Chunghwa Chemical Synthesis & Biotech Co., Ltd.

Individual Financial Statements and Independent Auditor's Report

2018 and 2017

(Stock Code: 1762)

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Auditor's Report

(2019) Cai-Shen-Bao-Zi No. 18002850

To Chunghwa Chemical Synthesis & Biotech Co., Ltd.,

Audit opinion

We have audited the accompanying proprietary individual balance sheet of Chunghwa Chemical Synthesis & Biotech Co., Ltd. as of December 31, 2018 and 2017 and the related individual statements of income, of changes in shareholders' equity and of cash flows and Notes to individual financial statement (including significant accounting policies) for the years then ended.

In our opinion, the individual financial statements referred to above present fairly, in all material respects, the financial position of Chunghwa Chemical Synthesis & Biotech Co., Ltd. as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

Basis of an audit opinion

We conducted our audit in accordance with the "Rules Governing the Examination of Financial Statements by Certified Public Accountants" and generally accepted auditing standards. Our responsibilities under those standards are further described in the responsibilities of auditors for the audit of the separate financial statements. The personnel of the CPA Firm subject to the independence requirement have acted independently from the business operations of Chunghwa Chemical Synthesis & Biotech Co., Ltd. in accordance with the Code of Ethics and with other responsibilities of the Code of Ethics performed. We believe that our audit provides a reasonable basis for our opinion.

Key Audit Matters

The "key audit matters" means that the independent auditor has used their professional judgment to audit the most important matters on the 2018 individual financial statements of Chunghwa Chemical Synthesis & Biotech Co., Ltd.. The key audit matters have been responded to in the process of auditing the individual financial statements as a whole with an audit opinion formed; therefore, the independent auditor does not express an opinion on these matters separately.

The key audit items of the 2018 individual financial report of Chunghwa Chemical Synthesis & Biotech Co., Ltd. are presented below:

Accounting assessment of inventory valuation

Description of the matter

See Note 4 (12) in the individual financial report for details about the accounting policy on inventory valuation, Note 5 (2) for accounting assessment of inventory valuation and hypothetic uncertainty, and Note 6 (5) for an inventory account description.

Chunghwa Chemical Synthesis & Biotech Ltd. is engaged mainly in the production and sales of active pharmaceutical ingredients. As drug tests grow stricter and drug certificates take longer time to obtain, the risk of inventory loss or obsolescence is higher. Since the inventories involve large amounts of money and large numbers of items that require laborious work by human beings to identify expired or damaged goods, we regard the assessment of allowance to reduce inventory to market as a key audit item.

The responsive auditing process

The corresponding auditing procedures are as follows:

1. Assess the policy for allowing the Company to reduce inventory to market in accordance with our understanding of the Company's operations and the nature of the industry.
2. Conduct sampling tests to see if the basis for market prices of net realized value is consistent with the Company's policy. Randomly check the correctness of the selling prices of individual inventory parts and the way net realized value is calculated.
3. Obtain out-of-date inventory details that are identified by the management, check the related information and verify the account records.

Checking whether the time point of sales income recognition is appropriate

Description of the matter

See Note 4 (28) in the individual financial report for details of the accounting policy on income recognition. As stated in the accounting policies, the sales revenue is recognized when products are delivered to customers who have discretionary power in channels and prices of products sold and Chunghwa Chemical Synthesis and Biotech has no outstanding performance obligations which may affect customers' acceptance of products. As exports are the main source of income for Chunghwa Chemical Synthesis & Biotech Co., Ltd., the terms of business agreed upon between the Company and its customers are the basis of income assessment. However, such a process often involves a lot of manpower for verification and may lead to inappropriate income recognition time points. Therefore, we regard the sales income recognition time points as a key audit item.

The responsive auditing process

The corresponding auditing procedures are as follows:

1. The Company's internal control on income recognition time points were examined and assessed, while the Company's internal control on sales deadlines was tested to verify the correctness of the income recognition time points.
2. The execution of sales and income over a certain period before and after the time periods covered in the financial report were examined with the packing lists, customer orders and declaration forms in order to confirm that income was recognized at appropriate periods.

The responsibility of the management and management units to the individual financial statements

The management team is responsible for preparing individual financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" to present the Company's financial status in an objective way and for necessary internal controls, ensuring that the statements do not contain any false content due to fraudulence or mistakes.

While preparing the individual financial statements, the management’s responsibility also includes assessing the continuing operation of Chunghwa Chemical Synthesis & Biotech Co., Ltd., the disclosure of the relevant matters, and the adoption of the accounting base for continuing operations, unless the management intends to liquidate Chunghwa Chemical Synthesis & Biotech Co., Ltd. or cease business operation, or there is lack of any alternative except for liquidation or suspension.

The governance units (including the Audit Committee) of Chunghwa Chemical Synthesis & Biotech Co., Ltd. are responsible for supervising the financial reporting process.

The responsibilities of the independent auditor to the individual financial statements

The purpose of the independent auditor’s auditing of the individual financial statements is to obtain reasonable assurance about whether the individual financial statements are free of material misstatement arising from fraud or errors and with an audit report issued. Reasonable assurance means a high degree of assurance. However, the audit conducted in accordance with generally accepted auditing standards of the R.O.C. does not guarantee having any material misstatement in the individual financial statements detected. Material misstatement could arise from fraud or errors. If the misstated amount or aggregated amount is reasonably expected to affect the economic decisions made by the users of the individual financial statements, it is considered significant.

The independent auditor when conducting the audit in accordance with generally accepted auditing standards of the R.O.C. exercises professional judgment and maintains professional skepticism. The independent auditor also performs the following tasks:

1. Identify and evaluate the risk of material misstatement arising from fraud or errors of the individual financial statements; design and implement proper responsive measures to the risk assessed; also, obtain sufficient and adequate audit evidences for forming an audit opinion. The risk of fraud may involve conspiracy, forgery, deliberate omission, false declaration, or violating internal control; therefore, the risk of material misstatement arising from the undetected fraud is higher than that caused by errors.
2. Obtain necessary understanding on the internal control related to the audit in order to design appropriate audit procedures under the circumstance, but the purpose is not to express an opinion on the effectiveness of the internal control of Chunghwa Chemical Synthesis & Biotech Co., Ltd..
3. Assess the appropriateness of the accounting policies adopted by the management; also, the reasonableness of the accounting estimates and related disclosures made.
4. Base on the audit evidence obtained to make conclusions on the suitability of the accounting base for continuing operation base adopted by the management and whether or not the events or circumstances causing significant doubts to the continuing operation ability of Chunghwa Chemical Synthesis & Biotech Co., Ltd. are with significant uncertainties. If the independent auditor believes that such events or circumstances have significant uncertainties, it is necessary to remind the users of the individual financial statements in the audit report to pay attention to the relevant disclosure or to revise the audit opinion when such disclosures are inappropriate. The conclusion of the independent auditor is based on the audit evidence obtained as of the audit report date. However, future events or circumstances may result in the inability of Chunghwa Chemical Synthesis & Biotech Co., Ltd. to continue operating.
5. Assess the overall expression, structure, and content of the individual financial statements (including the relevant notes) and whether or not the relevant transactions and events in the individual financial statements are presented fairly.
6. Obtain sufficient and appropriate audit evidence on the financial information of business entities within the Group in order to express an opinion on the individual financial statements. The independent auditor is responsible for guiding, supervising, and implementing the audit of the business entity; also, it is responsible for forming an opinion on the audit of the individual financial statements.

The matters communicated by the independent auditor to the governing unit include the scope and timing of the planned audit, and the significant findings (including the major nonconformities of internal controls identified in the auditing process).

The independent auditor has provided the declaration of independence of the CPA Firm personnel subject to the Code of Ethics to the governing unit; also, it has communicated with the governing unit regarding the relationship and other matters (including the relevant protection measures) that may affect the independence of the independent auditor.

The independent auditor has based on the communications with the governing unit to determine the key audit matters to be performed on the 2018 individual financial statements of Chunghwa Chemical Synthesis & Biotech Co., Ltd.. The independent auditor shall state the key audit matters in the audit report except for the specific matters prohibited by law from being disclosed, or, in rare cases; the independent auditor decides not to have specific matters communicated in the audit report since the negative effect of such disclosure can be reasonably expected to be greater than the increase of public interest.

PricewaterhouseCoopers, Taiwan

March 26, 2019

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the ROC. 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 financial statements shall prevail.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Individual Balance Sheet
December 31, 2018 and 2017

Unit: NTD thousand

	Assets	Additional notes	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current assets					
1100	Cash and cash equivalents	6 (1)	$ 65,472	2	$ 107,950	3
1150	Notes receivable-net	6 (4) and 12 (4)	666	-	1,787	-
1170	Net accounts receivable	6 (4) and 12 (4)	35,490	1	130,431	4
1180	Account receivables-Related Parties- net	7 and 12 (4)	94,186	3	109,159	3
1200	Other receivable	7	9,397	1	6,435	-
1220	Current income tax assets		1,697	-	-	-
130X	Inventory	6 (5)	362,398	11	330,435	10
1410	Prepayments		3,913	-	3,474	-
1460	Available-for-sale financial assets—noncurrent	6 (9)	-	-	263,553	8
11XX	**Total of Current Assets**		573,219	18	953,224	28
	Non-Current assets					
1510	Financial assets that are measured at fair value through profit or loss-non-current	6 (2)	29,978	1	-	-
1523	Available-for-sale financial assets - non-current	12 (4)	-	-	93,775	3
1543	Financial assets carried at cost – non-current	12 (4)	-	-	30,000	1
1550	Investments accounted for by the equity method	6 (6)	355,439	11	61,542	2
1600	property , plant, and equipment	6 (7) (10) and 8	2,195,207	68	2,242,419	65
1760	Real property for investment- net	6 (8)	10,700	-	10,700	-
1780	Intangible assets		2,193	-	3,185	-
1840	Deferred income tax assets	6 (24)	20,285	1	14,787	-
1900	Other current non-assets	6 (15)	23,174	1	25,341	1
15XX	**Total of Non-Current Assets**		2,636,976	82	2,481,749	72
1XXX	**Total assets**		$ 3,210,195	100	$ 3,434,973	100

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Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Individual Balance Sheet
December 31, 2018 and 2017

Unit: NTD thousand

	Liabilities and equity	Additional notes	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current liabilities					
2100	Shot-term borrowings	6 (11)	$ 150,000	5	$ 242,376	7
2110	Short-term bills payable	6 (12)	79,956	3	249,902	7
2150	Payable notes		1,192	-	345	-
2170	Accounts payable		60,595	2	55,201	2
2200	Other payable	6 (13)	109,299	3	110,159	3
2230	Current Income Tax Liability		12,878	-	1,625	-
2320	Long-term liabilities due within one year or one operating cycle	6 (14) and 8	-	-	130,000	4
2399	Other current liabilities- other		793	-	6,141	-
21XX	**Total of current liabilities**		414,713	13	795,749	23
	Non-current liabilities					
2540	Long-term borrowings	6 (14) and 8	567,440	18	567,440	17
2570	Deferred income tax liabilities	6 (24)	243,863	7	250,380	7
2600	Other non-current liabilities		522	-	576	-
25XX	**Total of non-current liabilities**		811,825	25	818,396	24
2XXX	**Total liabilities**		1,226,538	38	1,614,145	47
	Equity					
	Share capital	6 (16)				
3110	Ordinary shares capital		775,600	24	775,600	22
	Capital reserve	6 (17)				
3200	Capital reserve		334,323	11	334,323	10
	Retained earnings	6 (18)				
3310	Legal earnings reserve		135,919	4	127,342	4
3320	Special earnings reserve		183,296	6	183,296	5
3350	Undistributed earnings		553,954	17	410,290	12
	Other equity					
3400	Other equity		565	-	(10,023)	-
3XXX	**Total equity**		1,983,657	62	1,820,828	53
	Significant contingent liabilities and unrecognized contractual commitments	6 (26) and 9				
	Major post-balance sheet events	6 (18) and 11				
3X2X	**Total liabilities and equity**		$ 3,210,195	100	$ 3,434,973	100

Please refer to the notes enclosed in the individual financial reports that are an integral part of the individual financial statements.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Individual comprehensive income statements
January 1 to December 31, 2018 and 2017

Unit: NTD thousand
(except EPS in NTD)

	Item	Additional notes	2018 Amount	2018 %	2017 Amount	2017 %
4000	**Operating revenues**	6 (19), 7 and 12 (5)	$ 994,632	100	$ 1,141,506	100
5000	**Operating cost**	6 (5) (23)	(658,526)	(66)	(758,137)	(66)
5900	**Operating gross profit**		336,106	34	383,369	34
5910	Unrealized loss (gain) from sales		-	-	864	-
5920	Realized loss (gain) from sales		(864)	-	(57)	-
5950	**Operating gross profit**		335,242	34	384,176	34
	Operating expenses	6 (23)				
6100	Marketing expenses		(65,019)	(7)	(70,264)	(6)
6200	Administrative expenses		(79,799)	(8)	(95,374)	(9)
6300	Research and development expenses		(161,537)	(16)	(149,319)	(13)
6450	Expected gain on credit impairment	12 (2)	84	-	-	-
6000	**Total operating expenses**		(306,271)	(31)	(314,957)	(28)
6900	**Operating profit**		28,971	3	69,219	6
	Non-operating revenues and expenses					
7010	Other revenue	6 (20)	13,896	1	12,220	1
7020	Other profits and losses	6 (21)	204,301	21	(12,540)	(1)
7050	Financial costs	6 (22)	(10,870)	(1)	(8,351)	(1)
7070	Share of profit of subsidiaries, associates and joint ventures accounted for under equity method	6 (6)	781	-	37,573	4
7000	**Total non-operating revenues and expenses**		208,108	21	28,902	3
7900	**Earnings before tax**		237,079	24	98,121	9
7950	Income tax expense	6 (24)	(2,828)	(1)	(12,355)	(1)
8200	**Current period net profit**		$ 234,251	23	$ 85,766	8

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Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Individual comprehensive income statements
January 1 to December 31, 2018 and 2017

Unit: NTD thousand
(except EPS in NTD)

	Item	Additional notes	2018 Amount	2018 %	2017 Amount	2017 %
	Other comprehensive income (net)					
	Items not re-classified under profit or loss					
8311	Defined benefit plan revaluation amount and volume	6 (15)	($ 2,494)	-	$ 2,353	-
8316	Unrealized valuation gains and losses on Investment of equity instruments at fair value through other comprehensive income	6(3)	(30,108)	(3)	-	-
8330	The proportion of other comprehensive incomes from subsidiaries, associates, and equity joint-ventures accounted for under the equity method – not reclassified as profit and loss		(828)	-	-	-
8349	Income tax related to accounts not being reclassified	6 (24)	248	-	(400)	-
8310	**Total amount of items not reclassified to profit or income**		(33,182)	(3)	1,953	-
	Items that may be re-classified subsequently under profit or loss					
8361	Exchange differences arising from translating the financial statements of foreign operations		383	-	(1,247)	-
8362	Unrealized valuation gains and losses of available-for-sale financial assets	12 (4)	-	-	2,263	-
8380	The proportion of other comprehensive incomes from subsidiaries, associates, and equity joint-ventures accounted for under the equity method – may be reclassified as profit and loss		214	-	-	-
8360	**Total amount of items probably reclassified to profit or loss subsequently**		597	-	1,016	-
8300	**Other comprehensive income (net)**		($ 32,585)	(3)	$ 2,969	-
8500	**Total comprehensive income for the period**		$ 201,666	20	$ 88,735	8
	Earnings per share	6 (25)				
9750	**Base earnings per share**		$ 3.02		$ 1.11	
9850	**Diluted earnings per share**		$ 2.99		$ 1.10	

Please refer to the notes enclosed in the individual financial reports that are an integral part of the individual financial statements.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Individual statement of changes in equity
January 1 to December 31, 2018 and 2017

Unit: NTD thousand

	Additional notes	Ordinary shares capital	Capital reserve: Issuance premium	Capital reserve: Others	Retained earnings: Legal earnings reserve	Retained earnings: Special earnings reserve	Retained earnings: Undistributed earnings	Other equity: Exchange differences arising from translating the financial statements of foreign operations	Other equity: Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss	Other equity: Unrealized gain or loss on available-for-sale financial assets	Total equity
2017											
Balance at January1, 2017		$ 775,600	$ 333,746	$ 577	$ 121,314	$ 183,296	$ 367,379	$ 874	$ -	($ 11,913)	$ 1,770,873
Current period net profit		-	-	-	-	-	85,766	-	-	-	85,766
Current other comprehensive income		-	-	-	-	-	1,953	(1,247)	-	2,263	2,969
Total comprehensive income for the period		-	-	-	-	-	87,719	(1,247)	-	2,263	88,735
The 2016 appropriation and distribution of earnings:	6 (18)										
Legal earnings reserve		-	-	-	6,028	-	(6,028)	-	-	-	-
Cash dividend		-	-	-	-	-	(38,780)	-	-	-	(38,780)
Balance at December 31, 2017		$ 775,600	$ 333,746	$ 577	$ 127,342	$ 183,296	$ 410,290	($ 373)	$ -	($ 9,650)	$ 1,820,828
2018											
Balance as of January 1, 2018		$ 775,600	$ 333,746	$ 577	$ 127,342	$ 183,296	$ 410,290	($ 373)	$ -	($ 9,650)	$ 1,820,828
Effects applying the modified retrospective approach	12 (4)	-	-	-	-	-	(57)	-	(9,650)	9,650	(57)
Balance on January 1, 2018 after adjustment		775,600	333,746	577	127,342	183,296	410,233	(373)	(9,650)	-	1,820,771
Current period net profit		-	-	-	-	-	234,251	-	-	-	234,251
Current other comprehensive income		-	-	-	-	-	(3,415)	597	(29,767)	-	(32,585)
Total comprehensive income for the period		-	-	-	-	-	230,836	597	(29,767)	-	201,666
The 2017 appropriation and distribution of earnings:	6 (18)										
Legal earnings reserve		-	-	-	8,577	-	(8,577)	-	-	-	-
Cash dividend		-	-	-	-	-	(38,780)	-	-	-	(38,780)
Equity instrument at fair value through other comprehensive income statement	6(3)	-	-	-	-	-	(39,758)	-	39,758	-	-
Balance at December 31, 2018		$ 775,600	$ 333,746	$ 577	$ 135,919	$ 183,296	$ 553,954	$ 224	$ 341	$ -	$ 1,983,657

Please refer to the notes enclosed in the individual financial reports that are an integral part of the individual financial statements.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Individual Cash Flow Statement
January 1 to December 31, 2018 and 2017

Unit: NTD thousand

	Additional notes	January 1 to December 31, 2018	January 1 to December 31, 2017
Cash flow from operating activities			
Pre-tax profit for the current period		$ 237,079	$ 98,121
Adjustments			
Income, expense, and loss			
Depreciation	6 (7) (23)	132,834	132,691
Amortization	6 (23)	1,786	1,293
Expected gain on credit impairment	12 (2)	(84)	-
Interest expenses	6 (22)	10,870	8,351
Net loss on financial assets and liabilities at fair value through profit and loss	6 (2) (21)	150	-
Interest income	6 (20)	(234)	(222)
Dividend income	6 (20)	(3,778)	(3,017)
The profit or loss in the subsidiary, affiliated company and joint ventures recognized under the equity method	6 (6)	(781)	(37,573)
Losses (gains) from disposal of property or equipment	6 (7) (9) (21)	(214,600)	146
Loss in impairment of non-financial assets	6(10)(21)	9,841	-
Unrealized loss (gain) from sales		-	(864)
Realized gain (loss) from sales		864	56
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets at fair value through profit or loss- current		211	-
Notes receivable-net		1,114	(1,166)
Net accounts receivable		94,688	(40,742)
Account receivables-Related Parties- net		14,940	10,803
Other receivable		455	669
Other receivables - related parties		(435)	227
Inventory		(31,963)	64,308
Prepayments		(439)	(1,784)
Net defined benefit assets		(1,527)	(9,517)
Net changes in liabilities relating to operating activities			
Contract liabilities - Current		(1,566)	-
Payable notes		847	-
Accounts payable		5,394	(15,475)
Other payable		(3,301)	(1,523)
Other current liabilities-others		(3,782)	3,590
Net cash provided by operating activities		248,583	208,372
Interest received		222	202
Dividends received		31,171	3,017
Interest paid		(10,987)	(7,797)
Income tax paid		(5,039)	(20,717)
Net cash inflow from operating activities		263,950	183,077

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Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Individual Cash Flow Statement
January 1 to December 31, 2018 and 2017

Unit: NTD thousand

	Additional notes	January 1 to December 31, 2018	January 1 to December 31, 2017
Cash flow from investing activities			
Acquisition of financial assets at fair value through other comprehensive profit or loss		($ 200,161)	$ -
Acquisition of investment under the equity method	6 (6)	(60,764)	-
Costs of property, plant and equipment acquired	6 (27)	(92,933)	(802,600)
Proceeds from disposal of property, plant and equipment	6 (7) (9)	478,180	1,095
Acquisition of Intangible assets		(794)	(2,617)
Decrease (increase) in deposits paid		1,200	(3,118)
Net cash inflow (outflow) from investing activities		124,728	(807,240)
Cash flow from financing activities			
Increase (decrease) in Shot-term borrowings	6 (28)	(92,376)	32,376
Increase (decrease) in short-term payable notes	6 (28)	(169,946)	80,004
Proceeds from long-term loan	6 (28)	-	717,440
Re-payments of long-term borrowings	6 (28)	(130,000)	(150,000)
Decrease (increase) in deposits received		(54)	310
Cash dividend distribution	6 (18)	(38,780)	(38,780)
Net cash inflow (outflow) from financing activities		(431,156)	641,350
Increase (decrease) in cash and cash equivalents for the current period		(42,478)	17,187
Opening balance of cash and cash equivalents		107,950	90,763
Closing balance of cash and cash equivalents		$ 65,472	$ 107,950

Please refer to the notes enclosed in the individual financial reports that are an integral part of the individual financial statements.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Individual Notes to financial statements
2018 and 2017

Unit: NTD thousand
(Except where otherwise stated)

I. Company history

Chunghwa Chemical Synthesis and Biotech Co., Ltd. (hereinafter referred to as the Company) was established in Taiwan on May 19, 1964. Originally named as China Chemical Synthesis Industry Co., Ltd., the company was renamed to the current name at the shareholder meeting in 2003. The main areas of business of the Company include research, development, manufacturing and sales of active pharmaceutical ingredients. The Company was officially listed in the Taiwan Stock Exchange on December 20, 2010.

II. Financial reporting date and procedures

The Board of Directors approved the individual financial statements for publication on March 8, 2019.

III. Application of new and revised standards and interpretation

(I) Effect of the adoption of new issuances of or amendments to International Financial ReportingStandards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

The new publication, amendments, and revision of the 2018 International Financial Reporting Standards (IFRS) that was recognized by the Financial Supervisory Commission are as follows:

New releases / amendments / revisions of the Standards and Interpretations	The effective date announced by the International Accounting Standards Board
Amendments to IFRS 2 "Classification and Measurement of Share-based Payment"	January 1, 2018
Amendments to International Financial Reporting Standards No. 4 "The application of IFRS No. 9 'Financial Instruments' to IFRS 4 'Insurance Contracts'"	January 1, 2018
IFRS 9 "Financial instruments"	January 1, 2018
Amendment to IFRS No. 15 "Income of Customer Contract"	January 1, 2018
Amendments to IFRS 15 "IFRS No. 15 "Income of Customer Contract"	January 1, 2018
IAS 7 Amendment "Disclosure Initiative"	January 1, 2017
IAS 12 Amendment "Recognition of unrealized losses of deferred income tax assets"	January 1, 2017
Amendments to IAS 40 "Investment real estate conversion"	January 1, 2018
IFRIC No. 22 "Foreign currency transactions and Advance consideration"	January 1, 2018

Improvements to 2014-2016 IFRS No. 1 “Adopting IFRS for the first time”	January 1, 2018
Improvements to 2014-2016 IFRS No. 12 “Disclosure of interests in other entities”	January 1, 2017
Improvements to 2014-2016 IAS No. 28 “Investment Affiliates and Joint Ventures”	January 1, 2018

Except for the following statements, the Company has assessed the aforementioned standards, interpretations, and interpretative announcements and has concluded that they have no material impact on the Company’s financial position and financial performance.

1. IFRS 9 “Financial instruments”

    (1) Financial asset and liability instruments are judged in accordance with the business model of the enterprise and the characteristics of the contract cash flow, which can be classified into the categories of financial assets measured at fair value through profit and loss, financial assets measured at fair value through other comprehensive profits and losses, and financial assets measured at amortized cost. Financial assets and equity instruments are classified into the categories of financial assets measured at fair value through profit and loss, unless the enterprise makes an irrevocable option to have the fair value of the equity instrument that is for non-trading purposes recognized in the “other comprehensive profits and losses.”

    (2) The impairment assessment of financial asset and liability instruments should be implemented with the “expected credit loss model” and assess whether the credit risk of such instruments is increasing significantly on each balance sheet date. Based on the expected credit loss for 12 months or the expected credit loss for the duration (the interest income before impairment occurred is estimated according to the total book value of the assets); or whether there has been an impairment loss occurred, the interest income after the impairment occurred should be estimated according to the book value net of the allowance for bad debt. The allowance for loss of the accounts receivable (excluding significant financial components) shall be measured according to the expected credit loss for the duration of the period.

    (3) The Company intends not to restate the financial statements of the prior period (referred to as the “modified retrospective approach”) with respect to International Financial Reporting Standards 9 (IFRS 9). Please refer to Note 12 (4) 2 and 3 for details on significant impacts as of January 1, 2018.

2. Amendment to IFRS No. 15 “Income of Customer Contract” and related amendments

    (1) IFRS 15 replaces all previous revenue requirements in IFRS, mainly IAS 11 Construction Contracts and IAS 18 Revenue and their interpretations. The standard outlines the principles an entity must apply to measure and recognize revenue. The principle is that an entity will recognize revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

    Applying IFRS 15, an entity recognizes revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To recognize revenue under IFRS 15, an entity applies the following five steps to determine the timing and amount:

    1. Identify the contracts with a customer

    2. Identify the performance obligations in the contract

    3. Determine the transaction price

4. Allocate the transaction price to the performance obligations in the contract

5. Recognize revenue when (or as) the entity satisfies a performance obligation

To help users of financial statements to understand the nature, amount, timing and uncertainty about revenue and cash flows arising from contracts with customers, disclosures about an entity's performance obligations have to be made.

(2) The Company intends not to restate the financial statements of the prior period with respect to the initial adoption of the International Financial Reporting Standards 15 (IFRS 15). The Company adopts the retrospective application of IFRS 15 (referred to as the "modified retrospective method") for the contracts that have not yet been completed as of January 1, 2018. The significant impacts as of January 1, 2018, from adopting the modified retrospective method, include the following:

A. Interpretation of contract assets and contract liabilities of customers

Due to the application of the relevant provisions of IFRS 15, the Company revised some of the accounting items interpreted in the balance sheet:

According to IFRS 15, the recognition of contract liabilities associated with sales contracts of products used to be interpreted as the "Other current liabilities - others" on the balance sheet during the past reporting period, and the balance as of January 1, 2018 was NT$1,566.

B. Please refer to Note 12 (5) for additional disclosures on the initial application of IFRS 15.

(II) Effect of new issuances of or amendments to IFRS as endorsed by the FSC but not yet adopted by the Company and subsidiaries

The following table summarizes the applicable newly released, corrected and amended standards and interpretations of the International Financial Reporting Standards recognized by the Financial Supervisory Commission in 2019.

New releases / amendments / revisions of the Standards and Interpretations	The effective date announced by the International Accounting Standards Board
Amendments to IFRS 9 "Characteristics of payback ahead of schedule with negative compensation."	January 1, 2019
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Amendment, curtailment or reimbursement of projects."	January 1, 2019
Amendments to IAS 28 "Long-term equity of affiliated enterprises and joint venture enterprises."	January 1, 2019
IFRS 23 "Handling of uncertain income tax"	January 1, 2019
Improvements to IFRS 2015-2017	January 1, 2019

The Company has assessed the aforementioned standards, interpretations, and interpretative announcements and has concluded that they have no material impact on the Company's financial position and financial performance.

(III) IFRS issued by IASB but not yet endorsed by the FSC

The newly released, revised and amended IFRS standards and interpretations by the IASB but not yet recognized by the FSC are summarized as follows:

New releases / amendments / revisions of the Standards and Interpretations	The effective date announced by the International Accounting Standards Board
IAS 1 and IAS 8 amendments, Disclosure Initiative - Definition of Material.	January 1, 2020
IFRS 3 amendments, Definition of a business	January 1, 2020
Amendment to IFRS 10 and IAS 28 “The Assets Sales or Purchase between Investors and Their Affiliates or Joint Ventures”	To be determined by the “International Accounting Standards Board (IASB).
IFRS 17 “Insurance Contracts”	January 1, 2021

The Company has assessed the aforementioned standards, interpretations, and interpretative announcements and has concluded that they have no material impact on the Company’s financial position and financial performance.

IV. Summary of significant accounting policies

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

(I) Compliance Statement

These standalone financial statements of the Company have been prepared in accordance with the “Regulations Governing the Preparation of Financial Statements by Securities Issuers”.

(II) Basis of preparation

1. Besides the financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and financial assets at fair value through other comprehensive profit or loss, the standalone financial report is prepared on a historical cost basis.
2. The financial statements prepared in accordance with the International Financial Reporting Standards, international accounting standards, interpretation and interpretation notice (referred to as “IFRS” hereinafter) that is recognized and approved by the FSC requires the use of some critical accounting estimates; also, the judgment by the management is required while using the Company’s accounting policies. Please refer to Note 5 for the items involving extensive judgment or complexity, or significant assumptions and estimates related to the individual financial statements.
3. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Company elected to apply the modified retrospective approach whereby the cumulative impact of the adoption was recognized as retained earnings or other equity as of January 1, 2018 and the financial statements for the 2017 was not restated. The financial statements for the 2017 were prepared in compliance with International Accounting Standard 39 (IAS 39), International Accounting Standards 18 (IAS 18) and related financial reporting interpretations. Please refer to Notes XII (IV) and (V) for details of significant accounting policies and details of significant accounts.

(III) Foreign-currency translations

Items included in the financial statements of each of the Company are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). The individual financial statements are presented in New Taiwan Dollars, which is the Company’s functional currency.

1. Foreign Currency Transactions and Balances
   (1) Transactions denominated in foreign currency are translated into a functional currency at the spot exchange rate on the date of the transaction or measurement. Foreign currency differences arising from translating such transactions are recognized in current profit or loss.
   (2) The foreign currency asset or liability balances are revaluated based on spot exchange rate of the balance sheet date, and any exchange difference arising from the adjustment is included in the profit and loss for the year.
   (3) Non-monetary assets and liabilities denominated in foreign currency held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in current profit or loss ; Non-monetary assets and liabilities denominated in foreign currency held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currency that are not measured at fair value are translated using the historical exchange rates at the date of the initial transaction.
   (4) All foreign exchange gains and losses are presented in the statement of comprehensive income within "Other gains and losses".
2. Translation of the financial statements of foreign operations
   (1) The operating results and financial position of all the subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
      A. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet.
      B. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
      C. All resulting exchange differences are recognized in other comprehensive income.
   (2) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. However, if the Company retains partial interest in the former subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interests in the foreign operation.

(IV) <u>Criteria for distinguishing Current or Non-Current on the Balance Sheet</u>

1. Assets that meet one of the following criteria are classified as current assets:
   (1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle.
   (2) Held mainly for the purpose of trading.
   (3) Assets that are expected to be realized within twelve months from the balance sheet date.
   (4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve month after the balance sheet date.

   The Company classifies assets that do not meet any of the above criteria as non-current assets.
2. Liabilities that meet one of the following criteria are classified as current liabilities:
   (1) Liabilities that are expected to be paid off within the normal operating cycle.

(2) Held mainly for the purpose of trading.
(3) Expected to be repaid within 12 months of the balance sheet date
(4) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Company classifies liabilities that do not meet any of the above criteria as non-current assets.

(V) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(VI) Financial assets at fair value through profit and loss

1. Refer to the financial assets that are not measured at amortized cost or are measured at fair value through other comprehensive income.
2. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
3. The Company measures financial assets at fair value in initial recognition. The related transaction costs are recognized in profit and loss. These financial assets are subsequently re-measured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.
4. Once the right to receive dividends is confirmed, the Company recognizes the dividend income in profit or loss if the future economic benefits are expected to flow to the entity and the dividend can be measured reliably.

(VII) Financial assets at fair value through other comprehensive profit or loss

1. Equity investments not held for trading, for which the entity has irrevocably elected at initial recognition to present changes in fair value in “other comprehensive income”, or the debt instrument that also meets the following conditions:
   (1) Holds the financial assets within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
   (2) The contractual terms of the financial assets generate cash flows on a specific date, which are solely for the payment of principal and interest on the outstanding principal amount.
2. A regular way purchase or sale of financial assets at fair value through other comprehensive income is recognized and derecognized using either trade date or settlement date accounting.
3. The Company measures financial assets at fair value in initial recognition. The related transaction costs are recognized in profit and loss. These financial assets are subsequently re-measured and stated at fair value.

   The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the de-recognition of the investment. Once the right to receive dividends is confirmed, the Company recognizes the dividend income in profit or loss if the future economic benefits are expected to flow to the entity and the dividend can be measured reliably.

(VIII) Accounts receivable and notes

1. Refers to accounts and notes that have been unconditionally charged for the right to exchange the value of the consideration due to the transfer of goods or services.
2. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(IX) Impairment of Financial Assets

Regarding the accounts receivable that have a significant financing component, the Company, on each balance sheet date, considers all reasonable and supportable information (including forward-looking ones) and measures the loss allowance based on the 12-month expected credit losses for those that do not have their credit risk increased significantly since initial recognition. For those that have increased significantly since initial recognition, the loss allowance is measured based on the full lifetime expected credit losses. A loss allowance for full lifetime expected credit losses is also required for trade receivables that do not constitute a financing transaction.

(X) The de-recognition of financial assets

A financial asset is derecognized when the Company's rights to receive cash flows from the financial assets have expired.

(XI) Lease (lessor)

Income from under an operating lease (net of any incentives given to the lessee) are recognized in profit or loss on a straight-line basis over the lease term.

(XII) Inventory

Inventories are measured at the lower of cost or net realizable value, and the cost is determined by weighted-average method. The costs of finished and work in process goods include raw materials, direct labor, other direct costs and manufacturing-related expenses, excluding borrowing costs. At the end of year, inventories are evaluated at the lower of cost or net realizable value. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable costs of completion and selling expenses.

(XIII) Non-current assets held for sale

Noncurrent assets are classified as noncurrent assets held-for-sale if their carrying amount is mainly recovered through a sale rather than through usage and the sale is highly probable, and the assets are measured at the lower of carrying amount and fair value less costs to sell.

(XIV) Investments using the equity method - Subsidiaries and affiliates

1. The term "subsidiaries" as set forth herein refers to all entities (including entities oriented for specific objectives) upon which the Company holds dominating powers in financial and operating policies, normally as the shares of more than 50% of the voting power held by the Company either directly or indirectly. On the investment in subsidiaries, the Company evaluates in the equity method in the individual financial reports.
2. The unrealized gains and losses resulting from the transactions conducted between the Company and its subsidiaries had been written-off. Subsidiaries' financial statements are adjusted to align the accounting policies with those of the Company.
3. The Company recognized the shares of profit and/or loss of subsidiaries after acquisition as the profit and/or loss of the current term, and recognized the shares of profit and/or loss of other consolidated income after acquisition as other consolidated profit and/or loss of the current term. In the event that the shares of losses in a subsidiary recognized by the Company exceed the Company's equity in that subsidiary, the Company would continually recognize the losses *pro rata* to the shareholder percentages.
4. According to "Regulations Governing the Preparation of Financial Reports by Securities Issuers", the profit or loss during the period and other comprehensive income presented in standalone financial reports shall be the same as the allocations of profit or loss during the period and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports shall be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis.
5. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for under the equity method and are initially recognized at cost.
6. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss in the current period, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Group does not recognize further losses, unless it has incurred statutory/constructive obligations or made payments on behalf of the associate.
7. When there is equity change in non-profit and loss and other consolidated profit and loss occurring to the affiliated enterprises that do not affect the shareholding of the affiliated enterprises, the Group will have the equity change recognized as "additional paid-in capital" proportionally to the shareholding ratio.
8. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure

consistency with the polices adopted by the Group.

(XV) Property , plant, and equipment

1. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
2. Subsequent costs are included in the asset's carrying amount or recognized as a spate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.
3. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
4. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", from the date of change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	2 years ~ 60 years
Machinery equipment	2 years ~ 20 years
Transport equipment	3 years ~ 5 years
Other equipment	2 years ~ 40 years

(XVI) Lease (lessee)

Operating lease payments less any incentives from the lessor amortized over the lease term using the straight-line method are recognized in profit or loss in the current period.

(XVII) Investment property

Investment properties are initially measured at cost and may be subsequently measured using a cost model.

(XVIII) Intangible assets

Computer software is recognized at cost and is amortized over the estimated useful life of 1 to 3 years according to the straight-line method.

(XIX) Losses in non-financial asset

The company estimates recoverable amounts on assets with signs of losses on the balance sheet date, and when the recoverable amount is lower than the book value, then loss is recognized. Recoverable amount refers to an asset's fair value less the cost of disposal or the useful value, whichever is the higher. Except for goodwill, when the impairment of assets recognized in prior period is non-existent or reduced, the impairment loss should be reversed. However, the increased book value of the asset due to the reversed impairment loss may not exceed the book value net of depreciation or amortization before recognizing impairment loss.

(XX) Loans

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(XXI) Notes and accounts payable

1. Refers to debts incurred as a result of the purchase of raw materials, goods or services and the notes payable due to business and non-business purposes.
2. The short-term accounts and notes payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(XXII) Financial liabilities at fair value through profit and loss

1. Refers to the financial liabilities for trading that are repurchased in the near future and the derivatives other than those which are designated as hedging instruments by hedge accounting.
2. The Company measures financial assets at fair value in initial recognition. The related transaction costs are recognized in profit and loss. These financial assets are subsequently re-measured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.

(XXIII) De-recognition of financial liabilities

The Company derecognizes financial liabilities when the obligations specified in the contract are fulfilled, cancelled or expired.

(XXIV) Financial assets and liabilities written-off against each other

Recognized financial liabilities and assets are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(XXV) Employee benefits

1. Short-term employee benefits

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

2. Pension

   (1) Defined contribution plan

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

   (2) Defined benefit plan

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

   B. Re-measurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recoded as retained earnings.

C. The expense associated with prior service cost is recognized immediately as a profit or loss.

3. Termination benefits

Resignation benefit refers to the benefit for the employee who is terminated from employment before the normal retirement date or who has decides to accept termination of employment in exchange for the benefit. The Company has resignation benefit recognized as expense when the invitation of resignation benefit can no longer be withdrawn or recognizing the related restructuring expense whichever is sooner. The benefit that is not expected to be liquidated within 12 months after the balance sheet date should be discounted.

4. Remunerations for employees and directors

Remunerations for employees and directors are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. If the accrued amounts for employees' compensation and remuneration to directors and supervisors are different from the actual distributed amounts, the differences should be recognized based on the accounting for changes in estimates. If employee compensation is distributed by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(XXVI) Income tax

1. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
2. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with the applicable tax regulations. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
3. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the individual financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted as of the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
4. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
5. Current income tax and liabilities are offset and the net amount is reported in the

balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(XXVII) Dividends

Dividends distributed to shareholders of the Company are recognized in the financial statements when the shareholder meeting resolves to distribute dividends, and the cash dividends are recognized as liabilities.

(XXVIII) Recognition of revenue

Product sales

1. The Company manufactures and sells API-related products. The sales revenue is recognized when products are delivered to customers who have discretionary power in channels and prices of products sold and the Company has no outstanding performance obligations which may affect customers' acceptance of products. The delivery of products is considered occurs when the products are shipped to the designated locations and the risks of obsolescence and loss have been transferred to customers who accept the products under sales contracts, or when there is objective evidence showing that all acceptance criteria have been met.
2. Account receivables are recognized when goods are delivered to customers. Since the Company has unconditional rights to the contract price from that point in time, only the passage of time is required before the payment is due.

V. Main source of significant accounting judgment, estimates and assumptions uncertainty

The preparation of these standalone financial statements requires the management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. The resulting accounting estimates might be different from the related actual results, the judgments and estimates are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Critical accounting judgments, estimates and key sources of assumption uncertainty are explained as follows:

(I) Critical judgments concerning the application of accounting policies

none.

(II) Critical accounting estimates and assumptions

Evaluation of inventory

The Company measures the normal sales of inventories by the lower of cost and net realizable value. For inventories that have existed longer than a certain period of time and are obsolete and damaged, net realizable value of each inventory is identified to be recognized as a loss. Therefore, the Company must use its best judgments and estimates to determine the net realizable value of inventory at the balance sheet date. Due to the stricter verification of active pharmaceutical ingredients and the lengthening time required to obtain drug licenses, the disposal of inventory is below expectation, resulting in the loss from inventory depreciation or the higher risk of inventory obsolescence. The Company assesses on the balance sheet date the inventory due to normal wear and tear, obsolescence or without market sales value and reduces the inventory cost to net realizable value. The inventory assessment may experience significant changes due to fluctuations in the net realizable value of future products. As of December 31, 2018, the book balance of the Company's inventories is $362,398.

VI. Summary of significant accounting titles

(I) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand and petty cash	$ 207	$ 188
Checking accounts and demand deposits	34,550	107,762
Time deposits	30,715	-
	$ 65,472	$ 107,950

1. The financial institutions that the Company deals with are with good credit quality; also, the Company deals with a number of financial institutions to diversify credit risk; therefore, the possibility of default is very unlikely.
2. None of the Company's cash and cash equivalents pledged to others as collateral.

(II) Financial assets at fair value through profit and loss

Item	December 31, 2018
Non-current items:	
Financial assets mandatorily measured at fair value through profit or loss	
China Development Biomedical Venture Capital (limited company)	$ 30,000
Evaluation adjustment	(22)
	$ 29,978

1. Financial assets at fair value through profit and loss is detailed as follows:

	2018
Financial assets mandatorily measured at fair value through profit or loss	
Equity instruments	($ 361)
Derivatives	211
	($ 150)

2. The Company's transactions in respect of derivative financial assets not covered by the hedge accounting are as follows:

   In order to avoid the risk of price fluctuation in value of foreign currency assets and liabilities due to exchange rate fluctuations, the Company adopts forward foreign exchange transactions and no hedge accounting is applied.
3. Please see Note 12 (2) for the credit risk information related to financial assets at fair value through profit and loss.
4. Please see Note 12 (4) for the information on financial assets carried at cost as of December 31, 2017.

(III) Financial assets at fair value through other comprehensive profit or loss

1. The Company chooses to classify the shares of China Chemical & Pharmaceutical, which are for the purpose of stable dividends and strategic investment, as financial assets at fair value through other comprehensive income when first adopting the IFRS 9.
2. The Company's holding of the shares of China Chemical & Pharmaceutical is classified as financial assets at fair value through other comprehensive income, and the dividend income recognized in profit or loss for 2018 was $3,778 and a net loss of $30,108 was recognized in other comprehensive income.
3. The Company obtained a board seat in the China Chemical & Pharmaceutical after it re-elected its board on November 14, 2018. Due to the significant impact on the company, it was transferred to "Investments accounted for using equity method" at an amount of $263,828, and the retained earnings was $39,758.
4. Please see Note 12 (2) for the credit risk information related to financial assets at fair value through other comprehensive income.
5. Please see Note 12 (4) for the information on financial assets available for sale as of December 31, 2017.

(IV) Note receivable and accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable	$ 666	$ 1,787
Less: Allowance for losses	-	-
	$ 666	$ 1,787
Accounts receivable	$ 35,738	$ 130,431
Less: Allowance for losses	(248)	-
	$ 35,490	$ 130,431

1. Aging of accounts receivable and notes receivable is as follows:

(1) Notes receivable

	December 31, 2018	December 31, 2017
Not overdue	$ 666	$ 1,787

(2) Accounts receivable

	December 31, 2018	December 31, 2017
Not overdue	$ 29,400	$ 82,915
Overdue within 30 days	6,203	47,218
Overdue 31-90 days	135	298
	$ 35,738	$ 130,431

The aforementioned aging analysis is based on the overdue days.

2. While not considering the collaterals or other credit enhancements, the notes and accounts receivable held by the Company had the maximum exposure of credit risk at $36,156 and $132,218, respectively, as of December 31, 2018 and 2017.
3. The Company does not hold any collaterals.
4. Please see Note 12 (2) for the credit quality of the accounts receivable and notes receivable.

(V) Inventory

	December 31, 2018		
	Cost	Price loss allowance	Book value
Raw materials	$ 65,175	($ 18,109)	$ 47,066
Work in process	118,584	(3,905)	114,679
Finished products	261,417	(60,764)	200,653
	$ 445,176	($ 82,778)	$ 362,398

	December 31, 2017		
	Cost	Price loss allowance	Book value
Raw materials	$ 70,802	($ 23,543)	$ 47,259
Work in process	47,223	(3,191)	44,032
Finished products	290,922	(51,778)	239,144
	$ 408,947	($ 78,512)	$ 330,435

The Company's current inventory cost recognized as expenses:

	2018	2017
Cost of inventory sold	$ 659,632	$ 753,736
Falling price of inventory	4,266	11,663
Proceeds from sale of scraps.	(5,372)	(7,262)
	$ 658,526	$ 758,137

(VI) Investments accounted for by the equity method

	December 31, 2018	December 31, 2017
Affiliate business:		
China Chemical & Pharmaceutical Co., Ltd.	$ 325,381	$ -
Subsidiaries:		
PHARMAPORTS, LLC	12,070	20,137
CCSB HOLDING CO., LTD.	17,988	41,405
Siang Ta Pharmaceutical Co., Ltd.	-	-
	$ 355,439	$ 61,542

1. Affiliate business

(1) The basic information of the Group's main affiliates is shown as follows:

Company name	Main places of business operations	Ratio of Shareholding December 31, 2018	Type of affiliation	Measurement
China Chemical & Pharmaceutical Co., Ltd.	Taiwan	6.00%	Affiliate business	Equity method

(2) The aggregated information of the Group's main affiliates is shown as follows:

Balance Sheet

	China Chemical & Pharmaceutical Co., Ltd. December 31, 2018
Current assets	$ 2,870,206
Non-Current assets	6,415,908
Current liabilities	(1,553,152)
Non-current liabilities	(2,062,404)
Total net assets	$ 5,670,558
Book value of affiliates	$ 325,381

Comprehensive income statement

	China Chemical & Pharmaceutical Co., Ltd. 2018
Income	$ 3,273,208
Current net profits from continuing operations	$ 369,870
Other comprehensive income (net after tax)	(50,802)
Total comprehensive income for the period	$ 319,068

2. Profit and loss of subsidiaries and associates recognized by using equity method:

	2018	2017
China Chemical & Pharmaceutical Co., Ltd.	$ 1,402	$ -
PHARMAPORTS, LLC	1,794	6,107
CCSB HOLDING CO., LTD.	(2,415)	31,466
Siang Ta Pharmaceutical Co., Ltd.	-	-
	$ 781	$ 37,573

3. Xiang-Da was dissolved by the shareholder meeting on August 9, 2016. The settlement was completed on December 15, 2017 and a letter of settlement completion was obtained from the court on January 23, 2018.

4. Please refer to Note 6 (3) 3 for the description on the transfer of investment of China Chemical & Pharmaceutical using the equity method. The Company acquired the Company's shares, totaling $60,764, from November 14, 2018 to December 31, 2018.
5. The Company's investment in China Chemical & Pharmaceutical has a public offer of which the fair value was $322,996 as of December 31, 2018.
6. For information on the Company's subsidiaries, please refer to Note 4 (3) of 2018 consolidated financial statements.

(VII) property , plant, and equipment

	Land	Buildings and structures	Machinery equipment	Transport equipment	Other equipment	Uncompleted construction and equipment pending inspection	Total
January 1, 2018							
Cost	$ 1,454,384	$ 643,427	$ 1,035,402	$ 6,899	$ 484,424	$ 7,845	$ 3,632,381
Accumulated depreciation and impairment	-	(374,637)	(693,014)	(6,086)	(316,225)	-	(1,389,962)
	$ 1,454,384	$ 268,790	$ 342,388	$ 813	$ 168,199	$ 7,845	$ 2,242,419
2018							
January 1	$ 1,454,384	$ 268,790	$ 342,388	$ 813	$ 168,199	$ 7,845	$ 2,242,419
Additions	-	3,562	14,844	-	18,387	58,697	95,490
Disposition	-	-	(27)	-	-	-	(27)
Reclassification	-	1,635	19,677	-	20,629	(41,941)	-
Depreciation	-	(24,039)	(73,748)	(326)	(34,721)	-	(132,834)
Impairment loss	-	-	(9,841)	-	-	-	(9,841)
December 31	$ 1,454,384	$ 249,948	$ 293,293	$ 487	$ 172,494	$ 24,601	$ 2,195,207
December 31, 2018							
Cost	$ 1,454,384	$ 648,624	$ 1,063,615	$ 6,899	$ 520,058	$ 24,601	$ 3,718,181
Accumulated depreciation and impairment	-	(398,676)	(770,322)	(6,412)	(347,564)	-	(1,522,974)
	$ 1,454,384	$ 249,948	$ 293,293	$ 487	$ 172,494	$ 24,601	$ 2,195,207

	Land	Buildings and structures	Machinery equipment	Transport equipment	Other equipment	construction and equipment pending inspection	Total
January 1, 2017							
Cost	$ 1,004,953	$ 615,305	$ 1,019,058	$ 6,583	$ 450,631	$ 24,501	$ 3,121,031
Accumulated depreciation and impairment	-	(351,777)	(639,480)	(5,626)	(286,428)	-	(1,283,311)
	$ 1,004,953	$ 263,528	$ 379,578	$ 957	$ 164,203	$ 24,501	$ 1,837,720
2017							
January 1	$ 1,004,953	$ 263,528	$ 379,578	$ 957	$ 164,203	$ 24,501	$ 1,837,720
Additions	712,984	9,973	11,614	316	16,243	52,701	803,831
Disposition	-	-	(1,241)	-	-	-	(1,241)
Reclassification	(263,553)	18,149	29,790	-	19,771	(69,357)	(265,200)
Depreciation	-	(22,860)	(77,353)	(460)	(32,018)	-	(132,691)
December 31	$ 1,454,384	$ 268,790	$ 342,388	$ 813	$ 168,199	$ 7,845	$ 2,242,419
December 31, 2017							
Cost	$ 1,454,384	$ 643,427	$ 1,035,402	$ 6,899	$ 484,424	$ 7,845	$ 3,632,381
Accumulated depreciation and impairment	-	(374,637)	(693,014)	(6,086)	(316,225)	-	(1,389,962)
	$ 1,454,384	$ 268,790	$ 342,388	$ 813	$ 168,199	$ 7,845	$ 2,242,419

Note: Due to reclassification in 2017, they were transferred to "Intangible assets" and "Non-current assets for sale".

1. The Company signed a land purchase agreement, worth $709,302, with Lion Corporation in August 2017.
2. There were impairments in 2018 due to the replacement of old equipment in the production line. The impairment loss was valued at $9,841, subtracting the disposal cost from the fair value of the equipment.
3. Please refer to Note 8 for the information on the property, plant, and equipment provided as collateral.

(VIII) Investment property

	December 31, 2018	December 31, 2017
Land cost	$ 10,700	$ 10,700

1. Rental income and direct operating expenses of investment properties:

	2018	2017
Rental income of investment properties	$ 914	$ 867
Direct operating expenses incurred in investment properties that have rental income in the current period	$ 48	$ 47

2. The fair value of investment properties held by the Company for the years ended December 31, 2018 and 2017 was $50,239 and $36,685, respectively, based on the transaction prices of the adjacent lands.

(IX) Non-current assets held for sale

Assets of the group available for sale:

	December 31, 2018	December 31, 2017
property , plant, and equipment	$ -	$ 263,553

1. The board authorized the chairman to dispose of part of the lands in Guanyin District of Taoyuan City owned by the Company at a price no less than $71 per ping in May, 2017, and the land was transferred to the disposal group available for sale at the book value. The board then again authorized the chairman to dispose of part of the lands in Guanyin District of Taoyuan City owned by the Company at a price no less than $70 per ping in May 2018.
2. The Company signed a land sale agreement with Hung-Da Development in May 2018. The total transaction price was $480,000, to be collected in three periods. The payments were received by July 10, 2018. The title transfer of the land was completed in July 2018. With the deduction of the sale-related expenses for $1,856, the income from disposal of the land was $214,591.

(X) Losses in non-financial asset

1. The impairment loss recognized by the Company in the year of 2018 was $9,841, and the breakdown is shown as follows:

	2018
	Recognized in profit or loss of the period
Impairment loss - Machine and equipment	$ 9,841

2. The abovementioned impairment losses are all from the departments in Taiwan.

(XI) Shot-term borrowings

Loans nature	December 31, 2018	Interest rate collars	Collateral
Bank loan			
Credit loan	$ 150,000	1.10%~1.16%	None

Loans nature	December 31, 2017	Interest rate collars	Collateral
Bank loan			
Credit loan	$ 242,376	1.14%～2.54%	None

(XII) Short-term bills payable

	December 31, 2018	December 31, 2017
Face value of commercial paper	$ 80,000	$ 250,000
Less: Discount in short-term bills payable	(44)	(98)
	$ 79,956	$ 249,902
Interest rate collars	1.04%~1.07%	1.04%~1.13%

(XIII) Other payable

	December 31, 2018	December 31, 2017
Salary and bonus payables	$ 36,285	$ 42,137
Commission payable	4,616	14,403
Remuneration to employees and directors and supervisors payable	17,256	12,346
Equipment payables	9,469	6,912
Repair fees payable	8,488	6,595
Others	33,185	27,766
	$ 109,299	$ 110,159

(XIV) Long-term borrowings

	December 31, 2018	December 31, 2017
Bank loan		
Secured loans	$ 567,440	$ 597,440
Credit loan	-	100,000
Less: Current portion	-	(130,000)
	$ 567,440	$ 567,440
Interest rate collars	1.28%	1.10%~1.30%

1. The one-time repayment of secured loan is due in 2020.
2. Please refer to Note 8 for details of the guarantee.

(XV) Pension

1. (1) The Company has a defined benefit pension plan in accordance with the "Labor Standards Act", covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. When an employee meets the requirements of retirement, the payment of pension is based on service years and the average salary of the six months prior to retirement, with services within 15 years accumulating 2 basis points per year, and service years beyond 15 years accumulating 1 basis point per year up to a maximum of 45 basis points. The company provisions 5% of total monthly salary to the pension fund in the name of the Pension Supervisory Committee at the Bank of Taiwan. In addition, the Company has the labor pension reserve account balance referred to in the preceding paragraph estimated at the end of each fiscal year. If the account balance is insufficient to pay pension benefit to the employees who qualify for retirement within next year for the pension benefit calculated in the preceding paragraph, the Company will have the spread amount appropriated in a lump sum before the end of March next year.

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

	December 31, 2018	December 31, 2017
Present value of the defined benefit obligations	($ 117,386)	($ 113,635)
The fair value of plan assets	135,882	133,098
Net defined benefit assets (Recognized as Other non-current assets)	$ 18,496	$ 19,463

(3) Changes in net defined benefit assets are as follows:

	Present value of the defined benefit obligations	The fair value of plan assets	Net defined benefit assets
2018			
Balance at January 1	($ 113,635)	$ 133,098	$ 19,463
Current service cost	(1,644)	-	(1,644)
Interest (expense) income	(1,102)	1,322	220
	(116,381)	134,420	18,039
Revaluation amount:			
Return on plan assets (excluding amounts included in interest income or expense)	-	4,356	4,356
Experience adjustments	(6,850)	-	(6,850)
	(6,850)	4,356	(2,494)
The appropriation of pension fund	-	2,951	2,951
Pension payments	5,845	(5,845)	-
Balance at December 31	($ 117,386)	$ 135,882	$ 18,496

2017	Present value of the defined benefit obligations	The fair value of plan assets	Net defined benefit assets
Balance at January 1	($ 145,476)	$ 153,069	$ 7,593
Current service cost	(2,355)	-	(2,355)
Interest (expense) income	(1,695)	1,829	134
	(149,526)	154,898	5,372
Revaluation amount:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(404)	(404)
The effect of changes in financial assumptions	(2,653)	-	(2,653)
Experience adjustments	5,410	-	5,410
	2,757	(404)	2,353
The appropriation of pension fund	-	7,668	7,668
Pension payments	33,134	(29,064)	4,070
Balance at December 31	($ 113,635)	$ 133,098	$ 19,463

(4) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). For the use of this fund, the minimum earnings distribution every year shall not be for an amount less than the income calculated in accordance with the local bank's two-year time deposit rate; also, the insufficient fund, if any, should be made up by the National Treasury with the approval of the competent authorities. Since the Company is not entitled to participating in the operation and management of the Fund, the classification of the fair value of plant asset cannot be disclosed in accordance with International Accounting Standards No. 19, paragraph 142. The composition of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilization Report announced by the government.

(5) Assumptions for the actuation of pension funds are summarized as follows:

	2018	2017
Discounted rate	1.00%	1.00%
Future salary increases rate	2.00%	2.00%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with the published statistics and experience in the 5th Taiwan Standard Ordinary Experience Mortality Table.

The present value of the defined benefit obligations affected by the changes in the actuarial assumptions is analyzed as follows:

	Discounted rate		Future salary increases rate	
	Increase by 0.25%	Decrease by 0.25%	Increase by 0.25%	Decrease by 0.25%
December 31, 2018				
The impact on the present value of the defined benefit obligations	($ 2,554)	$ 2,642	$ 2,610	($ 2,536)
December 31, 2017				
The impact on the present value of the defined benefit obligations	($ 2,653)	$ 2,748	$ 2,714	($ 2,633)

The sensitivity analysis above analyzes the impact from changing one of the assumptions while others remain constant. In practice, many changes in assumptions may be mutually interactive. The sensitivity analysis is consistent with the method adopted for calculating the net pension liability on the balance sheet.

(6) The expected contributions to the defined benefit pension plans of the Company for the 2019 are $2,588.

2. (1) The Company has a retirement policy with a defined pension contribution plan regulated in accordance with the “Labor Pension Act” for the employees of Taiwan nationality since July 1, 2005. The Company has established a defined contribution pension plan (the “New Plan”) under the “Labor Pension Act” covering all regular employees. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to an employee’s individual pension account at the Bureau of Labor Insurance. The payment of pension benefits is based on an employee’s individual pension fund account and the cumulative profit in such account, and employees can choose to receive such pension benefits monthly or in one lump sum.

(2) The pension costs under the defined contribution pension plans of the Company for the years ended December 31, 2018 and 2017 were $8,109 and $7,328, respectively.

(XVI) Share capital

1. As of December 31, 2018, the Company’s authorized capital was $1,600,000, consisting of 160,000 thousand shares of ordinary stock, and the paid-in capital was $775,600 with a par value of $10 (in dollars) per share. All issued capital of the Company were paid up.
2. The number of the Company’s outstanding ordinary shares was 77,560 thousand as of 2018 and 2017.
3. The affiliation of the Company held 17,331 thousand shares of the Company as of December 31, 2018.

(XVII) Capital reserve

According to the Company Act, capital reserves from premium income for issuing shares over face values and gift income, not only can offset losses, it can also issue new shares or cash according to the original shareholding when there is no accumulated losses in the company. Further, the Securities and Exchange Act requires that the amount of capital surplus to be capitalized, as above, should not exceed 10% of paid-in capital each year. When the retained earnings of a company is not enough to offset capital losses, the capital reserves cannot be applied.

(XVIII) Retained earnings

1. According to the Company's articles of incorporation, the dividend policy considers the Company's future capital needs and long-term financial planning and meets the shareholders' demand for cash inflows. The current year's earning, if any, shall first be used to offset prior years' operating losses and pay all taxes, and then 10% of the remaining amount shall be set aside as legal reserve. Special reserve shall also be allocated. If there is still surplus, it can be put together with the accumulated undistributed surplus of the previous year as the surplus available this year for distribution. Part of it can be retained, depending on the Company's business needs for the year, before being distributed to shareholders. Cash dividends shall not be less than 50% of the shareholder dividend given, but when the cash dividend is calculated to be less than $0.1 per share, it can be given in the form of stock dividend.
2. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of the legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
3. (1) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

   (2) When adopting IFRSs for the first time, refer to Jin-Guan-Zheng-Fa-Zi Document #1010012865 on special reserve. The Company will conduct a reversal of the originally allocated special reserve when using, disposing of or reclassifying assets.
4. (1) The appropriations of 2017 and 2016 earnings had been resolved at the stockholders' meeting on May 31, 2018 and May 31, 2017, respectively. Details are summarized below:

	2017		2016	
	Amount	Dividends per share ($)	Amount	Dividends per share ($)
Legal earnings reserve	$ 8,577		$ 6,028	
Cash dividend	38,780	$ 0.5	38,780	$ 0.5
	$ 47,357		$ 44,808	

   (2) The appropriations of 2018 earnings had been proposed by the Board of Directors on March 8, 2019. Details are summarized below:

	2018	
	Amount	Dividends per share ($)
Legal earnings reserve	$ 23,425	
Cash dividend	93,072	$ 1.2
	$ 116,497	

5. For the information relating to employees' compensation and directors' remuneration, please refer to Note 6 (23).

(XIX) Operating revenues

	2018
Revenue from Contracts with Customers	$ 994,632

1. Segmentation of revenue from contracts with customers
   The revenue is derived from providing goods that are transferred at a certain point in time, and the sources of revenue can be broken down into the following geographical areas:

2018	Taiwan	United States	Total
Revenue from contracts with external customers	$ 522,270	$ 472,362	$ 994,632

2. Contract liabilities
   (1) The contract liabilities of customer contract revenue recognized by the Company are shown as follows:

	December 31, 2018
Contract liabilities:	
Contract liabilities - Drug sales contract	$ -

   (2) Opening contract liabilities recognized as revenue this period due to sales contract is $1,566.
3. Please refer to Note 12 (5) 2 for the disclosure related to the operating revenue of 2017.

(XX) Other revenue

	2018	2017
Dividend income	$ 3,778	$ 3,017
Rent revenue	2,901	1,439
Interest income		
Interest from bank deposits	222	202
Other interest incomes	12	20
Sundry income	6,983	7,542
	$ 13,896	$ 12,220

(XXI) Other profits and losses

	2018	2017
Gain (loss) on disposal of property, plant and equipment	$ 214,600	($ 146)
Net gain (loss) on foreign currency exchange	2,982	(13,645)
Impairment loss	(9,841)	-
Miscellaneous income	(3,290)	(490)
Net profit (loss) from financial assets and liabilities at fair value through profit and loss (Note)	(150)	1,741
	$ 204,301	($ 12,540)

Note: In order to avoid the risk of price fluctuation in value of foreign currency assets and liabilities due to exchange rate fluctuations, the Company adopts forward foreign exchange transactions and no hedge accounting is applied. The net profit recognized in 2018 and 2017 were $211 and $1,741, respectively.

(XXII) Financial costs

	2018	2017
Interest expenses:		
Bank loan	$ 10,870	$ 8,351

(XXIII) Employee benefit expense, depreciation and amortization

1. Employee benefit expense, depreciation and amortization:

Functionality / Characteristics	2018 Allocated as operating cost	2018 Employee expenses	2018 Total
Employee benefits expenses			
Salaries and wages	$ 101,482	$ 112,717	$ 214,199
Labor insurance and national health insurance	9,434	9,484	18,918
Pension expenses	3,907	5,626	9,533
Directors' remuneration	-	6,258	6,258
Other employee expenses	7,665	6,399	14,064
Depreciation	104,522	28,312	132,834
Amortization	25	1,761	1,786

Functionality / Characteristics	2017 Allocated as operating cost	2017 Employee expenses	2017 Total
Employee benefits expenses			
Salaries and wages	$ 98,007	$ 115,389	$ 213,396
Labor insurance and national health insurance	9,192	8,915	18,107
Pension expenses	3,754	5,795	9,549
Directors' remuneration	-	5,806	5,806
Other employee expenses	6,345	6,004	12,349
Depreciation	106,226	26,465	132,691
Amortization	2	1,291	1,293

Note: As of the end of 2018 and 2017, there were 300 and 286 employees, respectively, which included 6 directors who did not hold concurrent employee positions.

2. Remunerations for employees and directors:

(1) According to the articles of incorporation of the Company, a portion of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The percentage shall be 1% to 15% for employees' compensation and shall not be higher than 3% for directors' remuneration.

(2) A For the 2018, employees' compensation was accrued at $15,488 while directors' remuneration was accrued at $1,549. The aforementioned amounts were recognized in salary expenses.

B. For the 2017, employees' compensation was accrued at $11,025 while directors' remuneration was accrued at $1,103. The aforementioned amounts were recognized in salary expenses.

C. The employees' compensation and directors' remuneration were estimated and accrued based on 6.09% and 0.61% of profit of current year distributable for the 2018, respectively, with the estimated amount in line with the resolution of the board of directors. The abovementioned employee compensation will be paid in cash.

D. The employees' compensation and directors' remuneration resolved by the Board of Directors for 2017 were $11,025 and $1,103, respectively, consistent with the amount recognized in the 2017 financial report.

E. Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors and shareholders will be posted in the "Market Observation Post System".

(XXIV) Income tax

1. Income tax expense

(1) Components of income tax expense:

	2018	2017
Current income tax:		
Current income tax	$ 13,152	$ 5,692
Additional levy on undistributed earnings	4,036	1,472
Overestimated income tax in prior periods	(2,593)	(427)
Total Current income tax	14,595	6,737
Deferred income tax:		
Origin and reversal of temporary differences	(10,709)	5,618
Impact from change in tax rate	(1,058)	-
Income tax expense	$ 2,828	$ 12,355

(2) Income tax amounts relating to other comprehensive profit and loss:

	2018	2017
Defined benefit obligation revaluation amount and volume	($ 498)	$ 400
Impact from change in tax rate	250	-
	($ 248)	$ 400

2. Reconciliation between income tax expense and accounting profit:

	2018	2017
Income tax derived by applying the statutory tax rate to pre-tax net profit	$ 47,416	$ 16,680
Tax-free income by Income Tax Law	(43,954)	(513)
Impact on income tax from items excluded according to the tax law	188	39
Realizable changes from deferred income tax assets	(1,207)	-
Impact on income tax from settlement loss	-	(4,896)
Additional levy on undistributed earnings	4,036	1,472
Overestimated income tax in prior periods	(2,593)	(427)
Impact from change in tax rate	(1,058)	-
Income tax expense	$ 2,828	$ 12,355

3. Deferred income tax assets or liabilities arising from temporary differences:

	2018			
	January 1	Recognized in the profit or loss	Recognized in other comprehensive net loss	December 31
Timing difference:				
- Deferred income tax assets:				
Falling price of inventory	$ 13,347	$ 3,209	$ -	$ 16,556
Unrealized exchange loss	299	(239)	-	60
Impairment loss of fixed assets	469	1,870	-	2,339
Bonus payable for paid leave not taken	672	365	-	1,037
Profit and loss recognized by using equity method	-	293	-	293
Subtotal	14,787	5,498	-	20,285
- Deferred income tax liabilities:				
Profit and loss recognized by using equity method	(6,760)	6,760	-	-
Unrealized exchange gain	(147)	147	-	-
Determined benefit obligation	(3,309)	(638)	248	(3,699)
Reserve for land revaluation increment tax (“LRIT”)	(240,164)	-	-	(240,164)
Subtotal	(250,380)	6,269	248	(243,863)
Total	($ 235,593)	$ 11,767	$ 248	($ 223,578)

	2017			
	January 1	Recognized in the profit or loss	Recognized in other comprehensive net profit	December 31
Timing difference:				
- Deferred income tax assets:				
Falling price of inventory	$ 11,365	$ 1,982	$ -	$ 13,347
Unrealized exchange loss	-	299	-	299
Impairment loss of fixed assets	622	(153)	-	469
Bonus payable for paid leave not taken	1,089	(417)	-	672
Subtotal	13,076	1,711	-	14,787
- Deferred income tax liabilities:				
Profit and loss recognized by using equity method	(373)	(6,387)	-	(6,760)
Unrealized loss (gain) from sales	(10)	(137)	-	(147)
Unrealized exchange gain	(814)	814	-	-
Determined benefit obligation	(1,290)	(1,619)	(400)	(3,309)
Reserve for land revaluation increment tax ("LRIT")	(240,164)	-	-	(240,164)
Subtotal	(242,651)	(7,329)	(400)	(250,380)
Total	($ 229,575)	($ 5,618)	($ 400)	($ 235,593)

4. The Company's filings of profit-seeking enterprise business income tax returns had been certified by the tax authority up till 2015 (inclusive).
5. The amendments to Taiwan Income Tax Act came into effect on February 7, 2018, and the tax rate for the for-profit business income tax has been increased from 17% to 20%. The amendments have been applied since 2018. The Company has assessed the related income tax implications for the tax rate change.

(XXV) Earnings per share

	2018		
	After-tax amount	Weighted average outstanding shares (thousand shares)	Earnings per share (NT$)
Base earnings per share			
Current period net profit	$ 234,251	77,560	$ 3.02
Diluted earnings per share			
Current period net profit	$ 234,251	77,560	
Effect of dilutive potential ordinary shares: Employees' compensation	-	718	
The effect of net profit in the current period to the potential ordinary shares	$ 234,251	78,278	$ 2.99

	2017		
	After-tax amount	Weighted average outstanding shares (thousand shares).	Earnings per share (NT$)
Base earnings per share			
Current period net profit	$ 85,766	77,560	$ 1.11
Diluted earnings per share			
Current period net profit	$ 85,766	77,560	
Effect of dilutive potential ordinary shares: Employees' compensation	-	641	
The effect of net profit in the current period to the potential ordinary shares	$ 85,766	78,201	$ 1.10

(XXVI) Operating lease

The Company leases assets such as automobiles and offices by adopting operating leases which last 3 to 6 years. Rental expenses of $2,120 and $2,840 were recognized for 2018 and 2017, respectively. The future aggregate minimum lease payments under non-cancellable leases are as follows:

	December 31, 2018	December 31, 2017
Less than 1 year	$ 1,659	$ 2,426
Over 1 year but less than 5 years	2,274	1,039
	$ 3,933	$ 3,465

(XXVII) Supplemental cash flow information

Investing activities partially funded with cash:

	2018	2017
Purchase of property, plant, and equipment	$ 95,490	$ 803,831
Add: Opening balance of payable on equipment	6,912	5,681
Less: Ending balance of payable on equipment	(9,469)	(6,912)
Cash Paid for the Period	$ 92,933	$ 802,600

(XXVIII) Changes in liabilities arising from financing activities

	Shot-term borrowings	Short-term bills payable	Long-term borrowings	Total liabilities arising from financing activities
January 1, 2018	$ 242,376	$ 249,902	$ 697,440	$ 1,189,718
Change in cash flow from financing activities	(92,376)	(169,946)	(130,000)	(392,322)
December 31, 2018	$ 150,000	$ 79,956	$ 567,440	$ 797,396

	Shot-term borrowings	Short-term bills payable	Long-term borrowings	Total liabilities arising from financing activities
January 1, 2017	$ 210,000	$ 169,898	$ 130,000	$ 509,898
Change in cash flow from financing activities	32,376	80,004	567,440	679,820
December 31, 2017	$ 242,376	$ 249,902	$ 697,440	$ 1,189,718

VII. Related party transactions

(I) Name and relationship of related parties

Name	Relationship with The Company
PHARMAPORTS, LLC (PPL)	Subsidiaries
China Chemical & Pharmaceutical Co., Ltd. (CCPC)	The Company's main affiliates
Chunghwa Yuming Healthcare Co., Ltd. (CYH)	Subsidiaries of the Company's affiliates

(II) Major transactions with related parties

1. Operating revenue

	2018	2017
Product sales:		
PPL	$ 472,362	$ 603,795
CCPC	60,060	34,759
	$ 532,422	$ 638,554

(1) The transaction price of the Company's sales to related parties is based on the price agreed by both parties.

(2) The Company's collection period for non-interested parties is 30 to 120 days after delivery, and the collection period for interested parties is 60 to 120 days after delivery.

(3) The Company signed a contract with CCPC for the production and sales of APIs in 2016. The Company adds 30% to the manufacturing cost of the APIs before selling them to the entity for processing into products. The Company also receives 50% (the gross profit of CCPC and the Company) of the actual sales profit. The contract period lasts 3 years, starting January 1, 2016, and the contract can automatically renew if neither party cancels it in writing 6 months before the end of the period.

2. Accounts receivable

	December 31, 2018	December 31, 2017
Account receivable from related parties:		
PPL	$ 67,737	$ 92,628
CCPC	26,495	16,531
Less: Allowance for losses	(46)	-
	$ 94,186	$ 109,159

3. Other receivable

	Nature of main transactions	December 31, 2018	December 31, 2017
PPL	Dividend receivables	$ 3,496	$ 525
PPL	Agency collection and payment	450	201
CYH	Agency collection and payment	186	-
		$ 4,132	$ 726

(III) Remuneration to key management

	2018		2017	
Salaries and other short-term employee benefits	$	25,889	$	29,494
Termination benefits		2,194		-
Retirement benefits		348		355
	$	28,431	$	29,849

VIII. Pledged assets

The Company's assets are used as collateral as follows:

	Book Value				
Asset Item	December 31, 2018		December 31, 2017		Purpose of guarantee
property , plant, and equipment	$	712,984	$	813,630	Long-term borrowings

IX. Significant contingent liabilities and unrecognized contractual commitments

(I) Contingencies

none.

(II) Commitments

1. Capital expenditures that have been signed but not yet incurred

	December 31, 2018		December 31, 2017	
property , plant, and equipment	$	10,898	$	10,273

2. Operating lease agreement
   Please refer to Note 6 (26) for details.

X. Significant disaster loss

none.

XI. Major post-balance sheet events

Please refer to Note 6 (18) 4 for a description on distribution of surplus for 2018.

XII. Others

(I) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Company may make adjustments to dividends paid to shareholders, refund capital to shareholders, issue new shares or sell assets to reduce the level of debts in order to maintain or adjust the Company's capital structure. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the balance sheet plus net debt.

The Company maintained the same strategy in 2018 as in 2017 and is committed to keeping the debt-to-capital ratio between 20% and 45%.

(II) Financial instruments

1. Types of financial instrument

	December 31, 2018		December 31, 2017	
Financial assets				
Financial assets at fair value through profit and loss				
Financial assets mandatorily measured at fair value through profit or loss	$	29,978	$	-
Available-for-sale financial assets		-		93,775
Financial assets at cost		-		30,000
Financial assets at amortized cost / loans and receivable				
Cash and cash equivalents		65,472		107,950
Notes receivable		666		1,787
Accounts receivable (including related parties)		129,676		239,590
Other receivable		9,397		6,435
	$	235,189	$	479,537
Financial liabilities				
Financial liability measured at the amortized cost				
Shot-term borrowings	$	150,000	$	242,376
Short-term bills payable		79,956		249,902
Payable notes		1,192		345
Accounts payable		60,595		55,201
Other payable		109,299		110,159
Long-term borrowings (including current portion)		567,440		697,440
Deposits received		522		576
	$	969,004	$	1,355,999

2. Risk management policies

(1) The Company's activities expose it to a variety of financial risks, including market risk (exchange rate, interest rate and price), credit risk and liquidity risk. The Company's overall risk management policy focuses on unpredictable events in the financial market, and the Company seeks to mitigate potential adverse effect on the financial position and performance.

(2) The Company's Finance Department identifies and assesses financial risks in close collaboration with the Company's other operating units.

3. The nature and extent of significant financial risks

(1) Market risk

Exchange rate risk

A. The Company is a multinational operation and therefore is subject to exchange rate risk arising from transactions between the different currencies, especially in US dollars. The related exchange risk from future operating activities have been recognized in assets and liabilities.

B. The Finance Department of the Company conducts hedging for the overall exchange rate risk. Exchange rate risk is measured by highly probable transactions in US dollars. Forward foreign exchange contracts are adopted to reduce the impact of exchange rate fluctuations on expected transactions.

C. The Company circumvents exchange rate risk by using forward exchange rate transactions but does not conduct hedge accounting. Please refer to Note 6 (2) and 12 (4) for details on financial assets at fair value through profit and loss.

D. The Company's operations involve certain non-functional currencies (the Company's functional currency is the New Taiwan dollar (NTD), so it is subject to the impact of exchange rate fluctuation. The details of assets and liabilities denominated in foreign currencies whose values would be materially affected by exchange rate fluctuations are as follows:

	December 31, 2018		
	Foreign currency (thousand dollars)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD: NTD	$ 4,089	30.715	$ 125,594
Investments accounted for by the equity method			
USD: NTD	$ -	30.715	$ -
Financial liabilities			
Monetary items			
USD: NTD	$ 242	30.715	$ 7,433

	December 31, 2017		
	Foreign currency (thousand dollars)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD: NTD	$ 9,714	29.76	$ 289,089
Investments accounted for by the equity method			
USD: NTD	$ 648	29.76	$ 19,273
Financial liabilities			
Monetary items			
USD: NTD	$ 3,249	29.76	$ 96,690

E. Total exchange gain, including realized and unrealized gains from significant foreign exchange variations on monetary items held by the Company amounted to a gain of $2,982 and a loss of $13,645 for the years ended December 31, 2018 and 2017, respectively.

F. The analysis of foreign currency risk due to significant exchange rate fluctuation is as follows:

	2018		
	Sensitivity analysis		
	Magnitude changes	Profit and loss affected	Other comprehensive profit and loss affected
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD: NTD	1%	$ 1,256	$ -
Financial liabilities			
Monetary items			
USD: NTD	1%	($ 74)	$ -

	2017		
	Sensitivity analysis		
	Magnitude changes	Profit and loss affected	Other comprehensive profit and loss affected
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD: NTD	1%	$ 2,891	$ -
Financial liabilities			
Monetary items			
USD: NTD	1%	($ 967)	$ -

Price risk

A. The Company is exposed to the price risk of financial assets at fair value through profit and loss, financial assets at fair value through other comprehensive income and financial assets available for sale. To manage the price risk of equity instruments, the Company diversifies its investment portfolio in a manner that is based on the limits set by the Company.

B. The Company invests primarily in equity instruments issued by domestic companies. The price of such equity instrument is subject to the uncertainty of the future value of investment target. If the price of such equity instrument increases or decreases by 10%, while all other factors remain unchanged, the net profit affected by equity instruments at fair value through profit and loss after tax for 2018 is an increase of $2,998, and as for equity investment at fair value through other comprehensive income and equity assets available for sale for 2018 and 2017, they are increased $0 and $9,378, respectively.

Cash flow and fair value interest rate risk

A. The Company's interest rate risk mainly comes from short-term borrowings issued at floating rates, short-term bills payable and long-term borrowing, which exposes the Company to cash flow interest rate risk. The Company's policy is to maintain at least 40% of the borrowings at fixed interest rates, which can be achieved through interest rates when necessary. For 2018 and 2017, the Company's borrowings issued at floating rates were mainly denominated in New Taiwan dollars and US dollars.

B. If the interest rates of borrowing NTD and USD increases or decreases by 1%, while all other factors remain constant, the net profit after tax for 2018 and 2017 is an increase of $6,379 and $9,875, respectively, mainly due to the interest expense changes caused by the floating interest rate.

(2) Credit risk

A. Credit risk refers to the risk of financial loss of the Company arising from default by the clients or counterparties of financial instruments under contract obligations, and the defaults are accounts receivable.

B. The management of credit risk is established with a Company perspective. According to the Company's credit policy, each local entity in the Company is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Office of the General Manager. The utilization of credit limits is regularly monitored.

C. The Company adopts the above assumption provided by the IFRS 9 that if a contract payment is overdue for more than 90 days in accordance with the agreed payment terms, it is considered a breach of contract.

D. The Company adopts the following assumption provided by the IFRS 9 as a basis for determining whether there is a significant increase in the credit risk of financial instruments after the original recognition:

If the contract payment is overdue for more than 30 days in accordance with the agreed payment terms, the credit risk of the financial asset is significantly increased since the original recognition.

E. The Company categorizes the accounts receivable from customers based on their nature. The provision matrix and the loss ratio method are adopted as the basis for estimating the expected credit loss.

F. The Company may write off the amount of financial assets that cannot be reasonably expected to be recovered after recourse. However, the Company will still continue the recourse to protect the rights of the claims. For the year ended December 31, 2018, the Company has no creditor's rights that have been written off but are involved in recourse.

G. The Company has included the global economic indicators and signals and estimated the loss allowance for notes receivable and accounts (including the interested parties) based on the loss rates built according to historic and current data. The provision matrix and loss rate as of December 31, 2018 are show as follows:

December 31, 2018	Expected rate of loss	Total book value		Allowance for losses	
Not overdue	0.03%~0.3%	$	124,298	$	128
Overdue within 30 days	0.37%~3.69%		6,203		158
Overdue 30 days	0.38%~3.76%		135		8
Overdue 60 days	0.79%~7.92%		-		-
Overdue 90 days	10%~100%		-		-
		$	130,636	$	294

H. The Company adopts a simplified method in which the loss allowance for the accounts receivable is shown below:

	2018	
	Notes receivable and accounts (including interested parties)	
January 1_IAS 39	$	-
Applicable new criteria		378
January 1_IFRS 9		378
Impairment loss reversal	(	84)
December 31	$	294

The amount recognized above is based on other credit enhancements held, so the unrecognized loss allowance as of December 31, 2018 is $302. Among the reversed loss in 2018, $84 is the impairment loss reversed by payables derived from customer contracts.

I. Please see Note 12 (4) for the information on credit risk in 2017.

(3) Liquidity risk

A. Cash flow forecasting is performed by the operating entities of the Company and aggregated by the Company's Finance Department. It monitors rolling forecasts of liquidity requirements to ensure the Company has sufficient cash to meet operational needs and maintain sufficient unencumbered loan commitments at all times. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, and compliance with internal balance sheet ratio targets.

B. The Company's unutilized borrowings are shown as follows:

	December 31, 2018		December 31, 2017	
Maturing in one year or less	$	1,010,000	$	853,576
Mature beyond one year		320,000		320,000
	$	1,330,000	$	1,173,576

C. The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:			
December 31, 2018	Within 1 year	1 to 2 years	2 to 5 years
Shot-term borrowings	$ 150,000	$ -	$ -
Short-term bills payable	79,956	-	-
Payable notes	1,192	-	-
Accounts payable	60,595	-	-
Other payable	109,299	-	-
Deposits received	522	-	-
Long-term borrowings	7,263	573,007	-

Non-derivative financial liabilities:			
December 31, 2017	Within 1 year	1 to 2 years	2 to 5 years
Shot-term borrowings	$ 242,376	$ -	$ -
Short-term bills payable	249,902	-	-
Payable notes	345	-	-
Accounts payable	55,201	-	-
Other payable	110,159	-	-
Deposits received	576	-	-
Long-term borrowings (including current portion)	137,462	7,263	573,012

(III) Fair value information

1. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

   Level 1: The quotation (unadjusted) of the same assets or liabilities that can be acquired by the company in an active market on the measurement date A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in publicly traded or OTC stocks is included.

   Level 2: It refers to the directly or indirectly observable input value of asset or liability, except for those quotations included in Level 1.

   Level 3: The unobservable inputs of assets or liabilities.

2. Please refer to Note 6 (8) for the fair value of investment property carried at cost.

3. Financial instrument not measured at fair value:

   Include the book value of cash and cash equivalents, notes receivable, accounts receivable (including the interested parties), other receivable, short-term borrowings, short-term notes payable, Notes payable, accounts payable and other accounts payable as reasonable approximation of fair value.

4. The related information for financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

(1) The Company classifies them based on the nature of assets and liabilities, and the information is as follows:

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Repeatable fair value				
Financial assets at fair value through profit and loss				
Equity securities	$ -	$ -	$ 29,978	$ 29,978

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets				
Repeatable fair value				
Available-for-sale financial assets				
Equity securities	$ 93,775	$ -	$ -	$ 93,775

(2) The methods and assumptions adopted by the Company to measure fair value are as follows:

A. The Company uses market price as the fair value (Level 1), which is classified as follows according to the characteristics of the instruments:

	Publicly listed companies' stocks or OTC stocks
Market quote	Closing price

B. In addition to the abovementioned financial instruments in active markets, the fair value of other financial instruments is obtained by valuation or reference to quotation from counterparties.

C. When assessing non-standardized and less complex financial instruments, the Company adopts valuation techniques widely used by other market participants. The parameters used in the valuation models for this type of financial instruments are usually observable market information.

D. The valuation of financial derivatives is based on the valuation models widely accepted by market participants, such as the discounting method. Forward exchange contracts are usually evaluated based on the current forward exchange rate.

E. The output of valuation models are estimates, and the valuation techniques may not reflect all factors affecting the financial instruments and non-financial instruments held by the Company. Therefore, the estimates of valuation models will be adjusted according to additional parameters, such as model risk or liquidity risk. Based on the management policies of the Company's valuation model at fair value and the related control procedures, the management believes that to fairly present the fair value of financial and non-financial instruments in the consolidated balance sheet, adjusting valuation may be appropriate and necessary. Price information and parameters used in valuation are carefully assessed and they are appropriately adjusted according to the current market conditions.

5. There were no transfers between Level 1 and 2 in 2018 and 2017.
6. The following table shows the changes in Level 3 in 2018:

	2018
	Equity instruments
January 1	$ 30,000
Income recognized in profit or loss (Note)	(22)
December 31	$ 29,978

Note: Other gains and losses listed.

7. There were no transfers in and/or out of Level 3 in 2018 and 2017.
8. With respect to the valuation of fair value classified as Level 3, the Finance Department is responsible for the independent verification of fair value of financial instruments. Based on independent information, the valuation results can be closer to the market conditions. The independence and reliability of information and the consistency with other sources, as well as other necessary adjustments to the fair value, can ensure that the results are reasonable.
   In addition, the Finance Department develops valuation policies and procedures for fair value of financial instruments and ensure that they comply with the requirements of the International Financial Reporting Standards.
9. The quantitative and sensitivity analysis of significant and unobservable input of valuation models used for measuring Level 3 fair value is shown as follows:

	Fair value as of December 31, 2018	Valuation technique	Significant unobservable input value	Relationship between input value and fair value
Shares of venture capital	$ 29,978	Net asset value method	Not applicable	Not applicable

10. The Company conducts careful assessment before determining the valuation model and parameters to be used, and the use of different valuation models or parameters may lead to different valuation results.

(IV) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017.

1. Summary of significant accounting policies adopted in 2017:
   (1) Financial assets and liabilities at fair value through profit and loss
      A. Financial assets at fair value through profit or loss refer to those classified as being held for trading or upon initial recognition designated as at fair value through profit or loss. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling or repurchase in the short-term. Derivatives are classified as financial assets and liabilities held for trading besides being designated as hedging instruments by hedge accounting. The Company designates its financial assets and liabilities at fair value through profit or loss at initial recognition when they meet any one of the following conditions:
         (A) Mixed (hybrid) contracts, or

(B) Can eliminate or significantly reduce inconsistent measurement or recognition, or

(C) Investments that managed on a fair value basis and the performance is assessed based on written risk management or investment strategies.

B. On a regular way purchase or sale basis, the Company's financial assets and liabilities at fair value through profit or loss are recognized and derecognized using settlement date accounting.

C. Financial assets and liabilities at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. Subsequent appraisal is at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.

(2) Available-for-sale financial assets

A. Financial assets available for sale refer to the non-derivative financial assets available for sale or not classified in any other categories.

B. On a regular way purchase or sale basis, the Company's financial assets available for sale are recognized and derecognized using trade date accounting.

C. The Group measures financial assets available for sale at fair value in initial recognition, and the related transaction costs are recognized in profit and loss. These financial assets are subsequently remeasured and stated at fair value, and the changes in fair value are recognized in other comprehensive income. With respect to equity investments that do not have a quoted price in an active market or derivatives that are linked to, and must be settled by delivery of, such unquoted equity instruments, when the fair value cannot be reliably measured, the Company recognizes them as "Financial assets carried at cost".

(3) Loans and receivables

Accounts and notes receivable are original loans and receivables that are due from customers in the normal course of business for the sale of good or services. Loans and receivables are measured at fair value on initial recognition and subsequently at the amortized cost using the effective interest rate less provision for impairment. Short-term non-interest bearing accounts receivable are measured subsequently at the original invoice amount as the effect of discount is insignificant.

(4) Impairment of financial assets

A. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

B. The criteria that the Company uses to determine whether there is objective evidence of an impairment loss is as follows:

(A) Significant financial difficulty of the issuer or debtor.

(B) A breach of contract, such as a default or delinquency in interest or principal payments.

(C) The Company gives concessions that the debtor could not have had due to economic or legal reasons related to the financial difficulties of the debtor.

(D) The debtor is likely to enter bankruptcy or other financial restructuring.

(E) Experience the disappearance of active market for such financial asset due to financial difficulties.

(F) Observable data indicate that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group.

(G) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered.

(H) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. When the Company assesses that there has been objective evidence of impairment loss of financial assets, the amount of impairment loss is determined as follows according to the category of financial assets:

(A) Financial assets measured at amortized cost

The amount of the impairment loss is measured as 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, and is recognized in profit or loss. 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 loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(B) Financial assets carried at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's current market return rate, and is recognized in profit or loss. Such impairment losses may not be reversed subsequently. Impairment loss is recognized by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(C) Financial assets available for sale

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, and is reclassified from "other comprehensive income" to "profit or loss". If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognized, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognized in profit or loss shall not be reversed through profit or loss in the current period. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

2. The reconciliations of carrying amount of financial assets transferred from December 31, 2017, based on IAS39, to January 1, 2018, based on IFRS 9, were as follows:

		Available for sale - Equity					Effect
	Measured at fair values through profit and/or loss	Measured at fair value through other comprehensive income - Equity	Carried at cost	Notes receivable and accounts (including interested parties)	Investments accounted for by the equity method	Total	Retained earnings
IAS 39	$ -	$ 93,775	$ 30,000	$ 241,377	$ 61,542	$ 426,694	$ -
Transfer-in measured at fair value through profit or loss	30,000	-	(30,000)	-	-	-	-
Fair value adjustment	339	-	-	-	-	339	339
Impairment loss adjustment	-	-	-	(378)	(18)	(396)	(396)
IFRS 9	$ 30,339	$ 93,775	$ -	$ 240,999	$ 61,524	$ 426,637	($ 57)

(1) Equity instruments classified as “Financial assets available for sale” according to IAS 39 amount to $93,775. As the Company holds the instruments not for the purpose of held-for-trading, it chooses to classify them as “Financial assets at fair value through other comprehensive income” when first adopting the IFRS 9.

(2) Equity instruments classified as “Financial assets carried at cost” according to IAS 39 amount to $30,000. They are classified as “Financial assets (equity instruments) measured at fair value through profit or loss” according to IFRS 9 and increased to $30,339, with the “Retained earnings” of $339 being added.

(3) According to IFRS 9 on recognition of impairment loss, “Notes receivable” of $7, “Accounts receivable” of $371, “Investments accounted for by the equity method” of $18 and “Retained earnings” of $396 are subtracted.

3. The adjustment of impairment allowance from the incurred loss model based on IAS 39 as of December 31, 2017 to the expected loss model based on IFRS 9 as of January 1, 2018 is shown as follows:

	Loss allowance - Notes and accounts receivable (including interested parties)
IAS 39	$ -
Impairment loss adjustment	378
IFRS 9	$ 378

4. Statement of major accounting items for the year ended December 31, 2017:

(1) Available-for-sale financial assets

Item	December 31, 2017
Non-current items:	
Publicly listed companies’ stocks	
China Chemical & Pharmaceutical Co., Ltd.	$ 103,425
Valuation adjustment on financial assets available for sale.	(9,650)
	$ 93,775

A. The Company recognized an amount of $2,263 in the other comprehensive income due to changes in fair value in 2017.

B. The Company has no financial assets available for sales pledged to others.

(2) Financial assets carried at cost

Item	December 31, 2017	
Non-current items:		
China Development Biomedical Venture Capital (limited company)	$	30,000
Accumulated impairment		-
	$	30,000

A. The Company holds unlisted stocks (nor listed in the OTC) and equity investments which are classified as financial assets available for sale. However, the investments are not publicly traded in active markets and the industry information of the similar companies or the financial information of the invested companies cannot be obtained, so their value cannot be reasonably measured and are therefore classified as "Financial assets carried at cost".

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

5. Credit risk information as of December 31, 2017:

(1) Credit risk refers to the risk of financial loss of the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Company's credit policy, each local entity in the Company is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Office of the General Manager. The utilization of credit limits is regularly monitored. The main credit risk comes from accounts receivable that have not yet been received.

(2) As of December 31, 2017, no credit limits were exceeded during the reporting period, and management does not expect any significant losses from non-performance by these counterparties.

(3) Information regarding the Company's notes and accounts receivable (including the interested parties) which are not past due and not impaired, according to the Group's credit standards, are shown as follows:

	December 31, 2017	
Group A	$	16,531
Group B		96,087
Group C		81,243
	$	193,861

Note: Criteria of credit rating for customers (selected in order of 1, 2 and 3)

Group A: 1. No overdue payment in the past.
2. D&B rating1-3;
3. The paid-in capital is greater than or equal to $30,000.

Group B: 1. No overdue payment in the past one year.
2. D&B rating4-5;
3. The paid-in capital is less than $30,000.

Group C: Customer who are not in Group A or B.

(4) The aging analysis of the Company's financial assets that have been overdue but not yet in impairment:

	December 31, 2017
Up to 30 days	$ 47,218
31 to 90 days	298
	$ 47,516

The aforementioned aging analysis is based on the overdue days.

(5) Analysis of changes in financial assets that have suffered impairment:
As of December 31, 2017, the accounts receivable in impairment is $0.

(V) Effects on initial application of IFRS 15 and information on application of IAS 18 in 2017.

1. The significant accounting policies applied on revenue recognition in 2017 are set out below:

The Company manufactures and sells API-related products. Revenue refers to the fair value of the consideration or receivable for sales of goods to the Company's external customers during normal business activities, which is expressed in the net amount after deducting sales returns, volume discounts and other discounts. The revenue from products sales is recognized when the products are delivered to buyers, the amount of goods sold can be reliably measured and the future economic benefits are likely to flow into the Company. The delivery of products is considered occurs when the significant risks and rewards related to ownership have been transferred to customers, the Company does not continue to participate in the management and maintains effective control of goods, customers have accepted the goods according to the sales contracts or when there is objective evidence that all acceptance terms have been met.

2. The 2017 revenue recognized by using the abovementioned accounting policies is as follows:

	2017
Sales revenue	$ 1,141,506

3. The effect on and description of current balance sheets if the Company continues adopting the above accounting policies in 2018 are as follows:

According to IFRS 15, the recognition of contract liabilities associated with sales contracts of products used to be interpreted as the "Other current liabilities - others" on the balance sheet during the past reporting period, and the balance as of December 31, 2018 was NT$0.

XIII. Notes of disclosure

(I) Information about important transactions

1. Loans to others: None
2. Provision of endorsements and guarantees to others: None
3. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to Attached table 1.
4. Acquisition or sale of the same security with the accumulated cost reaching $300 million or 20% of the Company's paid-in capital or more: Please refer to Attached table 2.
5. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.
6. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: Pease refer to Attached table 3.
7. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to Attached table 4.
8. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: None.
9. Engaged in derivatives trading: Please see Note 4 (6), Note 4 (22), Note 6 (2) and Note 6 (21).
10. Significant inter-company transactions during the reporting periods: Please refer to Attached table 5.

(II) Information regarding investees

Names, locations and other information of investee companies (not including investees in China): Please refer to Attached table 6.

(III) Information regarding investment in the territory of mainland china

1. Basic information: Please see Attached table 7.
2. Significant transactions, either directly or indirectly through a third area, with investee companies in China: None.

XIV. Segment information

Based on IAS 8 and is also disclosed in the consolidated financial report.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.

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

January 1 to December 31, 2018

Attached table 1

Unit: NTD thousand

(Except where otherwise stated)

Holding company	Type and name of marketable securities (Note 1)	Relationship with the securities issuer	Account titles in book	At ending: Quantity	At ending: Book value (Note 2)	At ending: Shareholding percentage	At ending: Fair value	Remarks
Chunghwa Chemical Synthesis & Biotech Co., Ltd.	Common shares China Development Biomedical Venture Capital	None	Financial assets at fair value through profit and loss	3,000,000	$ 29,978	1.71%	$ 29,978	None

Note 1: Securities as stated in this table are the stocks, bonds, beneficiary certificates and the securities deriving from the above items within the scope of IFRS 9, "Financial Instruments".

Note 2: Book value is determined based on fair value less accumulated impairment for marketable securities measured at fair value. For those not measured at fair value, the book value is determined based on the acquisition cost or amortized cost less accumulated impairment.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Acquisition or sale of the same security with the accumulated cost reaching $300 million or 20% of the Company's paid-in capital or more
January 1 to December 31, 2018

Attached table 2

Unit: NTD thousand
(Except where otherwise stated)

Marketable securities			Counterparties	Relation	At beginning		Buy (Note 3)		Sell (Note 3)				At ending	
Buyer and sellers	Name (Note 1)	Account titles in book	(Note 2)	(Note 2)	Quantity	Amount	Quantity	Amount	Quantity	Sale price	Cost in book	Capital gain/loss from disposition	Quantity	Amount
China Chemical & Pharmaceutical Co., Ltd.	Stock	Financial assets at fair value through other comprehensive profit or loss	China Chemical & Pharmaceutical Co., Ltd.	None	5,028,137	$ 93,775	9,581,000	$ 200,161	-	$ 293,936	$ 293,936	$ -	-	$ -
China Chemical & Pharmaceutical Co., Ltd.	Stock	Investments accounted for by the equity method	China Chemical & Pharmaceutical Co., Ltd.	The Company's main affiliates	-	-	14,609,137	263,828 (Note 6)	-	-	-	-	17,892,137	325,381
					-	-	3,283,000	60,764						
					-	-	-	789 (Note 7)						

Note 1: Marketable securities in the Table refer to stocks, bonds, beneficiary certificates and other related derivative securities of the abovementioned items.

Note 2: Investors using the equity method in the securities account must fill in the two fields, and the rest can be left blank.

Note 3: The accumulated purchase and sale amount should be calculated separately base on the market price to see if they reach $300 million or 20% of the paid-in capital.

Note 4: Paid-in capital refers to the amount of paid-in capital of the parent company. In the event the issuer's shares have no par value or a par value other than NT$10, the calculation of transaction amounts of 20% of paid-in capital will be substituted by the 10% of equity attributable to owners of the parent company.

Note 5: The original account is the non-current equity instrument at fair value through other comprehensive income, and as of November 14, 2018, it was reclassified as an investment using the equity method.

Note 6: Include the original investment cost of $303,586 and the valuation adjustment of $39,758.

Note 7: Include the share of affiliates recognized by the equity method, the exchange difference calculated from financial statements of overseas operating units, unrealized profit or loss of equity instruments at fair value through other comprehensive income and the re-measurement of defined benefit plan, for a total of $789.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.

Disposal of real estate reaching $300 million or 20% of paid-in capital or more

January 1 to December 31, 2018

Attached table 3

Unit: NTD thousand

(Except where otherwise stated)

Company disposing property	Asset title	Date of occurrence (Note 3)	Original acquisition date	Book value (Note 4)	Trade value	Payment status (Note 5)	Capital gain/loss from disposition	Counterparties	Relation	Purpose of disposition	Reference basis for price (Note 1)	Other stipulations of the transaction
Chunghwa Chemical Synthesis & Biotech Co., Ltd.	Lands in Guanyin District of Taoyuan City	2018/5/8	101/05/10	$ 265,409	$ 480,000	$ 480,000	$ 214,591	Hung-Da Development	None	Improve the Company's liquidity and enrich the working capital.	The agreed amount of the two parties $ 432,405	None

Note 1: For the disposal of assets which require appraisal according to the regulations, please specify the appraisal results in the "Reference basis for price" field.

Note 2: Paid-in capital refers to the amount of paid-in capital of the parent company. In the event the issuer's shares have no par value or a par value other than NT$10, the calculation of transaction amounts of 20% of paid-in capital will be substituted by the 10% of equity attributable to owners of the parent company.

Note 3: The event date refers to the transaction date, payment date, commission date, account transfer date, board resolution date, or other dates when the trade counterparty and trade amount is confirmed, whichever is sooner.

Note 4: The carrying amount includes land cost of $263,553 and the sales expense of $1,856.

Note 5: The total transaction price for the disposal of lands was $480,000, to be collected in three periods. The payments were received by July 10, 2018.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.

Purchase from or sale to related parties for an amount exceeding NT$100 million or 20% of paid-in capital

January 1 to December 31, 2018

Attached table 4

Unit: NTD thousand

(Except where otherwise stated)

			Transactions				Trading terms different from general trade and reasons		Notes and accounts receivable (payable)		
Purchase (sale) company	Name of counterparty	Relation	Purchase (sale)	Amount	Percentage of total purchase (sale)	The credit period	Unit price	The credit period	Balance	Percentage of total notes/accounts receivable (payable)	Remarks
Chunghwa Chemical Synthesis & Biotech Co., Ltd.	PHARMAPORTS, LLC	Subsidiaries	Sale	$ 472,362	47%	Collection period is 60 to 90 days after delivery.	The agreed amount of the two parties	-	$ 67,737	52%	None

Chunghwa Chemical Synthesis & Biotech Co., Ltd.

Significant inter-company transactions during the reporting periods

January 1 to December 31, 2018

Attached table 5

Unit: NTD thousand

(Except where otherwise stated)

				Transactions			
Code (Note 1)	Trader's name	Counterparty	Relationship (Note 2)	Item	Amount	Terms and conditions	Percentage of consolidated total operating revenues or total assets (Note 3)
0	Chunghwa Chemical Synthesis & Biotech Co., Ltd.	PHARMAPORTS, LLC	1	Sales revenue	$ 472,362	Note 4	46%
0	Chunghwa Chemical Synthesis & Biotech Co., Ltd.	PHARMAPORTS, LLC	1	Accounts receivable	67,737	Note 4	2%

Note 1: The information about transactions between parent company and subsidiaries shall be numbered and noted in the following manner in the box of numbers:

(1) Fill in "0" for parent company.

(2) Subsidiaries are numbered from number 1.

Note 2: The relationship with the traders is classified into three categories, which should be specified (the transaction conducted between the parent company and its subsidiaries or between two subsidiaries need not be disclosed in duplication). Such as: if the parent company has the transaction with the subsidiaries disclosed, the subsidiaries need not to have it disclosed in duplication. If one of the two subsidiaries has the transaction disclosed, the other subsidiary needs not to have it disclosed in duplication).

(1) Parent company vs. subsidiaries.

(2) Subsidiaries vs. parent company.

(3) Subsidiaries vs. subsidiaries.

Note 3: For computing the ratio of trade amount to total sales revenue or total assets, if it is for asset and liability account, the computation is based on the ratio of ending balance to total consolidated assets; however, if it is for income and expense account, the computation is based on the ratio of interim cumulative amount to total consolidated revenue.

Note 4: The payment period for sales to related parties is 60 to 90 days after shipment.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.

Names, locations and other information of investee companies (not including investees in China)

January 1 to December 31, 2018

Attached table 6

Unit: NTD thousand

(Except where otherwise stated)

Investor	Name of investee	Location	Principal business	Sum of initial investment: Current period-end	Sum of initial investment: The end of last year	Ending shareholding: Quantity	Ending shareholding: Ratio	Ending shareholding: Book value	Current period profit / loss of the investee	Recognized investment Income	Remarks
Chunghwa Chemical Synthesis & Biotech Co. Ltd.	PHARMAPORTS, LLC	U.S.	Trading of API drugs	$ 4,925	$ 4,925	-	98.00%	$ 12,070	$ 1,831	$ 1,794	Subsidiaries
Chunghwa Chemical Synthesis & Biotech Co. Ltd.	CCSB HOLDING CO., LTD.	Cayman Islands	Engaged in shareholding and reinvestment	17,940	17,940	600,000	100.00%	17,988	(2,415)	(2,415)	Subsidiaries
Chunghwa Chemical Synthesis & Biotech Co. Ltd.	China Chemical & Pharmaceutical Co., Ltd.	Taiwan	Manufacturing and sales of pharmaceuticals and health care products and import of the related medical equipment.	324,593	103,425	17,892,137	6.00%	325,381	25,548	1,402	Affiliate business

Chunghwa Chemical Synthesis & Biotech Co., Ltd.

Information on investments in China - Basic information

January 1 to December 31, 2018

Attached table 7

Unit: NTD thousand

(Except where otherwise stated)

Names of investees in China	Principal business	Paid-up Capital	Investment method (Note 1)	Accumulated amount of investment remitted from Taiwan at beginning	Amount of investment remitted or recovered in current period: Outward remittance	Amount of investment remitted or recovered in current period: Recover	Accumulated amount of investment remitted from Taiwan at ending	Current period profit / loss of the investee	The Company's directly or indirectly invested shareholding	Investment income (loss) recognized for the year (Note 2 (2) B)	Book value of investment at ending	The investment income received at the end of the current period	Remarks
CCPC Suzhou	Trading of raw chemical materials and agency and consultation patents and technologies	$ 14,827	(2)	$ 14,827	$ -	$ -	$ 14,827	$ 344	100.00%	$ 344	$ 16,216	$ 23,069	None

Company name	Accumulated investment from Taiwan to Mainland China at ending	Amount of investment approved by Investment Commission of MOEA	Investment amount approved by the Investment Commission MOEAIC
CCPC Suzhou	$ 14,827	$ 14,827	$ 1,190,194

Note 1: There are three types of investments labeled by the respective number:

(1) Direct investment in Mainland China.

(2) Investment in China through an existing company established in a third region (please specify the company): Investment in China through CCSB Holding Co., Ltd.

(3) Other ways.

Note 2: Recognized as gains or losses on investment in current period:

(1) Please note if the investee is still under preparation and there was no investment gain or loss.

(2) The basis of recognition of investment income is classified into following three types, which should be marked out.

A. Financial statements audited by an international accounting firm which cooperates with China Accounting Firm.

B. Financial statements audited by the CPAs who audit the parent company in Taiwan.

C. Others: The investment gain or loss recognized in the financial report of the same period that have not been verified by the certified accountant.

Note 3: All amounts are expressed in New Taiwan dollars.

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Cash and cash equivalents
December 31, 2018

List 1 Unit: NTD thousand

Item	Summary	Amount
Petty Cash		$ 102
Cash on hand		105
Bank deposits		
Check deposits		16,228
Demand deposit - NTD		15,329
Demand deposit - Foreign currency	US$97,058, at a rate of 1 USD = 30.715 NTD.	2,981
	Pound sterling £312, at a rate of 1 GBP = 38.88 NTD.	12
Time deposits	US$1,000,000, at a rate of 1 USD = 30.715 NTD.	30,715
		$ 65,472

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Accounts receivable - non-related parties
December 31, 2018

List 2 Unit: NTD thousand

Name of customer	Summary	Amount	Remarks
Customer A		$ 9,952	
Customer B		7,003	
Customer C		4,797	
Customer D		4,275	
Customer E		3,638	
Customer F		1,836	
Other individual customers		4,237	The balance of each client did not exceed 5% of this account.
		35,738	
Less: allowance for bad debt		(248)	
		$ 35,490	

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Inventory
December 31, 2018

List 3 Unit: NTD thousand

Item	Summary	Amount Cost	Net realizable value	Remarks
Raw materials		$ 65,175	$ 66,445	The replacement cost of raw materials is the net realizable value, and the work in process products and the finished products are evaluated by the net realizable value.
Work in process		118,584	152,243	
Finished products		261,417	366,558	
Subtotal		445,176	$ 585,246	
Less: Allowance for inventory price decline		(82,778)		
		$ 362,398		

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Investment changes using the equity method
January 1 to December 31, 2018

List 4 | Unit: NTD thousand

	Balance, beginning		Increase		Decrease		Balance, ending			Net market price or equity			
Name	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Shareholding percentage	Amount	Unit price	Total amount	Collateral or pledge	Remarks
China Chemical & Pharmaceutical Co., Ltd.	-	$ -	12,864,000	$ 325,381	-	$ -	17,892,137	6.00%	$ 325,381	$ 19.04	$ 340,683	None	
PHARMAPORTS,LLC	-	20,137	-	-	-	(8,067)	-	98%	12,070	-	12,069	None	
CCSB HOLDING CO.,LTD.	600,000	41,405	-	-	-	(23,417)	600,000	100%	17,988	29.98	17,988	None	
		$ 61,542		$ 325,381		($ 31,484)			$ 355,439		$ 370,740		

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Shot-term borrowings
December 31, 2018

List 5 Unit: NTD thousand

Type of Loans	Description	Balance, ending	Agreement Terms	Interest rate collars	Financing amount	Collateral and Mortgage	Remarks
Credit loan	Shin Kong Commercial Bank Co., Ltd.	$ 50,000	2018.03.26-2019.03.26	Floating annual rate	$ 100,000	None	Calculated based on a floating interest,
"	Bank SinoPac	20,000	2018.10.01-2019.10.31	"	100,000	"	The interest rate for this period is 1.10%~1.16%.
"	Mega International Commercial Bank	50,000	2018.07.07-2019.07.06	"	100,000	"	
"	Bank of Taiwan	30,000	2018.12.27-2019.12.27	"	100,000	"	
		$ 150,000					

(In Blank hereinafter)

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Short-term bills payable
December 31, 2018

List 6

Unit: NTD thousand

Item	Guarantee or acceptance agency	Agreement Terms	Interest rate collars	Issuance amount	Amount: Discount in unamortized short-term bills payable	Book value
Commercial papers	Dah Chung Bills Finance Corporation	2018.09.18-2019.09.17	1.07%	$ 20,000	($ 10)	$ 19,990
"	Taiwan Cooperative Bills Finance Corporation	2018.05.23-2019.05.23	1.04%	60,000	(34)	59,966
				$ 80,000	($ 44)	$ 79,956

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Long-term borrowings
December 31, 2018

List 7

Unit: NTD thousand

Type of Loans	Creditor	Summary	Mature within one year	Maturity of more than 1 year	Total	Agreement Terms	Interest rate	Collateral and Mortgage	Remarks
Secured loans	Hua Nan Commercial Bank	Long-term borrowings	$ -	$ 567,440	$ 567,440	2017.10.06~2020.10.06	Floating annual rate	Land	Calculated based on a floating interest, the interest rate for this period is 1.28%.

(In Blank hereinafter)

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Operating revenues
January 1 to December 31, 2018

List 8 Unit: NTD thousand

Item	Volume	Amount	Remarks
Biotechnology products	52,217 KG	$ 814,104	
Non-biotechnology products	100,845 KG	180,528	
Net sales revenue		$ 994,632	

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Operating cost
January 1 to December 31, 2018

List 9 Unit: NTD thousand

Item	Summary	Amount	Remarks
Beginning raw materials		$ 70,802	
Add: Incoming materials delivered for the period		341,705	
Less: Sales of raw materials		(2,325)	
Raw materials at the end of period		(65,175)	
Transferred to R&D expenses		(2,556)	
Direct material usage		342,451	
Direct labor		54,978	
Manufacturing overhead		336,282	
Manufacturing cost		733,711	
Add: Opening balance of work in process products		47,223	
Transfer-in of finished products		999,559	
Less: Ending balance of work in process products		(118,584)	
Cost for finished goods		1,661,909	
Add: Opening balance of finished products		290,922	
Less: Ending balance of finished products		(261,417)	
Transfer-in of work in process products		(999,559)	
Transferred to R&D expenses		(32,223)	
Cost of goods sold		659,632	
Add: Loss from inventory depreciation		4,266	
Less: Income from sales of scrap		(5,372)	
Total operating cost		$ 658,526	

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Manufacturing overhead
January 1 to December 31, 2018

List 10 Unit: NTD thousand

Item	Summary	Amount	Remarks
Depreciation		$ 104,522	
Salaries		50,412	
Utilities expenses		33,720	
Garbage and sludge cleaning and transportation fees		27,891	
Trial production expense		25,256	
Repairs expenses		22,733	
Fuel expenses		21,115	
Other Expenses		50,633	The amount of each item did not exceed 5% of this account.
		$ 336,282	

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Marketing expenses
January 1 to December 31, 2018

List 11

Unit: NTD thousand

Item	Summary	Amount		Remarks
Commission expense		$	28,045	
Transportation expenses			13,353	
Salaries			11,447	
Insurance expenses			4,542	
Other Expenses			7,632	The amount of each item did not exceed 5% of this account.
		$	65,019	

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Administrative expenses
January 1 to December 31, 2018

List 12 Unit: NTD thousand

Item	Summary	Amount	Remarks
Salaries		$ 40,548	
Professional service expenses		17,407	
Depreciation		4,097	
Other Expenses		17,747	The amount of each item did not exceed 5% of this account.
		$ 79,799	

Chunghwa Chemical Synthesis & Biotech Co., Ltd.
Research and development expenses
January 1 to December 31, 2018

List 13 Unit: NTD thousand

Item	Summary	Amount	Remarks
Salaries		$ 72,607	
Depreciation		24,215	
Consumables		19,887	
Trial production expense		10,583	
Other Expenses		34,245	The amount of each item did not exceed 5% of this account.
		$ 161,537	