Stock Code:4739

Coremax Corporation and Subsidiaries

Consolidated Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2018 and 2017

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 independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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Representation Letter

The entities that are required to be included in the combined financial statements of Coremax Corporation as of and for the year ended December 31, 2018 under "the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises" are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the above-mentioned consolidated financial statements. Consequently, Coremax Corporation and subsidiaries do not prepare a separate set of combined financial statements.

Company name: Coremax Corporation
Chairman: Chi-Cheng Ho
Date: March 15, 2019

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

To the Board of Directors
Coremax Corporation:

Opinion

We have audited the consolidated financial statements of Coremax Corporation ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended and 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 of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretations as well as related guidance endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and 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 the 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. Based on our judgment, the key audit matters should be reflected in our report are as follow:

1. Valuation of Receivables

   Please refer to Note 4(7) "Financial instruments", Note 5 "Significant accounting judgments, assumptions, and major sources of estimation uncertainty", and Note 6(5) "Notes and accounts receivable, net" to the consolidated financial statements.

KPMG, a Taiwan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Description of key audit matters:

The Group has a worldwide customer base. As such, the Group may encounter difficulty in obtaining financial information of the customers due to the rapid changes in the business environment which included the industry, technology, market, and economic, as well as legal matters. When assessing the recoverability of its receivables, it is necessary to consider any changes in the credit quality of the receivable from the original grant date to the reporting date. For those receivables that were past due, the loss allowance is estimated based on the expected credit loss resulting from possible defaults events over the expected life of a receivable and analysis on the financial position of the customer. The management has subjective and significant judgments on the balance of expected credit losses from receivables. Therefore, the valuation of receivables is one of our key audit matters.

How the matter was addressed in our audit:

Our principal audit procedures included: Checking the completeness and accuracy of the aging analysis; understanding and evaluating the assessment performed by management relating to receivables that are overdue; vouching to the receipt after the year end, and understanding the collectability of remaining amount ; assessing the adequacy of loss allowance provided by the Group; and evaluating the adequacy of the Group' s disclosures in the accounts.

2. Valuation of Inventories

Please refer to Note 4(8) "Inventories" , Note 5 "Significant accounting judgments, assumptions, and major sources of estimation uncertainty", and Note 6(6) "Inventories" to the consolidated financial statements.

Description of key audit matters:

The Group's inventories are measured at the lower of cost and net realizable value. The Group will exercise judgment in estimating the net realizable value of its inventories as at reporting date. Estimation of net realizable value might subject to significant changes due to the fluctuations of the market and rapid changes in technology. Therefore, estimation of devaluation loss that reduce inventory to market value is one of our key audit matters.

How the matter was addressed in our audit:

Our principal audit procedures included: Understanding and evaluating the assessment performed by the management in calculating the net realizable value, as well as vouching to relevant documents for samples selected; evaluating the adequacy of the provisions policy ; assessing whether the valuation of inventories did follow such policy; and considering the adequacy of the Group's disclosures in the accounts.

Other Matter

The Company 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, interpretations as well as related guidance endorsed 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.

KPMG

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 members of the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditors'Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements 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 Wan-Yuan Yu and Chi-Lung Yu.

KPMG

Taipei, Taiwan (Republic of China)
March 15, 2019

Notes to Readers

The accompanying consolidated financial statements financial statements are intended only to present the consolidated financial statements statement of financial 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 consolidated financial statements financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying consolidated financial statements 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 statements financial statements, the Chinese version shall prevail.

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

Coremax Corporation and subsidiaries

Consolidated Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

Assets	December 31, 2018 Amount	%	December 31, 2017 Amount	%
Current assets:				
Cash and cash equivalents (note 6(1))	$ 534,209	7	466,220	8
Financial assets at fair value through profit or loss－current (note 6(2))	18	-	186	-
Notes receivable, net (note 6(3))	62,741	1	157,622	3
Accounts receivable, net (note 6(3))	645,888	9	576,128	10
Accounts receivable from related parties (notes 6(3) and 7)	39	-	66	-
Other receivables－related parties (note 7)	18	-	13	-
Inventories (notes 6(6))	1,670,664	23	1,183,518	20
Other financial assets－current	9,762	-	3,988	-
Other current assets (note 6(8))	590,462	8	258,661	5
	3,513,801	48	2,646,402	46
Non-current assets:				
Financial assets at fair value through other comprehensive income－non-current (note 6(3))	53,224	1	-	-
Available-for-sale financial assets－non-current (note 6(4))	-	-	52,252	1
Other financial assets－non-current (note 8)	1,840	-	-	-
Property, plant and equipment (notes 6(9) and 8)	3,585,346	50	3,021,606	52
Deferred tax assets (note 6(15))	26,640	-	25,381	-
Net defined benefit assets－non-current (note 6(14))	8,075	-	63	-
Other non-current assets (note 6(8))	94,679	1	48,136	1
	3,769,804	52	3,147,438	54
Total assets	$ 7,283,605	100	5,793,840	100

Liabilities and Equity	December 31, 2018 Amount	%	December 31, 2017 Amount	%
Current liabilities:				
Short-term notes and bills payable (note 6(10))	$ 80,000	1	-	-
Short-term borrowings (note 6(11))	1,403,035	19	928,306	16
Notes payable	114,768	2	114,636	2
Accounts payable	55,433	1	93,343	2
Other payable－related parties (note 7)	-	-	1,586	-
Salary and bonus payable	77,053	1	77,448	1
Long-term borrowings－current portion (notes 6(11) and (12))	338,440	5	261,524	4
Other current liabilities	145,031	2	120,377	2
	2,213,760	31	1,597,220	27
Non-current liabilities:				
Long-term borrowings (note 6(11))	609,733	8	610,777	11
Deferred tax liabilities (note 6(15))	296,152	4	285,337	5
Net defined benefit liability－non-current (note 6(14))	3,878	-	5,691	-
Deposits received	1,777	-	2,883	-
	911,540	12	904,688	16
Total liabilities	3,125,300	43	2,501,908	43
Equity (notes 6(12) and (16)):				
Equity attributable to parent company shareholders:				
Ordinary share capital	929,417	12	864,737	15
Capital surplus	1,581,736	22	1,138,226	20
Retained earnings	1,011,905	14	879,928	15
Other equity interest	(4,909)	-	(1,192)	-
Treasury shares	(14,066)	-	(18,755)	-
	3,504,083	48	2,862,944	50
Non-controlling interests (note 6(7))	654,222	9	428,988	7
Total equity	4,158,305	57	3,291,932	57
Total liabilities and equity	$ 7,283,605	100	5,793,840	100

See accompanying notes to consolidated financial statements.

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

Coremax Corporation and subsidiaries

Consolidated 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	%
Net operating revenue (notes 6(18), (19) and 7)	$ 6,310,637	100	4,980,823	100
Operating costs (notes 6(6) ,(14), (20) and 7)	5,529,827	88	4,218,503	85
Gross profit	780,810	12	762,320	15
Operating expenses (notes 6(13), (14), (20) and 7):				
Selling	86,422	1	74,160	1
General administrative	116,689	2	141,280	3
Research and development	22,059	-	15,141	-
Total operating expenses	225,170	3	230,581	4
Net operating income	555,640	9	531,739	11
Non-operating income and expenses:				
Other income (note 6(21))	29,045	-	21,299	1
Other gains and losses, net (note 6(21))	(4,993)	-	(5,590)	-
Finance costs (note 6(21))	(45,362)	-	(38,270)	(1)
Foreign exchange gains (note 6(22))	3,593	-	19,920	-
	(17,717)	-	(2,641)	-
Income before income taxes	537,923	9	529,098	11
Income tax expenses (note 6(15))	108,493	2	87,847	2
Net income	429,430	7	441,251	9
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit plans (note 6(14))	612	-	(2,008)	-
Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	972	-	-	-
Income tax related to items that will not be reclassified to profit or loss	-	-	-	-
	1,584	-	(2,008)	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign financial statements	(6,735)	-	8,701	-
Income tax relating to items that may be reclassified subsequently (note 6(15))	1,484	-	(1,239)	-
Total items that may be reclassified subsequently to profit or loss	(5,251)	-	7,462	-
Other comprehensive income	(3,667)	-	5,454	-
Total comprehensive income	**$ 425,763**	**7**	**446,705**	**9**
Net income attributable to:				
Shareholders of the parent	$ 393,022	6	411,530	8
Non-controlling interests	36,408	1	29,721	1
	$ 429,430	**7**	**441,251**	**9**
Total comprehensive income attributable to:				
Shareholders of the parent	$ 388,176	6	415,687	8
Non-controlling interests	37,587	1	31,018	1
	$ 425,763	**7**	**446,705**	**9**
Earnings per share (New Taiwan Dollars) (note 6(17)):				
Basic earnings per share	**$**	**4.63**		**5.40**
Diluted earnings per share	**$**	**4.61**		**4.94**

See accompanying notes to consolidated financial statements.

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

	Share capital				Retained earnings				Other equity interest						
	Ordinary share capital	Advance receipts for share capital	Total share capital	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	Total other equity interest	Treasury shares	Subtotal of equity attributable to the shareholders of the parent	Non-controlling interests	Total equity
Balance at January 1, 2017	$ 757,254	-	757,254	732,990	107,332	17,200	550,216	674,748	(7,240)	-	(7,240)	(22,434)	2,135,318	307,270	2,442,588
Net income for the period	-	-	-	-	-	-	411,530	411,530	-	-	-	-	411,530	29,721	441,251
Other comprehensive income (loss) for the period	-	-	-	-	-	-	(1,891)	(1,891)	6,048	-	6,048	-	4,157	1,297	5,454
Total comprehensive income (loss) for the period	-	-	-	-	-	-	409,639	409,639	6,048	-	6,048	-	415,687	31,018	446,705
Appropriation and distribution of retained earnings:															
Appropriated legal reserve	-	-	-	-	21,666	-	(21,666)	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	(204,459)	(204,459)	-	-	-	-	(204,459)	-	(204,459)
Adjustment to capital surplus due to cash dividends distributed to subsidiary	-	-	-	8,128	-	-	-	-	-	-	-	-	8,128	-	8,128
Adjustment to capital surplus due to non-proportional investment in subsidiary's increase in capital	-	-	-	(38,475)	-	-	-	-	-	-	-	3,679	(34,796)	34,796	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(18,460)	(18,460)
Issuance of new shares for cash by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	73,800	73,800
Remuneration cost resulted from employees' subscription of subsidiary's issuance of new shares for cash	-	-	-	-	-	-	-	-	-	-	-	-	-	564	564
Conversion of convertible bonds	103,980	3,503	107,483	435,583	-	-	-	-	-	-	-	-	543,066	-	543,066
Balance at December 31, 2017	861,234	3,503	864,737	1,138,226	128,998	17,200	733,730	879,928	(1,192)	-	(1,192)	(18,755)	2,862,944	428,988	3,291,932
Effects of retrospective application of new standard	-	-	-	-	-	-	-	-	-	1,149	1,149	-	1,149	283	1,432
Equity at beginning of period after adjustments	861,234	3,503	864,737	1,138,226	128,998	17,200	733,730	879,928	(1,192)	1,149	(43)	(18,755)	2,864,093	429,271	3,293,364
Net income for the period	-	-	-	-	-	-	393,022	393,022	-	-	-	-	393,022	36,408	429,430
Other comprehensive income (loss) for the period	-	-	-	-	-	-	20	20	(4,496)	(370)	(4,866)	-	(4,846)	1,179	(3,667)
Total comprehensive income (loss) for the period	-	-	-	-	-	-	393,042	393,042	(4,496)	(370)	(4,866)	-	388,176	37,587	425,763
Appropriation and distribution of retained earnings:															
Appropriated legal reserve	-	-	-	-	41,153	-	(41,153)	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	-	-	(261,065)	(261,065)	-	-	-	-	(261,065)	-	(261,065)
Issuance of new shares for cash	60,000	-	60,000	390,000	-	-	-	-	-	-	-	-	450,000	-	450,000
Issuance of new shares for cash by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	260,000	260,000
Adjustment to capital surplus due to non-proportional investment in subsidiary's increase in capital	-	-	-	25,451	-	-	-	-	-	-	-	4,689	30,140	(30,140)	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(42,496)	(42,496)
Adjustment to capital surplus due to cash dividends distributed to subsidiary	-	-	-	9,070	-	-	-	-	-	-	-	-	9,070	-	9,070
Conversion of convertible bonds	7,218	(2,538)	4,680	18,989	-	-	-	-	-	-	-	-	23,669	-	23,669
Balance at December 31, 2018	**$ 928,452**	**965**	**929,417**	**1,581,736**	**170,151**	**17,200**	**824,554**	**1,011,905**	**(5,688)**	**779**	**(4,909)**	**(14,066)**	**3,504,083**	**654,222**	**4,158,305**

See accompanying notes to consolidated financial statements.

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

Coremax 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	$	537,923	529,098
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation		214,334	173,743
Financial assets and liabilities measured at fair value through profit (loss)		16	(12,050)
Interest expense		45,362	38,270
Interest income		(7,002)	(1,072)
Dividend income		(1,437)	(1,437)
Remuneration cost arising from share-based payment transactions		-	564
Provision for inventory written down (reversal)		(132)	14,704
Losses on disposal of property, plant and equipment		78	14,370
Adjustment for other non-cash-related losses, net		7,849	(798)
Subtotal of gains or losses on non-cash activities		259,068	226,294
Changes in operating assets and liabilities:			
Notes receivable		94,881	(5,170)
Accounts receivable (including related parties)		(69,733)	(109,545)
Inventories		(487,014)	(352,635)
Other current assets		(337,580)	(98,272)
Notes payable		132	(8,332)
Accounts payable (including related parties)		(37,910)	6,803
Other current liabilities		29,334	(3,022)
Net defined benefit liability and asset		(9,805)	(14,158)
Total adjustments		(558,627)	(358,037)
Cash inflow (outflow) generated from operations		(20,704)	171,061
Interest paid		(45,005)	(31,597)
Income taxes paid		(106,181)	(43,589)
Net cash from (used in) operating activities		(171,890)	95,875
Cash flows from investing activities:			
Acquisition of property, plant and equipment		(783,487)	(294,550)
Proceeds from disposal of property, plant and equipment		6,660	2,225
Decrease in other financial assets		(1,840)	100,000
Increase in other non-current assets		(55,378)	(33,789)
Interest received		7,002	1,072
Dividends received		1,437	1,437
Net cash used in investing activities		(825,606)	(223,605)
Cash flows from financing activities:			
Increase in short-term borrowings		470,607	127,517
Increase in short-term notes and bills payable		80,000	-
Proceeds from long-term borrowings		400,000	500,000
Repayments of long-term borrowings (including current portion)		(300,555)	(305,667)
Decrease in guarantee deposits received		(1,106)	(1,285)
Cash dividends paid		(251,995)	(196,331)
Cash dividends paid for non-controlling interests		(42,496)	(18,460)
Issuance of new shares for cash		450,000	-
Issuance of new shares for cash by subsidiaries		260,000	73,800
Net cash from financing activities		1,064,455	179,574
Effect of exchange rate changes on cash and cash equivalents		1,030	21,450
Net increase in cash and cash equivalents		67,989	73,294
Cash and cash equivalents at beginning of period		466,220	392,926
Cash and cash equivalents at end of period	$	**534,209**	**466,220**

See accompanying notes to consolidated financial statements.

(amounts expressed in Thousands of New Taiwan Dollars,
except for per share information and unless otherwise noted)

1. Company history

Coremax Corporation (the "Company") was incorporated in Hsinchu, Republic of China (R.O.C.), on June 16, 1992. The registered address of the Company's office is 11 Wenhua Road, Hsinchu Industrial Park, Hsinchu County 30352, Taiwan R.O.C. The Company's ordinary shares were publicly listed on the Taiwan Stock Exchange on September 8, 2017 and the over-the-counter trading was officially withdrawn at the same date.

The Company and subsidiaries (together referred to as the "Group") are mainly involved in the manufacturing, sales, import and export of cobalt acetate, manganese acetate catalyst, organic cobalt salts, inorganic cobalt salts, oxalic acid, organic acids, inorganic acids, rare earth compounds and related products, as well as chemical fertilizer, chemical raw materials, organic fertilizers and fertilizer with organic matter. Also, recycling and reproduce of solvent and pollutant, and manufacturing of electronic components and batteries.

2. Approval date and procedures of the consolidated financial statements

The consolidated financial statements were authorized for issue by the Board of Directors on March 15, 2019.

3. New standards, amendments and interpretations adopted

(1) 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 International Accounting Standards Board
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

New, Revised or Amended Standards and Interpretations	**Effective date per International Accounting Standards Board**
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

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 Group has adopted IFRS 15 using the cumulative effect method with the effect of initially applying this standards recognized as an adjustment to the opening balance of retained earnings at January 1, 2018. Accordingly, the information presented for 2017 has not been restated. The comparative information is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

The Group applies the practical expedient, wherein no restatement is needed for those contracts that have been completed on January 1, 2018.

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

Sales of goods

For the sale of products, revenue is currently recognized when the goods are delivered to the customers’ premises, which is taken to be the point in time at which the customer accepts the goods and 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.
There is no significant difference between the consolidated statement of comprehensive income prepared in accordance with the requirements of IFRS 15 and the applicable IAS 18 “Revenue” and related interpretations.

(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 and OCI. 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.

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. 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(7).

   The adoption of IFRS 9 did not have any a 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(7).

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 and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.
- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Group assumed that the credit risk on its asset will not increase significantly since its initial recognition.

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.

	IAS39		IFRS9	
	Measurement categories	**Carrying Amount**	**Measurement categories**	**Carrying Amount**
Financial Assets				
Cash and equivalents	Loans and receivables	466,220	Amortized cost	466,220
Derivative instruments	Held-for-trading	186	Mandatorily at FVTPL	186
Equity instruments investment	Available-for-sale (note 1)	52,252	FVOCI	53,684
Trade and other receivables	Loans and receivables	733,829	Amortized cost	733,829
Other financial assets	Loans and receivables	3,988	Amortized cost	3,988

Note1: 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 $1,432 thousand in those assets and other equity recognized on January 1, 2018.

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on 1 January, 2018.

	2017.12.31 IAS 39 Carrying Amount	Reclassifications	Remeasurements	2018.1.1 IFRS 9 Carrying Amount	2018.1.1 Retained earnings	2018.1.1 Other equity
Fair value through profit or loss						
Beginning balance of FVTPL (IAS 39)	$ 186	-	-	186	-	-

	2017.12.31 IAS 39 Carrying Amount	Reclassifications	Remeasurements	2018.1.1 IFRS 9 Carrying Amount	2018.1.1 Retained earnings	2018.1.1 Other equity
Fair value through other comprehensive income						
Beginning balance of available for sale (including measured at cost) (IAS 39)	$ 52,252	-	-		-	-
Available for sale to FVOCI	-	-	1,432		-	1,432
Total	**$ 52,252**	**-**	**1,432**	**53,684**	**-**	**1,432**
Amortized cost						
Beginning balance of cash and cash equivalents, trade and other receivables, and other financial assets (IAS39)	**$ 1,204,037**	**-**	**-**	**1,204,037**	**-**	**-**

(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(25).

(2) 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 International Accounting Standards Board
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 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.

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.

On January 1, 2019, the Group plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

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

- apply a single discount rate to a portfolio of leases with similar characteristics.
- adjust the right-of-use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review.
- 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 new assets and liabilities for the operating leases of its offices and office-use vehicle. The Group estimated that the right-of-use assets and the lease liabilities to increase by $46,404 and $12,857, respectively.

(ii) IFRIC 23 Uncertainty over Income Tax Treatments

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts which it has the right to examine and have a full knowledge on all related information when making those examinations.

If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

So far, there is no significant impact on the application of the amendments of the Group assessment.

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

(3) 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 is currently assessing the financial impact that may arise from the adoption of above IRFSs.

4. Summary of significant accounting policies

The significant accounting policies presented in the consolidated financial statements are summarized as follows. Except for those described individually, the significant accounting policies have been applied consistently to all the periods presented in the consolidated financial statements.

(1) Statement of compliance

The 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 FSC (hereinafter referred to as the IFRSs endorsed by the FSC).

(2) Basis of preparation

(i) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following material items in the consolidated balance sheets:

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

2) Financial assets measured at fair value through other comprehensive income are measured at fair value;

3) The defined benefit liability (asset) is recognized at the fair value of the plan assets less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollars (TWD), which is the Company's functional currency. Unless otherwise noted, all financial information presented in TWD has been rounded to the nearest thousand.

(3) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and the entities controlled by the Company (its subsidiaries).

The Group 'controls' an entity when it is exposed to, or has right to, variable returns from its involvement with the entity, and has the ability to affect those return through its control over the entity.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Losses attributable to the non-controlling interests in a subsidiary are attributed to the non-controlling interests even if doing so results in a deficit non-controlling interests' balance.

The accounting policies in the subsidiary's financial statements has been adjusted properly to be consistent with the accounting policies 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 the non-controlling interests are adjusted and the fair value of the consideration paid or received is directly recognized in equity and attributable to owners of the Company.

Intra group balances and transactions, and any unrealized income and expenses arising from intra group transactions are eliminated in preparing the consolidated financial statements.

(ii) List of subsidiaries in the consolidated financial statements

The consolidated entities were as follows:

			Percentage of Ownership (%)	
Name of Investor	**Name of Subsidiary**	**Business Nature**	**December 31, 2018**	**December 31, 2017**
The Company	Coremax (BVI) Corporation	Investment company	100 %	100 %
The Company	Uranus Chemicals Co., Ltd. (Uranus Chemicals)	Manufacturing and sales of oxalic acid、organic and inorganic acid、rare earth compounds and related products	62.70 %	83.60 %
The Company	Hengi Chemical Co., Ltd. (Hengi)	Manufacturing and sales of chemical fertilizers, chemical raw materials, organic fertilizer and fertilizers with organic matter. Import and export of related business. Recycling and reproduce of solvent and pollutants.	80.18 %	80.18 %
Coremax (BVI) Corporation	Coremax Zhuhai Chemical Co., Ltd.	Production and sales of oxidation catalysts, sodium carbonate solutions, wastewater treatment solutions, exhaust gas absorbents and cobalt compound series products.	100 %	100 %
Coremax (BVI) Corporation	Coremax Ningbo Chemical Co., Ltd.	Manufacturing and processing of pure terephthalic acid oxidation catalyst, sodium carbonate solutions, wastewater treatment solutions, exhaust gas absorbent and cobalt compound series products.	100 %	100 %

Name of Investor	Name of Subsidiary	Business Nature	Percentage of Ownership (%) December 31, 2018	Percentage of Ownership (%) December 31, 2017
Coremax (BVI) Corporation	Coremax (Thailand) Co., Ltd.	Manufacturing and processing of pure terephthalic acid oxidation catalyst, sodium carbonate solutions, wastewater treatment solutions, exhaust gas absorbent and cobalt compound series products.	100 %	100 %
Coremax (BVI) Corporation	Coremax (Zhangzhou) Chemical Co., Ltd.	Manufacturing, processing and wholesale of pure terephthalic acid oxidation catalyst, sodium carbonate solutions, wastewater treatment solutions, waste gas absorbent and cobalt compound series products, and regeneration treatment of abort oxidation catalyst.	70.06 %	70.06 %
Uranus Chemicals Co., Ltd. (Uranus Chemicals)	Jiangxi Tianjiang Materials Co., Ltd.	Manufacturing and sales of oxalic acid、organic and inorganic acid、rare earth compounds and related products	100 %	100 %

As the Company did not subscribed the new share issuance for cash by Uranus Chemicals proportionally, thus, resulting in the percentage of its ownership to decrease from 100% to 83.6% in year 2017.

As the above transaction did not change the Company's control over the subsidiary, it was treated as an equity transaction.

	Uranus Chemicals
Cash consideration	$ 73,800
The carrying amount of the subsidiary's net assets calculated based on the relative change in equity which should be transferred from non-controlling interest.	(108,596)
Treasure shares	(3,679)
Equity transaction variance	**$ (38,475)**
Account adjusted for equity transaction variance	
Adjustment to capital surplus due to non-proportional investment in subsidiary's increase in capital	**$ (38,475)**

As the Company did not subscribed the new share issuance for cash by Uranus Chemicals proportionally, thus, resulting in the percentage of its ownership to decrease from 83.6% to 62.7% in year 2018.

As the above transaction did not change the Company's control over the subsidiary, it was treated as an equity transaction.

	Uranus Chemicals
The carrying amount of the subsidiary's net assets calculated based on the relative change in equity which should be transferred from non-controlling interest	$ 30,140
Treasure shares	(4,689)
Equity transaction variance	**$ 25,451**
Adjustment adjusted for equity transaction variance	
Adjustment to capital surplus due to non-proportional investment in subsidiary's increase in capital	**$ 25,451**

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

(4) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the 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.

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 that the fair value was determined. Nonmonetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of transaction. Foreign currency differences arising on retranslation are recognized in profit or loss, except for the differences related to the equity instrument investment measured at the fair value through other comprehensive income (available for sale), a financial liability designated as a hedge of the net investment in a foreign operation or qualifying cash flow hedges to the extent that hedges are effective, which are recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to TWD using the exchange rates at the reporting date with the exception of shareholders'equity, which is translated at historical cost rates, and income and expenses, which are translated to TWD at the average rate for the period. Foreign currency differences are recognized in other comprehensive income.

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

The Group classifies an asset as current when any one of the following requirements is met. Assets that are not classified as current are non-current assets.

(i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;

(ii) It holds the asset primarily for the purpose of trading;

(iii) It expects to realize the asset within twelve months after the reporting date; or

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

The Company classifies a liability as current when any one of the following requirements is met. Liabilities that are not classified as current are non-current liabilities.

(i) It expects to settle the liability in its normal operating cycle;

(ii) It holds the liability primarily for the purpose of trading;

(iii) The liability is due to be settled within twelve months after the reporting date; 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.

(6) Cash and cash equivalents

Cash comprise cash, cash in bank and checking deposits. Cash equivalents are short-term and 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 definition and held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are classified as cash equivalents.

(7) Financial instruments

(i) Financial assets (policy applicable commencing 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 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)

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. 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 equity 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 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, which is measured at FVOCI. 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 trade date accounting.

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, notes and accounts receivable, other receivable 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
- other debt securities and bank balances 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 trade receivables are 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 considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ' investment grade' " which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings".

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 360 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.

At each reporting date, the Group assesses whether financial assets carried at amortized cost 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.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. 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 are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

(ii) Financial assets (policy applicable before January 1, 2018)

1) Receivables

Except for financial assets at fair value through profit on loss, financial assets are assessed for impairment at each reporting date. Receivables are financial assets with fixed or determinable payments that are not quoted in an active market, which comprise receivables and other receivables. Such assets are recognized at fair value plus any directly attributable transaction costs. Income is included in nonoperating income and expenses.

2) Impairment of financial assets

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.

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.

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. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses and recoveries of receivables are recognized in operating expenses. Impairment losses and recoveries on financial assets other than receivables are recognized in non-operating income and expenses.

3) Derecognition of financial assets

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

(iii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

An equity instrument is any contract that evidences residual interests in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received less the direct cost of issuing.

Compound financial instruments issued by the Group comprise convertible bonds that can be converted to share capital at the option of the holder, where the number of shares to be issued is fixed.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest related to the financial liability is recognized in nonoperating income and expenses.

On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

2) Other financial liabilities

Financial liabilities not classified as held for trading, or designated as at fair value through profit or loss, which comprise long/short-term borrowings, accounts payable, and other payables, are measured at fair value plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method.

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 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 (policy applicable commencing January 1, 2018)

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 expenses in the statement of comprehensive income. 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.

(v) Derivative financial instruments (policy applicable before January 1, 2018)

Except for the following items, the Group applies the same accounting policies as applicable from January 1, 2018.

Embedded derivatives are separated from the host contract and accounted for separately when the economic characteristics and risk of the host contract and the embedded derivatives are not closely related, and the host contract is not measured at FVTPL.

(8) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is based on the weighted-average method and includes expenditure and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(9) 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, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located and any borrowing cost that is eligible for capitalization. The cost of the software is capitalized as part of the equipment if the purchase of the software is necessary for the equipment to be capable of operating.

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 the depreciation method of a significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

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

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group and the amount can be reliably measured. The carrying amount of those parts that are replaced is derecognized. Any repairs and maintenance of property, plant and equipment are expensed as incurred.

(iii) Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and it shall be allocated on a straight-line basis over the asset's useful life. A significant component of an item of property, plant and equipment which has a different useful life from the remainder of the item is depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

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: 4 to 60 years.

2) Machinery and equipment: 2 to 19 years.

3) Transportation Equipment: 4 to 7 years.

4) Other equipment: 3 to 11 years.

5) Buildings constitute mainly plant, buildings, mechanical and electrical power equipment, and related engineering, etc. Each constituent is depreciated based on its useful life, respectively.

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

(10) Leases

Lease classified as operating lease is recognized as income or expenses at a straight-line basis over the lease term by Lessor and Lessee.

(11) Intangible assets

Research & development

During the research phase, activities are carried out to obtain and understand new scientific or technical knowledge. Expenditures during this phase are recognized in profit or loss as incurred.

Expenditures arising from the development phase shall be recognized as an intangible asset if all the conditions described below can be demonstrated; otherwise, they will be recognized in profit or loss as incurred.

(i) The technical feasibility of completing the intangible asset so that it will be available for use or sale.

(ii) The intention to complete the intangible asset and use or sell it.

(iii) The ability to use or sell the intangible asset.

(iv) How the intangible asset will generate probable future economic benefits.

(v) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

(vi) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each reporting date. Any change shall be accounted for as changes in accounting estimates.

(12) Impairment of non-financial assets

The Group measures whether impairment has occurred in non-financial assets (except for inventories, deferred income tax assets) on every reporting date, and when there is an indication of impairment exist, the Group estimates its recoverable amount.

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.

The Group would assess at each reporting date 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. An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount as a reversal of a previously recognized impairment loss.

(13) Revenue from contracts with customers (policy 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.

(i) Sale of goods

The Group researches, develops, produces, manufactures and sells various chemical catalyst products, cobalt compound products, oxalic acid products and electronic components, as well as batteries. 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 the channel and price to sell 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.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

(ii) 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.

(14) Revenue recognition (policy applicable before January 1,2018)

Revenue from the sale of goods in the course of ordinary activities is recognized when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the customer, the recovery of the consideration is probable, and 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 discounts 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.

(15) 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 for the periods during which services are rendered by employees.

(ii) Defined benefit plans

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; that benefit is discounted to determine its present value. Any fair value of any plan asset is deducted. The discount rate is the yield at the reporting date (market yields of government bonds) on 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. When 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 order to calculate 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.

When the benefit of plan is improved, the expense of the increased benefit relating to the past services by the employees is recognized immediately in profit or loss.

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

The Group recognizes the gains or losses on the curtailment or settlement of the defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of the plan assets and in the present value of the defined benefit obligation.

(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 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.

(16) Share based payment

The grant-date fair value of share-based payment awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share based payment awards with non-vesting conditions, the grant date fair value of the share based payment is measured to reflect such conditions, and there is no true up for differences between expected and actual outcomes.

(17) Income tax

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 shall be 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, 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 tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by 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 scenarios below:

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 should be recognized for the carry forward of 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 credits and deductible temporary differences can be utilized. Such unused tax credits and deductible temporary differences shall also be 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 credits and deductible temporary differences can be utilized.

(18) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as convertible bonds payable and employee remuneration that could be distributed in share.

(19) Operating segment information

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 judgments, assumptions, and major sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimations 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 estimations.

Management continues to monitor the accounting estimations and assumptions. Management recognizes any changes in the accounting estimations during the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following:

(1) The loss allowance of notes and accounts receivables

The Group has estimated the loss allowance of notes and accounts receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Group has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. Please refer to note 6(5) for the impairment evaluation of receivables.

(2) Valuation of Inventories

Inventories are stated at the lower of cost or net realizable value, and the Group uses judgments and estimates to determine the net realizable value of inventory for obsolescence and unmarketable items at the reporting date. It also writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on the assumptions of the estimated selling price of the products within a specific time horizon. However, due to the rapid industrial transformation, the above estimation may have a significant change. Please refer to note 6(6) for further description of the valuation of inventories.

Accounting policies and disclosures of the Group include the fair value measurement for financial or non-financial assets and liabilities. The Group determines the fair value using the independent data sources which reflect the current market condition and confirming the data available are independent, reliable, in consistent with other sources and represent the exercisable price. The Group also periodically assesses the evaluation model, performs retrospective tests, and updates inputs with any other necessary fair value adjustment for the evaluation model in order to ensure the reasonableness of the valuation.

The Group evaluates its assets and liabilities using the observable market inputs. The hierarchy of the fair value depends on the valuation techniques used, and the different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.

Level 2: inputs (other than quoted prices included within Level 1) that are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

When there is a transfer between levels of the fair value hierarchy, the Group recognizes the transfer at the reporting date. For the assumptions used in fair value measurement, please refer to Note 6(22) of the financial instruments.

6. Explanation of significant accounts

(1) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand	$ 655	844
Demand deposits and checking accounts	531,318	463,091
Time deposits	2,236	2,285
	$ 534,209	**466,220**

Please refer to note 6(22) for the disclosure of currency risk of the financial assets and liabilities.

(2) Financial assets measured at fair value through profit or loss

	December 31, 2018	December 31, 2017
Financial assets－current:		
Puttable option－convertible bonds payable	$ 18	186

The Group engages in forward foreign exchange transactions to hedge its currency risk for assets and liabilities that were transacted in foreign currency due to the fluctuations of exchange rate. There were no foreign exchange transactions incurred for the period from January 1 to December 31, 2018. Whereas, the forward foreign exchange contracts of the Group as of December 31, 2017 have been settled.

(3) Financial assets at fair value through other comprehensive income－non-current

	December 31, 2018
Domestic unlisted stocks	$ 53,224

The purpose of these equity instruments is for long-term strategic investments and is not held for trading. As such, these instruments have been designated to be measured at fair value through other comprehensive profit and loss. These financial statements have been classified as available-for-sale financial assets as of December 31, 2017.

During the year of 2018, the Group did not dispose any of its investment, thus, there were no transfer of accumulated profit and loss within the equity.

(4) Available-for-sale financial assets－non-current:

	December 31, 2017
Domestic unlisted stocks	$ 52,252

The aforementioned investments held by the Group were measured at amortized cost as of December 31, 2017, given the range of reasonable fair value estimates is large and the probability for each estimate cannot be reasonably determined; therefore, the Group management had determined that the fair value cannot be measured reliably. The Group classified the above investments as financial assets at FVOCI－non-current as of December 31, 2018.

(5) Notes and accounts receivable, net

(i) Notes receivable, net:

	December 31, 2018	December 31, 2017
Notes receivable from operating activities	$ 62,741	157,622

(ii) Accounts receivable, net:

	December 31, 2018	December 31, 2017
Accounts receivable	$ 653,556	583,796
Less: allowance for doubtful accounts	(7,668)	(7,668)
	$ 645,888	**576,128**

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 of December 31, 2018 was determined as follows:

	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 704,668	0%	-
1 to 90 days past due	3,847	5%	-
91 to 180 days past due	153	20%	-
More than 181 days past due	-	100%	-
	$ 708,668		**-**

Note: The accounts receivable $7,668 from Wintek Corporation have been fully provided with impairment losses.

Other receivables – related parties are not included in the above receivables, please refer to note 7 for details.

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

	December 31, 2017
Overdue 0 to 60 days	**$ 23,409**

The movement in the allowance for notes and accounts receivable was as follows:

	December 31, 2018	December 31, 2017 Individually assessed impairment
Balance on January 1, 2018 and 2017	$ 7,668	8,153
Impairment losses recognized (reversal)	-	(485)
Balance on December 31, 2018 and 2017	**$ 7,668**	**7,668**

There is no relevant adjustment to the initial application of IFRS 9 on January 1, 2018.

(6) Inventories

	December 31, 2018	December 31, 2017
Raw materials	$ 838,977	508,092
Work in process	501,152	344,672
Finished goods	330,535	330,754
	$ 1,670,664	**1,183,518**

The components of operating costs were as follows:

	2018	2017
Cost of goods sold	$ 5,532,018	4,217,227
Inventory devaluation loss (reversal gain)	(132)	14,704
Revenue from sale of scrap	(2,059)	(1,074)
	$ 5,529,827	**4,230,857**

As of December 31, 2018 and 2017, the Company's inventories were not pledged as collaterals.

(7) Material non-controlling interests 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
Uranus Chemicals Co., Ltd. (Uranus Chemicals)	Taiwan	37.3 %	16.4 %

The following information of the aforementioned subsidiaries have been prepared in accordance with the Regulations. 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. Intragroup transactions were not eliminated in this information.

Uranus Chemicals' collective financial information:

	December 31, 2018	December 31, 2017
Current assets	$ 339,896	305,785
Non-current assets	1,211,172	606,538
Current liabilities	(102,709)	(79,813)
Non-current liabilities	(460,013)	(154,055)
Net assets	**$ 988,346**	**678,455**
Non-controlling interests	**$ 368,653**	**112,267**

	2018	2017
Sales revenue	**$ 241,590**	**243,782**
Net income	$ 47,102	41,870
Other comprehensive income	(1,799)	177
Comprehensive income	**$ 45,303**	**42,047**
Profit, attributable to non-controlling interests	**$ 13,494**	**10,333**
Comprehensive income, attributable to non-controlling interests	**$ (515)**	**12**
Net cash flows from operating activities	$ 33,673	37,338
Net cash flows from investing activities	(600,480)	(26,641)
Net cash flows from financing activities	572,027	16,466
Net increase (decrease) in cash and cash equivalents	**$ 5,220**	**27,163**
Pay to Uranus Chemicals' dividend	**$ 9,070**	**8,128**

(8) Other current assets/ non-current assets

Other current assets

	December 31, 2018	December 31, 2017
Prepayment for purchases	$ 524,708	190,920
Refundable and overpaid business tax	38,794	23,650
Other	26,960	44,091
	$ 590,462	**258,661**

Other non-current assets

	December 31, 2018	December 31, 2017
Land-use-right	$ 35,480	28,620
Prepayment for purchase equipment	40,843	7,418
Refundable deposits and other	18,356	12,098
	$ 94,679	**48,136**

(9) Property, plant and equipment

	Land	Building	Machinery and equipment	Transportation equipment	Oher equipment	Prepaid Equipment and Construction in progress	Total
Cost:							
Balance at January 1, 2018	$ 1,120,172	940,584	1,851,519	31,083	278,757	81,769	4,303,884
Additions	542,792	79,957	52,089	5,354	19,925	82,116	782,233
Disposals and scrap	-	(3,609)	(53,427)	(1,311)	(6,426)	-	(64,773)
Reclassification	-	35,961	21,634	(686)	4,805	(56,604)	5,110
Effect of exchange rate changes	235	(2,438)	1,384	(2,455)	(817)	(2,854)	(6,945)
Balance at December 31, 2018	**$ 1,663,199**	**1,050,455**	**1,873,199**	**31,985**	**296,244**	**104,427**	**5,019,509**
Balance at January 1, 2017	$ 1,120,088	794,616	1,734,216	22,929	266,746	93,001	4,031,596
Additions	-	114,221	149,662	9,215	46,107	22,801	342,006
Disposals and scrap	-	(38,675)	(60,371)	(751)	(15,549)	-	(115,346)
Reclassification	-	71,352	29,922	400	2,697	(33,648)	70,723
Effect of exchange rate changes	84	(930)	(1,910)	(710)	(21,244)	(385)	(25,095)
Balance at December 31, 2017	**$ 1,120,172**	**940,584**	**1,851,519**	**31,083**	**278,757**	**81,769**	**4,303,884**
Depreciation:							
Balance at January 1, 2018	$ -	325,022	798,147	18,476	140,633	-	1,282,278
Depreciation for the period	-	70,468	121,975	2,958	18,933	-	214,334
Disposals and scrap	-	(3,558)	(48,658)	(600)	(5,215)	-	(58,031)
Reclassification	-	(1)	(1)	-	-	-	(2)
Effect of exchange rate changes	-	(661)	(4)	(2,256)	(1,495)	-	(4,416)
Balance at December 31, 2018	**$ -**	**391,270**	**871,459**	**18,578**	**152,856**	**-**	**1,434,163**
Balance at January 1, 2017	$ -	308,980	745,827	17,376	147,333	-	1,219,516
Depreciation for the period	-	46,984	108,315	2,483	15,961	-	173,743
Impairment loss	-	(145)	(883)	-	(201)	-	(1,229)
Disposals and scrap	-	(29,089)	(54,183)	(751)	(13,499)	-	(97,522)
Effect of exchange rate changes	-	(1,708)	(929)	(632)	(8,961)	-	(12,230)
Balance at December 31, 2017	**$ -**	**325,022**	**798,147**	**18,476**	**140,633**	**-**	**1,282,278**

	Land	Building	Machinery and equipment	Transportation equipment	Oher equipment	Prepaid Equipment and Construction in progress	Total
Carrying amounts:							
Balance at December 31, 2018	$ 1,663,199	659,185	1,001,740	13,407	143,388	104,427	3,585,346
Balance at December 31, 2017	$ 1,120,172	615,562	1,053,372	12,607	138,124	81,769	3,021,606
Balance at January 1, 2017	$ 1,120,088	485,636	988,389	5,553	119,413	93,001	2,812,080

Hengi Chemical conducted asset revaluation in 1975, 1981 and 2001 years, and provided a land value appreciation reserve of $207,483 (accounting for deferred income tax liabilities). Uranus Chemicals conducted an asset revaluation in 2007 and the Company conducted land revaluation when it obtained Uranus Chemicals control in November 2014, and provided a land appreciation reserve of$70,856 (accounted for deferred income tax liabilities).

The real estate, plant and equipment of the Group pledged as collateral, please refer to note 8.

(10) Short-term notes and bills payable

	December 31, 2018	December 31, 2017
Commercial paper payable	$ 80,000	-

During 2018, the Group has a new borrowing amounting to $80,000, with the interest rate of 1.078%, and a maturity date of January 17, 2019.

(11) Long-term/Short-term borrowings

(i) Short-term borrowings:

	December 31, 2018	December 31, 2017
Secured bank loans	$ 109,563	40,000
Unsecured bank loans	1,293,472	888,306
	$ 1,403,035	928,306
Unused short-term credit lines	$ 2,112,110	2,183,974
Range of interest rates	1.085%~ 4.250%	1.22%~ 3.15%

For the collateral for short-term borrowings, please refer to note 8.

Please refer to note 6(22) for the disclosure of interest risk and liquidity risk.

(ii) Long-term borrowings:

Lender	Use	Maturity year and Repayment	December 31, 2018	December 31, 2017
Chang Hwa Commercial Bank	Working capital	Effective from 2015, repayable quarterly in 20 equal instalments.	$ 250,000	350,000
O-Bank	Working capital	From 2016 to 2020, with grace period of 24 month; first instalment is repayable upon the end of first grace period, and subsequent instalments are repayable quarterly, with a principal sum repayable in a total of 9 equal instalments.	77,778	100,000
O-Bank	Working capital	From 2017 to 2020; first instalment is repayable 6 months after the first withdrawal date, with subsequent instalment due every 6 months thereafter. Due to a year extension of repayment of loan, the principal sum is repayable in 3 instalments starting from the end of year 2018.	150,000	300,000
O-Bank	Working capital	From 2017 to 2019, repayable quarterly in 12 equal instalments beginning 2017.	-	28,333
O-Bank	Working capital	From 2017 to 2020, repayable quarterly in 5 equal instalments beginning in 2019.	66,000	66,000
O-Bank	Working capital	From 2018 to 2033, first instalment is repayable 24 months after the first withdrawal date, with subsequent instalments in monthly basis, at a total of 157 equal instalments.	400,000	-
Less: Current portion of long-term borrowings			(334,045)	(233,556)
			$ 609,733	**610,777**
Unused long-term credit lines			**422,222**	**155,667**
Range of interest rates at year end			**1.2%~ 1.5%**	**1.31%~ 1.5%**

The Company and Uranus Chemicals signed a loan agreement with O-Bank and agreed with the covenants related to maintaining certain financial ratios. As of December 31, 2018 and 2017, both the Company and Uranus Chemicals were in compliance with the loan covenant.

The collateral of long-term borrowings, please refer to note 8.

(12) Convertible bonds

The Company issued the second domestic guaranteed convertible bond on June 24, 2015, guaranteed by Chang Hwa Commercial Bank Co., Ltd, by pledging the ordinary shares of Hengi Chemical, with an amount of $200,416. In addition, the bond holder may request the Company to buy back the bond at par value, plus, interest compensation cost, with the date three years after the issuance of the bond. The relevant information of the Company's convertible corporate bonds is as follows:

	December 31, 2018	December 31, 2017
Total proceeds from convertible corporate bonds issued	$ 600,000	600,000
Less: Unamortized corporate bonds discount	(605)	(1,132)
Less: Cumulative converted amount	(595,000)	(570,900)
Corporate bonds payable balance at year-end	**$ 4,395**	**27,968**
Embedded derivative – call and put options, included in financial assets at FVTPL	**$ 18**	**186**

	2018	2017
Embedded derivative – call and put options revaluation gain (loss), included in valuation gain (loss) of financial assets and liabilities at FVTPL	**$ (16)**	**12,217**
Interest expense	**$ 248**	**6,168**

The above mentioned second domestic guaranteed convertible bond is a guaranteed convertible corporate bond with a 5-year zero coupon rate of $100 each. The Company could redeem all the outstanding bonds that were traded in the market, at the price calculated according to the agreed formula at any time from the day after a month on which the bond is issued to the 40th day before the maturity date of the bond if the closing price of the Company’s common stock that was traded at securities counter exceeds 30% (inclusive) of the current conversion price for 30 consecutive days. When the total amount of the outstanding bonds is less than 10% of the total amount of the initial issued, the Company shall redeem all outstanding bonds at the maturity date at par value.

The conversion price was set at $58 at the time of issue. The conversion price was adjusted to $51.8 and $53.1 on December 31, 2018 and 2017, respectively.

The Company has separately recognized its rights and liabilities of the above mentioned convertible bonds upon issuance. The details are as follows:

Item	Amount
Total convertible corporate bonds issued	$ 600,000
Fair value of embedded non-equity derivatives upon issued	(6,420)
Issuing cost	(5,000)
Fair value of corporate bonds upon issued	(553,518)
Equity component-stock options (reported in capital surplus-stock options)	**$ 35,062**

Excluded the above embedded derivatives, the effective interest rate of the Company's second guaranteed convertible of corporate bonds is 1.63%.

The detail of the conversion to ordinary shares of Company's second guaranteed convertible corporate bonds on December 31, 2018 and 2017, please refer to Note 6(16).

(13) Operating lease

Leases as lessee

Non-cancellable operating lease rentals payable were as follows:

	December 31, 2018	**December 31, 2017**
Less than 1 year	$ 2,611	2,455
Between 1~ 5 years	5,660	4,193
More than 5 years	10,352	1,367
	$ 18,623	**8,015**

(14) Employee benefits

(i) Defined benefit plans

The present value of the defined benfit obligation and the fair value adjustments of the plan assets for the Company and domestic subsidiaries were as follow:

	December 31, 2018	**December 31, 2017**
Present value of the defined benefit obligation	$ 60,483	60,799
Fair value of plan assets	(64,680)	(55,171)
	$ (4,197)	**5,628**
Net defined benefit assets	**$ (8,075)**	**(63)**
Net defined benefit obligations	**$ 3,878**	**5,691**

The Company and domestic subsidiaries established a defined benefit plan by contributed to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive an annual payment based on years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Company and domestic subsidiaries allocate 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 Fund, Ministry of Labor. Minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company and domestic subsidiaries' Bank of Taiwan labor pension reserve account balance amounting to $64,680 at 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 Fund.

2) Movements in present value of defined benefit obligation

The movements in present value of the defined benefit obligation of the Company and domestic subsidiaries were as follows:

		2018	2017
Defined benefit obligation at January 1	$	60,799	66,464
Current service cost and interest		966	1,255
Benefits paid from plan assets		(2,301)	(8,638)
Remeasurements of the net defined benefit liabilities		1,019	1,718
Defined benefit obligation as of December 31	**$**	**60,483**	**60,799**

3) Movements in the fair value of the defined benefit plan assets

The movements in the fair value of the defined benefit plan assets of the Company and domestic subsidiaries were as follows:

		2018	2017
Fair value of plan assets at January 1	$	55,170	48,127
Contributions made		9,546	15,236
Interest income		634	736
Benefits paid from plan assets		(2,301)	(8,638)
Remeasurements of the return on plan assets		1,631	(290)
Fair value of plan assets at December 31	**$**	**64,680**	**55,171**

4) Expenses recognized in profit or loss

The expenses recognized in profit or losses for the Company and domestic subsidiaries were as follows:

	2018	2017
Current service cost	$ 327	423
Net interest on the net defined benefit liabilities	5	96
	$ 332	**519**

5) Remeasurements of the net defined benefit liabilities recognized in other comprehensive income

The Company and domestic subsidiaries' remeasurements of the net defined benefit liabilities recognized as accumulated in other comprehensive income were as follows:

	2018	2017
Cumulative amount at January 1	$ (7,504)	(5,496)
Recognized in profit (losses) for the period	612	(2,008)
Cumulative amount as of December 31	**$ (6,892)**	**(7,504)**

6) Actuarial assumptions

The following are the Company and domestic subsidiaries' significant actuarial assumptions regarding the present value of the defined benefit obligation at the reporting date:

	December 31, 2018	December 31, 2017
Discount rate	1.0%~1.2%	1.0%~1.3%
Future salary increase rate	1.5%~3.5%	1.5%~3.5%

The Company and domestic subsidiaries are expecting a contribution of $9,267 to its defined benefit plans in the following year, beginning December 31, 2018.

The weighted average duration of the defined benefit plan is 6~15 years.

7) Sensitivity analysis

The carrying amount of the Company and domestic subsidiaries' net defined benefit liabilities was $4,197 as of 31 December 2018. When the employee's unpaid salary growth rate is changed by 1%, it is estimated that the accrued pension liabilities recognized by the Company and domestic subsidiaries would increase by $3,653 or decrease by $3,252, respectively.

(ii) Defined contribution plans

In accordance with the provisions of the Labor Pension Act, the Company and domestic subsidiaries should contribute 6% of its employees' monthly wages to their labor pension personal accounts of the Bureau of Labor Insurance, Ministry of Labor (hereinafter referred to as the Bureau of Labor Insurance). Under this defined contribution plan, the Company and domestic subsidiaries contribute a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

The total pension costs of the Group's overseas subsidiaries under their respective defined contribution plan are recognized in accordance with their local regulations.

The Group's pension costs under the defined contribution plan were $9,937 and $8,370 for the years ended December 31, 2018 and 2017, respectively.

(15) Income tax

(i) Income tax expense

On 7 February 2018, the Income Tax Law was amended by the Presidential Office and, starting from 2018, the corporate income tax rate was adjusted from 17% to 20%.

The Company applied for capital increase and extended the five-year tax exemption case. The Economic and Industrial Bureau issued a certificate of completion of the emerging important strategic industries. The Company's self-manufactured chemical materials products revenue meet the above requirements from January 1 2015 to December 31 2019, the income tax for profit-making business is exempted.

The amount of income tax expense (profit) to the Group were as follows:

		2018	2017
Current tax expense			
Current period	$	89,567	72,620
Undistributed retained earnings 10% surtax		11,642	-
Adjustment for prior periods		(3,756)	2,967
		97,453	75,587
Deferred tax expense			
Origination and reversal of temporary differences		13,996	12,260
Effect of tax rate change		(2,956)	-
		11,040	12,260
Income tax expense	**$**	**108,493**	**87,847**

The amount of income tax expense (benefit) recognized in other comprehensive income were as follows:

	2018	2017
Exchange differences on translation of foreign financial statements	**$ 1,484**	**(1,239)**

The reconciliation of income tax expenses and income before income tax were as follows:

	2018	2017
Income before income tax	$ 537,923	529,098
Income tax at the Company's domestic tax rate	107,585	89,947
Effect of different tax rates in foreign jurisdictions	31,001	35,063
Effect of tax rate change	(2,956)	-
Permanent difference	(17,641)	(32,315)
Undistributed retained earnings 10% surtax	11,642	-
Tax-exempt income	(8,644)	(7,135)
Change in provision in prior periods and other	(12,494)	2,287
Total	**$ 108,493**	**87,847**

B. Recognized deferred tax assets and liabilities

Deferred tax assets	January 1, 2017	Recognized in income statement	Recognized in other comprehensive income	December 31, 2017	Recognized in income statement	Recognized in other comprehensive income	December 31, 2018
Exchange differences on translation of foreign financial statements	$ 2,870	-	(1,239)	1,631	-	1,484	3,115
Allowance for inventory valuation	14,268	6,965	-	7,303	(974)	-	8,277
Pension not actually contributed	3,370	1,062	-	2,308	167	-	2,141
Impairment loss	9,306	(648)	-	9,954	1,098	-	8,856
Others	4,218	33	-	4,185	(66)	-	4,251
	$ 34,032	**7,412**	**(1,239)**	**25,381**	**225**	**1,484**	**26,640**

Deferred tax liabilities	January 1, 2017	Recognized in income statement	Recognized in other comprehensive income	December 31, 2017	Recognized in income statement	Recognized in other comprehensive income	December 31, 2018
Land Value Increment Tax	$ 278,339	-	-	278,339	-	-	278,339
Investment income recognized under equity method	843	5,332	-	6,175	9,907	-	16,082
Others	1,307	(484)	-	823	908	-	1,731
	$ 280,489	**4,848**	**-**	**285,337**	**10,815**	**-**	**296,152**

C. The Company's income tax returns for the years through 2016 were assessed by the tax authority.

(16) Capital and other equity

(i) Issuance and cancellation of ordinary shares

As of December 31, 2018 and 2017, the authorized capital of the Company amounted to $1,200,000; the issued capital amounted to $928,452 and $861,234, respectively. With par value at $10 per share.

Reconciliations of shares outstanding to the Company were as follows (in thousands of shares):

	Common Stock	
	2018	**2017**
Balance at January 1	86,123	75,725
New share issuance for cash	6,000	-
Conversion of convertible bonds	722	10,398
Balance at December 31	**92,845**	**86,123**

As of December 31, 2018 and 2017, the guaranteed convertible corporate bonds amounted to $24,600 and $ 570,900, respectively, and converted into 468 thousand shares and 10,748 thousand shares, respectively. The net increase in capital surplus due to corporate bond conversion was $18,990 and $435,583 respectively.

Among the new shares issued in the previous year due to the conversion of convertible corporate bonds, 350 thousand shares amounting to $3,503 were recognized as advance receipts for share capital as of December 31, 2017, resulting from the statutory registration procedures still inprogress. As of December 31, 2018, all of the advance receipts have been fully converted into ordinary share capital. In addition, among the new shares issued in 2018, the statutory registration procedures of 371 thousand shares have been completed; and the remaining 97 thousand shares have yet to complete theirs. As of December 31, 2018, the share amounting to $965 was recognized as advance receipts for share capital.

In the fourth quarter of 2018, the Company issued 6,000 new shares for cash, which was issued at a premium of $75 per share, totaling $450,000. The difference between the par value and the issue price was $390,000, and the capital reserve was recorded. The above mentioned capital increase case had already completed the statutory registration procedures.

(ii) Capital surplus

		December 31, 2018	December 31, 2017
Additional paid-in capital	$	1,240,595	830,167
Difference between consideration and carrying amount arising from acquisition or disposal of subsidiaries		329,042	329,042
Long-term investment		(13,025)	(38,475)
Treasury stock transactions		21,908	12,838
Employee share options		2,953	2,953
Conversion options of bonds		263	1,701
	$	**1,581,736**	**1,138,226**

The treasury stock transactions above are related to the Company's shares held by the subsidiaries. As such, the subsidiaries are entitled to receive cash dividends distributed by the Company.

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the ordinary share or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital share and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total ordinary share outstanding.

(iii) Retained earnings

1) Legal reserve

According to the R.O.C. 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 only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

By choosing to apply exemptions granted under IFRS 1 during the Company's first time adoption of the IFRSs endorsed by the FSC, cumulative translation adjustments under shareholders' equity shall be reclassified as retained earnings at the transition date. The increase in retained earnings occurring before the transition date due to the first time adoption of the IFRSs endorsed by the FSC amounted to $20,277. The net increase in retained earnings resulting from the first application of IFRS1 on the transition date was $16,830. In accordance with Ruling No. 1010012865 issued by the FSC, a net increase in retained earnings due to the first time adoption of the IFRSs endorsed by the FSC shall be reclassified as a special reserve during earnings distribution, and when the relevant asset is used, disposed of, or reclassified, this special reserve shall be reversed as distributable earnings proportionately.

In the years of 2018 and 2017, there was no reserve provided or reversed. In accordance with the guidelines of the above Ruling, a portion of current period earnings and undistributed prior period earnings shall be reclassified as a special reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current period reduction of special reserve resulting from the first time adoption of the IFRSs endorsed by the FSC and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders'equity pertaining to prior periods due to the first time adoption of the IFRSs endorsed by the FSC. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

According to the Company's articles of incorporation, in years of earnings, pay income tax, offset any accumulated deficit. Thereafter, a 10% appropriation of the remaining amount shall be set aside for legal reserve, unless the amount in the legal reserve is already equal to or greater than the total paid in capital. Thereafter, an amount shall be set aside or reversed as a special reserve in accordance with related laws, regulations, or provisions of the competent authorities. Distribution of the remaining earnings after setting aside the abovementioned amounts, together with the balance of the unappropriated retained earnings of the previous year, shall be proposed by the Board of Directors to be approved at the shareholders'meeting.

As the Company is still in its growth stage, capital is needed to expand its production lines and to increase its investment in the coming years. Recently, the Company has been developing steadily based on its capital expenditure, business expansion, and appropriate financial planning. The Company will allot more than 10% of its distributable earnings above as dividends to its shareholders. However, if the distributable earnings is less than 30% of the paid-in capital, then no dividend shall be distributed. If the Company simultaneously distributes stock dividends and cash dividends, the cash dividends should not be less than 20% of the total dividend payout to its shareholders.

The following are the appropriation of earnings in last two years which were proposed by the Board of Directors and approved during the shareholders'meeting held on March 15, 2019 and June 1, 2018, respectively:

	2018		2017	
	Amount per share (TWD)	**Total amount**	**Amount per share (TWD)**	**Total amount**
Dividends distributed to ordinary shareholders:				
Cash (TWD)	**3.202947**	**$ 297,694**	**3.013760**	**261,065**

The appropriation of retained earnings for 2017 is consistent with the resolutions approved by the Board of Directors. The appropriation of earnings distribution for 2018 will be presented for resolution in annual shareholders' meeting. The related information will be available on the Market Observation Post System on the website after the meeting.

(iv) Treasury stock

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before the transfer. Shares of the Company held by its subsidiaries are accounted for as treasury shares, which are not allowed in participating in the Company's capital increase and without voting rights, except that, other right is the same as the general shareholders' rights.

Uranus Chemicals holds 3,013 thousand shares of the Company, with the acquisition price of $22,434, recognized as treasury shares on December 31, 2016, based on the 100% of the Company's shareholding in Uranus Chemicals. In addition, Uranus Chemicals has issued an additional paid-in shares capital in the third quarter of 2017, wherein the Company did not acquire the shares based on its initial shares holding ratio, resulting in a decrease of $38,475 in its capital surplus. As of December 31, 2017, the amount of treasury shares was $18,755 based on 83.6% of the Company's shareholding in Uranus Chemicals.

Subsequently, Uranus Chemicals issued new shares in the second quarter of 2018, wherein the Company did not acquire any of the shares, resulting in an increase of $25,451 in its capital surplus. According to the Company's shareholding of 62.7% in Uranus Chemicals as of December 31, 2018, the amount of treasury shares amounted to $14,066.

(vi) Other

Uranus Chemicals issued 4,920 thousand of new shares for cash in the third quarter of 2017, at a premium issuing price of $15, with proceeds raised of $73,800. Uranus Chemicals recognized an amount of $564 as remuneration cost due to the issuance of certain new shares to employees.

In second quarter of 2018, Uranus Chemicals issued 10,000 thousand of shares for cash, at a premium issuing price of $26, with proceeds raised of $260,000.

(17) Earnings per share

	2018	2017
Basic earnings per share:		
Net income attributable to ordinary shareholders	$ 393,022	411,530
Weighted-average number of ordinary shares outstanding during the year (in thousands of shares)	84,865	76,258
Basic earnings per share (TWD)	$ 4.63	5.40

		2018	2017
Diluted earnings per share:			
Net income attributable to ordinary shareholders of the Company	$	393,022	411,530
Interest expense on convertible bonds, net of tax		199	5,135
	$	**393,221**	**416,665**
Weighted average number of ordinary shares outstanding (in thousands) (basic)		84,865	76,258
Effect of potential diluted ordinary shares:			
Effect of employee remuneration in share		98	88
Effect of conversion of convertible bonds		324	7,946
Weighted average number of ordinary shares outstanding (in thousands) (diluted)		**85,287**	**84,292**
Diluted earnings per share (TWD)	**$**	**4.61**	**4.94**

(18) Details of revenue

	2018					
	Oxidation catalyst department	**Battery material department**	**Chemical fertilizer department**	**Specialty chemical department**	**Other**	**Total**
Taiwan	$ 757,737	2,641,228	864,536	964,219	263,761	5,491,481
China and other	520,829	-	-	-	298,327	819,156
	$ 1,278,566	**2,641,228**	**864,536**	**964,219**	**562,088**	**6,310,637**

(19) Operating revenues

	2017
Sales of goods, net	**$ 4,980,823**

(20) Remuneration to employees, directors and supervisors

The Company's articles of incorporation, as amended on May 26, 2017, require that earnings shall first be offset against any deficit, then, a minimum of 1.5% will be distributed as employee remuneration, and a maximum of 5% will be allocated as remuneration to directors and supervisors. Employees who are entitled to receive the above mentioned employee remuneration, in share or cash, include the employees of the Company's subsidiaries who meet certain specific requirements.

For the years ended December 31, 2018 and 2017, the Company accrued and recognized its employee remuneration both amounting to $8,000. These amounts were calculated by using the Company’s pre-tax net profit for the period before deducting the amounts of the remuneration to employees, multiplied by the distribution of ratio of the remuneration to employees based on the Company’s articles of incorporation, and expensed under operating costs or expenses. If there would be any changes after the reporting date, the changes shall be accounted for as changes in accounting estimates and recognized as profit or lost in the following year. If, however, the shareholders determine that the employee remuneration is to be distributed through share, the number of shares to be distributed shall be calculated using the stock price on the day before the shareholders' meeting.

For the year ended December 31, 2017, the remuneration to employees amounted to $8,000. However, no remuneration to directors were distributed for the year then ended. There were no differences between the estimated and the actual amounts of employee and directors' remuneration. Related information would be available at the Market Observation Post System website.

(21) Non-operating income and expenses

(i) Other gains and losses, net

		2018	2017
Rental income	$	10,830	10,157
Interest income		7,002	1,072
Claim income		5,082	515
Dividend income		1,437	1,437
Other		4,694	8,118
	$	**29,045**	**21,299**

(ii) Other gains and losses, net

		2018	2017
Loss on disposal of property, plant and equipment	$	(78)	(14,370)
Gain (loss) on valuation of financial assets and liabilities at FVTPL		(16)	12,050
Other		(4,899)	(3,270)
	$	**(4,993)**	**(5,590)**

(iii) Finance costs

		2018	2017
Interest expense – borrowings	$	45,114	32,084
Interest expense – convertible bonds payable		248	6,186
	$	45,362	38,270

(22) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets and contract assets represent the maximum credit exposure.

2) Concentration of credit risk

The customers of the Group are concentrated on customer base of oxidation catalyst, battery materials, chemical fertilizers and specialty chemicals. The Group limits its exposure to credit risk from accounts receivables by continuously evaluates the debt collectability and provides adequate reserves for loss allowance, if necessary. As of December 31, 2018 and 2017, there were 6 and 4 major customers, which represented 40% and 35% of the accounts receivable, respectively. Thus, credit risk is significantly concentrated.

3) Credit risk of receivables and debt securities

For credit risk exposure of note and trade receivables, please refer to note 6(5). Other financial assets at amortized cost include other receivables from related parties and other financial assets. There is no impairment losses recognized for the years ended December 31, 2018 and 2017.

All of these financial assets are considered to have low risk, and thus, the loss allowance 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(7).

(ii) Liquidity risk

The following are the contractual maturities of financial liabilities, (including interest payments):

		Carrying amount	Contractual cash flow	Within 6 months	6 to 12 months	1 to 2 years	Above 2 years
December 31, 2018							
Non-derivative financial liabilities							
Short-term notes and bills payable	$	80,000	80,000	80,000	-	-	-
Short-term borrowings		1,403,035	1,412,148	1,311,104	101,044	-	-
Notes and accounts receivable		170,201	170,201	170,201	-	-	-
Long-term borrowing (including current portion of long-term borrowings)		943,778	1,005,548	167,923	180,468	185,438	471,719
Convertible bonds payable		4,395	4,500	4,500	-	-	-
	$	2,601,409	2,672,397	1,733,728	281,512	185,438	471,719
December 31, 2017							
Non-derivative financial liabilities							
Short-term borrowings	$	928,306	931,818	911,583	20,235	-	-
Notes and accounts receivable (including related parties)		209,565	209,565	209,565	-	-	-
Long-term borrowing (including current portion of long-term borrowings)		844,333	869,165	111,440	133,221	304,162	320,342
Convertible bonds payable		27,968	29,100	29,100	-	-	-
	$	2,010,172	2,039,648	1,261,688	153,456	304,162	320,342

The Group does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to currency risk

The Group's financial assets and liabilities exposed to exchange rate risk were as follows:

	December 31, 2018			
		Foreign currency	Exchange rate	TWD
Financial Assets				
Monetary items				
USD	$	23,547	30.715	723,246
Financial Liabilities				
Monetary items				
USD		26,195	30.715	804,579

	December 31, 2017		
	Foreign currency	**Exchange rate**	**TWD**
Financial Assets			
Monetary items			
USD	$ 16,526	29.76	491,814
Financial Liabilities			
Monetary items			
USD	15,615	29.76	464,702

2) Sensitivity analysis

The Group's exposure to foreign current risk arises from the translation of cash and cash equivalents, receivables, short-term borrowing, accounts payable, and other payables, that are denominated in USD. Assuming all other variable factors remain constant, a strengthening (weakening) of $1 of the TWD against USD as of December 31, 2018 and 2017, would have increased (decreased) the net income $(2,118) and $756, respectively.

3) Exchange gains and losses of monetary items

Due to the variety of the functional currencies of the Group's entities, the Group's foreign exchange losses on monetary items amounted to $3,593 and $19,920 for the years ended December 31, 2018 and 2017, respectively.

(iv) Interest rate analysis

The Group's interest rate exposure regarding its financial assets and liabilities has been disclosed in the note of financial risk management.

The following sensitivity analysis is based on the exposure to interest rate risk of the derivative and non-derivative instruments on the reporting date. For variable rate instruments, the sensitivity analysis assumes the variable rate liabilities are outstanding for the whole year on the reporting date. The exposure to changes in interest rates (assuming all other variables remain constant) would have influenced the comprehensive income for the years ended December 31, 2018 and 2017, as illustrated below:

	Range of the fluctuations	**2018**	**2017**
Annual interest rate	Increase of 1%	**$ (19,415)**	**(14,713)**
	Decrease of 1%	**$ 19,415**	**14,713**

(vi) Fair value of financial instruments

1) Categories of financial instruments and fair value

The Company' s carrying amount and fair value of financial assets and liabilities (including information on the fair value hierarchy, but excluding financial instruments whose fair values approximate their carrying amounts and equity investments which cannot be estimated reliably in an active market) were as follows:

	December 31, 2018				
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Derivative financial assets mandatorily measured at FVTPL	$ 18	-	18	-	18
Financial assets as FVOCI	$ 53,224	-	-	53,224	53,224
Convertible bonds payable	$ 4,395	8,145	-	-	8,145

	December 31, 2017				
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Derivative financial assets	$ 186	-	186	-	186
Convertible bonds payable	$ 27,968	67,803	-	-	67,803

2) Valuation techniques for financial instruments not measured at fair value

The Group estimates the financial instruments not measured at fair value using the following methods and assumptions:

Fair value measurement for financial liabilities measured at amortized cost based on the latest quoted price and agreed upon price if these prices are available in active markets. When market value is unavailable, the fair value of financial liabilities are evaluated based on the discounted cash flow of the financial liabilities.

3) Valuation techniques for financial instruments that are measured at fair value

The right-of-call or put option that embedded in derivative is measured by using the appropriate option pricing models.

There is no transfer between the levels for the years ended December 31, 2018 and 2017.

4) Quantitative 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 include financial assets at FVOCI (equity instrument investments). Quantitative information of significant unobservable inputs was as follows:

Financial assets at FVOCI (equity instrument investments without an active market)	Market approach	· Net worth ratio multiplier (December 31, 2018 was 1.15) · Liquidity discount (December 31, 2018 was 20%)	The higher the net worth ratio multiplier, the higher fair value. The higher of liquidity discount, the lower fair value.

5) Reconciliation of Level 3 fair values

	Equity instrument investment at FVOCI
January 1, 2018	$ -
Effects of retrospective application	53,684
Recognize through other comprehensive income	(460)
December 31, 2018	**$ 53,224**

The above-mentioned total profit or loss included "unrealized gains and losses from equity instrument investments measured at FVOCI gains and losses". As of December 31, 2018, the loss attributable to assets was $972.

(23) Financial risk management

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and process for measuring and managing risk. Further quantitative disclosures are included throughout these consolidated financial statements.

(i) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies, and meets regularly for discussions.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Board of Directors oversees how management monitors compliance 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 Board of Directors is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the board of directors.

(ii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group deposits its cash and cash equivalents with reputable banks, thus, the credit risk is low.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, the management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. The Group limits its exposure to credit risk by establishing a dedicated team that is responsible for customer's credit assessment and approval, limit and monitoring procedures. This is to ensure that appropriate actions are taken for the recoverability of overdue receivables. In addition, the Group will review the recoverable amount of the receivables individually at each reporting date so that impairment losses are appropriately provided for those irrecoverable receivables.

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries. There is no endorsement guarantee to entity other than subsidiary on December 31, 2018 and 2017.

(iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages and maintains 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.

(iv) 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 optimizing the return.

1) Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the USD.

Interest in borrowing is denominated with the same currency of borrowing principal. Generally, the denominated currency of borrowing is the same with the Group's cash flow generated from operation, primarily in TWD, but also USD. Under these circumstances, a natural economic hedge is exist without using derivative instrument. Therefore, no hedge accounting is applied.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

2) Interest rate risk

The Group's short-term and long-term borrowings are carried in variable interest rates. Therefore, the fluctuation of market rate will make the effective interest rate of short-term and long-term borrowings changed accordingly which resulted fluctuation in future cash flows.

(24) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximize shareholder's value.

The Group's industry is volatile, capital and technology-intensive industries, and the Group's life cycle is in a stable growth stage of operation. The remaining dividend policy must be adopted at this stage with funds to retain the surplus in response to operational growth and investment needs. The cash dividend distributed by the shareholder bonus shall not be less than 20% of the total distribution.

The top management of the Group re-examines the capital structure every six months, and its review includes consideration of the cost of each category of capital and related risks. Based on the recommendations of the top management, the Group will balance its overall capital structure by paying dividends, issuing new shares, buying back shares and issuing new debts or repaying old debts.

As of December 31, 2018, the way in which the Group's capital management was managed has not changed.

The debt-to-equity ratio at the reporting date is as follows:

	December 31, 2018	December 31, 2017
Total liabilities	$ 3,125,300	2,501,908
Less: cash and cash equivalents	(534,209)	(466,220)
Net debt	**$ 2,591,091**	**2,035,688**
Total equity	**$ 4,158,305**	**3,291,932**
Debt-to-equity ratio	**62.31%**	**61.84%**

(25) Financing activities not affecting current cash flow

The Group's investing and financing activities which did not affect the current cash flow in the year ended December 31, 2018 for conversion of convertible bonds to ordinary shares, please refer to notes 6(16).

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2018	Cash flows	Non-cash changes: Foreign exchange movement and others	December 31, 2018
Short-term notes and bills payable	$ -	80,000	-	80,000
Short-term borrowings	$ 928,306	470,607	4,122	1,403,035
Long-term borrowings	$ 844,333	99,445	-	943,778

7. Related-party transactions

(1) A.Names and relationship with related parties

Name of related party	Relationship with the Company
ORGCHEM TECHNOLOGIES, INC.	The chairman of Hengi Chemical is the director of ORGCHEM.
ITOCHU CORPORATION	Director of the Company

(2) Significant related-party transactions

(i) Operating revenue

	2018	2017
Other related parties	$ 6,200	7,513
Director of the Company	641	756
	$ 6,841	8,269

The selling prices for sales to related parties and collection period were similar to those for unrelated customers.

As of December 31, 2018 and 2017, the Group's accounts receivable due from related parties as a result of sales amounted to $39 and $66, respectively.

(ii) Purchase

	2018	2017
Director of the Company	$ -	4,931

(iii) Rental income

	December 31, 2018	December 31, 2017
Other related parties	$ 4,601	4,572

(iv) Other

For the year 2017, expenses of the Group incurred due to the service provided by related parties amounted to $3,091. As of December 31, 2017, the amounts payable to related parties as a result of aforementioned transactions amounted to $1,586.

As of December 31, 2018 and 2017, other receivables from related parties as a result of certain amounts paid on behalf of related parties under normal courses of business, amounted to $18 and $13, respectively.

(3) Transactions with key management personnel

Key management personnel remuneration comprised:

	2018	2017
Short-term employee benefits	$ 20,581	17,506
Post-employment benefits	253	253
	$ 20,834	17,759

8. Pledged assets

Except for note 6(12), the carrying amount of the Group's pledged assets are as follows:

Assets	Purpose of pledge	December 31, 2018	December 31, 2017
Land	Long and short term borrowings	$ 1,361,049	820,720
Buildings	Long and short term borrowings	167,211	166,538
Machinery and Equipment	Long and short term borrowings	555,498	735,352
Time deposits (recorded in other financial assets－non-current)	Long term borrowings	340	-
Time deposits (recorded in other financial assets－non-current)	Guarantee deposit of natural gas	1,500	-
		$ 2,085,598	1,722,610

9. Commitments and contingencies

Except for the notes 6(11) and 6(13), the remaining statements were as follow:

(1) As of December 31, 2018 and 2017, the Group had acquired property, plant and equipment, with the remaining commitments of $178,170 and $27,048, respectively.

(2) As of December 31, 2018 and 2017, the outstanding letters of credit were USD1,407 and USD1,280, respectively. As of December 31, 2018 and 2017, the subsidiary, Coremax (BVI) Corporation, had applied for a borrowing facility with an amount of USD3,000 (equivalent to $92,145 and $90,280, respectively) from a bank, in which the Company holds the responsibility as its joint guarantor.

(3) As of December 31, 2018 and 2017, Hengi Chemical applied for a borrowing facility from a bank, with the Company holding the responsibility as the joint guarantor amounting to $0 and $300,000, respectively.

(4) As of December 31, 2018 and 2017, Uranus Chemicals applied for a borrowing facility from a bank, with the Company holding the responsibility as the joint guarantor amounting to $100,000 for both dates.

10. Losses due to major disasters: None

11. Subsequent events: None

12. Other

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function / By item	2018			2017		
	Classified as operating cost	Classified as operating expenses	Total	Classified as operating cost	Classified as operating expenses	Total
Employee benefits						
Salaries	188,945	74,227	263,172	177,450	77,890	255,340
Labor and health insurance	17,823	7,572	25,395	16,398	6,184	22,582
Pension	6,953	3,316	10,269	6,370	2,519	8,889
Others	13,302	5,157	18,459	7,905	3,187	11,092
Depreciation	200,969	13,365	214,334	161,236	12,507	173,743

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:

Coremax Corporation and subsidiaries

Notes to the Consolidated Financial Statements

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

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	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad deb	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The company	Coremax (Zhangzhou) Chemical Co., Ltd.	Other receivables	Yes	28,255	-	-	0%	2	-	Operating demand	-	None	-	700,817	1,051,225
1	Coremax (BVI) Corporation	Coremax Ningbo Chemical Co., Ltd.	Other receivables	Yes	24,764	24,572	-	4%	2	-	Operating demand	-	None	-	83,705	125,558
1	Coremax (BVI) Corporation	Coremax (Thailand) Co., Ltd.	Other receivables	Yes	24,764	24,572	24,572	4%	2	-	Operating demand	-	None	-	83,705	125,558
1	Coremax (BVI) Corporation	Coremax (Zhangzhou) Chemical Co., Ltd.	Other receivables	Yes	30,955	30,715	30,715	4%	2	-	Operating demand	-	None	-	83,705	125,558
2	Coremax Ningbo Chemical Co., Ltd.	Coremax (Zhangzhou) Chemical Co., Ltd.	Other receivables	Yes	18,716	17,888	8,944	4%	2	-	Operating demand	-	None	-	33,974	50,962
3	Coremax Zhuhai Chemical Co., Ltd.	Coremax (Zhangzhou) Chemical Co., Ltd.	Other receivables	Yes	14,037	13,416	8,944	4%	2	-	Operating demand	-	None	-	19,551	29,327

Note1: Limit of total financing amount shall not exceed 30% of latest financial statements of the lender's capital.
Note2: Limit of financing amount for individual counter-party shall not exceed 20% of the latest financial statements of the lender's capital.
Note3: 1. Parties which have business relationship with the Company
2. The need for short-term financing

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	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	Parent company endorsements / guarantees to third parties on behalf of subsidiary	Subsidiary endorsements / guarantees to third parties on behalf of parent company	Endorsements / guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The company	Coremax (BVI) Corporation	100% owned subsidiary of the parent company	700,817	92,865	92,145	55,287	-	2.63 %	1,752,041	Y	N	N
0	The company	Uranus Chemicals	62.7% owned subsidiary of the parent company	700,817	100,000	100,000	66,000	-	2.85 %	1,752,041	Y	N	N
0	The company	Hengi Chemical	80.18% owned subsidiary of the parent company	700,817	300,000	-	-	-	- %	1,752,041	Y	N	N

Note 1: The total amount for guarantees and endorsements provided by the Company to other entities shall not exceed 50% of latest financial statements of the Company's net worth audited.

Note 2: The total amount for guarantees and endorsements provided by the Company to any individual entity shall not exceed 20% of latest financial statements of the Company's net worth audited.

(iii) Securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures): None.

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
Uranus Chemicals	Land and buildings and structures	2018.5.18	558,000	Pay off	Hong Hui Plastics Co., Ltd.	None				-	Board of directors passed the resolution based on the comparison of market price	Demand for operational development	

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/ Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Coremax Ningbo Chemical Co., Ltd.	100% owned subsidiary of the parent company	Sales	115,501	2.71 %	Open Account 90 Days	-	Note	44,116	29.25 %	Note
The Company	Coremax (Zhangzhou) Chemical Co., Ltd.	100% owned subsidiary of the parent company	Sales	114,162	2.68 %	Open Account 90 Days	-	Note	67,086	44.47 %	Note

Note: The relevant transactions and ending balance are eliminated in consolidated financial statement.

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock: None.

(ix) Trading in derivative instruments: Please refer to notes 6(2)

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Coremax Ningbo Chemical Co., Ltd.	The parent company to the subsidiary.	Accounts receivable	44,116	Open Account 90 Days	1 %
0	The Company	Coremax Ningbo Chemical Co., Ltd.	The parent company to the subsidiary.	Sales	115,501	Open Account 90 Days	2 %
0	The Company	Coremax (Zhangzhou) Chemical Co., Ltd.	The parent company to the subsidiary.	Sales	114,162	Open Account 90 Days	2 %
0	The Company	Coremax (Zhangzhou) Chemical Co., Ltd.	The parent company to the subsidiary.	Accounts receivable	67,086	Open Account 90 Days	1 %
0	The Company	Coremax Zhuhai Chemical Co., Ltd.	The parent company to the subsidiary.	Sales	91,195	Open Account 90 Days	1 %
0	The Company	Coremax (Thailand) Co., Ltd.	The parent company to the subsidiary.	Sales	68,987	Open Account 90 Days	1 %

(b) Information on investees:

The following is the information on investees of the Group for the year ended December 31,2018 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as 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			
The Company	Coremax (BVI) Corporation	British Virgin Islands	Investment company	277,708	277,708	8,871	100 %	418,525	44,084	44,084	Note
The Company	Hengi Chemical Co., Ltd.	Taiwan	Manufacturing and sales of chemical fertilizers, chemical raw materials, organic fertilizer and fertilizers with organic matter. Import and export of related business. Recycling and reproduce of solvent and pollutants.	823,294	823,294	31,913	80.18 %	1,208,948	152,659	122,406	Note
The Company	Uranus Chemicals Co., Ltd.	Taiwan	Manufacturing and sales of oxalic acid、organic and inorganic acid、rare earth compounds and related products	444,591	444,591	25,080	62.70 %	619,693	(16,208)	33,100	Note
Coremax (BVI) Corporation	Coremax (Thailand) Co., Ltd.	Thailand	Manufacturing and processing of pure terephthalic acid oxidation catalyst, sodium carbonate solutions, wastewater treatment solutions, exhaust gas absorbent and cobalt compound series products.	67,047	67,047	70	100 %	51,642	8,208	8,208	Note

Note: The relevant transactions and ending balance are eliminated in consolidated financial statement.

(c) Information on investment in Mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

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, 2017	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)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Coremax Zhuhai Chemical Co., Ltd.	Production and sales of oxidation catalysts, sodium carbonate solutions, wastewater treatment solutions, exhaust gas absorbents and cobalt compound series products.	38,775 (USD1,150)	Investment in companies in Mainland China through investment companies in the third regions.	38,775 (USD1,150)	-	-	38,775 (USD1,150)	8,819	100.00%	8,819 (USD292)	97,756	-
Coremax Ningbo Chemical Co., Ltd.	Manufacturing and processing of pure terephthalic acid oxidation catalyst, sodium carbonate solutions, wastewater treatment solutions, exhaust gas absorbent and cobalt compound series products.	98,482 (USD3,000)	Investment in companies in Mainland China through investment companies in the third regions.(note 1)	81,240 (USD2,470)	-	-	81,240 (USD2,470)	26,171	100.00%	26,171 (USD868)	169,872	-
Coremax (Zhangzhou) Chemical Co., Ltd.	Manufacturing, processing and wholesale of pure terephthalic acid oxidation catalyst, sodium carbonate solutions, wastewater treatment solutions, waste gas absorbent and cobalt compound series products, and regeneration treatment of abort oxidation catalyst.	185,654 (USD6,280)	Investment in companies in Mainland China through investment companies in the third regions.(note 2)	124,097 (USD4,200)	-	-	124,097 (USD4,200)	74	88.06%	65 (USD2)	117,646	-
Jiangxi Tianjiang Materials Co., Ltd.	Manufacturing and sales of oxalic acid、organic and inorganic acid、rare earth compounds and related products	43,947 (USD1,350)	Uranus Chemicals invest companies in Mainland China	43,947 (USD1,350)	-	-	43,947 (USD1,350)	(4,046)	100.00%	(2,887)	16,692	-

(ii) Limitation on investment in Mainland China:

Cumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
288,059 (USD 9,170)	502,372 (USD 15,050)	2,102,450

Note 1: The paid up capital amount is NT $98,482 (USD 3,000), which included the cash remitted by the Company through its subsidiary, Coremax (BVI) Corporation amounting to NT $81,240 (USD 2,470) and surplus from Coremax (BVI) Corporation amounting to NT $17,242 (USD 530).

Note 2: The paid up capital amount is NT $185,654 (USD 6,280), which included the cash remitted by the Company through its subsidiary, Coremax (BVI) Corporation amounting to NT $124,097 (USD 4,200), other external shareholders amounting to NT $21,890 (USD 750), Coremax Zhuhai Chemical Co., Ltd. amounting to NT$ 20,720 (USD 700),Coremax Ningbo Chemical Co., Ltd. amounting to NT $12,892 (USD430), and surplus from Coremax (BVI) Corporation amounting to NT $6,055 (USD 200).

Note 3: Amount was recognized based on the audited financial statement.

Note 4: The relevant transactions and ending balance are eliminated in consolidated financial statement.

Note 5: The Company investment in Mainland China pursuant to "Principle of investment or Technical Cooperation in Mainland China" is not exceeding the investment amount or percentage limit.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiaries in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in “Information on significant transactions”.

14. Segment information

(1) General information and industrial information

The reportable segments are the Group's strategic divisions. They offer different products and services, and are managed separately because they require different technology and marketing strategies.

The Group did not allocate the head office management expenses, income tax expenses and non-recurring gains and losses to respective reportable segments. The amount presented is consistent with the report used by the chief operating decision maker. The accounting policies of the operating segments are consistent with the summary of the significant accounting policies described in note 4.

	2018						
	Oxidation catalyst department	Battery material department	Chemical fertilizer department	Specialty chemical department	Other	Reconciliation and elimination	Total
External revenue	1,278,566	2,641,228	864,536	964,219	562,088	-	6,310,637
Inter-segment revenue	35,152	-	-	134	413,176	(448,462)	-
Segment revenue	$ **1,313,718**	**2,641,228**	**864,536**	**964,353**	**975,264**	**(448,462)**	**6,310,637**
Segment operating income (loss)							$ **780,810**

	2017						
	Oxidation catalyst department	Battery material department	Chemical fertilizer department	Specialty chemical department	Other	Reconciliation and elimination	Total
External revenue	740,822	1,857,152	762,964	718,300	901,585	-	4,980,823
Inter-segment revenue	96,058	4,414	-	887	576,004	(677,363)	-
Segment revenue	$ **836,880**	**1,861,566**	**762,964**	**719,187**	**1,477,589**	**(677,363)**	**4,980,823**
Segment operating income (loss)							$ **749,966**

(2) Information by product and service

Revenue from external customers:

	2018	2017
Oxidation catalysts	$ 1,278,566	740,822
Battery materials	2,641,228	1,857,152
Chemical fertilizers	864,536	762,964
Specialty chemicals	964,219	718,300
Others	562,088	901,585
	$ **6,310,637**	**4,980,823**

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(3) Geographic information

In presenting information on the basis of geography, segment revenue is recognized based on the location of the customer and non-current assets are recognized based on the location of the asset.

A. Revenue from external customers:

Area	2018	2017
Taiwan	$ 5,491,481	4,139,333
China	728,176	782,440
Thailand	90,980	59,050
	$ 6,310,637	**4,980,823**

B. Non-current assets (note):

Area	December 31, 2018	December 31, 2017
Taiwan	$ 3,387,506	2,802,830
China	189,517	197,493
Thailand	27,688	28,701
	$ 3,604,711	**3,029,024**

Note: It includes property, plant and equipment, prepayment for purchase equipment and so on.

(4) Information on major customers:

For the years ended December 31, 2018 and 2017, the revenue generated from customers with 5% or more of the Group's revenue were $2,215,258 and $2,127,764, respectively.