

**TOPCO SCIENTIFIC CO., LTD.
AND SUBSIDIARIES**

Consolidated Financial Statements

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

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

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Representation Letter	3
4. Independent Auditors' Report	4
5. Consolidated Balance Sheets	5
6. Consolidated Statements of Comprehensive Income	6
7. Consolidated Statements of Changes in Equity	7
8. Consolidated Statements of Cash Flows	8
9. Notes to the Consolidated Financial Statements	
(1) Company history	9
(2) Approval date and procedures of the consolidated financial statements	9
(3) New standards, amendments and interpretations adopted	9~18
(4) Summary of significant accounting policies	19~42
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	42~43
(6) Explanation of significant accounts	43~82
(7) Related-party transactions	82~84
(8) Pledged assets	84
(9) Commitments and contingencies	85
(10) Losses Due to Major Disasters	85
(11) Subsequent Events	85
(12) Other	85
(13) Other disclosures	
(a) Information on significant transactions	85~90
(b) Information on investees	91~92
(c) Information on investment in mainland China	93
(14) Segment information	94~95

Representation Letter

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

Company name: Topco Scientific Co., Ltd.

Chairman: Sun-Quae Lai

Date: March 19, 2019



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Independent Auditors' Report

To the Board of Directors of Topco Scientific Co., Ltd.:

Opinion

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

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

Basis for Opinion

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

Other Matter

We did not audit the financial statements for certain investments accounted for using equity method in the consolidated financial statements of the Group for 2018 and 2017. The investments accounted for using equity method constituted 7.54% and 7.48% of the total consolidated assets as of December 31, 2018 and 2017; and the share of gains of associates and joint ventures accounted for using equity method constituted 15.88% and 15.05% of profit before tax for 2018 and 2017, respectively. These financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts of subsidiaries and investments accounted for equity method, is based solely on the reports of the other auditors.

The Company has prepared its parent-company-only financial statements as of and for the years ended December 31, 2018 and 2017, on which we have issued an unmodified opinion with other matter paragraph.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Recognition of Operating Revenue

Please refer to note 4(q) "Revenue" for accounting policies related to revenue recognition; note 5(c) for revenue recognition of construction and the percentage of completion method for construction contracts; note 6(g) "Construction Contracts" for related disclosures of construction contracts; and note 6(x) "Revenue" for details of revenue.

Description of Key Audit Matters:

Due to the wide variety of the Group's products, different transactions were generated according to customers and product portfolio. Identification of revenue recognition has significant influence on the consolidated financial statements of the Group. In addition, the budgets for construction contracts highly depend on the management's judgments. The evaluation of above budgets may result in significant changes in income and losses for the reporting period. Therefore, revenue recognition is considered as one of the key matters in our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: testing related manual and systematic control over sales cycle to assess if the revenue recognition policies of the Group is in accordance with the related standards. In addition, we examined the sales contracts between the Group and its customers to understand their trading modality and conditions, evaluating and comparing if revenue recognition is consistent with the terms of the contracts; acquiring construction contracts that have significant effects on financial results to verify that there is no difference in the percentage of completion calculated by the Group; conducting testing for details of revenue before and after the balance sheet date and verifying if revenue recognition is in accordance with the contract terms.

2. Valuation of inventories

Please refer to note 4(h) "Inventories" for accounting policies related to valuation of inventories; note 5(b) for uncertainty in valuation of inventories; and note 6(h) for related description for valuation of inventories.

Description of Key Audit Matters:

Valuation of inventories is measured by cost and net realizable value. The inventories purchased were based on the demand of customer orders, and the Group may be exposed to the risk concerning the carrying amount of inventories which is lower than the realizable value due to market price declined and business cycle of the industry. Therefore, valuation of inventories is considered as one of the key matters in our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: evaluating whether the Group's valuation of inventories is conducted in accordance with the Group's accounting policies and related standards; examining the inventory aging reports and analyzing the changes on the aging of inventories in each period, including conducting sampling procedures to examine the accuracy of inventory aging reports and understanding the sales prices adopted by the management and subsequent fluctuation in market price to assess the rationality of net realizable value of inventories.

3. Valuation of Accounts Receivable

Please refer to note (4)(g) "Financial instruments" for accounting policies related to valuation of accounts receivable; note 5(a) for uncertainties in valuation of accounts receivable; and note 6(e) "Notes and accounts receivable".

Description of Key Audit Matters:

Allowance for accounts receivable is evaluated based on the lifetime expected credit loss of accounts shown in objective evidences. Therefore, valuation of accounts receivable is considered as one of the key matters in our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: examining allowance for accounts receivable of the Group to determine whether related accounting policies are applied appropriately, analyzing the allowance for uncollectible accounts receivable based on the accounts receivable aging report, examining the collection record of the past and the subsequent period, economic condition of the industry, concentration of credit risk, and the Group's assessment on the ability of the customers with imperfect credit record to repay in order to evaluate the rationality of the recognition of allowance for uncollectible accounts receivable and amounts recognized.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Yiu-Kwan Au and Kuan-Ying Kuo.

KPMG

Taipei, Taiwan (Republic of China)
March 19, 2019

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2018		December 31, 2017		December 31, 2018		December 31, 2017			
		Amount	%	Amount	%	Amount	%	Amount	%		
Assets											
Current assets:											
1100	Cash and cash equivalents (note 6(a))	\$	2,480,878	14	2,454,864	17	2100	Short-term borrowings (note 6(o))	\$	881,068	5
1110	Current financial assets at fair value through profit or loss (notes 6(f) and 6(d))		220,207	1	320,881	2	2130	Current contract liabilities (note 6(x))		704,408	4
1126	Current available-for-sale financial assets (note 6(d))		-	-	23,847	-	2170	Notes and accounts payable		3,528,798	21
1170	Notes and accounts receivable, net (note 6(c))		4,851,381	28	3,729,475	25	2180	Notes and accounts payable to related parties (note 7)		1,704,271	10
1180	Notes and accounts receivable due from related parties, net (note 6(c) and 7)		93,367	1	80,486	-	2190	Amount due to customers for contract work (note 6(g))		-	-
1140	Current contract assets (note 6(x))		494,353	3	-	-	2200	Other current financial liabilities		517,822	3
1190	Amount due from customers for contract work (note 6(g))		-	-	141,139	1	2250	Current provisions (note 6(q))		138,108	1
1476	Other current financial assets (notes 6(e), 6(f) and 8)		151,849	1	152,975	1	2310	Unearned revenue		-	-
1311	Inventories, net (note 6(h))		2,657,051	15	2,489,535	17	2320	Long-term borrowings, current portion (note 6(p))		48,720	-
1479	Other current assets, others		496,569	3	411,308	3	2365	Current refund liabilities		27,367	-
			11,445,655	66	9,804,510	66	2399	Other current liabilities		189,683	1
										7,740,245	45
Non-current assets:											
1510	Non-current financial assets at fair value through profit or loss (note 6(b))		99,081	-	-	-	2541	Long-term borrowings (note 6(p))		426,944	2
1517	Non-current financial assets at fair value through other comprehensive income (note 6(c))		581,475	3	-	-	2570	Deferred tax liabilities		284,854	2
1543	Non-current financial assets at cost (note 6(d))		-	-	279,427	2	2640	Non-current net defined benefit liability		198,794	1
1550	Investments accounted for using equity method (note 6(i))		1,305,978	8	1,137,738	8				910,592	5
1600	Property, plant and equipment (note 6(l))		3,526,931	21	3,397,359	23				8,650,837	50
1760	Investment property, net (note 6(m))		62,769	-	63,518	-					
1840	Deferred tax assets		108,788	1	109,075	1					
1900	Other non-current assets (note 6(n) and 8)		106,728	1	77,355	-					
			5,791,750	34	5,064,472	34					

See accompanying notes to consolidated financial statements.

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

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES**Consolidated Statements of Comprehensive Income****For the years ended December 31, 2018 and 2017****(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share which is expressed in New Taiwan Dollars)**

	2018		2017	
	Amount	%	Amount	%
Operating Revenues: (notes 6(g), 6(x), 6(y) and 7)				
4110 Net sales revenue	\$ 24,329,039	84	21,554,221	91
4520 Construction revenue	3,652,193	13	1,534,749	6
4800 Other operating revenue	879,967	3	692,042	3
Operating revenue, net	28,861,199	100	23,781,012	100
Operating costs: (notes 6(h), 7 and 12(a))				
5110 Cost of sales	21,761,782	75	19,317,607	81
5500 Construction cost	3,433,398	12	1,315,969	6
5800 Other operating costs	263,049	1	207,464	1
	25,458,229	88	20,841,040	88
5910 Less: Unrealized profit (loss) from sales	(292)	-	2,665	-
Gross profit	3,403,262	12	2,937,307	12
Operating expenses: (notes 6(z), 7 and 12(a))				
6100 Selling expenses	981,238	4	901,335	4
6200 Administrative expenses	879,256	3	816,669	3
6300 Research and development expenses	22,353	-	5,517	-
Total operating expenses	1,882,847	7	1,723,521	7
Net operating income	1,520,415	5	1,213,786	5
Non-operating income and expenses:				
7101 Other income (note 6(aa))	66,139	-	66,437	-
7102 Other gains and losses (note 6(ab))	(38,290)	-	(9,159)	-
7105 Financial costs (note 6(ab))	(24,745)	-	(25,329)	-
7060 Share of gain of associates and joint ventures accounted for using equity method (note 6(i))	280,953	1	84,993	-
7670 Impairment loss (notes 6(j) and 6(k))	(9,495)	-	(12,523)	-
	274,562	1	104,419	-
Profit before tax	1,794,977	6	1,318,205	5
7950 Less: Income tax (note 6(t))	413,389	1	319,499	1
Profit (loss)	1,381,588	5	998,706	4
8300 Other comprehensive income:				
8310 Items that may not be reclassified subsequently				
8311 Gains (losses) on remeasurements of defined benefit plans	(7,913)	-	(18,587)	-
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	17,423	-	-	-
8320 Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(13)	-	(277)	-
8349 Less: income tax relating to components of other comprehensive income that may not be reclassified subsequently to profit or loss	(2,882)	-	(3,160)	-
	12,379	-	(15,704)	-
8360 Other components of other comprehensive income that will not be reclassified to profit or loss				
8361 Other comprehensive income, before tax, exchange differences on translation	(11,135)	-	(32,332)	-
8362 Unrealized gains (losses) on valuation of available-for-sale financial assets	-	-	12,758	-
8370 Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(86)	-	4,472	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	(3,422)	-	(4,803)	-
Components of other comprehensive income that will be reclassified to profit or loss	(7,799)	-	(10,299)	-
8300 Other comprehensive income, net	4,580	-	(26,003)	-
Comprehensive income	\$ 1,386,168	5	972,703	4
Profit, attributable to:				
8610 Profit, attributable to owners of parent	\$ 1,404,675	5	997,625	4
8620 Profit, attributable to non-controlling interests	(23,087)	-	1,081	-
	\$ 1,381,588	5	998,706	4
Comprehensive income attributable to:				
Comprehensive income, attributable to owners of parent	\$ 1,409,255	5	971,622	4
Comprehensive income, attributable to non-controlling interests	(23,087)	-	1,081	-
	\$ 1,386,168	5	972,703	4
Earnings per share: (note 6(u))				
9750 Basic net income per share	\$ 7.73		5.98	
9850 Diluted net income per share	\$ 7.68		5.95	

See accompanying notes to consolidated financial statements.

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

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent											
	Retained earnings					Total other equity interest						
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Total other equity interest	Total equity	
Balance at January 1, 2017	\$ 1,658,996	1,464,057	907,734	-	2,393,107	3,300,841	(14,188)	-	(14,663)	(28,851)	6,395,043	6,404,877
Profit for the year ended December 31, 2017	-	-	-	-	997,625	997,625	-	-	-	-	997,625	998,706
Other comprehensive income	-	-	-	-	(15,704)	(15,704)	(23,057)	-	12,758	(10,299)	(26,003)	(26,003)
Total comprehensive income	-	-	-	-	981,921	981,921	(23,057)	-	12,758	(10,299)	971,622	972,703
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	120,335	-	(120,335)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	28,851	(28,851)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(829,498)	(829,498)	-	-	-	-	(829,498)	(829,498)
Capital increase by cash	158,000	866,091	-	-	-	-	-	-	-	-	1,024,091	1,024,091
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	-	-	(227)	(227)	-	-	-	-	(224)	(224)
Share-based payments transactions	-	10,595	-	-	-	-	-	-	-	-	10,595	10,595
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1,977)	(1,977)
Balance at December 31, 2017	1,816,996	2,340,746	1,028,069	28,851	2,396,117	3,453,037	(37,245)	-	(1,905)	(39,150)	7,571,629	7,580,367
Effects of retrospective application	-	-	-	-	136,954	136,954	-	210,678	1,905	212,583	349,537	349,537
Adjusted balance at January 1, 2018	1,816,996	2,340,746	1,028,069	28,851	2,533,071	3,589,991	(37,245)	210,678	-	173,433	7,921,166	7,930,104
Profit for the year ended December 31, 2018	-	-	-	-	1,404,675	1,404,675	-	-	-	-	1,404,675	1,381,388
Other comprehensive income	-	-	-	-	(5,044)	(5,044)	(7,799)	17,423	-	9,624	4,580	4,580
Total comprehensive income	-	-	-	-	1,399,631	1,399,631	(7,799)	17,423	-	9,624	1,409,255	1,386,168
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	99,763	-	(99,763)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	10,299	(10,299)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(763,138)	(763,138)	-	-	-	-	(763,138)	(763,138)
Changes in ownership interests in subsidiaries	-	-	-	-	(6,247)	(6,247)	-	-	-	-	(6,247)	(6,247)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(56,087)	(56,087)	-	56,087	-	56,087	-	-
Other	-	(67)	-	-	-	-	-	-	-	-	(67)	(67)
Balance at December 31, 2018	\$ 1,816,996	2,340,679	1,127,832	39,150	2,997,168	4,164,150	(45,044)	284,188	-	239,144	8,560,969	8,586,568

See accompanying notes to consolidated financial statements.

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

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from (used in) operating activities:		
Profit before tax	\$ 1,794,977	1,318,205
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	157,065	152,006
Amortization expense	7,352	3,984
Expected credit loss (gain) / Provision (reversal of provision) for bad debt expense	(121)	229
Net loss on financial assets at fair value through profit or loss	14,446	-
Interest expense	24,745	25,329
Interest income	(18,058)	(11,579)
Dividend income	(23,832)	(21,000)
Share of loss (profit) of associates and joint ventures accounted for using equity method	(280,953)	(84,993)
Loss on disposal of property, plant and equipment	1,165	7,134
Loss (gain) on disposal of investments	-	(5,218)
Impairment loss	9,495	12,523
Share-based payment transaction	-	10,595
Others	2,323	8,564
Total adjustments to reconcile profit (loss)	(106,373)	97,574
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in notes and accounts receivable	(1,124,539)	(608,935)
Decrease (increase) in inventories	(165,660)	101,842
Decrease (increase) in financial assets at fair value through profit or loss	100,674	174,032
Decrease (increase) in other current assets	(82,059)	(290,153)
Decrease (increase) in other current financial assets	61,728	(10,883)
Decrease (increase) in amount due from customers for contract work	-	95,624
Decrease (increase) in contract assets	(353,214)	-
Decrease (increase) in other operating assets	(1,124)	-
Total changes in operating assets	(1,564,194)	(538,473)
Changes in operating liabilities:		
Increase (decrease) in notes and accounts payable	1,220,244	(77,531)
Increase (decrease) in amount due to customers for contract work	-	(162,240)
Increase (decrease) in contract liabilities	(155,536)	-
Increase (decrease) in other current financial liabilities	112,478	(16,873)
Increase (decrease) in current provisions	66,367	65,888
Increase (decrease) in unearned revenue	-	299,075
Increase (decrease) in current refund liabilities	(58,711)	-
Increase (decrease) in other current liabilities	(10,658)	(4,695)
Increase (decrease) in other operating liabilities	3,416	(10,912)
Total changes in operating liabilities	1,177,600	92,712
Total changes in operating assets and liabilities	(386,594)	(445,761)
Total adjustments	(492,967)	(348,187)
Cash inflow generated from operations	1,302,010	970,018
Interest received	17,639	11,016
Dividends received	121,424	120,063
Interest paid	(25,420)	(24,310)
Income taxes paid	(321,899)	(253,118)
Net cash flows from operating activities	1,093,754	823,669
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(36,632)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	10,642	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	1,220	-
Acquisition of investments accounted for using equity method, available-for-sale financial assets and non-current financial assets at cost	-	(107,167)
Proceeds from disposal of associates accounted for using equity method and available-for-sale financial assets	-	22,497
Proceeds from capital reduction of available-for-sale financial assets and non-current financial assets at cost	-	10,285
Proceeds from disposal of property, plant and equipment	7,801	665
Acquisition of property, plant and equipment	(278,019)	(485,136)
Decrease in refundable deposits	(2,982)	(3,118)
Acquisition of intangible assets	(13,464)	(22,451)
Net cash inflows from acquisition of subsidiaries	7,278	-
Decrease in restricted assets	(52,140)	(36,058)
Others	-	840
Net cash flows from (used in) investing activities	(356,296)	(619,643)
Cash flows from (used in) financing activities:		
Cash dividend paid	(763,138)	(829,498)
Increase in short-term borrowings	94,264	199,523
Proceeds from long-term borrowings	16,200	48,800
Repayments of long-term borrowings	(48,342)	(50,921)
Increase in guarantee deposits received	(54)	4,398
Capital increase by cash	-	1,024,091
Acquisition of non-controlling interests	-	(975)
Change in non-controlling interests	(1,304)	(1,226)
Others	(67)	-
Net cash flows from (used in) financing activities	(702,441)	394,192
Effect of exchange rate changes on cash and cash equivalents	(9,003)	(31,370)
Net increase (decrease) in cash and cash equivalents	26,014	566,848
Cash and cash equivalents at beginning of period	2,454,864	1,888,016
Cash and cash equivalents at end of period	\$ 2,480,878	2,454,864

See accompanying notes to consolidated financial statements.

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

TOPCO SCIENTIFIC CO., LTD. AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

TOPCO SCIENTIFIC CO., LTD. (the “Company”) was incorporated on February 17, 1990, as a company limited by shares and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company’s registered office is 6F., No. 483, Sec. 2, Tiding Blvd., Neihu District, Taipei City. The Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”) engage in the trading of electronics products, high technology products and related materials and components, pollution prevention equipment, the design and installation of water purification and recycling systems, solar energy materials and providing solar energy system integration services, wholesale of fishery products and cooperate with foreign fishing companies, as well as the operation of tourism factory and restaurant, and retail sales of food products. Please refer to note 14 for related information.

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

The consolidated financial statements were authorized for issuance by the board of directors on March 19, 2019.

(3) New standards, amendments and interpretations adopted

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

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 “Clarifications of Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendment to IAS 7 “Statement of Cash Flows -Disclosure Initiative”	January 1, 2017
Amendment to IAS 12 “Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

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

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

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 “Revenue” and IAS 11 “Construction Contracts”. The Group applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Group recognizes the cumulative effect upon the initially application of this Standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

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

1) Sales of goods

For the sale of products, revenue is currently recognized when it meets the delivery conditions agreed with the customer. According to current accounting standards, revenue is recognized at this point provided that there is evidence that the income system is persuasive (usually a signed sales agreement), the related risks and rewards of ownership transfer, the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods.

The Group provides volume rebates to customers that based on accumulated sales for each month or each quarter. The current revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Under the IFRS 15, the revenue recognition based on contract price net of estimated volume rebates which is estimated through past experience has little probability to return. The amount expected to pay to customers cause by volume rebates is recognized as refund liability under the application of IFRS 15.

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Commission

For commissions earned by the Group, the Group has determined that it acts in the capacity of an agent for certain transactions. Under IFRS 15, the assessment will be based on the whether the Group controls the specific goods before transferring to the end customer, rather than whether it has exposure to significant risks and rewards associated with the sale of goods.

3) Construction contracts

Contract revenue currently includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. When a claim or variation is recognized, the measure of contract progress or contract price is revised and the cumulative contract position is reassessed at each reporting date. Under IFRS 15, claims and variations will be included in the contract accounting when they are approved.

4) Impacts on financial statements

The following tables summarize the impacts of adopting IFRS15 on the Group's consolidated financial statements:

Impacted line items on the consolidated balance sheet	December 31, 2018			January 1, 2018		
	Balances prior to the adoption of IFRS 15	Impact of changes in accounting policies	Balance upon adoption of IFRS 15	Balances prior to the adoption of IFRS 15	Impact of changes in accounting policies	Balance upon adoption of IFRS 15
Contract assets-current	\$ -	494,353	494,353	-	141,139	141,139
Amount due from customers for contract work	494,353	(494,353)	-	141,139	(141,139)	-
Impact on assets		\$ -			-	
Contract liabilities	\$ -	704,408	704,408	-	859,944	859,944
Amount due to customers for contract work	493,595	(493,595)	-	378,422	(378,422)	-
Unearned revenue	205,076	(205,076)	-	478,218	(478,218)	-
Other current liabilities	5,737	(5,737)	-	3,304	(3,304)	-
Refund liabilities	-	27,367	27,367	-	86,078	86,078
Provisions	27,367	(27,367)	-	86,078	(86,078)	-
Impact on liabilities		\$ -			-	
Retained earnings	\$ -	-	-	-	-	-
Impact on equity		\$ -			-	

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Impacted line items on the consolidated statement of cash flows	For the year ended December 31, 2018		
	Before adjustments	Impact of changes in accounting policies	After adjustments
Cash flows from (used in) operating activities:			
Profit before tax	\$ 1,794,977	-	1,794,977
Adjustments:			
Decrease (increase) contract assets	-	(353,214)	(353,214)
Decrease (increase) in amount due from customers for contract work	(353,214)	353,214	-
Increase (decrease) in contract liabilities	-	(155,536)	(155,536)
Increase (decrease) in amount due to customers for contract work	115,173	(115,173)	-
Increase (decrease) in unearned revenue	(273,142)	273,142	-
Increase (decrease) in other current liabilities	2,433	(2,433)	-
Increase (decrease) in refund liabilities	-	(58,711)	(58,711)
Increase (decrease) in other current liabilities	(58,711)	58,711	-
Impact on net cash in flows (out flow) generated from operations		\$ -	

(ii) IFRS 9 “Financial Instruments”

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

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

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

1) Classification of financial assets and financial liabilities

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

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

2) Impairment of financial assets

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

3) Transition

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

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

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

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- The designation of certain investments in equity instruments not held for trading as at FVOCI.

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Group assumed that the credit risk on its asset will not increase significantly since its initial recognition.

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

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

Financial Assets	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Cash and cash equivalents	Loans and receivables	\$ 2,454,864	Amortized cost	2,454,864
Debt instruments	Held-for-trading	320,881	Mandatorily at FVTPL	320,881
	Non-current financial assets at cost (note 2)	63,130	FVTPL	63,130
Equity instruments	Non-current financial assets at cost (note 1)	172,397	FVOCI	541,499
	Non-current financial assets at cost (note 2)	43,900	FVTPL	24,335
	Available-for-sale financial assets (note 1)	23,847	FVOCI	23,847
Notes and accounts receivable (including related parties)	Loans and receivables (note 3)	3,808,914	Amortized cost	3,808,914
Notes and accounts receivable (including related parties)	Loans and receivables (note 4)	1,047	FVTPL	1,047
Other receivables	Loans and receivables (note 3)	110,925	Amortized cost	110,925
Guarantee deposits paid	Loans and receivables (note 3)	19,718	Amortized cost	19,718
Pledged assets-time deposits (including current and non-current)	Loans and receivables (note 3)	55,970	Amortized cost	55,970

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Note1: These equity securities (including financial assets measured at cost) represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI. Accordingly, an increase of \$369,102 in those assets recognized, and a increase of \$212,583 in the reserves, as well as the increase of \$156,519 in retained earnings were recognized on January 1, 2018.

Note2: Under IAS 39, these equity securities were designated as at financial assets measured at cost. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVTPL, resulting in a decrease of \$19,565 in those assets recognized, and a decrease of \$19,565 in retained earnings were recognized on January 1, 2018.

Note3: Trade, lease and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost.

Note4: Accounts receivable are held within a business model objective is achieved by selling accounts receivables that were classified as loans and receivables under IAS 39 are now classified at FVTPL

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

	2017.12.31 IAS 39 Carrying Amount	Reclassifications	Remeasurements	2018.1.1 IFRS 9 Carrying Amount	2018.1.1 Retained earnings	2018.1.1 Other equity
Fair value through profit or loss						
Beginning balance of FVTPL (IAS 39)	\$ 320,881	-	-	-	-	-
Additions – equity instruments:						
From financial assets measured at cost	-	43,900	(19,565)	-	(19,565)	-
Additions – debt instruments:						
From financial assets measured at cost	-	63,130	-	-	-	-
From loans and receivables	-	1,047	-	-	-	-
Total	<u>\$ 320,881</u>	<u>108,077</u>	<u>(19,565)</u>	<u>409,393</u>	<u>(19,565)</u>	<u>-</u>
Fair value through other comprehensive income						
Beginning balance of available for sale (including measured at cost) (IAS 39)	\$ 303,274	(303,274)	-	-	156,519	212,583
Available for sale to FVOCI	-	23,847	-	-	-	-
Financial assets measured at cost to FVOCI	-	279,427	369,102	-	-	-
Subtractions – equity instruments:						
From financial assets measured at cost	-	(107,030)	-	-	-	-
Total	<u>\$ 303,274</u>	<u>(107,030)</u>	<u>369,102</u>	<u>565,346</u>	<u>156,519</u>	<u>212,583</u>
Amortized cost						
Beginning balance of cash and cash equivalents, trade and other receivables, and other financial assets	\$ 6,451,438	-	-	-	-	-
Subtractions:						
To FVTPL – fair value option elected	-	(1,047)	-	-	-	-
Total	<u>\$ 6,451,438</u>	<u>(1,047)</u>	<u>-</u>	<u>6,450,391</u>	<u>-</u>	<u>-</u>

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Amendments to IAS 7 “Disclosure Initiative”

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

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

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

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

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

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

(i) IFRS 16 “Leases”

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

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

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Determining whether an arrangement contains a lease

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

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

The Group plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

2) Transition

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

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

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

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

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

- apply a single discount rate to a portfolio of leases with similar characteristics.
- adjust the right-of-use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review.
- apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.
- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- 3) So far, the most significant impact identified is that the Group will have to recognize the new assets and liabilities for the operating leases of its offices, warehouses, and factory facilities. The Group estimated that the right-of-use assets and the lease liabilities to increase by \$370,209 thousand and \$364,697 thousand respectively, as well as the prepaid rents to decrease by \$5,512 thousand on January 1, 2019.

(ii) IFRIC 23 Uncertainty over Income Tax Treatments

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

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

So far, the Group does not expect the adoption of IFRIC 23 to have any significant impact on deferred tax liabilities on January 1, 2019.

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

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

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

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

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(4) Summary of significant accounting policies

The significant accounting policies presented in the consolidated financial statements are summarized as follows. Except for those specifically indicated, the following accounting policies were applied consistently throughout the presented periods in the financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C.

(b) Basis of preparation

(i) Basis of measurement

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

- 1) Financial instruments measured at fair value through profit or loss are measured at fair value;
- 2) For value through other comprehensive income (Available-for-sale financial assets) are measured at fair value;
- 3) The defined benefit asset (liabilities) is recognized as plan assets, less the present value of the defined benefit obligation and the effect of the asset ceiling mentioned in note 4(s).

(ii) Functional and presentation currency

The functional currency of each Group entities is determined based on the primary economic environment in which the entities operate. The consolidated financial statements are presented in New Taiwan Dollars, which is the Company’s functional currency. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

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

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Accounting policies of subsidiaries have been adjusted to ensure consistency with the policies adopted by the Group.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the Group's share of net assets before and after the change, and any considerations received or paid, are adjusted to or against the Group reserves.

(ii) List of subsidiaries in the consolidated financial statements

The details of the subsidiaries included in the consolidated financial statements are as follows:

Investor	Name of Subsidiary	Nature of Operation	Percentage of ownership		Description
			December 31, 2018	December 31, 2017	
The Company	Taiwan E&M System Inc. (Taiwan E&M)	Sales of electronic material	100%	100%	
"	Topco Group Ltd. (Topco Group)	Investment	100%	100%	
"	Topco International Investment Co., Ltd. (Topco International Investment)	Investment	100%	100%	
"	Topco Investment Co., Ltd. (Topco Investment)	Investment	100%	100%	
"	Chien Yueh Technology Engineering Co., Ltd. (Chien Yueh)	Water purification and construction of dust-proof room	100%	100%	
"	Anyong Biotechnology, Inc. (Anyong Biotechnology)	Aquaculture and strategic partnership with fish processing	99%	99%	The Company and Topco International Investment Co., Ltd. held its 100% share jointly.
"	Anyong Fresh Mart. Inc. (Anyong Fresh Mart.)	Wholesale and retail sales of fishery products	100%	100%	
"	Kanbo Biomedical Co., Ltd. (Kanbo Biomedical)	Sales of health food products	91%	91%	The Company and Topco International Investment held its 100% share jointly.
"	Kuan Yueh Technology Engineering Co., Ltd. (Kuan Yueh Technology)	Development of renewable energy project Configure pipeline construction and device installation	21%	21%	The Company and Topco International Investment held its 100% share jointly.
"	Xiang Yueh Co., Ltd. (Xiang Yueh)	Restaurant	100%	100%	
"	Jia Yi Energy Co., Ltd. (Jia Yi Energy)	Manufacture of machinery and electronic spare parts	76%	76%	The Company and Topco International Investment held its 100% share jointly.
"	Yilan Anyong Lohas, Inc. (Anyong Lohas)	Restaurant and retail sales of food products	100%	100%	

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Name of Subsidiary	Nature of Operation	Percentage of ownership		Description
			December 31, 2018	December 31, 2017	
Topco Group	Asia Topco Investment Ltd.(Asia Topco)	Investment	100%	100%	
"	Topsience (s) Pte Ltd. (Topsience (s))	Sales of parts of semiconductor and optoelectronic industries	100%	100%	
"	Hong Kong Topco Trading Limited	Wholesale of semiconductor material and electronic material	100%	100%	
Asia Topco	Topco Scientific (Shanghai) Co., Ltd. (Topco shanghai)	Wholesale of semiconductor material and electronic material	100%	100%	
"	Suzhou Topco Construction Ltd. (Topco Suzhou)	Water purification and cleanroom construction	100%	100%	
"	Topco Chemical (Z.F.T.Z.) Co., LTD. (Topco Chemical)	Wholesale and sales of chemical products	100%	100%	
Topco Shanghai	Shanghai Chongyao Trading Co., Ltd. (Shanghai Chongyao)	Wholesale of semiconductor material and electronic material	98%	98%	Topco Shanghai and Topco Suzhou held its 100% share jointly.
Topco Suzhou	Shanghai Chongyao	Wholesale of semiconductor material and electronic material	2%	2%	
Topco International Investment	Cai Yan International Co., Ltd.(Cai Yan)	Wholesale and sales of cosmetic	67%	67%	
"	Topco Scientific (Japan) Co., Ltd. (Topco Japan)	Sales of facilities of semiconductor and clean room	100%	100%	
"	Kuan Yueh Technology	Development of renewable energy projects Configure pipeline construction and device installation	79%	79%	
"	Jia Yi Energy	Manufacture of machinery and electronic spare parts	24%	24%	
"	Kanbo Biomedical	Sales of health food products	9%	9%	
"	DIO Energy GmbH	Development of renewable energy project	100%	100%	
"	Anyong Biotechnology	Aquaculture and strategic partnership with fish processing	1%	1%	
"	Topchem Materials Co., Ltd. (Topchem Materials)	Antifouling surface protection, light-blocking material and the manufacture of other chemicals	100%	100%	
"	Jing Yueh Energy Co., Ltd. (Jing Yueh Energy)	Development of renewable energy projects	100%	100%	

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investor	Name of Subsidiary	Nature of Operation	Percentage of ownership		Description
			December 31, 2018	December 31, 2017	
Topco Investment	You Fu Technology Co., Ltd. (You Fu Technology)	Wholesale of fishery products	98%	98%	
"	Ding Yue Foods Co., Ltd. (Ding Yue Foods)	Wholesale and retail sales of food products	100%	100%	
"	Fu Shan Fishery, Inc. (Fu Shan Fishery)	Aquaculture and wholesale of fishery products	98%	98%	
"	Min Jen Restaurant Business Co., Ltd. (Min Jen Restaurant)	Restaurant	69%	38%	Topco Investment acquired more than half of Min Jen Restaurant's equity in January 2018, including in the consolidated financial statements from the date that control commences.
Jia Yi Energy	Jing Chen Energy Co., Ltd. (Jing Chen)	Development of renewable energy projects.	100%	100%	
"	Jing Yang Energy Co., Ltd. (Jing Yang)	"	100%	100%	
Taiwan E&M	General Precise Technology Co., Ltd. (General Precise)	Process and sales of quartz products	100%	100%	Chinese Quartz Tech. Co. Ltd. renamed as General Precise Technology Co., Ltd. in February 2018.

(d) Foreign currencies

(i) Foreign currency transactions

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

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

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

- 1) Fair value through other comprehensive income (Available-for-sale financial assets);
- 2) A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) Qualifying cash flow hedges to the extent the hedge is effective

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Foreign operations

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

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

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

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

The business cycle of the construction contracts is usually longer than a year, therefore, the balance sheet accounts related to the construction contracts are classified as current.

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

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

An entity shall classify a liability as current when:

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are 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.

The time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are reclassified as cash equivalents.

(g) Financial instruments

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

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

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

1) Financial assets measured at amortized cost

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

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

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Fair value through other comprehensive income (FVOCI)

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

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

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

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

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

3) Fair value through profit or loss (FVTPL)

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

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

4) Impairment of financial assets

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

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

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

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

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

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

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

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

The Group considers a financial asset to be in default when the financial asset is more than 90 days past due or the borrower is unlikely to pay its credit obligations to the Group in full.

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

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

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

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

5) Derecognition of financial assets

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

On derecognition of a debt instrument in its entirety, the Group recognizes the difference between its carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in "other equity – unrealized gains or losses on fair value through other comprehensive income", in profit or loss, and presented it in the line item of non-operating income and expenses in the statement of comprehensive income.

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss, and presented in the line item of non-operating income and expenses. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

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

The Group classifies financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets.

1) Financial assets at fair value through profit or loss

Financial assets are classified in this category if they are acquired principally for the purpose of selling or repurchasing in the short term. Financial assets in this category are measured at fair value at the time of initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss, and are included in non-operating income and expenses. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

2) Available-for-sale financial assets

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

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

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

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

3) Loans and receivables

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

Interest income is recognized in profit or loss, and it is included in non-operating income and expenses.

4) Impairment of financial assets

A financial asset is impaired if, and only if, there is an objective evidence of impairment 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 that can be estimated reliably.

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

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

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

If, in a subsequent period, the amount of the impairment loss of a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before an impairment was recognized at the reversal date.

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity.

Loss on and reversal of doubtful accounts are included in operating expense. Impairment losses on and recoveries of financial assets other than accounts receivable are included in non-operating income and expenses.

5) Derecognition of financial assets

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

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity-unrealized gains or losses from available-for-sale financial assets is recognized in profit or loss, and included in non-operating income and expenses.

The Group separates the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income shall be recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts.

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

Equity instruments refer to surplus equities of the assets after the deduction of all the debts for any contracts. Equity instruments issued are recognized as the amount of consideration received, less, the direct cost of issuing.

2) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if acquired principally for the purpose of selling in the short term. This type of financial liability is measured at fair value at the time of initial recognition, and attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss, and are included in non-operating income or expenses.

3) Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as at fair value through profit or loss, which comprise loans and borrowings, and trade and other payable, are measured at fair value, plus, any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method other than insignificant interest on short-term loans and payables. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in non-operating income or expenses.

4) Derecognition of financial liabilities

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

5) Offsetting of financial assets and liabilities

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

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iv) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are recognized initially at fair value and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss, and are included in non-operating income and expenses. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

(h) Inventories

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

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

(i) Construction contracts (policy applicable before January 1, 2018)

Construction contracts in progress represent the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognized to date less progress billings and recognized losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction contracts in progress is presented as the amount due from customers for contract work in the balance sheet for all contracts in which costs incurred plus recognized profits exceed progress billings. If progress billings exceed costs incurred plus recognized profits, then the difference is presented as amount due to customers for contract work in the balance sheet.

(j) Investment in associates

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

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

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes the changes in ownership interests of its associate in capital surplus in proportion to its ownership.

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

When the Group subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the net assets of the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Company's ownership interest is reduced due to the additional subscription to the shares of associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate shall be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(k) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of raw materials and direct labor, any other costs directly attributable to bringing the investment property to a working condition for its intended use, and capitalized borrowing costs.

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its book value at the date of reclassification becomes its cost for subsequent accounting.

(l) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of a self-constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization. The cost of the software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES**Notes to the Consolidated Financial Statements**

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

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

(ii) Subsequent cost

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

(iii) Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and it shall be allocated on a systematic basis over its useful life. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

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

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

- 1) Buildings: 35~51 years
- 2) Building improvement: 3~10 years
- 3) Machine and others: 3~20 years
- 4) Office equipment and others: 3~10 years

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

(iv) Reclassification to investment property

The property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(m) Lease

(i) The Group as lessee

Operating leases are not recognized in the Group's balance sheets.

Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(ii) The Group as lessor

A finance leased asset is recognized on a net basis as lease receivable. Initial direct costs incurred in negotiating and arranging an operating lease are added to the net investment in the leased asset. The finance income is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the receivable.

Lease income from operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into an operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

(n) Intangible assets

(i) Intangible assets

Intangible assets that are acquired by the Group are measured at cost, less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

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

(iii) Amortization

The amortizable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with all indefinite useful life, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

- 1) Computer software: 1~5 years
- 2) Right of using: the contract period

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(o) Impairment of non-derivative financial assets

The Group assesses the assets for impairment for and estimates the recoverable amounts for any impaired assets at the end of each reporting period other than the following:

- (i) Inventories
- (ii) Construction contracts assets
- (iii) Deferred tax assets
- (iv) Non-current assets classified as held-for-sale

If it is not possible to determine the recoverable amount (fair value less cost to sell and value in use) for an individual asset, then the Group will have to determine the recoverable amount for the asset's cash-generating unit (CGU).

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

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount, as a reversal of a previously recognized impairment loss.

(p) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probably that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

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

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

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(i) Sale of goods

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

The Group provides volume rebates to customers that based on accumulated sales for each month or each quarter. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

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

(ii) Construction contracts

The Group enters into contracts to construction of dust-proof room and ammonium wastewater. Because its customer controls the asset as it is constructed, the Group recognizes revenue over time on the basis of completion of a physical proportion of the contract work. The consideration promised in the contract includes fixed and variable amounts. The customer pays the fixed amount based on a payment schedule. If the Group has recognized revenue, but not issued a bill, then the entitlement to consideration is recognized as a contract asset. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

If the Group cannot reasonably measure its progress towards complete satisfaction of the performance obligation of a construction contract, the Group shall recognize revenue only to the extent of the costs expected to be recovered.

A provision for onerous contracts is recognized when the Group expects the unavoidable costs of performing the obligations under a construction contract exceed the economic benefits expected to be received under the contract.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

For constructions, the Group offers a standard warranty to provide assurance that they comply with agreed-upon specifications and has recognized warranty provisions for this obligation; please refer to note 6(p).

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) Commissions

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue is net amount of commission made by the Group.

(iv) Electricity generating income

Revenue from the sale of electricity is recognized after the electricity transmission is completed through the grid, and the revenue is calculated according to the fee agreed with Taiwan Power Company.

(v) Financing components

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

(r) Revenue (policy applicable before January 1, 2018)

(i) Goods sold

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

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement.

(ii) Construction Contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognized in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognized as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to the proportion that contract costs incurred for work performed to date bear the estimated total contract costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of the contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in profit or loss.

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) Commissions

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognized is the net amount of commission made by the Group.

(iv) Electricity generating income

Revenue from the sale of electricity is recognized after the electricity transmission is completed through the grid, and the revenue is calculated according to the fee agreed with Taiwan Power Company.

(s) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested.

Re-measurement of net defined benefit liability (asset) (including actuarial gains, losses and the return on plan asset and changes in the effect of the asset ceiling, excluding any amounts included in net interest) is recognized in other comprehensive income (loss). The effect of re-measurement of the defined benefit plan is charged to retained earnings.

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets and change in the present value of defined benefit obligation.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

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

(t) Share-based payment

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

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

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense, with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and settlement date. Any changes in the fair value of the liability are recognized as personnel expenses in profit or loss.

(u) Income taxes

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

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

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the following exceptions:

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

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

- (i) The entity has the legal right to settle tax assets and liabilities on a net basis; and
- (ii) the taxing of deferred tax assets and liabilities fulfill one of the below scenarios:
 - 1) levied by the same taxing authority; or
 - 2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

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

The 10% surtax on the Company and the domestic subsidiaries' unappropriated earnings is recorded as current tax expense in the following year after the resolution to appropriate retained earnings is approved in a stockholders' meeting.

The Group's income tax returns are calculated and filed based on the Company's and each subsidiary's local tax law. The Group's income tax expenses are the aggregation of all consolidated entities' income tax expenses.

(v) **Business combination**

Goodwill is measured as an aggregation of the consideration transferred (which generally is measured at fair value at the acquisition date) and as an amount of any non-controlling interest in the acquired, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed (generally at fair value). If the residual balance is negative, the Group shall re-assess whether it has correctly identified all of the assets acquired and liabilities assumed, and recognize a gain on the bargain purchase thereafter.

All the transaction costs incurred for business combination are recognized immediately as the Group's expenses when incurred, except for the issuance of debt or equity instruments.

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

If the business combination is achieved in stages, the Group shall measure any non-controlling equity interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other non-controlling interest is measured (1) at fair value at the acquisition date or (2) by using other valuation techniques acceptable under the IFRS as endorsed by the FSC.

In a business combination achieved in stages, the Group shall re-measure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss. In prior reporting periods, the Group may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income shall be recognized on the same basis as would be required if the Group had disposed directly of the previously held equity interest. If the disposal of the equity interest required a reclassification to profit or loss, such an amount shall be reclassified to profit or loss.

(w) Earnings per share

The Group discloses the basic and diluted earnings per share attributable to ordinary equity holders of the Group. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholder of the Group divided by weighted average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Group divided by weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. Dilutive potential ordinary shares comprise employee compensation not yet approved by the board of directors.

(x) Operating segments

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

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

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

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

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

There are no critical judgments in applying the accounting policies that have significant effects on the amounts recognized in the consolidated financial statements. Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) The loss allowance of trade receivable

The Group has estimated the loss allowance of trade receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Group has considered historical experience, current economic conditions and forward looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. The relevant assumptions and input values, please refer to note 6(e).

(b) Valuation of inventories

Inventories are stated at the lower of cost or net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to note 6(e) for further description of the valuation of inventories.

(c) Revenue recognition

Contract revenue and costs are recognized by reference to the stage of completion of each contract. The stage of completion of a contract is measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs or actually completion of the contracts. Estimated total contract costs of contracted items are assessed and determined by the management based on the nature of activities, expected sub-contracting charges, construction periods, etc., for each construction contract. Changes in these estimates might affect the calculation of the percentage of completion and related profits from construction contracts. Refer to note 6(d) for further description of construction revenue.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand	\$ 6,329	8,742
Checking accounts and demand deposits	1,617,476	1,554,952
Time deposits	857,073	891,170
	<u><u>\$ 2,480,878</u></u>	<u><u>2,454,864</u></u>

Please refer to note 6(ad) for the disclosure of the exchange rate risk and the sensitivity analysis of the financial assets and liabilities of the Group.

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	December 31, 2018
Mandatorily measured at fair value through profit or loss:	
Beneficiary certificate-Funds	\$ 220,207
Unlisted common shares	74,828
Convertible bonds	7,950
Foreign unlisted funds	<u>16,303</u>
	<u>\$ 319,288</u>
Current	\$ 220,207
Non-current	<u>99,081</u>
	<u>\$ 319,288</u>

(c) Non-current financial assets at fair value through other comprehensive income

	December 31, 2018
Equity investments at fair value through other comprehensive income	
Stocks listed on domestic markets	\$ 3,372
Stocks unlisted on domestic markets	576,414
Stocks unlisted on foreign markets	<u>1,689</u>
Total	<u>\$ 581,475</u>

On January 1, 2018, the Group designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long term for strategic purposes. These investments were classified as available for sale financial assets and financial assets measured at cost on December 31, 2017.

For the year ended December 31, 2018, the Group received dividends of its financial assets at fair value through other comprehensive income for \$21,732.

For the year ended December 31, 2018, the Group disposed parts of its financial assets at fair value through other comprehensive income, with the fair value of \$10,642, and recognized a loss of \$56,087, which was accounted for as other comprehensive income. The gain had been transferred to retained earnings.

The Group's information of market risk, please refer to note 6(ad).

As of December 31, 2018, the Group did not provide financial assets as collateral for its loans.

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Financial assets

	December 31, 2017
Financial assets at fair value through profit or loss:	
Mutual fund — open-end funds	\$ 320,881
Available-for-sale financial assets	23,847
Financial assets cost	<u>279,427</u>
	<u>\$ 624,155</u>
Current	\$ 344,728
Non-current	<u>279,427</u>
	<u>\$ 624,155</u>

- (i) The aforementioned investments held by the Group are measured at cost less accumulated impairment losses on the reporting date given the range of reasonable fair value estimates is large and the probability for each estimate cannot be reasonably determined; therefore, the Group management had determined that the fair value cannot be measured reliably.
- (ii) For the year ended 2017, the Group disposed parts of its available-for-sale financial assets for \$20,997, resulting in a gain on disposal amounting to \$6,062, which were recognized as other gains and losses in its consolidated statements of comprehensive income. The gain includes the amount which was previously recognized as other comprehensive income deriving from its investee company.
- (iii) The value of part of the Group's investments classified as current available-for-sale financial assets and financial assets at cost declined materially and permanently, and the Group therefore recognized an impairment loss amounting to \$14,424, which were recorded as impairment losses for the years ended December 31, 2017.
- (iv) As of December 31, 2017, the Group did not provide financial assets as collateral for its loans.
- (v) If there is an increase (decrease) in equity price by 5% on the reporting date, the increase (decrease) in net other comprehensive income pre-tax for 2017 will be \$1,192.

(e) Notes and accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable from occurred due to operation	\$ 19,276	47,936
Accounts receivable from measured at amortized cost	4,949,786	3,786,460
Less: allowance for uncollectible accounts	<u>24,314</u>	<u>24,435</u>
Notes and accounts receivable	<u>\$ 4,944,748</u>	<u>3,809,961</u>

The Group has assessed a portion of its accounts receivables that was held within a business model whose objective is achieved by selling financial assets; therefore, such accounts receivables were measured at fair value through profit or loss on January 1, 2018.

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31, 2018. To measure the expected credit losses, notes and accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including the reasonable prediction of historical credit loss experience and future economic situation.

The loss allowance provision as of December 31, 2018 was determined as follows:

	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Not overdue	\$ 4,589,258	0.15%	6,781
Overdue 0-30 days	243,522	0.96%	2,339
Overdue 31-60 days	61,472	0.90%	552
Overdue 61-90 days	19,298	12.25%	2,364
Overdue over 91 days	55,512	22.12%	12,278
	<u>\$ 4,969,062</u>		<u>24,314</u>

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

	December 31, 2017
Overdue 1 to 120 days	\$ 373,147
Overdue over 121 days	64,711
	<u>437,858</u>

The change of allowance for notes and accounts receivable for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017	
		Individually assessed impairment	Collectively assessed impairment
Balance at January 1 (per IAS 39)	\$ 24,435	10,263	78,511
Adjustment on initial application of IFRS 9	-		
Balance on January 1 (per IFRS 9)	24,435		
Impairment loss recognized	-	-	6,654
Impairment loss reversed	(121)	-	(6,425)
Amounts written off	-	-	(63,025)
Impact of changes in exchange rates	-	-	(1,543)
Balance on December 31	<u>\$ 24,314</u>	<u>10,263</u>	<u>14,172</u>

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group entered into accounts receivable factoring agreements with banks. As of December 31, 2018 the agreements was expired but not re-signed by the Group. Excepting for the aforementioned situation, the factoring amount granted by the banks was \$20,000, as of December 31, 2017. Based on the agreements, the Group is not responsible for guaranteeing the ability of the account receivable obligor to make payment when it is affected by credit risk. Thus, this is non-recourse accounts receivable factoring. After the transfer of the accounts receivable, the Group can request partial advanced amount, while the interest calculated at an agreed rate is paid to the bank in the period during the time of receiving advance and the accounts receivable is collected. The remaining amounts with no advance are received when the accounts receivable are settled by the customers. As of December 31, 2018 and 2017, the factored accounts receivable with no advance amounting to \$0 and \$2,394, respectively, is recorded for as other financial assets-current.

As of December 31, 2018 and 2017, the details of the factored accounts receivable was as follows:

December 31, 2018					
Purchaser	Amount Derecognized	Limitation amount	Advance amount	Interest rate	Collateral
Financial Institution	\$ -	-	-	-%	-

December 31, 2017					
Purchaser	Amount Derecognized	Limitation amount	Advance amount	Interest rate	Collateral
Financial Institution	\$ 2,394	20,000	-	-%	-

(f) Other receivables

	December 31, 2018	December 31, 2017
Other accounts receivable	\$ 64,102	114,680
Less: Loss allowance	3,755	3,755
	<u>\$ 60,347</u>	<u>110,925</u>

As of December 31, 2017, the aging analysis of other receivables, which were past due but not impaired, were as follows:

	December 31, 2017
Overdue over 121 days	<u>\$ 16,902</u>

For the year ended December 31, 2017, the movement in the allowance for other receivables were as follows:

	Individually assessed impairment	Collectively assessed impairment	Total
Balance on December 31, 2017 (Same as balance on January 1, 2017)	\$ 3,755	-	<u>3,755</u>

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(g) Construction contracts

- (i) Construction revenue recognized in profit or loss during the year ended December 31, 2017 was as follows:

	2017
Construction revenue recognized in current profit or loss	\$ <u>1,534,749</u>
	December 31, 2017
Accumulated cost incurred	\$ 2,996,389
Add: accumulated profit and losses recognized arising from the construction	<u>454,554</u>
Accumulated costs and profit recognized (less losses recognized)	3,450,943
Less: progress billings	<u>3,688,226</u>
Net amount due from customers for contract work	\$ <u>(237,283)</u>
Amount due from customers for contract work—presented as an asset	\$ 141,139
Amount due to customers for contract work—presented as a liability	<u>378,422</u>
	\$ <u>(237,283)</u>
Advance received	\$ <u>-</u>
Retention payable from construction contract	\$ <u>-</u>

- (ii) The material construction in progress as of December 31, 2017, is summarized below (contract price in excess of \$150,000):

December 31, 2017					
Construction item	Estimated construction revenue	Estimated construction cost	% of completion	Estimated year of completion	Accumulated gain (loss)
CC15020	\$ 319,048	296,097	67.55	2018	15,504
CP17012	216,190	203,219	25.33	2019	3,285
CW14001	546,460	502,444	97.17	2018	42,772
RPC14004R	185,776	172,437	79.83	2018	10,648
RPW15015R	337,035	284,223	81.99	2018	43,305
RPW15017R	1,069,817	852,276	67.65	2018	147,169
RPC16001R	316,432	254,624	94.85	2018	58,626
RPW16042S	155,412	147,138	67.09	2018	5,551
RPW16049S	428,158	315,906	34.74	2018	38,997
RPW17003S	847,303	842,602	2.10	2019	99
RPW17033S	498,066	474,762	0.64	2019	148
RPW17037S	331,846	262,860	0.67	2018	462

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Please refer to note (6)(x) for the disclosure of the balance of the construction of the Group.

For details on sales revenue for the year ended December 31, 2018, please refer to note (6)(x).

(h) Inventories

	December 31, 2018	December 31, 2017
Merchandise inventories	\$ 2,566,025	2,406,196
Work in progress	1,112	604
Raw materials	27,391	12,515
Goods in transit	62,523	70,220
	<u><u>\$ 2,657,051</u></u>	<u><u>2,489,535</u></u>

Inventory-related expenses were as follows:

	107	106
Cost of sales	\$ 21,756,717	19,312,637
Provision (recovery) for inventory valuation loss and obsolescence	3,217	2,309
Loss on scrapping of inventory and others	1,848	2,661
	<u><u>\$ 21,761,782</u></u>	<u><u>19,317,607</u></u>

As of December 31, 2018 and 2017, the Group did not provide inventories as collateral for its loans.

(i) Investments accounted for using equity method

- (i) The Group's equity-accounted investment in all individually immaterial associates and the Group's share of the operating results are summarized below:

	December 31, 2018	December 31, 2017
The carrying amount of the Group's interests in all individually immaterial associates	<u><u>\$ 1,305,978</u></u>	<u><u>1,137,738</u></u>
	<u>2018</u>	<u>2017</u>
The Group's share of the net gain of associates		
Profit (loss) from continuing operations	\$ 280,953	84,993
Other comprehensive income	(99)	4,195
Total comprehensive income	<u><u>\$ 280,854</u></u>	<u><u>89,188</u></u>

- (ii) For the year ended 2017, the Group disposed all the stocks of parts of its associates for \$1,500, resulting in a loss of \$844, which was recognized as other gains and losses in its consolidated statements of comprehensive income. The loss includes the amount which was previously recognized as other comprehensive income deriving from its investee company.

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) As of December 31, 2018 and 2017, the Group did not provide any investments accounted for using equity method as collaterals for its loans.

(j) Changes in a parent's ownership interest in a subsidiary

Min Jen Restaurant, which is the Group's subsidiaries, issued newly shares to \$30,000 in 2018, resulting in a decrease of \$6,247 in retained earnings.

The Group purchased the shares of its subsidiaries from non-controlling interests amounting to \$975 in 2017, resulting in an increase of \$3 in capital surplus, as well as a decrease of \$227 in retained earnings.

(k) Subsidiaries and non-controlling interests

Considering the future development strategy, the Group purchased Min Jen Restaurant's equity in September 2017, and January 2018, respectively, for a total of \$80,000. The Group increased its shareholding from 38% to 62% and acquired its controlling right in January 2018. As of December 31, 2018, the Group had paid off its payment.

As of the acquisition date, the identifiable assets acquired and liabilities assumed were as follows:

Cash and cash equivalents	\$ 57,278
Notes accounts receivable, net	10,127
Other financial assets	10,731
Inventories, net	1,856
Other current assets	3,202
Property, plant and equipment	46,685
Other non-current assets	950
Notes and accounts payable	(14,261)
Other current liabilities	(26,072)
Identifiable fair value of net assets	<u><u>\$ 90,496</u></u>

Goodwill from recognized acquisition:

Transfer pricing	\$ 50,000
Add: non-controlling interest	34,805
Add: fair value of acquired company	15,186
Less: Recognized fair value of net assets	<u>90,496</u>
Goodwill	<u><u>\$ 9,495</u></u>

The difference between the consideration transferred of \$50,000 and the fair value of Min Jen Restaurant's equity ownership was \$9,495. The goodwill was generated from the diversity of the Group's business. However, the operation was not as expected, and the value of the goodwill had been devalued, the Group therefore recognized an impairment loss amounting to \$9,495, which was recorded as impairment losses in 2018.

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(I) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group for the years ended December 31, 2018 and 2017 were as follows:

	Land	Buildings and building improvement	Machinery and others	Total
Cost or deemed cost:				
Balance on January 1, 2018	\$ 909,028	1,343,014	1,663,183	3,915,225
Additions	-	527	268,068	268,595
Acquisition from business combination	-	-	50,927	50,927
Disposals	-	(11,005)	(55,789)	(66,794)
Reclassifications	-	297,409	(315,540)	(18,131)
Effect of movements in exchange rates	-	(4,064)	(469)	(4,533)
Balance on December 31, 2018	<u>\$ 909,028</u>	<u>1,625,881</u>	<u>1,610,380</u>	<u>4,145,289</u>
Balance on January 1, 2017	\$ 909,028	672,174	1,954,133	3,535,335
Additions	-	590	461,293	461,883
Disposals	-	(3,430)	(35,857)	(39,287)
Reclassifications	-	676,317	(716,141)	(39,824)
Effect of movements in exchange rates	-	(2,637)	(245)	(2,882)
Balance on December 31, 2017	<u>\$ 909,028</u>	<u>1,343,014</u>	<u>1,663,183</u>	<u>3,915,225</u>
Depreciation and impairments loss:				
Balance on January 1, 2018	\$ -	211,659	306,207	517,866
Depreciation	-	40,106	115,590	155,696
	-	-	4,242	4,242
Disposals	-	(11,005)	(46,823)	(57,828)
Effect of movements in exchange rates	-	(1,336)	(282)	(1,618)
Balance on December 31, 2018	<u>\$ -</u>	<u>239,424</u>	<u>378,934</u>	<u>618,358</u>
Balance on January 1, 2017	\$ -	168,802	230,367	399,169
Depreciation	-	46,640	103,999	150,639
Disposal	-	(3,422)	(28,066)	(31,488)
Reclassifications to investment property	-	3	-	3
Effect of movements in exchange rates	-	(364)	(93)	(457)
Balance on December 31, 2017	<u>\$ -</u>	<u>211,659</u>	<u>306,207</u>	<u>517,866</u>
Carrying amounts:				
Balance on December 31, 2018	<u>\$ 909,028</u>	<u>1,386,457</u>	<u>1,231,446</u>	<u>3,526,931</u>
Balance on January 1, 2017	<u>\$ 909,028</u>	<u>503,372</u>	<u>1,723,766</u>	<u>3,136,166</u>
Balance on December 31, 2017	<u>\$ 909,028</u>	<u>1,131,355</u>	<u>1,356,976</u>	<u>3,397,359</u>

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (i) In order to expand its business, the Group purchased pieces of land to build a tourism factory and a fish processing factory. The registration procedures of the land have been completed and the payments had been fully paid. According to the law, the land in Yilan city is an agricultural land and cannot be owned by any legal corporation, thus, the title is temporarily held by an individual with whom the Group entered into an agreement with, clarifying the rights and obligations of both parties. The construction and decoration of the tourism factory had been completed in January and June 2017, respectively, and were reclassified to buildings and started to depreciate. The tourism factory began its operation in the third quarter of 2017. In addition, the construction of the fish processing factory had been completed in September 2018, and was reclassified to buildings.
- (ii) As of December 31, 2018 and 2017, the Group did not provide any property, plant and equipment as collateral for its loans.
- (m) Investment property

The investment properties of the Group were as follows:

	<u>Buildings</u>
Cost:	
Balance on January 1, 2018	\$ 68,171
Effect of changes in foreign exchange rates	673
Balance on December 31, 2018	<u>\$ 68,844</u>
Balance on January 1, 2017	\$ 68,263
Effect of changes in foreign exchange rates	(92)
Balance on December 31, 2017	<u>\$ 68,171</u>
Accumulated depreciation and impairment losses:	
Balance on January 1, 2018	\$ 4,653
Depreciation for the year	1,369
Effect of changes in foreign exchange rates	53
Balance on December 31, 2018	<u>\$ 6,075</u>
Balance on January 1, 2017	\$ 5,199
Depreciation for the year	1,367
Impairment loss	(1,901)
Effect of changes in foreign exchange rates	(12)
Balance on December 31, 2017	<u>\$ 4,653</u>

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Buildings</u>
Carrying amount:	
Balance on December 31, 2018	\$ <u>62,769</u>
Balance on January 1, 2017	\$ <u>63,064</u>
Balance on December 31, 2017	\$ <u>63,518</u>
Fair value:	
Balance on January 1, 2018	\$ <u>71,077</u>
Balance on December 31, 2017	\$ <u>67,653</u>

- (i) Parts of the Group's offices were leased to third parties. The fair value of the investment properties is measured at the market price.
- (ii) As of December 31, 2018 and 2017, the Group did not provide any investment properties as collaterals for its loans.
- (iii) As of December 31, 2018 and 2017, the fair value of investment properties was not valued by qualified independent appraiser. Instead, it is assessed based on the market value of transaction price of the real estate in the adjacent area, and the inputs of levels of fair value hierarchy was classified to level 3.
- (n) Other non-current assets

The other non-current assets of the Group were as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Restricted assets	\$ 16,609	13,920
Refundable deposits	23,650	19,718
Computer software cost and others	<u>66,469</u>	<u>43,717</u>
	<u>\$ 106,728</u>	<u>77,355</u>

- (o) Short-term borrowings

The short-term borrowings of the Group were as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Loans for purchase of materials	\$ -	13,210
Unsecured bank loans	<u>881,068</u>	<u>773,594</u>
Total	<u>\$ 881,068</u>	<u>786,804</u>
Unused credit line for short-term borrowings	<u>\$ 6,045,077</u>	<u>4,913,332</u>
Annual interest rates	<u>0.75%~4.568%</u>	<u>0.7%~4.785%</u>

For information on the Group's interest risk, foreign currency risk and liquidity risk, please see note 6(ad).

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(p) Long-term borrowings

The details were as follows:

December 31, 2018			
Currency	Rate	Maturity year	Amount
Secured bank loans	TWD	1.81%~2.31% 2020.09~2032.08	\$ 475,664
Less: current portion			(48,720)
Total			<u>\$ 426,944</u>
Unused long-term credit lines			<u>\$ -</u>

December 31, 2017			
Currency	Rate	Maturity year	Amount
Secured bank loans	TWD	1.80%~2.3% 2020.09~2032.08	\$ 507,806
Less: current portion			(47,589)
Total			<u>\$ 460,217</u>
Unused long-term credit lines			<u>\$ -</u>

(i) Issuance and repayments of long-term borrowings

The Group issued new long-term loans amounting to \$16,200 and \$48,800 in 2018 and 2017, respectively, with maturity dates in August 2032. The amounts paid were \$48,342 and \$50,921 in 2018 and 2017, respectively.

(ii) As of December 31, 2018, the repayment schedule for the long-term borrowings was as follows:

Period	Amount
2019.1.1~2019.12.31	\$ 48,720
2020.1.1~2020.12.31	121,720
2021.1.1~2021.12.31	36,720
2022.1.1~2022.12.31	59,219
After 2023.1.1	<u>209,285</u>
	<u>\$ 475,664</u>

(iii) The Group paid part of the long-term borrowings in advance for \$5,500 in 2017, respectively.

(iv) For the collateral for long-term borrowings, please refer to note 8.

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(q) Provisions

	<u>Warranties</u>	<u>Sales returns and allowances</u>	<u>Onerous contracts</u>	<u>Total</u>
Balance at January 1, 2018	\$ 71,741	86,078	-	157,819
Effects of retrospective application	-	(86,078)	-	(86,078)
Balance at January 1, 2018 after adjustment	71,741	-	-	71,741
Provisions made during the period	41,007	-	42,490	83,497
Provisions used during the period	(8,690)	-	-	(8,690)
Provisions reversed during the period	(6,650)	-	-	(6,650)
Effect of changes in foreign exchange rates	(1,790)	-	-	(1,790)
Balance at December 31, 2018	<u>\$ 95,618</u>	<u>-</u>	<u>42,490</u>	<u>138,108</u>
Balance at January 1, 2017	\$ 12,405	79,526	-	91,931
Provisions made during the period	67,129	81,004	-	148,133
Provisions used during the period	(7,125)	(74,452)	-	(81,577)
Provisions reversed during the period	(668)	-	-	(668)
Balance at December 31, 2017	<u>\$ 71,741</u>	<u>86,078</u>	<u>-</u>	<u>157,819</u>

Provisions related to construction revenue and sales of products, and are assessed based on historical experience. The aforementioned provisions are expected to settle the majority of the liability over the next year. Provisions for sales returns and allowances were classified as refund liabilities on December 31, 2018.

As permitted by IFRS 15 “Revenue from Contracts with Customers”, a provision for onerous contracts is recognized when the Group expects the unavoidable costs of performing the obligations under a construction contract exceed the economic benefits expected to be received under the contract. Because the cost of performing a construction contract had exceeded the economic benefits expected, the Group recognized the provisions in 2018 to response the cost of the construction contract.

(r) Operating leases

(i) Leases as lessee

Non-cancellable operating lease rentals payable were as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Less than one year	\$ 51,369	47,818
Between one and five years	124,525	96,780
More than five years	174,722	97,974
	<u>\$ 350,616</u>	<u>242,572</u>

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group leased several office space, warehouses, machines and buildings for erecting solar power generation equipment under operating leases with lease terms of 1 to 20 years and had an option to renew the leases. There is no significant non-cancellable operating lease contracts except for building lease contracts mentioned below.

The lease period of the building lease contracts for erecting solar power generation equipment systems is 20 years. According to the contracts, the monthly rent is 7% of the revenue which Taiwan Power Company paid to the Group for sale of power.

The office space and buildings were combined leases of the land and buildings. The rent paid to the lessor is increased to market rent at regular intervals, and ownership of the land and buildings were not transferred. As a result, it was determined that substantially, all the risks and rewards of the land and buildings are attributed to the lessor. Therefore, the Group determined that the land, office space, and building leases are accounted for as operating leases.

For the years ended December 31, 2018 and 2017, expenses recognized in profit or loss in respect of operating leases amounted to \$119,505 and \$110,776, respectively.

(ii) Leases as lessor

The Group leases out its investment properties (see Note 6(i)). The future minimum lease payments under non-cancellable leases are as follows:

	December 31, 2018	December 31, 2017
Less than one year	\$ 2,043	1,473
Between one and five years	1,533	-
	<u>\$ 3,576</u>	<u>1,473</u>

Rental income from investment properties were \$1,951 and \$1,945 in 2018 and 2017, respectively. The depreciation arising from investment properties amounting to \$1,369 and \$1,367, respectively, were recognized as a reduction of rental income.

(s) Employee benefits

(i) Defined benefit plans

The present value of the defined benefit obligations and fair value of plan assets of the Group were as follows:

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	\$ (247,761)	(232,212)
Fair value of plan assets	48,967	44,747
Net defined benefit liabilities	<u>\$ (198,794)</u>	<u>(187,465)</u>

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group makes defined benefit plan contributions to the pension fund account at the Bank of Taiwan that provides pensions for employees upon retirement. The plans entitle a retired employee to receive an annual payment based on years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Labor Pension Fund Supervisory Committee. With regard to the utilization of the funds, minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$48,967 at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

2) Movements in present value of defined benefit obligations

The movements in present value of defined benefit obligations for the Group were as follows:

	2018	2017
Defined benefit obligation at January 1	\$ (232,212)	(225,142)
Current service costs and interest costs	(6,396)	(6,304)
Benefits paid	-	17,633
Remeasurements of net defined liabilities	(9,153)	(18,399)
Defined benefit obligations at December 31	\$ <u>(247,761)</u>	<u>(232,212)</u>

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group were as follows:

	2018	2017
Fair value of plan assets at January 1	\$ 44,747	45,352
Contributions paid by the employer	2,400	2,400
Expected return on plan assets	580	621
Benefits paid	-	(3,438)
Remeasurements of net defined benefit liabilities	1,240	(188)
Fair value of plan assets at December 31	\$ <u>48,967</u>	<u>44,747</u>
Actual return on plan assets	\$ <u>1,820</u>	<u>433</u>

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Service cost	\$ 2,789	3,227
Net interest of net liabilities for defined benefit obligations	3,027	2,456
	\$ 5,816	5,683
Selling expenses	195	347
Administrative expenses	5,621	5,336
	\$ 5,816	5,683

5) Re-measurement of net defined benefit liability recognized in other comprehensive income

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

	2018	2017
Accumulated amount at January 1	\$ 43,297	24,710
Recognized during the period	7,913	18,587
Accumulated amount at December 31	\$ 51,210	43,297

6) Actuarial assumptions

The following are the Group's principal actuarial assumptions at the reporting date:

	December 31, 2018	December 31, 2017
Discount rate	1.375 %	1.625 %
Future salary increases	3.00 %	3.00 %

The expected allocation payment made by the Group to the defined benefit plans for the one year period after the reporting date is \$2,400.

The weighted-average duration of the defined benefit obligation is 15.45 years.

7) Sensitivity analysis

If the main actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Effects to the defined benefit obligation	
	Increased 0.25%	Decreased 0.25%
December 31, 2018		
Discount rate	\$ (6,128)	6,361
Future salary increasing rate	6,132	(5,940)
December 31, 2017		
Discount rate	(6,103)	6,341
Future salary increasing rate	6,131	(5,934)

There is no change in other assumptions when performing the above-mentioned sensitivity analysis. In practice, assumptions may be interactive with each other. The method used on sensitivity analysis is consistent with the calculation on the net defined benefit liability.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for this period and previous period.

(ii) **Defined contribution plans**

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

The domestic Group entities recognized the pension costs under the defined contribution method amounting to \$40,340 and \$37,523 for the years ended December 31, 2018 and 2017, respectively. Payment was made to the Bureau of Labor Insurance.

Other subsidiaries recognized the pension expense, basic endowment insurance expense, and social welfare expenses amounting to \$12,680 and \$9,704 for the years ended December 31, 2018 and 2017, respectively.

(t) **Income taxes**

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20%.

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Income tax expenses

- 1) The amount of income tax for the years ended December 31, 2018 and 2017 was as follows:

	<u>2018</u>	<u>2017</u>
Current tax expense		
Recognized during the period	\$ 287,940	287,964
10% surtax on unappropriated earnings	<u>10,872</u>	<u>21,242</u>
	298,812	309,206
Deferred tax expense		
Recognition and reversal of temporary differences	124,164	10,293
Adjustment in tax rate	<u>(9,587)</u>	<u>-</u>
	114,577	10,293
Income tax expense	<u><u>\$ 413,389</u></u>	<u><u>319,499</u></u>

- 2) The amount of income tax recognized in other comprehensive income for 2018 and 2017 was as follows:

	<u>2018</u>	<u>2017</u>
Items that may not be reclassified subsequently to profit or loss:		
Remeasurements of the net defined benefit liability	\$ (2,882)	(3,160)
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences of foreign operations	<u>(3,422)</u>	<u>(4,803)</u>
	<u><u>\$ (6,304)</u></u>	<u><u>(7,963)</u></u>

- 3) The income tax that was reconciled with the actual income tax expense for 2018 and 2017 was as follows:

	<u>2018</u>	<u>2017</u>
Profit before tax	\$ 1,794,977	1,318,205
Income tax calculated based on local tax rate	418,037	263,147
Estimated tax effect of tax exemption on investment income, net	(82,957)	(4,935)
Adjustment in tax rate	(9,587)	-
Changes in unrecognized temporary differences	77,567	40,726
Estimated difference adjustment and others	(543)	(681)
10% surtax on unappropriated earnings	<u>10,872</u>	<u>21,242</u>
	<u><u>\$ 413,389</u></u>	<u><u>319,499</u></u>

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets and liabilities

The Group's deferred tax assets have not been recognized in respect of the following items:

	December 31, 2018	December 31, 2017
Tax effect of deductible temporary differences	\$ 22,209	19,271
Tax carryforward of unused tax losses	199,220	124,591
	<u>\$ 221,429</u>	<u>143,862</u>

Deferred tax assets were not recognized because the deductible temporary differences may not be realized in the future.

The ROC Income Tax Act allows losses for tax purposes, as assessed by the tax authorities, to be offset against taxable income in the following ten years. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits.

As of December 31, 2018, the Group's loss carryforward not recognized as deferred tax assets was as follows:

<u>Year of loss</u>	<u>Expiry year</u>	<u>Deductible amount</u>
2009 (Assessed)	2019	\$ 243
2010 (Assessed)	2020	1,006
2011 (Assessed)	2021	4,710
2012 (Assessed)	2022	22,970
2013 (Assessed)	2023	49,108
2014 (Assessed)	2024	94,536
2015 (Assessed)	2025	177,084
2016 (Filed/Assessed)	2026	106,189
2017 (Filed/Assessed)	2027	282,520
2018 (Estimated)	2028	257,734
		<u>\$ 996,100</u>

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2018 and 2017 were as follows:

	Deferred benefit plan	Foreign investment loss under equity method	Loss on inventory valuation	Others	Total
Deferred tax assets:					
Balance on January 1, 2018	\$ 32,607	30,237	450	45,781	109,075
Recognized in profit or loss	5,138	5,174	757	(17,660)	(6,591)
Recognized in other comprehensive income	<u>2,882</u>	<u>-</u>	<u>-</u>	<u>3,422</u>	<u>6,304</u>
Balance on December 31, 2018	<u>\$ 40,627</u>	<u>35,411</u>	<u>1,207</u>	<u>31,543</u>	<u>108,788</u>
Balance on January 1, 2017	\$ 31,302	12,539	360	34,822	79,023
Recognized in profit or loss	(1,855)	17,698	90	6,156	22,089
Recognized in other comprehensive income	<u>3,160</u>	<u>-</u>	<u>-</u>	<u>4,803</u>	<u>7,963</u>
Balance on December 31, 2017	<u>\$ 32,607</u>	<u>30,237</u>	<u>450</u>	<u>45,781</u>	<u>109,075</u>
	Foreign investment income under equity method	Foreign currency translation adjustment		Others	Total
Deferred tax liabilities:					
Balance on January 1, 2018	\$ 167,899	-		515	168,414
Recognized in profit or loss	<u>108,417</u>	<u>-</u>		<u>(431)</u>	<u>107,986</u>
Balance on December 31, 2018	<u>\$ 276,316</u>	<u>-</u>		<u>84</u>	<u>276,400</u>
Balance on January 1, 2017	\$ 135,591	-		441	136,032
Recognized in profit or loss	<u>32,308</u>	<u>-</u>		<u>74</u>	<u>32,382</u>
Balance on December 31, 2017	<u>\$ 167,899</u>	<u>-</u>		<u>515</u>	<u>168,414</u>

- (iii) The ROC tax authorities have examined the income tax returns of the Company, as well as Taiwan E&M, Anyong Biotechnology, Jia Yi Energy, Chien Yueh, Topco International Investment, Anyong Lohas, Jing Yang, and Kuan Yueh Technology through 2016; and also those of Jing Chen, Jing Yueh Energy, You Fu Technology, Cai Yan, Anyong Fresh Mart, Kanbo Biomedical, Topco Investment, General Precise, Topchem Materials, Ding Yue Foods, Fu Shan Fishery, Xiang Yue, and Min Jen Restaurant through 2017.

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(u) Capital and other equities

(i) Common stock

As of December 31, 2018 and 2017, the authorized common stock were 1,900,000 (both including \$100,000 for the issuance of employee stock options), with a par value of \$10 (dollars) per share. All issued shares were paid up upon issuance.

Reconciliations of shares outstanding for 2018 and 2017 are as follows (in thousands of shares):

	Ordinary Shares	
	2018	2017
Balance on January 1	181,700	165,900
Capital increase by cash	-	15,800
Balance on December 31	<u>181,700</u>	<u>181,700</u>

Based on the resolution of the board of directors' meeting held on September 12, 2017, the Company increased its common stock through a cash injection of 15,800 thousand shares, with a par value of \$10 (dollars) per share. The shares that were issued at \$65 (dollars) per share amounting to \$1,027,000 had already been approved on October 26, 2017 by the Securities and Futures Bureau of FSC. The effective date of issuance was December 7, 2017, and the register procedures related to this matter had been completed.

(ii) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2018	December 31, 2017
Additional paid-in capital	\$ 2,339,175	2,339,242
Changes in equity of associates and joint ventures accounted for using equity method	1,185	1,185
Others	<u>319</u>	<u>319</u>
	<u>\$ 2,340,679</u>	<u>2,340,746</u>

In accordance with the ROC Company Act, realized capital reserves can only be reclassified as share capital or distributed as cash dividends after offsetting losses. The aforementioned capital surplus includes share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserves to be reclassified under share capital shall not exceed 10 percent of the actual share capital amount.

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) Retained earnings

In accordance with the Company's articles of incorporation, 10% of the Company's annual net income after paying all taxes and deducting losses from the prior years, if any, should be set aside as legal reserve and then set aside or reverse a special reserve in accordance with laws and regulations. The balance of earnings available for distribution is composed of the remainder of the said profit and the unappropriated retained earnings. The earnings appropriation proposal to distribute dividend shall be proposed by the board of directors and approved by the shareholders meeting.

According to the Company's dividend policy, the type of dividends should be determined after considering the remaining portion of retained earnings, the business environment, etc. The dividends could be paid whether by cash or stock. No less than 10% of total stockholders' dividends may be distributed in the form of cash dividends. Any remaining profit didn't distributed in the form of cash dividends could be distributed in the form of stock dividends according to the Company's articles proposed by the board of directors and submitted to the stockholders' meeting for approval.

1) Legal reverse

In accordance with the amended Company Act, 10% of net income should be set aside as legal reserve until it is equal to share capital. When a company incurs no loss, it may, in pursuant to a resolution to be adopted by the shareholders' meeting as required, distribute its legal reserve by issuing new shares and distributing stock dividends or distributing cash to shareholders. Only the portion of the legal reserve which exceeds 25% of the paid-in capital may be distributed.

2) Special reverse

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

Earnings distribution for 2017 and 2016 was approved by the shareholders during their annual meeting held on June 11, 2018 and June 14, 2017, respectively. The relevant information was as follows:

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	2017		2016	
	Amount per share NT (dollars)	Total amount	Amount per share NT (dollars)	Total amount
Distributed to common shareholder:				
Cash dividends	\$ 4.2	<u>763,138</u>	5.0	<u>829,498</u>

Earnings distributed in cash amounting to \$963,008 for 2018 was approved at the board of directors' meeting held on March 19, 2019. The relevant information was as follows:

	2018	
	Amount per share NT (dollars)	Total amount
Dividends to common shareholder:		
Cash dividends	\$ 5.3	<u>963,008</u>

The information earning distribution can be accessed from the Market Observation Post System after the shareholders' meeting.

4) Other equity

	Foreign exchange differences arising from foreign operation	Available- for-sale financial assets	Unrealized gain (loss) from financial assets at fair value through other comprehensive income	Total
Balance of January 1, 2018	\$ (37,245)	(1,905)	-	(39,150)
Effect of retrospective application	-	1,905	210,678	212,583
Balance at January 1, 2018 after adjustments	(37,245)	-	210,678	173,433
Foreign exchange differences (net of taxes):				
The Group	(7,713)	-	-	(7,713)
Associates	(86)	-	-	(86)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income:				
The Group	-	-	17,423	17,423
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	56,087	56,087
Balance on December 31, 2018	\$ (45,044)	-	284,188	239,144

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Foreign exchange differences arising from foreign operation	Available- for-sale financial assets	Unrealized gain (loss) from financial assets at fair value through other comprehensive income	Total
Balance of January 1, 2017	\$ (14,188)	(14,663)	-	(28,851)
Foreign exchange differences (net of taxes):				
The Group	(26,731)	-	-	(26,731)
Associates	3,674	-	-	3,674
Unrealized gains and losses from available- for-sale financial assets (net of taxes):				
The Group	-	12,758	-	12,758
Balance on December 31, 2017	<u>\$ (37,245)</u>	<u>(1,905)</u>	<u>-</u>	<u>(39,150)</u>

(v) Share-based payment

The Company implemented a cash injection based on the resolution approved during the board of directors' meeting held on September 12, 2017, including 1,204 thousand shares of total issuance for its employees. The information of share-based payment was as follow:

Grant date	November 10, 2017
Granted amount (thousand shares)	1,204
Granted Target	(Note)
Vested condition	Immediately vested

Note: The Company's full-time employees who meet certain requirements.

The Group used Black-Scholes method in measuring the fair value of the share-based payment at the grant date. The assumptions were as follows:

Expected volatility (%)	24.47 %
Expected life	0.05 year
Risk-free interest rate (%)	1.035 %
Fair value at grant date (per share)	\$ 73.8 (dollars)
Exercise price (per share)	\$ 65 (dollars)

Expected volatility is based on the historical volatility of the industry. The risk-free rate is determined based on the rates of 1 year time deposits of Bank of Taiwan. Service and non-market performance conditions attached to the transactions are not taken into account in determining the fair value.

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For the year ended 2017, the cost related to the cash injection derived from shares reserved for employees amounted to \$10,595, which was recorded as operating expenses.

(w) Earnings per share

The calculation of basic and diluted earnings per share for the years 2018 and 2017 are as follows:

	2018	2017
Basic earnings per share:		
Profit attributable to ordinary shareholders of the Company	\$ <u>1,404,675</u>	<u>997,625</u>
Weighted-average number of outstanding ordinary shares (thousands)	<u>181,700</u>	<u>166,913</u>
Basic earnings per share (dollars)	\$ <u><u>7.73</u></u>	<u><u>5.98</u></u>
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company (after adjustment of potential diluted ordinary shares)	\$ <u>1,404,675</u>	<u>997,625</u>
Weighted-average number of outstanding ordinary shares of potential diluted ordinary shares (thousands)	181,700	166,913
Effect if employee share bonuses	<u>1,251</u>	<u>833</u>
Weighted-average number of ordinary shares (after adjustment of potential diluted ordinary shares)	<u>182,951</u>	<u>167,746</u>
Diluted earnings per share (dollars)	\$ <u><u>7.68</u></u>	<u><u>5.95</u></u>

(x) Revenue from contracts with customers

(i) Disaggregation of revenue

	2018			
	Semiconductor and electronics divisions	Environmental engineering group	Other divisions	Total
Primary geographical markets:				
Taiwan	\$ 14,417,896	898,530	408,751	15,725,177
China	9,223,675	3,133,195	7,657	12,364,527
Others	<u>769,648</u>	<u>-</u>	<u>1,847</u>	<u>771,495</u>
	<u>\$ 24,411,219</u>	<u>4,031,725</u>	<u>418,255</u>	<u>28,861,199</u>

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	2018			
	<u>Semiconductor and electronics divisions</u>	<u>Environmental engineering group</u>	<u>Other divisions</u>	<u>Total</u>
Major products:				
Semiconductor and optoelectronic industries	\$ 24,411,219	-	-	24,411,219
Water purification and construction of dust-proof room	-	4,031,725	-	4,031,725
Others	-	-	418,255	418,255
	<u>\$ 24,411,219</u>	<u>4,031,725</u>	<u>418,255</u>	<u>28,861,199</u>
Timing of revenue recognition				
Products transferred at a point in time	\$ 23,642,067	283,586	403,386	24,329,039
Services transferred over time	769,152	95,946	14,869	879,967
Constructions transferred over time	-	3,652,193	-	3,652,193
	<u>\$ 24,411,219</u>	<u>4,031,725</u>	<u>418,255</u>	<u>28,861,199</u>

For details on revenue for the year ended December 31, 2017, please refer no note(6)(y).

(ii) Contract balance

	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Notes and accounts receivable (including related parties)	\$ 4,969,062	3,834,396
Less: allowance for impairment	24,314	24,435
Total	<u>\$ 4,944,748</u>	<u>3,809,961</u>
Contract assets — construction	<u>\$ 494,353</u>	<u>141,139</u>
Contract liabilities — construction	\$ 493,595	378,422
Contract liabilities — unearned revenue	210,813	481,522
Total	<u>\$ 704,408</u>	<u>859,944</u>

For details on accounts receivable and allowance for impairment, please refer to note (6)(e).

For details on construction contracts as of December 31, 2017, please refer to note (6)(g).

For details on onerous contracts as of December 31, 2018, please refer to note (6)(g).

The amount of revenue recognized for the year ended December 31, 2018 that was included in contract liability balance at the beginning of the period was \$522,409.

The major change in the balance of contract assets and contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. There were no significant changes for the year ended December 31, 2018.

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(y) Revenue

The details of revenue for the year 2017 were as follows:

	<u>2017</u>
Sale of goods	\$ 21,441,042
Construction revenue	1,534,749
Rendering of services	451,615
Electricity revenue	113,179
Other operating revenue	<u>240,427</u>
	<u>\$ 23,781,012</u>

(i) Refer to note 6(g) for further description of construction contract revenue.

(ii) The Group played a role of an agent instead of a client in rendering its service which is regarded as commission transaction.

(iii) For details on revenue for the year ended December 31, 2018, please refer to note (6)(x).

(z) Remuneration to employees, directors and supervisors

The Company's articles of incorporation require that earning shall first be offset against any deficit, then, a minimum of 4% net profit before tax will be distributed as employee remuneration and a maximum of 3% will be allocated as directors' and supervisors' remuneration. Employees who are entitled to receive the above mentioned employee remuneration, in share or cash, include the employees of the subsidiaries of the Company who meet certain specific requirements.

For the years ended December 31, 2018 and 2017, the Company estimated its employees', directors' and supervisors' remuneration amounting to \$96,802 and \$69,440, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2018 and 2017. The numbers of shares to be distributed for 2018 and 2017 were calculated based on the closing price of the Company's ordinary shares, one day before the date of the meeting of Board of Directors, respectively. Related information would be available at the Market Observation Post System website.

The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions in 2018 and 2017.

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(aa) Other income

The details of other income for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Interest income	\$ 18,058	11,579
Dividend income	23,832	21,000
Government grants	10,857	8,516
Other	<u>13,392</u>	<u>25,342</u>
	<u>\$ 66,139</u>	<u>66,437</u>

(ab) Other gains and losses

The other gains and losses for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Foreign currency exchange gains (losses), net	\$ (6,667)	3,279
Gain on disposal of investments	-	5,218
Gain (losses) on financial assets at fair value through profit or loss, net	(14,446)	-
Gains (losses) on disposal of property, plant and equipment	(1,165)	(7,134)
Other	<u>(16,012)</u>	<u>(10,522)</u>
	<u>\$ (38,290)</u>	<u>(9,159)</u>

(ac) Reclassification adjustments of the components of other comprehensive income

The reclassification adjustments of the components of other comprehensive income for the years 2018 and 2017 were as follows:

	2018	2017
Available-for-sale financial assets		
Net change in fair value (net of tax)	\$ -	8,396
Net change in fair value reclassified to profit or loss (net of tax)	<u>-</u>	<u>4,362</u>
Net change in fair value recognized in other comprehensive income (net of tax)	<u>\$ -</u>	<u>12,758</u>

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ad) Financial instruments

(i) Credit risk

1) Credit risk – exposure to credit risk

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

2) Concentration to credit risk

The customers of the Group are diverse instead of concentrating on specific customers; therefore, the Group has not suffered any significant credit loss. The Group periodically evaluates the financial positions of these customers to reduce the credit risk of accounts receivables.

3) Receivables and debt securities

For credit risk exposure of note and trade receivables, please refer to note (6)(e). Other financial assets at amortized cost includes other receivables. For the details on loss allowance on December 31, 2017, please refer to note (6)(f).

These financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. (Regarding how the financial instruments are considered to have low credit risk, please refer to note (4)(g).) The loss allowance provision as of December 31, 2018 was determined as follows:

	Other receivables
Balance on January 1 per IAS39	\$ 3,755
Adjustment on initial application of IFRS 9	-
Balance on January 1 per IFRS 9	3,755
Impairment loss recognized	-
Balance on December 31	<u>\$ 3,755</u>

(ii) Liquidity risk

The following are the contractual maturities of financial liabilities, excluding estimated interest payments.

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	<u>Carrying Amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
December 31, 2018					
Short-term and long-term borrowings	\$ 1,356,732	(1,356,732)	(929,788)	(121,720)	(305,224)
Notes and accounts payable (including related parties)	5,233,069	(5,233,069)	(5,233,069)	-	-
Accrued expenses and other payables	<u>207,296</u>	<u>(207,296)</u>	<u>(207,296)</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 6,797,097</u></u>	<u><u>(6,797,097)</u></u>	<u><u>(6,370,153)</u></u>	<u><u>(121,720)</u></u>	<u><u>(305,224)</u></u>
December 31, 2017					
Short-term and long-term borrowings	\$ 1,294,610	(1,294,610)	(834,393)	(47,589)	(412,628)
Notes and accounts payable (including related parties)	3,998,564	(3,998,564)	(3,998,564)	-	-
Accrued expenses and other payables	<u>158,223</u>	<u>(158,223)</u>	<u>(158,223)</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 5,451,397</u></u>	<u><u>(5,451,397)</u></u>	<u><u>(4,991,180)</u></u>	<u><u>(47,589)</u></u>	<u><u>(412,628)</u></u>

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

(iii) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

(in thousands)

	<u>December 31, 2018</u>			<u>December 31, 2017</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
Financial assets						
USD	\$ 45,788	USD/TWD= 30.715	1,406,378	59,948	USD/TWD= 29.76	1,784,052
USD	46,971	USD/CNY= 6.8683	1,442,716	35,150	USD/CNY= 6.5192	1,046,069
JPY	3,170,933	JPY/TWD= 0.2782	882,154	2,795,202	JPY/TWD= 0.2642	738,492
JPY	536,479	JPY/CNY= 0.0622	149,226	277,073	JPY/CNY= 0.0579	73,234

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2018			December 31, 2017		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial liabilities						
USD	\$	40,820 USD/TWD= 30.715	1,253,786	36,634 USD/TWD= 29.76		1,090,228
USD		53,550 USD/CNY= 6.8683	1,644,790	34,822 USD/CNY= 6.5192		1,036,038
JPY		2,853,773 JPY/TWD= 0.2782	793,920	2,611,205 JPY/TWD= 0.2642		689,880
JPY		434,825 JPY/CNY= 0.0622	120,950	137,631 JPY/CNY= 0.0579		36,378

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, loans and borrowings, and trade and other payables that are denominated in foreign currency. A 5% of appreciation (depreciation) of the each major foreign currency against the TWD as of December 31, 2018 and 2017 would have influenced the net profit before tax as follows. The analysis is performed on the same basis for both periods.

	December 31, 2018	December 31, 2017
USD (against the TWD)		
Appreciation 5%	\$ 7,630	34,691
Depreciation 5%	(7,630)	(34,691)
JPY (against the TWD)		
Appreciation 5%	4,412	2,431
Depreciation 5%	(4,412)	(2,431)
USD (against the CNY)		
Appreciation 5%	(10,104)	488
Depreciation 5%	10,104	(488)
JPY (against the CNY)		
Appreciation 5%	1,414	1,843
Depreciation 5%	(1,414)	(1,843)

As the Group deals in diverse foreign currencies, gains and losses on foreign exchange were summarized as a single amount. In 2018 and 2017, the foreign exchange gains or losses, including both realized and unrealized, were as follows:

	2018	2017
Foreign exchange gains (losses)	<u>\$ (6,667)</u>	<u>3,279</u>

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iv) Interest rate analysis

The details of financial assets and liabilities exposed to interest rate risk were as follows:

	Carrying amount	
	December 31, 2018	December 31, 2017
Variable rate instruments:		
Financial assets	\$ 1,930,851	1,734,871
Financial liabilities	990,163	960,506

The following sensitivity analysis is based on the risk exposure to interest rate on the derivative and non-derivative financial instruments on the reporting date. Regarding the assets and liabilities with variable interest rates, the analysis is on the basis of the assumption that the amount of assets and liabilities outstanding at the reporting date were outstanding throughout the year. The rate of change is expressed as the interest rate increase or decrease by 0.25% when reporting to management internally, which also represents management of the Group's assessment on the reasonably possible interval of interest rate change.

If the interest rate had increased or decreased by 0.25%, the net profit before tax would have decreased or increased by the amounts listed below for the years ended December 31, 2018 and 2017, respectively, which would be mainly resulted from the bank savings, time deposits with variable interest rates and short-term and long-term borrowings with variable interest rates.

	December 31, 2018	December 31, 2017
Interest rate increased by 0.25%	\$ 2,352	1,936
Interest rate decreased by 0.25%	(2,352)	(1,936)

(v) Fair value of financial instruments

1) Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss and available for sale financial assets is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2018				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Non derivative financial assets mandatorily measured at fair value through profit or loss-beneficiary certificate Funds	\$ 220,207	220,207	-	-	220,207
Non derivative financial assets mandatorily measured at fair value through profit or loss-unlisted common shares	74,828	-	-	74,828	74,828
Non derivative financial assets mandatorily measured at fair value through profit or loss-convertible bonds	7,950	7,950	-	-	7,950
Non derivative financial assets mandatorily measured at fair value through profit or loss-foreign unlisted funds	<u>16,303</u>	-	-	16,303	16,303
Subtotal	<u>319,288</u>	-	-	-	-
Financial assets at fair value through other comprehensive income	<u>581,475</u>	3,372	-	578,103	581,475
Financial assets measured at amortized cost					
Cash and cash equivalents	2,480,878	-	-	-	-
Notes and accounts receivable (including related parties)	4,944,748	-	-	-	-
Other current financial assets	151,849	-	-	-	-
Other non-current assets (refundable deposits and pledged asset-time deposits)	<u>40,259</u>	-	-	-	-
Subtotal	<u>7,617,734</u>				
Total	<u>\$ 8,518,497</u>				
Financial liabilities measured at amortized cost					
Long-term and short-term borrowings	\$ 1,356,732	-	-	-	-
Notes and accounts payable (including related parties)	5,233,069	-	-	-	-
Other current financial liabilities	<u>207,296</u>	-	-	-	-
Total	<u>\$ 6,797,097</u>				

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	December 31, 2017				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets fair value through profit or loss	<u>\$ 320,881</u>	320,881	-	-	320,881
Available-for-sale financial assets					
Stocks listed on domestic market and other	23,847	23,847	-	-	23,847
Non-current financial assets at cost	<u>279,427</u>	-	-	-	-
Subtotal	<u>303,274</u>				
Loans and receivables					
Cash and cash equivalents	2,454,864	-	-	-	-
Notes and accounts receivable (including related parties)	3,809,961	-	-	-	-
Other current financial assets	152,975	-	-	-	-
Other non-current assets (refundable deposits and pledged assets-time deposits)	<u>33,638</u>	-	-	-	-
Subtotal	<u>6,451,438</u>				
Total	<u>\$ 7,075,593</u>				
Financial liabilities at amortized cost through profit or loss					
Long-term and short-term borrowings	\$ 1,294,610	-	-	-	-
Notes and accounts payable (including related parties)	3,998,564	-	-	-	-
Other current financial liabilities	<u>158,223</u>	-	-	-	-
Total	<u>\$ 5,451,397</u>				

2) Fair value valuation technique of financial instruments not measured at fair value

The Group valuation techniques and assumptions used for financial instrument not measured at fair value are as follows:

a) Financial liabilities at amortized cost

Fair value measurement is based on the latest quoted price and agreed-upon price if these prices are available in an active market. When market value is unavailable, fair value of financial assets and liabilities are evaluated based on the discounted cash flow of the financial assets and liabilities.

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Fair value valuation technique of financial instruments measured at fair value

a) Non-derivative financial instruments

Financial instruments traded in active markets are based on quoted market prices. The quoted price of a financial instrument obtained from main exchanges and the government bond with high trading volume can be used as a basis to determine the fair value of the listed companies' equity instrument and the debt instrument of the quoted price in an active market.

4) Transfer from one level to another

The Group holds an investment in equity shares of Win Win Precision Technology Co., Ltd., which is classified as fair value through other comprehensive income. The investment with a fair value of \$13,830 as of September 30, 2018 was transferred from Level 1 to Level 2. This was because the investment was no longer listed on an exchange that the quoted prices in the market was not regularly available and the fair value measurements used significant unobservable inputs. Except for those described above, there was no transfers from one level to another of the Group 2018 and 2017.

5) Changes in level 3

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income	Total
	Equity investment without quoted price	Debt investment without quoted price	Equity investment without quoted price	
Balance on January 1, 2018	\$ 24,335	63,130	541,499	628,964
Total gains and losses recognized:				
In profit (loss)	(7,485)	(7,246)	-	(14,731)
In other comprehensive income	-	-	27,254	27,254
Purchased	-	19,617	9,350	28,967
Proceeds of capital reduction of investment	-	(1,220)	-	(1,220)
Balance on December 31, 2018	<u>\$ 16,850</u>	<u>74,281</u>	<u>578,103</u>	<u>669,234</u>

6) The quantified information for significant unobservable inputs (level 3) used in fair value measurement

The Group's financial instruments that use level 3 input to measure fair values include financial assets at fair value through other comprehensive income—equity instruments and financial assets at fair value through profit or loss—equity securities investment.

Most of fair value measurements of the Group which are categorized as equity investment into level 3 have single significant unobservable inputs, and equity investments without quoted price have several significant unobservable inputs. Significant unobservable inputs of equity investments without quoted price are independent of each other.

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The quantified information for significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter relationships between significant unobservable inputs and fair value</u>
Financial assets at fair value through other comprehensive income — equity investment without quoted price	Comparable market approach	Price Book ratio multiples. (5.97~40.13 on December 31,2018) Lack of Marketability discount rate (20% on December 31,2018)	The higher the multiple is, the higher the fair value will be. The higher the Lack of Marketability discount rate is, the lower the fair value will be.
	Net asset value method	Net asset value	Inapplicable
Financial assets at fair value through profit or loss — equity investment without quoted price	Guideline Public Company method Price Book Method	Price Book ratio multiples.(5.97~40.13 on December 31,2018) Lack of Marketability discount rate (20% on December 31,2018)	The higher the multiple is, the higher the fair value will be. The higher the Lack of Marketability discount rate is, the lower the fair value will be.
Financial assets at fair value through profit or loss — debt investment without quoted price	Net asset value method	Net asset value	Inapplicable

7) The Sensitivity analysis for fair value of financial instruments using level 3 inputs

The Group's fair value measurement on financial instruments is reasonable. However, the measurement would be different if different valuation models or valuation parameters are used. For financial instruments using level 3 inputs, if the valuation parameters changed, the impact on other comprehensive income or loss are as follows:

	Input	Variation	Impacts of fair value change on net income or loss		Impacts of fair value change on other comprehensive income	
			Advantageous change	Disadvantageous change	Advantageous change	Disadvantageous change
December 31, 2018						
Financial assets at fair value through other comprehensive income						
Equity investment without quoted price	P/B ratio	5%	\$ -	-	28,786	28,778
	Lack of marketability discount	5%	\$ -	-	35,948	35,941
Financial assets and liabilities at fair value through profit or loss						
Equity investment without quoted price	P/B ratio	5%	\$ 819	829	-	-
	Lack of marketability discount	5%	\$ 1,041	(1,030)	-	-

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The favorable and unfavorable changes reflect the movement of the fair value, in which the fair value is calculated by using the different unobservable inputs in the valuation technique. The table above shows the effects of one unobservable input, without considering the inter relationships with another unobservable input for financial instrument, if there are one or more unobservable inputs.

(ae) Financial risk management

(i) Briefings

The Group is exposed to the following risks arising from financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

In this note expressed the information on risk exposure and objectives, policies and procedures of risk measurement and management. For detailed information, please refer to the related notes of each risk.

(ii) Structure of risk management

The Group's finance department provides business services for the overall internal department. It sets the objectives, policies and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial market operations.

The Group minimizes the risk exposure through derivative financial instruments. The board of directors regulated the use of derivative and non-derivative financial instruments in accordance with the Group's policy about risks arising from financial instruments such as currency risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments and the investments of excess liquidity. The internal auditors of the Group continue with the review of the amount of the risk exposure in accordance with the Group's policies and the risk management policies and procedures. The Group has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

1) Accounts receivable and other receivables

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, and these limits are reviewed periodically. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

Trade and other receivables mainly relate to a wide range of customers from different industries and geographic regions. The Group continued to assess the financial condition and credit risk of its customers, by grouping trade and other receivables based on their characteristics.

The Group set the allowance for bad debt account to reflect the estimated losses for trade receivable, other receivables, and investment. The allowance for bad debt account consists of individually assessed impairment and collectively assessed impairment. Collectively assessed impairment is based on the historical collection record of similar financial assets.

2) Investments

The credit risks exposure in the bank deposits, investments with fixed income and other financial instruments are measured and monitored by the Group's finance department. Since the Group's transaction counterparties and the contractually obligated counterparties are banks and financial institutes with good credits, there are no compliance issues, and therefore, no significant credit risk.

3) Guarantees

Pursuant to the Group's policies, it is only permissible to provide financial guarantees to subsidiaries, companies that the Group has business with, and the investees, based on the percentage of ownership by each shareholder. As of December 31, 2018 and 2017, the guarantees provided to non-subsidiary entities amount to \$0 and \$23,000, respectively. The guarantees provided to subsidiaries please refer to note 13(a).

(iv) Liquidity risk

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

The loans and borrowings from the bank is an important source of liquidity for the Group. The Group has unused short-term bank facilities of \$6,045,077 and \$4,913,332 as of December 31, 2018 and 2017, respectively.

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks.

1) Currency risk

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

As for monetary assets and liabilities denominated in foreign currencies, when short-term imbalance takes place, the Group buys or sells foreign currencies at spot rate to ensure that the net exposure is kept on an acceptable level.

2) Interest rate risk

The Group borrows funds on fixed and variable interest rates, which has a risk exposure to changes in fair value and cash flow.

3) Other price risk

The Group is exposed to equity price risk arising from mutual funds, listed companies' equity investments and emerging stock investments.

(af) Capital management

The policy of board of directors is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, capital surplus, retained earnings and non-controlling interests. The board of directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Group monitors the capital structure by way of periodical review on the liability ratio. The management decides to optimize its capital by using appropriate debt-to-equity ratio. The capital of the Group represents the total equity stated in the consolidated balance sheets that is equal to the total assets, minus, total liabilities.

As of December 31, 2018 and 2017, the liability ratio was as follows:

	December 31, 2018	December 31, 2017
Total liabilities	\$ 8,650,837	7,288,415
Total assets	17,237,405	14,868,982
Liability ratio	50 %	49 %

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2018, there were no changes in the Group's approach to capital management during the year ended December 31, 2018.

(ag) Investing and financial activities not affecting current cash flow

There is no non cash investing and financing activities in the year ended December 31, 2018. Reconciliations of liabilities arising from financing activities were as follows:

	January 1, 2018	Cash flow	December 31, 2018
Short term borrowings	\$ 786,804	94,264	881,068
Long term borrowings	507,806	(32,142)	475,664
Guarantee deposits received	4,890	(54)	4,836
Total liabilities from financing activities	<u>\$ 1,299,500</u>	<u>62,068</u>	<u>1,361,568</u>

(7) Related-party transactions:

(a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

Name of related party	Relationship with the Group
Topco Quartz Products Co., Ltd. (Topco Quartz)	An associate
Fortune Energy Corporation (Fortune)	An associate
Bon Vivant Corporation (Bon Vivant)	An associate
Min Jen Restaurant	An associate (Note)
Shin-Etsu Handotai Taiwan Co., Ltd. (Shin-Etsu Handotai Taiwan)	The Company is the institutional director of the related party
Shin-Etsu Opto Electronic Co., Ltd. (Shin-Etsu Opto Electronic)	The Company is the institutional director of the related party

Note: The Group acquired more than half of Min Jen Restaurant's equity in January 2018, and Min Jen Restaurant is included in the consolidated financial statements from the date that control commences.

(b) Transactions with key management personnel

Key management personnel compensation comprised:

	2018	2017
Short-term employee benefits	\$ 155,466	152,107
Post-employment benefits	4,979	5,318
	<u>\$ 160,445</u>	<u>157,425</u>

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Significant transactions with related party

(i) Sales

- 1) The amounts of significant sales by the Group to related parties were as follows:

	<u>2018</u>	<u>2017</u>
Associates	\$ 128,444	91,870
Other related parties	<u>44,698</u>	<u>43,425</u>
	<u><u>\$ 173,142</u></u>	<u><u>135,295</u></u>

- 2) The amounts of significant construction revenue and rendering of services by the Group to related parties were as follows:

	<u>2018</u>	<u>2017</u>
Associates:		
Topco Quartz	\$ 115,344	146,978
Other related parties:		
Shin-Etsu Handotai Taiwan	260,536	198,305
Other related parties	<u>271</u>	<u>281</u>
	<u><u>\$ 376,151</u></u>	<u><u>345,564</u></u>

Sales prices for related parties were similar to those of the third-party customers. The collection period was within 30 to 90 days after monthly closing, and within 30 to 90 days after monthly closing for third-party customers. The terms of services provided to related parties is based on the contracts signed between both parties, and there is no significant difference between the related parties and the third-parties. Amounts receivable from related parties were uncollateralized, and no provisions for doubtful debt were required after the assessment by the management.

(ii) Purchases

The amounts of significant purchases by the Group from related parties were as follows:

	<u>2018</u>	<u>2017</u>
Associates	\$ 874,521	1,116,582
Other related parties:		
Shin-Etsu Handotai Taiwan	5,330,902	3,681,870
Other related parties	<u>21,685</u>	<u>25,174</u>
	<u><u>\$ 6,227,108</u></u>	<u><u>4,823,626</u></u>

Purchase prices from related parties were similar to those from third-party suppliers. The payment period were within 30 to 90 days after monthly closing for related parties, and within 30 to 90 days after monthly closing for third-related.

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Receivables from Related Parties

The receivables from related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
	Associates:		
Accounts receivable	Topco Quartz	\$ 42,109	36,128
Accounts receivable	Others	-	519
	Other related parties:		
Accounts receivable	Shin-Etsu Handotai Taiwan	51,189	43,784
Accounts receivable	Other related parties	69	55
		<u>\$ 93,367</u>	<u>80,486</u>

(iv) Payables to Related Parties

The payables to related parties were as follows:

<u>Accounts</u>	<u>Relationship</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
	Associates :		
Accounts payable	Topco Quartz	\$ 131,404	401,125
Accounts payable	Others	-	92
Accounts payable	Shin-Etsu Handotai Taiwan	1,561,796	926,266
Accounts payable	Other related parties	11,071	5,649
		<u>\$ 1,704,271</u>	<u>1,333,132</u>

(v) Guarantees

As of December 31, 2018 and 2017, the Group provided guarantees to associates amounting to \$0 and \$23,000, respectively.

(8) Pledged assets:

The carrying values of pledged assets were as follows:

<u>Assets</u>	<u>Subject</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
	Guarantees for construction		
Other current financial assets – time deposits	contracts, coupons and credit card readers	\$ 91,501	42,050
Other non-current assets – time deposits and reserve account	Guarantees for plant lease and long-term borrowings	16,609	13,920
		<u>\$ 108,110</u>	<u>55,970</u>

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(9) Commitments and contingencies:

- (a) The Group's unrecognized contractual commitments as follow:

	December 31, 2018	December 31, 2017
Commitments for construction contracts	\$ <u>855,449</u>	<u>468,252</u>
Bank guarantees to construction contracts	\$ <u>332,918</u>	<u>268,965</u>

- (b) The Group's unused and outstanding letters for purchasing are as follow:

	December 31, 2018	December 31, 2017
Unused and outstanding letters of credit	\$ <u>794,660</u>	<u>507,471</u>

- (c) Refer to note 13(a) for the disclosure of guarantees provided to associates by the Group.

(10) Losses Due to Major Disasters:None

(11) Subsequent Events:None

(12) Other:

- (a) The followings are the summary statement of current period employee benefits, depreciation and amortization expenses by function:

By function By item	2018			2017		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefit expenses						
Salaries	208,953	1,053,289	1,262,242	160,168	938,346	1,098,514
Labor and health insurance	19,508	68,617	88,125	17,339	63,962	81,301
Pension	6,899	51,937	58,836	5,895	47,203	53,098
Others	5,430	67,053	72,483	5,612	66,226	71,838
Remuneration of directors	-	16,263	16,263	-	11,965	11,965
Depreciation	65,297	91,768	157,065	69,454	82,552	152,006
Amortization	3	7,349	7,352	21	3,963	3,984

Notes: The depreciation arising from investment properties amounting to \$1,369 and \$1,367, respectively, were recognized as a reduction of rental income.

(13) Other disclosures:

- (a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group:

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

No	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (note 1 to note 3)	Maximum limit of fund financing (note 1 to note 3)
													Item	Value		
0	Topco Suzhou	Topco Chemical	Other current financial assets	Yes	234,300	223,600	-	4.35%-4.946%	Short-term financing	-	Operating demand	-	-	-	328,801	493,201

Note 1 : According to Topco Suzhou's "Operational Procedures for Lending of Capital to Others", the total amount of loans to the parent company's 100% directly or indirectly owned overseas subsidiaries or the amount to a single enterprise among them shall not exceed 150% and 100%, respectively, of the net monetary amount of the financial reports of the latest month when transaction occurs. The period of loans for funding shall not exceed three years.

Note 2 : The aforementioned transactions had been written-off upon the preparation of the consolidated financial statements.

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	Fortune	(Note 2)	(Note 6)	23,000	-	-	-	- %	(Note 6)	-	-	-
"	"	Topco Shanghai	(Note 3)	(Note 6)	1,313,765	752,047	139,100	-	8.78 %	(Note 6)	Y	-	Y
"	"	Topco Suzhou	(Note 3)	(Note 6)	1,101,107	1,033,123	145,577	-	12.07 %	(Note 6)	Y	-	Y
"	"	Chien Yueh	(Note 3)	(Note 6)	930,000	930,000	195,850	-	10.86 %	(Note 6)	Y	-	-
"	"	Jia Yi Energy	(Note 3)	(Note 6)	232,177	182,177	53,752	-	2.13 %	(Note 6)	Y	-	-
"	"	Jing Chen	(Note 3)	(Note 6)	108,324	94,788	94,788	-	1.11 %	(Note 6)	Y	-	-
"	"	Topscience(s)	(Note 3)	(Note 6)	228,915	228,915	68,393	-	2.67 %	(Note 6)	Y	-	-
"	"	Jing Yang	(Note 3)	(Note 6)	109,000	97,000	97,000	-	1.13 %	(Note 6)	Y	-	-
"	"	Anyong Fresh Mart.	(Note 3)	(Note 6)	6,000	6,000	4,858	-	0.07 %	(Note 6)	Y	-	-
"	"	Jing Yueh Energy	(Note 3)	(Note 6)	232,338	190,397	174,898	-	2.22 %	(Note 6)	Y	-	-
"	"	Kuan Yueh Technology	(Note 3)	(Note 6)	214,344	203,478	123,478	-	2.38 %	(Note 6)	Y	-	-
"	"	Topchem Materials	(Note 3)	(Note 6)	80,000	80,000	15,000	-	0.93 %	(Note 6)	Y	-	-
"	"	Hong Kong Topco Trading, Limited	(Note 3)	(Note 6)	407,470	92,145	-	-	1.08 %	(Note 6)	Y	-	Y
"	"	Shanghai Chongyao	(Note 3)	(Note 6)	2,764,946	2,218,478	1,719,693	-	25.91 %	(Note 6)	Y	-	Y
"	"	Topco Chemical	(Note 3)	(Note 6)	134,550	134,160	-	-	1.57 %	(Note 6)	Y	-	Y
1	Taiwan E&M	General Precise	(Note 4)	147,154 (Note 7)	70,000	-	-	-	- %	147,154 (Note 7)	-	-	-

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
2	Chien Yueh	Star Enprotech Corp.	(Note 5)	877,396 (Note 8)	20,000	-	-	-	- %	877,396 (Note 8)	-	-	-
2	"	Acter Co., Ltd.	(Note 5)	877,396 (Note 8)	136,000	-	-	-	- %	877,396 (Note 8)	-	-	-
2	"	Nove Technology Corp.	(Note 5)	877,396 (Note 8)	204,000	-	-	-	- %	877,396 (Note 8)	-	-	-

Note 1 :The Company is coded as "0", and its subsidiaries are coded consecutively in a numerical order starting from "1"

Note 2 : Investee companies under equity method.

Note 3 : Investee companies which have 50% of ordinary shares, directly or indirectly, owned by the Company.

Note 4 : Same parent company.

Note 5 : Its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.

Note 6 : According to the Company's "Operational Procedures for Making Endorsements/Guarantees", the total amount of endorsements/guarantees for others shall not exceed \$13,697,550, which is 160% of the net value of the Company's latest financial reports, and the amount of endorsements/guarantees for a single enterprise shall not exceed \$8,560,969, which is the net value of the Company's latest financial reports.

Note 7 : According to Taiwan E&M's "Operational Procedures for Making Endorsements/Guarantees", the total amount of endorsements/guarantees for others shall not exceed 30% of the net value of Taiwan E&M's latest financial reports, and the amount of endorsements/guarantees for a single enterprise shall not exceed the Group's endorsements/guarantees for a single enterprise that is restricted by the parent company.

Note 8 : According to Chien Yuen's "Operational Procedures for Making Endorsements/Guarantees", the total amount of endorsements/guarantees for others shall not exceed 500% of the net value of Chien Yuen's latest financial reports, and the amount of endorsements/guarantees for a single enterprise shall not exceed the Group's endorsements/guarantees for a single enterprise that is restricted by the parent company.

Note 9 : The maximum amount of sharing guarantees and endorsements is \$200,000, the maximum amount for guarantees and endorsements are for Topco Shanghai \$10,000, Topco Suzho \$70,000, Shanghai Chongyao \$90,000, and Topco Chemical \$30,000, respectively.

Note 10: The balance of guarantees and endorsements as of reporting date which duplicate calculation because the board meeting convening in advance and extending contracts are for Topco Shanghai \$153,575, Chien Yuen \$200,000, Topscience(s)\$107,503, and Topchem Materials \$30,000, respectively.

(iii) Securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest balance during the year		Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	Shares/ Units (thousands)	Percentage of ownership (%)	
The Company	Fund: Mega Diamond Money Market Fund	None	Current financial assets at fair value through profit or loss	665	8,328	-	8,328	745	-	
The Company	Stock: Eversol Corporation	None	Non-current financial assets at fair value through other comprehensive income	230	-	0.08	-	230	0.08	
"	TSEC Corporation	"	"	519	3,372	0.11	3,372	1,393	0.29	
"	Shin-Etsu Opto Electronic	The company is the institutional directors of the related party	"	2,000	41,860	10	41,860	2,000	10	
"	Shin-Etsu Handotai Taiwan	"	"	12,000	481,560	8	481,560	12,000	8	
"	Quan ShengXing Resources Technology Co., Ltd.	None	"	2,000	22,400	8.18	22,400	2,000	8.18	
"	Tenx Technology, Inc.	"	"	1,040	12,508	2.56	12,508	1,040	2.56	
"	ECGAS ASIA CORP. LTD.	"	"	10	1,689	10	1,689	55	10	
"	ProMOS Technologies Inc.	"	"	71	423	0.16	423	71	-	
"	Top Taiwan III Venture Capital Co., Ltd.	"	Non-current financial assets at fair value through profit or loss	691	4,278	4.07	4,278	813	4.07	
"	Grand Fortune Venture Capital Co., Ltd.	"	"	3,000	32,700	4.12	32,700	3,000	4.12	
	Other:									

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest balance during the year		Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	Shares/Units (thousands)	Percentage of ownership (%)	
The Company	LEAP FUND L.P.	None	Non-current financial assets at fair value through profit or loss	-	16,303	19.87	16,303	-	19.87	
Topco International Investment	Stock: Win Win Precision Technology Co., Ltd.	None	Non-current financial assets at fair value through other comprehensive income	734	10,546	1.61	10,546	734	1.61	
"	Mylight Technology Co., Ltd. (Mylight)	"	"	250	-	0.76	-	250	0.76	
"	Archers Inc.	"	"	625	-	2.23	-	625	2.23	
"	Ultramed Technology Co., Ltd.	"	"	100	1,112	5.26	1,112	100	5.26	
"	Xinyue Energy Co., Ltd.	"	"	250	-	13.16	-	250	13.16	
"	Sunergy development corporation	"	"	285	1,661	28.50	1,661	285	28.50	
"	Mycropore Corporation Ltd.	"	"	400	4,344	2.58	4,344	400	2.58	
"	Syu Yang Technology Corporation	"	Non-current financial assets at fair value through profit or loss	30	300	10	300.00	30	10	
"	TAIYING RESOURCE INDUSTRIAL CORP.	"	"	2,130	15,830	17.04	15,830	2,130	17.04	
"	Other: E&R Engineering Corporation convertible bonds	None	Non-current financial assets at fair value through profit or loss	73	7,950	-	7,950	73	-	
"	Fund: Jih Sun Money Market	None	Current financial assets at fair value through profit or loss	146	2,166	-	2,166	146	-	
Topco Investment	Stock: Mylight Technology Co., Ltd.	"	Current financial assets at fair value through profit or loss	250	-	0.76	-	250	0.76	
"	Hun Chun Venture Capital Corporataion	None	Non-current financial assets at fair value through profit or loss	2,500	21,000	5.75	21,000	2,500	5.75	
"	Fund: Taishin Ta-Chong Money Market	None	Current financial assets at fair value through profit or loss	3,679	52,178	-	52,178	3,679	-	
"	Mega Diamond Money Market Fund	"	"	4,176	52,297	-	52,297	4,176	-	
"	Hua Nan Phoenix Money Market Fund	"	"	1,752	20,941	-	20,941	1,752	-	
"	Franklin U.S. Government Money Fund	"	"	4,187	43,218	-	43,218	4,187	-	
"	FSITC Money Market	"	"	57	10,218	-	10,218	57	-	
"	FSITC Taiwan Money Market Fund	"	"	1,317	20,125	-	20,125	1,317	-	
Taiwan E&M	Stock: Ding Cheng International Co., Ltd.	None	Non-Current financial assets at fair value through profit or loss	50	720	0.81	720	50	0.81	
"	Fund: Eastspring Investments Well Pool Money Market Fund	None	Current financial assets at fair value through profit or loss	456	6,198	-	6,198	456	-	
Cai Yan	Fund: Jih Sun Money Market	None	Current financial assets at fair value through profit or loss	204	3,012	-	3,012	1,697	-	
Yasunaga Fresh Mart	Fund: FSITC Money Market	None	Current financial assets at fair value through profit or loss	9	1,526	-	1,526	9	-	
Ding Yue Foods										

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(In Thousands of New Taiwan Dollars)

Company Name	Counter party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/(Sale)	Amount	Percentage of total purchases/(sales)	Payment terms	Unit price	Payment Terms	Ending Balance	Percentage of total notes/accounts receivable (payable)	
The Company	Topco Quartz	The Company's investment accounted for using equity method	Purchase	732,991	5 %	Net 60 days from the end of the month of delivery	-	-	(116,300)	(5)%	
"	"	"	Sale	(118,655)	(1)%	Net 30 days from the end of the month of delivery	-	-	19,946	1 %	
"	Shin-Etsu Handotai Taiwan	The company is the institutional directors of the related party	Sale	(305,190)	(2)%	Net 90 days from the end of the month of delivery	-	-	50,830	2 %	
Topco Shanghai	Shin-Etsu Handotai Taiwan	The company is the institutional directors of the related party	Purchase	5,253,452	85 %	Net 90 days from the end of the month of delivery	-	-	(1,531,159)	(89)%	
"	Topco Quartz	The Company's investment accounted for using equity method	Purchase	116,295	2 %	Net 90 days from the end of the month of delivery	-	-	(7,779)	- %	
General precise Technology	Topco Quartz	The Company's investment accounted for using equity method	Sale	(122,375)	100 %	Net 90 days from the end of the month of delivery	-	-	22,163	99 %	

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

- (ix) Trading in derivative instruments:None.

- (x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company name	Counter party	Relationship (Note 2)	Intercompany transactions				Percentage of the consolidated net revenue or total assets
				Accounts name	Amount	Terms		
0	The Company	Anyong Biotechnology	1	Rental Revenue	10,744	Based on the agreement between both parties		0.04 %
"	"	Topco Shanghai	1	Sales Revenue	31,520	There is no significant difference of price between general customers. The collection period is net 60 days from the end of the month of delivery		0.11 %
"	"	"	1	Accounts Receivable	6,832	"		0.04 %
"	"	Topco Suzhou	1	Other Receivable	3,285	Based on the agreement between both parties		0.02 %
"	"	"	1	Other non-operating Revenue	3,285	"		0.01 %
"	"	Anyong Lohas	1	Rental Revenue	15,180	Based on the agreement between both parties		0.05 %
"	"	"	1	Other non-operating Revenue	3,157	"		0.01 %
"	"	"	1	Other Receivable	4,348	"		0.03 %

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

No. (Note 1)	Company name	Counter party	Relationship (Note 2)	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Accounts name	Amount	Terms	
0	The Company	Topco Trading	1	Sales Revenue	3,855	There is no significant difference of price between general customers. The collection period is net 60 days from the end of the month of delivery	0.01 %
1	Jia Yi Energy	The Company	2	Sales Revenue	34,119	Based on the agreement between both parties	0.12 %
"	"	Kuan Yueh	3	Amount due to customers for contract work	16,096	"	0.09 %
"	"	"	3	Accounts Receivable	13,726	"	0.08 %
"	"	"	3	Sales Revenue	88,394	"	0.31 %
"	"	Jing Yueh Energy	3	Sales Revenue	15,110	"	0.05 %
2	Anyong Biotechnology	Anyong Fresh Mart.	3	Sales Revenue	9,915	There is no significant difference of price between general customers. The collection period is net 30 days from the end of the month of delivery.	0.03 %
"	"	Fu Shan Fishery	3	Sales Revenue	2,843	"	0.01 %
3	Anyong Fresh Mart.	The Company	2	Sales Revenue	6,788	There is no significant difference of price between general customers. The collection period is net 30 days from the end of the month of delivery.	0.02 %
4	Anyong Lohas	Min Jen Restaurant	3	Sales Revenue	6,096	There is no significant difference of price between general customers. The collection period is net 60 days from the end of the month of delivery	0.02 %
"	"	Anyong Fresh Mart.	3	Sales Revenue	5,948	"	0.02 %
"	"	Kanbo Biomedical	3	Sales Revenue	2,500	"	0.01 %
5	Topchem materials	The Company	2	Sales Revenue	5,034	There is no significant difference of price between general customers. The collection period is net 60 days from the end of the month of delivery.	0.02 %
6	Taiwan E&M	Topco Shanghai	3	Sales Revenue	4,843	There is no significant difference of price between general customers. The collection period is net 60 days from the end of the month of delivery.	0.02 %
"	"	Topscience(s)	3	Sales Revenue	4,706	"	0.02 %
7	Topco Japan	Topscience(s)	3	Sales Revenue	6,661	There is no significant difference of price between general customers. The collection period is net 60 days from the end of the month of delivery	0.02 %
"	"	"	3	Unearned Revenue	3,317	Based on the agreement between both parties	0.02 %
8	Topco Shanghai	Topco Suzhou	3	Sales Revenue	52,433	Based on the agreement between both parties	0.18 %
9	Fu Shan Fishery	Anyong Fresh Mart	3	Sales Revenue	4,389	There is no significant difference of price between general customers. The collection period is net 30 days from the end of the month of delivery	0.02 %

Note 1: The numbers filled in as follows:

1.0 represents the Company.

2. Subsidiaries are sorted in a numerical order starting from 1.

Note 2: Relationship with the transactions labeled as follows:

1 represents the transactions from the parent company to its subsidiaries.

2 represents the transactions between the subsidiaries and the parent company.

3 represents the transactions between subsidiaries.

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Information on investees:

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

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2018			Net income (losses) of investee	Share of profits/ losses of investee	Highest balance during the year		Note
				December 31, 2018	December 31, 2017	Shares (thousands)	Percentage of ownership	Carrying value			Shares/Units (thousands)	Percentage of ownership	
The Company	Topco Quartz	Hsinchu County	Manufacture and repair of quartz equipment, quartz tube e.g.	99,232	99,232	13	40%	964,577	603,520	252,792	13	40 %	
	Taiwan E&M	Hsinchu City	Sales of electronic material	425,000	425,000	42,500	100%	490,514	57,539	57,539	42,500	100 %	Note 2
	Fortune	Taipei City	Clean up of waste and environmental management service	187,000	187,000	18,700	25%	333,719	129,055	32,197	18,700	25 %	
	Topco Group	Samoa	Investment activities	493,981	493,981	15,518	100%	1,837,968	355,579	355,579	15,518	100 %	Note 2
	Topco International Investment	Taipei City	Investment activities	340,000	340,000	34,000	100%	272,329	21,563	21,563	34,000	100 %	"
	Topco Investment	Taipei City	Investment activities	210,000	140,000	21,000	100%	85,289	(67,867)	(67,867)	21,000	100 %	"
	Chien Yueh	Taipei City	Water purification and construction of dust-proof room	150,000	150,000	16,768	100%	171,861	5,832	6,124	16,768	100 %	"
	Winaico	Germany	Investment activities	184,929	184,929	5,000	28%	-	(93)	-	-	28 %	
	Anyong Biotechnology	Taipei City	Aquaculture and strategic partnership with fish processing	360,000	300,000	19,804	99%	95,426	(45,033)	(44,436)	20,213	99 %	Note 2
	Winfull Bio-tech Co., Ltd.	Tainan City	Manufacture of organic fertilizer	35,000	35,000	3,500	39%	-	-	-	3,500	39 %	
	Anyong Fresh Mart.	Taipei City	Wholesale and retail sales of fishery products	414,350	336,350	16,800	100%	82,643	(53,783)	(53,783)	24,000	100 %	Note 2
	Kanbo Biomedical	Taipei City	Sales of health food products	50,000	50,000	909	91%	1,550	(4,777)	(4,343)	5,000	91 %	"
	Kuan Yueh	Taipei City	Development of renewable energy project / Configure pipeline construction and device installation	19,000	19,000	2,251	21%	23,743	4,142	860	2,251	21 %	"
	Jia Yi Energy	Taipei City	Manufacture of machinery and electronic spare parts	130,000	130,000	13,000	76%	86,042	19,167	(10,894)	13,000	76 %	"
	Xiang Yueh	Taipei City	Restaurant	30,000	30,000	600	100%	3,690	(2,053)	(2,053)	3,000	100 %	"
	Anyong Lohas	Yilan County	Restaurant and retail sales of food products	257,000	197,000	25,700	100%	108,743	(69,233)	(69,233)	197,000	100 %	"
								4,558,094		474,045			
Topco Group	Asia Topco	Mauritius	Investment activities	401,936 (USD13,086)	399,450 (USD12,650)	13,086	100%	1,221,809	284,263	Investment gain (losses) recognized by Topco Group	13,086	100 %	Note 2
	Topscience(s)	Singapore	Sales of parts of semiconductor and optoelectronic industries	11,240 (SGD500)	11,165 (SGD500)	500	100%	246,781	38,605	"	500	100 %	"
	Hong Kong Topco Trading Limited	Hong Kong	Wholesale of semiconductor material and electronic material	46,073 (USD1,500)	45,788 (USD1,500)	1,500	100%	279,271	29,658	"	1,500	100 %	"

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2018			Net income (losses) of investee	Share of profits/ losses of investee	Highest balance during the year		Note
				December 31, 2018	December 31, 2017	Shares (thousands)	Percentage of ownership	Carrying value			Shares/Units (thousands)	Percentage of ownership	
Topco International Investment	Cai Yan	Taipei City	Wholesale and sales of cosmetic	12,000	12,000	1,267	67%	16,831	4,103	Investment gain (losses) recognized by Topco International Investment	1,267	67 %	Note 2
	Topco Japan	Japan	Sales if facilities of semiconductor and clean room	15,094	15,094	5	100%	2,227	291	"	5	100 %	"
	Kuan Yueh	Taipei City	Development of renewable energy projects / Configure pipeline construction and device installation	87,000	87,000	8,590	79%	90,625	4,142	"	8,590	79 %	"
	Jia Yi Energy	Taipei City	Manufacture of machinery and electronic spare parts	24,000	24,000	4,000	24%	46,244	19,167	"	4,000	24 %	"
	Kanbo Biomedical	Taipei City	Sales of health food products	5,000	5,000	91	9%	155	(4,777)	"	500	9 %	"
	Ruey Sheng Industrial Co.,	Samoa	Investment activities	4,197	4,197	142	36%	2,385	(623)	"	142	36 %	"
	DIO	Germany	Development of renewable energy project	23,849	23,849	592	100%	(132)	(103)	"	592	100 %	"
	Anyong Biotechnology	Taipei City	Aquaculture and strategic partnership with fish processing	5,000	5,000	196	1%	944	(45,033)	"	287	1 %	"
	Topchem Materials	Taipei City	Antifouling surface protection, light-blocking material and the manufacture of other chemicals	31,000	16,000	3,929	100%	53,704	13,181	"	3,929	100 %	"
	Jing Yueh Energy	Taipei City	Development of renewable energy project	63,000	33,000	7,013	100%	76,479	5,556	"	7,013	100 %	"
Topco Investment	Fortune	Taipei City	Clean up of waste and environmental management service	871	871	50	0.07%	937	129,055	"	50	0.07 %	
	You Fu Technology	Taipei City	Wholesale of fishery products	20,500	20,500	2,050	98.00%	4,151	(915)	Investment gain(losses) recognized by Topco Investment	2,050	98.00 %	Note 2
	Ding Yue	Taipei City	Wholesale and retail sales of food products	9,000	9,000	900	100%	4,216	(35)	"	900	100 %	"
	Fu Shan Fishery	Taipei City	Aquaculture industry and wholesale of fishery products	29,175	29,175	2,925	98%	11,137	(7,158)	"	2,925	98 %	
	Bon vivant	Taipei City	Health Management consultant	5,000	5,000	500	29%	4,360	(2,153)	"	500	29 %	"
Jia Yi energy	Min Jen	Taipei City	Restaurant	110,000	30,000	11,000	69%	36,955	(75,448)	"	11,000	69 %	
	Jing Chen	Taipei City	Development of renewable energy project	61,050	61,050	6,440	100%	68,053	1,618	Investment gain(losses) recognized by Jia Yi energy	6,440	100 %	Note 2
Taiwan E&M	Jing Yang	Taipei City	"	70,497	70,497	6,300	100%	72,964	6,742	"	6,300	100 %	"
	General precise	Hsinchu Country	Process and sales of quartz products	46,066	46,066	3,400	100%	53,146	23,149	Investment gain(losses) recognized by Taiwan E&M	3,400	100 %	Note 2

Note 1: The amounts in foreign currencies were translated into New Taiwan Dollars at the exchange rates at the ending date of the reporting period.
Note 2: The aforementioned transactions had been written-off upon the preparation of the consolidated financial statements.

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Information on investment in mainland China:

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

(In Thousands of US Dollars and CNY)

Name of investee	Main businesses and products	Total amount of paid-in capital (Note 2)	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2017 (Note 2)	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2018 (Note 2)	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 2)	Book value (Note 3)	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Topco Shanghai	Wholesale of electronic material and equipment	269,985 (USD8,790) (Note 4)	Note 1	208,862 (USD6,800)	-	-	208,862 (USD6,800)	223,956 (USD7,428)	100 %	223,956 (USD7,428)	858,216 (USD27,941)	-
Shanghai Chongyao		58,136 (CNY13,000)	Note 5	Note 5	-	-	-	36,888 (RMB8,092)	100 %	36,888 (RMB8,092)	174,002 (RMB38,909)	-
Topco Suzhou	Water purification and construction of dust-proof room	82,931 (USD2,700)	Note 1	82,931 (USD2,700)	-	-	82,931 (USD2,700)	46,345 (USD1,537)	100 %	46,345 (USD1,537)	328,801 (USD10,705)	-
Topco Chemical	wholesale and sales of chemical products	13,607 (USD443)	Note 1	13,607 (USD443)	-	-	13,607 (USD443)	13,880 (USD460)	100 %	13,880 (USD460)	27,456 (USD894)	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
399,080 (USD12,993) (Note 6)	506,275 (USD16,483)	(Note 7)

- Note 1 : Investment in Mainland China companies through an investee established in a third region.
- Note 2 : The investment gains and losses of the current period are recognized based on the financial statements which have been audited by CPA.
- Note 3 : The amounts in New Taiwan Dollars were translated at the exchange rate of USD30.715 and CNY4.472, respectively, based on the year-end date.
- Note 4 : Including the capital increase transferred from retained earnings amounting to USD1,990 thousands.
- Note 5 : Shanghai Chongyao is jointly invested by Topco Shanghai and Topco Suzhou, both of which are the sub-subsidiary of the Company.
- Note 6 : Including the written-off investment funds of USD3,050 thousands.
- Note 7 : The Company has acquired proof of compliance regarding the operational scope of the corporate headquarters issued by the Ministry of Economic Affairs. Therefore, there is no restriction to the Company's investing amount in Mainland China.

(iii) Significant transactions:

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

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(14) Segment information:

(a) General information

The basis of segmentation of the Group are different products and services. The reportable segments include advanced material division, semiconductor and electronics division and environmental engineering group. Other segments engage mainly in sales of used machine equipment business and retail sales. Segments revenue means revenue from external customers (includes sell products and other revenue, exclude investment revenue accounted for using equity method). There was no transfer of revenue between segments.

(b) Reportable segments and operating segment information

The Group did not allocate tax expense to the reportable segments. The amounts of the Group's reportable segments are the same as those in the reports used by the chief operating decision maker. The accounting policies for the operating segments are the same as those in Note 2. The profit or loss of the Group's operating segments is measured by profit or loss before tax, and is considered as the basis for performance assessment.

	Semiconductor and electronics division	Environmental engineering group	Other divisions	Adjustment and elimination	Total
2018					
Revenue					
Revenue from external customers	\$ 24,411,219	4,031,725	418,255	-	28,861,199
Revenue from segments	-	-	-	-	-
Interest revenue	-	-	-	-	18,058
Total revenue	<u>\$ 24,411,219</u>	<u>4,031,725</u>	<u>418,255</u>	<u>-</u>	<u>28,879,257</u>
Interest expenses	-	-	-	-	24,745
Depreciation and amortization	67,312	8,151	88,954	-	164,417
Share of profit of equity-accounted investees (associates, and jointly controlled entities)	-	-	-	-	280,953
Reportable segment profit or loss	<u>\$ 1,652,788</u>	<u>106,964</u>	<u>35,225</u>	<u>-</u>	<u>1,794,977</u>
2017					
Revenue					
Revenue from external customers	\$ 21,673,978	1,680,573	426,461	-	23,781,012
Revenue from segments	-	-	-	-	-
Interest revenue	-	-	-	-	11,579
Total revenue	<u>\$ 21,673,978</u>	<u>1,680,573</u>	<u>426,461</u>	<u>-</u>	<u>23,792,591</u>
Interest expenses	-	-	-	-	25,329
Depreciation and amortization	77,609	5,783	72,598	-	155,990
Share of profit of equity-accounted investees (associates, and jointly controlled entities)	-	-	-	-	84,993
Reportable segment profit or loss	<u>\$ 1,231,646</u>	<u>152,664</u>	<u>(66,105)</u>	<u>-</u>	<u>1,318,205</u>

(Continued)

TOPCO SCIENTIFIC CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Industry information

(i) Product and service information

The Group's segment information is based on different products and services. Product and service information does not have to be disclosed.

(ii) Geographical information

Stated below are the geographic information on the Group's sales presented by destination of sales and non-current assets presented by location.

1) Revenue from external customers:

Location	2018	2017
Taiwan	\$ 15,725,177	14,535,400
China	12,364,527	8,429,315
Other countries	771,495	816,297
	<u>\$ 28,861,199</u>	<u>23,781,012</u>

2) Non-current assets:

	2018	2017
Taiwan	\$ 3,421,162	3,252,552
Other countries	258,657	271,760
	<u>\$ 3,679,819</u>	<u>3,524,312</u>

(iii) Information about major customers

Sales to individual customer constituting over 10% of the total revenue in the consolidated statements of income of 2018 and 2017 are summarized as follows:

	2018	2017
A Company	<u>\$ 5,785,256</u>	<u>5,459,628</u>

The sales revenue of A Company is from semiconductor and electronics division.