

YC INOX CO., LTD.

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

---

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two version, the Chinese-language auditors' report and financial statement shall prevail.

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
YC INOX Co., Ltd.

### **Opinion**

We have audited the accompanying parent company only financial statements of YC INOX Co., Ltd., which comprise the consolidate balance sheets as of December 31, 2018 and 2017, and the parent company only statements of comprehensive income, changes in equity and cash flow for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

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

### **Basis for Opinion**

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

### **Key Audit Matters**

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

(1) Valuation of inventories

As of December 31, 2018, the inventory of YC INOX Co., Ltd. amounted to \$3,696,704 thousand, the accounting policy of valuation of inventories please refer to Note 4(7). YC INOX Co., Ltd. engages in manufacturing, processing and trading of stainless steel products, as the carrying amount of inventories are material; constituting 32% of the total assets, and the policy of valuation of inventories is based on the management's judgment, simultaneously because international raw material market prices frequent fluctuation affect the price of stainless steel raw materials and products, we consider the valuation of inventories a key audit matter. Our key audit procedures performed in report of the above area included the following:

- A. Assessing and testing the effectiveness of design and operation of the internal control of valuation of inventories established by the management.
- B. Testing the accuracy and completeness of the lower of cost and net realizable value.
- C. Evaluating the bases used by management in assessment of net realizable value.
- D. Performing the analytical review procedures to assess the reasonableness of valuation of inventories.

**Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements**

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

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

Those charged with governance (including members of the Audit Committee) are responsible for overseeing YC INOX Co., Ltd.'s financial reporting process.

**Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements**

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

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

1. Identify and assess the risk of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on YC INOX Co., Ltd.'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 parent company only 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 YC INOX Co., Ltd. to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only 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 YC INOX Co., Ltd. to express an opinion on the parent company only 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 parent company only financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

*Chien, Shao Feng*

---

Certified Public Accountants

Taipei, Taiwan R.O.C.

February 25, 2019

## YC INOX CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Note	December 31, 2018		December 31, 2017	
		Amount	%	Amount	%
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash	6(1)	\$ 408,474	4	\$ 661,959	6
Notes receivable - net	6(5)	99,560	1	127,981	1
Accounts receivable - net	6(6)	1,589,834	14	1,890,992	16
Other receivables	6(7)	196,734	2	622,724	5
Inventories	6(8)	3,696,704	32	3,981,616	33
Prepayments		43,339	0	53,918	0
Other current assets	8	3,260	0	800	0
Total current assets		6,037,905	53	7,339,990	61
<b>NON-CURRENT ASSETS</b>					
Financial assets at fair value through other comprehensiv	6(3)	1,086,708	9	-	0
Financial assets carried at cost - non-current	6(4)	-	0	926,929	8
Investments accounted for using equity method	6(9)	106,586	1	101,552	1
Property, plant and equipment	6(10)	3,734,827	32	3,316,499	28
Deferred income tax assets	6(23)	46,208	0	35,487	0
Prepayment for equipment		503,002	4	173,918	1
Refundable deposits		83,085	1	83,085	1
Other non-current assets	6(6)	50,811	0	47,271	0
Total other assets		5,611,227	47	4,684,741	39
<b>TOTAL ASSETS</b>		<b>\$11,649,132</b>	<b>100</b>	<b>\$12,024,731</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>					
<b>CURRENT LIABILITIES</b>					
Short-term loans	6(11)	\$ 1,890,504	16	\$ 2,775,150	23
Short-term bills payable	6(12)	-	0	99,966	1
Financial liabilities at fair value through profit or loss-current	6(2)	-	0	10	0
Contract liability - current		289,836	2	-	0
Notes payable		159	0	155	0
Accounts payable		294,489	3	364,238	3
Other payables	6(13)	427,381	4	344,305	3
Current income tax liabilities		154,618	1	133,167	1
Advance receipts		-	0	219,667	2
Current portion of long-term liabilities	6(14)	400,000	3	-	0
Other current liabilities		5,915	0	9,191	0
Total current liabilities		3,462,902	29	3,945,849	33
<b>NON-CURRENT LIABILITIES</b>					
Long-term loans	6(14)	200,000	2	400,000	3
Deferred income tax liabilities	6(23)	2,553	0	2,553	0
Net defined benefit liabilities - non-current	6(15)	102,391	1	117,557	1
Guarantee deposits		1,735	0	-	0
Total not-current liabilities		306,679	3	520,110	4
<b>TOTAL LIABILITIES</b>		<b>3,769,581</b>	<b>32</b>	<b>4,465,959</b>	<b>37</b>
<b>EQUITY</b>					
Capital stock - common stock	6(16)	4,071,307	35	4,071,307	34
Capital surplus	6(17)	1,663,578	14	1,663,578	14
Retained Earnings	6(18)				
Legal reserve		970,836	9	889,217	7
Unappropriated earnings		1,023,423	9	934,670	8
Other equity		150,407	1	0	0
Total equity		7,879,551	68	7,558,772	63
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 11,649,132</b>	<b>100</b>	<b>\$ 12,024,731</b>	<b>100</b>

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

## YC INOX CO., LTD.

## PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNING PER SHARE)

	Note	For the Years Ended December 31			
		2018		2017	
		Amount	%	Amount	%
NET REVENUE	6(19) 、 14	\$ 19,129,638	100	\$ 19,265,629	100
COST OF REVENUE	6(8)	(17,109,189)	(89)	(17,270,384)	(90)
GROSS PROFIT		2,020,449	11	1,995,245	10
OPERATING EXPENSES					
Selling and marketing		(673,190)	(4)	(692,293)	(4)
General and administrative		(216,039)	(1)	(211,138)	(1)
TOTAL OPERATING EXPENSES		(889,229)	(5)	(903,431)	(5)
OPERATING INCOME		1,131,220	6	1,091,814	5
NON-OPERATING INCOME AND EXPENSES					
Others gains and losses	6(20) 、 7	63,488	0	(73,289)	(0)
Finance costs	6(21)	(42,382)	(0)	(36,560)	(0)
Share of profit of subsidiaries, associates and joint ventures	6(9)	(5,574)	(0)	703	0
Interest income		1,251	0	583	0
Rent income	7	60	0	45	0
Total Non-Operating Income and Expenses		16,843	0	(108,518)	0
INCOME BEFORE INCOME TAX		1,148,063	6	983,296	5
INCOME TAX EXPENSE	6(23)	(238,212)	(1)	(167,108)	(1)
NET INCOME		909,851	5	816,188	4
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit obligation	6(15)	(8,304)	(0)	(3,578)	(0)
Unrealized gain on investments in equity instruments at fair value through other comprehensive income		115,415	(0)	-	0
Share of Loss of Associates & Joint Ventures Accounted for Using Equity Method		6,289	0	-	0
Income tax benefit (expense) related to items that will not be reclassified subsequently	6(23)	1,660	0	50	0
Items that may be reclassified subsequently to profit or loss:					
Share of other comprehensive loss of subsidiaries, associates and joint ventures		-	0	(94)	(0)
Other comprehensive income for the year, net of income tax		115,060	(0)	(3,622)	(0)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		\$1,024,911	5	\$812,566	4
NET INCOME ATTRIBUTED TO					
Owners of the parent		\$ 909,851	5	\$ 816,188	4
Non-controlling interests.		-	0	-	0
		\$ 909,851	5	\$ 816,188	4
TOTAL COMPREHENSIVE INCOME ATTRIBUTED TO					
Owners of the parent		\$ 1,024,911	5	\$ 812,566	4
Non-controlling interests.		-	0	-	0
		\$ 1,024,911	5	\$ 812,566	4
EARNINGS PER SHARE	6(24)				
Basic earnings per share		\$ 2.23		\$ 2.00	
Diluted earnings per share		\$ 2.22		\$ 2.00	

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

YC INOX CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Items	Capital Stock		Retained Earnings				Other Equity		Total
	Common  Stock	Capital  Surplus	Legal  Reserve	Special  Reserve	Unappropriated  Earnings	Gains(Losses) on Financial Assets at Fair Value Through Other	Unrealized Gains(Losses) on Available-for-sale Financial Assets		
BALANCE, JANUARY 1, 2017	\$ 4,071,307	\$ 1,663,578	\$ 809,860	\$ 10,244	\$ 923,958	\$ -	\$ 94	\$ 7,479,041	
Appropriation and distribution of 2016 earnings									
Legal reserve			79,357		(79,357)			0	
Cash dividends					(732,835)			(732,835)	
Reversal of special reserve				(10,244)	10,244			0	
Net income in 2017					816,188			816,188	
Other comprehensive income in 2017					(3,528)		(94)	(3,622)	
BALANCE, DECEMBER 31, 2017	\$ 4,071,307	\$ 1,663,578	\$ 889,217	\$ -	\$ 934,670	\$ -	\$ -	\$ 7,558,772	
Effect of retrospective application									
ADJUSTED BALANCE, JANUARY 1, 2018	4,071,307	1,663,578	889,217	-	934,670	28,703	-	28,703	
Appropriation and distribution of 2017 earnings									
Legal reserve			81,619		(81,619)			-	
Cash dividends					(732,835)			(732,835)	
Net income in 2018					909,851			909,851	
Other comprehensive income in 2018					(6,644)	121,704	0	115,060	
BALANCE, DECEMBER 31, 2018	\$ 4,071,307	\$ 1,663,578	\$ 970,836	\$ -	\$ 1,023,423	\$ 150,407	\$ -	\$ 7,879,551	

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



YC INOX CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	For the Years Ended December 31	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES :</b>		
Income before income tax	\$ 1,148,063	\$ 983,296
Adjustments for:		
Depreciation	189,073	199,896
Expected credit losses(gains)	1,154	-
Finance costs	42,382	36,560
Interest income	(1,251)	(583)
Share of profit of subsidiaries, associates and joint ventures	5,574	(703)
Loss(Gain) on disposal of property, plant and equipments	14,075	7,938
Gains (losses) on disposal of investments	-	(3,083)
Changes in operating assets and liabilities:		
(Increase) Decrease in financial assets held for trading	-	7,992
(Increase) Decrease in notes receivable	28,421	(11,235)
(Increase) Decrease in accounts receivable	300,004	(61,783)
(Increase) Decrease in other receipts	425,990	(70,713)
(Increase) Decrease in inventories	281,008	42,368
(Increase) Decrease in prepayments	10,579	(27,642)
(Increase) Decrease in other current assets	(2,460)	747
Increase (Decrease) in financial liabilities held for trading	(10)	10
Increase (Decrease) in contract liability	70,169	-
Increase (Decrease) in notes payable	3	(102)
Increase (Decrease) in accounts payable	(69,749)	171,733
Increase (Decrease) in other payables	(5,890)	5,672
Increase (Decrease) in advance receipts	-	(117,867)
Increase (Decrease) in other current liabilities	(3,276)	(3,499)
Increase (Decrease) in net defined benefit liabilities	(23,470)	(7,746)
Cash generated from operations	2,410,389	1,151,256
Interest received	1,251	583
Interest paid	(42,741)	(36,127)
Income tax paid	(225,820)	(88,238)
Net cash generated from (used in) operating activities	2,143,079	1,027,474
<b>CASH FLOWS FROM INVESTING ACTIVITIES :</b>		
Acquisitions of financial assets at fair value through other comprehensive income	(19,980)	-
Acquisitions of financial assets carried at cost -non-current	-	(86,862)
Acquisitions of property, plant and equipment	(893,712)	(316,762)
Proceeds from disposal of property, plant and equipment	36,380	38,250
Refundable deposits refunded (paid)	0	0
Increase in other non-current assets	(8,340)	(2,944)
Decrease in other non-current assets	4,800	4,800
Decrease in prepayments for equipment	-	78
Net cash generated from (used in) investing activities	(880,852)	(363,440)
<b>CASH FLOW FROM FINANCING ACTIVITIES :</b>		
Increase (Decrease) in short-term loans	(884,646)	79,448
Increase (Decrease) in short-term bills payable	(99,966)	(199,641)
Increase in long-term loans	200,000	400,000
Guarantee deposits received (refunded)	1,735	(7,190)
Cash dividends	(732,835)	(732,835)
Net cash generated from (used in) financing activities	(1,515,712)	(460,218)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(253,485)</b>	<b>203,816</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR</b>	<b>661,959</b>	<b>458,143</b>
<b>CASH AND CASH EQUIVALENTS, END OF THE YEAR</b>	<b>\$ 408,474</b>	<b>\$ 661,959</b>

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

# YC INOX CO., LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, UNLESS OTHERWISE STATED)

### 1. ORGANIZATION AND OPERATIONS

YC INOX Co., Ltd (the “Company”) was incorporated on January 31, 1973 under the provisions of the Company Act of the Republic of China. The Company engages in the manufacturing, processing and trading of stainless steel pipe, and cutting processing and trading of stainless steel plate and stainless steel coil. The Company’s stocks was listed on the Taiwan Stock Exchange since September ,2001.

### 2. THE AUTHORIZATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were authorised for issuance by the Board of Directors on February 25, 2019.

### 3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

#### (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRSs”) as endorsed by the Financial Supervisory Commission (“FSC”)

Except for the following, the initial application of the above new standards and interpretations has not had any material impact on the Company’s accounting policies:

##### A. IFRS 9 “Financial Instruments”

IFRS 9 supersedes IAS 39 “Financial Instruments: Recognition and Measurement”, with consequential amendments to IFRS 7 “Financial Instruments: Disclosures” and other standards. Please refer to Note 4 for information relating to the relevant accounting policies.

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

The Company elects not to restate prior reporting period when applying the requirements for the classification, measurement and impairment of financial assets and financial liabilities under IFRS 9 with the cumulative effect of the initial application recognized as of January 1, 2018. The impact on measurement categories, carrying amount and related reconciliation for each class of the Company’s financial when retrospectively applying IFRS9 on January 1, 2018 is detailed below:

Financial assets	Measurement Category		Carrying Amount	
	IAS 39	IFRS 9	IAS 39	IFRS 9
Cash	Loans and receivables	Amortized cost	\$ 661, 959	\$ 661, 959
Non-publicly traded stocks	Financial assets at cost	Fair value through other comprehensive income (FVTOCI)	926, 929	951, 314
Notes and account receivable, other receivables	Loans and receivables	Amortized cost	2, 641, 697	2, 641, 697

Refunable deposits	Loans and receivables	Amortized cost	83,085	83,085
--------------------	-----------------------	----------------	--------	--------

	2018.1.1 Carrying amount (IAS 39)	Reclassifications	Remeasurements	2018.1.1 Carrying amount (IFRS 9)
Financial assets at cost	\$ 926, 929	(\$ 926, 929)	\$ 0	\$ 0
FVTOCI	0	926, 929	24, 385	951, 314
Total	\$ 926, 929	\$ 0	\$ 24, 385	\$ 951, 314
Other Equity	\$ 0	\$ 0	\$ 24, 385	\$ 24, 385
Total	\$ 0	\$ 0	\$ 24, 385	\$ 24, 385

(a) As Non-publicly traded stocks investments previously classified as financial assets at cost under IAS 39, the Company elected to designate all of these investments as at FVTOCI under IFRS 9. Consequently, an increase of 24,385 thousand were recognized respectively in other equity - unrealized gains or losses on financial assets at FVTOCI on January 1, 2018.

(b) Notes receivables, accounts receivables, other receivables and refundable deposits that were previously classified as loans and receivables under IAS 39 were classified as measured at amortized cost with an assessment of expected credit losses under IFRS 9.

#### B. IFRS 15 “Revenue from Contracts with Customers”

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

#### (2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

The following IFRSs as endorsed by the FSC should be adopted by the Company starting 2019:

New Standards, Interpretations and Amendments		IASB Effective Date
Amendment to IFRS 9	Prepayment Features with Negative Compensation	January 1, 2019
Amendment to IFRS 16	Leases	January 1, 2019
Amendment to IAS 19	Plan Amendment, Curtailment or Settlement	January 1, 2019
Amendment to IAS 28	Long-term Interests in Associates and Joint Ventures	January 1, 2019
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019
Amendments to IFRS	Improvements to IFRSs 2015- 2017	January 1, 2019

#### A. IFRS 16 “Lease”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Upon initial application of IFRS 16, the Company will recognize right-of-use assets and

lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis in which it is a lessee. On the consolidated statements of comprehensive income, the Company will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. The Company will not make any adjustments for leases in which it is a lessor.

The Company plans to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Anticipated impact on assets, liabilities and equity

	December 31, 2018 Carrying Amount	Adjustments Arising from Initial Application	January 1, 2019 Carrying Amount
Right-of-use assets	\$ 0	\$ 1,338	\$ 1,338
Total effect on assets	\$ 0	\$ 1,338	\$ 1,338
Lease liabilities	\$ 0	\$ 1,487	\$ 1,487
Total effect on liabilities	\$ 0	\$ 1,487	\$ 1,487
Unappropriated earnings	\$ 1,023,423	(\$ 149)	\$ 1,023,274
Total effect on equity	\$ 1,023,423	(\$ 149)	\$ 1,023,274

B. IFRIC 23 “Uncertainty over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Company should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Company concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Company should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Company should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the Company expects to better predict the resolution of the uncertainty. The Company has to reassess its judgments and estimates if facts and circumstances change.

C. Improvements to IFRSs 2015- 2017

Several standards, including IFRS 3, IFRS 11, IAS 12 and IAS 23 “Borrowing Costs”, were amended in this annual improvement. IAS 23 was amended to clarify that, if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

Except for the aforementioned impact, as of the date that the accompanying consolidated financial statements were authorized for issue, the Company continues in evaluating the impact on its financial position and financial performance as a result of the initial adoption of the other standards or interpretations. The related impact will be disclosed when the Company completes the evaluation.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

The following are the assessment of 2019 Taiwan-IFRSs, interpretations and amendments issued by IASB but not yet endorsed by the FSC:

<u>New Standards, Interpretations and Amendments</u>		<u>IASB Effective Date</u>
Amendment to IFRS 1 and Amendment to IFRS 8	Definition of Material	January 1, 2020
IFRS 3	Definition of a Business	January 1, 2020
Amendment to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by IASB
IFRS 17	Insurance contracts	January 1, 2021

As of the date the accompanying consolidated financial statements were issued, the Company continues in evaluating the impact on its financial position and financial performance as a result of the initial adoption of the aforementioned standards or interpretations. The related impact will be disclosed when the Company completes the evaluation.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The accompanying parent company only financial statements have been prepared in conformity with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

(2) Basis of preparation

A. Except for the following items, these financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income / Available-for-sale Financial assets.
- (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment

in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(3) Foreign currency translation

- A. Items included in the financial statements of each of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in New Taiwan Dollars, which is the Company's functional and the Company's presentation currency.
- B. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- C. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- D. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- E. All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
  - (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
  - (b) Assets held mainly for trading purposes;
  - (c) Assets that are expected to be realized within twelve months from the balance sheet date;
  - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be paid off within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Financial instruments

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

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

A. Measurement category

On a regular way purchases or sales of financial assets, derivative financial instruments are recognized and derecognized using settlement date accounting, other financial assets using trade date basis.

2018

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

(a) Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 12.

(b) Financial assets at amortized cost

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

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

outstanding.

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

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

- i. Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and
- ii. Financial assets that have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

(c) Investments in equity instruments at FVTOCI

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

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

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

2017

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, Financial assets carried at cost, and loans and receivables.

(a) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when such financial assets are either held for trading or designated as at fair value through profit or loss. Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

(b) Financial assets carried at cost

Investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and



presented in a separate line item as financial assets measured at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

(c) Loans and receivables

Loans and receivables (including trade receivables, cash and cash equivalents, debt investments with no active market, other current financial assets, other receivables and refundable deposits) are measured using the effective interest method at amortized cost less any impairment, except for short-term receivables when the effect of discounting is immaterial.

B. Impairment of financial assets

2018

- (a) The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables) .
- (b) The Company always recognizes lifetime Expected Credit Losses (i.e. ECLs) for trade receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.
- (c) Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represents the expected credit losses that will result from all possible default events over the expected life of the financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.
- (d) The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amounts through a loss allowance account.

2017

- (a) Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence, as a result of one or more events that occurred after the initial recognition of the financial assets, that the estimated future cash flows of the investment have been affected.
- (b) For financial assets carried at amortized cost, such as trade receivables and other receivables, such assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original

effective interest rate. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment (at the date the impairment is reversed) does not exceed what the amortized cost would have been had the impairment not been recognized.

- (c) For any available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.
- (d) In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.
- (e) For financial assets measured at cost, the amount of the impairment loss is measured as the difference between such an asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.
- (f) The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets, with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. When trade receivables and other receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables and other receivables that are written off against the allowance account.

#### C. Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

#### D. Financial liabilities

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or is designated as at FVTPL. Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss.

Except financial liabilities at FVTPL, all financial liabilities are measured at amortized cost using the effective interest method.

E. Derecognition of liabilities

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

F. Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts. Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedged relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

G. Information about fair value of financial instruments

The Company determined the fair value of financial assets and liabilities as follow:

- (a) The fair values of financial assets and liabilities which have standard terms and conditions and traded in active market are determined by reference to quoted market price. If there is no quoted market price in active market, valuation techniques are applied.
- (b) The fair value of foreign-currency derivative financial instrument could be determined by reference to the price and discount rate of currency swap quoted by financial institutions. Foreign exchange forward contracts use individual maturity rate to calculate the fair value of each contract.
- (c) The fair values of other financial assets and financial liabilities are determined by discounted cash flow analysis in accordance with generally accepted pricing models.

(6) Loans and receivables

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment, except for short-term accounts receivable when the effect of discounting is immaterial.

(7) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated

based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(8) Investments accounted for using equity method

- A. Subsidiary is an entity that is controlled by the Company. Investments in subsidiaries are accounted for using the equity method and are initially recognized at cost.
- B. The Company's share of its subsidiaries' profits or losses is recognized in profit or loss, and its share of movements in other comprehensive income is recognized in other comprehensive income.
- C. When changes in an subsidiary's equity are not recognized in profit or loss or other comprehensive income of the subsidiary and such change do not affect the Company's ownership percentage of the subsidiary, the Company recognizes change in ownership interests in the subsidiary in capital surplus in proportion to its ownership.
- D. Unrealized gain on transactions between the Company and its subsidiaries are eliminated to extent of the Company's interest in the subsidiaries. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- E. Upon loss of control over an subsidiary, the amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of.

(9) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of land improvements are 10 years, buildings are 10~35 years, machinery and equipment are 3~15 years, transportation equipment are 8 years, and others are 1~20 years.

(10) Leases

A. Based on the terms of a lease contract, a lease is classified as a finance lease if the Company assumes substantially all the risks and rewards incidental to ownership of the leased asset.

B. Operating lease is a lease other than a finance lease. Payments made under an operating lease (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the lease term.

(11) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(12) Borrowings cost

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset, therefore, should be capitalized. Capitalization should cease when substantially all of the activities necessary to prepare the asset for its intended use or sale are complete. Other borrowing costs are recognized as an expense.

(13) Employee benefits

A. Employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using

interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Company uses interest rates of government bonds (at the balance sheet date) instead.

- ii. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise, and are recorded as retained earnings.

#### C. Employees' and directors' remuneration

Employees' and directors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees' and directors' remuneration are different from the actual distributed amounts as resolved by the stockholders at their stockholders' meeting subsequently, the differences should be recognized based on the accounting for changes in estimates.

### (14) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

- D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures, employees' training costs and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

(15) Revenue recognition

2018

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

2017

- A. Revenue is measured at the fair value of the consideration received or receivable taking into account of business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Company's activities. Revenue arising from the sales of goods should be recognized when the Company has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.
- B. Dividend income from investments is recognized when the shareholder's right to receive payment has been established, provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.
- C. Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(16) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgement in applying accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Impairment assessment of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2018, the carrying amount of inventories was \$3,696,704 thousand.

(2) Impairment assessment of financial assets (2018)

The provision for impairment of accounts receivable is based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 6(6). Where the actual future cash inflows are less than expected, a material impairment loss may arise.

(3) Impairment assessment of financial assets (2017)

Objective evidence of impairment used in evaluating impairment loss includes estimated future cash flows. The amount of impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. If the future cash flows are lower than expected, significant impairment loss may be recognized.



## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) CASH

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Cash on hand and petty cash	\$1,079	\$1,201
Checking accounts and demand deposits	407,395	660,758
Total	<u>\$408,474</u>	<u>\$661,959</u>

A. The Company associates with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. Please refer to Note 8 for cash pledged as collateral.

### (2) FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS-CURRENT

<u>Items</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Financial liabilities held for trading		
Non-hedging derivatives		
Exchange contracts futures	<u>\$0</u>	<u>\$10</u>

A. The Company's financial assets or liabilities held for trading recognized net gain (loss) of \$641 thousand and \$340 thousand for the year periods ended December 31, 2018 and 2017, respectively.

B. The Derivative financial instruments transaction and contract information are as follows:

<u>December 31, 2017</u>	<u>Contract Amount (Notional Principal)</u>	<u>Contract Period</u>
Exchange contracts futures		
Sell JPY/Buy USD	JPY 180,000 thousand	2017.11.15~2018.02.14

The Company entered into derivative contracts to manage exposures due to fluctuations of foreign exchange rates. The derivative contracts entered into by the Company did not meet the criteria for hedge accounting. Therefore, the Company did not apply hedge accounting treatment for derivative contracts.

C. The Company has no financial assets at fair value through profit or loss pledged to others.

### (3) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME-NON-CURRENT

<u>Items</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Investments in equity instruments		
Non-publicly traded stocks	\$946, 909	\$0
Valuation adjustment	<u>139, 799</u>	<u>0</u>
Total	<u>\$1, 086, 708</u>	<u>\$0</u>

A. These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term business development strategic purposes. Accordingly, the Company's management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding

these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale under IAS 39.

B. the Company has no financial assets at FVTOCI pledged to others.

(4) FINANCIAL ASSETS CARRIED AT COST-NON-CURRENT

Items	December 31, 2018	December 31, 2017
Non-publicly traded stocks	\$0	\$926,929
Accumulated impairment	0	0
Total	\$0	\$926,929

A. Based on the Company's intention, its stocks should be classified as available-for-sale financial assets. However, as the investments are not traded in active market, and no sufficient industry and financial information can be obtained, the fair value of the investments cannot be measured reliably. Thus, the Company classified those investments as 'financial assets measured at cost'.

B. The Company has no financial assets measured at cost pledged to others.

(5) NOTES RECEIVABLE

	December 31, 2018	December 31, 2017
Notes receivable	\$99,560	\$127,981
Less: allowance for doubtful receivables	0	0
Total	\$99,560	\$127,981

(6) ACCOUNTS RECEIVABLE

	December 31, 2018	December 31, 2017
Accounts receivable	\$1,591,679	\$1,891,683
Less: allowance for doubtful receivables	(1,845)	(691)
Total	\$1,589,834	\$1,890,992

	December 31, 2018	December 31, 2017
Overdue receivable	\$0	\$3,782
Less: allowance for doubtful receivables	(0)	(3,782)
Total	\$0	\$0

For the Year Ended December 31, 2018

A. The average credit period of the sale of goods was 30-60 days. No interest was charged on trade receivables. The Company set up credit limits according to customers' revenues, capital, and operational performance. The Company applies a simplified approach to allowing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss allowances for all trade receivable. The expected credit losses on trade receivables are estimated using an allowance matrix with reference to past default experiences of the debtor and an analysis of the debtor's current financial position. As the Company's historical credit losses experience does

not show significantly different loss patterns for different customer segments, the allowance for losses based on the past due status of receivables is not further distinguished according to different segments of the Company's customer base.

B. The following table details the loss allowance of notes and accounts receivables based on the Company's allowance matrix:

December 31, 2018	Non Past Due	1-60 day	61-120 day	121-180 day	Over 181 day	Total
Expected Credit loss rate	0%	1%	10%	50%	100%	
Gross carrying amount	\$1,476,277	\$ 111,660	\$ 2,855	\$ 887	\$ 0	\$ 1,591,679
Loss allowance	( 0 )	( 1,117 )	( 285 )	( 443 )	( 0 )	( 1,845 )
Amortized cost	\$1,476,277	\$ 110,543	\$ 2,570	\$ 444	\$ 0	\$ 1,589,834

C. The movements of the loss allowance of notes and accounts receivables were as follows:

	Years Ended December 31, 2018
Balance at January 1, 2018 (per IAS 39)	\$ 4,473
Adjustment on initial application of IFRS 9	0
Balance at January 1, 2018 (per IFRS 9)	4,473
Add: Net remeasurement of loss allowance	1,154
Less: Amounts written off	(3,782)
Balance at December 31, 2018	\$ 1,845

#### For the Year Ended December 31, 2017

A. The Company applied the same credit policy in 2018 and 2017. The allowance for doubtful receivables is assessed by reference to the collectability of receivables by performing the account aging analysis, historical experience and current financial condition of customers.

B. The ageing analysis of accounts receivable is as follows:

	December 31, 2017
Neither past due nor impaired	\$1,822,529
Past due but not impaired	
Past due within 30 days	65,404
Past due 31-90 days	3,059
Past due 91-180 days	0
Total	\$1,890,992

C. Movement analysis of financial assets that were impaired is as follows:

	Individually Provision	Collectively Provision	Total
Balance at January 1, 2017	\$3,782	\$1,536	\$5,318
Provision for impairment	0	0	0
Write-offs during the period	0	(845)	(845)
Balance at December 31, 2017	\$3,782	\$691	\$4,473

(7) TRANSFERS OF FINANCIAL ASSETS

The Company entered into an agreement with bank to sell its accounts receivable. Under the agreement, the Company is not required to bear uncollectible risk of the underlying accounts receivable, the burden of losses caused by the commercial disputes only, and the Company has transferred the receivables does not have any continuing involvement. The Company has derecognized the accounts receivable. As of December 31, 2018 and 2017, the outstanding accounts receivable sold to bank were as follow :

December 31, 2018			
Purchaser	Sold	Amount advanced	Amount retained
Fubon Bank	USD 15,088 thousand	USD 10,237 thousand	USD 4,851 thousand

  

December 31, 2017			
Purchaser	Sold	Amount advanced	Amount retained
Fubon Bank	USD 17,718 thousand	USD 0 thousand	USD 17,718 thousand
Fubon Bank	EUR 424 thousand	EUR 381 thousand	EUR 43 thousand

(8) INVENTORIES

	December 31, 2018	December 31, 2017
Finished goods (including merchandise)	\$1,979,493	\$2,091,943
Work in process	83,961	81,205
Semi-finished goods	264,313	291,932
Raw materials	1,304,706	1,437,378
Supplies	64,231	79,158
Carrying amount	\$3,696,704	\$3,981,616

A. Inventory related operating costs of December 31, 2018 and 2017, respectively are listed as below:

	2018	2017
Cost of goods sold	\$17,140,918	\$17,338,323
Loss(Gain) on physical inventory	147	23
Inventory disposal	8,099	10,427
Scrap sales	(115,575)	(112,089)
Loss for value declined (Gain from value recover)	75,600	33,700
Total	\$17,109,189	\$17,270,384

B. No inventories held by the Company were pledged to others.

(9) INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31, 2018		December 31, 2017	
	%	Book value	%	Book value
Ji-Mao Investment Corporation., Ltd	100%	\$106,586	100%	\$101,552

A. Share of profit of subsidiaries for using the equity method is as follow:

	2018	2017
Ji-Mao Investment Corporation., Ltd	(\$5,574)	\$703

B.The summarized financial information of Ji-Mao Investment Corporation., Ltd.'s is shown below:

	December 31, 2018	December 31, 2017
Current assets	\$41,997	\$47,571
Non-current assets	\$64,659	\$54,051
Current liabilities	\$70	\$70
Non- current liabilities	\$0	\$0

  

	2018	2017
Revenue	\$0	\$63,812
Loss for the year from continuing operations	(\$5,574)	\$703
Total comprehensive income (loss)	\$715	\$609
Dividends received from associates	\$0	\$0

(10) PROPERTY, PLANT AND EQUIPMENT

	January 1, 2018	Additions	Disposals	Reclassifications	December 31, 2018
<u>Cost</u>					
Land	\$1,999,794	\$0	\$0	\$0	\$1,999,794
Land improvements	10,533	468	0	0	11,001
Buildings	810,801	7,471	0	18,636	836,908
Machinery and equipment	1,981,393	45,968	(11,372)	0	2,015,989
Transportation equipment	103,843	63,661	(59,832)	0	107,672
Office equipment	77,951	5,647	(577)	0	83,021
Other equipment	334,600	37,871	(2,235)	0	370,236
Construction in progress and equipment under acceptance	66,274	496,770	0	(18,636)	544,408
	<u>5,385,189</u>	<u>\$657,856</u>	<u>(\$74,016)</u>	<u>\$0</u>	<u>5,969,029</u>
<u>Accumulated depreciation</u>					
Land improvements	4,273	\$1,085	\$0	\$0	5,358
Buildings	368,449	39,012	0	0	407,461
Machinery and equipment	1,429,473	106,492	(10,919)	0	1,525,046
Transportation equipment	22,726	13,824	(9,859)	0	26,691
Office equipment	55,751	7,776	(551)	0	62,976
Other equipment	188,018	20,884	(2,232)	0	206,670
	<u>2,068,690</u>	<u>\$189,073</u>	<u>(\$23,561)</u>	<u>\$0</u>	<u>2,234,202</u>
Net book amount	<u>\$3,316,499</u>				<u>\$3,734,827</u>

	January 1, 2017	Additions	Disposals	Reclassifications	December 31, 2017
<u>Cost</u>					
Land	\$1,170,362	\$829,432	\$0	\$0	\$1,999,794
Land improvements	10,533	0	0	0	10,533
Buildings	786,982	10,072	0	13,747	810,801
Machinery and equipment	1,954,636	38,629	(11,872)	0	1,981,393
Transportation equipment	142,513	25,817	(64,487)	0	103,843
Office equipment	76,549	1,779	(377)	0	77,951
Other equipment	299,226	37,386	(2,012)	0	334,600
Construction in progress and equipment under acceptance	13,747	66,274	0	(13,747)	66,274
	<u>4,454,548</u>	<u>\$1,009,389</u>	<u>(\$78,748)</u>	<u>\$0</u>	<u>5,385,189</u>
<u>Accumulated depreciation</u>					
Land improvements	3,220	\$1,053	\$0	\$0	4,273
Buildings	330,516	37,933	0	0	368,449
Machinery and equipment	1,323,813	117,286	(11,626)	0	1,429,473
Transportation equipment	25,569	15,911	(18,754)	0	22,726
Office equipment	48,268	7,860	(377)	0	55,751
Other equipment	169,968	19,853	(1,803)	0	188,018
	<u>1,901,354</u>	<u>\$199,896</u>	<u>(\$32,560)</u>	<u>\$0</u>	<u>2,068,690</u>
Net book amount	<u>\$2,553,194</u>				<u>\$3,316,499</u>

- A. The significant part of the Company's buildings includes main plants, and the related depreciation is calculated using the estimated useful lives of 10-35 years.
- B. Interest capitalization amounted to \$3,314 thousand and \$77 thousand for the years ended December 31, 2018 and 2017, respectively, and the range of interest rates is 0.76%~1.17% and 0.70%~1.01% for the years ended December 31, 2018 and 2017, respectively.
- C. The Company's land meant for 75-1, 75-2 (2,044m<sup>2</sup>) located at Jiumei Section, Xizho Township, Changhua County and land meant for Lot 115 (171 m<sup>2</sup>), 115-1 and 115-2 (3,218 m<sup>2</sup>), and 116(120 m<sup>2</sup>) located at Xinguan Section, Puxin Township, it is zoned for agriculture and ranch but used for a parking lot and finished goods storage, and delivery loading/unloading area; moreover, the ownership to the lot cannot be transferred by law temporarily; therefore, it is registered in the name of Mr. G.Y. Chang, chairman of the Company. The said six lots of land are used as collateral for a mortgage loan for an amount of \$40,000 thousand.
- D. Please refers to Note 8 for property, plant and equipment pledged as collateral.

(11) SHORT-TERM LOANS

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Unsecured bank loans		
Material purchase	\$983,609	\$1,496,598
Exporting	576,895	878,552
Fiduciary loans	330,000	400,000
Net	<u>\$1,890,504</u>	<u>\$2,775,150</u>
Range of interest rates	<u>0.75%~3.47%</u>	<u>0.005%~2.8%</u>

(12) SHORT-TERM BILLS PAYABLE

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Short-term bills payable	\$0	\$100,000
Less: Unamortized discounts	(0)	(34)
Net	<u>\$0</u>	<u>\$99,966</u>
Range of interest rates	<u>N/A</u>	<u>0.78%</u>

(13) OTHER PAYABLE

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Salary and bonus payable	\$143,468	\$153,441
Accrued employees', and directors' remuneration	86,414	74,011
Payable on construction and equipment	94,415	5,090
Commissions payable	14,377	15,299
Other payable -others	88,707	96,464
Total	<u>\$427,381</u>	<u>\$344,305</u>

(14) LONG-TERM LOANS

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Credit loans :	\$600,000	\$400,000
Less : Current portion	(400,000)	(0)
Long-term loans	<u>\$200,000</u>	<u>\$400,000</u>
Range of interest rates	<u>0.78%~1.31%</u>	<u>1.19%~1.20%</u>

A. The Company's loan commitment is as follow:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Drawing amount	\$2,490,504	\$3,275,150
Remaining amount	<u>13,041,771</u>	<u>12,995,650</u>
	<u>\$15,532,275</u>	<u>\$16,270,800</u>

(15) PENSION

A. Defined benefit plans

(a) The Company have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 5% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. If the amount of the balance in the fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in next year, the Company is required to fund the difference in one appropriation the should be made before the end of March of the next year.

(b) The amounts recognized in the balance sheet are determined as follows:

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	\$184,246	\$197,913
Fair value of plan assets	(81,408)	(79,886)
Net liability in the balance sheet	102,838	118,027
Booked as other payable	(447)	(470)
Booked as defined benefit liabilities	\$102,391	\$117,557

(c) Changes in present value of funded obligations are as follows:

	2018	2017
Present value of defined benefit obligations		
At January 1	\$197,913	\$195,258
Current service cost	576	653
Interest expense	1,928	2,385
Remeasurements:		
Actuarial loss (gain) arising from		
experience adjustments	10,565	(11,702)
changes in demographics assumptions	61	(67)
changes in financial assumptions	0	15,134
Benefits paid	(26,797)	(3,748)
At December 31	\$184,246	\$197,913

(d) Changes in fair value of plan assets are as follows:

	2018	2017
Fair value of plan assets		
At January 1	\$79,886	\$73,008
Interest income	779	898
Remeasurements:		
Return on plan assets	2,321	(213)



Contributions from employer	5,685	9,941
Benefits paid	(7,263)	(3,748)
At December 31	<u>\$81,408</u>	<u>\$79,886</u>

(e) Changes in present value of defined benefit obligations are as follows:

	2018	2017
Net defined benefit liability		
At January 1	\$118,027	\$122,250
Current service cost	576	653
Net interest expense of net defined benefit liability	1,150	1,487
Remeasurements:		
Actuarial loss (gain) arising from experience adjustments	10,565	(11,702)
changes in demographics assumptions	61	(67)
changes in financial assumptions	0	15,134
Return on plan assets	(2,322)	213
Contributions from employer	(5,685)	(9,941)
Benefits paid	(19,534)	0
At December 31	<u>\$102,838</u>	<u>\$118,027</u>

(f) Amounts of expenses recognized in comprehensive income statements are as follows:

	2018	2017
Current service costs	\$576	\$653
Net interest expense	1,150	1,487
Components of defined benefit costs recognized in profit or loss	<u>1,726</u>	<u>2,140</u>
Remeasurements:		
Actuarial loss (gain) arising from experience adjustments	\$10,565	(\$11,702)
changes in demographics assumptions	61	(67)
changes in financial assumptions	0	15,134
Return on plan assets	(2,322)	213
Components of defined benefit costs recognized in other comprehensive income	<u>8,304</u>	<u>3,578</u>
Total	<u>\$10,030</u>	<u>\$5,718</u>

The pension costs of the aforementioned defined benefit plans were recognized in profit or loss by the following categories:

	2018	2017
Cost of revenue	\$1,246	\$1,517
Selling and marketing expenses	135	162
General and administrative expenses	345	461
	<u>\$1,726</u>	<u>\$2,140</u>

(g) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation

plan and the “Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund” (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If losses, national treasury to make up. The company does not have any right participate operation and management of the fund. The constitution of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilization Report published by the government.

(h)The principal actuarial assumptions used were as follows:

	2018	2017
Discount rate used in determining present values	1.00%	1.00%
Future salary increase rate	2.50%	2.50%
Assumptions regarding future mortality experience are set based on Taiwan Standard Ordinary Experience 5th Mortality Table.		

The sensitivity of defined benefit obligation to changes in actuarial assumptions is set out below:

Effect of defined benefit obligation present value	Discount rate		Future salary increase rate	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
December 31, 2018	(\$5,030)	\$5,228	\$5,137	(\$4,970)
December 31, 2017	(\$5,266)	\$5,479	\$5,384	(\$5,202)

The sensitivity analysis disclosed above is based on changing one assumption while holding all other assumptions constant. In practice, changes in some of assumptions may be correlated. The same method has been applied as for calculating the net pension liability recognized in the Balance Sheet.

(i)Expected contributions to the defined benefit pension plans of the Company in 2019 are \$6,070 thousand.

(j)As of December 31, 2018, the weighted average duration of the defined benefit obligation is 11years.

Expected maturity analysis of pension payments as follows:

Less than 1 year	\$6,419
1 to 2 years	4,570
2 to 5 years	19,009
Over 5 years	173,865
	<u>\$203,863</u>

#### B. Defined contribution plans

(a)Effective July 1, 2005, the Company and its domestic subsidiaries have established a

defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b)The net pension costs recognized under the defined contribution plan for the year periods ended December 31, 2018 and 2017 were \$21,257 thousand and \$21,270 thousand respectively.

(16)CAPITAL STOCK

	December 31, 2018	December 31, 2017
Authorized shares (in thousands)	460,000	460,000
Authorized capital	\$4,600,000	\$4,600,000
Issued and paid shares (in thousands)	407,131	407,131
Issued capital	\$4,071,307	\$4,071,307

(17)CAPITAL SURPLUS

	December 31, 2018	December 31, 2017
Share issuance in excess of par value	\$1,663,578	\$1,663,578

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(18)RETAINED EARNINGS

A.Under the Company’s Articles of Incorporation, the current year’s earnings, if any, shall first be used to pay all taxes and offset prior years’ operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The Company may then appropriate or reverse a certain amount as special reserve according to the demand for the business or relevant regulations. After the distribution of earnings, the remaining earnings and prior year’s undistributed earnings may be appropriated according to a resolution of the Board of Directors adopted in the shareholders’ meeting.

B.The Company’s dividend policy subject to current and future development plan, take into consideration the Company’s investment environment, capital demand, market competition situation, shareholders’ benefits, and etc., the amount of bonus distributed to shareholders’ shall be no less than 50% of the distributable earnings for the current period, however, if the amount of bonus distributed to shareholders is lower than 0.5 per share, it

may be reserved and not distributed. Since the Company is in a conventional industry at the steady stage of its business, distribution of earnings shall be made preferably by way of cash dividend. Distribution of earnings may also be made by way of stock dividend, provided however, the ratio for cash dividend shall not less than 20% of total distribution.

C.Except for covering accumulated deficit, increasing capital or payment of cash in proportion to ownership percentage, the legal reserve shall not be used for any other purpose. The amount capitalized or the cash payment shall be limited to the portion of legal reserve which exceeds 25% of the paid-in capital.

D.(a)In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b)The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.

E.The appropriations of 2017 and 2016 earnings have been approved by the Company's shareholders in its meetings held on June 15, 2018 and on June 15, 2017, respectively.

	2017		2016	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$81,619		\$79,357	
Cash Dividend	732,835	\$1.8	732,835	\$1.8
Total	<u>\$814,454</u>		<u>\$812,192</u>	

#### (19) NET REVENUE

A. Please refer to Note 14 for disaggregation of revenue from contracts with customers.

B. Contract balances

	December 31, 2018
Contract liabilities-selling goods	<u>\$ 289, 836</u>

(a) The changes in contract liability balances primarily result from the timing difference between the satisfaction of performance obligation and the customer's payment.

(b) The Company recognized 216,242 thousand as revenue from the beginning balance of contract liability.

(20) OTHER GAINS AND LOSSES

	2018	2017
Net gains (losses) on financial assets and liabilities at fair value through profit or loss	\$641	\$304
Gains (losses) on disposal of investments	0	3,083
Gains (losses) on disposal of property, plant and equipment	(14,075)	(7,938)
Net currency exchange gains (losses)	71,475	(79,589)
Others	5,447	10,851
Total	<u>\$63,488</u>	<u>(\$73,289)</u>

(21) FINANCE COSTS

	2018	2017
Interest expense		
Bank borrowings	\$44,932	\$35,185
Short-term bills payable	764	1,452
	<u>45,696</u>	<u>36,637</u>
Less: capitalisation	<u>(3,314)</u>	<u>(77)</u>
Finance costs	<u>\$42,382</u>	<u>\$36,560</u>

(22) ADDITIONAL INFORMATION OF EXPENSES BY NATURE

	2018			2017		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefit expense						
Salary	\$510,237	\$184,039	\$694,276	\$482,273	\$178,739	\$661,012
Labor and health insurance	43,099	10,508	53,607	42,344	10,075	52,419
Pension expense	18,315	4,668	22,983	18,672	4,738	23,410
Directors' remuneration	0	26,729	26,729	0	23,096	23,096
Other	47,791	8,332	56,123	47,569	8,053	55,622
	<u>\$619,442</u>	<u>\$234,276</u>	<u>\$853,718</u>	<u>\$590,858</u>	<u>\$224,701</u>	<u>\$815,559</u>
Depreciation	<u>\$167,890</u>	<u>\$21,183</u>	<u>\$189,073</u>	<u>\$176,584</u>	<u>\$23,312</u>	<u>\$199,896</u>

A. According to the Articles of Incorporation of the Company, a ratio of profit of the current year distributable, after covering accumulated losses, should be distributed as employees' compensation and directors' remuneration. The ratio shall be 5% for employees' compensation and shall not be higher than 2% for directors' remuneration.

B. For the years ended December 31, 2018 and 2017, employees' compensation was accrued at \$61,724 thousand and \$52,865 thousand, respectively; while directors' remuneration was accrued at \$24,690 thousand and \$21,146 thousand, respectively. The employees' bonus and directors' remuneration were estimated and accrued based on profit of current year distributable as of the end of reporting period. The employees' bonus and

directors' remuneration of 2017 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2017 financial statements. Information about the appropriation of employees' bonus and directors' remuneration by the Company as proposed by the Board of Directors and resolved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

C. As of December 31, 2018 and 2017, the Company had 913 and 905 employees, respectively. The number of directors who have not served as employees is 5 and 5 respectively.

## (23) INCOME TAX

### A. Income tax expense

#### (a) Components of income tax expense:

	2018	2017
Current tax		
Current tax on profit for the period	\$243,113	\$177,107
Additional 10% tax on undistributed earnings	173	0
Adjustments in respect of prior years	3,985	4,135
Total current tax	247,271	181,242
Deferred tax		
Origination and reversal of temporary differences	(9,059)	(14,134)
Income tax expense	\$238,212	\$167,108

(b) The income tax (charge)/credit relating to components of other comprehensive income are as follows:

	2018	2017
Actuarial gains/losses on defined benefit obligations	\$1,660	\$50

### B. Reconciliation between income tax expenses and accounting profit:

	2018	2017
Accounting profit (income before tax)	\$1,148,063	\$983,296
Income tax expense at the statutory rate	\$229,612	\$167,160
Tax-exempt income	0	836
Nondeductible items in determining taxable income	4,442	608
Effect of tax rate changes on deferred income tax	0	(5,631)
Additional income tax on unappropriated earnings	173	0
Difference between prior year's income tax estimation and assessed results	3,985	4,135
Income tax expense	\$238,212	\$167,108

C. Amounts of deferred income tax assets or liabilities as a result of temporary difference as follows:

	2018			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets				
Loss on inventory	\$9,940	\$15,120	\$0	\$25,060
Unrealized investment loss	1,766	(1,362)	0	404
Accrued pension cost	23,605	(4,697)	1,660	20,568
Other	176	0	0	176
Subtotal	<u>\$35,487</u>	<u>\$9,061</u>	<u>\$1,660</u>	<u>\$46,208</u>
Deferred tax liabilities				
Allowance for bad debts	1,663	0	0	1,663
Unrealized revaluation increments	890	0	0	890
Subtotal	<u>\$2,553</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,553</u>

	2017			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred tax assets				
Loss on inventory	\$2,720	\$7,220	\$0	\$9,940
Unrealized investment loss	0	1,766	0	1,766
Accrued pension cost	20,782	2,773	50	23,605
Other	150	26	0	176
Subtotal	<u>\$23,652</u>	<u>\$11,785</u>	<u>\$50</u>	<u>\$35,487</u>
Deferred tax liabilities				
Unrealized exchange gain	\$2,599	(\$2,599)	\$0	\$0
Allowance for bad debts	1,414	249	0	1,663
Unrealized revaluation increments	890	0	0	890
Subtotal	<u>\$4,903</u>	<u>(\$2,350)</u>	<u>\$0</u>	<u>\$2,553</u>

D. The Company's income tax returns prior to 2016 have been assessed and approved by the Tax Authority.

E. The amendments to the "Income Tax Act" was passed on February 7, 2018, and the corporate income tax rate has increased from 17% to 20% starting from 2018.

(24)EARNINGS PER SHARE

	2018		
	Amount after tax	Weighted average of outstanding shares (share in thousands)	EPS (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to the parent	\$909,851	407,131	\$2.23
<u>Diluted earnings per share</u>			
Net income attributable to the shareholders of parent	\$909,851	407,131	
Effect of dilutive potential common shares:			
Employees' bonus	0	2,524	
Net income attributable to the shareholders of parent including effect of dilutive potential common shares	\$909,851	409,655	\$2.22

  

	2017		
	Amount after tax	Weighted average of outstanding shares (share in thousands)	EPS (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to the parent	\$816,188	407,131	\$2.00
<u>Diluted earnings per share</u>			
Net income attributable to the shareholders of parent	\$816,188	407,131	
Effect of dilutive potential common shares:			
Employees' bonus	0	1,976	
Net income attributable to the shareholders of parent including effect of dilutive potential common shares	\$816,188	409,107	\$2.00

(25)OPERATING LEASES

The Company leases in land and buildings under non-cancellable operating lease agreements. The lease terms are between 5 and 12 years, the Company both recognized rental expenses of \$740 thousand for these leases in profit or loss for the years ended December 31, 2018 and 2017. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2018	2017
Later later than one year	\$740	\$740
Later than one year but not later than five years	770	1,510
Total	\$1,510	\$2,250



(26) SUPPLEMENTARY CASH FLOW INFORMATION

Investing activities with partial cash payments:

	2018	2017
Purchase of fixed assets	\$983,037	\$307,327
Add: opening balance of payable on equipment	5,090	14,525
Less: ending balance of payable on equipment	(94,415)	(5,090)
Cash paid during the period	\$893,712	\$316,762

7. RELATED-PARTY TRANSACTIONS

(1) Significant related party transactions

- A. The Company received accounting fee from subsidiary in 2018 and 2017 amounted to \$36 thousand, respectively.
- B. The Company received rent charge from subsidiary in 2018 and 2017 amounted to \$30 thousand, respectively, which was determined based on the average rent of office near the leased office, the lease has a term from January 1 to December 31, 2018 and 2017.

(2) Key management compensation

	2018	2017
Short-term employee benefits	\$95,918	\$94,968
Post-employment benefits	524	564
Total	\$96,442	\$95,532

8. PLEDGED ASSETS

Pledged asset	Book value		Purpose
	December 31, 2018	December 31, 2017	
Other current assets			
- Time deposits	\$800	\$800	Guarantee deposits
Total	\$800	\$800	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

Capital expenditure contracted for at the balance sheet date but not yet paid is as follows:

	December 31, 2018	December 31, 2017
Property, plant and equipment	\$419,831	\$983,706

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

## 12. OTHERS

### (1) Capital management

The Company plans its working capital needs, capital asset purchases, research and development expenditures, dividend payments and other requirements over the future periods based on industry features, future development and influence of the exterior environment, to secure its ability to continue as a going concern, deserved return of shareholders and the interests of other stakeholders at the same time. The Company also maintains an optimal capital structure in order to enhance the value of the shareholders in the long term.

The Company may adjust the dividend payment to stockholders, issue new shares or return capital to stockholders to maintain or adjust the capital structure.

### (2) Financial instruments

#### A. Categories of financial instruments

	December 31, 2018	December 31, 2017
<u>Financial assets</u>		
Financial assets at FVTOCI		
Designated investments in Equity Instruments	\$ 1, 086, 708	\$ 0
Available-for-sale financial assets		
Financial assets carried at cost - non-current	0	926, 929
Financial assets at amortized cost		
Cash	408, 474	0
Notes and accounts payables	1, 689, 394	0
Other receivables	196, 734	0
Refundable deposits	83, 085	0
Loans and receivables		
Cash	0	661, 959
Notes and accounts receivables	0	2, 018, 973
Other receivables	0	622, 724
Refundable deposits	0	83, 085
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	0	10
Financial liabilities at amortized cost		
Short-term loans	1, 890, 504	2, 775, 150
Notes and accounts payables	294, 648	364, 393
Other payables	427, 451	344, 375
Long-term loan ( include current portion )	600, 000	400, 000
Guarantee deposits	1, 735	0

#### B. Financial risk management policies

(a) The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects

on the Company's financial position and financial performance. The Company uses derivative financial instruments to hedge certain risk exposures (see Notes 6(2)).

- (b) Risk management is carried out by a treasury department (Company treasury) under policies approved by the management. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Company provides written principles for overall risk management, as well as written policies covering specific areas and matters.

#### C. Significant financial risks and degrees of financial risks

##### (a) Market risk

##### Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and JPY. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities. The Company has foreign currency risk arising from purchases or sales and applies natural hedges, and the Company utilizes currency forward contracts to hedge its part of currency exposures.

The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2018				
	Monetary items	Amount (In Thousands)	Exchange Rate	NTD
Financial assets	USD	\$36,785	30.715	\$1,129,842
	EUR	1,348	35.2	47,440
	JPY	15	0.2782	4
December 31, 2017				
	Monetary items	Amount (In Thousands)	Exchange Rate	NTD
Financial assets	USD	\$55,301	29.76	\$1,645,744
	EUR	808	35.57	28,746
	JPY	261,998	0.2642	69,220

Analysis of foreign currency market risk arising from significant foreign exchange variation:

2018				
Sensitivity analysis				
	Monetary items	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets	USD	1%	\$11,298	\$0
	EUR	1%	474	0
	JPY	1%	0	0
2017				
	Monetary items	Sensitivity analysis		

		Degree of variation	Effect on profit or loss	Effect on other comprehensive income
Financial assets	USD	1%	\$16,457	\$0
	EUR	1%	287	0
	JPY	1%	692	0

### Price risk

The Company is exposed to equity securities price risk because of investments held by the Company and classified on the balance sheet as at fair value through profit or loss. The Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

The Company's investments in equity securities comprise domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2018 and 2017 would have increased/decreased by \$0 thousand and \$0 thousand, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss ; stockholder's equity on unrealized Gains(Losses) on financial assets at fair value through other comprehensive income for the years ended December 31, 2018 and 2017 would have increased/decreased by \$10,870 thousand and \$0 thousand, respectively.

### Interest rate risk

The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. The Company's borrowings at variable rate were denominated in the NTD.

At December 31, 2018, if interest rates on TWD-denominated borrowings at that date had been 0.1% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2018 would have been \$611 thousand lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings. As of December 31, 2017, the company had no long-term bank loans that were not due.

### (b)Credit risk

- i.Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations, The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.
- ii.According to the Company's credit policy, each entity is responsible for managing and analyzing the credit risk for each of their clients before standard payment and delivery terms and conditions are offered. The Company assesses the credit quality of the customers by taking into account their financial position, past experience and other factors as part of the internal risk management. Individual risk limits are set by

the management based on internal or external ratings. The utilization of credit limits is regularly monitored.

iii. The Company assumes that if the contract payments were past due over 60 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition; if past due over 180 days, a default has been occurred.

iv. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their right.

(c) Liquidity risk

i. The Company manages liquidity risk to ensure that the Company possesses sufficient financial flexibility by maintaining adequate reserves of cash and reserve financing facilities, and also monitor forecasts of its liquidity requirements to ensure the Company has sufficient liquidity to fund its business requirements associated with existing operations.

ii. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities.

December 31, 2018					
	Less than 1 year	Between 2 and 3 year	Between 3 and 4 years	Between 4 and 5 years	Over 5 years
Non-derivative financial liabilities					
Short-term borrowings	\$1,890,504	\$0	\$0	\$0	\$0
Notes payable	159	0	0	0	0
Accounts payable	294,489	0	0	0	0
Long-term loans	400,000	100,000	100,000	0	0

December 31, 2017					
	Less than 1 year	Between 2 and 3 year	Between 3 and 4 years	Between 4 and 5 years	Over 5 years
Non-derivative financial liabilities					
Short-term borrowings	\$2,775,150	\$0	\$0	\$0	\$0
Short-term notes and bills payable	99,966	0	0	0	0
Notes payable	155	0	0	0	0
Accounts payable	364,238	0	0	0	0
Long-term loans	0	200,000	200,000	0	0

	Less than 1 year	Between 2 and 3 year	Between 3 and 4 years	Between 4 and 5 years	Over 5 years
Derivative financial liabilities					
Forward exchange contracts	\$10	\$0	\$0	\$0	\$0

### (3) Fair value estimation

A. The different levels of inputs used in the valuation techniques for measuring the fair value of financial and non-financial instruments have been defined as follows:

Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks and beneficiary certificates is included in Level 1.

Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in derivative instruments is included in Level 2.

Level 3 : Inputs for the asset or liability that are not based on observable market data.

B. Methods and assumptions of fair value measurement

(a) Financial assets and liabilities with standard terms and conditions and traded in an active market, for example, investment in stock of listed companies; the fair value is based on the market quoted price.

(b) Forward exchange contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

(c) Unlisted equity instrument without active market were measured based on Level 3.

Fair values of above equity instruments were determined using income approach and market approach. Income approach is a method of determining the value by discounted cash flow, calculating the net present value of expected future profits. Significant unobservable inputs included long-term revenue growth rate, discount rate, market liquidity discount and non-controlling interest. Market approach is a method of determining the fair value based on target company's recent similar transaction, fund raising activities, or similar business market value, and market conditions.

C. Fair value hierarchy - Fair value of financial instruments that are not measured at fair value

Except as detailed in the following table, the Company considers that the carrying amount of financial instruments that are not measured at fair value approximate their fair values.

	December 31, 2017	
	Book value	Fair value
Financial assets carried at cost		
Equity securities	\$ 926,929	—

D. Fair value hierarchy - Fair value of financial instruments that are measured at fair value on a recurring basis

December 31, 2018	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income				
Equity securities	\$ 0	\$ 0	\$1,086,708	\$ 1,086,708
December 31, 2017	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Forward exchange	\$ 0	\$ 10	\$ 0	\$ 10

E. The Company has no transfers between the fair value Level 1 and Level 2.

F. The Company has no purchases and disposals for assets on Level 3.

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

- A. Loans to others: None
- B. Provision of endorsements and guarantees to others: None
- C. Holding of marketable securities at the end of the period (not include Investee, Associates and Joint ventures): Table 1
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None
- G. Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more: None
- H. Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more: None
- I. Trading in Derivative financial instruments undertaken during the reporting periods: Note 6(2)
- J. Significant inter-company transactions during the reporting periods: None

#### (2) Related information of investees : Table 2

#### (3) Information on investment in Mainland China: None

### 14. SEGMENT INFORMATION

#### (1) General information

The Company recognizes the operating segments based on the reporting information used by chief operating decision maker to allocate resources to the segments and assess their performance. The Company identified and measured its segment on the same basis during reporting period.

#### (2) Measurement of segment information

The Company use operation income before income tax as the measurement for the basis of performance assessment.

**(3) Information about segment profit or loss, assets and liabilities**

The segment information provided to the chief operating decision maker for the reportable segments is as follows:

As of and for the year ended December 31, 2018

	Stainless Steel Sheet/Coil	Stainless Steel Welded Pipe/Tube	Others	Total
External revenue-net	\$9,771,302	\$9,036,533	\$321,803	\$19,129,638
Segment profit(loss)	\$315,169	\$832,971	\$9,809	\$1,157,949
Segment assets	\$1,416,795	\$2,775,578	\$1,224,933	\$5,417,306

As of and for the year ended December 31, 2017

	Stainless Steel Sheet/Coil	Stainless Steel Welded Pipe/Tube	Others	Total
External revenue-net	\$10,308,824	\$8,723,659	\$233,146	\$19,265,629
Segment profit(loss)	\$271,707	\$845,042	(\$1,839)	\$1,114,910
Segment assets	\$1,394,715	\$2,701,537	\$1,215,347	\$5,311,599

**(4) Reconciliation for segment income (loss)**

The sales between segments were under the fair trading principle. The external revenue reported to chief operating decision maker adopts the same measurement for revenues in income statement.

The reconciliations of pre-tax income between reportable segments and continuing operation were as follows:

	2018	2017
Income of reportable segments	\$1,157,949	\$1,114,910
Directors' remuneration	(26,729)	(23,096)
Non-operating income and expenditure	16,843	(108,518)
Income from continuing operations before income tax	\$1,148,063	\$983,296

**(5) Geographical Information**

The geographical information for the years ended December 31, 2018 and 2017 are as follow:

**A. Revenue from external customers**

	2018	2017
Asia	\$5,910,853	\$6,573,224
Europe	6,175,887	6,185,603
America	3,571,099	3,285,862
Other	3,471,799	3,220,940
Total	\$19,129,638	\$19,265,629

B. All non-current assets are located in the Company's country of domicile.

**(6) Major customers' information**

The company had no customers with exceeding 10% of the total operating revenues for 2018 and 2017.



Tables (1) : Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures):

Securities held by	Marketable securities type	Relationship With the Securities issuer	General ledger account	December 31, 2018			
				( In thousands of New Taiwan dollars )			
				Shares/Units (thousands)	Book value	Ownership (%)	Fair value
YCINOX CO., LTD	Common stock AbGenomics Holding Ltd.	—	Financial assets at fair value through other comprehensive income - non-current	4, 751	\$181, 273	4. 01%	\$181, 273
“	Gongwin Biopharm Holdings Co., Ltd.	—	Financial assets at fair value through other comprehensive income - non-current	7, 720	665, 084	7. 49%	665, 084
Ji-Mao	Special stock AbGenomics Holding Ltd.	—	Financial assets at fair value through other comprehensive income - non-current	6, 300	240, 351	5. 32%	240, 351
“	Common stock Calin Technology Co. Ltd.	—	Financial assets at fair value through profit or loss-current	1, 000	31, 200	0. 85%	31, 200
“	AbGenomics Holding Ltd.	—	Financial assets at fair value through other comprehensive income - non-current	560	21, 365	0. 47%	21, 365
“	Gongwin Biopharm Holdings Co., Ltd.	—	Financial assets at fair value through other comprehensive income - non-current	500	43, 075	0. 49%	43, 075

(2) Information on investees

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2018			Investment Income(loss)	Note
				December 31, 2018	December 31, 2017	Shares (thousands)	Percentage of ownership	Book value		
YC INOX CO., Ltd	Ji-Mao	Chang-Hwa, Taiwan	Investment	\$100, 120	\$100, 120	10, 000	100%	\$106, 586	(\$5, 574)	

**YC INOX CO., LTD.**

**STATEMENT OF CASH AND CASH EQUIVALENTS**  
**DECEMBER 31, 2018**

(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Cash on hand		\$849
Petty cash		230
Cash in banks		
Checking accounts		151
Demand deposits		129,973
Foreign currency	US\$7,579,343.51@30.715	
deposits	EUR1,263,274.91@35.20	277,271
	JPY15,303@0.2782	
Total		<u>\$408,474</u>

**YC INOX CO., LTD.**

**STATEMENT OF ACCOUNTS RECEIVABLE, NET  
DECEMBER 31, 2018**

(In Thousands of New Taiwan Dollars)

<u>Client name</u>	<u>Description</u>	<u>Amount</u>
Non-Related parties		
Company-A		\$222,466
Other	The amount of individual client included in others does not exceed 5% of the account balance.	1,369,213
Total		<u>1,591,679</u>
Less: Allowance for doubtful accounts		<u>(1,845)</u>
Total		<u>\$1,589,834</u>

**YC INOX CO., LTD.**

**STATEMENT OF OTHER RECEIVABLE  
DECEMBER 31, 2018**

(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Tax receivable	Business tax (VAT)	\$45,275
Factored receivable		148,987
Other		2,472
Total		<u>\$196,734</u>

**YC INOX CO., LTD.****STATEMENT OF INVENTORIES  
DECEMBER 31, 2018**

(In Thousands of New Taiwan Dollars)

Item	Cost	Net Realizable Value	Note
Finished goods (including merchandise)	\$2,005,593	\$2,069,866	
Work in process	84,561	84,088	
Semi-finished goods	294,236	264,390	
Raw materials	1,370,506	1,258,071	
Supplies	67,108	63,887	
Total	3,822,004	\$3,740,302	
Allowance for valuation loss	(125,300)		
Net	\$3,696,704		

**YC INOX CO., LTD.**

**STATEMENT OF CHANGES IN INVESTMENT ACCOUNTED FOR UNDER EQUITY METHOD  
DECEMBER 31, 2018**

(In Thousands of New Taiwan Dollars)

Name	Balance, January 1, 2018		Increase		Decrease		Balance, December 31, 2018		
	Shares (In Thousand)	Amount	Shares (In Thousand)	Amount	Shares (In Thousand)	Amount	Shares (In Thousand)	%	Amount
Ji-Mao									
Investment Corporation, Ltd	10,000	<u>\$101,552</u>	—	<u>\$10,608</u>	—	<u>\$5,574</u>	10,000	100%	<u>\$106,586</u>
									<u>\$106,586</u>
									None

YC INOX CO., LTD.

STATEMENT OF SHORT-TERM LOANS  
DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Type	Balance, End of year	Contract Period	Loan Commitments	Range Of Interest Rates
OA Loans				
Fubon Bank Zhonggang Branch	\$206,620	180 days	\$1,500,000	0.93622%-0.93933%
E.Sun Bank Taichung Branch	99,938	28 days	800,000	0.94000%
Hua Nan Bank Yuanlin Branch	196,536	178 days	700,000	0.99000%
Taiwan Bank Yuanlin Branch	284,545	78 days	750,000	0.95678%-0.96022%
Chang Hwa Bank Yuanlin Branch	195,969	150 days	800,000	0.99222%-0.99500%
	<u>\$983,608</u>		<u>\$4,550,000</u>	
Export Negotiation				
Hua Nan Bank Yuanlin Branch	\$34,509	86-119 days	USD 20,000,000	2.99364%-3.47274%
Taiwan Bank Yuanlin Branch	188,554	86-120 days	USD 100,000,000	2.99155%-3.46724%
Chang Hwa Bank Yuanlin Branch	16,981	81-116 days	USD 10,000,000	3.00226%-3.47274%
Fubon Bank Zhonggang Branch	95,070	30-118 days	USD 15,000,000	2.87000%-3.40000%
Mega Bank South Changhua Branch	105,129	81-120 days	USD 10,000,000	2.86210%-3.36910%
E.Sun Bank Taichung Branch	28,437	54-85 days	USD 20,000,000	3.01268%-3.43552%
Taiwan Cooperative Bank Yuanlin Branch	108,216	83-119 days	USD 10,000,000	2.90700%-3.43550%
	<u>\$576,896</u>		<u>USD 185,000,000</u>	
Fiduciary Loan				
Fubon Bank Zhonggang Branch	\$230,000	180 days	\$1,500,000	0.93733%-0.93778%
HSBC Bank Taichung Branch	100,000	180 days	900,000	0.75000%
	<u>\$330,000</u>		<u>\$2,400,000</u>	

Short-term loans above collateral or security: None.

**YC INOX CO., LTD.**

**STATEMENT OF ACCOUNTS PAYABLE  
DECEMBER 31, 2018**

(In Thousands of New Taiwan Dollars)

<u>Client name</u>	<u>Amount</u>	<u>Note</u>
Non-Related parties		
Company-A	\$81,535	
Company-B	49,879	
Company-C	40,885	
Company-D	19,766	
Others	102,424	The amount of individual vendor in others does not exceed 5% of the account balance.
Total	<u>\$294,489</u>	



**YC INOX CO., LTD.**

**STATEMENT OF OPERATING REVENUES  
DECEMBER 31, 2018**

(In Thousands of New Taiwan Dollars)

Item	Quantity (metric tons)	Amount	Note
Stainless steel coil	About 99,300	\$9,036,533	
Stainless steel welded Pipe/Tube	About 135,300	9,771,302	
Others	About 4,000	321,803	
Total		<u>\$19,129,638</u>	

YC INOX CO., LTD.

STATEMENT OF OPERATING COSTS  
DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Amount		Note
	Subtotal	Total	
Cost of goods sold of outsourcer			
Merchandise, January 1	\$49,531		
Add: Net Purchases of Merchandise	128,916		
Less: Merchandise, December 31	(41,904)		
Add: Transferred from raw-material	104,379		
Others	683		
Less: Others	(2,164)		
Cost of goods sold of outsourcer		239,441	
Cost of goods sold of self-made			
Raw-material inventory, January 1	1,460,078		
Add: Net Purchases of raw material	15,404,179		
Less: Raw-material inventory, December 31	(1,370,506)		
Add: Other	16,932		
Less: Transferred to merchandise	(104,379)		
Other	(15,593)		
Raw-material used		15,390,711	
Direct labor		318,386	
Manufacturing overhead		1,028,157	
Manufacturing cost		16,737,254	
Add: Work in process, January 1		81,405	
Less: Work in process, December 31		(84,561)	
Add: Transferred from semi-finished products		7,306,783	
Transferred from finished products		6,412,071	
Less: Transfers out		(4,829)	
Add: Semi-finished products, January 1		299,973	
Less: Semi-finished products, December 31		(294,236)	
Add: Transfers in		91,115	
Less: Transferred to work in process		(7,306,783)	
Others		(1,453)	
Cost of finished goods		23,236,739	
Add: Finished goods, January 1		2,060,312	
Less: Finished goods, December 31		(1,963,689)	
Add: Transfers in		3,710	
Less: Transferred to work in process		(6,412,071)	
Others		(23,525)	
Cost of goods sold of self-made		16,901,476	
Loss on inventory valuation		75,600	
Scrapped		(115,575)	
Others		8,247	
OPERATING COSTS		\$17,109,189	

**YC INOX CO., LTD.****STATEMENT OF MANUFACTURING EXPENSES  
DECEMBER 31, 2018**

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Indirect labor cost	\$259,747	
Rental expenses	455	
Stationery	2,530	
Travelling expenses	1,422	
Freight cost	6,267	
Postage and phone expense	462	
Repair and maintenance expense	67,855	
Packing expenses	48,858	
Utilities expenses	128,386	
Insurance expense	21,901	
Processing expense	12,674	
Taxes	4,224	
Depreciation	167,890	
Food stipend	8,436	
Employee Benefits	12,580	
Indirect Materials	121,123	
Consumables	102,724	
Research and test fees	162	
Entertainment	183	
Service fee	1,709	
Miscellaneous	5,391	
Training fee	989	
Sample expenses	155	
Incidental expenses	52,034	
Total	<u>\$1,028,157</u>	

**YC INOX CO., LTD.**

**STATEMENT OF OPERATING EXPENSES  
DECEMBER 31, 2018**

(In Thousands of New Taiwan Dollars)

Item	Selling expenses	Management fee	Note
Salary and wages	\$86,286	\$129,151	
Rental expenses	338	15	
Stationery	678	554	
Travelling expenses	2,528	1,783	
Freight expenses	308,100	16	
Postage/Cable Charge	1,437	1,054	
Repair and maintenance expense	313	2,877	
Advertisement	7,360	2,279	
Utilities expenses	2,014	1,410	
Insurance expenses	5,907	7,284	
Entertainment	3,087	14,757	
Donations	0	2,442	
Taxes	336	2,268	
Depreciation	4,743	16,440	
Food stipend	1,666	1,220	
Employee Benefits	2,522	2,228	
Training fee	54	245	
Commission expenses	46,592	286	
Paper and books	18	22	
Service fee	6,158	5,876	
Exports charges	186,140	0	
Sample expenses	34	0	
Miscellaneous	396	1,438	
Incidental expenses	6,483	21,240	
Bad Debt Losses	0	1,154	
Total	\$673,190	\$216,039	