted from obtaining the certification of GMP for pharmaceuticals division was included in unallocated production overheads.

As of December 31, 2018 and 2017, the inventories were not pledged.

(e) Investments accounted for using equity method

(i) The components of investments accounted for using the equity method at the reporting date were as follows:

	December 31, 2018	December 31, 2017
Subsidiaries	$ 1,872,943	1,932,255
Associates	53,996	55,087
	$ 1,926,939	1,987,342

(ii) Subsidiaries

Please refer to consolidated financial statements for the year ended December 31, 2018 .

(Continued)

(iii) Associates

Summary of financial information for the individually insignificant investments in associates accounted for using the equity method were as follows. The aforementioned financial information was included in the parent-company-only financial statements of the Company.

		December 31, 2018	December 31, 2017
Carrying amount of individually insignificant associates	$	53,996	55,087

		2018	2017
Attributable to the Company:			
Loss from continuing operations	$	(1,531)	(3,827)
Other comprehensive income		440	(1,102)
Total comprehensive income	$	(1,091)	(4,929)

(iv) The aforementioned investment accounted for using equity method were not pledged.

(f) Property, plant and equipment

The detail of movement of the property, plant and equipment for the Company were as follows:

		Land	Buildings and construction	Equipment	Construction in progress and equipment to be inspected	Total
Cost:						
Balance on of January 1, 2018	$	890,375	3,126,993	6,977,764	446,413	11,441,545
Additions		-	11,677	130,813	241,753	384,243
Disposals		-	(170)	(63,545)	-	(63,715)
Reclassification		-	36,961	391,851	(284,535)	144,277
Balance on of December 31, 2018	$	890,375	3,175,461	7,436,883	403,631	11,906,350
Balance on of January 1, 2017	$	890,375	3,018,849	6,662,135	416,725	10,988,084
Additions		-	10,229	110,203	298,106	418,538
Disposals		-	(7,085)	(129,487)	-	(136,572)
Reclassification		-	105,000	334,913	(268,418)	171,495
Balance on of December 31, 2017	$	890,375	3,126,993	6,977,764	446,413	11,441,545
Accumulated depreciation and impairment:						
Balance on of January 1, 2018	$	-	1,732,908	5,238,936	-	6,971,844
Depreciation		-	127,525	336,977	-	464,502
Disposals		-	(166)	(62,613)	-	(62,779)
Balance on of December 31, 2018	$	-	1,860,267	5,513,300	-	7,373,567
Balance on of January 1, 2017	$	-	1,613,258	5,062,961	-	6,676,219
Depreciation		-	126,574	304,317	-	430,891
Disposals		-	(6,924)	(128,342)	-	(135,266)
Balance on of December 31, 2017	$	-	1,732,908	5,238,936	-	6,971,844
Carrying amounts:						
Balance on of December 31, 2018	$	890,375	1,315,194	1,923,583	403,631	4,532,783
Balance on of December 31, 2017	$	890,375	1,394,085	1,738,828	446,413	4,469,701
Balance on of January 1, 2017	$	890,375	1,405,591	1,599,174	416,725	4,311,865

(Continued)

(i) Impairment test

According to IFRS 36 "Impairment of assets", the carrying amounts of the Company's property, plant and equipment are reviewed to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of cash-generating unit (the "CGU") is applying the appropriate discount rate to those future cash flows. Based on the assessment, the recoverable amount of CGU which was evaluated by a value in use exceeds its carrying amount, therefore, there is no impairment loss as of December 31, 2017.

The recoverable amount of the CGU was evaluated by discount rate, and the critical assumptions were made by the cash flow, which was estimated on the basis of future operating plan, changes in industrial business, market competition, the previous experience, actual operating result, and management-approved financial budget.

There is no indicatin of impairment for the year ended December 31, 2018,

(ii) For the year ended December 31, 2018 and 2017, the Company capitalized the interest expenses on construction in progress, amounted to \$8,235 thousand and \$8,910 thousand, respectively, and the monthly interest rate used for capitalization calculation were 0.16% and 0.14%, respectively.

(iii) As of December 31, 2018 and 2017, the property, plant and equipment of the Company had not been pledged.

(g) Other current assets

	December 31, 2018	December 31, 2017
Prepayments	$ 50,812	43,448
Tax refund receivable	34,724	33,914
Payment on behalf of others	5,858	9,370
	$ 91,394	86,732

(h) Intangible assets

There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the year ended December 31, 2018 and 2017. Information on amortization for the period is discussed in note (12). Please refer to note 6(i) of parent company only financial statements for the December 31, 2017 for the other related information.

(Continued)

	REACH registration related expenses	Others	Total
Cost:			
Balance on of January 1, 2018	$ 137,520	1,965	139,485
Additions	16,348	302	16,650
Balance on of December 31, 2018	$ 153,868	2,267	156,135
Balance on of January 1, 2017	$ 43,531	1,676	45,207
Additions	93,989	289	94,278
Balance on of December 31, 2017	$ 137,520	1,965	139,485
Accumulated amortization:			
Balance on of January 2018	$ 22,364	1,002	23,366
Amortization	11,700	335	12,035
Balance on of December 31, 2018	$ 34,064	1,337	35,401
Balance on of January 1, 2017	$ 13,658	667	14,325
Amortization	8,706	335	9,041
Balance on of December 31,2017	$ 22,364	1,002	23,366
Carrying amounts:			
Balance on of December 31, 2018	$ 119,804	930	120,734
Balance on of December 31, 2017	$ 115,156	963	116,119
Balance on of January 1, 2017	$ 29,873	1,009	30,882

(i) Amortization expense

For the years ended December 31, 2018 and 2017, the amortization of intangible assets are included in the statement of comprehensive income as follows:

	2018	2017
Operating costs and expenses	$ 12,035	9,041

(ii) Pledge

As of December 31, 2018 and 2017, the intangible assets of the Company were not pledged as collateral.

(i) Short-term borrowings

	December 31, 2018	December 31, 2017
Unsecured bank loans	$ 1,793,260	1,374,847
Unused credit lines	$ 2,173,130	2,451,761
Range of interest rate	1.16%~4.19%	1.16%~3.28%

(Continued)

(j) Long-term borrowings

	December 31, 2018			
	Currency	**Rate**	**Maturity year**	**Amount**
Unsecured syndicated bank loan	NTD	1.7895%	2015.4~2020.4	$ 498,988
Unsecured bank loans	NTD	1.33%~1.45%	2020.3~2021.6	1,100,000
Less: long-term borrowings, current portion				(140,000)
Total				$ 1,458,988

	December 31, 2017			
	Currency	**Rate**	**Maturity year**	**Amount**
Unsecured syndicated bank loan	NTD	1.7895%	2015.4~2020.4	$ 998,228
Unsecured bank loans	NTD	1.20%~1.45%	2020.3~2020.8	800,000
Less: long-term borrowings, current portion				(10,000)
Total				$ 1,788,228

As of March 5, 2015, the Company entered into a five-year syndicated loan agreement with CTBC Bank and other six banks. The total credit line under this loan agreement is $1,800,000 thousand and is due in five years when the first draw on the loan. The first draw on the loan must be within three months after the date of the contract signed. Every draw on the loan, the amount was restricted to exceed $50,000 thousand and the portion of exceeding $50,000 thousand or unused credit line shall be a multiple of $10,000 thousand.

The credit line will be diminished by seven period from the date, that lasted twenty-four months from first draw on the loan and thereafter every six months. The diminished periods and diminished percentage are as follows;

(i) Period 1 to period 3: 10%,

(ii) Period 4 and period 5: 15%,

(iii) Period 6 and period 7: 20%.

When the credit line is diminished, the Company had to redeem the loans if the loan outstanding amount is exceeding to the credit line.

The related financial covenants and restrictions for the syndicated loans mentioned above were as follows:

(i) Current ratio (current assets/current liabilities): shall not be lower than 120%.

(ii) Liability ratio (liabilities/tangible net assets value): shall not be higher than 100%.

(iii) Interest coverage ratio (profit before tax + depreciation + amortization + interest expense) / (interest expense): shall not be lower than 4 times.

(Continued)

(iv) Tangible net assets value (equity minus intangible assets): shall not be lower than $6,000,000 thousand.

The aforementioned ratio and criteria shall be reviewed semi-annually from 2015 based on the year-end consolidated financial statements audited by certified public accountant, and the semi-annual consolidated financial statements reviewed by certified public accountant. The Company was in compliance with the above financial covenants and restrictions.

(k) Operating lease

Non-cancellable operating lease rentals payable were as follows:

	December 31, 2018	December 31, 2017
Less than one year	$ 11,887	10,606
Between one and five years	14,913	8,940
	$ 26,800	19,546

The Company leases a number of operating, equipment, warehouse and factory facilities under operating leases. The leases typically run for a period of 1 to 5 years, with an option to renew the lease after that date.

For the years ended December 31, 2018 and 2017, the rent expense amounted to $11,305 thousand and $10,783 thousand, respectively, which were recorded as operating costs and operating expenses.

(l) Employee benefits

(i) Defined benefit plans

Reconciliations of defined benefit obligation at present value and plan asset at fair value were as follows:

	December 31, 2018	December 31, 2017
Present value of the defined benefit obligations	$ 879,593	879,453
Fair value of plan assets	(627,314)	(574,885)
Net defined benefit liabilities	$ 252,279	304,568

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan and Nan-shan life insurance nonforfeieure values that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employees to received retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

(Continued)

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance and Nan shan life insurance nonforfeieure values amounted to $627,314 thousand as of December 31, 2018. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

For the years ended December 31, 2018 and 2017, the movement in present value of the defined benefit obligations for the Company were as follows:

		2018	2017
Defined benefit obligations as of January 1	$	847,061	858,904
Current service costs and interest cost		25,826	25,500
Net remeasurements of defined benefit liabilities:			
—Actuarial losses (gains) arising from changes in financial assumptions		26,407	(18,368)
Benefits paid by the plan		(19,701)	(18,975)
Defined benefit obligations as of December 31	$	879,593	847,061

3) Movements of defined benefit plan assets

For the years ended December 31, 2018 and 2017, the movement in the fair value of the plan assets were as follows:

		2018	2017
Fair value of plan assets as of January 1	$	556,002	533,081
Return on plan assets (excluding the interest expense)		7,723	6,057
Net remeasurements of the defined benefit assets:			
—Actuarial gains (losses) arising from changes in financial assumptions		14,850	(756)
Contributions paid to the plan		61,884	28,625
Benefits paid by the plan		(13,145)	(11,005)
Fair value of plan assets as of December 31	$	627,314	556,002

(Continued)

4) Expenses recognized in profit or loss

		2018	2017
Current service costs	$	14,301	15,924
Net interest expense of net defined benefit liabilities		3,802	3,519
	$	18,103	19,443

		2018	2017
Operating costs	$	10,593	11,381
Administrationexpenses		5,066	5,415
Research and development expenses		2,444	2,647
	$	18,103	19,443

5) Re-measurement of net defined benefit liabilities (assets) recognized in other comprehensive income

The Company's re-measurement of the net defined benefit liabilities (assets) recognized in other comprehensive income for the years ended December 31, 2018 and 2017, were as follows:

		2018	2017
Accumulated amount as of January 1	$	(154,030)	(171,642)
Recognized during the period		(11,557)	17,612
Accumulated amount as of December 31	$	(165,587)	(154,030)

6) Actuarial assumptions

As of December 31, 2018 and 2017, the principal actuarial assumptions were as follows:

	December 31, 2018	December 31, 2017
Discount rate	1.125 %	1.375 %
Future salary increasing rate	1.500 %	1.500 %

The Company expects to make contributions of $27,871 thousand to the defined benefit plans in the next year starting from December 31, 2018.

The weighted-average lifetime of the defined benefits plans is 12.67 years.

(Continued)

7) Sensitivity analysis

As of December 31, 2018 and 2017, if the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	The impact of defined benefit obligations	
	Increased	**Decreased**
December 31, 2018		
Discount rate decreased (increased) 0.25%	$ 24,807	(19,439)
Future salary increasing rate increased (decreased) 0.25%	18,805	(24,315)
December 31, 2017		
Discount rate decreased (increased) 0.25%	25,292	(19,249)
Future salary increasing rate increased (decreased) 0.25%	19,267	(24,886)

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

The method and assumptions used on current sensitivity analysis is the same as those of the prior year.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of Labor Insurance amounted to $37,257 thousand and $36,118 thousand for the years ended December 31, 2018 and 2017, respectively.

(m) Income taxes

According to the amendments to the "Income Tax Act" (enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is commencing from 2018.

(Continued)

(i) Income tax expense

The components of income tax expenses (benefit) for the years ended December 31, 2018 and 2017 were as follows:

		2018	2017
Current tax expense			
Current period	$	94,377	74,401
Adjustment for prior periods		(7,552)	1,286
		86,825	75,687
Deferred tax expense (benefit)			
Origination and reversal of temporary differences		7,446	(7,387)
Adjustment in tax rate		(2,343)	-
		5,103	(7,387)
Income tax expense	$	91,928	68,300

The amount of income tax expenses (benefit) recognized in other comprehensive income for the years ended December 31, 2018 and 2017 were as follows:

		2018	2017
Re-measurements of defined benefit plans	$	(6,932)	2,994

Reconciliation of income tax expense and profit before tax for 2018 and 2017 were as follows:

		2018	2017
Profit before tax	$	493,911	434,438
Income tax using the Company's domestic tax rate	$	98,782	73,854
Undistributed earnings additional tax at 10%		7,024	14,780
Gain on disposal of investment		(76)	(11,725)
Dividend revenue		(8,265)	(9,882)
Adjustment in tax rate		(2,343)	-
Other		(3,194)	1,273
Total	$	91,928	68,300

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets and liabilities

As of December 31, 2018 and 2017, the Company has no unrecognized deferred tax assets and liabilities.

(Continued)

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2018 and 2017 were as follows:

Deferred tax assets:

	Allowance for impairment of receivables	Allowance for valuation of inventories	Defined benefit plans	Other	Total
Balance as of January 1, 2018	$ 9,298	3,381	50,362	31,926	94,967
Recognized in profit or loss	3,787	533	549	4,489	9,358
Recognized in other comprehensive income	-	-	6,932	-	6,932
Balance as of December 31, 2018	$ 13,085	3,914	57,843	36,415	111,257
Balance as of January 1, 2017	$ 5,419	2,446	55,390	25,216	88,471
Recognized in profit or loss	3,879	935	(2,034)	6,710	9,490
Recognized in other comprehensive income	-	-	(2,994)	-	(2,994)
Balance as of December 31, 2017	$ 9,298	3,381	50,362	31,926	94,967

Deferred tax liabilities:

	Unrealized investment income under equity method	Unrealized foreign exchange gains	Total
Balance as of January 1, 2018	$ (52,296)	(2,031)	(54,327)
Recognized in profit or loss	(14,712)	251	(14,461)
Balance as of December 31, 2018	$ (67,008)	(1,780)	(68,788)
Balance as of January 1, 2017	$ (52,224)	-	(52,224)
Recognized in profit or loss	(72)	(2,031)	(2,103)
Balance as of December 31, 2017	$ (52,296)	(2,031)	(54,327)

(iii) The Company's income tax return for the years through 2016 were assessed and approved by the tax authorities.

(n) Capital and other equity

(i) Common share

As of December 31, 2018 and 2017, the Company's authorized share capital consisted of 800,000 thousand shares of common share, with $10 dollars par value per share, of which 547,752 thousand shares, and 521,669 thousand shares, respectively, were issued and outstanding.

(Continued)

(ii) Capital surplus

The balance of capital surplus as of December 31, 2018 and 2017, were as follows:

		December 31, 2018	December 31, 2017
Cash subscription in excess of par value of shares	$	462,559	462,559
Treasury share transactions		10,999	10,999
	$	473,558	473,558

According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

In accordance with the amendment to Company's article of incorporation on June 8, 2017, it stipulates that the Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance is to be appropriated as follows:

1) Legal reserve should be at 10%.

2) Special reserve should be appropriated (reversed) in accordance with related rules.

3) Remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

The Company's dividend policy is as follows:

In order for the requirement of future investment, the cash dividend ratio should not exceed 50% of total dividends. However, if the dividend of current year is not exceeded $1 dollar per share, the dividend policy is not restricted by aforementioned restriction.

In accordance with on the amendment to Company's article of incorporation on June 8, 2017, in order for the requirement of future investment and shareholders' interest, the dividend payment is not lower than 50% of net profit of current year deduct legal reserve and the payment of cash dividend should exceed 25% of total dividends.

(Continued)

1) Legal reserve

According to the ROC Company Act, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of total capital. When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and the distribution amount is limited to the portion of legal reserve which exceeds 25% of the paid-in capital.

2) Special reserve

The Company adopted to exemptions of IFRS 1 First-time Adoption of International Financial Reporting Standards of first time adoption in accordance with the IFRSs approved by the FSC. Based on the exemptions, the Company increased retained earnings amounted to $132,824 from reserve for revaluation increment and cumulative translation adjustments (gains). In accordance with Rule No. 1010012865 issued by the FSC on April 6, 2012, the Company shall reserve a special reserve amounted to $18,752, which is same as the increased amount at first time adoption of IFRSs. The Company shall reverse to distribute of earnings proportionately based on the prior special reserve when the related assets had been used, disposal or reclassified. As of December 31, 2018 and 2017, the special reserve is amounted to $18,646.

According to the aforementioned ruling, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal to the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve to account for cumulative changes to other shareholders' equity, and does not qualify for earnings distribution. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

As of December 31, 2018 and 2017, the Company appropriated special reserve amounted to $24,700 based on the income tax temporary difference.

3) Distribution of earnings

Distribution of earnings for 2017 and 2016 have been approved by the general meeting of shareholders held on June 6, 2017 and June 8, 2016, respectively. The relevant dividend distributions to shareholders were as follows:

	2017		2016	
	Amount per share	**Amount**	**Amount per share**	**Amount**
Dividends distributed to ordinary shareholders:				
Cash	$ 0.50	$ 273,876	0.50	273,876

(Continued)

On March 29, 2019, the Company's Board of Directors proposed to resolve to appropriate the 2018 earnings. These earnings will be appropriated as follows:

	2018	
	Amount per share	**Amount**
Dividends distributed to ordinary shareholders:		
Cash	$ 0.50	$ 273,876

(iv) Other equity (net of tax)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Total
Balance at January 1, 2018	$ (57,203)	-	156,257	99,054
Effects of retrospective application	-	166,684	(156,257)	10,427
Balance at January 1, 2018 after adjustments	(57,203)	166,684	-	109,481
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(231,112)	-	(231,112)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income on subsidiaries accounted for using equity method	-	(16,552)	-	(16,552)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(367)	-	(367)
Exchange differences on translation of foreign financial statements	(11,657)	-	-	(11,657)
Exchange differences on associates accounted for using equity method	440	-	-	440
Balance at December 31, 2018	$ (68,420)	(81,347)	-	(149,767)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Total
Balance at January 1, 2017	$ (26,120)	161,548	135,428
Exchange differences on translation of foreign financial statements	(29,981)	-	(29,981)
Exchange differences on associates accounted for using equity method	(1,102)	-	(1,102)
Unrealized gains (losses) on available-for-sale financial assets	-	(5,291)	(5,291)
Balance at December 31, 2017	$ (57,203)	156,257	99,054

(Continued)

(o) Earning per share

For the year ended December 31, 2018 and 2017, the Company' s earnings per share were calculated as follows:

	2018	2017
Basic earning per share		
Profit attributable to common shareholders of the Company	$ 401,983	337,716
Weighted-average number of common shares outstanding	$ 547,752	547,752
Basic earnings per share (express in New Taiwan dollar)	$ 0.73	0.62

	2018	2017
Diluted earning per share		
Profit attributable to common shareholders of the Company	$ 401,983	337,716
Weighted-average number of common shares outstanding (basic)	547,752	547,752
Effect of employee compensation	1,952	1,593
Weighted-average number of common shares outstanding (diluted)	549,704	549,345
Diluted earnings per share (express in New Taiwan dollar)	$ 0.73	0.61

(p) Employee compensation and directors' remuneration

In accordance with the articles of incorporation, the Company should contribute 5% of the profit as employee remuneration and a maximum of 2% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2018 and 2017, the Company estimated its employee compensation amounting to $26,554 thousand and $23,357 thousand and directors'remuneration amounting to $10,622 thousand and $9,343 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles.These remunerations were expensed under operating costs or operating expenses during 2018 and 2017 for each period. Related information would be available at the Market Observation Post System website. The amounts, as stated in the parent-company-only financial statements, are identical to those of the actual distributions for 2018 and 2017.

(Continued)

(q) Revenue from contract with customers

(i) Disaggregation of revenue

	2018				
	Color chemicals	**Specialty chemicals**	**Electronic chemicals**	**Pharmaceuticals**	**Total**
Primary geographical markets:					
Taiwan	$ 564,269	247,396	846,816	4,455	1,662,936
America	307,626	414,144	-	43,156	764,926
Asia	2,627,553	852,986	158,782	68,267	3,707,588
Europe	595,519	400,151	90	66,429	1,062,189
Other	95,209	70,572	-	42,306	208,087
	$ 4,190,176	1,985,249	1,005,688	224,613	7,405,726
Major products:					
Chemicals	$ 4,190,176	1,985,249	1,005,688	-	7,181,113
Other	-	-	-	224,613	224,613
	$ 4,190,176	1,985,249	1,005,688	224,613	7,405,726

(ii) Contract balance

	December 31, 2018	January 1, 2018
Receivables	$ 1,436,693	1,548,403
Less: loss allowance	(43,528)	(68,394)
	$ 1,393,165	1,480,009

For the detail on receivables and loss allowance, please refer to note 6(c).

(r) Revenue

For the year ended December 31, 2017, the revenue were as follows:

	2017
Sales of goods	$ 6,833,550

(s) Non-operating income and expenses

(i) Other income

	2018	2017
Interest income	$ 1,979	2,329
Dividend income	42,704	59,712
	$ 44,683	62,041

(Continued)

(ii) Other gains and losses

	2018	2017
Foreign exchange gains (losses)	$ 6,028	(5,235)
Net gains on disposal of financial assets and liabilities at fair value through profit or loss	14	9
Gains (losses) on disposal of property plant and equipment	562	(127)
Gains on disposal of available-for-sale financial assets	-	68,962
Others	60,208	38,409
	$ 66,812	102,018

(iii) Finance costs

	2018	2017
Interest expense	$ 68,469	55,114
Less: capitalization of interest	(8,235)	(8,910)
	$ 60,234	46,204

(t) Reclassification adjustments of components of other comprehensive income

The reclassification adjustments of components for other comprehensive income were as follows:

	2017
Available-for-sale financial assets	
Change in fair value reclassified to profit or loss	$ 63,671
Net change in fair value	(68,962)
Net change in fair value recognized in other comprehensive income	$ (5,291)

(u) Financial instruments

(i) Credit risk

1) Credit risk exposure

As of December 31, 2018 and 2017, the Company's exposure to credit risk and the maximum exposure were mainly from:

a) The carrying amount of financial assets recognized in the balance sheet; and

b) The amounts of liabilities as a result from the Company providing financial guarantees were $61,430 thousand and $59,520 thousand , respectively.

(Continued)

2) Concentration of credit risk

The Company has exposure to credit risk of individual counterparty or group of counterparties with similar credit characteristics. Those related parties of which having transactions with the Company are regarded as group of counterparties with similar credit characteristics. The concentrations of credit risk on notes and accounts receivables due from subsidiaries resulted that the Company distributed product through subsidiaries. Please refer to note (7).

3) Receivables and debt securities

For credit risk exposure of receivables, please refer note 6(c).

Other financial assets at amortized cost includes other receivables and refundable deposits. There were no loss allowance provision for the years ended December 31, 2018 and 2017. All of these financial assets are condidered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. (Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(f).).

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payable and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	within 1 year	1~2 years	2~5 years	Over 5 years
December 31, 2018						
Non-derivative financial liabilities						
Short-term borrowings	$ 1,793,260	1,797,623	1,797,623	-	-	-
Notes payable	190,752	190,752	190,752	-	-	-
Accounts payable	348,899	348,899	348,899	-	-	-
Other payable	238,693	238,693	238,693	-	-	-
Payables on equipment	31,293	31,293	31,293	-	-	-
Long-term borrowings (including current portion)	1,598,988	1,637,749	141,977	1,192,796	302,976	-
	$ 4,201,885	4,245,009	2,749,237	1,192,796	302,976	-
December 31, 2017						
Non derivative financial liabilities						
Short-term borrowings	$ 1,374,847	1,378,014	1,378,014	-	-	-
Notes payable	236,636	236,636	236,636	-	-	-
Accounts payable	295,664	295,664	295,664	-	-	-
Other payable	253,507	253,507	253,507	-	-	-
Payables on equipment	39,134	39,134	39,134	-	-	-
Long-term borrowings (including current portion)	1,798,228	1,857,689	10,141	682,599	1,164,949	-
	$ 3,998,016	4,060,644	2,213,096	682,599	1,164,949	-

(Continued)

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk was as follows:

		December 31, 2018			December 31, 2017		
		Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets							
Monetary items							
USD	$	24,336	30.72	747,602	27,757	29.74	825,498
JPY		300,696	0.28	84,329	236,007	0.26	61,881
RMB		62,657	4.47	280,077	64,686	4.54	293,674
Non-monetary items							
JPY		200,900	0.28	55,890	596,000	0.26	157,463
Financial liabilities							
Monetary items							
USD		40,199	30.74	1,186,648	32,810	29.78	977,078
JPY		23,184	0.28	6,492	40,426	0.27	10,761
RMB		5,651	4.50	25,192	5,455	4.59	25,040

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, loans and borrowings, and accounts payable that are denominated in foreign currency. A strengthening (weakening) 1% of appreciation (depreciation) of the NTD against the USD, JPY, and RMB for the year ended December 31, 2018 and 2017, would have changed the profit by $851 thousand and $1,396 thousand, respectively, and other comprehensive income by $559 thousand and $1,575 thousand, respectively. The analysis is performed on the same basis for 2018 and 2017.

3) Foreign exchange gains and losses on monetary items

Since the Company has many kinds of functional currency, the information on foreign exchange gains (losses) on monetary items is disclosed by total amount. For the year ended in December 31, 2018 and 2017. Foreign exchange gains (losses) (including realized and unrealized portions) are exchange losses amounted to $6,028 thousand and $(5,235) thousand, respectively.

(Continued)

(iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expresses as the interest rate increase or decreases by 1% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased/decreased by 1%, the Company's profit would have decreased/increased by $27,138 thousand and $26,337 thousand, respectively, for the year ended December 31, 2018 and 2017, with all other variable factors that remain constant. This is mainly due to the Company's borrowing at floating rates.

(v) Other market price risk

For the year ended December 31, 2018 and 2017, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

	2018		2017	
Prices of seeurities at the reporting date	**Other comprehensive income after tax**	**Net income**	**Other comprehensive income after tax**	**Net income**
Increasing 1%	$ 9,674	-	10,388	-
Decreasing 1%	$ (9,674)	-	(10,388)	-

(vi) Fair value of financial instruments

1) Categories and fair values of financial instruments

The fair value of financial assets and liabilities at fair value through profit and loss and financial assets at fair value through other comprehensive income (available-for-sale financial assets) is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows, however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

(Continued)

	December 31, 2018				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic and forergn markets	$ 881,736	881,736	-	-	881,736
Domestic unlisted common shares	85,632	-	-	85,632	85,632
Subtotal	967,368	881,736	-	85,632	967,368
Financial assets measured at amortized cost					
Cash and cash equivalents	511,695	-	-	-	-
Notes and trade receivable (included related parties)	1,393,165	-	-	-	-
Other financial assets (included other receivables-related parities)	34,027	-	-	-	-
Subtotal	1,938,887	-	-	-	-
Total	$ 2,906,255	881,736	-	85,632	967,368
Financial liabilities measured at amortized cost					
Bank loans	$ 3,392,248	-	-	-	-
Notes and accounts payable	539,651	-	-	-	-
Other payable	238,693	-	-	-	-
Payables on equipment	31,293	-	-	-	-
Subtotal	4,201,885	-	-	-	-
Total	$ 4,201,885	-	-	-	-

	December 31, 2017				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Stocks listed on domestic and foreign markets	$ 1,038,813	1,038,813	-	-	1,038,813
Financial assets measured at cost	77,800	-	-	-	-
Subtotal	1,116,613	1,038,813			1,038,813
Loans and receivables					
Cash and cash equivalents	522,068	-	-	-	-
Notes and accounts receivable	1,480,009	-	-	-	-
Other financial assets	20,258	-	-	-	-
Subtotal	2,022,335	-	-	-	-
Total	$ 3,138,948	1,038,813	-	-	1,038,813
Financial liabilities measured at amortized cost					
Bank loans	$ 3,173,075	-	-	-	-
Notes and accounts payable	532,300	-	-	-	-
Other payable	253,507	-	-	-	-
Payables on equipment	39,134	-	-	-	-
Subtotal	3,998,016	-	-	-	-
Total	$ 3,998,016	-	-	-	-

(Continued)

2) Valuation techniques for financial instruments measured at fair value

a) Non-derivative instruments

The fair value of financial instruments traded in an active market is based on the quoted market prices. The quotations, which is published by the main exchange center, is included in the fair value of the listed securities instruments in an active market with open bid.

A financial instrument is regarded as the quoted price in an active market if the quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency; and if those prices represent the actual and regularly occurring market transactions on an arm's length basis. Otherwise, the market is deemed to be inactive. Normally, a market is considered to be inactive as follows:

i) the bid-ask spread is increasing; or

ii) the bid-ask spread varies significantly; or

iii) there has been a significant decline in trading volume.

When the financial instrument of the Company is traded in an active market, its fair value is illustrated by the category and nature as follows:

- The fair value of stocks listed on domestic and foreign markets, which are the financial assets with standard terms and conditions and traded in an active market, are based on the market closing prices.

Except the aforementioned financial instruments, with active market the others' fair value is based on valuation techniques. Fair value, measured by using valuation technique that can be extrapolated from either similar financial instruments or discounted cash flow method or other valuation techniques, including models, is calculated based on available market data at the reporting data.

When the financial instrument of the Company is traded in an inactive market, its fair value is illustrated by the category and nature as follows:

- Unquoted equity instruments: the fair value of financial instruments transactions in an inactive market, which is valued by comparable method. The main hypothesis is referred from the quotations of comparable listed companies and earning multiplies of PBR proportion as basic, which is adjusted by the discount affections of equity securities lacking market liquidity.

b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models. Fair value of forward currency is usually determined by the forward currency exchange rate.

(Continued)

3) Transfers between Level 1 and Level 2

The Company didn't have any fair value transfer between levels for the year ended December 31, 2018 and 2017.

4) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
	Unquoted equity instruments
Balance on adjustment January 1, 2018	$ 86,369
Total gains or losses:	
Recognized in other comprehensive income	(737)
Balance on December 31, 2018	$ 85,632

The aforementioned total gains or losses were included "unrealized gains (losses) on equity investment measured at fair value through other comprehensive income", which related to holding assets on December 31, 2018 were as follows:

	2018
Recognized in other comprehensive income	$ (737)

5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company's financial instruments that use Level 3 inputs to measure fair value were "financial assets measured at fair value through other comprehensive income – debt investments".

Most of the Company's financial instruments that use level 3 inputs to measure fair value have multiple significant unobservable inputs. There is no correlation existence among the significant unobservable inputs of equity investments that have no active markets because they were independent of each other.

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobse rvable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets measured at fair value through other comprehensive income- equity investments without an active market	Comparable Listed companies approach	• Price-Book Ratio (as of December 31, 2018 was 3.77) • Market liquidity discount rate (as of December 31, 2018 was 20%)	• The estimated fair value would increse if the multiplier was higher. • The estimated fair value would decrease if market liquidity discount rate was higher.

(Continued)

6) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The Company's measurements of financial instruments' fair value were reasonable, only if using different variables leading different results. For the fair value measurements in level 3, if changing valuation variables, would have the following effects on other comprehensive income on December 31, 2018:

Inputs	Upwards or Downwards	Fair value variation on other comprehensive income	
		Favorable	Unfavorable
Price-book ratio	5%	4,152	(4,152)
Market liquidity discount rate	5%	4,384	(4,384)

(v) Financial risk management

(i) Overview

The Company have exposures to the following risks from its financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

Detailed information about exposure risk arising from the aforementioned risk and the Company's objective, policies and process for managing risks have been stated below. Further quantitative disclosures have been disclosed as notes to the parent-company-only financial statements.

(ii) Risk management framework

The Company's inter departmental management and committee, which consists of general manager and managers from all departments, including manufacturing, research and development, environment, health and safety, financial and audit, is responsible to hold a meeting regularly for monitoring the Company's risk management policies.

The executive and responsible departments of risk management are as follows:

1) Financial risk, liquidity risk, credit risk and legal risk: based on regulations, government policy and analysis of market change, financial division and legal division make the strategy to reflect, then execute the strategy. The internal auditor reviews the risks control and procedures for the aforementioned risks.

(Continued)

2) Market risk: the Company's SBUs and functional division are responsible to make the strategy to identify risk based on regulation, government policy and analysis of market change, then execute the strategy. In order to manage the risk of market change dramatically, management with SBUs managers will establish a task force when it is necessary.

3) Operating strategy risk: in order to monitor the operating strategy in compliance with the Company's vision and meet the operating goals, general manager division with management of SBUs will evaluate the risk of operational policy through performance evaluation periodically.

The Company's Audit Committee oversees how management monitors counterparty with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Audit Committee is assisted in its oversight role by the internal auditor. The internal auditor undertakes both regular and exceptional reviews of risk management controls and the procedures, and the result of which are reported to the Audit Committee.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or compterparty to financial instruments fails to meet it contractual obligations that arises principally from the Company's accounts receivable and investments in securities.

1) Accounts receivable and other receivable

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. According to the credit policy, the Company analyze each new customer individually for their credit worthiness before granting the new customer standard payment terms. Credit lines are established for each customer and reviewed periodically.

The Company did not have any collateral or other enhancements to avord credit risk of financial assets.

2) Investments

The credit risk exposure in the bank deposits, and equity instruments are measured and monitored by the Company's finance department. Since the Company's transactions resulted from the external parties with good credit standing highly rated financial institutions, publicly-traded stock companies and unlisted companies with good reputation, there are no incompliance issues and therefore no significant credit risk.

3) Guarantees

The Company's policy is to provide financial guarantees only to wholly owned subsidiaries. As of December 31, 2018 and 2017, the outstanding balance of guarantees were $61,430 thousand and $59,520 thousand, respectively.

(Continued)

(iv) Liquidity risk

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

Loans and borrowings from the bank form an important source of liquidity for the Company. As of December 31, 2018 and 2017, the Company's unused credit line were amounted to $2,173,130 thousand and $2,451,761 thousand, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risk. All such transactions are carried out within the guidelines of derivative transaction management set by the board of directors and general meeting of shareholders and the related financial transactions are under oversight by internal auditor. The management of the Company's market risk are as follows:

1) Currency risk

The Company is exposed to currency risk on foreign currency assets and liabilities resulted from operating, financing and investing activities. The Company hedges the currency risk by derivatives. Most of the foreign exchange gains and losses arising from foreign currency assets and liabilities will be offset by the gains or losses on derivative instruments. The Company may reduce the currency risk through derivative instruments but do not avoid all of the currency influence resulted from foreign currency exchange.

The Company monitors the exposure of individual foreign currency assets and liabilities periodically. When necessary, the Company uses foreign currency options and forward exchange contracts to hedge above currency risk exposure. The duration of foreign currency options and forward exchange contracts are within one year and do not meet the criteria for hedge accounting.

2) Interest rate risk

The Company's exposure of interest rate risk is mainly from floating-rate loans. Any change in interest rates will cause influence in the effective interest rates of loans and thus cause the alternation of future cash flows. The Company enters into and designates interest rate swaps and other capital market financing as hedges of the variability in cash flows by continuing to review the interest rate variability in order to control the financial cost at the relatively low in market interest rate.

3) Other market price risk

The Company is exposed to equity price risk due to the investments in equity securities. foreign markets / Bted on domestic and. This is a strategic investment and is not held for trading. The Company does not actively trade in these investments Material investments within the portfolio are managed on an individual basis, and all buy-and-sell decisions are approved by the Board of directors.

(w) Capital management

The Board's policy is to keep a strong capital base in order to maintain investor, creditor and market confidence, and to sustain future development of the business. Capital consists of common shares, capital surplus, retained earnings and other equity of the Company. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

There were no change in the Company's approach to capital management for the year ended December 31, 2018.

	December 31, 2018	December 31, 2017
Total liabilities	$ 4,784,125	4,555,880
Less: cash and cash equivalents	511,695	522,068
Net liabilities	$ 4,272,430	4,033,812
Total equity	$ 7,599,139	7,724,086
Debt-to-equity ratio	56 %	52 %

(x) Investing and financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities were as follows:

			Non-cash changes	
	January 1, 2018	Cash flows	Other	December 31, 2018
Short-term borrowings	$ 1,374,847	418,413	-	1,793,260
Long-term borrowings	1,798,228	(200,000)	760	1,598,988
Total liabilities from financing activities	$ 3,173,075	218,413	760	3,392,248

(7) Related-party transactions:

(a) Parent company and ultimate controlling company

The Company is the ultimate controlling party of the Company and its subsidiaries.

(Continued)

(b) Names and relationship with related parites

The following are entities that have had transactions with related party during the periods covered in the parent-company-only financial statements.

Name of related party	Relationship with the Company
EVERLIGHT USA, INC. (EVUS)	Subsidiary
EVERLIGHT (HONG KONG) LIMITED (EVHK)	Subsidiary
EVERLIGHT CHEMICALS (SINGAPORE) PTE LTD. (EVSG)	Subsidiary
EVERLIGHT EUROPE B.V. (EVEU)	Subsidiary
TREND TONE IMAGING, INC. (TTI)	Subsidiary
ELITE FOREIGN TRADING INCORPORATION (ELITE)	Subsidiary
DAILYCARE BIOMEDICAL INC. (DCBM)	Subsidiary
ETHICAL INTERNATIONAL TRADING & WAREHOUSING (SHANGHAI) CO.,LTD. (ETSH)	Subsidiary
GUANGZHOU ETHICAL TRADING CO., LTD. (ETGZ)	Subsidiary
SHANGHAI EVERLIGHT TRADING CO., LTD. (EVSH)	Subsidiary
EVERLIGHT (SUZHOU) ADVANCED CHEMICALS LTD. (EVSZ)	Subsidiary
ANDA SEMI CONDUCTOR TECHNOLOGY (SUZHOU) CO., LTD. (ANDA)	Subsidiary
GREATLIGHT INVESTMENT CORPORATION (GLTP)	Subsidiary
SHANGHAI ANDA INTERNATIONAL TRADING CO., LTD. (ADSH)	Subsidiary
3E CHEMICAL (SUZHOU) CO., LTD. (3ESZ)	Affiliate company
CHUNG HWA CHEMICAL INDUSTRIAL WORKS, LTD. (CHCIW)	The entity's chairman is the director of the Company

(c) Significant transactions with related parties

(i) Operating revenue

Significant sales to related parties of the Company were as follow:

	2018	2017
Subsidiary	$ 2,560,174	2,314,543

The payment terms for related parties, except EVUS and ELITE are Open Account 100 days and Open Account 90 days, respectively, are same as those of the third-parties sales. There was no collateral on the accounts receivable from related parties. The Company did not recognized allowance of impairment after considerations.

(ii) Purchase

The amounts of significant purchases by the Group from related parties were as follows:

	2018	2017
Other related parites	$ 35,957	42,456

The prices, payment terms and other terms and conditions of purchase transactions with related parties were not materially different from those of the third-party vendors.

(Continued)

(iii) Other

1) The Company had provided a guarantee for loans taken out by related parties were as follows:

	December 31, 2018	December 31, 2017
EVUS	$ 61,430	59,520

2) As of December 31, 2018 and 2017, other receivables of prepayments for subsidiaries were $5,980 thousand and $3,890 thousand, respectively.

3) As of December 31, 2018 and 2017, other payables of prepayments for subsidiaries were $6,191 thousand and $7,034 thousand, respectively.

(iv) Receivable from related parties

The Company's receivable from related parties were as follows:

Account	Name of Entity	December 31, 2018	December 31, 2017
Accounts receivable from related parties, net	EVUS	$ 143,218	128,999
Other receivables	Subsidiaries	79,014	96,335
	EVEU	107,255	149,074
	ELITE	210,090	210,572
		539,577	584,980
Other receivable from related parties	Subsidiaries	5,980	3,890
		$ 545,557	588,870

(v) Payable from related parties

The Company's payable from related parties were as follows:

Account	Name of Entity	December 31, 2018	December 31, 2017
Accounts payable	CHCIW	$ 2,167	3,954
Other payables	Subsidiaries	6,191	7,034
		$ 8,358	10,988

(d) Key management personnel compensation

	2018	2017
Short-term employee benefits	$ 26,360	27,905
Post-employment benefits	834	863
	$ 27,194	28,768

(Continued)

(8) Pledged assets: None.

(9) Commitments and contingencies:

(a) The Company's unrecognized contractual commitment are as follows:

	December 31, 2018	December 31, 2017
Acquisition of property, plant and equipment	$ 329,585	266,069

(b) The Company's outstanding standby letter of credit are as follows:

	December 31, 2018	December 31, 2017
Outstanding standby letter of credit	$ 306	1,717

(10) Losses due to major disasters: None.

(11) Subsequent events: None.

(12) Other:

(a) A summary of employee benefits, depreciation, and amortization, by function, is as follows:

By function / By item	2018			2017		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	607,261	406,514	1,013,775	592,843	386,261	979,104
Labor and health insurance	59,282	37,308	96,590	59,335	36,471	95,806
Pension	31,287	24,073	55,360	31,829	23,732	55,561
Remuneration of directors	-	19,698	19,698	-	18,067	18,067
Others	28,299	13,608	41,907	27,274	14,113	41,387
Depreciation	365,744	98,758	464,502	341,264	89,627	430,891
Depletion	-	-	-	-	-	-
Amortization)	335	11,700	12,035	335	8,706	9,041

(Note) As the The December 31, 2018 and 2017 the Company had 1,405 and 1,406, employees, respectively, including, 9 and 9 non-employee directors for both years.

(Continued)

(13) Other disclosures:

(a) Information on significant transactions

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company for the year ended December 31

(i) Loans to other parties:

Number	Name of lender	Name of borrower	Account name	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 2)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 1)	Maximum limit of fund financing (Note 1)
												Item	Value		
0	ECIC	EVSZ	Other receivable from related parties	154,750	0	-	-	2	-	Short-term operation financing	-	NA	-	759,913	3,039,655

Note1 : According to the Company's Operating Procedures of Fund Lending and Guarantee, the amount of loaned fund shall be limited to 40% of the lending company's net worth. The individual lending amount shall not exceed 10% of the lending company's net worth.

Note2 : The nature of financing as follow:

1. Business transaction calls for a loan arrangement.
2. The need for short-term financing.

2. Guarantees and endorsements for other parties

Number	Name of guarantor	Counter -party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 1)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements Amount	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 1)	Parent company endorsements/guarantees to subsidiary	Subsidiary endorsements/guarantees to parent company	Endorsements/guarantees to the companies in mainland China
		Name	Relationship with the Company (Note 2)										
0	ECIC	EVUS	Subsidiary	759,913	61,900	61,430	30,715	-	0.81	1,899,784	Yes	No	No

Note1 : According to the Company's Operating Procedures of Fund Lending and Guarantee, the amount of guarantees shall be limited to 25% of the Company's net worth. The individual guarantee amount shall not exceed 10% of the Company's net worth.

Note2 : The relationship of guarantee and endorsement with the Company and counter-party:

1. The Company that has a business relationship with endorsement/guarantee provider.
2. A subsidiary in which endorser/guarantor provider holds directly over 50% of equity interest.
3. An investee in which endorsement/guarantee provider and its subsidiaries hold over 50% of equity interest.
4. An investor which holds directly or indirectly over 50% of equity interest of endorser/guarantor provider.
5. The Company that has provided guarantees to endorsement/guarantee provider, and vice versa, due to contractual requirements.
6. An investee in which endorsement/guarantee provider conjunctly invests with other stockholders, and for which endorsement/guarantee provider has provided endorsement/guarantee provider in proportion to its shareholding percentage.
7. Peer engaged in the escrow of the sales contract on pre-sale house under the Consumer Protection Act.

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION

Notes to the Parent-Company-Only Financial Statements

3. Securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of Shares/Units)

Name of holder	Category and name of security	Relationship with company	Account	Ending balance				Note
				Shares/Units	Carrying value	Percentage of Ownership	Fair value	
ECIC	Polytronics Technology Corp.	-	Financial assets at fair value through other comprehensive income-non-current	10,000	550,758	12%	542,000	
"	Formosa Labortories, Inc.	-	"	1,975	97,565	2%	75,642	
"	Chung Hwa Chemical Industrial Works, LTD	-	"	10,500	176,050	10%	147,000	
"	Hodogaya Chemical Co.,Ltd	-	"	100	56,948	1%	55,890	
"	General Plastic Industrial Co., Ltd.	-	"	2,140	74,900	2%	61,204	
"	Andros Pharmaceuticals Co., Ltd.	-	"	3,880	77,800	16%	85,632	
GLTP	Taiwan Bio Therapentics Co., Ltd.	-	"	1,140	11,400	9%	7,137	
TTI	General Plastic Industrial Co., Ltd.	-	"	2,140	74,900	2%	61,204	
			Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		(84,612)		-	
	Total				1,035,709		1,035,709	

4. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None.
5. Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.
6. Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

7. Related-party transactions for purchases and sales with amounts exceeding the lower of NT$300 million or 20% of the capital stock:

Name of company	Counter-party	Nature of relationship	Purchase/Sale	Transaction details			Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
				Amount	total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	notes/accounts receivable (payable)	
ECIC	EVUS	Subsidiary	Sale	518,274	7.00%	OA 100	Non material differences from those of third-parties	Non material differences from those of third-parties	143,218	9.97%	
"	ELITE	"	"	529,477	7.15%	OA 100	"	"	107,255	7.46%	
"	EVEU	"	"	553,527	7.47%	OA 90	"	"	79,014	5.50%	
"	EVSH	"	"	296,007	4.00%	OA 90	"	"	54,899	3.82%	
"	EVSZ	"	"	215,394	2.91%	OA 90	"	"	47,961	3.34%	
"	EVHK	"	"	130,551	1.76%	OA 90	"	"	13,287	0.92%	
"	ETSH	"	"	122,418	1.65%	OA 90	"	"	17,432	1.21%	

(Continued)

8. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (As of February 28, 2019)	Loss allowance
					Amount	Action taken		
ECIC	EVUS	Subsidiary	143,218	5.08	-	-	37,250	-
〃	ELITE	〃	107,255	5.51	-	All collected	66,672	-

9. Trading in derivative instruments: Please refer to note 6(b).

(b) Information on investments:

The following is the information on investees for the year ended December 31, 2018 (excluding information on investees in Mainland China):

Units in Thousands

Name of investor	Name of investee	Location	Main businesses and products	Original investment		Balance of December 31, 2018			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2018	December 31, 2017	Shares (thousands)	Percentage of ownership	Carrying value			
ECIC	EVUS	America	Selling chemical product and related raw materials	88,868	88,868	300	100.00%	116,702	334	334	
〃	EVHK	Hong Kong	Selling chemical product and related raw materials	34,579	34,579	1,000	100.00%	44,193	4,867	4,867	
〃	EVSG	Singapore	Investing business	779,115	779,115	24,300	100.00%	928,299	39,367	39,367	
〃	EVEU	Netherland	Selling chemical product and related raw materials	7,890	7,890	1	100.00%	36,479	1,881	1,881	
〃	TTI	Hsinchu City	Manufacturing and selling toners of laser printer, copier and fax machine	242,192	242,192	44,906	76.15%	641,923	5,156	4,354	
〃	ELITE	Turkey	Selling chemical product and related raw materials	45,016	45,016	22	50.00%	109,802	13,025	6,513	
〃	GOOOTV	Taipei City	Cable TV channels	19,000	19,000	1,900	22.35%	20,490	573	128	
〃	TAK	Taoyuan City	Manufacturing of inductance core and cathode materials of Lithium ion	58,600	58,600	10,000	16.78%	33,506	(14,913)	(1,659)	
〃	DCBM	Taoyuan City	Manufacturing of medical supplies and providing service of biological	62,555	62,555	6,325	91.26%	20,227	(31,121)	(28,402)	
〃	GLTP	Taipei City	Investing business	100,000	100,000	10,000	100.00%	56,189	(12,180)	(12,180)	
	Unrealized gross profit on sales			-	-			(80,871)		-	
				1,437,815	1,437,815			1,926,939		15,203	
GLTP	KEYSTONE	Taipei City	Selling pharmaceuticals	75,000	75,000	7,500	34.09%	35,381	(35,677)	(12,163)	(Note)
EVUS	EVHOSA	Honduras	Selling chemical product and related raw materials	3,089 (USD 102)	3,089 (USD 102)	-	51.00%	(7,717)	-	-	(Note)

Note : These companies are the investees of investments accounted for using equity method. Investment income (loss) arisen from these companies were included in share of profit of subsidiaries accounted for using equity method of the Company.

(Continued)

(c) Information on investment in mainland China:

(i) The names of investees in mainland China, the main businesses and products, and other information:

Units in Thousands

Name of investee	Main businesses and products	Total amount of paid-in capital		Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2018		Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2018,		Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 2)	Book value	Accumulated remittance of earnings in current eriod	
		USD	NTD		USD	NTD	Outflow	Inflow	USD	TWD					USD	TWD
ETSH (Note 8)	Selling chemical product and related raw materials	1,700 (Note 6)	52,216	(Note 1)	700	21,501			700	21,501	6,614	100.00%	6,614	137,176	2,770	85,081
ETGZ (Note 8)	Selling chemical product and related raw materials	700 (Note 4)	21,501	(Note 1)	200	6,143			200	6,143	8,461	100.00%	8,461	71,308	1,397	42,909
EVSH (Note 8)	Selling chemical product and related raw materials	1,250 (Note 4)	38,394	(Note 1)	1,100	33,787			1,100	33,787	16,627	100.00%	16,627	133,437	950	29,179
EVSZ (Note 8)	Manufacturing and selling color chemical, toners and electronic high tech chemical product	20,000 (Note 4)	614,300	(Note 1)	18,600	571,299			18,600	571,299	756	100.00%	756	508,998	-	-
ANDA (Note 8)	Selling electronic high tech chemical product	1,200 (Note 4)	36,858	(Note 1)	650	19,965			650	19,965	2,096	56.25%	1,179	11,358	-	-
ADSH (Note 8)	Selling electronic high tech chemical product	157 (Note 5)	4,822	(Note 6)	-	-			-	-	5,961	56.25%	3,353	6,139	-	-
3ESZ (Note 8)	Manufacturing and selling chemical product and related raw materials	6,600 (Note 4)	202,719	(Note 1)	2,490	76,480			2,490	76,480	15,957	40.00%	6,383	46,426	-	-

Note 1: Reinvest in mainland China through third place (EVSG).
Note 2: These financial statements are audited by the same auditor of the Taiwan parent company and accounted for equity method.
Note 3: Exchange rate: NTD vs USD (1:30.715). Expressed in thousands of New Taiwan Dollars unless otherwise specified.
Note 4: EVSG invested in ETGZ USD 500 thousand, EVSH USD 150 thousand, EVSZ USD 1,400 thousand, ANDA USD 25 thousand and 3ESZ USD 150 thousand by owned funds.
Note 5: ANDA invested in ADSH amounted to RMB 1,000 thousand (USD 157 thousand) by owned funds.
Note 6: Included the capital increasing amounted to USD 1,000 thousand from earning.

(ii) Limitation on investment in mainland China:

Accumulated Investment in mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commision, MOEA	Upper Limit on Investment
781,300 (USD 25,437)	720,666 (USD 23,463)	4,559,483

As of December 31, 2018, the difference between accumulated investment in mainland China and investment amounts authorized by Investment Commission, MOEA was amounted to USD (1,974) thousand, including the follows:

(i) ETSH: capital increasing amounted to USD 1,000 thousand from earning.

(ii) EVSG: investment amounted to USD 2,425 thousand by owned funds.

(iii) EVSG: remittance of earnings amounted to USD (5,399) thousand.

(iii) Siginificant transactions:

For the year ended December 31, 2018, the information on direct or indirect significant transactions with investees in mainland China, is disclosed in Note (13)(a) Information on significant transactions.

(Continued)

(14) Segment information:

Please see the consolidated financial statements for the year ended December 31, 2018.

Everlight Chemical Industrial Corporation

Chairman Chen, Chien-Hsin

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