

**Jinan Acetate Chemical Co., Ltd. and  
Subsidiaries**

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

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Jinan Acetate Chemical Co., Ltd.

### **Opinion**

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and 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 audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group 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 consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Group’s consolidated financial statements for the year ended December 31, 2018 are stated as follows:

#### Impairment Assessment of Accounts Receivable

The allowance for impairment loss of accounts receivable of the Group was recognized according to the assessed recoverability of the receivables and the collection experience of the management. Due to the significance of loss allowance and the material impact accounts receivable could have on its financial performance and condition, we consider the impairment assessment of accounts receivable as a key audit matter. The related significant accounting assessment and judgments are disclosed in Notes 4 and 5 to the consolidated financial statements.

The key audit procedures performed in respect of the above area included the following:

1. We have verified the correctness of the aging of accounts receivable through audit sampling.
2. We have assessed the appropriateness of the assumptions used in the evaluation of the recoverability of overdue accounts and possible uncollectible receivables.
3. We have evaluated the reasonableness of the loss allowance recognized by management.

#### Recognition of Operating Revenue

According to IFRS 15 “Revenue from Contracts with Customers”, the Group recognizes revenue when the ownership and significant risks and rewards on the goods or services have been transferred to the customer. We, therefore, consider the recognition of operating revenue as a key audit matter. Please refer to Note 4 to the consolidated financial statements for the relevant accounting policy.

The key audit procedures performed in respect of the above area included the following:

1. We have obtained an understanding of the Group’s policies and procedures and internal controls for revenue accounting and we have tested the operating effectiveness of the key controls over the timing of revenue recognition.
2. We have selected sample transactions in the sales records for substantive tests and confirmed them against the supporting documents.

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

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

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

Those charged with governance, including members of the Audit Committee are responsible for overseeing the Group's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Tung-Feng Lee and Ching-Cheng Yang.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 26, 2019

Notice to Readers

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

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

# JINAN ACETATE CHEMICAL CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 369,078	16	\$ 206,246	8
Financial assets at amortized cost - current (Notes 4 and 8)	616	-	-	-
Debt investments with no active market - current (Notes 4, 9 and 29)	-	-	184,492	8
Notes and accounts receivable, net (Notes 4, 10 and 21)	262,913	11	321,993	13
Accounts receivable from related parties (Notes 4, 5, 10, 21 and 28)	49,150	2	55,993	2
Other receivables (Notes 25 and 28)	16,511	1	17,462	1
Current tax assets (Notes 4 and 23)	5,447	-	12,401	1
Inventories, net (Notes 4 and 11)	320,695	14	415,573	17
Prepayments (Notes 15 and 29)	85,674	4	101,315	4
Other current assets (Note 29)	123,590	5	99,977	4
Total current assets	<u>1,233,674</u>	<u>53</u>	<u>1,415,452</u>	<u>58</u>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment (Notes 4, 13 and 29)	863,830	37	832,414	34
Investment properties, net (Notes 4, 14 and 29)	104,108	5	106,273	4
Deferred tax assets (Notes 4 and 23)	37,550	2	17,658	1
Prepayments for equipment	6,409	-	4,380	-
Refundable deposits (Note 27)	41	-	201	-
Long-term prepayments for leases (Notes 4, 15 and 29)	57,448	2	61,104	3
Other non-current assets	13,638	1	-	-
Total non-current assets	<u>1,083,024</u>	<u>47</u>	<u>1,022,030</u>	<u>42</u>
<b>TOTAL</b>	<u>\$ 2,316,698</u>	<u>100</u>	<u>\$ 2,437,482</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 16)	\$ 116,717	5	\$ -	-
Contract liabilities - current (Note 21)	7,196	-	-	-
Notes payable	92,131	4	39,716	2
Notes payable to related parties (Note 28)	31,416	2	-	-
Accounts payable	121,652	5	249,098	10
Other payables (Notes 18 and 28)	157,379	7	203,608	8
Advance receipts	-	-	34,168	2
Other current liabilities	2,733	-	610	-
Total current liabilities	<u>529,224</u>	<u>23</u>	<u>527,200</u>	<u>22</u>
<b>NON-CURRENT LIABILITIES</b>				
Financial liabilities at fair value through profit or loss - non-current (Notes 4, 7 and 17)	46,400	2	101,400	4
Bonds payable (Note 17)	439,842	19	423,732	17
Deferred tax liabilities (Notes 4 and 23)	9,785	-	9,989	1
Total non-current liabilities	<u>496,027</u>	<u>21</u>	<u>535,121</u>	<u>22</u>
Total liabilities	<u>1,025,251</u>	<u>44</u>	<u>1,062,321</u>	<u>44</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 20)</b>				
Share capital				
Common stock	464,800	20	464,800	19
Capital surplus	479,542	21	479,542	20
Retained earnings				
Legal reserve	78,110	3	60,908	3
Special reserve	2,344	-	2,344	-
Unappropriated earnings	228,542	10	253,046	10
Total retained earnings	308,996	13	316,298	13
Other equity				
Exchange differences on translating the financial statements of foreign operations	(84,208)	(4)	(63,201)	(3)
Revaluation surplus	65,146	3	65,146	3
Total other equity	(19,062)	(1)	1,945	-
Treasury shares	(52,124)	(2)	-	-
Total equity attributable to owners of the Company	1,182,152	51	1,262,585	52
<b>NON-CONTROLLING INTERESTS</b>	<u>109,295</u>	<u>5</u>	<u>112,576</u>	<u>4</u>
Total equity	<u>1,291,447</u>	<u>56</u>	<u>1,375,161</u>	<u>56</u>
<b>TOTAL</b>	<u>\$ 2,316,698</u>	<u>100</u>	<u>\$ 2,437,482</u>	<u>100</u>

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

# JINAN ACETATE CHEMICAL CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 21 and 28)	\$ 1,739,194	100	\$ 1,747,987	100
OPERATING COSTS (Notes 19, 22 and 28)	<u>(1,317,839)</u>	<u>(76)</u>	<u>(1,321,952)</u>	<u>(76)</u>
GROSS PROFIT	<u>421,355</u>	<u>24</u>	<u>426,035</u>	<u>24</u>
OPERATING EXPENSES (Notes 19, 22 and 28)				
Selling and marketing expenses	(84,843)	(5)	(54,307)	(3)
General and administrative expenses	(63,860)	(4)	(66,913)	(4)
Research and development expenses	<u>(110,484)</u>	<u>(6)</u>	<u>(97,399)</u>	<u>(5)</u>
Total operating expenses	<u>(259,187)</u>	<u>(15)</u>	<u>(218,619)</u>	<u>(12)</u>
PROFIT FROM OPERATIONS	<u>162,168</u>	<u>9</u>	<u>207,416</u>	<u>12</u>
NON-OPERATING INCOME AND EXPENSES (Note 22)				
Other income	12,659	1	13,542	1
Other gains and losses	52,006	3	(43,036)	(2)
Finance costs (Note 4)	<u>(16,781)</u>	<u>(1)</u>	<u>(9,320)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>47,884</u>	<u>3</u>	<u>(38,814)</u>	<u>(2)</u>
PROFIT BEFORE INCOME TAX	210,052	12	168,602	10
INCOME TAX BENEFIT (EXPENSE) (Notes 4 and 23)	<u>14,039</u>	<u>1</u>	<u>(2,430)</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>224,091</u>	<u>13</u>	<u>166,172</u>	<u>10</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Exchange differences arising on translation to the presentation currency	<u>(23,281)</u>	<u>(1)</u>	<u>(15,380)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 200,810</u>	<u>12</u>	<u>\$ 150,792</u>	<u>9</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 225,098	13	\$ 172,021	10
Non-controlling interests	<u>(1,007)</u>	<u>-</u>	<u>(5,849)</u>	<u>-</u>
	<u>\$ 224,091</u>	<u>13</u>	<u>\$ 166,172</u>	<u>10</u>

(Continued)

# JINAN ACETATE CHEMICAL CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
TOTAL COMPREHENSIVE INCOME (LOSS)				
ATTRIBUTABLE TO:				
Owners of the Company	\$ 204,091	12	\$ 154,600	9
Non-controlling interests	<u>(3,281)</u>	<u>-</u>	<u>(3,808)</u>	<u>-</u>
	<u>\$ 200,810</u>	<u>12</u>	<u>\$ 150,792</u>	<u>9</u>
EARNINGS PER SHARE (NT\$, Note 24)				
Basic earnings per share	<u>\$ 4.85</u>		<u>\$ 3.70</u>	
Diluted earnings per share	<u>\$ 3.76</u>		<u>\$ 3.70</u>	

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

(Concluded)



**JINAN ACETATE CHEMICAL CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017  
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Company							Other Equity				Non-controlling Interests	Total Equity	
	Share Capital		Capital Surplus	Retained Earnings				Exchange Differences on Translating the Financial Statements of Foreign Operations	Gains on Property Revaluation	Total	Treasury Shares			Total
	Number of Shares (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings	Total							
BALANCE AT JANUARY 1, 2017	46,480	\$ 464,800	\$ 462,001	\$ 32,221	\$ 2,344	\$ 342,112	\$ 376,677	\$ (45,780)	\$ 65,146	\$ 19,366	\$ -	\$ 1,322,844	\$ 45,585	\$ 1,368,429
Appropriation of 2016 earnings														
Legal reserve	-	-	-	28,687	-	(28,687)	-	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(232,400)	(232,400)	-	-	-	-	(232,400)	-	(232,400)
	-	-	-	28,687	-	(261,087)	(232,400)	-	-	-	-	(232,400)	-	(232,400)
Net profit (loss) for the year ended December 31, 2017	-	-	-	-	-	172,021	172,021	-	-	-	-	172,021	(5,849)	166,172
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	-	-	(17,421)	-	(17,421)	-	(17,421)	2,041	(15,380)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	172,021	172,021	(17,421)	-	(17,421)	-	154,600	(3,808)	150,792
Changes in percentage of ownership interests in subsidiaries	-	-	17,541	-	-	-	-	-	-	-	-	17,541	(17,541)	-
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	88,340	88,340
BALANCE AT DECEMBER 31, 2017	46,480	464,800	479,542	60,908	2,344	253,046	316,298	(63,201)	65,146	1,945	-	1,262,585	112,576	1,375,161
Appropriation of 2017 earnings														
Legal reserve	-	-	-	17,202	-	(17,202)	-	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(232,400)	(232,400)	-	-	-	-	(232,400)	-	(232,400)
	-	-	-	17,202	-	(249,602)	(232,400)	-	-	-	-	(232,400)	-	(232,400)
Net profit (loss) for the year ended December 31, 2018	-	-	-	-	-	225,098	225,098	-	-	-	-	225,098	(1,007)	224,091
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	-	(21,007)	-	(21,007)	-	(21,007)	(2,274)	(23,281)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	225,098	225,098	(21,007)	-	(21,007)	-	204,091	(3,281)	200,810
Buy-back of ordinary shares	-	-	-	-	-	-	-	-	-	-	(52,124)	(52,124)	-	(52,124)
BALANCE AT DECEMBER 31, 2018	46,480	\$ 464,800	\$ 479,542	\$ 78,110	\$ 2,344	\$ 228,542	\$ 308,996	\$ (84,208)	\$ 65,146	\$ (19,062)	\$ (52,124)	\$ 1,182,152	\$ 109,295	\$ 1,291,447

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

# JINAN ACETATE CHEMICAL CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 210,052	\$ 168,602
Adjustments for:		
Depreciation expenses	86,707	43,319
Amortization expenses	2,403	2,374
Net loss (gain) on fair value changes of financial assets and liabilities designated as at fair value through profit or loss	(55,000)	15,800
Finance costs	16,781	9,320
Interest income	(4,013)	(2,976)
Write-downs (reversal) of inventories	(490)	714
Changes in operating assets and liabilities		
Notes receivable	(4,907)	(1,826)
Accounts receivable	63,987	(236,550)
Accounts receivable from related parties	6,843	(12,034)
Other receivables	(481)	(11,855)
Inventories	95,368	(41,046)
Prepayments	15,592	(95,823)
Other current assets	(23,613)	(97,462)
Contract liabilities	(26,972)	-
Notes payable	52,415	36,145
Notes payable to related parties	31,416	-
Accounts payable	(127,446)	167,728
Other payables	5,654	10,561
Advance receipts	-	28,142
Other current liabilities	2,129	(170)
Cash generated from (used in) operations	<u>346,425</u>	<u>(17,037)</u>
Interest paid	(671)	(489)
Income taxes refund (paid)	<u>221</u>	<u>(40,658)</u>
Net cash generated from (used in) operating activities	<u>345,975</u>	<u>(58,184)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of financial assets at amortized cost	183,880	-
Payments for debt investments with no active market	-	(177,619)
Payments for property, plant and equipment	(183,644)	(260,992)
Decrease (increase) in refundable deposits	158	(457)
Increase in other non-current assets	(14,172)	-
Increase in prepayments for equipment	(6,535)	-
Interest received	<u>5,445</u>	<u>2,214</u>
Net cash used in investing activities	<u>(14,868)</u>	<u>(436,854)</u>

(Continued)

# JINAN ACETATE CHEMICAL CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

---

	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	\$ 116,717	\$ -
Issuance of convertible bonds	-	500,501
Guarantee deposits refunded	(6)	(1,944)
Dividends paid to owners of the Company	(232,400)	(232,400)
Payments for buy-back of ordinary shares	(52,124)	-
Increase in non-controlling interests	<u>-</u>	<u>88,340</u>
Net cash generated from (used in) financing activities	<u>(167,813)</u>	<u>354,497</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(462)</u>	<u>(17,086)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	162,832	(157,627)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>206,246</u>	<u>363,873</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 369,078</u>	<u>\$ 206,246</u>

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

(Concluded)

# JINAN ACETATE CHEMICAL CO., LTD. AND SUBSIDIARIES

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

---

### 1. GENERAL INFORMATION

Jinan Acetate Chemical Co., Ltd. (the “Company”) was incorporated in Cayman Islands on September 25, 2014. The Company was established mainly for organizational restructuring. In accordance with the equity exchange agreement, the Company has become the holding company of the consolidated entities after the organizational restructuring have been completed on September 25, 2014.

The Company’s shares have been listed on the Taiwan Stock Exchange (TSE) since November 9, 2015.

The Company’s functional currency is Renminbi. However, due to the listing in the TSE, the consolidated financial statements are presented in New Taiwan dollars for greater comparability and consistency of financial reporting.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 26, 2019.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the FSC

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the accounting policies of the Company and its subsidiaries (collectively referred to as the “Group”).

- 1) Annual Improvements to IFRSs 2014-2016 Cycle

Several standards, including IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures,” were amended in this annual improvement.

The application of the above amendments in 2018 did not have significant impact on the Group’s consolidated financial statements.

- 2) IFRS 9 “Financial Instruments” and related amendment

IFRS 9 supersedes IAS 39 “Financial Instruments: Recognition and Measurement”, with consequential amendments to IFRS 7 “Financial Instruments: Disclosures” and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

## Classification, measurement and impairment of financial assets

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

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

Financial Assets	Measurement Category		Carrying Amount		Remark
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Cash and cash equivalents	Loans and receivables	Amortized cost	\$ 206,246	\$ 206,246	*
Time deposits with original maturities of more than 3 months	Loans and receivables	Amortized cost	184,492	184,492	*
Notes receivable, trade receivables and other receivables	Loans and receivables	Amortized cost	395,448	395,448	*
Pledge deposits and refundable deposits	Loans and receivables	Amortized cost	100,178	100,178	*
	<b>IAS 39</b>	<b>IFRS 9</b>	<b>Retained Earnings</b>	<b>Other Equity</b>	
	<b>Carrying Amount as of January 1, 2018</b>	<b>Carrying Amount as of January 1, 2018</b>	<b>Effect on January 1, 2018</b>	<b>Effect on January 1, 2018</b>	<b>Remark</b>
<u>Amortized cost</u>					
Add: Reclassification from loans and receivables (IAS 39)	\$ _____	\$ 886,364	\$ _____	\$ _____	*
Total	\$ _____	\$ 886,364	\$ _____	\$ _____	

\* Cash and cash equivalents, time deposits with original maturities of more than 3 months, notes receivable, trade receivables, other receivables, pledge deposits 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.

The application of the above amendments in 2018 did not have significant impact on the Group's consolidated financial statements.

### 3) IFRS 15 "Revenue from Contracts with Customers" and related amendment

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. Please refer to Note 4 for related accounting policies.

Any excess of consideration received and receivable over the recognized revenue is recognized as a contract liability.

If the contract is non-cancellable, the Group will recognize a receivable and a contract liability when it has an unconditional right to the consideration in accordance with IFRS 15. Prior to the application of IFRS 15, consideration was recognized as deferred revenue when received.

The impact on liabilities as of January 1, 2018 of the initial application of IFRS 15 is set out below:

	<b>As Originally Stated</b>	<b>Adjustments Arising from Initial Application</b>	<b>Restated</b>
Contract liabilities - current	\$ -	\$ 34,168	\$ 34,168
Advance receipts	<u>34,168</u>	<u>(34,168)</u>	<u>-</u>
Total effect on liabilities	<u>\$ 34,168</u>	<u>\$ -</u>	<u>\$ 34,168</u>

Had the Group applied the prior year's accounting policies in the current year, the following adjustments should have been made to reflect the line items and balances under IFRS 15.

Impact on liabilities for current year

	<b>December 31, 2018</b>
Increase in contract liability - current	\$ 7,196
Decrease in advanced receipts	<u>(7,196)</u>
Increase in liabilities	<u>\$ -</u>

4) Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"

The amendments clarify that the difference between the carrying amount of the debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, irrespective of whether the Group expects to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Group should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses as deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendments also stipulate that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Group's assets for more than their carrying amount if there is sufficient evidence that it is probable that the Group will achieve the higher amount and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

Prior to the amendment, in assessing a deferred tax asset, the Group assumed that it will recover the asset at its carrying amount when estimating probable future taxable profit. The Group applied the above amendments retrospectively in 2018.

The application of the above amendments in 2018 did not have significant impact on the Group's consolidated financial statements.

5) IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

The application of the above amendments in 2018 did not have significant impact on the Group’s consolidated financial statements.

- b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC) and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed by the FSC for application starting from 2019.

<b>New, Amended or Revised Standards and Interpretations (the “New IFRSs”)</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019

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

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 “Leases”

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

Definition of a lease

Upon initial application of IFRS 16, the Group will elect to apply the guidance of IFRS 16, in determining whether contracts are, or contain, a lease, only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

### The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group 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. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights of land located in China are recognized as prepayments for leases. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

The Group expects to apply the following practical expedients:

- a) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- b) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- c) The Group will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- d) The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

### The Group as lessor

The Group will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

## 2) IFRIC 23 “Uncertainty over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Group should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Group concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Group 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 Group should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the Group expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

Upon initial application of IFRIC 23, the Group will recognize the cumulative effect of retrospective application in retained earnings on January 1, 2019.



3) Amendments to IFRS 9 “Prepayment Features with Negative Compensation”

IFRS 9 stipulates that if a contractual term of a financial asset permits the issuer (i.e. the debtor) to prepay a debt instrument or permits the holder (i.e. the creditor) to put a debt instrument back to the issuer before maturity and the prepayment amount substantially represents unpaid amounts of the principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination, the financial asset has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The amendments further explain that reasonable compensation may be paid or received by either of the parties, i.e. a party may receive reasonable compensation when it chooses to terminate the contract early.

Upon initial application of the above amendments, the Group will recognize the cumulative effect of retrospective application in retained earnings on January 1, 2019.

4) Annual Improvements to IFRSs 2015-2017 Cycle

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, the related borrowing costs shall be included in the calculation of the capitalization rate on general borrowings. Upon initial application of the above amendment, the related borrowing costs will be included in the calculation starting from 2019.

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group continues assessing other possible impacts that the application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Group’s financial position and financial performance and will disclose these other impacts when the assessment is completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

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

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

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

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

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRSs as endorsed and issued into effect by the FSC.

##### b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments and investment properties which are measured at fair value.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

##### c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

##### d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals.

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

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 12, Tables 5 and 6 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting consolidated financial statements, the functional currencies of the Company and the other entities in the Group (including subsidiaries, associates, joint ventures and branches in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate). The exchange differences accumulated in equity, which resulted from the translation of the assets and liabilities of the Group entities into the presentation currency, are not subsequently reclassified to profit or loss.

f. Inventories

Inventories consist of raw materials, supplies, finished goods and work in progress and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

g. Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment loss.

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

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

h. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs, and are subsequently measured using the fair value model. Changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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

i. Financial instruments

Financial assets and financial liabilities are recognized when a Group entity 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.

1) Financial assets

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

a) Measurement category

2018

Financial assets are classified into 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, accounts receivable at amortized cost and time deposits with original maturities of more than 3 months, are measured at amortized cost, which equals to 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 assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii. Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

## 2017

Financial assets are classified into loans and receivables.

Loans and receivables (including trade receivables, cash and cash equivalents and debt investments with no active market) 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.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

## b) Impairment of financial assets

### 2018

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The Group always recognizes lifetime Expected Credit Loss (i.e. ECL) for accounts receivable. For all other financial instruments, the Group recognizes lifetime ECL 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 Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

## 2017

Financial assets, other than those at FVTPL, 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.

For financial assets carried at amortized cost, such as trade receivables, such assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience in debtors not making payments, an increase in the number of delayed payments in the portfolio past the average credit period for 90 days, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

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

For financial assets carried at amortized cost, 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.

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

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets, with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When trade 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 that are written off against the allowance account.

c) Derecognition of financial assets

The Group 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.

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

2) Equity instruments

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by a Group entity are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

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

Financial liabilities at FVTPL

The Group's financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 7.

b) Derecognition of financial liabilities

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

4) Convertible bonds

The conversion option component of the convertible bonds issued by the Group, which will be settled other than by the exchange of a fixed amount of cash or other financial assets for a fixed number of the Company's own equity instruments, is classified as a derivative financial liability.

On initial recognition, the derivative financial liability component of the convertible bonds is recognized at fair value, and the initial carrying amount of the non-derivative financial liability component is determined by deducting the amount of the derivative financial liability component from the fair value of the hybrid instrument as a whole. In subsequent periods, the non-derivative financial liability component of the convertible bonds is measured at amortized cost using the effective interest method. The derivative financial liability component is measured at fair value, and the changes in fair value are recognized in profit or loss. Transaction costs that relate to the issuance of the convertible notes are allocated to the derivative financial liability component and the non-derivative financial liability component in proportion to their relative fair values. Transaction costs relating to the derivative financial liability component are recognized immediately in profit or loss. Transaction costs relating to the non-derivative financial liability component are included in the carrying amount of the liability component.

j. Revenue recognition

2018

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

Revenue from the sale of goods comes from sales of cellulose acetate tow and cellulose acetate. Sales of cellulose acetate tow and cellulose acetate are recognized as revenue when the goods are shipped because it is the time when the customer has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowances for sales returns and liabilities for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

1) Revenue from the sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Group; and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

2) Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group 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 applicable effective interest rate.



k. Leasing

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

1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Group as lessee

Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

3) Leasehold land for own use

Operating leasehold land of the Group refers to land use rights of land located in China. The lease payments are amortized on a straight-line basis over the operating term according to the Articles of Incorporation.

l. Borrowing costs

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

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

m. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

n. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

The Group participates in the local government pension plans in accordance with local regulations, contributing pension regularly to the government according to a certain percentage of the employee's salary. Payments to defined contribution retirement benefit plans are recognized as expenses for the current period when employees have rendered services entitling them to the contributions.

o. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the People's Republic of China (PRC) Enterprise Income Tax Law, the tax rate is 25%. Jinan Acetate Chemical Co., Ltd (China) of the Group have acquired the High-tech Enterprise Certificate in 2018 and 2017; therefore, in accordance with Article 28, the applicable tax rate is 15%. The High-tech Enterprise Certificate of Jinan Acetate Chemical Co., Ltd (China) will expire in November 2021.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. If investment properties measured using the fair value model are non-depreciable assets, the carrying amounts of such assets are presumed to be recovered entirely through sale.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Estimated impairment of financial assets - 2018

The provision for impairment of trade receivables is based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group'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 10. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Estimated impairment of trade receivables - 2017

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of impairment loss is measured as the difference between an asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Cash on hand	\$ 119	\$ 123
Demand deposits	353,601	185,291
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	<u>15,358</u>	<u>20,832</u>
	<u>\$ 369,078</u>	<u>\$ 206,246</u>

Annual yield rates for bank deposits are 0.001%-0.37% and 0.001%-0.30% at December 31, 2018 and 2017, respectively.

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Financial liabilities held for trading - non-current</u>		
Derivative financial liabilities		
Convertible options	<u>\$ 46,400</u>	<u>\$ 101,400</u>

## 8. FINANCIAL ASSETS AT AMORTIZED COST - 2018

**December 31,  
2018**

Current

Time deposits with original maturity of more than 3 months \$ 616

The interest rate for time deposits with original maturity of more than 3 months was 2.75% as at the end of the reporting period. The time deposits were classified as debt investments with no active market under IAS 39. Refer to Notes 3 and 9 for information relating to their reclassification and comparative information for 2017.

## 9. DEBT INVESTMENTS WITH NO ACTIVE MARKET - 2017

**December 31,  
2017**

Current

Time deposits with original maturities of more than 3 months \$ 184,492

- a. As of December 31, 2017, the market interest rates of the time deposits with original maturities more than 3 months were 1.68%-1.95%.
- b. Refer to Note 29 for information relating to bond investments with no active market pledged as security.

## 10. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ 6,733	\$ 1,826
Less: Allowance for impairment loss	-	-
	<u>\$ 6,733</u>	<u>\$ 1,826</u>
<u>Accounts receivable (including related parties)</u>		
At amortized cost		
Gross carrying amount	\$ 305,330	\$ 376,160
Less: Allowance for impairment loss	-	-
	<u>\$ 305,330</u>	<u>\$ 376,160</u>

## In 2018

The Group takes advance payments for the sales of goods through letters of credit. The credit period of sales of goods was between 30 and 180 days. No interest was charged on trade and notes receivable. The Group adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

### December 31, 2018

	<b>1 to 30 Days</b>	<b>31 to 60 Days</b>	<b>61 to 90 Days</b>	<b>91 to 120 Days</b>	<b>121 to 180 Days</b>	<b>181 to 360 Days</b>	<b>Total</b>
Expected credit loss rate	0%	0%	0%	0%	0%	0%	
Gross carrying amount	\$ 154,113	\$ 84,321	\$ 36,487	\$ 10,160	\$ 26,982	\$ -	\$ 312,063
Loss allowance (Lifetime ECL)	-	-	-	-	-	-	-
Amortized cost	<u>\$ 154,113</u>	<u>\$ 84,321</u>	<u>\$ 36,487</u>	<u>\$ 10,160</u>	<u>\$ 26,982</u>	<u>\$ -</u>	<u>\$ 312,063</u>

## In 2017

The Group recognized an allowance for impairment loss of 100% against all receivables over 360 days because historical experience was that receivables that were past due beyond 360 days are not recoverable. Allowance for impairment loss was recognized against trade receivables between 1 day and 360 days based on the estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

For some trade receivables balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss because there was no significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances.

The aging of receivable was as follows:

	<b>December 31, 2017</b>
1-30 days	\$ 190,075
31-60 days	115,306
61-90 days	50,381
91-120 days	19,948
121-180 days	2,246
181-360 days	<u>30</u>
	<u>\$ 377,986</u>

The above aging schedule was based on the invoice date.

The aging of receivables that were past due but not impaired was as follows:

	<b>December 31, 2017</b>
1-30 days	\$ -
31-60 days	-
61-90 days	-
91-120 days	-
121-180 days	-
181-360 days	<u>30</u>
	<u>\$ 30</u>

The above aging schedule was based on the invoice date.

The Group did not recognize an allowance for impairment loss on the receivables at December 31, 2018 and 2017, after the assessment.

## 11. INVENTORIES

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Finished goods	\$ 146,642	\$ 95,952
Work in progress	13,919	10,311
Raw materials	142,677	295,798
Supplies	<u>17,457</u>	<u>13,512</u>
	<u>\$ 320,695</u>	<u>\$ 415,573</u>

The cost of inventories recognized as operating costs for the years ended December 31, 2018 and 2017 was \$1,317,839 thousand and \$1,321,952 thousand, respectively. The inventory write-downs (reversals of inventory write-downs) was \$(490) thousand and \$714 thousand, respectively. The reversals in 2018 of previous write-downs resulted from sales of old-age inventories.

## 12. SUBSIDIARIES

- a. Entities included in the consolidated financial statements:

Investor	Investee	Nature of Activities	Proportion of Ownership	
			December 31	
			2018	2017
The Company	My Parents Living Technology Limited (Hong Kong) ("My Parents")	Investments	100.00	100.00
My Parents	Jinan Acetate Chemical Co., Ltd. (China) ("Jinan Acetate Chemical")	Production and sales of cellulose acetate tow	100.00	100.00
Jinan Acetate Chemical	Acetek Material Co., Ltd. (China) ("Acetek Material")	Production and sales of cellulose acetate	52.80	52.80
My Parents	Acetek Material Co., Ltd. (China) ("Acetek Material")	Production and sales of cellulose acetate	27.20	27.20

- b. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Principal Place of Business	Proportion of Ownership and Voting Rights Held by Non-controlling Interests	
		December 31	
		2018	2017
Acetek Material	Mainland China	20.00%	20.00%

Summarized financial information in respect of Acetek Material that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

	December 31	
	2018	2017
Current assets	\$ 273,692	\$ 188,537
Non-current assets	835,666	801,241
Current liabilities	(577,343)	(426,569)
Non-current liabilities	-	-
Equity	<u>\$ 532,015</u>	<u>\$ 563,209</u>
Equity attributable to:		
Owners of the Company	\$ 425,612	\$ 450,567
Non-controlling interests of Acetek Material	<u>106,403</u>	<u>112,642</u>
	<u>\$ 532,015</u>	<u>\$ 563,209</u>
	For the Year Ended December 31	
	2018	2017
Revenue	<u>\$ 726,431</u>	<u>\$ 237,988</u>
Loss for the year	\$ (20,108)	\$ (27,769)
Other comprehensive income (loss) for the year	<u>11,086</u>	<u>3,011</u>
Total comprehensive income (loss) for the year	<u>\$ (9,022)</u>	<u>\$ (24,758)</u>

(Continued)

**For the Year Ended December 31**

	<b>2018</b>	<b>2017</b>
Loss attributable to:		
Owners of the Company	\$ (16,086)	\$ (21,859)
Non-controlling interests of Acetek Material	<u>(4,022)</u>	<u>(5,910)</u>
	<u>\$ (20,108)</u>	<u>\$ (27,769)</u>
Total comprehensive income (loss) attributable to:		
Owners of the Company	\$ (7,218)	\$ (19,489)
Non-controlling interests of Acetek Material	<u>(1,804)</u>	<u>(5,269)</u>
	<u>\$ (9,022)</u>	<u>\$ (24,758)</u>
Net cash inflow from:		
Operating activities	\$ 434,135	\$ (175,223)
Investing activities	(144,955)	(253,652)
Financing activities	(250,604)	442,429
Effects of exchange rate changes	<u>(2,924)</u>	<u>(6,570)</u>
Net cash inflow	<u>\$ 41,500</u>	<u>\$ 6,984</u> (Concluded)

**13. PROPERTY, PLANT AND EQUIPMENT**

	Buildings	Equipment	Transportation Equipment	Other Equipment	Construction in Progress Equipment	Total
<u>Cost</u>						
Balance at January 1, 2017	\$ 94,056	\$ 420,346	\$ 5,571	\$ 619	\$ 105,198	\$ 625,790
Additions	7,661	282,295	3,239	6,854	31,889	331,938
Reclassification	95,795	221,274	245	(446)	(95,795)	221,073
Effect of foreign currency exchange differences	<u>272</u>	<u>1,742</u>	<u>(23)</u>	<u>86</u>	<u>(2,009)</u>	<u>68</u>
Balance at December 31, 2017	<u>\$ 197,784</u>	<u>\$ 925,657</u>	<u>\$ 9,032</u>	<u>\$ 7,113</u>	<u>\$ 39,283</u>	<u>\$ 1,178,869</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2017	\$ 29,115	\$ 274,435	\$ 2,355	\$ 122	\$ -	\$ 306,027
Depreciation expenses	6,876	34,624	1,317	502	-	43,319
Reclassification	-	10	5	(15)	-	-
Effect of foreign currency exchange differences	<u>(239)</u>	<u>(2,645)</u>	<u>(10)</u>	<u>3</u>	<u>-</u>	<u>(2,891)</u>
Balance at December 31, 2017	<u>\$ 35,752</u>	<u>\$ 306,424</u>	<u>\$ 3,667</u>	<u>\$ 612</u>	<u>\$ -</u>	<u>\$ 346,455</u>
Carrying amounts at December 31, 2017	<u>\$ 162,032</u>	<u>\$ 619,233</u>	<u>\$ 5,365</u>	<u>\$ 6,501</u>	<u>\$ 39,283</u>	<u>\$ 832,414</u>
<u>Cost</u>						
Balance at January 1, 2018	\$ 197,784	\$ 925,657	\$ 9,032	\$ 7,113	\$ 39,283	\$ 1,178,869
Additions	6,750	73,766	228	573	50,444	131,761
Reclassification	-	4,375	-	-	-	4,375
Effect of foreign currency exchange differences	<u>(4,160)</u>	<u>(20,366)</u>	<u>(188)</u>	<u>(156)</u>	<u>(1,874)</u>	<u>(26,744)</u>
Balance at December 31, 2018	<u>\$ 200,374</u>	<u>\$ 983,432</u>	<u>\$ 9,072</u>	<u>\$ 7,530</u>	<u>\$ 87,853</u>	<u>\$ 1,288,261</u> (Continued)



	<b>Buildings</b>	<b>Equipment</b>	<b>Transportation Equipment</b>	<b>Other Equipment</b>	<b>Construction in Progress Equipment</b>	<b>Total</b>
<u>Accumulated depreciation</u>						
Balance at January 1, 2018	\$ 35,752	\$ 306,424	\$ 3,667	\$ 612	\$ -	\$ 346,455
Depreciation expenses	11,548	71,991	1,698	1,470	-	86,707
Effect of foreign currency exchange differences	<u>(951)</u>	<u>(7,632)</u>	<u>(107)</u>	<u>(41)</u>	<u>-</u>	<u>(8,731)</u>
Balance at December 31, 2018	<u>\$ 46,349</u>	<u>\$ 370,783</u>	<u>\$ 5,258</u>	<u>\$ 2,041</u>	<u>\$ -</u>	<u>\$ 424,431</u>
Carrying amounts at December 31, 2018	<u>\$ 154,025</u>	<u>\$ 612,649</u>	<u>\$ 3,814</u>	<u>\$ 5,489</u>	<u>\$ 87,853</u>	<u>\$ 863,830</u> (Concluded)

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	20 years
Equipment	3-10 years
Transportation equipment	4-5 years
Other equipment	5 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 29.

#### 14. INVESTMENT PROPERTIES

	<b>Amount</b>
Balance at January 1, 2017	\$ 107,484
Effect of foreign currency exchange differences	<u>(1,211)</u>
Balance at December 31, 2017	<u>\$ 106,273</u>
Balance at January 1, 2018	\$ 106,273
Effect of foreign currency exchange differences	<u>(2,165)</u>
Balance at December 31, 2018	<u>\$ 104,108</u>

The investment properties are leased out for 9 years. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Not later than 1 year	\$ 4,625	\$ 4,280
Later than 1 year and not later than 5 years	19,152	18,288
Later than 5 years	<u>15,503</u>	<u>24,973</u>
	<u>\$ 39,280</u>	<u>\$ 47,541</u>

The fair values of investment properties measured on a recurring basis were as follows:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Independent valuation	<u>\$ 104,108</u>	<u>\$ 106,273</u>

The fair values of a single investment property with a carrying amount of at least 20% of the total assets as of December 31, 2018 and 2017 were based on the valuations carried out at January 7, 2019 and January 15, 2018, respectively, by independent qualified professional valuer, Mr. Chang, Yi-Chuan, from Da-Hua Real Estate Appraisal Firm, a Certified Real Estate Appraiser in the ROC.

The movements in the fair value of investment properties within Level 3 of the hierarchy were as follows:

	<b>Amount</b>
Balance at January 1, 2017	\$ 107,484
Recognized in other comprehensive income (exchange differences on translating the financial statements of foreign operations)	<u>(1,211)</u>
Balance at December 31, 2017	<u>\$ 106,273</u>
Balance at January 1, 2018	\$ 106,273
Recognized in other comprehensive income (exchange differences on translating the financial statements of foreign operations)	<u>(2,165)</u>
Balance at December 31, 2018	<u>\$ 104,108</u>

The fair value of investment properties, except for undeveloped land, was measured using the income approach. The significant assumptions used are stated below. The increase in estimated future net cash inflows, or the decrease in discount rates would result in an increase in the fair value.

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Expected future cash inflows	\$ 287,172	\$ 289,240
Expected future cash outflows	<u>(6,136)</u>	<u>(6,075)</u>
Expected future cash inflows, net	<u>\$ 281,036</u>	<u>\$ 283,165</u>
Discount rates	6%	6%

The market rentals in the area where the investment property is located were RMB7.17 per square meter. The market rentals for comparable properties were between RMB6.48 and RMB7.80 per square meter.

The investment property has 1 floor above ground, and the floor had been leased out under operating leases. The rental income generated for the years ended December 31, 2018 and 2017 was \$4,433 thousand and \$4,224 thousand, respectively.

The expected future cash inflows to be generated by investment properties included rental income, interest income on rental deposits and disposal value. The rental income was extrapolated using the Group's current rental rate taking into account the annual rental growth rate; the income analysis covers a 10-year period, the interest income on rental deposits was extrapolated using the time deposit interest rate for a 1-year period; there was no disposal value since after the land lease expires, no land owner will be paid back the above-ground houses. The expected future cash outflows to be incurred by investment properties included expenditures such as enterprise-establishing brokerage fee, related taxes and management costs, insurance premiums and maintenance costs. These expenditures were extrapolated on the basis of the current level of expenditures, taking into account the future adjustments.

The discount rate of 6% was determined by reference to the interest rate for 3-year time deposits as posted by The People's Bank of China of 2.75% and any asset-specific risk premiums of 3.25%.

The Group has free hold interests in all of its investment properties. The investment properties pledged as collateral for bank borrowings are set out in Note 29.

## 15. PREPAYMENTS FOR LEASES

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Current assets (included in prepayments)	<u>\$ 2,356</u>	<u>\$ 2,405</u>
Non-current assets	<u>\$ 57,448</u>	<u>\$ 61,104</u>

As of December 31, 2018 and 2017, prepaid lease payments include land use rights, which are located in mainland China. The prepayments for leases pledged as collateral for bank borrowings are set out in Note 29.

## 16. BORROWINGS

### Short-term Borrowings

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>\$ 116,717</u>	<u>\$ -</u>

The range of interest rates on bank loans was 3.18%-3.67% per annum as of December 31, 2018.

## 17. BONDS PAYABLE

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
First-time unsecured domestic convertible bonds (R.O.C.)	<u>\$ 439,842</u>	<u>\$ 423,732</u>

As of June 9, 2017, the Company issued \$500,000 thousand, 0% NTD-denominated unsecured convertible bonds in Taiwan, with a total issue amount of \$500,000 thousand.

Each bond entitles the holder to convert it into ordinary shares of the Company at a conversion price of \$173. In case of ex-right or ex-dividend, the price should be adjusted according to the conversion price adjustment formula. Conversion may occur at any time between September 10, 2017 and June 9, 2022. If the bonds have not been converted and the closing price of ordinary shares has exceeded 30% of the current conversion price for 30 consecutive business days, the Company may send a copy of “Debt Rebate Notice” with expiration of one month by registered mail within the next 30 business days. The aforementioned period is calculated from the delivery of mail, and the expiration date of the period is determined as the base date for recovery of bonds. The Company redeems the bonds at their par value within 5 business days following the base date.

The convertible bonds shall be resold in advance by bondholders on the date of the issuance of 3 years (June 9, 2020) and the date of the issuance of 4 years (June 9, 2021). The Company should send a copy of “Notice of Put Provision” to the bondholders by registered mail in 40 days before the base date of resale. The bondholders may require the Company to add interest compensation to the par value of the bonds (101.5075% for 3 years and 102.0151% for 4 years) and to redeem the bonds in cash. Upon receiving the request for resale, the Company shall redeem the bonds in cash within 5 business days after the resale date.

The components of liabilities are classified as embedded derivatives and non-derivative liabilities. The embedded derivatives are measured at fair value of \$46,400 thousand on December 31, 2018; the non-derivative liabilities are measured at amortized cost of \$439,842 thousand on December 31, 2018. The original effective interest rate was 3.7371%.

Proceeds from issuance (less transaction costs of \$4,499 thousand)	<u>\$ 500,501</u>
Liability component at the date of issue	\$ 500,501
Interest charged at an effective interest rate of 3.7371%	8,831
Valuation loss on financial investments	<u>15,800</u>
Liability component at December 31, 2017 (bonds payable of \$423,732 thousand and financial liabilities at fair value through profit or loss - non-current of \$101,400 thousand)	<u>\$ 525,132</u>
Interest charged at an effective interest rate of 3.7371%	16,110
Valuation profit on financial investments	<u>(55,000)</u>
Liability component at December 31, 2018 (bonds payable of \$439,842 thousand and financial liabilities at fair value through profit or loss - non-current of \$46,400 thousand)	<u>\$ 486,242</u>

## 18. OTHER PAYABLES

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Payables for purchases of equipment	\$ 71,324	\$ 123,207
Payables for salaries	21,827	21,962
Payables for steam fee	14,127	20,172
Payables for freight	13,133	10,756
Accrued remuneration to employees and directors	5,536	4,410
Others	<u>31,432</u>	<u>23,101</u>
	<u>\$ 157,379</u>	<u>\$ 203,608</u>

## 19. RETIREMENT BENEFIT PLANS

Jinan Acetate Chemical and Acetek Material of the Group adopted a defined contribution plan. Under the plan, an entity makes contributions to employees' pension account at percentages of the salary of employees. The pension account is managed by the authorized insurance institution located in China. The employees can withdraw the pension contributed by the Company and by themselves as well as the interest upon retirement.

## 20. EQUITY

### a. Ordinary shares

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Number of shares authorized (in thousands)	<u>100,000</u>	<u>100,000</u>
Shares authorized	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>46,480</u>	<u>46,480</u>
Shares issued	<u>\$ 464,800</u>	<u>\$ 464,800</u>

### b. Capital surplus

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Issuance of ordinary shares	\$ 462,001	\$ 462,001
<u>May be used to offset a deficit only</u>		
Changes in percentage of ownership interest in subsidiary (2)	<u>17,541</u>	<u>17,541</u>
	<u>\$ 479,542</u>	<u>\$ 479,542</u>

1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

2) Such capital surplus arises from the effect of changes in ownership interest in a subsidiary that resulted from equity transactions other than actual acquisition.

### c. Retained earnings and dividend policy

The Company is in the growing stage. According to the Articles of Incorporation, the board of directors should propose the distribution of shareholders' dividends and submit it to the shareholders' meeting for appropriations of earnings, only after taking into consideration the Company's earnings, overall development, financial planning, capital requirements, industry outlook and future prospects of the Company for each of the fiscal year.

During the period when the shares are listed or traded in Taipei Exchange or Taiwan Stock Exchange, the board of directors when making proposal for distribution of earnings shall first appropriate the earnings in each fiscal year as follows: (i) reserve for tax of the relevant fiscal year; (ii) amount to offset past losses; (iii) from the remaining amount, 10% for legal reserve; and (iv) special reserve required by the securities authorities of the Republic of China in accordance with the rules of a public company. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 22-7.

After considering the financial, business and operational factors, according to the Cayman Company Law and the Public Company Rules, all or parts of the unappropriated earnings accumulated in previous years, plus no less than 10% of the after-tax earnings in the current year, can be distributed as shareholders' dividends according to the shareholding ratio. Shareholders' dividends are distributed as stock dividends, cash dividends, or both; cash dividends must not be less than 10% of total dividends.

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

Items referred to under Rule No. 1030006415 issued by the FSC should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2017 and 2016 approved in the shareholders' meetings on June 22, 2018 and June 28, 2017, respectively, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share</b>	
	<b>For the Year Ended</b>		<b>(NT\$)</b>	
	<b>December 31</b>		<b>For the Year Ended</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Legal reserve	\$ 17,202	\$ 28,687		
Cash dividends	232,400	232,400	\$ 5	\$ 5

The appropriations of earnings for 2018 had been proposed by the Company's board of directors on March 26, 2019. The appropriations and dividends per share were as follows:

	<b>Appropriation</b>	<b>Dividends Per</b>
	<b>of Earnings</b>	<b>Share (NT\$)</b>
Legal reserve	\$ 22,510	
Special reserve	19,062	
Cash dividends	183,868	\$ 4

The appropriation of earnings for 2018 are subject to the resolution in the shareholders' meeting to be held on June 28, 2019.

The Company's board of directors, at the meeting on March 26, 2018, also resolved to transfer capital surplus of \$45,967 thousand to capital.

d. Special reserves

On the initial application of the fair value model to investment properties, the Company appropriated to retained earnings a special reserve in the amount of \$2,344 thousand that was the same as the net increase in the fair value.

e. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Balance at January 1	\$ 112,576	\$ 45,585
Attributable to non-controlling interests:		
Share of loss for the year	(1,007)	(5,849)
Exchange difference arising on translation of foreign entities	(2,274)	2,041
Issuance of common stock of subsidiaries	<u>-</u>	<u>70,799</u>
Balance at December 31	<u>\$ 109,295</u>	<u>\$ 112,576</u>

f. Treasury shares

<b>Purpose of Buy-back</b>	<b>Shares Transferred to Employees (In Thousands of Shares)</b>
Number of shares at January 1, 2018	-
Increase during the year	<u>426</u>
Number of shares at December 31, 2018	<u>426</u>

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

## 21. REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Revenue from contracts with customers		
Revenue from sale of goods	<u>\$ 1,739,194</u>	<u>\$ 1,747,987</u>

a. Contract information

The goods are sold at the fair value of the consideration received or receivable. The Company eliminates the estimated customer returns, discounts and other similar discounts from the amount of goods sold to determine the revenue from sale of goods.

b. Contract balances

	<b>December 31, 2018</b>
Accounts receivables (Note 10)	<u>\$ 305,330</u>
Contract liabilities - current	<u>\$ 7,196</u>

c. Disaggregation of revenue

Refer to Note 34 for information about disaggregation of revenue.

## 22. NET PROFIT

### a. Other income

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Rental income	\$ 4,433	\$ 4,224
Interest income	4,013	2,976
Miscellaneous income	<u>4,213</u>	<u>6,342</u>
	<u>\$ 12,659</u>	<u>\$ 13,542</u>

### b. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Gain (loss) on financial liabilities at FVTPL	\$ 55,000	\$ (15,800)
Net foreign exchange loss	(1,472)	(25,421)
Others	<u>(1,522)</u>	<u>(1,815)</u>
	<u>\$ 52,006</u>	<u>\$ (43,036)</u>

### c. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Interest on bonds	\$ 16,110	\$ 8,831
Interest on bank loans	<u>671</u>	<u>489</u>
	<u>\$ 16,781</u>	<u>\$ 9,320</u>

### d. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Depreciation of property, plant and equipment	\$ 86,707	\$ 43,319
Amortization of prepayments for leases	<u>2,403</u>	<u>2,374</u>
	<u>\$ 89,110</u>	<u>\$ 45,693</u>
An analysis of depreciation by function		
Operating costs	\$ 74,951	\$ 34,977
Operating expenses	<u>11,756</u>	<u>8,342</u>
	<u>\$ 86,707</u>	<u>\$ 43,319</u>
An analysis of amortization by function		
Operating costs	<u>\$ 2,403</u>	<u>\$ 2,374</u>



e. Operating expenses directly related to investment properties

	<b><u>For the Year Ended December 31</u></b>	
	<b>2018</b>	<b>2017</b>
Direct operating expenses of investment properties generating rental income	\$ <u>566</u>	\$ <u>563</u>

f. Employee benefits expense

	<b><u>For the Year Ended December 31</u></b>	
	<b>2018</b>	<b>2017</b>
Short-term benefits	\$ 94,330	\$ 70,895
Post-employment benefits	8,180	5,628
Other employee benefits	<u>4,700</u>	<u>3,177</u>
Total employee benefits expense	<u>\$ 107,210</u>	<u>\$ 79,700</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 55,939	\$ 31,984
Operating expenses	<u>51,271</u>	<u>47,716</u>
	<u>\$ 107,210</u>	<u>\$ 79,700</u>

g. Employees' compensation and remuneration of directors and supervisors

According to the Articles of Incorporation of the Company, the Company accrues employees' compensation at a rate of no less than 1% when the Company earned profits in the year. Employees' compensation is paid to employees of subordinate companies that meet certain conditions. When the Company is able to increase the amount of profit, it accrues directors' remuneration at a rate of no more than 3% of the profit of the year. However, if the Company has accumulated losses, it should first retain the amount to offset the losses before accruing employees' and directors' remuneration in accordance with the above-mentioned proportion. The aforementioned profit refers to the Company's pre-tax net profit. To avoid confusion, the pre-tax net profit refers to the amount before the accrual for employees and directors' remuneration.

The employees' compensation and the remuneration of directors for the years ended December 31, 2018 and 2017, which were approved by the Company's board of directors on March 26, 2019 and March 28, 2018, respectively, were as follows:

Accrual rate

	<b><u>For the Year Ended December 31</u></b>	
	<b>2018</b>	<b>2017</b>
Employees' compensation	1.20%	1.25%
Remuneration of directors	1.20%	1.25%

Amount

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
	<b>Cash</b>	<b>Cash</b>
Employees' compensation	\$ 2,768	\$ 2,205
Remuneration of directors	2,768	2,205

If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimate in the subsequent period.

There is no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2017 and 2016.

Further information on the employees' compensation and remuneration of directors approved in the meetings of the board of directors in 2019 and 2018 is available at the "Market Observation Post System" website of the TSE.

h. Gains or losses on foreign currency exchange

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Foreign exchange gains	\$ 4,787	\$ 3,928
Foreign exchange losses	<u>(6,259)</u>	<u>(29,349)</u>
Net loss	<u>\$ (1,472)</u>	<u>\$ (25,421)</u>

**23. INCOME TAXES**

a. Income tax expense recognized in profit or loss

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Current tax</u>		
Recognized in the current year	\$ 8,161	\$ 20,296
Adjustments for prior years	(1,549)	(993)
<u>Deferred tax</u>		
Recognized in the current year	(21,128)	(16,873)
Adjustments for prior years	<u>477</u>	<u>-</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ (14,039)</u>	<u>\$ 2,430</u>

A reconciliation of accounting profit and income tax expense (benefit) is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Profit before income tax	\$ <u>210,052</u>	\$ <u>168,602</u>
Income tax expense calculated at the statutory rate	\$ 18,369	\$ 45,027
Research and development credits	(31,491)	(42,723)
Nondeductible expenses in determining taxable income	563	1,946
Adjustments of tax expense in prior years	(1,072)	(993)
Others	<u>(408)</u>	<u>(827)</u>
Income tax expense (benefit) recognized in profit or loss	\$ <u>(14,039)</u>	\$ <u>2,430</u>

Jinan Acetate Chemical of the Group has obtained the High-tech Enterprise Certificate in 2018 and 2017, thus applying tax rate at 15%. The tax rate applicable to Acetek Material of the Group is 25%.

b. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Current tax assets		
Tax refund receivable	\$ <u>5,447</u>	\$ <u>12,401</u>

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2018

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for inventory valuation and obsolescence loss	\$ 162	\$ (74)	\$ (1)	\$ 87
Unrealized compensation	342	(171)	(3)	168
Tax losses	<u>17,154</u>	<u>20,896</u>	<u>(755)</u>	<u>37,295</u>
	<u>\$ 17,658</u>	<u>\$ 20,651</u>	<u>\$ (759)</u>	<u>\$ 37,550</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized revaluation increments	\$ <u>9,989</u>	<u>\$ -</u>	<u>\$ (204)</u>	<u>\$ 9,785</u>

For the year ended December 31, 2017

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for inventory valuation and obsolescence loss	\$ 54	\$ 107	\$ 1	\$ 162
Unrealized compensation	520	(169)	(9)	342
Tax losses	<u>-</u>	<u>16,935</u>	<u>219</u>	<u>17,154</u>
	<u>\$ 574</u>	<u>\$ 16,873</u>	<u>\$ 211</u>	<u>\$ 17,658</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized revaluation increments	<u>\$ 10,102</u>	<u>\$ -</u>	<u>\$ (113)</u>	<u>\$ 9,989</u>

d. Income tax declarations

The income tax declarations of Jinan Acetate Chemical and Acetek Material of the Group have been completed within the deadlines set by the local tax collection office.

**24. EARNINGS PER SHARE**

**Unit: NT\$ Per Share**

	<u>For the Year Ended December 31</u>	
	<b>2018</b>	<b>2017</b>
Basic earnings per share	<u>\$ 4.85</u>	<u>\$ 3.70</u>
Diluted earnings per share	<u>\$ 3.76</u>	<u>\$ 3.70</u>

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

**Net Profit for the Year**

	<u>For the Year Ended December 31</u>	
	<b>2018</b>	<b>2017</b>
Profit for the year attributable to owners of the Company	\$ 225,098	\$ 172,021
Effect of potentially dilutive ordinary shares		
Interest and evaluation of convertible bonds	<u>(38,890)</u>	<u>-</u>
Profit for the year attributable to owners of the Company	<u>\$ 186,208</u>	<u>\$ 172,021</u>

## Number of Shares

Unit: Thousand Shares

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Weighted average number of ordinary shares used in the computation of basic earnings per share	46,436	46,480
Effect of potentially dilutive ordinary shares		
Convertible bonds	3,106	-
Employees' compensation or bonuses issued to employees	<u>29</u>	<u>21</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>49,571</u>	<u>46,501</u>

If the Group offered to settle the compensation or bonuses paid to employees in cash or shares, then the Group should assume that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

Since the exercise price of the outstanding convertible bonds converted to ordinary shares issued by the Company exceeded the average market price of the shares during 2017, they were anti-dilutive and excluded from the computation of diluted earnings per share in 2017.

## 25. OPERATING LEASE ARRANGEMENTS

### a. The Group as lessee

Operating leases relate to leases of lands by Jinan Acetate Chemical with terms between 10 and 30 years. The Group does not have a bargain purchase option to acquire the leased lands at the expiration of the lease periods.

### b. The Group as lessor

For investment properties that are leased out under operating lease agreements, refer to Note 14.

## 26. CAPITAL MANAGEMENT

The Group manages its capital to ensure that it has the necessary financial resources and operating plans to meet the working capital, capital expenditure and debt repayment requirements for the next 12 months, and that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

Key management personnel of the Group review the capital structure on a regular basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

## 27. FINANCIAL INSTRUMENTS

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

In the management's opinion, the carrying value of financial instruments that are not measured at fair value approximates the fair value of the financial instruments.

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

#### 1) Fair value hierarchy

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Held for trading	\$ _____ -	\$ <u>46,400</u>	\$ _____ -	\$ <u>46,400</u>

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Held for trading	\$ _____ -	\$ <u>101,400</u>	\$ _____ -	\$ <u>101,400</u>

There were no transfers between Levels 1 and 2 for the years ended December 31, 2018 and 2017.

#### 2) Valuation techniques and inputs used in Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Convertible bonds	The convertible bonds are assumed to be redeemed on June 9, 2022, and the discount rate is calculated by the 5-year public bond yield by the differential method.

### c. Categories of financial instruments

	<u>December 31</u>	
	2018	2017
<u>Financial assets</u>		
Loans and receivables (Note 1)	\$ -	\$ 886,364
Financial assets at amortized cost (Note 2)	821,896	-
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 3)	959,727	916,154
Financial liabilities at FVTPL	46,400	101,400

1) The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, accounts and other receivables, other current assets (pledged deposits) and refundable deposits.

2) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, debt investments, notes receivable and accounts receivable, other current assets (pledged deposits) and refundable deposits.

3) The balances include financial liabilities at amortized cost, which comprise short-term loans, notes payable, accounts and other payables, bonds issued and guarantee deposit received.

d. Financial risk management objectives and policies

The Group's major financial instruments include cash and cash equivalents, debt investments, trade receivables, trade payables, bonds payable. The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

The Company has foreign currency sales and purchases, which exposes the Group to foreign currency risk. Exchange rate exposures are managed within approved policy parameters utilizing foreign exchange forward contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 32.

Sensitivity analysis

The Group is mainly exposed to the USD.

The following table details the Group's sensitivity to a 1% increase and decrease in the RMB (i.e. the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates a decrease in pre-tax profit and other equity associated with the RMB strengthening 1% against the relevant currency. For a 1% weakening of the RMB against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

	<b>USD Impact</b>	
	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Profit or loss	\$ 3,030	\$ 6,351

The above impact was mainly attributable to the exposure on outstanding receivables and payables in USD which were not hedged at the end of the reporting period.

In the management's opinion, the sensitivity analysis is not representative of the inherent foreign currency risk because the exposure at the end of the reporting period does not reflect the exposure during the period.

b) Interest rate risk

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	<u>December 31</u>	
	2018	2017
Fair value interest rate risk		
Financial assets	\$ 20,955	\$ 243,848
Financial liabilities	531,987	423,732
Cash flow interest rate risk		
Financial assets	471,761	246,286
Financial liabilities	24,572	-

Sensitivity analysis

The sensitivity analysis below was based on the Group's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2018 and 2017 would have increased/decreased by \$4,472 thousand and \$2,463 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates of its variable-rate bank deposits and borrowings.

2) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation, could be equal to the carrying amount of the respective recognized financial assets as stated in the balance sheets.

In order to mitigate credit risk, the management of the Group assigns a team responsible for credit facilities, credit approvals and other monitoring procedures to ensure that appropriate actions are taken for the recovery of overdue receivables. In addition, the Group reviews the recoverable amount of the receivables on the date of the financial statements to ensure that receivables that cannot be recovered have been provided with allowance for impairment loss. Accordingly, the management reckons that the credit risk of the Group has been significantly reduced.

Accounts receivable cover a wide range of customers and are spread across different industries and geographic regions. The Company continuously evaluates the financial position of customers.

In addition, since the counterparty of current funds are financial institutions and companies with good credit ratings, the credit risk is limited.



The Group transacts with a large number of unrelated customers and, thus, no concentration of credit risk was observed.

### 3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2018 and 2017, the Group had available unutilized short-term bank loan facilities as set out in (b) below.

#### a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

#### December 31, 2018

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ 101,902	\$ 144,791	\$ 158,467	\$ -	\$ 405,160
Variable interest rate liabilities	13	24,572	-	-	24,585
Fixed interest rate liabilities	<u>92,283</u>	<u>-</u>	<u>-</u>	<u>500,000</u>	<u>592,283</u>
	<u>\$ 194,198</u>	<u>\$ 169,363</u>	<u>\$ 158,467</u>	<u>\$ 500,000</u>	<u>\$ 1,022,028</u>

#### December 31, 2017

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ 82,463	\$ 311,410	\$ 99,159	\$ -	\$ 493,032
Fixed interest rate liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>500,000</u>	<u>500,000</u>
	<u>\$ 82,463</u>	<u>\$ 311,410</u>	<u>\$ 99,159</u>	<u>\$ 500,000</u>	<u>\$ 993,032</u>

The amount of the variable interest rate liabilities will vary depending on the floating interest rate and the interest rate estimated on the reporting date.

b) Financing facilities

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Unsecured bank loan facilities which may be extended by mutual agreement:		
Amount used	\$ 264,075	\$ -
Amount unused	<u>407,598</u>	<u>180,755</u>
	<u>\$ 671,673</u>	<u>\$ 180,755</u>
Secured bank loan facilities which may be extended by mutual agreement:		
Amount used	\$ 95,436	\$ -
Amount unused	<u>43,644</u>	<u>41,542</u>
	<u>\$ 139,080</u>	<u>\$ 41,542</u>

## 28. TRANSACTIONS WITH RELATED PARTIES

The Company's ultimate parent is Jinan Acetate Chemical Co., Ltd.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. In addition to those disclosed in other notes, transactions between the Group and its related parties are disclosed below:

a. Related party and relationship with the Group

<u>Related Party Name</u>	<u>Relationship with the Group and Other Related Parties</u>
Global Filters S.A. (GF)	Substantive related party
Tabacalera Hernandarias S.A. (TH)	Substantive related party
SAF - INDUSTRIA E COMERCIO DE FILTEROS LTDA (SAF)	Substantive related party
Yankuang Lunan Chemical Co., Ltd. (Yankuang Lunan Chemical)	Substantive related party (shareholder of a subsidiary)
JINAN HEZHEN INDUSTRY AND TRADE CO., LTD. (HEZHEN)	Substantive related party (with the same chairman)
Wang, Ke-Chang	Key management

b. Operating revenue

<u>Line Item</u>	<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
		<u>2018</u>	<u>2017</u>
Sales	Substantive related party		
	GF	\$ 235,596	\$ 177,038
	Others	<u>91,267</u>	<u>75,061</u>
		<u>\$ 326,863</u>	<u>\$ 252,099</u>

The selling prices and payment period in related-party transactions were not significantly different from those for transactions with third parties.

c. Purchases of goods

<b>Related Party Category</b>	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Substantive related party/Yankuang Lunan Chemical	<u>\$ 222,745</u>	<u>\$ 57,541</u>

The purchase prices in related-party transactions were not significantly different from those for transactions with third parties.

d. Accounts receivable from related parties

<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>December 31</b>	
		<b>2018</b>	<b>2017</b>
Accounts receivable	Substantive related party		
	GF	\$ 26,133	\$ 21,773
	TH	19,710	27,909
	SAF	<u>3,307</u>	<u>6,311</u>
		<u>\$ 49,150</u>	<u>\$ 55,993</u>
Other receivables	Substantive related party/ Yankuang Lunan Chemical	<u>\$ 22</u>	<u>\$ -</u>

The outstanding accounts receivable from related parties were unsecured. For the years ended December 31, 2018 and 2017, no impairment loss was recognized on accounts receivable from related parties.

e. Accounts payable to related parties

<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>December 31</b>	
		<b>2018</b>	<b>2017</b>
Notes payable	Substantive related party/ Yankuang Lunan Chemical	\$ 31,416	\$ -
Other payables	Substantive related party/ Yankuang Lunan Chemical	<u>14,127</u>	<u>16,977</u>
		<u>\$ 45,543</u>	<u>\$ 16,977</u>

The outstanding accounts payable to related parties were unsecured and payable in cash.

f. Refundable deposits (other current assets)

<b>Related Party Category</b>	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Substantive related party/Yankuang Lunan Chemical	<u>\$ 447</u>	<u>\$ 457</u>

g. Other transactions with related parties

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2018	2017
Manufacturing expense - steam fee	Substantive related party/ Yankuang Lunan Chemical	\$ 169,001	\$ 67,424
Research and development expense - steam fee	Substantive related party/ Yankuang Lunan Chemical	10,226	11,682
Operating expense - rental	Key management	360	360
Operating expense - rental	Substantive related party/ Yankuang Lunan Chemical	<u>142</u>	<u>-</u>
		<u>\$ 179,729</u>	<u>\$ 79,466</u>

The substantive related party provides steam to the Company for use in production and provides rental service.

The key management provides rental service to the Company.

h. Endorsements and guarantees

Endorsements and guarantees given by related parties

	December 31	
	2018	2017
Substantive related party/HEZHEN		
Amount endorsed	\$ 26,832	\$ 27,390
Amount utilized (reported as secured bank loans)	<u>-</u>	<u>-</u>
	<u>\$ 26,832</u>	<u>\$ 27,390</u>

i. Compensation of key management personnel

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	\$ 18,418	\$ 13,397
Post-employment benefits	<u>91</u>	<u>86</u>
	<u>\$ 18,509</u>	<u>\$ 13,483</u>

The remunerations of directors and key executives were determined by the remuneration committee on the basis of individual performance and market trends.

## 29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings, letters of credit and bank's acceptance bills:

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Purchases of debt investments with no active market	\$ -	\$ 1,173
Pledge deposits (classified as other current assets)	123,141	99,519
Property, plant and equipment, net	54,005	227,623
Prepayments for leases	17,324	18,579
Investment properties, net	<u>76,513</u>	<u>78,104</u>
	<u>\$ 270,983</u>	<u>\$ 424,998</u>

## 30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group were as follows:

As of December 31, 2018 and 2017, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately \$124,879 thousand and \$27,521 thousand, respectively.

Unrecognized commitments were as follows:

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Payments for property, plant and equipment	<u>\$ 4,622</u>	<u>\$ -</u>

## 31. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

On February 15, 2019, the board of directors of subsidiary My Parents passed a resolution to establish Acetek Chemicals Limited ("Acetek Chemicals") in Hong Kong by joint venture with other companies through investment of HK\$10,000 thousand, and obtained 80% equity of Acetek Chemicals. Then Acetek Chemicals invested in Yiliang the amount of HK\$12,250 thousand, and the settlement is expected to be completed by the end of March 2019.

### 32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>December 31, 2018</u>			
<u>Financial assets</u>			
Monetary items USD	\$ 16,428	6.863 (USD:RMB)	\$ 505,054
<u>Financial liabilities</u>			
Monetary items USD	6,579	6.863 (USD:RMB)	202,013
<u>December 31, 2017</u>			
<u>Financial assets</u>			
Monetary items USD	27,708	6.534 (USD:RMB)	826,119
<u>Financial liabilities</u>			
Monetary items USD	6,300	6.534 (USD:RMB)	190,982

The significant net foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2018		2017	
Functional Currency	Exchange Rate	Net Foreign Exchange Losses	Exchange Rate	Net Foreign Exchange Losses
USD	6.612 (USD:RMB)	\$ (1,472)	6.755 (USD:RMB)	\$ (25,421)

### 33. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and investees:

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures). (None)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 3)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (None)
- 9) Trading in derivative instruments. (None)
- 10) Intercompany relationships and significant intercompany transactions. (Table 4)
- 11) Information on investees. (Table 5)

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 6)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (None)
  - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
  - c) The amount of property transactions and the amount of the resultant gains or losses.

- d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
- e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
- f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

### 34. SEGMENT INFORMATION

#### a. Financial information of the operating segment

Information reported to the chief operating decision maker for resource allocation and assessment of segment performance focuses on the types of goods and services to be delivered. The Group focuses its business mainly on the manufacturing and sales of cellulose acetate products. According to IFRS 8, the Group has organized management and resource allocation in a single department. The operating activities are related to R&D and manufacturing of acetate products, and the operating income of the operating activities accounts for more than 90% of the total revenue.

#### b. Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Cellulose acetate tow	\$ 1,309,752	\$ 1,445,886
Cellulose acetate	<u>429,442</u>	<u>302,101</u>
	<u>\$ 1,739,194</u>	<u>\$ 1,747,987</u>

#### c. Geographical information

The Group operates in three principal geographical areas - Asia, Africa, America and others.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	<b>Revenue from External Customers</b>	
	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Asia	\$ 1,236,829	\$ 1,163,871
America	351,951	264,099
Africa	139,531	266,006
Others	<u>10,883</u>	<u>54,011</u>
	<u>\$ 1,739,194</u>	<u>\$ 1,747,987</u>



d. Information about major customers

Single customers contributing 10% or more to the Group's revenue were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Customer A	\$ 235,596	\$ 177,038
Customer B	(Note)	245,792
Customer C	<u>-</u>	<u>186,958</u>
	<u>\$ 235,596</u>	<u>\$ 609,788</u>

Note: Revenue was less than 10% of the Group's revenue.

## JINAN ACETATE CHEMICAL CO., LTD. AND SUBSIDIARIES

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

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period (Note 1)	Ending Balance (Note 1)	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
0	Jinan Acetate Chemical Co., Ltd.	My Parents Living Technology Limited (Hong Kong)	-	Y	\$ 24,572 (US\$ 800 thousand)	\$ 24,572 (US\$ 800 thousand)	\$ 24,572 (US\$ 800 thousand)	5.0	Short-term financing	\$ -	Operation turnover	\$ -	-	\$ -	\$ 354,645	\$ 1,182,152	Note 2
1	Jinan Acetate Chemical Co., Ltd. (China)	Acetek Material Co., Ltd. (China)	-	Y	268,320 (RMB 60,000 thousand)	-	-	4.5	Short-term financing	-	Operation turnover and purchase of equipment	-	-	-	516,809	689,079	Note 3
0	My Parents Living Technology Limited (Hong Kong)	Acetek Material Co., Ltd. (China)	-	Y	24,572 (US\$ 800 thousand)	24,572 (US\$ 800 thousand)	24,572 (US\$ 800 thousand)	5.0	Short-term financing	-	Operation turnover	-	-	-	522,159	696,211	Note 3

Note 1: The maximum balance for the period and ending balance represent the amounts approved by the board of directors.

Note 2: For foreign subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company, when the funds are used for financing, the total amount shall not exceed 100% of the net worth of the lender. The total amount for lending to a company for funding shall not exceed 30% of the net worth of the Company.

Note 3: For companies with short-term funding needs, the amount for lending to a company shall not exceed 30% of the net worth of the lender. The total amount for lending shall not exceed 40% of the net worth of the Company.

Note 4: The limit on the amount for lending is calculated according to the recent financial statements audited by the Company's independent accountants.

Note 5: Spot buy/sell average exchange rates of Bank of Taiwan on December 31, 2018 are used to estimate the amount in New Taiwan dollar.

Note 6: All transactions listed in the table have been eliminated in the preparation of the consolidated statements.

## JINAN ACETATE CHEMICAL CO., LTD. AND SUBSIDIARIES

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

No. (Note 1)	Endorser/ Guarantor	Endorsee/Guarantee Receiver		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship (Note 2)											
0	Jinan Acetate Chemical Co., Ltd.	Jinan Acetate Chemical Co., Ltd. (China)	b	\$ 2,955,380	\$ 89,440	\$ 89,440	\$ 47,381	\$ -	7.57	\$ 2,955,380	Y	N	Y	-
		Acetek Material Co., Ltd. (China)	b	118,215	44,720	44,720	-	-	3.78	1,182,152	Y	N	Y	Note 4
		Acetek Material Co., Ltd. (China)	b	118,215	61,430	61,430	-	-	5.20	1,182,152	Y	N	Y	-
1	Jinan Acetate Chemical Co., Ltd. (China)	Acetek Material Co., Ltd. (China)	b	344,540	44,720	44,720	-	-	2.60	861,349	Y	N	Y	Note 4

Note 1: Significant transactions between the Company and its subsidiaries or among subsidiaries are numbered as follows:

- "0" for the Company.
- Subsidiaries are numbered from "1"

Note 2: Relationships between the endorser/guarantor and the endorsee/guarantee receiver:

- The Company in relation to business.
- The Company which holds, directly or indirectly, over 50% of the voting shares.
- The Company which holds, directly or indirectly, over 50% of the shares.
- The Company which holds, directly or indirectly, over 90% of the voting shares.
- Based on contract projects among their peers in accordance with contract provisions which need mutual insurance company.
- Owing to the joint venture funded by the shareholders on its endorsement of its holding company.
- Compliance guarantees for the performance of the sales contracts of pre-sold homes within the same industry in accordance with the Consumer Protection Law.

Note 3: The calculation for the amount of endorsement is as follows:

- The total amount of guarantee provided by the Company to any entity whose voting shares are 100% owned, directly and indirectly, shall not exceed two-hundred-and-fifty percent (250%) of the Company's net worth.
- The total amount of guarantee provided by the Company to any individual entity shall not exceed ten percent (10%) of the Company's net worth. Except for the guarantee provided to any entity whose voting shares are 100% owned, the total balance of guarantee shall not exceed the Company's total net worth.
- The total amount of guarantee provided by Jinan Acetate Chemical Co., Ltd. (China) shall not exceed fifty percent (50%) of its net worth. The total amount of guarantee provided to any individual entity shall not exceed twenty percent (20%) of its net worth.

Note 4: The Company and Jinan Acetate Chemical Co., Ltd. (China) provide guarantees for Acetek Material Co., Ltd. (China). The balance is RMB10,000,000.

Note 5: The limit on the amount for lending is calculated according to the recent financial statements audited by the Company's independent accountants.

Note 6: Spot buy/sell average exchange rates of Bank of Taiwan on December 31, 2018 are used to estimate the amount in New Taiwan dollar.

**JINAN ACETATE CHEMICAL CO., LTD. AND SUBSIDIARIES**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2018**

**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Jinan Acetate Chemical Co., Ltd. (China)	Global Filters S.A.	Substantive related party	Sales	\$ (235,596)	13.55	60 days against B/L date	No significant difference	No significant difference	\$ 26,133	8.37	-
Acetek Material Co., Ltd. (China)	Yankuang Lunan Chemical Co., Ltd.	Substantive related party	Purchase	222,745	25.21	Same as those for unrelated parties	No significant difference	No significant difference	13,080	5.33	-

## JINAN ACETATE CHEMICAL CO., LTD. AND SUBSIDIARIES

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

No. (Note 1)	Company	Counterparty	Flow of Transactions (Note 2)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Total Sales or Assets (Note 3)
0	Jinan Acetate Chemical Co., Ltd.	Jinan Acetate Chemical Co., Ltd. (China)	1	Other receivables	\$ 23,879	In accordance with mutual contracts	1.03
		My Parents Living Technology Limited (Hong Kong)	1	Other receivables	24,572	In accordance with mutual contracts	1.06
1	My Parents Living Technology Limited (Hong Kong)	Jinan Acetate Chemical Co., Ltd. (China)	3	Other current liabilities	23,591	In accordance with mutual contracts	1.02
		Acetek Material Co., Ltd. (China)	3	Other receivables	24,572	In accordance with mutual contracts	1.06
2	Jinan Acetate Chemical Co., Ltd. (China)	Acetek Material Co., Ltd. (China)	3	Prepayments	429,169	In accordance with mutual contracts	18.53
		Acetek Material Co., Ltd. (China)	3	Purchases	653,894	In accordance with mutual contracts	37.60

Note 1: Companies are identified by number, as follows:

- a. "0" represents the parent company.
- b. "1" represents the subsidiary.

Note 2: The flow of transactions is as follows:

- a. 1 - from the parent company to the subsidiary.
- b. 2 - from the subsidiary to the parent company.
- c. 3 - between subsidiaries.

Note 3: Percentage of consolidated operating revenues or consolidated total assets: If the account is in the balance sheet, it was calculated by dividing the ending balance by the consolidated total assets; if the account is in the income statement, it was calculated by dividing the interim cumulative balance by the consolidated operating revenue.

Note 4: The important transactions listed accord with the materiality principle of the Company.

Note 5: All transactions listed in the table have been eliminated in the preparation of the consolidated statements.

**JINAN ACETATE CHEMICAL CO., LTD. AND SUBSIDIARIES**

**INFORMATION ON INVESTEEES**

**FOR THE YEAR ENDED DECEMBER 31, 2018**

**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Business and Product	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 1)	Note
				December 31, 2018	December 31, 2017	Shares		Carrying Amount			
Jinan Acetate Chemical Co., Ltd.	My Parents Living Technology Limited (Hong Kong)	Hong Kong	Investments	\$ 822,593	\$ 822,593	Note 3	100	\$ 1,740,529	\$ 184,572	\$ 184,572	-

Note 1: The amount was calculated according to the investee company's financial statement reviewed by accountants and the Company's shareholding ratio.

Note 2: The share of profit or loss among investee companies and the net worth between investor and investee companies under the equity method are all eliminated at the time the consolidated financial statements are prepared.

Note 3: The investee company is limited and has no shares.

Note 4: Information on investments in Mainland China, please refer to Table 6.

## JINAN ACETATE CHEMICAL CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2018

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

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
					Outward	Inward							
Jinan Acetate Chemical Co., Ltd. (China)	Manufacturing and sales of cellulose acetate tow	\$ 264,171 (RMB 62,593 thousand)	c	\$ -	\$ -	\$ -	\$ -	\$ 185,975	100	\$ 185,975 (Note 2 b (2))	\$ 1,722,698	\$ -	-
Acetek Material Co., Ltd. (China)	Manufacturing and sales of cellulose acetate	581,452 (RMB 125,000 thousand)	c	-	-	-	-	(20,108)	80	(4,029) (Note 2 b (2))	437,178	-	Note 3

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ -	\$ -	\$ -

Note 1: Investment is divided into the following three categories which can be marked:

- Direct investment in mainland China.
- Reinvestment in mainland China companies through the third region (please indicated the third area of investment company).
- Others.

Note 2: The investment income (loss) recognized in current period:

- No investment income (loss) has been recognized due to the investment is still in development stage.
- The investment income (loss) was determined on the following basis:
  - The financial report was audited and certified by an international accounting firm in cooperation with accounting firm in the ROC.
  - The financial statements were audited by the CPA of the parent company in Taiwan.
  - Others.

Note 3: The realized and unrealized profits and losses among the companies were considered.