

Stock Code : 4148



全宇生技控股有限公司

**All Cosmos Bio-Tech Holding Corporation**

# **ANNUAL REPORT 2018**

Company website: <http://www.allcosmos.com>

Taiwan Stock Exchange Website: <http://mops.twse.com.tw>

**Published on April 30, 2019**

1.0 Name And Title Of The Spokesman And Deputy Spokesman, Telephone And Email Address

Spokesman : Janice Cheow	Telephone : +607-252-3788
Title : Chief Financial Officer	Email address : janice@allcosmos.com
Deputy Spokesman : Janice Cheow (temporary)	Telephone: (02)2715-7586
Title : Chief Financial Officer	Email Address : janice@allcosmos.com

2.0 Address and telephone number of the head office, branch office and factory

2.1 The Company

Company name : All Cosmos Bio-Tech Holding Corporation  
Website : [www.allcosmos.com](http://www.allcosmos.com) Telephone : +607-252-3788  
Address : 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands.

2.2 Malaysia Subsidiary Company

Company Name : All Cosmos Industries Sdn. Bhd.  
Website : [www.allcosmos.com](http://www.allcosmos.com) Telephone : +607-252-3788  
Address : PLO 650, Jalan Keluli, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor, Malaysia.

Company Name : Sabah Softwoods Hybrid Fertiliser Sdn. Bhd.  
Website : [www.sshf.com.my](http://www.sshf.com.my) Telephone : +608-986 3280  
Address : Lot 50 & 51, Phase 2, Jalan Tengah Nipah, 5.5KM, 91100 Lahad Datu, Sabah, Malaysia.

Company Name : Arif Efektif Sdn. Bhd. Telephone : +607-252-3788  
Address : PLO 539, Jalan Keluli, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor, Malaysia.

Company Name : Kinabalu Life Sciences Sdn. Bhd. Telephone : +6089-767600  
Address : MPT 4604, 3<sup>rd</sup> Floor, Lot 15-16, Block B, Bandaran Baru, Jalan Baru, 91000 Tawau, Sabah, Malaysia

Company Name : Sawit Ecoshield Sdn. Bhd. Telephone : +6088-235811  
Address : Jalan Kelapa Sawit, Off KM 4, Jalan Tuaran, 88300 Kota Kinabalu, Sabah, Malaysia.

Company Name : Cosmos Biowood Sdn. Bhd. Telephone : +607-3558833

Address : 12A, Jalan Dedap 17, Taman Johor Jaya, 81100 Johor Bahru, Johor,  
Malaysia.

Company Name : GK Bio International Sdn. Bhd. Telephone : +603-61421139

Address : 42-2, Jalan PJU 5/11, Dataran Sunway, Kota Damansara, 47810 Petaling  
Jaya, Selangor, Malaysia.

### 2.3 Indonesia Subsidiary Company

Company Name : PT All Cosmos Indonesia Telephone : +6261-8201288

Address : Ira Building Jl. Cactus Raya Blok J No.1 Komp. Perumahan Taman Setia  
Budi Indah Medan - 20131, Sumatera Utara – Indonesia

Company Name : PT All Cosmos Biotek

Address : Jalan Kelapa Sawit – Nomor 1, KEK Sei Mangkei, Kecamatan Bosar  
Maligas, Kabupaten Simalungun, Sumatera Utara, Indonesia.

### 2.4 Taiwan Subsidiary Company

Address : Room 201, 15th Floor, 99 Fuxing North Road, Taipei, R.O.C.

Telephone : (02)2715-7585

### 3.0 Name, Address, Website And Telephone Number of The Stock Transfer Institution

Company Name : SinoPac Securities Corporation

Address : 3F., No.17, Bo'ai Rd., ZhongZheng Dist., Taipei City 100, Taiwan, R.O.C.

Website : [www.sinopacsecurities.com](http://www.sinopacsecurities.com)

Telephone : (02)2381-6288

### 4.0 Latest Annual Financial Report of CPA, Firm Name, Address, Website And Telephone Number

CPA's Name : Chen, Chiang-Hsun 、 Yu, Cheng-Chuan

Firm Name : Deloitte & Touche

Address : 20F, No. 100, Songren Road, Xinyi District, Taipei City, Taiwan, R.O.C.

Website : [www.deloitte.com.tw](http://www.deloitte.com.tw)

Telephone : (02)2725-9988

### 5.0 Overseas Securities And Stock Exchange Enquiries : None.

### 6.0 Company Website : [www.allcosmos.com](http://www.allcosmos.com)

## 7.0 List Of Board of Directors

April 30, 2019

Title	Name	Nationality or place of registration	Education and Professional Qualifications
Chairman	All Cosmos Investment Ltd	Republic of Seychelles	Ph.D candidate, Institute of Wood Science and Technology, University of Putra, Malaysia  Master of Business Administration, Honolulu University, Hawaii
	Representative : Peng Shih Hao	Republic of China	
Director	Sheng Hua Ltd	Republic of Seychelles	GuanXi Agriculture High School
	Representative : Peng Sheng Ching	Republic of China	
Director	Maxtrength Corporation	Republic of Seychelles	Shixin Journalism and Communiation College  Director of Clinical Research, Quintiles  Maxtrength Corporation Director  GK Bio International Sdn Bhd Director
	Representative : Peng Chia Lin	Republic of China	
Director	Hsu Ken Tsai	Republic of China	Private School of Technology, Enterprise Management Division General Manager of Tachong Gas Station
Director	Chang Lu Chang	Republic of China	Bachelor of Finance and Taxation, National Chengchi University YiChen International Pte Ltd Director
Director	Chee Kheng Hoy	Malaysia	Doctor of Forest Diseases, University of Auckland Researcher and Head of Rubber Research Institute Arif Efektif Sdn. Bhd. Director Director of Malaysia Rubber Research Institute

Independent Director	Lo Tzu Wu	Republic of China	National Chung Hsing University Institute of Law  Weiyang Law Firm Lawyer Huayi Electronics (Stock) Co., Ltd - Supervisor Xieyi Machinery Industry Co., Ltd - Supervisor Shiwei Technolofy (Stock) Supervisor Hongsheng Investment Co., Ltd Supervisor Shiwei Co., Ltd Director
Independent Director	Yang Yung Cheng	Republic of China	Master in Finance, Fu Ren University  Chartered Accountant Certified Public Accountant of MRICPA Hongkai Optoelectronics Co., Ltd Supervisor MRICPA Certified Public Accountants
Independent Director	Yeh Chung Chuan	Republic of China	Master of Plant Pathology, National Chung Hsing University Bachelor of Plant Pathology, University of Illinois, USA Deputy Executive of Agricultural Development Committee for Agricultural Administrative Department at Tainan District

## Table of Contents

<b>1.0</b>	<b>Business Report.....</b>	<b>1</b>
<b>2.0</b>	<b>Company Profile.....</b>	<b>5</b>
	2.1 Date of Incorporation.....	5
	2.2 Company History.....	5
<b>3.0</b>	<b>Corporate Governance Report.....</b>	<b>8</b>
	3.1 Organization System.....	8
	3.2 Information on Directors, Supervisors, President, Vice Presidents, and Management Team.....	10
	3.3 Remuneration paid to directors, supervisors, president and vice presidents for the recent years.....	14
	3.4 Corporate Governance Operational Situation.....	18
	3.5 Information on CPA Professional Fees.....	46
	3.6 Information on replacement of CPA: Announcement of accountants replacement shall be made within these two years and thereafter.....	47
	3.7 Where the company's chairperson, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm.....	48
	3.8 Any transfer of equity interests and/or pledge of or change in equity interests (during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report) by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report.....	48
	3.9 Relationship information, if among the company's 10 largest shareholders any one Is a related party or a relative within the second degree of kinship of another.....	49
	3.10 The total number of shares held by the capital business, and the combined calculation of the comprehensive shareholding ratio which involved companies, company directors, supervisors, managers directly or indirectly.....	50
<b>4.0</b>	<b>Capital Overview.....</b>	<b>52</b>
	4.1 Capital and shares.....	52
	4.2 Corporate Bonds.....	57

	4.3 Preferred Stocks.....	57
	4.4 Overseas Depositary Receipts.....	57
	4.5 Employee Stock Options.....	57
	4.6 Restriction Of Employees Rights On New Shares Status.....	59
	4.7 Status Of New Shares Issuance In Connection With Mergers And Acquisitions.....	59
	4.8 Financing Plans And Implementation.....	59
<b>5.0</b>	<b>Operational Overview.....</b>	<b>60</b>
	5.1 Business Content.....	60
	5.2 Overview of Market, Production And Sales.....	78
	5.3 The distribution ratio of number of employees, average service years, average age of employees, and education qualification who have been employed in the past two years and up to the date of publication .....	92
	5.4 Distributed information of environmental protection.....	92
	5.5 The relationship of Employers and Employees .....	93
	5.6 Important contracts.....	93
<b>6.0</b>	<b>Financial Overview.....</b>	<b>99</b>
	6.1 The Condensed Balance Sheets and Comprehensive Income Statements for the Recent five years and Certified public accountants and audit opinions .....	99
	6.2 Financial Analysis over the Recent Five Years.....	101
	6.3 Auditing Report by Supervisors on Financial Statements over the Recent Years.....	104
	6.4 Latest annual financial report of the parent company .....	105
	6.5 The company and its affiliates shall disclose the impact on their financial status in the most recent year and up to and including the date of publication of the annual report.....	105
<b>7.0</b>	<b>Financial Status, Review and Analysis of Financial Performance and Risks.....</b>	<b>106</b>
	7.1 Financial status.....	106
	7.2 Financial performance.....	107
	7.3 Cash flow.....	109
	7.4 Impact to the Financial Business by the Significant Capital Expenditures in the Previous Year.....	111
	7.5 The most recent years of investment policy, the main reason for its profit or loss, the improvement and investment plan for the following year.....	111
	7.6 Analysis and assessment of risk factors in the most recent year and at the	

	publication date of the annual report.....	112
	7.7 Other important matters.....	120
<b>8.0</b>	<b>Special Records.....</b>	<b>121</b>
	8.1 Affiliate Information .....	121
	8.2 Private placements of securities in the most recent year and as of the publish date of the annual report .....	123
	8.3 Shares of the Company that are held or disposed by a subsidiary in the most recent year and as of the publish date of the annual report .....	123
	8.4 Other necessary descriptions.....	123
	8.5 Significant impact on shareholders' equity or securities prices matter incurred as per Article 36- 2- 2 of the Securities Exchange Law .....	124
	8.6 A statement of significant differences from the provisions of the shareholders' rights and interests of the Republic of China.....	124



# 1.0 Business Report 2018

## Dear Shareholders

2018 is the first time in 20 years that All Cosmos has faced multiple external challenges. However, with the contribution of new corporate customers' sales, this year's revenue can still maintain its growth trend, and it will be implemented steadily in the future biological vaccine factory and Indonesian plant. All Cosmos' long-term growth trend remains unchanged. Although at this point in time, the overall mid-stream and downstream industries are facing short-term challenges of sustained and significant growth, all short and mid-term plans of the Company are still in a stable layout and in progress. Therefore, the Company still has its confidence for the long-term development. In addition, the Company has already begun to actively develop the different crops and areas, and it is expected that the products will be effectively dispersed in the future with its mixamization. Therefore, All Cosmos recently established a branch office in Taiwan, and in the future it is expected to contribute to the patent technology of the Company's unique microbial biochemical compound fertilizer in Taiwan's agriculture. It is our honour to present the Company's past year's operating results and the future prospects to the Shareholders.

## 1. 2018 Operating Results

### 1.1 Business plan implementation results

	2018	2017	Unit : NT\$ in Thousand ; %	
			Increase (Decrease) Amount	Change Ratio
Operating Revenue	2,687,581	2,263,652	423,929	18.73%
Gross Profit	774,594	751,521	23,073	3.07%
Net Profit For The Year	305,058	322,873	(17,815)	(5.52%)

In 2018, the Company's revenue increased by 18.73% or NT\$423,929 as compared with 2017. It mainly increased in the sales of chemical fertilizers. The customers are Corporate companies with a large scale of oil palm plantations. The orders of these corporate customers are mostly from tender. The bidding price is given according to the formula and product type that is regulated. Since it is necessary to have business deal with these corporate customers, the company must enter its supply chain with accommodate the customers' requirement with sacrificing the margin, after building up certain relationship, we will then gradually promote our bio fertilisers to them or recommendations for field trials. Due to the competition in chemical

fertilizer bidding prices, the gross profit margin is low. Therefore, although the revenue is increased in 2018, it is mainly due to the increase in chemical fertilizers sales, which affect the reduction of gross profit. In addition, due to the heavy decline in palm oil prices and affecting the income of the plantation, in order to control its costs, planters prefer to choose the lower cost chemical fertilizers even though lower efficiency.

In the operation expenses-selling and distribution expenses, there was an increase in warehouse storage charges in 2018 as compared to 2017, this is due to subsidiary – ACI set up the warehousing services in Philippines in order to response to the shipment demand of the corporate customer Sumifru, thus increasing the storage management fee at USD 35 per metric ton, in total is about NT\$ 11.293 thousands for the year.

In anticipation of credit impairment losses, in 2018, it increased by NT\$ 26,048 thousands as compared to 2017, it is mainly due to the increase in Accounts Receivable outstanding. The price of palm oil began to weaken in 2018 and fell below MYR 2,000 in the fourth quarter. The revenue of planters was greatly affected and caused out the customers began to extend the payment to the Company. In addition, in May 2018, Malaysia experienced the first time of changing of government in 60 years, most of the top management of the public enterprises were replaced, which also affected the internal operations. Payment arrangements, decision-making and others have caused the delay, hence the Company's Accounts Receivable Aging getting longer in the third quarter.

Subsidiary Co-ACI has met the requirements of Income Tax (Exemption) (No. 17) for its research and development, and has been approved by the Ministry of Finance of Malaysia to entitle 100% of its taxable income for 10 years. The credit period is from March 27, 2008 until March 26, 2018. As due to the expiration of the credit period, it is started to pay income tax in 2018.

## 1.2 Financial Revenue and Profitability

Financial Ratio Item		2018	2017
Financial Structure (%)	Debt to Asset Ratio	14.75	12.73
	Long-Term Capital to Fixed Assets Ratio	460.25	444.78
Solvency (%)	Current Ratio	545.97	738.57
	Quick Ratio	368.88	592.35
Profitability (%)	Return on Assets	11.28	13.88
	Return on Equity	14.49	19.15
	Earning Per Share (NT\$)	4.76	5.31

## 2. 2019 Operating Plan Summary

Continued the fall in palm oil prices in the fourth quarter of last year and political changes in major markets, this year will be a challenging year for the Company in 2019, and it is also an important year to be globalization. All Cosmos's key core microbial technology, mastering the acquisition of organic materials or chemical raw materials, and the customer resources that have been cultivated for 20 years which have formed a strong backing and solid foundation under the combination of the three. The Company has its peak performance since 2009, and will continue to create a future prosperity.

The international palm oil price has stabilized, as the two major palm oil exporting countries of Indonesia and Malaysia have adopted the relevant policy to response , and the Company is still paying close attention to its follow-up trend. In addition to actively exploring the new oil palm market in Indonesia and using the Company's core microbial technology to develop high-value crops such as rubber, papaya and durian, the Company is actively participate into the market of high-value crops. In addition to the Company's operational performance to be more stable and diversify, the two major layouts of the green circular economy will gradually contribute, as the Company's short and mid-term growth momentum.

The Green Circular Economy has established a joint venture with major customers to set up two companies to assist in setting up a specialized treatment plant around its refinery, directly recycling the remaining organic matter in the oil extraction process, in addition to effectively reducing the cost of freight, and investing differently for different needs. Microorganisms, customized, and made into professional microbial compound fertilizer for preventing plant diseases and pest and ganoderma diseases. The second layout of the green recycle economy, through recycling of the surplus by-products, introduces a professional microbial compound fertilizer that can improve soil pH, not only can effectively protect the environment, but also enhance the soil's ability to absorb nutrients, while having low unit price and high margin. The green circular economy will be one of the Company's future operational priorities.

After 20 years of deep cultivation in the Malaysian compound fertilizer market, All Cosmos has grown in the past with higher average growth rate of the overall fertilizer industry and has become a pioneer in the global bio-compound fertilizer industry. The Company has more than 500 kinds of microbial strains and two patented technologies with high-end agricultural technology, including quantitative microbial technology and stabilizer technology platform. The Company will use the technology resources with more effectively and to expand the markets and industries with high growth potential. Global environmental awareness and sustainable agriculture are gradually rising, coupled with soil deterioration and ecological problems, and it is bound to require All Cosmos's advanced biotechnology and agricultural technology to help improve and maintain the environment. All Cosmos will continue to strive to improve and research effective microbial populations. While continuously creating technologically leading milestones, it will accumulate the experience and integrate all technical resources to provide a solid foundation for the Company's future market operation strategy.

We hope that we can show our business results to our shareholders with our peers' efforts and our dedication. We will embrace the spirit of continuous improvement and maintain a continuous improvement attitude. Under the cautious efforts of step by step, we will meet up the expectations

of the shareholders. Finally, we would like to thanks our partners, sharheolders and hardworking staffs for their long-standing support. I would like to express my sincere gratitude!

All Cosmos Bio-Tech Holding Corporation  
Chairman Peng Shih Hao

## 2.0 Company Profile

### 2.1 Date of Incorporation : March 26, 2010

### 2.2 Company And Group History

All Cosmos Bio-Tech Holding Corporation (hereinafter referred to as the Company) was established in the Cayman Islands on March 26, 2010, and is one of the public listing company in Taiwan. The All Cosmos Group owns several subsidiary companies in Malaysia and Indonesia, the main product is biochemical compound fertilizer combined with organic matter, beneficial microorganisms and chemical raw materials. The sales market extends to South East Asia such as Malaysia, China, Indonesia, Vietnam and Taiwan.

The Group's products draw on the advantages of various unit fertilizers and strive to solve and replace the severe environmental pollution caused by traditional chemical fertilizers. Due to the high technical threshold, the Group is the first company in Malaysia to have beneficial microorganisms to be added into fertilizer. In addition, the Group cooperated with the Malaysian Palm Oil Board (MPOB) to develop the fertilizer MPOB F4, which is suitable for the local major agricultural cash crops, and was approved by the Malaysian Oil Palm Board and authorized to use its trademark. In addition to biochemical compound fertilizer, the Group's products were jointly developed with the Malaysian Oil Palm Bureau in 2012 to combat the treatment of the main disease of oil palm tree *Ganoderma lucidum*. The Group's products have been extended from crop production to pest control.

The important notes of the company are as follows:

Year	Items
1999	Incorporation of All Cosmos Industries Sdn Bhd in Johor, Malaysia, and established a biochemical compound fertilizer plant
2003	Obtained ISO2001 and ISO2000 certification
2003	In order to develop the market in East Malaysia, Hybrid Generation Sdn. Bhd was incorporated in Sabah, Malaysia.
2008	Awarded 10 years tax exemption with BioNexus Status certification
	Developed MPOB F4 three-in-one biochemical compound fertilizer in cooperation with Malaysia Oil Palm Bureau (MPOB)
	Received the Golden Bull Award for Overseas Outstanding Enterprise Award
2009	MOA was signed with the Malaysian University of Technology (UTM) to develop a nitrogen-fixing bacteria production platform
	Awarded the Product Innovation Award from the Malaysia International Commodities Exhibition (MICCOS), the Asia-Pacific International Entrepreneur Elite Award 2008-2009, and the Nanyang Business Daily

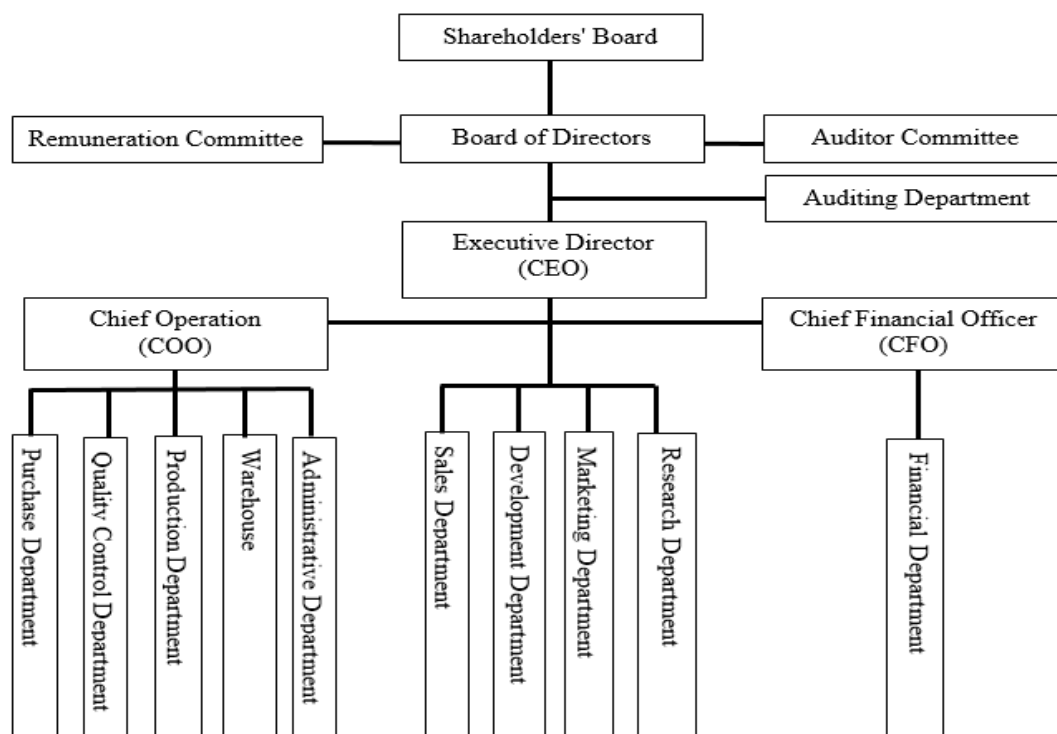
Year	Items
	Golden Bull Award
2010	Incorporation of All Cosmos Bio-Tech Holdings Corporation in Cayman Islands
	Awarded the Asia Pacific Bio Fertilizer Award from Frost & Sullivan
	Incorporation of Sabah Softwoods Hybrid Fertiliser Sdn Bhd in Sabah, Malaysia, to produce and engaging sale at Sabah and Indonesia markets
2011	Co-developing microbial fertilizers containing phage with the Malaysian Institute for Agricultural Research and Development (MARDI)
	The company's products are certified as green fertilizer products by the Malaysian Ministry of Science and Technology Innovation (MOSTI)
	Appointed by the Ministry of Science and Technology of Malaysia as an agricultural green consultant, the only private enterprise consultant
	Awarded the Best Product Innovation Award Card in Malaysia;
	Double Gold Medal in International Consumption;
	Model Award of Taiwan Overseas Chinese Enterprise; Best International Overseas Enterprise Award in Taiwan; and Individual Outstanding Product Award in China.
2012	Joint development of 4-in-1 biochemical compound fertilizer with the Malaysian Palm Oil Board (MPOB)
	Awarded the Outstanding Brand Award from the Asian Entrepreneurship Alliance (AEA)
2013	Awarded the top three companies of BioNexus and the BioNexus Excellence Award from Biotech Corp.
	Awarded the Sin Chew Business Excellence Award 2013 for outstanding product and service quality
	Awarded the Gold Medal Best Agriculture Award and the Malaysian Innovation Product Award (ITEX'13)
2014	GanoEF products won the third place in the Patent Group Award
	Co-developed MPOB F4 Premium Biochemical Compound Fertilizer with Malaysia Palm Oil Board (MPOB)
	Won the 46th Outstanding Business Award from FMM
	All Cosmos Industries Sdn Bhd established the Second Plant in Johor, West Malaysia
2015	Awarded the 47th Outstanding Business Award from FMM
2016	Received the 48th Outstanding Business Award from FMM and the Outstanding Award for Quality of Fertilizer Products in Malaysia
	Granted the Patent for "Bio-Actual Fertilizer Technology" in Taiwan

Year	Items
	Granted the Patent for "Endophytic Fungus Production Technology" in Thailand
2017	All Cosmos Biotech-KY officially listed in Taiwan Stock Exchange on June 8
	Awarded the Bioeconomic Excellence Award from Biotech Corp
	Subsidiary company of All Cosmos Industries Sdn Bhd and Sabah Softwoods Hybrid Fertiliser Sdn Bhd have established a joint venture with Sawit Kinabalu Group, a subsidiary of the East Malaysian government, to establish a professional treatment plant to develop biological vaccines
2018	Established an Indonesian joint venture with YPJ Plantations Sdn. Bhd., a subsidiary of the Johor State Government of Malaysia, to produce and engage sales for Indonesian market.
	Signed the “Liquor Cellulose Depolymerization Patent and Technology Licensing and Service Plan Contract” with the Industrial Technology Research Institute
	Subsidiary Company Arif Efektif signed a technical sales contract with MARDI Malaysian Agricultural Research and Development Agency to obtain the use of induced resistant system for papaya seedlings to control papaya disease
2019	Signed a joint venture contract with Grape King Biotech Co., Ltd. and Mr. Chiu Hsien Chih to expand the health food biotechnology business in ASEAN countries

## 3.0 Corporate Governance Report

### 3.1 Organization System

#### 3.1.1 Organizational Structure



#### 3.1.2 Business Operations of Major Departments

Department name	Operation
Board of Directors	Establish policy directives and target policies for the company's business operations
Audit Committee	Supervise the company's business and financial status, the company's financial statements, and the effective implementation of internal control
Remuneration Committee	Regularly review the policies, systems, standards and structures of directors and managers' performance, appraisal and salary remuneration, and regularly assess and determine the remuneration of directors and managers.
Internal Audit Department	Research, planning and implementation of internal control and auditing systems, reporting of audit reports and tracking regularly improvements and audit errors
Purchasing Department	To communicate with supplier regardding the purchase and supply of daily domestic procurement and raw material procurement
Quality Control Department	Ensure product quality meets standards, performs quality control operations, and tracks corrective actions



Production Department	Implement production planning, control production schedule and material status, maintain work safety and environmental requirements at production site, control and improve product quality and production progress
Warehouse Department	To manage the warehouse inventory quantity and ensure the quantity of goods receiving and delivery
Administrative Department	Responsible for the management of the company's human resources
Sales Department	To establish and maintain relationships with major customer and strategic partners, and the management of domestic and international marketing channels and channel providers
Development Department	To maintain customer relationships, expand new markets, and develop the company's brand
Marketing Department	To promote products in the market and increasing product exposure through various means.
Research Department	To develop the process and progress of the research plan and develop new products
Financial Department	To handle the company's accounting, calculation and analysis of production costs, preparation and analysis of various financial, accounting, and cost statements, various tax returns and other matters.

## 3.2 Information of Directors, Supervisors, General Managers, Deputy General Managers, Associates, Departments And Branches

### 3.2.1 Information of Directors And Supervisors

#### 3.2.1.1 Information of Directors and Supervisors (The Company has set up an audit committee with no supervisor)

April 21, 2019, Unit of Share: in Thousand

Title	Name	Gender	Nationality	Date First Elected	Election (Accession) Date	Terms	Shareholding When Elected		Current Shareholding		Spouse & Minor Children Shareholding		Shareholding by Nominee Arrangement		Experience and Education	Other Positions in The Company and/or Other Companies	Executives, Directors or Supervisors Who Are Spouses or within Two Degrees of Kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Chairman	All Cosmos Investment Ltd	-	Republic of Seychelles	2010.3.26	2016.6.30	3yrs	22,500	39.82%	22,500	35.14%	-	-	-	-	-	-	-	-	-
	Representative: Peng Shih Hao	Male	R.O.C	2010.3.26	2016.6.30	3yrs	-	-	139	0.2%	-	-	22,500	35.14%	- Ph.D candidate, Institute of Wood Science and Technology, University of Putra, Malaysia - Master of Business Administration, Honolulu University, Hawaii	- ACI – Director cum CEO - SSHF-Director - All Cosmos Investment Ltd.-Chairman - Grains & Greens Sdn Bhd-Director - Kinabalu Life Sciences Sdn Bhd-Director - Sawit Ecofield Sdn Bhd-Director - GK Bio International Sdn Bhd-Director - PT All Cosmos Biotech-Director	Director	Peng Shih Ching Peng Chia Lin	Father Sister
Director	SHENG HUA Ltd	-	Republic of Seychelles	2014.6.30	2016.6.30	3yrs	2,500	4.42%	2,500	3.9%	-	-	-	-	-	-	-	-	-
	Representative: Peng Sheng Ching	male	R.O.C	2012.9.29	2016.6.30	3yrs	-	-	-	-	40	0.06%	2,500	3.9%	- GuanXi Agriculture High School	- ACI-Chairman - SHENG HUA LTD.-Chairman	Chairman	Peng Shih Hao Peng Chia Lin	Son Daughter
Director	Hsu Ken Tsai	male	R.O.C	2012.9.29	2016.6.30	3yrs	30	0.05%	30	0.05%	-	-	-	-	- Private School of Technology, Enterprise Management Division and Professional Qualifications - General Manager of Tachong Gas Station	-	-	-	-

Title	Name	Gender	Nationality	Date First Elected	Election (Accession) Date	Terms	Shareholding When Elected		Current Shareholding		Spouse & Minor Children Shareholding		Shareholding by Nominee Arrangement		Experience and Education	Other Positions in The Company and/or Other Companies	Executives, Directors or Supervisors Who Are Spouses or within Two Degrees of Kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Director	Chang Lu Chang	male	R.O.C	2012.9.29	2012.6.30	3yrs	30	0.05%	30	0.05%	-	-	-	-	- Bachelor of Finance and Taxation, National Chengchi University	- YiChen International Pte Ltd-Director	-	-	-
Director	MAX'TRENGTH CORPORATION	-	Republic of Seychelles	2014.6.30	2016.6.30	3yrs	4,500	7.03%	4,500	7.03%	-	-	-	-	-	-	-	-	-
	Representative: Peng Chia Lin	Female	R.O.C	2014.6.30	2016.6.30	3yrs	12	0.02%	40	0.06%	4,500	7.03%	-	-	- Shixin Journalism and Communication College - Director of Clinical Research, Quintiles	- MAX'TRENGTH CORPORATION- Director - GK Bio International Sdn Bhd -Director	Director	Peng Sheng Ching Peng Shih Hao	Father Brother
Director	Chee Kheng Hoy	male	Malaysia	2014.6.30	2016.6.30	3yrs	-	-	-	-	-	-	-	-	- Ph.D of Forest Diseases, University of Auckland - Researcher and Head of Rubber Research Institute	- AESB-Director - Director of Malaysia Rubber Research Institute	-	-	-
Independent Director	Lo Tze Wu	male	R.O.C	2012.9.29	2016.6.30	3yrs	-	-	-	-	-	-	-	-	- National Chung Hsing University Institute of Law - WeiYang Law Firm Lawyer	- Huayi Electronics (Stock) Co., Ltd-Supervisor - Xieyi Machinery Industry Co., Ltd-Supervisor - Shiwei Technology (Stock)-Supervisor - Hongsheng Investment Co., Ltd-Supervisor - Shiwei Co., Ltd-Director	-	-	-
Independent Director	Yang Yung Cheng	male	R.O.C	2014.6.30	2016.6.30	3yrs	-	-	-	-	-	-	-	-	- Master in Finance, Fu Ren University - Chartered Accountant - Certified Public Accountant of MRCPA	- Hongkai Optoelectronics Co., Ltd-Supervisor - Yongcheng Construction(Stock) Co., Ltd-Supervisor	-	-	-
Independent Director	Yeh Chung Chuan	male	R.O.C	2016.10.19	2016.10.19	3yrs	-	-	-	-	-	-	-	-	- Master of Plant Pathology, National Chung Hsing University - Bachelor of Plant Pathology, University of Illinois, USA - Agricultural Improvement Field Committee in Tainan District-Deputy Director	-	-	-	-

3.2.1.2 The name of the corporate shareholder and the top ten shareholder name and its shareholding ratio:

Corporate Shareholder Name	Major Shareholder of Corporate Shareholder	Shareholding ratio (%)
All Cosmos Investment Ltd	Peng Shih Hao	100%
Sheng Hua Ltd	Peng Sheng Ching	100%
Maxtrength Corp	Peng Chia Lin	100%

3.2.1.3 The major shareholders of the corporate shareholder's is corporate shareholder: None.

3.2.1.4 Status of the professional knowledge and independency of the directors and supervisors (the company does not have a supervisor)

Condition Name	More than 5-year Work Experience and Professional Qualifications as Below			Independency Criteria										Number of other public companies in which the Individual is concurrently serving as an independent director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private College	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Approved a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Peng Shih Hao	-	-	√						√	√		√	√	-
Peng Sheng Ching	-	-	√	√					√	√		√	√	-
Hsu Ken Tsai	-	-	√	√	√	√	√	√	√	√	√	√	√	-
Chang Lu Chang	-	-	√	√	√	√	√	√	√	√	√	√	√	-
Peng Chia Lin	-	-	√	√	√				√	√		√	√	-
Chee Kheng Hoy	-	-	√	√		√	√	√	√	√	√	√	√	-
Lo Tze Wu	-	√	√	√	√	√	√	√	√	√	√	√	√	-
Yang Yung Cheng	-	√	√	√	√	√	√	√	√	√	√	√	√	-
Yeh Chung Chuan	-	-	√	√	√	√	√	√	√	√	√	√	√	-

Note : Please mark “ ” at the beginning of the following conditions that various directors and supervisors match in two years before appointment and during their tenure.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or a supervisor of the Company or its affiliated company (However, the independent director that the Company or its parent company or subsidiary sets according to this law or local law is not subject to this limit).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top 5 in holdings.
- (6) Not a director, supervisor, officer, or shareholder holding 5% or more of the share, of a specified company or institution that has a financial or business relationship with the Company.
- (7) Not a professional person who provides business, legal, financial, and accounting services for the Company or its affiliated company, an owner, a partner, a director, a supervisor, a manager of wholly-owned or partnership company/institution, or its spouse. However, the compensation committee member stated in Article 7 Fulfillment of Authority, Methods for Compensation Committee Setting Up and Authority Exercising of Stock Exchange Listing Company or Company Traded at Securities Dealer Business Office is not subject to this limit.
- (8) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
- (9) Not a person of any conditions defined in Article 30 of the Company Law.
- (10) Not a governmental body, juridical person or its representative as defined in Article 27 of the Company Law.

3.2.2 General manager, Deputy General Manager, Associates, Department And Branch Managers  
3.2.2.1 Information on the President, Vice Presidents and Management Team

Unit of Share: in Thousand																
April 30, 2019,																
Title	Name	Gender	Nationality	就任日期 (Accession) Date	Shareholding		Spouse & Minor Children Shareholding		Shareholding by Nominee Arrangement		Experience and Education	Other Positions in other Companies	Managers as Spouse or within 2-Degree Kinship			Manager obtains employee stock option certificate
					Shares	%	Shares	%	Shares	%			Title	Name	Relatio nship	
ACBT CEO	Peng Shih Hao	Male	R.O.C	2012.9.28	139	0.2%	-	-	22,500	35.14%	Ph.D. candidate, Institute of Wood Science and Technology, University of Putra, Malaysia Master of Business Administration, Honolulu University, Hawaii	ACI-CEO SSHFF-Director ALL COSMOS INVESTMENT LTD.-Chairman GRAINS & GREENS Sdn Bhd-Director Kinabalu Life Sciences Sdn Bhd-Director Sawit Ecoshield Sdn Bhd-Director GK Bio International Sdn Bhd-Director PT All Cosmos Biotech-Director	ACI Chairman	Peng Sheng Ching	Father	150
ACBT CFO	Janice Cheow	Female	Malaysia	2016.4.22	-	-	-	-	-	-	Griffith University, Brisbane Major Accounting Dominant Enterprise Berhad Account Executive Chong & Associate Audit Senior Associate	SSHFF-Director ACI-Chief Financial Officer Oasis Panel Sdn. Bhd.-Director Kinabalu Life Sciences Sdn Bhd -Director GK Bio International Sdn Bhd-Director PT All Cosmos Biotech-Director	-	-	-	150
ACBT Group General Manager	Ling Siu Hung	Male	Singapore	2017.1.1	-	-	-	-	-	-	Major in Accountancy (University of Canterbury, New Zealand) BLOOM FOSS PTE LTD OPERATION MANAGEMENT	SSHFF General Manager	-	-	-	-
ACI General Manager (Manufacturing)	Lai Chan Wai	Male	Malaysia	2015.1.1.	-	-	-	-	-	-	Master in Manufacturing and Production Management Training & Development Acquired During Service	-	-	-	-	40
ACI R&D Manager	WAN AZHA BIN WAN MUSTAPHA	Male	Malaysia	2009.11.9	-	-	-	-	-	-	Ph.D. candidate, Institute of Wood Science and Technology, University of Putra, Malaysia ACI Quality Control and R&D Manager	AESB Director cum CEO	-	-	-	-
ACI Sales & Technical Manager	Roslan Bin Arshad	Male	Malaysia	2009.2.16	-	-	-	-	-	-	University Pertanian Malaysia Bachelor Degree In Agriculture (hons) MPOB Research Station Sessang, Saratok , Sarawak. Resenreh Officer MPOB HQ Bangi, Agronomist & Extension Unit	PT ACI Director cum CEO	-	-	-	10

### 3.3 Remuneration Of Directors, Supervisors, General Managers And Deputy General Managers for the Recent Years

Remuneration Scale Table

Unit: NT\$

The range of each director's remuneration	Name of Directors		
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)
	The Company	All Companies in the Financial Report	
Below NT\$2,000,000	—	Peng Shih Hao, Peng Sheng Ching, Peng Chia Lin, Chee Kheng Hoy, Hsu Ken Tsai, Chang Lu Chang, Lo Tze Wu, Yang Yung Cheng, Yeh Chung Chuan	Peng Chia Lin, Chee Kheng Hoy, Hsu Ken Tsai, Chang Lu Chang, Lo Tze Wu, Yang Yung Cheng, Yeh Chung Chuan
	—	—	—
	—	—	—
	—	—	—
	—	—	—
	—	—	—
	—	—	—
	—	—	—
	—	—	—
	—	—	—
NT\$2,000,000 (inclusive) ~ NT\$5,000,000 (exclusive)	—	—	—
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	—	—	Peng Shih Hao, Peng Sheng Ching
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	—	—	—
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	—	—	—
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)	—	—	—
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)	—	—	—
Above NT\$100,000,000	—	—	—
Total	—	9	9

3.3.2 Remuneration of the supervisor: The company does not have a supervisor and is not applicable.

### 3.3.3 Remuneration of The General Manager and Deputy General Manager :

Unit: NT\$ in Thousand

Title	Name	Salary (A)		Retirement Pension Fund (B)		Bonus & Allowance etc. (C)		Remuneration to employee (D)				The ratio of the total of A+B+C+D to the Net Profit After Tax (%)		Received The Remuneration From The Subsidiary Company
		The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report	The Company	All Companies in the Financial Report		The Company	All Companies in the Financial Report				
							Cash Amount	Shares Amount			Cash Amount	Shares Amount		
ACBT CEO	Peng Shih Hao													
ACBT Group General Manager	Ling Siu Hung	—	10,052	—	—	—	2,552	—	—	3,662	—	—	5.33%	—
ACBT CFO	Janice Cheow													

Remuneration Scale Table

Unit: NT\$

Remuneration of The General Manager and Deputy General Manager	Names of General Managers and Deputy General managers	
	The Company	All Companies in the Financial Report
Below NT\$2,000,000	—	
NT\$2,000,000 (inclusive) ~ NT\$5,000,000 (exclusive)	—	Janice Cheow
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	—	Ling Siu Hung, Peng Shih Hao
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	—	—
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	—	—
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)	—	—
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)	—	—
Above NT\$100,000,000	—	—
Total	—	3



### 3.3.4 Name of Managers and their Distribution of Employee Remuneration

March 31, 2019 2019 Unit: NT\$ in Thousand; %

	Title	Name	Shares amount	Cash amount	Total	The Proportion Of Total Amount To Net Profit After Tax
Manager	CEO	Peng Shih Hao				
	CFO	Janice Cheow				
	Group General Manager	Ling Siu Hung				
	ACI General Manager (Manufacturing)	Lai Chan Wai				
	ACI R&D Manager	Wan Azha Bin Wan Mustapha	—	3,662	3,662	1.20%
	ACI Sales & Technical Manager	Roslan Bin Arshad				

3.3.5 Comparison for the total amount of remuneration of the Directors, Supervisors, General Managers and Deputy General Managers of the company in the past two years accounted for the net profit after tax ratio of individual or individual financial reports and explained the payment of remuneration, relevance of policies, standards and portfolios, procedures for determining emoluments and business performance

3.3.5.1 Analysis of the company's and the consolidated report for the total amount of remuneration paid to the Directors, Supervisors, General Managers and Deputy General Managers of the company in the last two years to the net profit after tax of individual or Individual financial reports

		2017		2018	
Year		Total Remuneration	Ratio on Net Profit After Tax of Consolidated Financial Report	Total Remuneration	Ratio on Net Profit After Tax of Consolidated Financial Report
Director		12,566	3.89%	8,550	2.80%
General Manager and Deputy General Manager		18,407	5.70%	18,162	5.95%

Unit: NT\$ in Thousand

3.3.5.2 Policies, standards and combinations for payment of honoraria, procedures for determining remuneration, and correlation with business performance and future risks

The Company is following the guideline of “Employee Salary, Benefits and Other Remuneration Survey Report” which is published by the Federation of Malaysian Manufacturers (FMM) and the Malaysian Employers' Federation (MEF) and is used as a reference for the remuneration of the directors and managers of the company, based on the position and the contribution of the company and the profitability of the company determine the amount of salary compensation. In addition, the company also has a Remuneration Committee, which is a member of all independent directors, which regularly reviews and evaluates the policies, systems, standards and structures of directors and managers' performance and salary remuneration.

### 3.4 Corporate Governance Operation

#### 3.4.1 Operation of The Board of Directors

3.4.1.1 In the most recent year (2018) and up to the date of publication of the annual report, the Board of Directors convened 7 meetings, the attendance were listed as follows:

Title	Name	Actual Attendance	Entrusted To Attend Frequency	Actual Attendance Rate (%)	Remarks
Chairman	Peng Shih Hao	7	0	100.00	Re-election on 2016.6.30
Director	Peng Sheng Ching	5	2	71.43	Re-election on 2016.6.30
Director	Peng Chia Lin	7	0	100.00	Re-election on 2016.6.30
Director	Chee Kheng Hoy	7	0	100.00	Re-election on 2016.6.30
Director	Chang Lu Chang	7	0	100.00	Re-election on 2016.6.30
Director	Hsu Ken Tsai	7	0	100.00	Re-election on 2016.6.30
Independent Director	Lo Tze Wu	7	0	100.00	Re-election on 2016.6.30
Independent Director	Yang Yung Cheng	7	0	100.00	Re-election on 2016.6.30
Independent Director	Yeh Chung Chuan	7	0	100.00	By-election on 2016.10.19

#### 3.4.1.2 Other matters to be recorded

(1) The matters listed in Article 14(3) of the Securities Exchange Act and other matters of the Board Of Directors that have been rejected or retained by Independent Directors and have a record or written statement shall state the date, time, contents of the proposal and the opinions of all Independent Directors. And the company's handling of the opinions of Independent Directors:

Date of Meeting	Meeting Content	All Independent Directors' opinions and companies handling of opinions of Independent Directors
June 12, 2018	Subsidiary All Cosmos Industries Sdn Bhd and Geosat Technology Co., Ltd. set up a joint venture company proposal	All Directors' resolutions the proposal shall be discussed in the context of the cooperation plan and the contract.
March 26, 2019	In the 2018 surplus distribution case, the original proposal was distribution of a cash dividend of NT\$2.10 per share	The Independent Directors suggested a dividend of NT\$2.35 to NT\$2.40 per share. The Board Of Directors resolved to distribute NT\$2.40 per share

- (2) For the implementation of the director's withdrawal of the interest bill, the directors shall state the name of the directors, the content of the proposal, the reasons for avoiding the interests, and the participation in the voting.

Date of Meeting	Meeting Content	Reasons for avoidance of interests and participation in voting
November 13, 2018	Appointment of the person in charge for the Taiwan branch	Director Peng Chia Lin evaded due to interest, and the chairman consulted the opinions of the directors present and passed the resolution without objection.
December 21, 2018	The 2018 year-end bonus of the group company distribution case	Director Peng Shih Hao and Director Peng Sheng Ching evaded the interest relationship, and the agency of chairman consulted other directors' opinion and passed the resolution without objection

- (3) Assessment of the objectives and performance of the Board of Directors for the current and recent years:

The Board of Directors of the company authorized the Audit Committee and the Remuneration Committee to assist the Board of Directors in performing their supervisory duties. The Committee consists entirely of three Independent Directors. The chairman of the committees report their activities and resolutions to the Board of Directors on a regular basis.

#### 3.4.2 Information on the Operation of the Audit Committee:

- 3.4.2.1 In the most recent year (2018) and as of the printing date of the annual report, the Audit Committee convened 7 meetings. The attendance of the Audit Committee is as follows:

Title	Name	Actual Attendance	Entrusted To Attend Frequency	Attendance Rate (%)	Remarks
Independent Director	Lo Tze Wu	7	0	100.00	Re-elction on 2016.6.30
Independent Director	Yang Yung Cheng	7	0	100.00	Re-elction on 2016.6.30
Independent Director	Yeh Chung Chuan	7	0	100.00	By-election on 2016.10.19

#### 3.4.2.2. Other matters to be recorded

- (1) The matters listed in Article 14(5) of the Securities Exchange Law and other matters that have not been approved by the Audit Committee and approved by more than two-thirds of all directors shall state the date, time, contents of the resolution, and the results of the Audit Committee. The results of the

resolution and the company's handling of the Audit Committee's opinion:

Meeting Date	Meeting Content	The results of the Audit Committee's resolution and the company's handling of the Audit Committee's opinions
March 16, 2018	2017 annual consolidated financial statements and business report resolution	All Independent Directors approved the resolutions
	2017 "Internal Control System Statement" resolution	
	2018 Annual External Auditors' Fee and its qualification and independency assessment resolution	
	Amendment to the "Operating Procedures for Acquisition or Disposition of Assets" resolution	
May 10, 2018	Consolidated financial statements for the first quarter of 2018	All Independent Directors approved the resolution
August 8, 2018	Consolidated financial statements for the second quarter of 2018	All Independent Directors approved the resolution
	For the subsidiary company All Cosmos Industries Sdn Bhd endorsement guarantee resolution	
November 13, 2018	Consolidated financial statements for the third quarter of 2018	All Independent Directors approved the resolution
	For the subsidiary company All Cosmos Industries Sdn Bhd endorsement guarantee resolution	
March 26, 2019	2018 annual consolidated financial statements and business report	All Independent Directors approved the resolution
	In the 2018 surplus distribution resolution, the original proposal was distribution a cash dividend of NT\$2.10	The audit committee recommended to distribute a dividend of NT\$2.35 to NT\$2.40 per share. The board of directors resolved to distribute NT\$2.40
	2018 "Internal Control System Statement" resolution	All Independent Directors approved the resolution
	2019 Annual External Auditors' Fee and its qualification and independency assessment resolution	
	Revision of the "Operating Procedures for Acquisition or Disposition of Assets" resolution	
	Revision of the "Operating Procedures for Governing Lending of Funds" resolution	

	Revision of the "Operating Procedures for Endorsements and Guarantees" resolution	
	Engaged in derivative commodity trading quotas and trading resolution	

- (2) The independent directors shall state the name of the independent directors, the content of the proposal, the reasons for avoiding the interests, and the participation in the voting situation: None.
- (3) Communication between the Independent Directors and the Internal Audit Supervisors and Accountants (including major issues, methods and results of communication on the company's financial and business conditions):

The auditing unit of the company provides the audit report of the internal audit of the Independent Directors in accordance with the regulations, and reports the latest audit situation through the Board of Directors. The Independent Directors have to check the financial and business execution status of the company at any time. If there is any doubts about the related operations of the company, it can be deal with the relevant unit Supervisor immediately for review and improvement.

In addition, in the case of communication with external auditors, if the Independent Director has any doubts about the financial and business conditions of the company, he/she must deal with the accountant of the company at any time and guide the relevant units of the company to conduct review and improvement. The company's external auditors were present at the Annual Audit Committee on March 16, 2018 and March 26, 2019. During the meeting, the financial statements of the year and other related legal requirements are reported. If there are special circumstances, they will report to the members of the Audit Committee immediately. There is no such special situation in 2018. The audit committee of the company communicated well with the external auditors.

### 3.4.3 The situation of the company's Corporate Governance and its differences with the listing company's practice rules

Assessed Items	Operation circumstances (Note 1)		Differences and its Reasons of the Code of Practice for Corporate Governance as compared with other listed companies and OTC companies
	Yes	No	
(1) Does the company formulate and expose the Code of Practice for Corporate Governance in accordance with the Code of Practice for Corporate Governance in Listed Companies?	✓	The company has established a code of practice for governance and disclosed it on the company's website.	No major differences
(2) the company's shareholding structure and shareholders' equity	✓	(i) The Company has established relevant internal procedures and set up a spokespersons on to deal with matters such as shareholder suggestions, doubts or disputes. (ii) The company's shareholder register provided by the stock agent holds the list of shareholders and regularly tracks the list of final controllers. (iii) The Company has established a trading management method for the related enterprises and has implemented it in order to achieve the risk control mechanism. (iv) The Company has established relevant internal control system and announced it at the meeting to prevent insider trading.	No major differences No major differences No major differences No major differences
(i) Does the company stipulate internal operating procedures to deal with shareholders' suggestions, doubts, disputes and litigation matters, and implement them according to procedures? (ii) Does the company have a list of the ultimate controllers of the major shareholders and major shareholders of the actual control company? (iii) Does the company establish, implement and control the risk control and firewall mechanism	✓ ✓ ✓ ✓		

Assessed Items	Operation circumstances (Note 1)			Differences and its Reasons of the Code of Practice for Corporate Governance as compared with other listed companies and OTC companies
	Yes	No	Abstracts	
between the enterprises? (iv) Does the company stipulate internal regulations and prohibit insiders from using the undisclosed information on the market to buy and sell securities?				
(3) the composition and duties of the board of directors  (i) Does the board of directors formulate a diversified policy and implement it in terms of membership? (ii) Does the company voluntarily set up other functional committees in addition to the salary remuneration committee and the audit committee? (iii) Does the company stipulate the performance appraisal methods of the board of directors and their assessment methods, and conduct performance evaluations every year and regularly? (iv) Does the company regularly	✓	✓	<p>(i) The Company currently has nine directors, including one female director. Both have the necessary competency requirements for performing their duties and have a diverse background.</p> <p>(ii) The Company will establish other various functional committees in due course according to the company's business development and legal requirements.</p> <p>(iii) The Company has not yet established the measures and methods for the performance evaluation of the Board of Directors. In the future, it will be determined as appropriate according to the actual situation of the company.</p> <p>(iv) On March 16, 2018, the Company reported the independency assessment of the appointment of External Auditors in 2018 to the Board of Directors and the Audit Committee for deliberation. All the directors passed the resolution that Deloitte &amp; Touche, Cheng Chiang Hsun and Yu Cheng Chuan are in line with the company's independence and eligibility assessment criteria. The review is based on the "Chartered Accountant Review and Evaluation</p>	<p>No major differences</p> <p>Future implementation as appropriate</p> <p>Future implementation as appropriate</p> <p>No major differences</p>

Assessed Items	Operation circumstances (Note 1)			Differences and its Reasons of the Code of Practice for Corporate Governance as compared with other listed companies and OTC companies
	Yes	No	Abstracts	
assess the independence of the Chartered Accountant?			<p>Form” prepared by the Company and the “Accountant's independence statement” issued by the accountant.</p> <p>The specific indicators and assessments of the review assessment form are as follows:</p> <ol style="list-style-type: none"> <li>1. Accountant independency</li> <li>2. Accountant's moral behavior</li> <li>3. Financial report quality, timeliness</li> <li>4. Auditor professionalism</li> <li>5. Assess the various risks that exist or potential to monitor the company</li> <li>6. Communication with management</li> <li>7. Rationality of Audit Fee</li> </ol>	
4. Does the listing company has set up a corporate governance special (part-time) unit or personnel responsible for corporate governance related matters (including but not limited to providing information required by directors and supervisors to conduct business, and handling matters related to meetings of the board of directors and shareholders meeting in accordance with the law, handling company registration and change	√		The company has set up a part-time person in charge for corporate governance to handle corporate governance related matters.	No major differences



Assessed Items	Operation circumstances (Note 1)			Differences and its Reasons of the Code of Practice for Corporate Governance as compared with other listed companies and OTC companies
	Yes	No	Abstracts	
registration, making board of directors and shareholders meeting, etc.)?				
5. Does the company establish communication channels with interested parties (including but not limited to shareholders, employees, customers and suppliers), set up stakeholder areas on the company's website, and respond appropriately to important corporate societies of concern to stakeholders? Responsibility issues?	√		The company has set up a stakeholder area on the company's website (www.allcosmos.com) and maintains a good communication channel to respond effectively to all concerns of stakeholders.	No major differences
6. Does the company appoint a professional stock agency to handle the affairs of the shareholders' meeting?	√		The company has appointed the stock affairs agent of SinoPac Securities Corporation to handle the affairs of the shareholders' meeting.	No major differences
7. information disclosure (i) Does the company set up a website to expose financial business and corporate governance information? (ii) Does the company adopts other methods of information	√ √		(i) The Company has set up the company website (www.allcosmos.com) and disclosed financial business and corporate governance information for investors to understand the inquiry. (ii) The Company has assigned personnel to be responsible for information collection and disclosure, and has selected suitable personnel to serve as spokespersons and deputy spokespersons.	No major differences No major differences

Assessed Items	Operation circumstances (Note 1)			Differences and its Reasons of the Code of Practice for Corporate Governance as compared with other listed companies and OTC companies
	Yes	No	Abstracts	
disclosure (such as setting up an English website, designating a person to be responsible for the collection and disclosure of company information, implementing the spokesperson system, and placing the company website during the legal person briefing process)?				
8. Does the company have other important information that helps to understand the operation of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relationships, stakeholder rights, directors and supervisors' training, The implementation of risk management policies and risk measurement standards, the implementation of customer policies, the company's purchase of liability insurance for directors and supervisors, etc.)?	✓		<p>(i) Employees' rights and interests: The company has established employee codes in accordance with the law, as the basis for the company and employees to protect the legitimate rights and interests of employees.</p> <p>(ii) Employee care: Establish an employee welfare system and an education and training system, and hold activities not on a regular basis.</p> <p>(iii) Investor Relationship: The Company has a spokesperson system and exposes or announces relevant information in accordance with regulations.</p> <p>(iv) Supplier relationship: The company maintains long-term good relations with suppliers.</p> <p>(v) Rights of interested parties: The company has a company website and a spokesperson to provide opinions to stakeholders to safeguard their rights and interests.</p> <p>(vi) The situation of directors and supervisors for further study: The</p>	No major differences

Assessed Items	Operation circumstances (Note 1)		Differences and its Reasons of the Code of Practice for Corporate Governance as compared with other listed companies and OTC companies
	Yes	No	
		Abstracts	
		<p>directors of the Company have been regularly studied according to the regulations. (For details, please refer to pages 38~39 of this annual report)</p> <p>(vii) Implementation of risk management policies and risk measurement standards: Various internal regulations are formulated according to law to conduct various risk management and evaluation.</p> <p>(viii) Implementation of customer policy: The company maintains a stable and good relationship with its customers.</p> <p>(ix) The company purchased liability insurance for directors and supervisors: The company has purchased liability insurance for directors in accordance with the company's articles of association.</p>	
9. Please indicate the improvement of the corporate governance evaluation results of the Corporate Governance and Management Center of the Taiwan Securities Exchange Co., Ltd. in the recent year, and propose priority strengthening measures for those who have not yet improved:			
Corporate Governance Evaluation No.	Corporate Governance Review Items		Improvement and Implementation Situation/Circumstances
1.9	Does the company upload the English version of the meeting notice 30 days before the meeting of the shareholders' meeting?		The 2019 shareholders' meeting has prepared an English version of the meeting notice, and uploads at the same time.
1.10	Does the company upload the English version of the discussion manual and the supplementary information		The 2019 shareholders' meeting has prepared an English version of the handbook and supplementary information for the meeting,

Assessed Items		Operation circumstances (Note 1)		Differences and its Reasons of the Code of Practice for Corporate Governance as compared with other listed companies and OTC companies
		Yes	No	
		Abstracts		
	of the meeting before the 21st meeting of the shareholders' meeting?	and uploads at the same time.		
1.11	Does the company upload an English version of the annual report before the 7th meeting of the shareholders' meeting?	The 2019 Annual General Meeting of Shareholders has prepared an annual report in English and uploaded it at the same time.		
2.11	Does the company disclose in detail the results of the resolutions of the audit committee on major resolutions and the company's comments on the audit committee in the annual report?	In the 2018 Annual Report - Other matters to be recorded in the operation of the Audit Committee, the matters listed in Article 14 (5) of the Securities Exchange Act and other matters not approved by the Audit Committee and approved by more than two-thirds of all directors, The date, period, content of the proposal, the outcome of the audit committee resolution, and the company's handling of the opinions of the audit committee have been described in the form.		
2.17	Does the company's board of directors regularly (at least once a year) assess the independence of the Chartered Accountant and disclose the assessment process in detail in the annual report?	It has been stated in the annual report of 2018: On March 16, 2018, the independency assessment of the appointment of external auditors in 2018 will be reported to the Board of Directors and the Audit Committee for deliberation. All directors had passed the resolution of Deloitte & Touche, Chen Chiang Hsun and Yu Cheng Chuan are in compliance with the company's independency and eligibility assessment criteria.		

Note 1: Regardless of whether the operation is checked "Yes" or "No", it should be stated in the summary description field.

### 3.4.4 Composition, responsibilities and operation of the remuneration committee:

#### 3.4.4.1. Remuneration Committee member information

Identity (Note 1)	Condition	More than 5-year Work Experience and Professional Qualifications as Below			Independency Criteria (Note 2)								Number of other public companies in which the Individual is concurrently serving as an independent director	Remarks
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private College	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Approved a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8		
Convener	Lo Tze Wu		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	No	
Committee	Yang Yung Cheng		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	No	
Committee	Yeh Chung Chuan			✓	✓	✓	✓	✓	✓	✓	✓	✓	No	

Note 1: Please fill in the identity as a director, independent director or others.

Note 2: Please mark “✓” at the beginning of the following conditions that various directors and supervisors match in two years before appointment and during their tenure

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or a supervisor of the Company or its affiliated company (However, the independent director that the Company or its parent company or subsidiary sets according to this law or local law is not subject to this limit).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top 5 in holdings.
- (6) Not a director, supervisor, officer, or shareholder holding 5% or more of the share, of a specified company or institution that has a financial or business relationship with the Company.
- (7) Not a professional person who provides business, legal, financial, and accounting services for the Company or its affiliated company, an owner, a partner, a director, a supervisor, a manager of wholly-owned or partnership company/institution, or its spouse.
- (8) Not a person of any conditions defined in Article 30 of the Company Law.

In order to improve corporate governance and improve the company's directors and managers' salary and remuneration system, the company has taken into account the Republic of China “Stock Listing Or The Establishment And Exercise Of Powers And Responsibilities Of The Company's Remuneration Committee For Securities Firms' Business Premises”, on September 28, 2012. After the resolution of the board of directors, the establishment of the salary compensation committee, and the establishment of the salary and remuneration committee organization rules, in order to facilitate compliance. Members of the Compensation and Remuneration Committee include Independent Director Lo Tze Wu, Independent Director Yang Yung Cheng and Independent Director Yeh Chung Chuan.

#### 3.4.4.2 Remuneration Committee duties

The Remuneration Committee faithfully performs the following functions and duties and submits the recommendations to the Board of Directors for discussion:

- (1) Establish and regularly review the policies, systems, standards and Structures for performance evaluation and remuneration of directors and managers.
- (2) Regularly assess and determine the remuneration of directors and managers.

#### 3.4.4.3 Remuneration Committee operation

- (1) The company's remuneration committee has 3 members.
- (2) The term of office of the current members: June 30, 2016 to June 29, 2019, the most recent year (2018) to March 31, 2019, the salary remuneration committee convened 5 times meeting (A). The attendance is as follows:

Title	Name	(B) Actual attendance (B)	Entrusted To Attend Frequency	Actual attendance rate (%) (B/A)(Note)	Remarks
Convener	Lo Tze Wu	5	0	100.00	Re-election on 2016.6.30
Committee	Yang Yung Cheng	5	0	100.00	Re-election on 2016.6.30
Committee	Yeh Chung Chuan	4	1	80.00	New Appointed on 2016.11.11

Other items to be recorded:

1. If the Board of Directors does not adopt or amend the recommendations of the Salary and Remuneration Committee, it shall state the date and time of the Board of Directors, the content of the proposal, the outcome of the resolution of the Board of Directors and the company's handling of the opinions of the Salary and Remuneration Committee (eg the salary remuneration approved by the Board of Directors is better than the Remuneration Committee, the recommendations should state the difference and the reasons): None.
2. The resolutions of the Salary and Remuneration Committee, if the members have objections or reservations and have a record or written statement, the date, period, content of the proposal, opinions of all members and comments on the members shall be stated: None.

### 3.4.5 Fulfilling Social Responsibility

Assessed Items	Operational circumstances			Differences and its Reasons of the Code of Practice for Social Responsibility as compared with other listed companies and OTC companies
	Yes	No	Abstracts	
1. Implementing corporate governance	✓		(i) The Company has established a corporate social responsibility policy as a basis for the implementation of corporate responsibility, and will review the results in the future.	No major differences
(i) Does the company formulate corporate social responsibility policies or systems and review the effectiveness of implementation?	✓		(ii) The company will announce to the colleagues from time to time, and will be placed on the company's website for reference by the colleagues.	No major differences
(ii) Does the company regularly hold social responsibility education training?	✓		(iii) In order to improve the management of corporate social responsibility, the company is handled by a employee of the Administrative department hold a concurrent post to take charge of	No major differences
(iii) Does the company set up a special (part-time) unit for promoting corporate social responsibility, which is authorized by the board of directors to handle the	✓			

Assessed Items	Operational circumstances			Differences and its Reasons of the Code of Practice for Social Responsibility as compared with other listed companies and OTC companies
	Yes	No	Abstracts	
<p>management level and report the situation to the board of directors?</p> <p>(iv) Does the company formulate a reasonable salary remuneration policy, and combine the employee performance appraisal system with the corporate social responsibility policy, and establish a clear and effective reward and disciplinary system?</p>			<p>the promotion and implementation of the corporate social responsibility policy.</p> <p>(iv) The Company has established a reasonable salary remuneration policy with reference to market practice and has established a clear and effective reward and disciplinary system.</p>	No major differences
<p>2. The development of a sustainable environment</p> <p>(i) Is the company committed to improve the utilization efficiency of various resources and using recycled materials with low impact on the environmental load?</p> <p>(ii) Does the company establish a suitable environmental management system based on its industrial characteristics?</p> <p>(iii) Does the company pay attention to the impact of climate change on operational activities, and implement greenhouse gas inventory, formulate corporate energy conservation and carbon reduction and greenhouse gas reduction strategies?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(i) The Company has made good use of the efficiency of various resources in order to reduce the impact on the environmental load.</p> <p>(ii) The company has passed a number of ISO certifications, and has established system specifications for safety, health and environmental protection.</p> <p>(iii) The Company pay attention to and adjust the air-conditioning temperature and opening hours of the business premises at any time in response to the trend of energy saving and carbon reduction.</p>	<p>No Major differences</p> <p>No Major differences</p> <p>No Major differences</p>
3. Maintain social welfare				



Assessed Items	Operational circumstances			Differences and its Reasons of the Code of Practice for Social Responsibility as compared with other listed companies and OTC companies
	Yes	No	Abstracts	
(i) Does the company formulate relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?	✓		(i) The company follows relevant labor regulations and formulates relevant personnel management regulations to protect employees' basic rights.	No Major differences
(ii) Does the company establish an employee complaint mechanism and channel and properly handle it?	✓		(ii) The company has a complaint mailbox, which is handled by a special assigned person in a timely manner, and the labor-management dialogue is smooth.	No Major differences
(iii) Does the company provide a safe and healthy working environment for employees and regularly implement safety and health education for employees?	✓		(iii) The company provides employees with a safe and healthy working environment in accordance with various safety regulations, and conducts employee education training and health checkups regularly.	No Major differences
(iv) Does the company establish a mechanism for employee's regular communication and notify the employees of the business changes that may have a significant impact on employees in a reasonable manner?	✓		(iv) The company regularly holds departmental meetings, organizes employee networking and exchange activities, and has a bulletin board for timely information on the company.	No Major differences
(v) Does the company establish an effective career development training program for employees?	✓		(v) The company provides employees with external professional training subsidies and internal education courses every year to enhance the professional development of employees.	No Major differences
(vi) Does the company formulate relevant consumer protection policies and appeal procedures for research and development, procurement, production, operations and service processes?		✓	(vi) The company has a complaint system to provide customer service directly and adjust various processes in a timely manner.	No Major differences
			(vii) The marketing and labeling of the main products of the Company are in compliance with relevant laws and international standards.	No Major differences

Assessed Items	Operational circumstances			Differences and its Reasons of the Code of Practice for Social Responsibility as compared with other listed companies and OTC companies
	Yes	No	Abstracts	
(vii) Does the company comply with relevant regulations and international standards for the marketing and labeling of products and services? (viii) Before the company and the supplier, do they assess whether the supplier has any record of affecting the environment and society in the past? (ix) If the contract between the company and its major suppliers includes suppliers who violate their corporate social responsibility policies and have significant environmental and social impacts, they may terminate or terminate the terms of the contract at any time?			(viii) The Company will conduct an overall assessment before dealing with supplier. If there is a record affecting the environment and society, the Company will strengthen the prudent assessment. (ix) Although the company's contract does not specify the supplier's corporate social responsibility, it has been included in the supplier's assessment and will be implemented as appropriate in the future.	No Major differences  Future implementation as appropriate
4. Strengthen Information Disclosure (i) Does the company disclose relevant information on corporate social responsibility with relevance and reliability on its website and public information observatories?	✓		(i) The Company will disclose relevant information on corporate social responsibility in the public information observatory and the annual report of the shareholders' meeting.	No Major differences
5. If the company has its own corporate social responsibility code based on the Code of Practice for Corporate Social Responsibility of Listed Companies, please describe the difference between its operation and the code: The company has established relevant measures and implemented it accordingly. There are no significant differences.				
6. Other important information that helps to understand the operation of corporate social responsibility:				

Assessed Items	Operational circumstances			Differences and its Reasons of the Code of Practice for Social Responsibility as compared with other listed companies and OTC companies
	Yes	No	Abstracts	
<p>(i) The Company implemented and strengthened environmental management in accordance with environmental protection laws and regulations. In May 2011, it was recommended by the Malaysian Ministry of Agriculture Promotion to be appointed as the “Green Industry Consultant” by the “Technology and Innovation Association” headed by the Prime Minister of Malaysia. The only private company in the consultant.</p> <p>(ii) The company provides employees with a response channel and holds meetings from time to time, such as employer-employee meetings and employee symposiums, so that all departments and employees can fully express their opinions.</p>				
7. If the company's corporate social responsibility report has passed the verification criteria of the relevant verification agency, it should be stated: at the moment the company has not prepared a corporate social responsibility report.				

### 3.4.6 The company fulfills its integrity and conducts its operations and adopts measures

Assessed Items	Operation Circumstances			Differences and its Reasons of the Conducts of Integrity as compared with other listed companies and OTC companies
	Yes	No	Abstracts	
1. Establishing integrity management policies and programs	✓		(i) The Company has established a code of good faith management and conduct publicity to implement it from time to time.	No Major differences
(i) Does the company express its commitment to integrity management policies and practices in its regulations and external documents, as well as the commitment of the board of directors and management to actively implement business policies?	✓		(ii) The Company has established relevant standards and penalties in the staff code, and conduct propaganda and education training to implement the act of preventing dishonesty from time to time.	No Major differences
(ii) Does the company formulate a plan to prevent dishonesty, and specify operating procedures, behavior guidelines, disciplinary and grievance systems for violations in each program, and implement them?	✓		(iii) The company follows the code of good faith management, prohibits major fraud or improper acceptance, and has internal control and internal auditing system to prevent the risk of related untrustworthy behavior.	No Major differences
(iii) Does the company adopt preventive measures for the business activities of the seventh paragraph of Article 7 (2) of the “Code of Integrity of Listed Companies” or other business activities with high risk of dishonesty?				
2. The Implementation Of Integrity Management	✓		(i) The company will conduct a <u>credit</u> report searching to evaluate its records before trading with important customers.	No Major differences
(i) Does the company assess the integrity record of the object of the transaction and specify the terms of good faith in the contract with the transaction partner?		✓	(ii) The Company has not yet set up a special (concurrent) unit for the promotion of corporate integrity management under the Board of Directors, but it continues to	Future implementation as appropriate
(ii) Does the company set up a				

Assessed Items	Operation Circumstances			Differences and its Reasons of the Conducts of Integrity as compared with other listed companies and OTC companies
	Yes	No	Abstracts	
<p>special (part-time) unit that promotes the integrity management of the company under the board of directors, and regularly reports its implementation to the board of directors?</p> <p>(iii) Does the company formulate a policy to prevent conflicts of interest, provide a proper presentation channel, and implement it?</p> <p>(iv) Has the company established an effective accounting system and internal control system for the implementation of credit management, and the internal auditing unit regularly checks it, or entrusts an accountant to perform the check?</p> <p>(v) Does the company regularly hold education training inside and outside of integrity management?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>promote and follow relevant policies.</p> <p>(iii) The Company has established a code of good faith operation, has a system of directors' avoidance and has a complaint mailbox to provide a statement pipeline and implement it.</p> <p>(iv) The Company has established an accounting system and an internal control system, and implemented them, and entrusted independent accountants to conduct regular checks.</p> <p>(v) The Company enhances employees' awareness of honesty and behavior through education and training from time to time.</p>	<p>No Major differences</p> <p>No Major differences</p> <p>No Major differences</p>
<p>3. The Operation Of The Company's Reporting System</p> <p>(i) Does the company have a specific reporting and reward system, and establish a convenient reporting channel, and assign appropriate personnel to the respondents?</p> <p>(ii) Does the company stipulate the operational procedures for investigation and the relevant confidentiality mechanism for accepting the report?</p> <p>(iii) Does the company take measures to protect the</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(i) The company has a complaint mailbox. When employees find violations of laws and regulations, they may report it at any time and the company will report it to the relevant unit as soon as possible.</p> <p>(ii) The company has a complaint mailbox to accept the report, and the relevant materials are handled confidentially.</p> <p>(iii) The company takes protective measures against the informant and does not dispose of it due to the report.</p>	<p>No Major differences</p> <p>No Major differences</p> <p>No Major differences</p>

Assessed Items	Operation Circumstances			Differences and its Reasons of the Conducts of Integrity as compared with other listed companies and OTC companies
	Yes	No	Abstracts	
prosecutor from improper handling due to the report?				
4. Strengthen Information Disclosure (i) Does the company exposes the contents of its integrity management code and promotes its effectiveness on its website and public information observatories?	✓		(i) The Company will disclose information on the Code of Good Practice in the public information observatory and the annual report of the shareholders' meeting.	No Major differences
5. If the company has its own code of conduct in accordance with the Code of Conduct for the Listing of Companies in the Listed Companies, please describe the difference between its operation and the code. The company has established relevant measures and implemented them accordingly. No major difference.				
6. Other important information that helps to understand the company's integrity operation: (If the company reviews and amends its established code of conduct, etc.): None.				

- (7) If the company has established a corporate governance code and related regulations, it should disclose its inquiry method:  
The company has established a corporate governance code and related regulations, which have been published on the company's website (<http://allcosmos.com>) and the public information observatory (<http://mops.twse.com.tw>) for inquiry.
- (8) Other important information that is sufficient to enhance the understanding of the operation of corporate governance must be disclosed together:

#### 1. Directors' training status

Title	Name	Training Date	Organiser	Course taken	Credit hours	Total training hours as per report
Corporate Shareholder Representative	Peng Shih Hao	2018.8.8	Taiwan Corporate Governance Association	Intellectual property rights and business secrets	3	6
		2018.11.13		Patent attack and defense	3	
Corporate Shareholder Representative	Peng Sheng Ching	2018.8.8	Taiwan Corporate Governance Association	Intellectual property rights and business secrets	3	6
		2018.11.13		Patent attack and defense	3	
Corporate Shareholder Representative	Peng Chia Lin	2018.1.24	Youth Career Development Association, PwC Taiwan, PuHua	Corporate M&A Practice Course	7.5	13.5

Title	Name	Training Date	Organiser	Course taken	Credit hours	Total training hours as per report
			Finance Consultant			
		2018.8.8	Taiwan Corporate Governance Association	Intellectual property rights and business secrets	3	
		2018.11.13	Taiwan Corporate Governance Association	Patent attack and defense	3	
Director	Chang Lu Chang	2018.8.8	Taiwan Corporate Governance Association	Intellectual property rights and business secrets	3	6
		2018.11.13	Taiwan Corporate Governance Association	Patent attack and defense	3	
Director	Hsu Ken Tsai	2018.8.8	Taiwan Corporate Governance Association	Intellectual property rights and business secrets	3	6
		2018.11.13	Taiwan Corporate Governance Association	Patent attack and defense	3	
Director	Chee Kheng Hoy	2018.8.8	Taiwan Corporate Governance Association	Intellectual property rights and business secrets	3	6
		2018.11.13	Taiwan Corporate Governance Association	Patent attack and defense	3	
Independent Director	Lo Tze Wu	2018.8.8	Taiwan Corporate Governance Association	Intellectual property rights and business secrets	3	12
		2018.11.13	Taiwan Corporate Governance Association	Patent attack and defense	3	
Independent Director	Yang Yung Cheng	2018.2.26	CPA Associations R.O.C. (Taiwan)	Understanding Consumer Protection Law from Consumer Disputes	2	18
		2018.3.1		Income tax revision focus	2	
		2018.3.7		2017 annual income tax return points and doubts	7	
		2018.7.17		Analysis of the rules and practice changes in the first half of 2018	7	
Independent Director	Yeh Chung Chuan	2018.8.8	Taiwan Corporate Governance Association	Intellectual property rights and business secrets	3	6
		2018.11.13	Taiwan Corporate Governance Association	Patent attack and defense	3	

## 2. Manager training status

Title	Name	Training Date	Organiser	Course taken	Credit hours	Total training hours as per report
Chief Financial Officer	Janice Cheow	2018.11.1~2018.11.2	Taiwan Accounting Research and Development Foundation	Issuer Securities Dealer Stock Exchange Accounting Supervisor Continuing Education Course	12	12
Audit Manager	Tai Hong Wen	2018.12.21	The Institute of Internal Auditors-Chinese Taiwan	Business secrets and anti competition recent cases and development	6	12
		2018.12.22	Taiwan Securities & Futures Institute	How to use the EXCEL function to enhance the audit efficiency practice workshop	6	

(9) The implementation status of the internal control system should disclose the following matters

1. Company to the Public Declaration for Internal Control Statement

All Cosmos Bio-Tech Holding Corporation  
Public Declaration for Internal Control System

Date: March 26, 2019

With respect to the internal control system for 2018, based on the self inspection result, we hereby represent as follows:

I. The Company is aware that the establishment, implementation and maintenance of the internal control system is the responsibility of the board of directors and managers of the company. The Company has established this system. The purpose is to provide reasonable results in terms of operational effectiveness and efficiency (including profitability, performance and asset security, etc.), reporting reliability, timeliness, transparency, compliance with relevant regulations and compliance with relevant laws and regulations.

II. The internal control system has its inherent limitations. Regardless of how well the design is perfected, an effective internal control system can only provide reasonable assurance of the achievement of the above three objectives; and, due to changes in the environment and conditions, the effectiveness of the internal control system may change. However, the company's internal control system has a self-monitoring mechanism. Once the identification is missing, the company will take corrective action.

III. The Company judges whether the design and implementation of the internal control system is effective based on the judgment item of the effectiveness of the internal control system as stipulated in the “Guidelines for the Establishment of Internal Control System for Public Offering Companies” (hereinafter referred to as “Processing Guidelines”). The internal control system judgment project used in the “processing criteria” is based on the process of management control, and the internal control system is divided into five components: 1. Environment Control, 2. Risk assessment, 3. Operation control, 4. Information and communication, and 5. Operations Supervision. Each component also includes several items. Please refer to the “Handling Guidelines” for the above items.

IV. The company has adopted the above internal control system to judge the project and evaluate the effectiveness of the design and implementation of the internal control system.

V. Based on the results of the previous assessment, the Company believes that the internal control system (including supervision and management of subsidiaries) of the Company on December 31, 2018, including the understanding of the effectiveness and efficiency objectives of the operation, and reporting the design and implementation of the internal control system, which is reliable, timely, transparent and in compliance with relevant regulations and laws, is effective and can reasonably ensure the achievement of the above objectives.

VI. The Company entrusted the accountant to review the opening period and external financial reports in accordance with Article 25 of the “Handling Guidelines” and Article 4 of the “Measures for the Post-IPO Management of Foreign Issuers of Taiwan Stock Exchange Co., Ltd.” The internal control system relating to the reliability and security of the assets (such that the assets are not obtained, used or disposed of without authorization), as described in the



preceding paragraph, is effective in designing and executing, and has no impact on the financial information. The processing, aggregation, and reporting of major deficiencies in reliability have no impact on the security of assets, and the significant loss of assets acquired, used, or disposed of without authorization.

VII. This statement will become the main content of the company's annual report and public statement, and will be made public. If the content of the above disclosure is illegal or concealed, it will involve legal liabilities such as Articles 20, 32, 171 and 174 of the Securities Exchange Law.

VIII. This statement was approved by the board of directors of the Company on March 26, 2019. Among the 9 directors present, there was 0 person holding dissent, and the others all agreed upon the contents of this Declaration.

All Cosmos Bio-Tech Holding Corporation

Chairman: Signature & seal

General Manager : Signature & seal

2. If the entrusted accountant project examines the internal control system, the CPA's review report shall be disclosed:

### Internal Control System Review Report

Attached to All Cosmos Bio-Tech Holding Corporation on March 26, 2019, the internal control system that was assessed to be related to external financial reporting and asset security was effectively designed and implemented on December 31, 2018, the statement was reviewed by the accountant. Maintaining an effective internal control system and assessing its effectiveness is the responsibility of the company's management. The accountant's responsibility is to express an opinion on the effectiveness of the company's internal control system and the company's internal control system statement based on the results of the review.

The accountant plans and performs the review in accordance with the “Guidelines for the Establishment of Internal Control Systems for Public Offering Companies” and the generally accepted auditing standards of the Republic of China to ensure that the company's internal control system remains effective in all material aspects. This review includes understanding the company's internal control system, assessing the process by which management assesses the effectiveness of the overall internal control system, testing and evaluating the effectiveness of the design and implementation of the internal control system, and other review procedures that the accountant deems necessary. The accountant believes that this review can provide a reasonable basis for the opinions expressed.

Any internal control system has its inherent limitations. Therefore, the above internal control system of All Cosmos Bio-Tech Holding Corporation may still fail to prevent or detect any errors or frauds that have occurred. In addition, the future environment may change, and the degree of compliance with the internal control system may also be reduced. Therefore, the effective internal control system in this period does not mean that it will be effective in the future.

Based on the opinions of the accountant, the internal control system judged by All Cosmos Bio-Tech Holding Corporation and external financial reports and asset security in accordance with the internal control effectiveness judgment project of the “Public Issuance of Internal Control System Processing Guidelines”, the design and implementation of December 31, 2018 can maintain its effectiveness in all major aspects; All Cosmos Bio-Tech Holding Corporation issued on March 26, 2019, that the above-mentioned and external financial reports and asset security were evaluated. The declaration of the effective design and implementation of the relevant internal control system is permitted in all material respects.

Deloitte & Touche

CPA, Cheng Chiang Hsun

CPA, Yu Cheng Chuan

(10) In the most recent year at the end of the annual report, the company and its internal personnel were punished according to law, and the company violated the internal control system for penalties, major defects and improvement of its internal personnel: None.

(11) Important resolutions of the shareholders' meeting and the board of directors in the most recent year at the end of the annual report:

1. Important resolutions and implementation of the shareholders' meeting and shareholders' temporary meeting

March 31, 2019

Meeting Date	Important resolutions	Implementation situation
2018.6.12	Recognition 1. Recognize the business report for 2017 and the consolidated financial statements for 2017.	Has been implemented according to the resolution
	2. Recognize the 2017 surplus distribution case	The 2017 surplus distribution of cash dividends of NT\$2.65 per share was distributed on July 27, 2018.
	Discussion items 1. Adoption of amendments to the company's articles of association	The resolution was passed and has been implemented in accordance with the resolution of the shareholders' meeting.
	2. Amendment of the "Operating Procedures of Acquisition Or Disposal Of Assets"	The resolution was passed and has been implemented in accordance with the resolution of the shareholders' meeting.
	3. By dissolving the prohibition of competition for directors and their representatives.	The resolution was passed and has been implemented in accordance with the resolution of the shareholders' meeting.

2. Important Resolution Of The Board Of Directors

March 31, 2019

Meeting Date	Important resolutions
2018.3.16	1. Passed the 2017 annual remuneration for employees and directors 2. Passed the company's 2017 consolidated financial statements and business report 3. Passed the company's 2017 surplus distribution case 4. Passed the company's 2017 Internal Control System Statement 5. Passed of the company's external auditors' fee and its applicability and

Meeting Date	Important resolutions
	<p>independency assessment</p> <p>6. Passed the addition of a new board of directors through subsidiary All Cosmos Industries Sdn Bhd</p> <p>7. Passed the directors and their representatives's non-competition prohibition resolution</p> <p>8. Passed the manager's non-competition prohibition resolution</p> <p>9. Passed the proposal to establish Indonesian joint venture company through cooperation with YPJ Plantations Sdn. Bhd., a subsidiary of the Johor State Government of Malaysia</p> <p>10. Passed the adoption of the 2018 annual salary adjustment case for the Group</p> <p>11. Passed the amendments of the Company's "Directors' Meeting Rules", "Audit Committee's Terms of Reference", "Independent Directors' Establishment and Measures to Be Followed"</p> <p>12. Passed the amendments of the Company's "acquisition or disposal of assets handling procedures"</p> <p>13. Passed the adoption of amendments to the company charter</p> <p>14. Passed the setting of the company's 2018 shareholders' meeting related matters</p>
2018.5.10	<p>Discussion items</p> <p>1. Passed the adoption of the company's consolidated financial statements for the first quarter of 2018</p>
2018.6.12	<p>Discussion items</p> <p>1. Passed the adoption of the company's 2018 ex-dividend benchmark day</p> <p>2. Retained the discussion on the establishment of a joint venture company between All Cosmos Industries Sdn Bhd and Geosat Technology Co., Ltd.</p> <p>3. Passed the amendments of the Group's 2018 annual remuneration for employee and directors' ratio</p>
2018.8.8	<p>1. Passed the adoption of the company's consolidated financial statements for the second quarter of 2018</p> <p>2. Passed the company as a subsidiary company All Cosmos Industries Sdn Bhd endorsement guarantee resolution</p> <p>3. Passed the company set up a branch in Taiwan</p>
2018.11.13	<p>1. Passed the adoption of the company's consolidated financial statements for the third quarter of 2018</p> <p>2. Passed the company as a subsidiary company All Cosmos Industries Sdn Bhd endorsement guarantee resolution</p> <p>3. Passed the company's intention to authorize Bank SinoPac to act as a custody bank in Taiwan</p> <p>4. Passed the appointment of the person in charge of the Taiwan branch through the company</p>
2018.12.21	<p>1. Passed the adoption of the 2018 year-end bonus case of the Group</p> <p>2. Passed the adoption of the Group's 2019 Budget</p> <p>3. Passed the 2019 annual internal audit plan of the Group's company</p>
2019.3.26	<p>1. Passed 2018 annual distribution of remuneration for employee and director</p> <p>2. Passed the company's 2018 consolidated financial statements and business report</p> <p>3. Passed the company's 2018 surplus distribution case</p> <p>4. Passed the company's 2018 "Internal Control System Statement"</p> <p>5. Passed the adoption of the company's visa accountant compensation</p>

Meeting Date	Important resolutions
	<p>and its applicability and independence assessment</p> <p>6. Passed the adoption of amendments to the company charter</p> <p>7. Passed the amendments of the Company's "Operating Procedures for Acquisition or Disposal of Assets"</p> <p>8. Passed the amendments of the Company's "Operating Procedures for Governing Lending of Funds" resolution</p> <p>9. Passed the adoption of amendments to the Company's "Operating Procedures for Endorsements and Guarantees"</p> <p>10. Passed the adoption of amendments to the Company's "Rules of Shareholders' Meeting"</p> <p>11. Passed the adoption of amendments to the Company's Code of Practice on Corporate Governance</p> <p>12. Passed the company engaged in derivative commodity trading quotas and trading cases</p> <p>13. Passed the company's comprehensive re-election and nomination of candidates for directors (including independent directors) in 2019</p> <p>14. Passed the request of the lifting of the new director and its representative's non-competition restrictions</p> <p>15. Passed the setting of the date, time, place and other related matters of shareholders in 2019</p>

- (12) In the most recent year and at the date of publication of the annual report, the director or supervisor has different opinions on the board of directors through important resolutions and has a record or written statement. The main contents are: None.
- (13) Summary of the resignation of the company's chairman, general manager, accounting supervisor, financial supervisor, internal audit supervisor and R&D supervisor in the most recent year and at the date of publication of the annual report: None.

### 3.5 Information on CPA Professional Fees

#### Information of Professional Fees to CPA By Fee

Name of CPA firm	Name of CPA		Duration of audit	Remarks
Deloitte & Touche	Chen Chiang Hsun	Yu Cheng Chuan	2018.01.01-2018. 12.31	-

Unit: NT\$ in Thousand

Fee category		Audit fee	Non-audit fee	Total
Range of amount				
1	Below NT\$2,000		✓	
2	NT\$2,000 (inclusive) ~ NT\$4,000 (exclusive)			
3	NT\$4,000 (inclusive) ~ NT\$6,000 (exclusive)	✓		✓
4	NT\$6,000 (inclusive) ~ NT\$8,000 (exclusive)			
5	NT\$8,000 (inclusive) ~ NT\$10,000 (exclusive)			
6	Above NT\$10,000 (inclusive)			

- (1) When non-audit fee paid to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed:

#### CPA's Professional Fee Information

Unit: NT\$ in Thousand

Name of CPA firm	Name of CPA	Audit Fee	Non-audit Fee					Duration of audit	Remarks
			System Design	Business Registration	Human Resources	Other (note)	Subtotal		
Deloitte & Touche	Cheng Chiang Hsun	4,200	-	-	-	600	600	2018.1.1~2018.12.31	Note
	Yu Cheng Chuan								

Note: Service content is an internal control system review

- (2) The replacement of the accounting firm and the audit public fee paid in the replacement year shall be disclosed as the reduction of the audit public fee and the reasons for the decrease of the audit public fee in the previous year: None
- (3) If the audit public fee is reduced by more than 15% compared with the previous year, the amount, proportion and reason for the audit public fee reduction shall be disclosed: None.

**3.6. Replacement of CPA information: If the company has changed the accountant in the last two years and after the period, it should disclose the matter:**

(1) Regarding the former certified public accountant:

Date of Replacement	September 27, 2017		
Replacement reason and explanation	Deloitte & Touche's Internal adjustment		
Whether it was the certified public accountant that voluntarily ended the engagement or declined further engagement	Party		Appointed person
	Conditions	CPA	
	Voluntarily ended the engagement	Not applicable	Not applicable
	Declined further engagement	Not applicable	Not applicable
Comments and reasons for issuing audit reports other than unqualified opinions in the latest two years	None		
Any disagreement between the Company and the former certified public accountant	None		
Other matters shall be disclosed (Matters as specified in the Articles 10, 6, 4, and 7 of this Code should be disclosed)	None		

(2) Regarding the successor certified public accountant:

Name of CPAs firm	Deloitte & Touche
Name of CPA	Cheng Chiang Hsun, Yu Cheng Chuan
Date of engagement	September 27, 2017
Prior to the formal engagement of the successor certified public accountant, the Company consulted the newly engaged accountant regarding the accounting treatment of or application of accounting principles to a specified transaction, or the type of audit opinion that might be rendered on the Company's financial report, the company shall state and identify the subjects discussed during those consultations and the consultation	Not applicable

results.	
The Company shall consult and obtain written views from the successor certified public accountant regarding the matters on which the company did not agree with the former certified public accountant, and shall make disclosure thereof.	Not applicable

- (3) Former CPA's reply to the matter stated in Items 1 and 2, Paragraph 5, Article 10 of this code : None.

**3.7. Where the company's chairperson, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm: N/A**

**3.8 Any transfer of equity interests and/or pledge of or change in equity interests (during the most recent fiscal year or during the current fiscal year up the the date of printing of the annual report) by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up the date of printing of the annual report.**

- (1) Changes in the shareholding of Directors, Supervisors, Managers and major shareholders

Title	Name	2018		As at March 31, 2019	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	All Cosmos Investment Ltd (Representative: Peng Shih Hao)	-	-	-	-
Director	Sheng Hua Ltd (Representative: Peng Sheng Ching)	-	-	-	-
Director	Hsu Ken Tsai	-	-	-	-
Director	Chang Lu Chang	-	-	-	-
Director	Maxtrength Corp (Representative: Peng Chia Lin)	-	-	-	-
Director	Chee Kheng Hoy	-	-	-	-
Independent Director	Lo Tze Wu	-	-	-	-
Independent Director	Yang Yung Cheng	-	-	-	-
Independent Director	Yeh Chung Chuan	-	-	-	-



Title	Name	2018		As at March 31, 2019	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
ACBT CEO	Peng Shih Hao	9,000	-	-	-
ACBT CFO	Janice Cheow	-	-	-	-
ACBT Group General Manager	Ling Sui Hung	-	-	-	-
ACI Production General Manager	Lai Chan Wai	-	-	-	-
ACI R & D Manager	WAN AZHA BIN WAN MUSTAPHA	-	-	-	-
ACI Sales & Technical Manager	Roslan Bin Arshad	-	-	-	-

(2) Directors, Supervisors, Managers and shareholders who hold more than 10% of the shareholdings are related persons: none.

(3) Changes in the pledge of shares of directors, supervisors, managers and shareholders holding more than 10% of the shares: None.

### 3.9. Shareholders who hold the top ten shareholdings, who are related to each other or relatives within the relationship of spouse, second parent, etc.

April 21, 2019; Unit of Shares : in Thousand

NAME	Shareholding		Spouse & Minor Children Shareholding		Shareholding by Nominee Arrangement		Relationship information, if among the company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
All Cosmos Investment Ltd (Representative: Peng Shih Hao)	22,500	35.14%	-	-	-	-	Oil Palm Plantation Ltd	Siblings	-
							Maxtrength Corp	Siblings	
							Jade Field Holdings Inc	Relatives	
							Asia Win Development Ltd	Siblings	
							Sheng Hua Ltd	Parents	
Oil Palm Plantation Ltd (Representative: Peng Shih Chieh)	7,500	11.71%	-	-	-	-	All Cosmos Investment Ltd	Siblings	-
							Maxtrength Corp	Siblings	
							Jade Field Holdings Inc	Relatives	
							Asia Win Development Ltd	Siblings	
							Sheng Hua Ltd	Parents	
Maxtrength Corp (Representative: Peng Chia Lin)	4,500	7.03%	-	-	-	-	All Cosmos Investment Ltd	Siblings	-
							Oil Palm Plantation Ltd	Siblings	
							Jade Field Holdings Inc	Relatives	
							Asia Win Development Ltd	Siblings	
							Sheng Hua Ltd	Parents	
Jade Field Holdings	3,260	5.09%	-	-	-	-	All Cosmos Investment Ltd	Relatives	-

NAME	Shareholding		Spouse & Minor Children Shareholding		Shareholding by Nominee Arrangement		Relationship information, if among the company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Inc (Representative: Peng Yu Tao)							Oil Palm Plantatio Ltd	Relatives	
							Maxtrength Corp	Relatives	
							Asia Win Development Ltd	Relatives	
							Sheng Hua Ltd	Siblings	
Merryard Ltd. (Representative: Peng Hsiu Lang)	3,000	4.69%	-	-	-	-	-	-	-
Asia Win Development Ltd (Representative: Peng Yi Fen)	2,500	3.90%	-	-	-	-	All Cosmos Investment Ltd	Siblings	-
							Oil Palm Plantation Ltd	Siblings	
							Maxtrength Corp	Siblings	
							Jade Field Holdings Inc	Relatives	
							Sheng Hua Ltd	Parents	
Sheng Hua Ltd (Representative: Peng Sheng Ching)	2,500	3.90%	-	-	-	-	All Cosmos Investment Ltd	Parents	-
							Oil Plam Plantation Ltd	Parents	
							Maxtrength Corp	Parents	
							Jade Field Holdings Inc	Siblings	
							Asia Win Delevopment Ltd	Parents	
First Venture Capital Co., Ltd.	1,115	1.74%	-	-	-	-	-	-	-
Innovative Industrial Technology Transfer Co., Ltd.	800	1.25%	-	-	-	-	-	-	-
SinoPac Commercial Bank –All Cosmos Bio-Tech Holding Corporation Employee Collective Trust Account	226	0.35%	-	-	-	-	-	-	-

**3.10 The number of shares held by the company, the company's directors, supervisors, managers and the company directly or indirectly controlled by the company for the same investment business, and the combined calculation of the comprehensive shareholding ratio**

December 31, 2018 Unit: Shares;%

Reinvested Entities	Investment by the Company		Investments by directors, supervisors, managerial officers and directly or indirectly controlled enterprises		Total investment	
	Shares	%	Shares	%	Shares	%
ALL COSMOS INDUSTRIES SDN BHD ("ACI")	30,000,000	100	-	-	30,000,000	100
SABAH SOFTWOODS HYBRID FERTILISER SDN	33,000,000	55	-	-	33,000,000	55

BHD (“SSHF”)						
PT ALL COSMOS BIOTEK (“PTACB”)	8,400	60	-	-	8,400	60
PT ALL COSMOS INDONESIA (“PT ACI”)	79,200	99	800	1	80,000	100
ARIF EFEKTIF SDN BHD (“AESB”)	-	-	245,000	49	245,000	49
KINABALU LIFE SCIENCES SDN BHD (“KLSSB”) (Note 1)	-	-	6	60	6	60
COSMOS BIOWOOD SDN BHD			400,000	80	400,000	80
GK BIO INTERNATIONAL SDN BHD (Note2)	-	-	10	100	10	100
SAWIT ECOSHIELD SDN BHD			4	40	4	40

Note 1: Registration is established, no capital has been invested as of December 31, 2018.

Note 2: GK BIO was registered on October 11, 2018

## 4.0 Capital Overview

### 4.1 Capital and Shares

#### 4.1.1 Source of equity

##### 4.1.1.1 The formation of equity

March 31, 2019 ; Unit of Shares : in Thousand, NT\$ in Thousand

Date	Issued Price(NT\$)	Authorized Capital		Paid-up Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of capital	Offset with property other than cash	Others
2010.03	10	600,000	6,000,000	0.001	0.01	Set up share capital	None	—
2010.06	10	600,000	6,000,000	30,000	300,000	Equity conversion (Note)	None	—
2012.09	10	600,000	6,000,000	50,000	500,000	Convert Surplus to Capital increase	None	—
2014.08	10	600,000	6,000,000	55,000	550,000	Capital increase by Cash	None	—
2015.05	10	600,000	6,000,000	56,500	565,000	Employee stock option conversion	None	—
2017.06	10	600,000	6,000,000	64,034	640,340	Capital increase by Cash	None	—

Note: For the restructuring of the group, the company and the subsidiary ACI carry out a 100% equity conversion.

##### 4.1.1.2 Type of shares

March 31, 2019 ; Unit of Shares: in Thousand

Shareholding Category	Authorized Capital			Remark
	Issued shares	Un-issued shares	Total	
Common Stock	64,034	535,966	600,000	Listed stocks

##### 4.1.1.3 General information on the general declaration system: not applicable

#### 4.1.2 Structure of Shareholders

April 21, 2019 ; Unit of Shares : in Thousand

Structure Amount	Government body	Financial institutions	Other juridical persons	Individuals	Foreign institutions & foreigners	Total
Members	-	2	16	3,141	24	3,183
Shares held	-	100	2,386	15,203	46,345	64,034
Percentage (%)	-	0.16	3.73	23.74	72.37	100.00

Note: The company has no Mainland China shareholders

#### 4.1.3 Shareholding Distribution Status

April 21, 2019 ; Unit : Shares, %

Range of shares held	Number of shareholders	Shares held	Percentage (%)
1 - 999	97	9,360	0.01
1,000 - 5,000	2,479	4,990,840	7.80
5,001 - 10,000	319	2,472,000	3.86
10,001 - 15,000	86	1,104,800	1.73
15,001 - 20,000	73	1,373,000	2.14
20,001 - 30,000	47	1,210,000	1.89
30,001 - 50,000	33	1,310,000	2.05
50,001 - 100,000	26	1,857,000	2.90
100,001 - 200,000	13	1,806,000	2.82
200,001 - 400,000	1	226,000	0.35
400,001 - 600,000	-	-	-
600,001 - 800,000	1	800,000	1.25
800,001 - 1,000,000	-	-	-
Above 1,000,001	8	46,875,001	73.20
Total	3,183	64,034,001	100.00

#### 4.1.4 List of major shareholders

April 21, 2019 ; Unit of Shares, in Thousand

Shareholding Major Shareholders	Registered Place	Shares held	Percentage (%)
All Cosmos Investment Ltd	Republic of Seychelles	22,500	35.14%
Oil Palm Plantation Ltd	British Virgin Islands	7,500	11.71%
Maxtrength Corp.	Republic of Seychelles	4,500	7.03%
Jade Field Holdings Inc.	Samoa	3,260	5.09%
Merryard Ltd.	Republic of Seychelles	3,000	4.69%
Sheng Hua Ltd.	Republic of Seychelles	2,500	3.9%
Asia Win Development Ltd.	British Virgin Islands	2,500	3.9%
First Venture Capital Co., Ltd.	Republic of China	1,125	1.74%
Innovative Industrial Technology Transfer Co., Ltd.	Republic of China	800	1.25%
SinoPac Commercial Bank –All Cosmos Bio-Tech Holding Corporation Employee Collective Trust Account	Republic of China	226	0.35%

#### 4.1.5 Market Price, Net Value, Earnings, Dividends Per Share of the Latest Two Fiscal Years, and Related Information

Unit : NT\$ ; Thousand Shares

Year			2017	2018	As of March 31, 2019 (Note)
Item					
Market price per share	Max.		137	148	64.80
	Min.		60.3	52.60	54.00
	Average		94.22	101.83	59.82
Net value per share	Before distribution		36.63	33.93	34.66
	After distribution		36.63	33.93	34.66
Earnings per share	Weighted Average Shares		60,793	64,034	64,034
	Before Retrospectative Adjustment		5.31	4.76	0.01
	After Retrospectative Adjustment		5.31	—	—
Dividends per share	Cash Dividend		2.65	2.4(註)	—
	Free placement	Stock Dividend from Retained Earnings	—	—	—
		Stock Dividend from Capital Reserve	—	—	—
	Accumulated undistributed dividends		—		—
Return on Investment analysis	Price-earnings ratio		17.74	21.39	—
	Price-dividend ratio		35.55	42.43	—
	Cash dividend yield rate (%)		2.81%	2.35%	—

Note: The 2018 surplus distribution case was approved by the board of directors on March 26, 2019, but as of the date of publication of the annual report, it has not yet been resolved by the shareholders' meeting.

#### 4.1.6 Company Dividend Policy And Implementation Status

##### 1. The Dividend policy as set forth in the company's articles of association

According to Article 129 of the Company's Articles of Association, the main provisions of the dividend policy are as follows:

Except as otherwise provided by the Listing Cabinet Act, if the company makes a profit before tax in the year, the company should make a profit before tax: (1) up to 10% (10%), the lowest is One (1%) as an employee's remuneration (including employees of the company and/or related employees) (hereinafter referred to as "employee remuneration"); and (2) up to 10% (10%) as director's remuneration (hereinafter referred to as "Director's remuneration"). Regardless of the above, if the company still has accumulated losses in previous years, the company should reserve the amount of remuneration before the employee's remuneration and directors' remuneration. Employees' remuneration and director's remuneration are available in cash and/or in accordance with the provisions of the laws of the British Cayman Islands, the provisions of the Listing Rules and the resolutions of the board of directors, which are more than two-thirds of the directors' attendance and the majority of the directors' consents. Employee remuneration and Director remuneration can be paid in cash and/or stock. The above-mentioned

resolutions on the issuance of employee remuneration and directors' remuneration shall be reported to the shareholders at the shareholders' meeting after the resolution of the board of directors is passed.

Except as otherwise provided by the Company Law and the Listing Act, if the company's annual total final accounts have a surplus, the Board of Directors shall formulate the surplus distribution case and submit it to the shareholders' meeting in the following manner and order:

- (1) The tax payable in accordance with the law;
- (2) make up for the accumulated losses of previous years (if any);
- (3) 10% of the provisions of the Listing Rules Act is the statutory surplus reserve, except when the statutory surplus reserve reaches the paid-up capital of the company;
- (4) to make a special surplus reserve in accordance with the requirements of the Listing Cabinet Act or the Administration; and
- (5) According to the amount of the current year's surplus after deducting the above items (1) to (4), the accumulated undistributed surplus in the previous period is the available surplus, and the available surplus can be distributed by the Board of Directors. The shareholders' meeting will be distributed according to the resolution of the listing cabinet law. Dividend distribution can be issued in cash dividends and/or stock dividends. Under the laws of the British Cayman Islands, the minimum dividend amount should be at least 10% of the current year's surplus minus items (1) to (4) above, and the proportion of cash dividend distribution shall not be less than 50% of the total shareholder's dividend.

## 2. Status of implementation

The Company's 2018 surplus distribution case was approved by the shareholders' meeting on June 12, 2018 with a cash dividend of NT\$2.65, totaling NT\$169,690,103, which was fully paid out.

### 4.1.7 The impact of the proposed free share placement on the company's operating performance and earnings per share

The company did not have a free share placement this year, so this assessment is not applicable.

### 4.1.8 Remuneration for Employees, Directors and Supervisors

1. The employee's remuneration and the number or scope of remuneration of Directors and Supervisors as set out in the company's articles of association: If there is any pre-tax profit in the year specified in the articles of association of the company, it should be paid in the pre-tax profit: (1) Maximum is 10%, minimum is 1% as employee remuneration; and (2) maximum 10% as Director's remuneration.



2. In the current period, the estimated basis of the remuneration for employees, directors and supervisors, is calculated based on the number of shares of employees paid by stocks and the actual distribution amount are accounted for when there is a difference between the estimated number of shares and the estimated number of shares.

The Company will estimate the remuneration amount of employees and directors and the allotment of shares according to the company's articles of association. If the actual amount of the allotment and the estimated number of shares are different, the accounting treatment will be included in the actual annual adjustment of the cost.

3. The Board of Directors through the distribution of remuneration:

- (1) The Company's 2017 annual regulations and the board of directors approved the distribution of employees' remuneration of NT\$17,547,462 and the directors' remuneration of NT\$10,528,477 by March 16, 2018 respectively, accounting for 5% and 3 net profit before tax. The difference between the distribution amount of the board of directors and the estimated number of items on the account is the change in accounting estimates, and the adjustment is recognized in the profit and loss of 2018.

- (2) The proportion of employees' remuneration paid by stocks to the total net profit after tax and the total amount of employees' remuneration: not applicable.

4. The actual allotment of the employee's dividends in the previous year and the directors' and supervisors' remuneration (including the number of shares, the amount and the share price), the difference with the amount, reason and handling situation between the employee's dividends, the director's, and the supervisor's remuneration shall be stated:

- (1) Remuneration for employees in 2017 is NT\$17,547,462 and Directors' remuneration is NT\$10,528,477

- (2) The above amount is different from the recognition of the remuneration of employees, directors and supervisors and should state the difference, cause and resolution: no difference.

4.1.9 The situation in which the company bought back the shares of the company: None.

**4.2. the company debt (including overseas corporate bonds) handling situation: none**

**4.3. Preferred Stocks handling situation: None.**

**4.4. The situation of overseas depositary receipts: None.**

**4.5. Employee stock option certificate and restrictions on employee rights:**

- (1) Employee stock options certificate of the company that has not expired: None.

- (2) The names, acquisitions and subscriptions of the top ten employees who have obtained the employee stock option certificate and the number of the top ten employees who can obtain the warrants:

Unit : Thousand Shares; NT\$ in Thousand

	Designation	Name	Number of shares acquired	The number of shares acquired to the total number of issued shares	Executed			Not executed				The number of shares acquired to the total number of issued shares
					Subscription Quantity	Subscription price (NT\$)	Subscription Amount	The number of shares subscribed to the total number of issued shares	Subscription Quantity	Subscription Price	Subscription Amount	
Management	CEO	Peng Shih Hao	961	64%	961	30	28,830	1.70%	—	—	—	—
	CFO	Janice Cheow										
	Senior manager	Lim Tau Boon										
	PA (Note)	Jack Yu										
	ACI Chirman	Peng Sheng Ching										
	ACI General Manager	Lai Chan Wai										
	ACI Manager	ROSLAN ARSHAD										
	SSHFmanager (note)	Pan Chi Yang										
Employees	Staff	Tai Hong Wen	539	36%	539	30	16,170	0.95%	—	—	—	—
	Staff	Chun Choon Hong										
	Staff	Peng Yi Fen										
	Staff	Tai Fook Leong										
	Staff	Gan Lee Poh										
	Staff	Tee Hwee Yin										
	Staff	Kuek Lee Chin										
	Staff	Cheong Sit Lee										

	Staff	Choo Lee Hia										
	Staff	Tan Teck Siong										

Note: As of the publication of the annual report, the employee has resigned and does not currently serve in the group.

The accumulated balance of employee stock option certificates issued by the Company until the date of publication of the annual report has not exceeded 15% of the total number of issued shares.

(3) The situation of private equity employee stock option certificates in the last three years and up to the date of publication of the annual report: None.

**4.6 Restricting the rights of employees to deal with new shares: None.**

**4.7 New shares issuance in connection with mergers and acquisitions : None.**

**4.8 Implementation of the fund utilization plan:**

As of the first quarter of the annual report, the previous issue or private placement of securities has not been completed or has been in the last three years.

Completed and the project benefits have not been revealed: not applicable

## 5.0 Operational Overview

### 5.1 Business content

#### 5.1.1 Business scope

##### (1) Main contents of the business

The company is a professional biochemical compound fertilizer manufacturer, mainly engaged in the R&D, manufacturing and sales of bio-composite fertilizers of organic, microbial and chemical raw materials. The main business base is in Malaysia.

##### (2) Business share

Unit : NT\$ in Thousand

Products \ Year	2016		2017		2018	
	Net revenue	Operating Proportion	Net revenue	Operating Proportion	Net revenue	Operating Proportion
	Amount	Ratio(%)	Amount	Ratio (%)	Amount	Ratio(%)
Biochemical Compound Fertilizer	1,695,828	82.10	1,835,774	79.80	1,941,665	72.25
Chemical Fertilizer	349,630	16.93	410,942	19.23	708,234	26.35
Others	20,085	0.97	16,936	0.97	37,682	1.40
Total	2,065,543	100.00	2,263,652	100.00	2,687,581	100.00

##### (3) Current Commodity Items Of The Company

Item	Description
Biochemical Compound Fertilizer	A three-in-one compound fertilizer of organic matter, microorganisms and chemical raw materials, mainly used in oil palm planting.
Chemical Fertilizer	A single or compound fertilizer composed of chemical elements such as phosphorus and potassium can provide nutrients necessary for plant growth and development, and maintain high crop yield.
Microorganism	Development and production of beneficial microorganisms and disease prevention microorganisms

##### (4) New Products Planned To Be Developed

The company focuses on the importance of soil and environmental protection, and actively develops multi-functional fertilizer products to replace the environmental damage caused by traditional chemical fertilizers. At present, the new products planned by the company are as follows:

Research Project	Main Technique	Application Note
Phage Biofertilizer	The phage which can control the R. solanacearum is screened in the wastewater, and the phage	It can be used for the control of bacterial crop diseases caused by R. solanacearum, and can be

Research Project	Main Technique	Application Note
	preparation is produced by using the transgenic <i>Escherichia coli</i> as a host for producing the phage, and then added to the fertilizer.	applied to a variety of peppers, tomatoes, ginger, potatoes and bananas which are often attacked by <i>R. solanacearum</i> .
Special nitrogen-fixing biological fertilizer for rice and green leafy vegetables	Three high-efficiency nitrogen-fixing bacteria were transferred from MARDI. After optimization of strain culture conditions and yield amplification, high-concentration bacterial liquid was produced and added to fertilizer to improve soil nitrogen fixation performance.	High-efficiency nitrogen-fixing bacteria promote the growth of rice and short-term crops, reduce the use of chemical nitrogen fertilizer, and also use in the early stage of oil palm seedling emergence
Anti-white root Disease	Endophytic <i>Trichoderma</i> was screened from the roots of healthy plants, and spores were optimized by culture to control diseases.	<i>Trichoderma viride</i> combines with other fertilizer ingredients to biologically control the common fungal disease of the rubber tree ( <i>Rigidoporus lignosus</i> ) and supplement its nutritional needs.
Oil palm by-product degradation	A variety of indigenous degrading bacteria are mixed and processed for various by-products of the palm oil mill, and the finished product is organic fertilizer.	The strain mixture is used to catalyze the degradation of oil palm empty fruit bunches and other organic raw materials, and to solve the excessive production of waste oil in the palm oil industry as organic fertilizer.
Value-added agricultural by-products	The addition of <i>Trichoderma</i> for different agricultural by-products produces a control agent for manufacturers/farmers in a more economical way, and also solves the problem of excess by-products. Different by-products and different <i>Trichoderma</i> products are paired with each other to debug a stable, suitable concentration and economical formula.	Excessive agricultural by-products cost farmers/vendors excessive waste disposal fees. By-products that return to the field without proper treatment may cause pathogens to breed. The value-added agricultural by-products are designed to add beneficial bacteria to different raw materials, ensuring that the product has the function of controlling disease when

Research Project	Main Technique	Application Note
		recycled into the field. This program can be used in oil mills, vegetable orchards, flower beds, food processing plants, etc.
Disease resistant seedling inoculation	Inoculate disease-resistant Trichoderma for different crop seedlings. The use of Trichoderma species is adjusted according to the crop and medium.	From the nursery stage to the field, the seedlings are subjected to multiple inoculation and root sampling tests to ensure that the roots are attached with endophytic fungus, and that they have sufficient disease resistance to the disease when entering the harsh field. Currently there are palm (anti-ganoderma disease) and rubber (anti-white root disease).

### 5.1.2 Industry Overview

#### (1) Current Status And Development Of Industry

##### A. Industry Status

Among the agricultural materials, the use of fertilizers is the largest. According to the production process, the fertilizers can be roughly divided into chemical fertilizers, organic fertilizers and biological fertilizers. Each of the fertilizers has its advantages and disadvantages, and it needs to be integrated to exert the advantages of the fertilizers, so as to achieve uniform development of the industry and complement each other.

Chemical fertilizers generally have direct and rapid effects, and are more competitive in price than biological fertilizers and organic fertilizers, so they are easily accepted and adopted by users. However, chemical fertilizers often cause over-application per unit area due to ease of use, resulting in weak resistance of plant, high acidic and deterioration of soil fertility, and high concentrations of nitrate in agricultural products. It is more difficult to estimate the environmental pollution caused by long-term or improper application of chemical fertilizers. At present, agricultural production should reduce the method of relying on a large number of chemical fertilizers, which should replace some chemical fertilizers with organic fertilizers, microbial fertilizers and mineral fertilizers. The use of microbial fertilizers to promote the utilization efficiency of chemical fertilizers is a soil biotechnology that

is currently worth of attention.

Organic fertilizers are made from the residues of animals, plants or microorganisms and their excreta. Although organic fertilizers often contain microorganisms in nature, they are naturally grown rather than artificially selected and cultured. It belongs to microbial fertilizer. If a specific artificially selected microorganism is added to the organic fertilizer, it may be referred to as an organic composite microbial fertilizer or a microbial composite organic fertilizer. The application advantage of organic fertilizer is that the effect is mild and less harmful to the soil, and the application is helpful to the ecological maintenance of the soil. Due to the volume is large, the application cost is high, and the production of compost requires a large area of land and plant equipment, which is time-consuming and labor-intensive. The production process needs to solve the odor and wastewater problems, and it is still necessary to avoid large or improper application.

Biological fertilizer refers to a specific preparation for cultivating active microorganisms or dormant spores, such as bacteria (including actinomycetes), fungi, algae, etc., and their metabolites, and is used in crop production to provide plant nutrients or promote nutrient utilization. Microbial items. Biological fertilizer has the advantages of low pollution, not harmful, low application rate and ecological friendly, but it has a certain shelf life, and the effect is more susceptible to environmental influences. The fertilizer efficiency is slower, sometimes it was applied together with chemical fertilizers and organic fertilizers. Through an effective management model, biological fertilizers can improve the availability of nutrients in the soil, improve soil properties, antagonize pathogens in soils or implants, reduce or replace chemical fertilizer application, and improve problems caused by excessive fertilization.

In recent years, with the increasing demand for global crops, the erratic weather, changes in soil and ecological problems, and the rising awareness of environmental protection, the demand for bio-fertilizers has increased, making bio-fertilizers more and more concerned and valued by agricultural-related markets. As the demand for bio-fertilizers increase rapidly, the company continues to deepen research and development in the field of beneficial micro-organisms, by having a wealth of useful microbiological data, it is able to develop and compound multi-functional intelligent biochemical compound fertilizers according to different soil and pest problems faced by each customer. Optimize and quantify core technologies for beneficial microbes as a competitive advantage in the industry. Market research firm Grand View Research expects the global biofertilizer market to grow at a compound annual growth rate of 15.4% from 2013-2020. Nitrogen-fixing products are the main market, with a market share of approximately 77.4% in 2012. Another market research firm, Markets and

Markets, points out that leading companies focus on local and overseas markets and are committed to build new plants to expand capacity and product lines.

According to the statistics released by FAO on Current world fertilizer trends and outlook to 2018, as of 2014, the global use of fertilizers was about 180 million tons, an increase of 2.0% over 2013. From 2014 to 2018, the average annual growth rate will continue to grow by 1.8%. The main fertilizer market is Asia which obtained 60% whereby Indonesia and Malaysia as the main fertilizer consumers. According to the "2017-2021 Fertilizer Outlook" published by IFA in June 2017, South East Asia is still the main source of increased demand for food in the next few years. In the next few years, the global fertilizer market is still deeply affected by global food demand. With the continuous population growth and limited arable land, the application of high-efficiency and low-cost fertilizers is the main trend, and the global fertilizer market should not undergo major changes.

Estimated Annual Growth Rate of Major Fertilizer Demand in the World and Regions from 2014 to 2018

Region	Annual growth rate (compound)			
	N	P <sub>2</sub> O <sub>5</sub>	K <sub>2</sub> O	Total (N+P <sub>2</sub> O <sub>5</sub> +K <sub>2</sub> O)
<b>World</b>	1.4%	2.2%	2.6%	1.8%
<b>Africa</b>	3.2%	2.7%	7.8%	3.6%
North Africa	2.0%	3.2%	2.8%	2.3%
sub-Saharan Africa	4.6%	2.3%	9.4%	4.7%
<b>Americas</b>	1.6%	2.4%	2.0%	1.9%
North America	0.5%	0.5%	0.4%	0.5%
Latin America & Caribbean	3.3%	3.6%	3.0%	3.3%
<b>Asia</b>	1.3%	2.2%	3.1%	1.7%
West Asia	2.1%	6.3%	4.0%	3.2%
South Asia	1.7%	3.6%	4.9%	2.4%
East Asia	1.0%	1.2%	2.6%	1.3%
<b>Europe</b>	1.1%	2.3%	2.1%	1.5%
Central Europe	1.7%	3.7%	3.1%	2.3%
West Europe	-0.3%	0.1%	0.8%	0.0%
East Europe & Central Asia	3.3%	4.5%	3.7%	3.6%
<b>Oceania</b>	1.2%	0.4%	0.9%	0.9%

Source: Statistics of the Food and Agriculture Organization of the United Nations (FAO) 2018.

## B. Industry Development

### (A) Malaysia

According to the Malaysian Bureau of Statistics, the total planting area in Malaysia is about 7.3 million hectares. The fertilizer used in Malaysia in 2013-2016 is also stable. Malaysia's total production of 2.62 million tons of fertilizer in 2013 and will be increased to 3.4 million tons in 2016. Malaysia's overall fertilizer production



has grown year by year with the total area planted in Malaysia, indicating that the use of fertilizer is still an indispensable investment in Malaysian agricultural planting.

In recent years, with the increase in global crop demand and weather changes, soil and ecological damage, global environmental awareness has risen, and the demand for bio-composite fertilizer market has increased. As farmers gradually understand and adopt the trend of bio-composite fertilizer, Global Market Insights estimated that the compound annual growth rate of biochemical compound fertilizer market in Malaysia will be 13.03% from 2015 to 2022, and it is estimated that the proportion of compound fertilizer market will increase in the future.

The fertilizer market in Malaysia can be divided into two major items: unit fertilizer and compound fertilizer. According to Universiti Putra Malaysia, Malaysia's unit fertilizer production accounted for 55.62% of the Malaysian fertilizer market in 2014, but with the strict rules of the Malaysian government's to hire foreign workers, labor costs have increased, and the use of unit fertilizers is facing the dilemma of labor shortage and labor costs. The use of compound fertilizer by large-scale planting groups has gradually increased. The company's share of the fertilizer market in Malaysia in 2014 was about 4.25%.

According to the Malaysian Bureau of Statistics, the total planting area in Malaysia is about 7.3 million hectares. The fertilizer use in Malaysia in 2013-2016 is also stable. Malaysia's total production of 2.62 million tons of fertilizer in 2013 will be produced in 2016. Increased to 3.4 million tons, overall, Malaysia's overall fertilizer production has grown year by year with the total area planted in Malaysia, indicating that the use of fertilizer is still an indispensable investment in Malaysian agricultural planting.

Malaysian fertilizer market structure in 2014



Source : Universiti Putra Malaysia

## (B) China

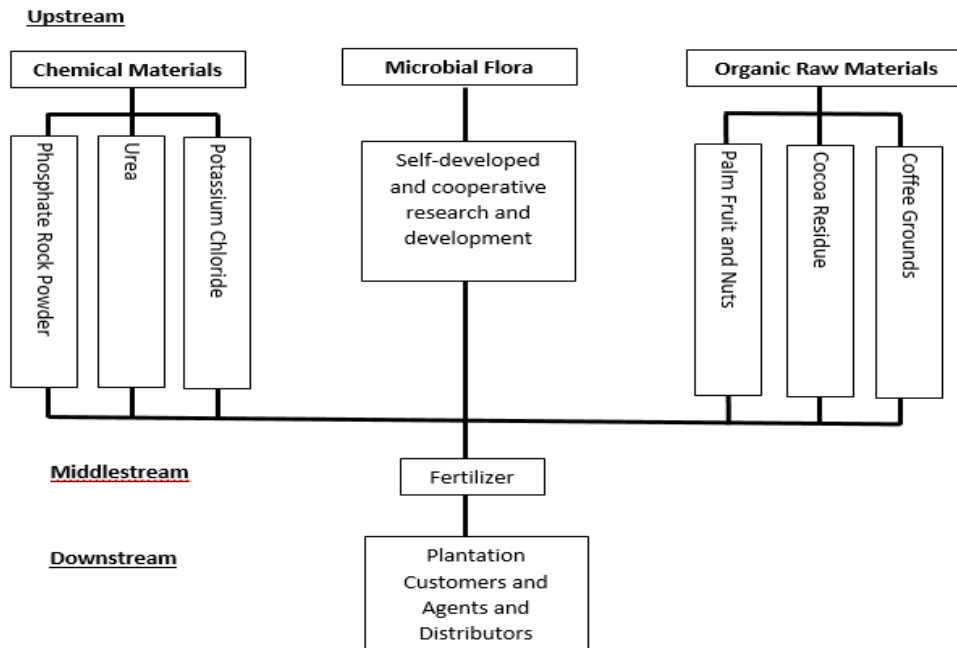
There are more than 300 bio-fertilizer producers with an annual output of over 500,000 tons and bio-fertilizer used areas reaching 167 million hectares. The development of microbial fertilizers in mainland China has been nearly 50 years old. From the earliest rhizobial preparations, many kinds of microbial fertilizers have been sold in the market. China has a vast territory and abundant microbial resources. The cases and experience of developing microbial materials for agricultural production are quite rich. However, the various microbial materials on the market are too varied, the actual effect of the field and the spread of publicity materials are very different, and because of the large number of products, farmers do not know how to choose and it affects the confidence of user towards the product. In order to manage the microbial materials in the market, the Ministry of Agriculture of China formulated the first microbial fertilizer standard in 1994, and in 1996, the microbial fertilizer was included in the national inspection and registration management, production, sales, application and publicity of microbial fertilizer for supervision were carried out. In 1999, we started to establish a microbial fertilizer standard system. It is expected to establish 18 standards in five levels, including general standards and technical regulations, from microbial fertilizer products, testing methods, strain safety and effectiveness of evaluation. At present, the Soil and Fertilizer Institute of the Chinese Academy of Agricultural Sciences and the Microbial Fertilizer Quality Inspection Center of the Ministry of Agriculture have established a catalogue of safe classification of strains established by the Microbial Fertilizer Standard System, and more than 90 species have been included.

## (C) Taiwan

At present, there are 14 microbial fertilizer products registered in Taiwan. These fertilizers are all made in Taiwan. The registered fertilizer items are 13 kinds of phosphate solubilizing fertilizers. The microbial types involved include *Bacillus safensis*, *B. licheniformis*, *B. subtilis* and *B. Amylolyticus*, and a arbuscular mycorrhizal fertilizer which microorganism involved is *Glomus mosseae*. As for the legume rhizobial fertilizer, the sputum nitrogen-fixing bacteria fertilizer, the lysate fertilizer, and even the compound microbial fertilizer, there are currently not registered commodities.

## (2) Industrial Up stream, Middle And Downstream Relationship

The company is a professional fertilizer manufacturer, mainly producing compound fertilizers consisting of organic matter, microbes and chemical raw materials. The main raw materials of the products are nitrogen, phosphorus, potassium and other inorganic chemicals, organic raw materials and microbial strains. After the manufacturer processes, the finished products will deliver to downstream large-scale farms, dealers and farmers, the industrial relationship map is as follows:



## A. Upstream Raw Materials

### (A) Chemical Fertilizer

Also known as inorganic fertilizer, mainly urea, ammonia sulfate main production plant, phosphate mine processing plant, potassium mine developer, magnesium oxide processing plant and boron supplier. Since there is no large-scale production or mining of inorganic chemical minerals such as nitrogen, phosphorus and potassium in Malaysia, the main source still relies on imports. Due to the limited natural resources of nitrogen, phosphorus and potassium, as the world's population grows and the demand for food and crops increases, the use of fertilizers by farmers is increasing, and the demand and prices of raw materials such as nitrogen, phosphorus and potassium are stable. The trend of rising. According to the "2014~2018 Fertilizer Outlook" published by FAO in June 2015, the supply and demand of nitrogen, phosphorus and potassium raw materials changed slightly from 2014 to 2018, and the demand and price both showed a slight upward trend. The impact on the fertilizer industry will be relatively reduced.

On the whole, the main raw materials for chemical fertilizers are nitrogen, phosphorus and potassium. According to IFA, the main raw materials will be more than demand before 2016. Therefore, there is no supply shortage of the main raw material sources of the company, which will affect the operational risks of production.

## (B) Organic Fertilizer

The organic fertilizer raw materials are mainly waste residues of coffee processing plants, cocoa processing plants, palm oil processing plants or other organic raw materials. Malaysia is rich in agricultural resources, there are many organic raw material manufacturers, and organic raw materials can be replaced with each other, and there is no shortage of supply. In addition, Malaysia is a major palm oil exporter in the world. The large amount of waste residue after the refining of palm oil has caused the organic raw materials to fluctuate little over the years. Therefore, the organic fertilizer raw materials have no operational risks arising from insufficient supply or significant price changes.

## (C) Microorganism

As microbial fertilizers are in the growth stage in Malaysia, although the main fertilizer market is still dominated by chemical fertilizers, more and more companies in Malaysia are beginning to invest in the microbial market. The main sources of microbial bacteria currently produced by the company are self-developed and cooperating with other academic or government organizations, such as the Malaysian University of Technology and the Malaysian Oil Palm Bureau (MPOB), the company has successfully developed and mass-produced microbial bacteria including nitrogen-fixing bacteria, nitrifying bacteria, phosphate-dissolving bacteria and yeast. Therefore, the microbiological sources required by the Company's products are not yet expose to the operational risks arising from insufficient supply or significant price changes.

## B. Middlestream - Fertilizer Processing And Manufacturing

The Malaysian fertilizer manufacturing industry is a completely open market. In Malaysia, no biochemical compound fertilizer manufacturer is sufficient to monopolize the market. Therefore, the market price of biochemical compound fertilizer is determined by the market supply and demand mechanism. In recent years, with the increase in salary and the implementation of the Malaysian completion protection law, the manpower costs of fertilizer manufacturers have been rising, the gross profit has been compressed, and although the prices of inorganic chemicals such as nitrogen, phosphorus and potassium, which are the main raw materials, have continued to fall due to the global economic situation and further affecting the decline in fertilizer prices; the appreciation of the US dollar exchange rate as well as the fertilizer manufacturing industry.

In recent years, the values of environmental protection and eco green industry have been advocated in the society, the environmental protection concept of farmers has continued to increase. In addition, the application of chemical fertilizers has caused the problem of soil deterioration becoming more serious, and the acidification

of soil is not suitable for farming or the rapid decline of plant resistance has reduced farmer's income. As a result, farmers began to accept the concept of "developing sustainable agriculture" that decrease the use of chemical fertilizers, hoping to maintain ecological balance and minimise environmental pollution. The ultimate goal is to reduce production costs and energy consumption. Therefore, unlike the chemical fertilizers in the market, the level of acceptance of the farmer on biochemical compound fertilizers produced by the company, which is composed of organic matter, microorganisms and chemical raw materials, has gradually increased and revenue has continued to grow.

### C. Downstream - Fertilizer User

The domestic fertilizer users in Malaysia are mainly government or privately owned landowners, farmers' associations and general farmers. The company has long-term cooperation with government-related investment companies, large private enterprises or professional oil palm plantation companies. According to the Malaysian Bureau of Statistics, 26% of Malaysia's population is engaged in agricultural-related activities in 2015, while Malaysia and Indonesia are the world's major palm oil producers, so the downstream fertilizer market should not be significantly changed.

### (3) Various Development Trends Of Products

Traditional fertilizers are mainly made up of organic fertilizers, which are made from animal, plant or microbial residues and their excreta. For example, dead leaves, grass ash, rice bran, leftovers, leftovers, bean cakes and oilseeds are all sources of fertilizer. With the advancement of technology, chemical fertilizers made from chemical substances have become the main products in the market. Chemical fertilizers have the advantages of quick effect and low price, and are used by consumers for a long time. However, with the long-term use of chemical fertilizers, the plant resistance is weakened, the soil acidification is degraded, the agricultural products contain high concentrations of nitrates, and the environmental pollution is more serious. Therefore, consumers gradually replace the unit fertilizer with multifunctional fertilizers. . In the fertilizer market, biochemical compound fertilizers have gradually been accepted by consumers. In addition to providing nutrients, increasing production capacity and yield, biochemical compound fertilizers have fertilizers that prevent pests and diseases. For example, the company developed Anti-Ganoderma Lucidum product fertilizer as therapeutic for oil palm disease in 2012.

### (4) Competitive Situation

Due to the low entry barriers for the production and sale of chemical fertilizers, the fertilizers used in the market are still dominated by chemical fertilizers. However, with the promotion of the company and the increase in customer use, the multi-functional

compound fertilizer is gradually accepted by more consumers. The fertilizer produced by the company is mainly composed of organic, micro-organisms and chemical substances. Currently, there are only few manufacturers having the similar products in Malaysia, hence less competition; The Company 's direction is to strive for making more chemical fertilizer consumers to switch to multi-functional fertilizers.

### 5.1.3 Technology and R&D Overview

#### (1) Company Technology and R&D Overview

The company continues to focus on research and development and is one of the few companies that have successfully used beneficial microbiota (EM) in organic and bio-fertilizers. Besides her own research achievements, the company has also worked with other agencies such as the Malaysian Palm Oil Board and the Malaysian Rubber Board to develop effective microbial-based fertilizers. Follow by the MPOB F4 oil palm fertilizer being successfully produced, the GanoEF which specifically for prevention and treatment of Ganoderma Lucidum was developed.

The interaction between plants and microorganisms is an important issue in today's agricultural biotechnology. The company conducts research and product development for plant beneficial microorganisms, harmful microorganisms and nematodes on the basis of modern biology and the use of modern biotechnology. Beneficial microorganisms, such as the screening and application of growth-promoting bacteria, the improvement of the efficiency of phosphate-dissolving bacteria and nitrogen-fixing bacteria; the detection of harmful microorganisms, such as understanding the pathogenic mechanism of harmful microorganisms and increasing the resistance of plants themselves; Infection rules of important crops, screening and application of natural nematode resistance.

In order to enhance the understanding of the beneficial microbiota and to consider its potential and future development, the company established a research and development center in the Biotechnology Zone of the Malaysian University of Technology in Johor to develop and cultivate beneficial microorganisms. Microorganisms can be used in many advanced countries to promote green technology and play a very important role in human development in the future. Thus, the company will work with local and overseas companies to provide expertise and formulas to meet their demand. The company's research and development direction provides the development of microbial flora, biocontrol series, the production of single beneficial bacteria, the diversification of bacterial transport applications and field technical support.

The company has cooperated with the Malaysian University of Technology since 2009, and established the company's independent research and development team in 2011. The company now has mature facilities and skills, using the original ecological

strain screening technology to separate, screen and preserve various bacteria. At present, more than 300 strains have been established. These strains can be accurately commercialized through identification tests and evaluation platforms for anti-antagonism, nutrient exchange, immune induction, and adversity protection for market positioning. In the fermentation production and cultivation of strains, we have developed quantification according to the growth characteristics and environmental requirements of each strain, optimized the fermentation production process, and cultivated a high concentration of bacterial liquid in a short time and cost savings.

The R&D team of the company often communicates with customers to understand the current needs of farmers and the problems to be solved in the field. For example, after the GanoEF product is launched into the market, the R&D team will go to different fields to collect sample the active substance of the roots and soil for laboratory quantitative tests. Test reports will be provided to the farmers, simultaneously increase the diversity of research samples in order to make the tests more accurate. Some customers required to do experiment in their own field before selecting a product. the R&D team will work with the customer to formulate the experimental design, present the performance of the product scientifically, and improve the customer's trust and confidence towards to the product and company with perfect pre-sales and after-sales service.

The complete R&D and technical team can support the development of the company's products, from strain screening, preservation, optimization and quantification, productization, field trials, to customer after-sales service and other additional consulting services are the basis for the company's sustainable development. The R&D team established by the company can support the operation of microbial screening to production, and can also separate and purify the strains of soil, roots, fertilizers, etc. The company established a set of automated 5-50-500L fermentation tanks in 2015; this equipment platform can support more accurate quantitative production processes, develop culture parameters for the mass production needs of different strains, shorten fermentation time, reduce energy consumption and increase the concentration of bacteria, thus reducing production costs.

## (2) Research Development Situation

The company always has great interest for research and development. Besides conducting new product research and development, it has also continuously improve the existing products and process adjustments to enhance the production efficiency and quality. The research results are as follows:

Year	Product Name	Product Usage
2008	MPOB F4 (Biochemical Compound Fertilizer)	<ul style="list-style-type: none"> <li>✧ ACI was jointly developed with the Malaysian Oil Palm Bureau (MPOB).</li> <li>✧ Specially used to increase the production of oil palm trees.</li> <li>✧ Ingredients:</li> <li>✧ Chemical nutrients: chemical nutrients such as nitrogen, phosphorus, potassium, magnesium, boron and some trace elements.</li> <li>✧ Microorganisms: 8 microbial populations that promote the absorption of chemical fertilizers such as NPK and transform soil conditions.</li> <li>✧ Organic matter: Improve soil acidity and alkalinity, increase chemical fertilizer utilization, increase soil fertility and water retention.</li> </ul>
2012	GANO EF Disease-resistant biochemical fertilizer	<ul style="list-style-type: none"> <li>✧ ACI and the Malaysian Oil Palm Bureau (MPOB) jointly developed.</li> <li>✧ Ingredients:</li> <li>✧ Chemical nutrients: a variety of chemical components and the addition of micronutrients to provide efficient growth and optimum yield of plants.</li> <li>✧ Organic substances: improve soil acidity and alkalinity, increase chemical fertilizer utilization, increase soil fertility and water retention.</li> <li>✧ Effective microbial population: Improve soil biological microbial species, fix plant nitrogen nutrition, and promote phosphate fertilizer dissolution.</li> <li>✧ Composite active agents: Hendersonia (endophytic fungi) and chitin, a Ganoderma lucidum biocontrol agent and plant protection inducer to help control and prevent the spread of oil palm Ganoderma lucidum.</li> </ul>
2013	Asacan Water Soluble Granular Fertilizer	<ul style="list-style-type: none"> <li>➤ ACI's fertilizer products developed for the water soluble fertilizer market.</li> <li>➤ Low-temperature compaction technology, which does not require granular fertilizers made of adhesive components, so it can be formulated with high NPK ratio products.</li> <li>➤ Energy-saving production systems reduce costs, price is popular, and farmers are more economical.</li> <li>➤ A variety of customized formulations (NPK + trace elements or ASACAN NK + magnesium oxide)</li> </ul>
2014	MPB15-5-14 Pepper special fertilizer	<ul style="list-style-type: none"> <li>➤</li> <li>➤ Pepper special fertilizer jointly developed by ACI and Malaysian Pepper Bureau (MPB)</li> <li>➤ Three-in-one compound fertilizer provides the best nutrients for pepper trees, combined with beneficial bacteria and high quality organic matter. .</li> </ul>



Year	Product Name	Product Usage
2014	MPOB F4 Premium	<ul style="list-style-type: none"> <li>➤ ACI was jointly developed with the Malaysian Oil Palm Bureau (MPOB).</li> <li>➤ Formulated specifically to increase the production of oil palm trees, developed for palm planting in Sarawak, East Malaysia</li> <li>➤ MPOB F4 formula is added to Azomite, a mineral powder containing A~Z trace elements, which gives the plant a perfect growth element.</li> <li>➤ Suitable for high rainfall climate use</li> </ul>
2015	Tricho Acti Plus Trichoderma	<ul style="list-style-type: none"> <li>➤ Life control products containing endophytic fungus</li> <li>➤ According to the bacteria selected by the customer, it can be divided into wettable powder and organic medium.</li> <li>➤ Effective control of fungal diseases</li> <li>➤ Suitable for palm, rubber, banana and other crops</li> <li>➤ Product content can be adjusted according to price</li> </ul>
2017	K Neutralizer	<ul style="list-style-type: none"> <li>➤ Develop soil conditions using German technology to effectively increase soil pH and supplement K<sub>2</sub>O and TE nutrients</li> <li>➤ Suitable for palm, rubber, banana and other crops</li> </ul>

(3) Research And Development Personnel And Their Academic Experience

Unit : Headcount ; %

Year Education Qualification	2016	2017	2018
Master's Degree and above	4	4	4
College	3	3	5
High School And Below	-	-	-
Total	7	7	9
Numbers of Company Employee	360	425	460
Percentage of the Company Employee (%)	1.94	1.65	1.96

(4) R&D Expenses Invested In The Past Five Years

Unit: NT\$ in Thousand

Year Item	2014	2015	2016	2017	2018
Research Development Costs	7,908	6,090	5,855	4,456	6,587
Operating Income	2,231,231	2,257,308	2,065,543	2,263,652	2,687,581
Proportion Of Revenue (%)	0.35	0.27	0.28	0.20	0.25

(5) Successfully Developed Technology Or Products In The Past Five Years

Year	Product Name	Product Usage
2014	MPB15-5-14 Pepper special fertilizer	<ul style="list-style-type: none"> <li>➤ Pepper special fertilizer jointly developed by ACI and Malaysian Pepper Bureau (MPB)</li> <li>➤ Three-in-one compound fertilizer provides the best nutrients for pepper trees, combined with beneficial bacteria and high quality organic matter.</li> </ul>
	MPOB F4 Premium	<ul style="list-style-type: none"> <li>➤ ACI was jointly developed with the Malaysian Oil Palm Bureau (MPOB).</li> <li>➤ Formulated specifically to increase the production of oil palm trees, developed for palm planting in Sarawak, East Malaysia</li> <li>➤ MPOB F4 formula is added to Azomite, a mineral powder containing A~Z trace elements, which gives the plant a perfect growth element.</li> <li>➤ Suitable for high rainfall climate use</li> </ul>
2015	Tricho Acti Plus	<ul style="list-style-type: none"> <li>➤ Life control products containing endophytic fungus</li> <li>➤ According to the bacteria selected by the customer, it can be divided into wettable powder and organic medium.</li> <li>➤ Effective control of fungal diseases</li> <li>➤ Suitable for palm, rubber, banana and other crops</li> <li>➤ Product content can be adjusted according to price</li> </ul>
2016	Value-added agricultural by-products (palm oil industry)	<ul style="list-style-type: none"> <li>➤ Development of value-added technology for by-products of non-empty fruit bunches</li> <li>➤ Convertible pomace is a low-cost soil improver, fertilizer and biocontrol agent</li> <li>➤ Better utilization of by-products of the farm and oil mills.</li> <li>➤ Customized addition of different functional bacteria, such as nutrient supply or biological control</li> <li>➤ Add in Trichoderma to fight Ganoderma lucidum</li> </ul>
2017	MARDI F1	<ul style="list-style-type: none"> <li>➤ ACI is jointly developed with the Malaysian Agricultural Research and Development Agency (MARDI).</li> <li>➤ Special nitrogen-fixing biological fertilizer for rice and green leafy vegetables</li> </ul>
	K-NEUTRALIZER	<ul style="list-style-type: none"> <li>➤ Designed to improve and regulate acid soil problems</li> <li>➤ Rapidly improve nutrient absorption rate effectively</li> <li>➤ Increase soil activity and soil organic content</li> <li>➤ Improved soil also supplies nitrogen, potassium, sulfur and other elements to improve the color, fragrance, taste, and quality of crops.</li> <li>➤ K Compared with traditional regulators, K-Neutralizer is more effective and lasting. The experimental results maintain the soil pH at around 6 for 9 months to a year.</li> </ul>

#### 5.1.4 Long-Term And Short-Term Business Development Plans

##### (1) Short-Term Business Development Plans

###### A. Marketing Strategy

###### (A) Expanding The Mainstream Market

The company's main product is biochemical compound fertilizer. After nearly 20 years of continuous development, the expansion of the Malaysian market has achieved fruitful results in recent years. According to the Universiti Putra Malaysia report, the company's fertilizer sales in 2014 accounted for 4.25 % of the total fertilizer market in Malaysia, the company will continue to focus on expanding the Malaysian market to focus on Asia in Malaysia.

###### (B) Deep Market Strategy

Through briefing sessions, the company will continue to educate agricultural technicians and use advertising marketing to expand sales channels to open up local markets and attract medium and large-scale planting companies, state-owned agricultural companies and distributors.

###### (C) Increase Brand Awareness And Market Share In Overseas Markets

- a. In the Indonesian market, the company will hold a product use briefing session in the first-line rural areas, and continue to educate the use of agricultural technicians and fertilizer knowledge.
- b. In the Vietnamese market, the company will use advertising marketing to continue to expand sales channels.

###### B. Research direction

Through market research, the company is committed to developing functional, environmentally friendly customized products to provide better quality and cost saving to customers. It is also planned to continue to develop sophisticated market demand through efficient R&D management, and to enhance R&D technology and microbial bacteria libraries from marketing, R&D, production testing and other products to produce products that meet market needs.

###### C. Production Strategy

The company's current main operation is Malaysia. It plans to establish a cooperative distribution base in the ASEAN countries to expand the market quickly and effectively through the ASEAN national agent cooperation.

#### D. Operation Scale

The company has now become a major producer of biochemical compound fertilizers, and has achieved initial gains from the development of Malaysia as the main market structure. In the future, we will continue to expand overseas channels and market Southeast Asia with unique products to increase market share and increase overall operating scale.

#### E. Financial planning

Strengthen the financial and operational management of the Company, enhance risk control, effectively avoid exchange rate, interest rate and market risk; and through public offering, enhance the company's visibility and obtain long-term and low-cost funds.

### (2) Company Long-Term Plan

#### A. Marketing strategy

##### (A) Expanding overseas markets

The company will penetrate the Asian market with strong foundation in Malaysia (such as Indonesia, Vietnam, Thailand, Taiwan, Cambodia, Laos, Myanmar, Philippines, South Korea and Japan), and build factories in the region to save freight, and enter the Middle East and Europe. The market is the company's long-term goal.

##### (B) Developed as the No. 1 brand in Asia

At present, the company operates under the brand name “RealStrong” in Malaysia. It uses advertising marketing and customer reputation to continuously expand its sales channels to overseas. Through its active participation in public relations marketing strategies, it has shaped the company and its product image and popularity in order to develop into Asia. The No. 1 brand, a stable and sustainable business foundation

#### B. Research direction

The company continues to develop products for overseas market demand and cooperates with overseas universities to develop education. According to different regions and different climates, soils, plants and other specific products, products with functions such as pest resistance and environmental protection are introduced to increase customers' willingness to purchase and reduce Purchase cost. In addition, under the concept of sustainable agriculture, the company continued to develop projects for the use and recycling of agricultural by-products, and practiced

environmental protection while reducing the cost of waste disposal for the agricultural industry. Microbial application platforms can develop different high-end cultivation materials, such as inoculation of disease-resistant strains for seedlings, which can reduce the disease resistance of plants, and then add company products to bring better disease resistance and yield increase.

#### C. Production strategy

In order to provide localized products and save transportation costs, the company will build factories in various sales regions to provide local consumers with nearby demand.

#### D. Operation Scale

The company adheres to the concept of sustainable management, expands its human resources, expands its equipment, etc., and strives to expand its market share and become the No. 1 brand in Asia.

#### E. Financial planning

Enhance the company's financial management and operational capabilities, and use operational tools and flexible use of financial instruments to reduce operational risks and enhance competitiveness. Through the capital market, it will enrich working capital and support the needs of future development.

## 5.2 Overview of Market, Production and Sales

### 5.2.1 Market Analysis

#### (1) Sales Area Of Major Commodities

Unit: NT\$ in Thousand

Year Region	2016		2017		2018	
	Amount	%	Amount	%	Amount	%
Domestic Sales	1,876,480	90.85	2,065,892	91.26	2,495,239	92.84
Export	189,063	9.15	197,760	8.74	192,342	7.16
Total	2,065,543	100.00	2,263,652	100.00	2,687,581	100.00

Note: Domestic sales refer to sales in Malaysia and Indonesia, and the rest of the regions such as Vietnam, Taiwan and the Philippines are exported.

#### (2) Market share

According to the 2015 survey data of the Department of Statistics Malaysia, the fertilizer market in Malaysia is still dominated by chemical fertilizers. Because Malaysian oil palm is mainly a large-scale planting company, the current unit fertilizer market is still higher than compound fertilizer. Refer to Universiti Putra Malaysia. According to the report, Malaysia's total fertilizer production in 2014 was 4.7 million tons, and the company's market share in 2014 was about 4.25%. At present, although the Malaysian market is still dominated by chemical unit fertilizers, the company's products can adjust the soil pH and organic content, so the application effect is better than chemical fertilizers in the land with low productivity or poor long-term application of chemical fertilizer pollution. With the increase in environmental awareness and the increase in long-term land pollution, the company's market share is expected to increase.

#### (3) Market Supply And Demand Situation And Growth In The Future

##### A. Global population growth pushes up overall demand

The global fertilizer market is closely related to food demand. As the global population continues to grow, it will push up global food demand and crop prices. With limited global arable land, increasing unit production has become the most urgent way for countries to solve food problems. In addition to the use of various fertilizers to increase unit yield and improve production efficiency, fertilizers with low cost and versatility are more acceptable to consumers.

According to the information released by FAO on Current world fertilizer trends and outlook to 2015, as of 2011, the world's major fertilizer market accounted for 60% of the Asian region. According to the "2015-2019 Fertilizer Outlook" published by IFA in May 2015, Southeast Asia and North America are still the main areas for increased demand in the next few years. In the next few years, the global fertilizer market is still deeply affected by global food demand. With the continuous population growth and limited arable land, the application of high-efficiency and low-cost fertilizers is the main trend, and the global fertilizer market should not undergo major changes.

#### B. High-performance, low-application, low-toxic compound fertilizer trend

In the case of continuous population growth and limited arable land, the application of higher-efficiency and low-cost fertilizers is the main development trend. It is different from the large-scale application of general chemical fertilizers in the past. The current market demand is toward organic, micro-organisms with multifunctional and chemical compound fertilizer. Meaning, under the principle of reducing the use of chemical fertilizers and reducing the toxicity to the soil, appropriate compound fertilizer products are developed for the growth patterns and nutritional needs of different plants.

### (4) Competitive Niche

#### A. Key Technology Threshold

Through the combination of chemical substances, organic fertilizers and microorganisms, the company has successfully developed biochemical compound fertilizers. By combining inorganic and organic to enhance soil pH and increase crop nutrient absorption, the company has improved its culture. Equipment and key patented technologies, the key beneficial microorganisms that are extracted and cultured from the soil, is to stabilize nitrogen in the air and soil, also contribute to the decomposition of phosphorus, acid, salt, potassium and organic matter, to allow plants to absorb directly, thereby increasing the fertilizers application, as well as the yield of crops compared with chemical fertilizers. The microbial flora can also enhance the immunity of crops against disease, make crops premature, antifreeze and increase water retention and drought resistance.

At present, the general compound fertilizers on the market are still dominated by chemical fertilizers. A few fertilizer manufacturers also produce chemical organic compound fertilizers. However, the production methods are organic fertilizers purchased separately from chemical fertilizers, and the loss rate is high, so even The product

contains organic and microbial components. This method of production is easy to cause microbial death. Therefore, how to combine chemical fertilizers, organic fertilizers and microbial fertilizers into appropriate configurations has become the threshold for entry into the industry. The company has been researched for many years. Stabilization technology can effectively combine microorganisms with chemicals to successfully produce commercialized fertilizers.

Furthermore, even if the microbial death caused by chemical fertilizers is overcome, the oil palms have been planted for at least 2-3 years, and when new products are to be introduced into the market, they must be planted in two rounds, with at least 5- 6 years of product testing. If successful, there are opportunities to win customers' willingness to adopt. In contrast, the key technologies used by the company effectively combine chemical fertilizers, organic fertilizers and microbial fertilizers, but effectively prevent the contact of microorganisms and chemical fertilizers, so that microorganisms are not easily damaged, and the benefits of fertilizers are effectively maximized. In addition, this key technology has also successfully cooperated with the Malaysian Oil Palm Bureau to develop endophytic fungi that can inhibit *Ganoderma lucidum* (stem-based rot). The company has successfully developed fertilizer products and has been certified by the Malaysian Oil Palm Bureau, so the key technology entry threshold is the company. An important competitive niche.

#### B. Product efficacy extends to pest control

Over the years, Malaysian oil palm tree has been seriously affected by *Ganoderma* disease. *Ganoderma lucidum* is caused by *Ganoderma* fungus. The disease occurs at the base of the stem of the tree, so it is also called Basal Stem Rot. The infection rate of oil palm plantation About 20%, during the period of 10-12 years after planting the seedlings, it will lead to a significant reduction in production of more than 80%, which is a fatal disease of oil palm trees. In the early stage of *Ganoderma lucidum*, there are 1-3 pieces of *Ganoderma lucidum* fruit body in the stem base of the tree. The body shape is generally less than 3 cubic centimeters. The leaves are not drooping and dry, and the tree base condition is still hard. However, the plant vascular bundle is damaged and cannot be recovered. The *Ganoderma lucidum* fruiting body increased by 3-10 pieces, the leaves began to turn yellow and showed slight sagging, the tree body tissue began to soften, part of the *Ganoderma lucidum* body matured, the amount of the tree body became less and the fruit pieces became smaller; in the end stage, the *Ganoderma lucidum* fruiting body increased to more than 10 pieces, the body is hypertrophy, spread around the roots of the



tree, the base of the stem can be easily excavated by sharp objects, the tree has no result, and the plant will be declared dead. According to statistics from the Federal Land Development Authority of Malaysia, ganoderma disease is happening in Malaysia annually. The damage is up to tens of billions of Taiwan dollars, which seriously jeopardizes the economic growth of the oil palm industry.

In order to effectively solve the harm of *Ganoderma lucidum* to oil palm trees, the company and the Malaysian Oil Palm Bureau have successfully developed *Hendsonia*, an endophytic fungus that controls *Ganoderma lucidum* in 2012, and launched a four-in-one biochemical compound fertilizer containing endophytic fungi. And can reduce the incidence of 70% of *Ganoderma lucidum* disease. By successfully developing the control effect of *Ganoderma lucidum* disease, the company has extended the fertilizer to the field of pest control, and is far ahead of other competitors. The company will continue to strive to prevent pests and diseases in the future. In order to be ahead from competitors, the company's products will partially replace the farmers' demand for pesticides and increase the added value of fertilizer use.

### C. Safe and reliable brand reputation

The fertilizer product is directly used in the soil, and the crop system absorbs the nutrients and elements in the soil through the roots. However, the fertilizer is not completely absorbed by the crop, and there are still residual substances in the soil, so it can improve the soil pH value and improve the crop. In addition to the effects of yield and quality, the impact of residues of fertilizer products on crops and the environment cannot be ignored. In an industry that needs to strengthen product safety, technical support and goodwill, a safe and reliable brand image is very important. The company understands the cost and product efficiency of farmers, prefers fertilizers certified by government units or recommended by the government, and once farmers are accustomed to using a certain product, in order to ensure the stability of their crops, it is not easy to replace other brands. Due to the habits of use, the company has been striving to develop R&D for many years, continuously improving product quality, and has been certified by government agencies. With the brand name “Real Strong”, the company actively expands her product sales market and carefully tests the soil conditions of the area in line with local needs. The right formula has obtained high added value in every link of the industrial chain. After years of hard work, the company has established a good reputation in the industry, providing farmers with stable product quality, sincere after-sales service and good technical support. Reliable products to increase farmers' brand loyalty.

#### D. Steady layout of production base and actively develop sales network

The company actively explores the sales market, based on Malaysia's stable layout, gradually sets up production bases, and actively establishes distribution networks in various places. The company plans to extend her products to the world. Her clients include government-to-investment companies and large private enterprises. Farmers' associations, regional distributors and end users-farmers. In the expansion of the market strategy, through the sales pipeline established after careful evaluation, the newly developed areas mainly through dealers, and hold public welfare briefings, to help and teach farmers in various areas to improve soil, and improve production and quality, to brand the concept enters the pipeline to enhance the local farmers' understanding and acceptance of the company's brand; for the infiltrated areas, through the group subsidiaries or local agents, directly to the terminal market, and actively participate in the promotion activities, regularly send people to teach, educate and assist farmers in various districts to improve soil yield and quality, and set up experimental manor in each district to provide fertilizer for farmers to test and compare, and strengthen farmers' loyalty to the company's brand products. In addition, the company also provides market and technical support services, and is committed to providing growers with the highest quality products and after-sales service, providing comprehensive solutions and technical consultation, in order to achieve product awareness and brand recognition.



#### E. Cost advantage

Since the traders import raw materials from abroad to Malaysia for sale, the raw material prices will be higher. In order to reduce the procurement cost of raw materials, the company actively seeks cooperation with raw material producers that can directly trade to reduce indirect purchases through traders. Successfully signed the 2014 annual

purchase contract with the major potassium chloride producers in Belarus at the end of 2013. In addition, the company is directly trading with Chinese urea producers for another major raw material urea in 2016. The company directly and raw materials Producer transactions, to reduce the cost of raw materials, and make the company's product prices more competitive.

## (5) Advantages, Disadvantages and Countermeasures of Developing Prospects

### A. Favorable factors

#### (A) Increased demand for plant fertilizers in the global foraging crisis

The lack of food is the most direct factor affecting crop demand. Due to the rapid growth of the population, the global demand for food is increasing. Relatively, the arable land for producing crops is on the rise of environmental protection. Under the protection of forests and original forest land, not only can the current area be maintained, but some areas will also be affected by desertification, resulting in a reduction in cultivated area.

Therefore, under the trend of increasing demand for crops and reducing the area of arable land, the method of increasing crop yield is to adopt measures to strengthen crop resistance and increase crop yield. For example, increase the amount of biochemical compound fertilizer and prevent insects through root protection. Or the damage of crops such as germs, on the other hand, the bio-based compound fertilizer provides plant root nutrients, so that crops can obtain various nutrients and increase the output per unit area, in order to meet the current demand for crops. The aforementioned measures to increase crop yields will also drive the development of the overall crop biochemical compound fertilizer industry and expand the overall market size, which will be positive for the sales growth of All Cosmos's future business.

#### (B) Technical advantage

Various functional microorganisms can be mixed with each other, but when using mixed strains, it is necessary to consider the competition or the synergy between the strains, exert their positive effects, and reduce their negative effects. The company uses organic matter as a carrier of microorganisms. After the fermentation is completed, different organic matter must undergo microbial carrier compatibility test

to understand the survival rate and stability of the carrier to ensure its survival rate and effectiveness.

In the fertilizer process, the biochemical compound fertilizer needs to be added to the stable carrier for anti-antagonism test, survival test, and integrate the affinity, timeliness and viability of the microbial flora, and the production cost of the bacteria must be considered at the same time. Mixed strains, carrier stability and other factors. The company has developed and applied for the patent of A Bio-stabilised Fertilizer and a Method for Producing, which can effectively combine microorganisms with chemical fertilizers and organic matter and effectively block microorganisms and chemical fertilizers. Direct contact with micro-organisms to ensure the efficacy of micro-organisms, thereby accumulating technical advantages, will help the company's development in the bio-composite fertilizer industry.

(C) Maintaining good relations with Malaysian government agencies and academic institutions

Over the years, the company has carried out many cooperation and exchanges with professional institutions such as the Malaysian Oil Palm Bureau, the Academy of Agricultural Sciences and the National University of Technology, and has maintained good cooperative relations for a long time. The company regularly sends people to academic units to discuss and share practical experience. Academics and students discuss, combine theory and practice, and exchange ideas and stimulate creativity. In addition, the company was appointed by the Ministry of Science, Technology and Innovation (MOSTI) of the Federal Government of Malaysia in 2011 as a consultant for high-tech green agriculture. The Prime Minister of Malaysia personally leads the research and development, innovation and environmental protection as its main purpose and implementation strategy. Its members are only 10 companies. The company is the only private company. It can be seen that the company's goodwill in the industry and its relationship with government agencies are very good. . As the fertilizer industry is an industry that attaches great importance to product safety, technical support and goodwill, the fertilizer products developed in cooperation with academic institutions or certified by government agencies are more trusted and favored by farmers, so they cooperate well with government agencies and academic institutions. Relationships have positive benefits for the company.

## B. Unfavorable factors

- (A) The main raw materials depend on imports and are vulnerable to shortage of international raw materials or price increases.

The company's main chemical raw materials such as urea, phosphate fertilizer and potash fertilizer rely on imports. If there is a shortage of international raw materials or price increases, the company may be adversely affected.

Response measures:

The company keeps abreast of market information. In order to fully grasp the source of supply, there are more than two suppliers of main raw materials, and maintain a good and stable cooperative relationship. A reasonable safety stock is prepared for the raw materials, and the sales price of the downstream is moderately adjusted when the price fluctuates. Follow the market to reduce the impact.

## (B) Risk of sales concentration

Oil palm is the main cash crop in Malaysia. Therefore, the government attaches great importance to the development of oil palm industry. It has a number of related institutions and investment companies. Oil palm enterprises need to have the processing capacity of palm oil processing, transportation and storage and sales. Therefore, Malaysian oil palm industry is mainly based on public and large-scale enterprises, which is the case where the company has sales of goods concentrated in large enterprises.

Response strategy:

In addition to its commitment to maintain relationships with her customers, the company regularly assigns technical personnel or sales personnel to the customer's field to observe the use of fertilizers, and to produce research reports on its processes and achievements, to stabilize existing customers and actively expand new customers. The use of the company's products by well-known large enterprises, establish a brand image, and drive more farmers to buy and use, in order to reduce the risk of sales concentration.

## 5.2.2 Important use of the main products and production process

### (1) Important uses of major products

Fertilizers can be roughly classified into chemical fertilizers, organic fertilizers and biological fertilizers according to the raw material categories. Various fertilizers have

their own advantages and disadvantages. Chemical fertilizers have fast effects, but they are easy to cause environmental pollution and destroy soil structure. Organic fertilizers can change soil properties and increase nutrient, but large in volume and high in application cost; biological fertilizer is applied in small amount and low in cost, but it must be used in combination with other fertilizers. Here are the advantages and disadvantages listed below:

<b>Fertilizer category</b>	<b>Advantages</b>	<b>Disadvantages</b>
Biological fertilizer	No pollution problem	Non-fast-acting needs to be combined with organic or chemical fertilizers
	Not harmful	Have a certain and shelf life
	Less application	Vulnerable to environmental impact
	Lower production costs	Need to apply to the root circle to be easy to express
Chemical fertilizer	Rapid fertilizer efficiency	Contaminated environment
	Easy to adjust fertilizer ratio	Improper use is easy to have a fat injury
	Supply sufficient nutrients	Improper use of soil degradation, acid
	Less application	Production consumes a lot of energy
Organic fertilizer	Good soil improvement	Large volume and weight, high application cost
	Utility mitigation	Composting production has pollution problems
	Less harmful	Production of compost takes time, labour, and land consumption
	Wide applicability	Improper organic matter is prone to pests and diseases

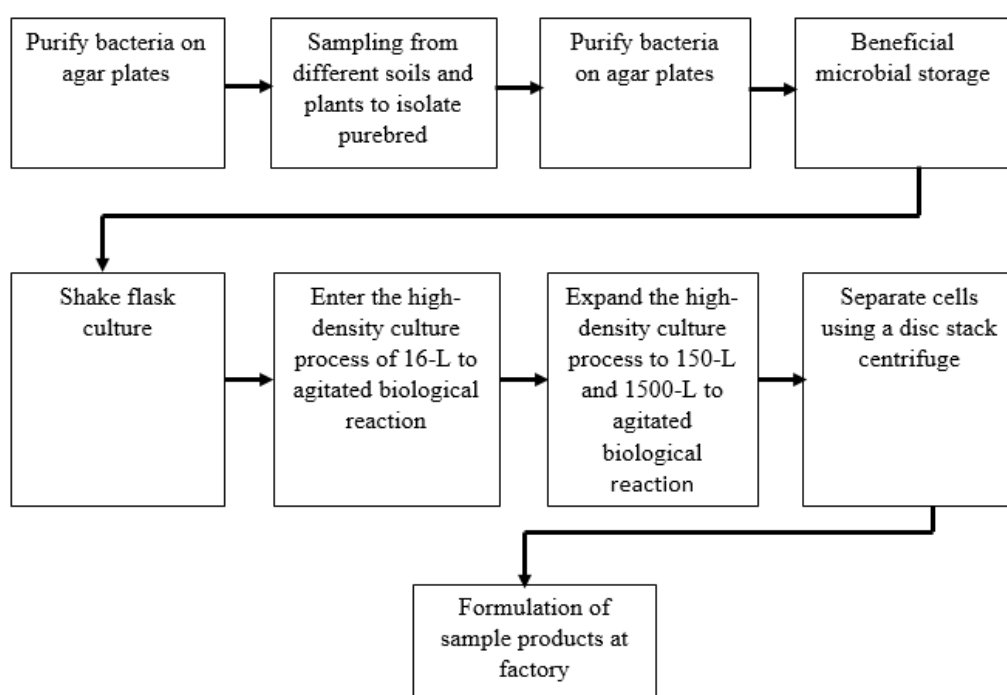
Source: Taiwan Agricultural Biotechnology Industry Quarterly

Because fertilizer is a popular material, it is a relatively traditional industry, hence, it is very competitive especially with many large-scale chemical fertilizer plants in the market. Therefore, the company's main products are biochemical compound fertilizers that combine organic matter, beneficial micro-organisms and chemical raw materials. Its products mainly combine the advantages of each unit of fertilizer, improve the efficiency and effect of crop nutrient absorption, promote the growth of crop roots, enhance soil nutrients and improve water retention capacity, and clearly distinguish it from the chemical fertilizers that account for the majority of the market.

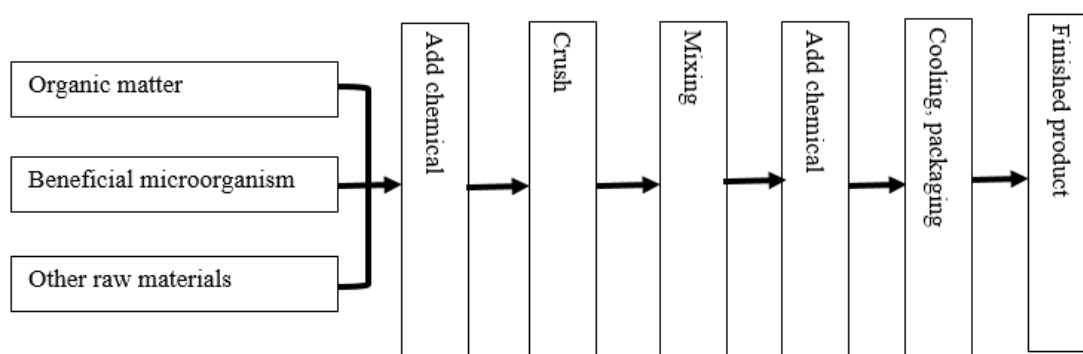
## (2) Production process of major products

The company's 3-in-1 biochemical compound fertilizer is mainly composed of chemical fertilizer, organic fertilizer and microbial fertilizer. According to the theory of nitrogen balance and soil health, it is compounded by techniques such as bio-high nitrogen source fermentation technology and comprehensive extrusion granulation. It can be mainly divided into beneficial microbial culture process and three-in-one biochemical fertilizer production process:

### A. Beneficial microbial culture process



### B. Biochemical fertilizer production process



### 5.2.3 Supply status of major raw materials

The company's main raw materials are chemical raw materials such as urea, potassium chloride and phosphate rock. The company maintains a good and stable cooperative relationship with major raw material suppliers. In order to fully grasping the source of supply, it strictly controls quality and delivery. To ensure the supply of major raw materials is flawless. There was no supply shortage or interruption in the last three years and the application year, and the supply was stable.

### 5.2.4 Explanation of major changes in gross profit margin of major products or sectors in the last two years

Unit: NT\$ in Thousand

Item \ Year	2017	2018
Operating Income	2,263,652	2,687,581
Operating Gross Profit	751,521	774,594
Gross Profit Margin	33.20%	28.82%
Gross Rate Of Change	4.63%	13.19%

The company's gross profit margin changes in the past two years have not reached more than 20%.

### 5.2.5 List of major customers and suppliers

- (1) The name of the supplier who had accounted for more than 10% of the total purchase amount in any of the previous two years and the amount and proportion of the purchase amount

Unit: NT\$ in Thousand;%

Item	2017				2018				March 31, 2019			
	Name	Amount	Net annual purchase of goods (%)	Relationship	Name	Amount	Net annual purchase of goods (%)	Relationship	Name	Amount	Net annual purchase of goods (%)	Relationship
1	JSC BELARUSIAN POTASH COMPANY (BPC)	486,949	36.38	None	JSC BELARUSIAN POTASH COMPANY (BPC)	963,071	46.33	None	JSC BELARUSIAN POTASH COMPANY (BPC)	181,718	59.84	None
2	BEHN MEYER AGRICARE (M) SDN BHD (MEYER)	97,733	7.30	None	BLUE DEEBAJ FZCO (Deebaj)	69,224	3.33	None	ETG AGRICULTURAL INPUTS FZE (ETG)	30,639	10.09	None
3	GOLDEN BARLEY INTERNATIONAL	84,988	6.35	None	YICHANG NEW YANG FENG INTERNATIONAL	62,909	3.03	None	GOLDEN BARLEY INTERNATIONAL	21,820	7.19	None



	2017				2018				March 31, 2019			
	(BARLEY)			No	AL			No	(BARLEY)			No
	Others	668,772	49.97	ne	Others	983,718	47.31	ne	Others	69,494	22.88	ne
	Net purchase	1,338,442	100.00		Net purchase	2,078,923	100.00		Net purchase	303,671	100.00	

The company is mainly engaged in the production and sales of biochemical composite fertilizers. The main raw materials of the products are urea, phosphate rock, potassium chloride, borax, ammonium phosphate, ammonium chloride, dolomite powder and organic matter (cocoa shell residue, coffee grounds or oil. Brown slag) and etc. Because raw materials such as urea, potassium chloride and phosphate rock are natural resources, only a few countries such as China, Arabia, Iran, Russia, Egypt and India have a large amount of reserves for mining, so the company avoids shortage of raw materials and reduces The impact of major changes in purchase prices, with supply contracts with major purchase suppliers for long-term cooperation to reduce risk.

Supplier changes are mainly affected by fluctuations in the performance of the company and are also affected by fluctuations in the unit price of raw materials. In the past two years and the first quarter of this year, BPC is mainly supplying the company's chemical raw material potassium chloride. BPC is located in the Belarusian potassium chloride manufacturer, and the supply and price are relatively stable. In addition, the company started to contact New Yang Feng in 2017. As the demand for monoammonium increases year by year, it is directly supplied with the producer to ensure price, quality and delivery time. Others such as BARLEY, MEYER, DEEBAJ and ETG are mainly engaged in the trading and marketing of chemical fertilizers, chemical raw materials and pesticides. The company will also purchase goods from local competitive pricing unit suppliers.

- (2)The name of the customer who had accounted for more than 10% of the total sales in any of the previous two years and the amount and proportion of the sales

Unit: NT\$ in Thousand; %

	2017				2018				March 31, 2019			
Item	Name	Amount	Net annual sales of goods (%)	Relationship	Name	Amount	Net annual sales of goods (%)	Relationship	Name	Amount	Net annual sales of goods (%)	Relationship
1	NARSCO BERHAD (NARSCO)	248,512	10.98	No	FELDA TECHNOPLANT SDN BHD	399,365	14.86	No	SABAH SOFTWOODS BERHAD (SSB)	66,466	18.75	te1
2	BORNEO SAMUDERA SDN BHD (BORNEO)	242,947	10.73	No	RISDA VENTURES SDN BHD (RVSB)	260,279	9.68	No	BORNEO SAMUDERA SDN BHD	25,452	7.18	te2

3	SABAH SOFTWOODS BERHAD (SSB)	238,431	10.53	No te1	SABAH SOFTWOODS BERHAD (SSB)	235,165	8.75	No te1	KUALA LUMPUR KEPONG BERHAD (KLK)	23,936	6.75	No ne
4	FELDA TECHNOPLAN SDN BHD(FTPSB)	198,029	8.75	No ne	BORNEO SAMUDERA SDN BHD ( BORNEO)	186,773	6.95	No te2	DEL MONTE FRESH PRODUCE (DEL)	20,689	5.84	No ne
	Others	1,335,733	59.01		Others	1,605,999	59.76		Others	217,830	61.48	
	Net Sales	2,263,652	100.00		Net Sales	2,687,581	100.00		Net Sales	354,353	100.00	

Note 1: SSB holds a 45% stake in SSHF and is a substantial shareholder of the subsidiary.

Note 2: BORNEO is an affiliate of Sawit Kinabalu Ecotech Sdn. Bhd.

The Company is principally engaged in the production and sales of biochemical composite fertilizers. The current sales area is South East Asia and Mainland China, and the main sales market is Malaysia. Sales customers are mainly state-owned enterprises, companies or individuals in oil palm planting and crop planting, including large enterprises, local distributors and grassroots farmers. The changes in sales volume of major customers of the Company are affected by global food demand.

FELDA is a Malaysian Federal Land Development Agency transfer company, one of the largest companies in the world, BORNEO is Sawit Kinabalu Sdn. Bhd. (Kota Kinabalu Oil Palm Co., Ltd., SWSB) 2nd tier subsidiary company with 100% shareholding. In order to optimize and promote economy of Sabah, SWSB is the investment company of the Sabah State Government. BORNEO mainly develops oil palm plantation and produces and sells palm oil products. SSB also invested by Sabah State Government and her main business activity is to operate oil palm plantations. NARSCO is the Malaysian National Rubber Small Owner Cooperative Company established by RISDA in 2000. It is mainly responsible for the procurement and supply of agricultural tools, pesticides and fertilizers of the RISDA Group. RVSB is a 100% shareholding company of Rubber Industry Smallholders Development Authority (RISDA). Its parent company RISDA is the Ministry of Rural and Regional Development of the Federal Government of Malaysia in 1973 to assist local rubber in Malaysia. The small garden owners were established by using cultivating and new agricultural technologies to enhance the diversity and quality of crops, while RVSB was mainly responsible for sourcing and supplying compound fertilizers to various oil palm and rubber planting companies.

KLK is principally engaged in palm and rubber plantation, real estate development, retail and chemical manufacturing. Currently, it has approximately 270,000 hectares of plantations in Malaysia and Indonesia, and its own refinery refines palm oil and downstream. The product is one of the world's largest producers of palm oil chemicals. KLK has been

trading with the company since 2012 and is purchasing compound fertilizers two to three times a year.

Founded in 2000 in Florida, DEL is a 100% owned investment company of Fresh Del Monte Produce Inc. (NYSE:FDP), a company listed on the New York Stock Exchange. The group has 36 distribution centers and 40,000 worldwide. A number of employees, mainly providing fresh fruits and vegetables, cut food manufacturing, distribution wholesale and logistics services, including Wal Mart, Costco, McDonalds and 7-11 retail and catering companies, since May 2015 through the Philippines local business agent introduction, the business has started, mainly selling fertilizers for fruits such as bananas and pineapples.

#### 5.2.6 Production Value Of The Last Two Years

Unit : Ton ; NT\$ in Thousand

Annual year Production value Major Products	2017			2018		
	Production Capacity	Production Amount	Production Value	Production Capacity	Production Amount	Production Value
Biochemical Compound Fertilizer	327,260	188,371	1,366,435	327,260	186,301	1,755,588
Chemical Fertilizer		23,339			57,911	
Total	327,260	211,710	1,366,435	327,260	244,212	1,755,588

Note 1: Capacity only lists the capacity of subsidiaries ACI and SSHF machines.

Note 2: The output does not include product packaging such as unit fertilizer packaging, manual mixing and small packaging.

#### 5.2.7 Sales Volume In The Last Two Years

Unit: Tons: NT\$ in Thousand

Year Product	2017				2018			
	Domestic sales		Export		Domestic sales		Export	
	Amount	Value	Amount	Value	Amount	Value	Amount	Value
Biochemical Compound Fertilizer	170,261	1,638,120	16,452	197,654	172,313	1,749,323	17,220	192,342
Chemical Fertilizer	64,324	410,942	-	-	96,828	708,234	-	-
Others	3,947	16,830	15	106	6,178	37,682	-	-
合計 Total	238,532	2,065,892	16,467	197,760	275,319	2,495,239	17,220	192,342

Note 1: The sales volume does not include other items such as bags and coffee grounds.

Note 2: Chemical fertilizers contain raw materials for sale.

Note 3: Domestic sales are sold in Malaysia and Indonesia, and exported to the Philippines, Taiwan and Vietnam.

**5.3 The number of employees, average service years, average age and academic distribution ratio of employees in the last two years and the year ended**

Unit : Headcount

Year		2017	2018	End of March, 2019
Number of Staff	Direct employee	254	290	285
	Indirect employee	171	170	156
	Total	425	460	441
Average age		31.44	33.23	33.33
Average Service Years		3.51	4.12	4.29
Academic Distribution	Master's Degree and above	5	11	12
	College	58	90	87
	High school and below	362	359	342
	Total	425	460	441

**5.4. Environmental Expenditure Information**

1. According to the law, the applicant shall apply for a permit or a pollutant discharge permit or a pollution prevention and control fee or a person who should set up an environmental protection special unit. The claim, payment or establishment status: None.
2. The company's investment in the main facility for the prevention and control of environmental pollution and its use and possible benefits:

December 31, 2018 Unit : RM

Device name	Quantity	Date Of Acquisition	Cost Of Investment	Unreduced Balance	Use and anticipation may result in benefits
Dust pipe	1	2011.06.16	18,000.00	-	Dust generated during the production of fertilizer
Dust collection chamber (14mx3mx2.8m)	1	2011.05.18	40,260.00	15,434	Collect dust from the production of fertilizer
Dust collection chamber (8mx3mx2.8m)	1	2011.05.18	12,110.00	4,642	Collect dust from the production of fertilizer

Dust recycling equipment system	1	2017.07.30	474,300.00	454,538	Collect dust from the production of fertilizer
---------------------------------	---	------------	------------	---------	--

3. The company has improved the environmental pollution in the last two years as per annual report, and the company has a pollution dispute, and should explain its treatment: None.
4. The total amount of damages (including compensation), the total amount of the company's losses (including compensation) and the future response measures (including improvement measures) and possible expenses (including possible counter measures may not be taken) due to environmental pollution losses (including compensation) in the last two years and the end of the annual report. The estimated amount of loss, disposition and compensation, if it cannot be reasonably estimated, should state the fact that it cannot be reasonably estimated): None.
5. The current pollution situation and its impact on the company's earnings, competitive position and capital expenditure and its estimated major environmental capital expenditures in the next two years: None.

## 5.5. The Relationship of Employers and Employees

1. The company's various employee welfare measures, training, retirement system and its implementation status, as well as the agreement between labor and management and the maintenance measures of various employee rights and interests

### (1) Employee welfare measures

1. Give annual salary increases and pay year-end bonuses based on employee performance
2. Promotion and salary increase according to the performance of the administrative staff
3. Employee overtime allowance
4. Employee annual leave system
5. Employee medical assistance and health check
6. Employee flexible work system
7. Employee travel allowance
8. Employee leisure and club activity benefits

### (2) Employee training and training situation

In line with the company's operating policies, departmental goals, personal work or tasks, and in-house training or external training, sponsor employees to participate in relevant knowledge, technology, attitude and other related courses.

In addition, the company allocates an additional 1% of the salary cost (1% of the statutory requirement) to the Development Human Resources Development Fund

(HRDF) for employee training. Training courses such as leadership, project management, intensive technical training, interpersonal communication skills, work attitudes and safety knowledge.

(3) Retirement system

The Company has a retirement scheme and allocates a provident fund to a certain percentage of the total amount of wages paid in accordance with the local “Labor Law”, namely the EPF (locally referred to as EPF) rules and regulations on EPF contributions ratio.

The basis of the Malaysian Provident Fund Board (EPF) is as follows:

- A. Non-employed employees: Can not be listed.
- B. Non-Malaysian citizens: You may choose to option out from the scheme
- C. Malaysian citizens: 11% for employees and 12% for companies.

(4) Agreement between labor and management

At present, employees of the company can express their opinions to the human resources department or department heads through e-mail, or meetings and meetings with employees. The communication channel is smooth and the labor relations are harmonious. The only case happened between company and employee was the mistake in dismissal of employee in 2017 which was settled out of court.

(5) Protection measures for various employee rights

1. The highest arbitration unit of the company's personnel evaluation committee for employees' problems and disputes
  2. Company personnel regulations, national labor and employment regulations as a model for solving personnel problems
  3. The company's personnel regulations electronic manual is widely distributed to each new employee, and explanation and guidance are given.
  4. The company's personnel department gives immediate assistance and corrections to the employees on their problems and rights on daily basis.
- . 2. In the past two years and up to the date of publication of the annual report, the company suffered losses due to labor disputes, and disclosed the estimated amount and corresponding measures that may occur in the current and future. If it cannot be reasonably estimated, which fact should be stated.

The company has a smooth communication channel and harmonious relationship with employees. The only case happened between company and employee was the mistake in dismissal of employee in 2017 which was settled out of court.

## 5.6 Important Contracts

No	Contract Title	Contract Holder	Contract Validity	Contains and Term & Conditions
1	Fertilizer Formula Licensing Agreement	1. MALAYSIAN PALM OIL BOARD, MPOB 2. All Cosmos Industries	Sept 1, 2012 till Aug 31, 2017 (Note)	The licensed product is a compound fertilizer for use in oil palm, and its production is based on the information, expertise or improvement provided by MPOB in accordance with this contract. The technical fee is RM15,000 and the total sales tonnage is RM15 per ton.
2	Trademark Licensing Agreement	1. Malaysia Biotechnology Corporation Sdn Bhd 2. All Cosmos Industries	Jun 13, 2012 till Feb 1, 2019	The Licensor (Malaysia Biotechnology Corporation Sdn Bhd) agrees to grant All Cosmos Industries a non-exclusive license to use its own "BiotechCorp" trademark in Malaysia under the trademark registration number 09003881. All Cosmos Industries uses the trademark in strict accordance with the BioNexus Status trademark design manual used by the authorizer.
3	Joint Venture Agreement	1. Sabah Softwoods Berhad (SSB) 2. All Cosmos Industries	Jan 12, 2011	Established a joint venture company (Sabah Softwoods Hybrid Fertiliser Sdn Bhd) in Sabah to operate a fertilizer manufacturing plant that markets, trades and sells fertilizers.
4	Land Sales & Purchase Agreement	1. Real Strong (M) Sdn Bhd 2. All Cosmos Industries	Dec 31, 2009 (Valid till Jan 29, 2026)	Purchase of leased land at PLO 539, Jalan Kelui, Pasir Gudang Industrial Estate, Johor Bahru, Johor from Real Strong (M) Sdn Bhd until January 29, 2026, including 1.2141 hectares of land and buildings One factory. The bid-ask price is RM 2,800,000
5	Land Sales & Purchase Agreement	1. Johor Corporation 2. All Cosmos Industries	July 18, 2011 (effective from January 30, 2026, until January 29, 2056)	Johor Corporation (Perbadanan Johor) agreed to extend the lease of land at PLO 539, Jalan Kelui, Pasir Gudang Industrial Estate, Johor Bahru, Johor, number HS(D) 266016 PTD128164, with a new lease term of 30 years from January 30, 2026 Effective, until January 29, 2056, the total price of RM 914,760.
6	Land Sales & Purchase Agreement	1. Johor aluminum 2. All Cosmos Industries	Oct 30, 2000	Johor Alumium (Perbadanan Johor) agreed to lease the land at PLO 442 Jalan Suas, Pasir Gugang Industrial Estate, Johor Bahru, Johor, number HS(D) 215592 PTD111510 for a total price of RM3,750,000.
7	Land Sales & Purchase Agreement Appendix	1. Johor Corporation 2. All Cosmos Industries	July 20, 2011 (effective from September 24, 2023, until September 23, 2053)	Johor Corporation (Perbadanan Johor) agreed to extend the lease of the land at PLO 442 Jalan Suas, Pasir Gugang Industrial Estate, Johor Bahru, Johor, number HS(D) 215592 PTD111510, with a new lease term of 30 years, effective September 24, 2023 By September 23, 2053, the total price was RM 1,471,894.
8	Land Sales & Purchase Agreement	1. Johor Corporation 2. All Cosmos Industries	March 28, 2012 (The period of use until December 26, 2072)	Johor Corporation (Perbadanan Johor) agrees to lease the land at PLO 650, Zone 12, Pasir Gudan Industrial Estate, Johor Bahru, Johor, number HS(D) 516678 PTD216257 for a total of 6.453

No	Contract Title	Contract Holder	Contract Validity	Contains and Term & Conditions
				acres with a lease term of 60 years from March 28, 2012 The date of entry into force will expire on December 26, 2072, with a total price of RM 4,513,880.
9	Purchase Contract	1. BPC(Belarus) 2. All Cosmos Industries	Jan 6, 2016 till March 31, 2018	For the purchase of potassium chloride framework contract in 2017, 240 US dollars per ton of US dollars, a total of 60,000 tons, the total amount of US dollars 14,400,000 yuan, the transaction model is LC payment. The restriction is forbidden to resell to a third party and will be subject to a 25% penalty for breach of contract. The actual purchase price and quantity will be finalized according to the attached contract.
10	Sales Agency Contract	1. A&M Agrisolution, Inc. 2. Enlasa Philippines, Inc. 3. All Cosmos Industries	Sept 15, 2015 (Valid for 3 years)	Authorize the two factories to be All Cosmos's exclusive agent contract in the Philippines. According to the contract, the purchase price should not be less than 2,000 tons in 2015. The demand for purchase in 2016 should not be less than 4,000 tons. The purchase price after 2017 should not be less than 7,000 tons. The contract is valid for 3 years
11	Bank Loan Agreement	AmIslamic Bank	Signing date: May 28, 2012 Modified credit date: July 30, 2015 Date of modification clause: June 20, 2018	Comprehensive credit contract: 1. Unless the company or bank changes, the amount is not clearly valid. 2. The amount of quota and the number of days that can be used: (1) Cashline (working capital requirement): RM 2,000; 5 years and regular review. (2) Term Financing (long-term loan): RM 5,000 (original contract number) / RM 4,232 ( (modified number); 7 years from the date of the start of the loan. (3) Revolving Credit: RM 3,500 ;; 5 years. (4) Multi Trade Finance: RM3,000; the maximum number of days is 150 days. 3. Guarantor: All Cosmos Bio-Tech Holding Corporation 4. Collateral: Property Land PLO 539 & PLO 650, with a deposit of RM3,900. 5. Restriction: This amount can only be used for goods and purposes that meet the "Halal" (Muslim Code).
12	Fertilizer Formulation Licensing Agreement	1. MALAYSIAN PALM OIL BOARD, MPOB 2. SABAH SOFTWOODS	Effective from October 24, 2014, within five years from the date of signing the contract (Note)	The licensed product is a compound fertilizer for use in oil palm, and its production is based on the information, expertise or improvement provided by MPOB in accordance with this contract. The technical fee is RM15,000 and the total sales tonnage is RM15 per ton.
13	Land Sales & Purchase Agreement	1. POIC Sabah Sdn Bhd 2. SABAH SOFTWOODS	March 31, 2011 (Validity till Dec 31, 2104)	POIC Sabah Sdn Bhd agreed to lease the land at No. 50 (392,040 square feet) of Phase 2, Jalan Tengah Nipah, POIC. Lahad Datu, Sabah, No. 115435642, for a total amount of RM 4,638,617.28.
14	Land Sales & Purchase Agreement	1. POIC Sabah Sdn Bhd 2. SABAH SOFTWOODS	March 31, 2011 (Validity till Dec 31, 2104)	POIC Sabah Sdn Bhd agreed to lease the land at No. 51 (217,800 square feet) of Phase 2, Jalan Tengah Nipah, POIC. Lahad Datu, Sabah, No. 115435642, for a total amount of MYR 2,518,464.96.



No	Contract Title	Contract Holder	Contract Validity	Contains and Term & Conditions
15	Bank Loan Agreement	AmIslamic Bank	Signing date: August 29, 2012 Modified credit date: April 9, 2014 Date of modification clause: October 5, 2016	Comprehensive credit contract: 1. Unless the company or bank changes, the amount is not clearly valid. 2. The amount of quota and the number of days that can be used: (1) Cashline (working capital requirement): RM 5,000; 5 years and regular review. (2) Term Financing-1 (long-term loan): RM 15,080 ( (original contract number) / RM 14,374 ( (modified number); 7 years from the date of commencement of borrowing. (3) Term Financing-2 (long-term loan): RM3,000 ;; three years from the date of the start of the loan. 3. Guarantor: Peng Sheng Ching and Peng Shih Hao. 4. Collateral: Property No. 50 and No. 51 of Property POIC Datu Sabah. 5. Restrictions: This amount can only be used for goods and purposes that meet the "Halal" (Muslim Code).
16	Joint Venture Agreement	1. Sawit Kinabalu Ecotech Sdn Bhd (SKESB) 2. All Cosmos Industries	Feb 23, 2018	Established a joint venture company in Kinabalu (Kinabalu Life Sciences Sdn Bhd), which is mainly responsible for the research and production of bacterial cells for oil palm waste disposal.
17	Joint Venture Agreement	1. Sawit Kinabalu Ecotech Sdn Bhd (SKESB) 2. All Cosmos Industries	Feb 23, 2018	Established a joint venture company in Sabah (Sawit Ecoshield Sdn Bhd) to provide industrialized services for agricultural waste recycling. The company assists agricultural processing plants to convert waste, which would otherwise require expensive processing fees, into a multi-functional and economically valuable agricultural product such as organic fertilizer with disease resistance.
18	Joint Venture Agreement	1. YPJ Plantations Sdn Bhd 2. All Cosmos Bio-Tech Holding Corporation	March 12, 2018	Established a joint venture company (PT All Cosmos Biotek) in Indonesia to operate a fertilizer manufacturing plant, which will market, trade and sell fertilizers
19	Technical Sales Agreement	1. Malaysian Agricultural Research And Development Institute (MARDI) 2. Arif Efektif Sdn Bhd	Oct 9, 2018	AESB signed a technical sales contract with MARDI to obtain a liquid gun for the use of induced system resistant papaya seedlings to control papaya bacterial wilt, and adjustable capacity. - Contract is a technical buyout contract - contract price RM 375,000
20	Distribution Agreement	1. Arif Efektif Sdn Bhd 2. Exotic Star (M) Sdn Bhd	Nov 23, 2018 (Valid for 2 years)	AESB signed exclusive sales rights with Exotic for a period of two years. - Price ordering is subject to the contract and any changes must be made at least 60 days prior; - For early terminate of contract, notification is

No	Contract Title	Contract Holder	Contract Validity	Contains and Term & Conditions
				required 12 months in advance;
21	Joint Venture Agreement	1. Grape King Bio. Ltd 2. Chiu, Hsien Chih 3. All Cosmos Bio-Tech Holding Corporation	Jan 9, 2019	Established a joint venture company (GK Bio International Sdn Bhd) in Malaysia to promote and sell healthy foods, food suppliments and raw materials in member countries such as Malaysian Association of Southeast Asian Nations.
22	Land Sales & Purchase Agreement	1. PT Perkebunan Nusantara III (Persero) 2. PT All Cosmos Biotek	Sept 17, 2018 (Validity till Sept 16, 2048)	PT Perkebunan Nusantara III agreed to lease the land (40,000 square meters) at Sei Mangkei Village, Bosar Malings Sub-District, Simalungun Recency, North Sumatera Province Plot B-9 (total amount of Indonesian rupiah 26,000,000,000 yuan).
23	Purchase Contract	1. JSC BPC (Belarus) 2. All Cosmos Industries	Jan 1, 2019 till March 31, 2020	For the framework contract for purchasing potassium chloride in 2019, the total amount of US\$ 310 per ton is 100,000 tons, and the total amount is US\$31,000,000. The transaction mode is LC payment. The restriction is to prohibit resale in other countries and a 25% liquidated damages will be payable for default. The actual purchase price and quantity will be finalized in accordance with the attached contract.

Note: The contract is extended with the written consent of both parties.

## 6.0 Financial Overview

### 6.1 Brief financial statements and comprehensive profit and loss statements for the recent five years

#### 6.1.1 Information on brief financial statement and comprehensive profit and loss statements

##### 1. Concise Balance Sheet

Unit : NT\$ In Thousand

Year Item		(Financial information for recent five years)					As at March 31, 2019 Financial Report
		2014	2015	2016	2017	2018(note1)	
Current assets		1,435,417	1,517,225	1,369,721	1,942,817	2,133,931	2,265,946
Real estate, plant and equipment		640,301	545,565	468,990	475,961	482,291	484,411
Intangible assets		2,947	1,736	2,717	2,079	8,580	8,660
Other assets		284,230	285,442	271,722	266,653	356,068	368,213
Total assets		2,362,895	2,349,968	2,113,150	2,687,510	2,974,870	3,127,230
Current liabilities	Before Distribution	791,480	806,005	458,041	263,052	390,855	479,977
	After Distribution	876,230	862,505	579,516	432,742	390,855	479,977
Non-current liabilities		166,154	118,094	97,509	79,132	47,949	45,772
Total liabilities	Before Distribution	957,634	924,099	555,550	342,184	438,804	525,749
	After Distribution	1,042,384	980,599	677,025	511,874	438,804	525,749
Attributable to the owners of the parent company		1,286,421	1,234,646	1,332,857	2,038,955	2,172,389	2,219,616
Share capital		550,000	565,000	565,000	640,340	640,340	640,340
Capital reserve		380,589	411,187	411,187	781,838	781,838	781,886
Retainin g surplus	Before Distribution	426,782	539,096	725,813	927,211	1,062,310	1,062,836
	After Distribution	342,032	482,596	604,338	757,521	1,062,310	1,062,836
Other rights		(70,950)	(280,637)	(369,143)	(310,434)	(312,099)	(265,446)
Treasury stock		-	-	-	-	-	-
Non-control interest		118,840	191,223	224,743	306,371	363,677	381,865
Total equity	Before Distribution	1,405,261	1,425,869	1,557,600	2,345,326	2,536,066	2,601,481
	Before Distribution	1,320,511	1,369,369	1,436,125	2,345,326	2,536,066	2,601,481

Note 1: The 2018 surplus distribution case was approved by the board of directors of the company on March 26, 2019, but as of the date of publication of the annual report, it has not yet been resolved by the shareholders' meeting.

## 2. Brief Comprehensive Profit and Loss Statement

Unit : NT\$ in Thousand

Year Items	(Financial information for recent five years)					As at March 31, 2019 Financial Report
	2014	2015	2016	2017	2018	
Operating income	2,231,231	2,257,308	2,065,543	2,263,652	2,687,581	354,353
Operating gross profit	568,347	622,887	655,420	751,521	774,594	68,627
Operating profit and loss	176,780	283,911	324,598	406,721	356,769	6,246
Non-operating income	5,612	(60,694)	5,956	214	42,246	(1,884)
And expenditure						
Net profit before tax	182,392	223,217	330,554	406,935	399,015	4,362
Continuing business unit	175,209	216,150	292,264	396,423	348,687	1,815
Current net profit						
Loss of business unit		-	-	-	-	-
Current net profit (loss)	175,209	216,150	292,264	396,423	348,687	1,815
Other comprehensive profit and loss of the period (net after tax)	(6,791)	(225,461)	(104,033)	66,787	(1,577)	54,537
Current consolidated profit and loss lump sum	168,418	(9,311)	188,231	463,210	347,110	56,352
Net profit belongs to Parent company owner	195,639	197,064	243,217	322,873	305,058	526
Net profit belongs to Non-control interest	(20,430)	19,086	49,047	73,550	43,629	1,289
The total profit and loss is attributable to the parent company owner	188,730	(10,979)	154,711	381,582	303,393	47,179
Total consolidated profit and loss is attributable to non-controlling interests	(20,312)	1,668	33,520	81,628	43,717	9,173
Earnings per share	3.78	3.52	4.30	5.31	4.76	0.01

6.1.2 Significant events affecting the above-mentioned concised financial statements for consistency comparison, such as accounting changes, company mergers or suspension of business departments, etc. and their impact on the current year's financial statements: None.

6.1.3 Names and audit opinions of auditor in the past five years

1. Names and audit opinions of auditor in the past five years

Year	Name of Audit Firm	Auditors	Audit opinions
2014	Deloitte & Touche	Yu Cheng Chuan and Zhang Gen Xi	Unqualified Opinion

2015	Deloitte & Touche	Yu Cheng Chuan and Zhang Gen Xi	Rectified with Unqualified Opinion
2016	Deloitte & Touche	Yu Cheng Chuan and Zhang Gen Xi	Unqualified Opinion
2017	Deloitte & Touche	Chen Chiang Hsun and Yu Cheng Chuan	Unqualified Opinion
2018	Deloitte & Touche	Chen Chiang Hsun and Yu Cheng Chuan	Unqualified Opinion

2. If there is any changes of auditor in the last five years, the reason of replacement of the company, the predecessor and the successor auditor must be stated.  
The company passed the board of directors in March 2014 and appointed the auditor of Deloitte & Touche to conduct the audition. In the past four years, the two auditors of Deloitte & Touche, Yu Cheng Chuan and Zhang Gen Xi have conducted the audition. Due to the internal rotation mechanism of the accounting firm, in the third quarter of 2017, two auditors, Chen Chiang Hsun and Yu Cheng Chuan, were required to conduct the audit.
3. The local public listed company has been in last seven consecutive years since the public issuance, or the foreign public listed company are being audit by the same auditor for recent seven consecutive years. It should explain the reasons for not changing the auditor. The independency of current appointed auditor or the company has implemented any countermeasure to strengthen the independency of auditor: not applicable.

## 6.2 Financial Analysis over the Recent Five Years

Unit : NT\$ in Thousand

Year Analysis Items (Note 1)		Financial Analysis over the Recent Five Years					As at March 31, 2019 Financial Report
		2014	2015	2016	2017	2018	
Financial structure (%)	Liabilities to assets ratio	40.53	39.32	26.29	12.73	14.75	16.81
	Long-term capital fixed assets ratio	245.42	283.00	352.91	444.78	460.25	466.89
Debt paying ability (%)	Current ratio	181.36	188.24	299.04	738.57	545.97	472.09
	Quick ratio	134.43	149.66	240.31	592.35	368.88	307.69
	Interest coverage ratio	895.85	973.10	1,460.25	3,110.54	2,237.66	233.67
Operation capability	Receivables turnover rate (times)	5.08	4.06	4.22	4.86	3.96	0.50
	Average number of days of cash receipt	72	90	86	75	92	729
	Inventory turnover rate (times)	5.51	6.32	6.04	6.26	4.45	0.43
	Payable turnover rate (times)	11.37	17.89	23.88	35.82	43.30	6.47
	Average number of days of goods sale	66	58	60	58	82	849
	Total assets turnover rate (times)	3.57	3.81	4.07	4.79	5.61	0.73

Year Analysis Items (Note 1)		Financial Analysis over the Recent Five Years					As at March 31, 2019 Financial Report
		2014	2015	2016	2017	2018	
	Total asset turnover rate (times)	1.03	0.96	0.93	0.94	0.95	0.12
Profitability	Asset return rate (%)	8.92	9.99	13.92	13.88	11.28	0.10
	Shareholders' equity return rate (%)	16.81	15.63	18.95	19.15	14.49	0.02
	Percentage of paid-up capital (%)						
	Operating profit	32.14	50.25	57.45	63.52	55.72	0.98
	Net income before tax	33.16	39.51	58.53	63.55	62.31	0.68
	Net income rate (%)	7.85	9.58	14.15	14.26	11.35	0.15
Cash flow	Earnings per share (NT\$)	3.78	3.52	4.30	5.31	4.76	0.01
	Cash flow ratio (%)	12.26	18.08	110.77	66.95	(55.86)	24.64
	Cash flow fair ratio (%)	43.24	45.44	83.60	107.87	58.22	66.94
	Cash re-investment ratio (%)	(1.57)	3.46	23.93	3.23	(21.95)	6.54
Leverage	Operation leverage	12.63	7.95	6.36	5.57	7.53	56.72
	Financial leverage	1.15	1.10	1.08	1.03	1.06	2.09

Please indicate the reasons for the changes in the financial ratios in the last two years. (If the increase or decrease is less than 20%, it can be exempted from analysis)

1. Reduction of current ratio and quick ratio: due to the outstanding repayment from customers, increase in inventory, and increase in short-term purchase loans and increase in lease hold land payable.
2. Reduction of interest coverage ratio: The increase in short-term purchases of loans has resulted the reduce of the interest coverage ratio.
3. Decrease in inventory turnover rate: due to the contract signed with the supplier, which fixed volume of the purchase is required. As the price of palm oil fell below RM2,000 in the fourth quarter of 2018, most farmers began to slow down the fertilization. Therefore, it affected the company's fourth quarter revenue, and also increased the inventory at the end of 2018.
4. The increase in payables turnover rate is due to the fact that the purchase of materials mainly requires prepayments, in order to reduce the accounts payable.
5. Decrease in return on equity: due to the decrease in orders in the fourth quarter and the expiration of the subsidiary ACI tax exemption period, resulting in a decrease in profit.
6. Reduction of net profit margin: due to the decrease in orders in the fourth quarter and the expiration of the subsidiary ACI tax exemption period, resulting in a decrease in profit.
7. Cash flow ratio; the ratio of cash flow compared with cash reinvestment should be lesser: due to the overdue outstanding payment of customers and the increase in inventory, resulting in the outflow of operating cash flow.

Note 1. Calculation formula for analysis items:

1. Financial structure

(1) Liabilities to assets ratio = total liabilities / total assets.

(2) Long-term capital to property, plant & equipment ratio = (total equity + non-current liabilities) / net property, plant and equipment.

2. Debt paying ability

(1) Current ratio = current assets / current liabilities.

(2) Quick ratio = (current assets - inventory – prepaid expenses) / current liabilities.

(3) Interest coverage ratio = net income before tax and interest expense / interest expense for the current period.

3. Operation capability

(1) Receivables (including accounts receivable and bills receivable arising from business operation) turnover rate = net sales / average receivables for each period (including balance of accounts receivable and bills receivable arising from business operation).

(2) Average number of days cash receipt = 365 / receivables turnover rate.

(3) Inventory turnover rate = cost of goods sold / average inventory amount.

- (4) Payables (including accounts payable and bills payable arising from business operation) turnover rate = cost of goods sold / average payables for each period (including accounts payable and notes payable arising from business operation).
  - (5) Average number of days of goods sale = 365 / inventory turnover rate.
  - (6) Fixed assets turnover rate = net sales of goods / net fixed assets.
  - (7) Total asset turnover rate = net sales of goods / total assets.
4. Profitability
- (1) Assets return rate = [Profit and loss after tax + interest expense × (1 - tax rate)] / average total assets.
  - (2) Shareholders' equity return rate = Profit and loss after tax attributable to owners of the parent company / average attributable to owners of the parent company.
  - (3) Net income rate = profit and loss after tax / net sales of goods.
  - (4) Earning per share = (profits and losses attributable to owners of the parent company - special dividends) / weighted average number of issued shares. (Note 3)
5. Cash flow
- (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
  - (2) Net cash flow fair ratio = net cash flow from operating activities over the current five years / increase in (capital expenditure + inventory + cash dividend) for the current five years.
  - (3) Cash re-investment ratio = (net cash flow from operating activities - cash dividends) / (gross fixed assets + long-term investment + other non-current assets + working capital). (Note 4)
6. Leverage:
- (1) Operation leverage = (net operating income - variable operating costs and expenses) / operating profit (Note 5).
  - (2) Financial leverage = operating profit / (operating profit - interest expense).

Note 2: The calculation formula of the earnings per share of the preceeding paragraph should pay special attention to the following matters when measuring:

1. Based on the weighted average number of common shares, not based on the number of shares issued at the end of the year.
2. Anyone who has a cash increase or a treasury stock trader should consider the circulation period and calculate the weighted average number of shares.
3. Anyone who has transferred surplus or capital increase will be retrospectively adjusted according to the proportion of capital increase when calculating the earnings per share of the previous year and the semi-annual, and no consideration on period of issuance is needed for the capital increase.
4. If the special stock is a non-convertible accumulative of special stock, its annual dividend (whether or not it is paid) shall be the net profit reduction after tax or increase the net loss after tax. If the special stock is non-cumulative, in the event of net profit after tax, the special stock dividend shall be deducted from the net profit after tax; if it is a loss, it shall not be adjusted.

Note 3: The cash flow analysis should pay special attention to the following items when measuring:

1. Net cash flow from operating activities refers to the cash inflow as per operating activities statement.
2. Capital expenditure refers to the number of cash outflows per year of capital investment.
3. The increase in inventory is only included when the ending balance is greater than the opening balance. If the inventory is reduced at the end of the year, it is calculated as zero.
4. Cash dividends include common shares and special shares cash dividends.
5. Gross property, plant and facility are the total amount of real estate, plant and facility before deducting accumulated depreciation.

Note 4: The Issuer should classify various operating costs and operating expenses into fixed and variable properties. If there is an estimate or subjective judgment, attention should be paid to its rationality and consistency.

Note 5: If the company's stock is not denominated or the denomination is not NT\$10, the calculation of the proportion of the paid-up capital in the former opening is calculated by the equity ratio of the balance sheet attributable to the owner of the parent company.

### **6.3 Audit Committee Review Report of the Latest Annual Financial Report**

All Cosmos Bio-Tech Holding Corporation.

#### **Audit Committee Review Report**

The Board of Directors has prepared the 2018 Business Report, Financial Statement and Retained Earning Distribution Proposal, of which the financial statements have been audited by Cheng Chiang Hsun and Yu Cheng Chuan, auditors of Deloitte & Touche, and unqualified opinion auditing report is issued. The above-mentioned business report, financial statement and earnings distribution proposal have been checked by the Audit Committee and it is considered that there is no discrepancy. A report will be issued in accordance with the Securities Exchange Law for reference.

All Cosmos Bio-Tech Holding Corporation

Audit committee convener

Yang Yung Cheng

March 26, 2019



**6.4 The consolidated financial statements of the parent company of the recent year by the accountant :**

Please refer to pages 132 to 203 of this report.

**6.5 If the company and its affiliate companies have encounter any financial turnover difficulty, the impact on the company financial condition should be listed in the latest annual report: None.**

## 7.0 Review and analysis of financial status and financial performance and risk issues

**7.1 Financial status:** The main reasons for the significant changes in assets, liabilities and shareholders' equity in the last two years and their impacts. If the impact is significant, the future countermeasure plan should be stated.

Unit : NT\$ in Thousand

Year/ Analysis Item	2017	2018	Difference	
			Amount	Ratio (%)
Current assets	1,942,817	2,133,931	191,114	9.84
Property, plant and equipment	475,961	482,291	6,330	1.33
Intangible assets	2,079	8,580	6,501	312.70
Other assets	266,653	350,068	83,415	31.28
Total assets	2,687,510	2,974,870	287,360	10.69
Current liabilities	263,052	390,855	127,803	48.58
Long-term liabilities	44,969	21,217	(23,752)	(52.82)
Other Liabilities	34,163	26,732	(7,431)	(21.75)
Total liabilities	342,184	438,804	96,620	28.24
Share capital	640,340	640,340	-	-
Capital surplus	781,838	781,838	-	-
Retained earnings	927,211	1,062,310	135,099	14.57
Other equity	(310,434)	(312,099)	(1,665)	0.54
Total equity	2,345,326	2,536,066	190,740	8.13

The main reasons for the increase and decrease of the two phases are more than 20%, and the change amount is NT\$10,000,000.

1. Other assets: mainly due to the purchase of lease hold land for a period of 30 years by PT All Cosmos Biotek, the Indonesian subsidiary of the company. The increase of investment in equity method in East Malaysia. Leasehold land are purchased by the company's Indonesian subsidiary PT All Cosmos Biotek for the expansion in Indonesian market. The incremental of investment in equity method in East Malaysia is to develop industrial service of oil palm waste treatment as well as agricultural waste recycling, which is required for business expansion. Therefore, it is reasonable and will not cause any significant impact.
2. Current liabilities: mainly due to the increase in bank loans and other payables such as leasehold land. The increase in bank loans is mainly for the purchase of raw materials, and the procurement of raw materials is based on the demand for sales orders. The coefficient is required as per operational demand, which will not have any significant impact. Leasehold land are purchased by the company's Indonesian subsidiary PT All Cosmos Biotek for the expansion in Indonesian market. It is reasonable and will not have any significant impact.
3. Long-term liabilities: mainly the repayment of long-term loans and the reduction of the amount of liabilities, which it is reasonable and will not cause any significant impact.

## 7.2 Financial Performance:

### (1) Financial performance analysis table

Unit : NT\$ in Thousand

Analysis Item	Year	2017	2018	Difference	
				Amount	Ratio (%)
Operating revenue		2,263,652	2,687,581	423,929	18.73%
Operating costs		1,512,131	1,912,987	400,856	26.51%
Gross profit		751,521	774,594	23,073	3.07%
Operating expenses		344,800	417,825	73,025	21.18%
Profit from operations		406,721	356,769	(49,952)	(12.28%)
Non-operating income and expenses		214	42,246	42,032	19,641.12%
Net profit before tax		406,935	399,015	(7,920)	(1.95%)
Income tax expense		10,512	50,328	39,816	378.77%
Net profit after tax		396,423	348,687	(47,736)	(12.04%)

The main reasons for the increase or decrease of the two phases are more than 20%, and the change amount is NT\$10,000.

1. Operating costs: operating income increased by 18.73%, operating costs increased by 26.51%, the difference ratio is higher than the business revenue mainly due to the increase in fertilizer sales, the customer is a group company and has a large-scale oil palm plantation, their orders are gone through tender bidding and are produced according to the formula and product type required. In order to penetrate into these groups market, it is necessary for the company to obtain some orders and contacts of the customers through supplychain network. The company gradually promotes the 3-in-1 compound fertilizer to customers, or provides suggestions for field trials. Due to fierce competition in fertilizer bidding prices, gross profit margins are low and raw material costs are high. In addition, due to the decline in palm oil prices, customers have chosen the chemical fertilizer which is less effective and cheaper in price compared to the 3-in-1 compound fertilizer products, resulting in an increase of chemical fertilizers sales.
2. Operating expenses: The increase in sales expenses was due to the increase in sales. In addition, the storage management fee was increased in 2018 compared with the same period of previous year, mainly because the subsidiary company set up a warehouse at the Philippine agency in order to supply to the shipment demand of the customer Sumifru, resulted warehousing cost increased. The administrative fee is \$35 per ton and this year it increased by about NT\$11.29 millions.

In anticipation of credit impairment losses, the interest of the bad debts increased by NT\$29.72 millions in 2018, mainly due to the incremental of accounts receivable. The price of palm oil began to weaken in 2018 and fell below RM2000 in the fourth quarter, which greatly affected the customer's revenue and caused customers began to extend the payment term to the company;

In addition, Malaysia experienced the first change of government in 60 years in

May 2018, and most of the internal executives of the public enterprise were replaced, which also affected internal operations such as payment arrangements and decision-making process. The outstanding payment aging became longer in the third quarter;

3. Non-operating income and expenses: mainly due to the increase in other interests such as foreign currency exchange benefits and the increase in financial assets.
4. Income tax expenses: All Cosmos Industries Sdn. Bhd., a subsidiary of the Company, is eligible for Income Tax (Exemption) (No. 17) and has been approved by the Ministry of Finance of Malaysia for a 10-year tax credit of 100%. The credit period is from March 27, 2008 to March 26, 2018. 10 years after the expiration of the credit period, it is necessary to start paying income tax in 2018.

- (2) Expected sales volume and its basis, possible impact on the company's future business financial and countermeasure plan

As the fertilizer market in Malaysia is still dominated by chemical fertilizers, the Company continues to expand its market. It is expected that the sales volume will continue to grow compared to last year, which will further enhanced the business financial of the Company.

### 7.3 The analysis of cash flow changes

#### (1) Latest Analysis of changes in cash flow (2018)

Unit : NT\$ in Thousand

Analysis Item \ Year	2017	2018	Difference	
			Amount	Ratio (%)
Cash flow from operating activities	176,120	(218,333)	(394,453)	(223.97%)
Cash flow from investing activities	13,383	(93,249)	(106,632)	(796.77%)
Cash flow from financing activities	82,874	(93,991)	(176,865)	(213.41%)

#### Changes analysis:

##### 1. Cash flow from operating activities:

The 2018 cash flow ratio decreased by 183.44% or 394.45 millions compared to previous period, and was negative, mainly due to the following factors:

- The net change in accounts receivable was (268.46) millions, an increase of (123.94) millions or -85.76% compared to previous period.
- The net change in inventory was (372.08) millions, an increase of (362.44) millions or -3759% compared to previous period.
- The net change in prepayment was 59.04 millions, an increase of 137.27 millions or 175.48% compared to previous period.
- The income tax paid in 2018 was 70.87 millions, an increase of 43.31 millions compared to previous period.

In 2018, the average number of days of receivables of the Company's accounts receivable is longer than year 2017. It is mainly affected by two factors:

- The price of palm oil began to weaken in 2018, and it fell below RM2000 in the fourth quarter, which greatly affected the customer's revenue and caused customers began to extend the payment term to the company;
- In addition, in May 2018, Malaysia experienced the first change of government in 60 years. Most of the internal management of the public enterprises were replaced, which also affected internal operations such as payment arrangements and decision-making process. The outstanding payment aging became longer in the third quarter;
- The payment has been gradually recovered in 2019

The company's inventory at the end of 2018 was mainly due to the increase in raw materials, of which potassium chloride was a large amount, which was about NT\$337.96 millions. Potassium chloride is used as a raw material for the supply of phosphorus in fertilizers. The supply of this raw material is monopolized by several major mine owners. In order to stabilize the supply and price, the company started to directly contact one of the mine owners- JSC Belarusian in 2013. The company has clinched the deal with JSC Belarusian to supply the raw material with the condition that fixed order/quantity of 6 months supply should be made on each purchase. In Q4 of 2018, the price of palm oil has dropped below RM2,000 . As a result, most farmers began to reduce fertilization, thus affecting the company's fourth quarter revenue as well as incremental of inventory at the end of 2018. Currently, the company has started to receiving orders and utilised raw material inventory.

In the 2018 prepayments, mainly to reduce advance payment. Reduction of 56.95 millions compared with the previous period. The purchase plan was to purchase according to the order requirements, and the payment terms were repaid according to the terms agreed by the supplier.

All Cosmos Industries Sdn. Bhd., a subsidiary of the Company, is eligible for Income Tax (Exemption) (No. 17) and has been approved by the Ministry of Finance of Malaysia to receive 100% of its taxable income for 10 years. From March 27, 2008 to March 26, 2018. 10 years after the expiration of the exemption period, it is necessary to start paying income tax in 2018.

2. Cash flow from investing activities: mainly due to capital expenditures - increased investment in real estate.
3. Cash flow from financing activities: due to the inflow of capital increase in 2017. In 2018, mainly repayment of bank loans, distribution of cash dividends

## (2) Improvement plan for insufficient liquidity

Although the company continues to have operational capital turnover requirements in the coming year, it is expected that the company's revenue will be stable and the funds will be invested, so that the business activities will show a net cash inflow, and the cash flow of investment and financing activities should be available. Moreover, the company and the bank establish long-term good credit conditions, so there is no shortage of liquidity.

## (3) Analysis of cash flow in the coming year (2019)

Unit : NT\$ in Thousand

Cash At The Beginning Balance	Estimated annual cash flow (output)	Expected to remain today (insufficient) amount	Estimated Insufficient Cash Remedy	
			Investment plan	Financial plan
591,505	92,995	684,500-	-	-
Analysis of changes in cash flow in the coming year:				
1. Business activities: Continue to expand the company's business, and strengthen cost control, to estimate incoming cash flow amount.				
2. Investment activities: Having two new joint ventures in East Malaysia's Sabah state, to do research and produce industrialized services for oil palm waste treatment and agricultural waste recycling services; Indonesia's new joint venture company set up a factory to expand the Indonesian market.				
3. Financing activities: It is expected to process cash capital increase or issue convertible bonds and cash dividends.				

**7.4 The significant impact of annual capital expenditures on financial operations in the most recent year:**

Due to the good operating conditions of the company, the cash inflow from operating activities is stable and there is no significant capital expenditure in recent years, thus, there is no significant impact on the company's finances.

**7.5 The most recent annual investment policy, the main reason for its profit or loss, the improvement plan and the investment plan for the following year**

**7.5.1 The company's investment policy:**

The Company's main investment target is on the same industry and has not been engaged in non-related industries investment. In addition to the investment cycle regulation of the internal control system, the Company's Management enforced a standard of managing transfer investment business, such as “Relationship on Corporate Transaction Management Measures” and “ The Measures for the Supervision and Management of Subsidiaries” are regulated for the investment in control. In addition, consider the various investment companies in the local laws and regulations and the actual operating conditions, and assist the transfer companies to establish appropriate internal control systems.

**7.5.2 The main reasons for the profit or loss of investment in recent years and the improvement plan:**

Unit: NT\$ in Thousand

Re-invested Entities	Principal Business Activities	2018 Gain/(Loss) on Investment	Main Reason for Gain/(Loss)
ACI	Manufacturing and sales of biochemical organic high-performance compound fertilizer	281,740	Malaysia districts achieved good volume of sales
SSHF	Manufacturing and sales of biochemical organic high-performance compound fertilizer	51,876	Malaysia districts achieved good volume of sales
PT ACB	Manufacturing and sales of biochemical organic high-performance compound fertilizer	443	Other operating profit
PT ACI	Sales of biochemical compound fertilizer products	(1,632)	Other operating loss
AESB	Research and production of bacterial biochemical organic high-performance compound fertilizer	1,029	Malaysia districts achieved good volume of sales

Re-invested Entities	Principal Business Activities	2018 Gain/(Loss) on Investment	Main Reason for Gain/(Loss)
KLS	Research and production of bacterial cells into oil palm waste treatment		Only registration without capital injection
CB	Forest planting and research	(728)	No business income yet
GKB	Probiotics for sale	(25)	No business income yet
SE	Research and production of bacterial cells into oil palm waste treatment	(20)	No business income yet

The loss of PTACI is mainly due to the fact that PTACI is 100% domestically sold to the Indonesian market, the revenue is Indonesian rupiah, but the payment to ACI is US dollar, which resulting in exchange losses.

#### 7.5.3 Investment plan for the coming year

The company expects two new joint ventures in East Malaysia's Sabah state to do research and produce industrialized services for oil palm waste treatment and agricultural waste recycling in the coming year; Indonesia's new joint venture company setting up a factory to expand the Indonesian market. The Company will continue to cooperate with the overall operation and development, observe the market sentiment trend and the Group's business strategy and other factors to invest in the appropriate time.

### 7.6 Analysis and assessment of recent year and till the publication date of annual report:

#### 7.6.1 The impact of interest rate, exchange rate changes and inflation on the company's profit and loss and future countermeasures

##### (1) Interest rate changes

The Company's interest expenses for 2017 and 2018 were 13.52 millions and 18.67 millions respectively, accounting for 0.60% and 0.69% of the net operating income ratio. The interest expense of the Company is mainly due to bank loans, and the ratio of operating income is not significant, so the interest rate changes have little impact on the Company. However, if there is a large fluctuation in the interest rate trend and the Company continues to have the demand for loans, the company will observe the interest rate trend and choose the fixed interest rate in addition to the other capital market financing tools. Loans by means of floating interest rates to reduce the risk of interest rate fluctuations.



## (2) Exchange rate changes

Since the company's main sales locations are mainly in Southeast Asia such as Malaysia, basically most of the sales are denominated in Malaysian currency, while the purchases are mainly denominated in US dollars. Therefore, most of the exchange differences are pre-purchased in foreign currency, but there may still be insufficient of pre-purchased foreign exchange will may cause the appreciation of the RM position to the US dollar incurred risk of the foreign currency exchange loss to the Company.

The Company's foreign currency exchange (loss) gains in 2017 and 2018 were (8.37) millions and 30.08 millions respectively, accounting for the net operating income ratio (0.37%) and 1.12%, and there was no significant exchange rate fluctuation loss. The company has taken below countermeasures:

A. Continue to strengthen the concept of financial personnel's hedging, evaluate the pre-purchased foreign currency according to the company's purchase of raw material order amount and the exchange rate set by the sales order, and through the online exchange rate real-time system and strengthen the relationship with financial institutions and monitor international political status, etc. In order to judge the trend of exchange rate changes, it is used as a basis for pre-purchasing foreign currency.

B. Increasing the proportion of export sales against the expenses of the sales under the same currency of the cost of purchase and related expenses, in order to achieve natural hedging effect.

## (3) Inflation

In recent years, due to the global crude oil and commodity prices dropping and the implementation of loose monetary policy in the world, the uncertainties of global economic growth, the market prices of the company's main raw materials such as chlorine, phosphorus and potassium have also fluctuated, with some slight production costs influences. Since the European debt and China's economic growth have stagnated, global economic activity has slowed down, and short-term inflationary pressures have increased. However, the company has become a strategic partner with suppliers in recent years. During the period of inflation, suppliers are supplying raw material at the lower cost than the market price. In addition, the expansion of production capacity to achieve economical scale, continuous improvement of process capability to reduce production costs, and simultaneously to develop of high value-added products, etc., have achieved concrete results in improving gross profit and reducing inflation, while the dropping of raw material cost, the result is remarkable.

### 7.6.2 Engagement in high-risk, high-leverage investment, capital loan and others, endorsement guarantee and derivative commodity trading, profit or loss and future countermeasures

The Company has always focused on the industry and operated its business on a pragmatic basis. Apart from focusing on the company's business areas, the Company has not engaged in high-risk, highly leveraged investments. The Company is engaged in the main business of derivative products in response to the risk of exchange rate fluctuations, and the company's fund loan and endorsement guarantees are all inter-group companies, and the company has "derivative commodity operating procedures", "finance loan and endorsement guarantee operations". Measures and "Acquisition or Disposition of Asset Processing Procedures" for compliance.

#### 7.6.3 Research and development estimation expenses for future R&D projects

R&D Projects	Projects Contents
4-in-1 phage biofertilizer	Screening of phage that can control <i>R. solanacearum</i> in wastewater, using transgenic <i>E. coli</i> as a host for mass production of phage, production of phage preparations and application to fertilizer products
4-in-1 anti-white root disease control fertilizer	Screening endophytic <i>Trichoderma</i> from roots of healthy plants, optimizing the production of spores through culture, and combining fertilizers to control diseases
Oil palm by-product degradation	A variety of Malaysian native degrading bacteria are mixed and degraded for by-products such as oil slag from palm oil mills to decompose the finished product into organic fertilizer.
Value-added agricultural by-products	The addition of <i>Trichoderma</i> for different agricultural by-products produces a control agent for farmers in a more economical way, and also solves the problem of excess by-products. Different by-products and different <i>Trichoderma</i> products are paired with each other, and the formula is stable, suitable concentration and economical formula
Disease resistant seedling inoculation	Inoculate disease-resistant <i>Trichoderma</i> for different crop seedlings. The use of <i>Trichoderma</i> species is adjusted according to the crop and medium.
Special nitrogen-fixing biological fertilizer for rice and green leafy vegetables	Develop high-efficiency nitrogen-fixing bacteria, optimize the breeding conditions and breed the strain, produce high-concentration bacterial liquid, and apply it to fertilizer products to improve soil nitrogen fixation performance.

The company is expected to consider the actual needs of the future to upgrade the experimental equipment, to expand the development of functional strains and to have a backup microbial production line and increase the production speed, continue to commercialize the bacterial strain and to invest in research and development resources according to individual product development plans in the future. Currently, target to invest approximately RM5 million into the research and development.

7.6.4 The impact of important policies and legal changes at home and abroad on the company's financial business and the countermeasures

The country of registration of the company is at Cayman Islands. The Cayman Islands is mainly engaged in financial services. The economy is open and there is no exchange control, and the political and economic environment is stable. The main operating country is Malaysia. The main product produced and sold by the company is biochemical compound fertilizer, which required for the growth of oil palm tree, the most important economic crop in Malaysia. The company's biochemical compound fertilizer MPOB F4 is approved and licensed by the Malaysian Oil Palm Board (MPOB) and continues to introduce biochemical compound fertilizers that can treat and prevent diseases, such as Gano EF, which prevents oil palm tree ganoderma disease. The company has been long in cooperating with professional organizations and is always aware of the impact of important domestic and international policies and legal changes on the company's financial operations in order to take appropriate countermeasures. In recent year and till the date of publication of annual report, the company has not had any significant events affecting the company's financial business due to changes in important policies and laws in the above regions.

7.6.5 The impact of technological changes and industrial changes on the company's financial business and the countermeasures

The company's main products are biochemical compound fertilizers necessary for the growth of crops. With the increasing global population, the reduction of arable land and environmental awareness. The ratio of farmers using general chemical fertilizers has been declining year by year, and compound fertilizers mixed with various unit fertilizers have gradually replaced traditional fertilizers. With the advancement of science and technology, the multifunctional biochemical compound fertilizer is the main development trend. Demand in the fertilizer market is affected by crop production and food supply. According to the "Fertilizer Outlook for 2018~2019" published by the International Fertilizer Industry Association in November 2018, with the decline in crop prices and dramatic changes in the global climate, slowing the growth of the agricultural market, the stock consumption of the world's major agricultural products in the next five years. The ratio will not change drastically.

The company continues to develop various types of fertilizers, using innovative technology to add biological species, green technology, pest control and other elements to the fertilizer manufacturing, not only can provide soil nutrients can change the soil's pH, viscosity, pest diseases, weeds and other issues. Therefore, technological changes and industrial changes have not had a major impact on the company's financial business.

7.6.6 The impact of corporate image change on corporate crisis management and countermeasures

The company is committed to be sustainable with business integrity, focusing on the development and production of various types of fertilizers, in order to meet the needs of various regions of climate, soil, crops, etc., The company has very good reputation and is well known among the industry in Malaysia. In the recent year, there has been no corporate crisis management due to changes in corporate image.

#### 7.6.7 Expected benefits, possible risks and countermeasures for M&A

There have been no plans to acquire other companies in recent year of the company and till the publication date of the annual report.

#### 7.6.8 Expected benefits, possible risks and countermeasures for the expansion of the plant

The company has no intention of expanding its plant in recent year and till the publication date of the annual report.

#### 7.6.9 Risks and countermeasures in the concentration of purchase or sales

##### (1) Purchase

The purchase amount of the top ten Supplier Company in 2017 and 2018 accounted for 74.08% and 71.98% of the total annual net purchases, respectively, with a slight increase or decrease in the proportion. The procurement projects are mainly potassium chloride, urea and phosphate rock powder, of which potassium chloride is the main raw material exceeding 40% of the net purchase. Because JSC BELARUSIAN POTASH COMPANY (hereinafter referred to as BPC) is the main direct manufacturer of potassium chloride, the company has a higher ratio of potassium chloride purchase from BPC. The Company's good business relationship with BPC and its products are substitutable. Therefore, the situation of concentrated purchases should not have a material adverse impact on the financial business of the Company.

The above-mentioned company's purchase concentration is caused by the industrial characteristics. In addition, the company continues to search for suitable urea, potassium chloride and phosphate rock suppliers around the world based on the diversification of sources to minimise the risk of concentrated purchases. Therefore, the company should not have encounter risk of major concentrated purchases.

##### (2) Sales

The sales of the top ten customers of the Company in 2017 and 2018 accounted for 61.15% and 63.59% of the annual operating income, mainly due to the fact that global oil palm production is mainly concentrated in Malaysia and Indonesia, as oil palm is an important cash crop, hence, Malaysian government value the importance of the development of oil palm industry, and numbers of related institutions and investment companies have been set up. Moreover, oil palm enterprises need to be facilitated with palm oil processing, transportation, storage and sales operations, thus the oil palm industry is owned by Malaysia government and large enterprises,

whom owned more than 80% of the total plantation space in Malaysia. Only approximately 10% of the oil palm plantation is owned by the small owner. As a result, the sales ratio of the top ten customers of the company is relatively high. However, the Company continues to strive to develop new customers in each region, and the sales ratio of each period to a single customer has not exceeded 20%. The company's operation has also shown stable profit for many years, so the risk of sales concentration should not be significant.

- 7.6.10 Directors, supervisors or major shareholders holding more than 10% of the shares, the impact of a large number of shares transferred or replaced on the company, risks and countermeasures

The Company's recent year and till the annual report published date, there is no operational risk to the company due to the substantial transfer or replacement of the directors or major shareholder equity.

- 7.6.11 The impact of changes in management rights on the company, risks and countermeasures

There has been no change in the Company's management rights in the recent year and till the date of publication of the annual report.

- 7.6.12 Litigation or non-litigation incidents, the company and the company's directors, supervisors, general managers, substantive personels, major shareholders holding more than 10% of the shares and subordinate companies have A major lawsuit that the subordinate company has decided to determine or is still in the system of litigation, non-litigation or administrative litigation, the result may have a significant impact on shareholders' equity or securities prices. The facts of the dispute, the amount of the subject matter, the commencement date of the litigation, the main litigant and the annual report shall be disclosed.

- (1) The company's recent two-year and up-to-date annual report stated cases of the litigation, non-litigation or administrative litigation that has been determined or currently in the system, and the results may have a significant impact on shareholders' equity or securities prices. The fact of the dispute, the amount of the subject matter, the commencement date of the lawsuit, the parties involved in the proceedings and the current situation should be disclosed:

The company itself has not litigated or a non-litigation situation in the last two years and up to the date of publication of the annual report. However, as far as the subsidiary company is concerned, only the case of the labor dispute of the subsidiary SSHF has been resolved on May 19, 2017 out of court. The external settlement was approved by the Industrial Arbitration Tribunal and therefore had no significant impact on the shareholders' equity of the Company.

- (2) The company's directors, supervisors, general managers, substantive principals, major shareholders and subordinate companies with a shareholding ratio of more

than 10% have been determined or currently in the company's last two years and up to the date of publication. In the event of litigation, non-litigation or administrative litigation, the outcome may have a significant impact on the company's shareholders' equity or securities price:

Peng Sheng Ching, a director of the company, was accused of committing a forgery in the Republic of China in 1992. However, the case has been filed by the Taiwan Taipei District Prosecutor's Office No. 16236 for the non-prosecution of the case. Although Mr. Lin Qichun has raised an appeal later, but was dismissed by the Taiwan High Court Procuratorate's 104th Annual Speech No. 8590. Despite Lin Qichun's 2nd appeals was being dismissed by the Taipei District Court's 104 No.265. The plaintiff also filed a civil lawsuit against the director Peng Sheng Ching in the same incident. The case was judged by the Taiwan Taipei District Court's 101 No. 945 and the plaintiff was found to have lost the first instance appeal. The plaintiff then filed a second-instance appeal. The judgment (Case No.: No. 323, No. 323) was dismissed, and Lin Qichun was defeated. The plaintiff again submitted the third trial, which was already numbered by the Supreme Court in the 106th year of Taiwan Anti-Japanese No. 1028, No. 1029, No. 1030 and Taihang. No. 2319 ruled that the plaintiff's protest was dismissed. However, in the case of the plaintiff Lin Qichun's additional lawsuit in the second instance, (the case number: Taiwan High Court No. 103 No. 323), the High Court also ruled that the plaintiff's additional lawsuit was dismissed by the judgment of March 27, 2007. The plaintiff Lin Qichun's second-instance appeal was resubmitted to the third trial, which is currently under review.

As per the lawyer's opinion, since the plaintiff, Mr. Lin Qichun, did not fully explain it, it should be difficult to obtain a favorable judgment in the case of civil litigation. The civil litigation incident is only intended to confirm that the director, Peng Sheng Ching, served as a director of his company more than ten years ago. Whether the appointment relationship exists or not, the results should not have any impact on the shareholders' equity or the securities price of the company.

- (3) The company's directors, supervisors, managers and major shareholders with a shareholding ratio of more than 10% have stipulated in Article 157 of the Securities Exchange Law in the last two years and up to the date of publication of the annual report and the company's current handling Situation: None.

#### 7.6.13 Other important risks and countermeasures:

- (1) Risk of research and development of new products

The company continues to improve its research and development capabilities to maintain its market competitiveness. However, biotechnology and technology are rapidly developing, and new products still need to be certified by government agencies and field experiments. Therefore, can the company timely research results? There is still a risk of uncertainty in commercial production and acceptance in the market.

(2) Main chemical fertilizer raw materials depend on import risks

Because Malaysia produces only a small amount of nitrogen, phosphorus and potassium, which are the main raw materials for chemical fertilizers, the raw materials are subject to imports. The import prices fluctuate due to the global economy. However, most of the orders of the company are obtained through competitive bidding. Therefore, before bidding, the company will refer to the quotation of the raw materials provided by the supplier to determine the bid price, in order to minimise the impact of the change of raw material price on the profit margin, also to control the import of raw material cost fluctuation risk effectively.

(3) Risk of horizontal competition

Due to the high technical threshold for the production of biochemical compound fertilizer, the microbial extraction, culture, quantification and compounding technology required for biochemical compounding are not easy to obtain. The company aimed to be ahead of the same industry competitors, thus, continuously invest in research and development of microbial related technologies, simultaneously apply for related patent rights to prevent peers from entering biochemistry compound fertilizer market. On the other hand, the company continues to develop new products to maintain competitive advantage and market share.

(4) Ten-year tax exemption does not meet the risk of recourse and maturity

Subsidiary ACI obtained the ten-year tax exemption for Malaysian Biotechnology Corporation Sdn. Bhd. (hereinafter referred to as BNX) in March 2008. However, due to insufficient number of knowledge workers in 2008, it was inconsistent with the regulations of the competent authorities. Nevertheless, after the company applied to BNX in 2009 and obtained the consent to adjust the conditions of the knowledge workers, the company has been reviewed by the competent authorities every year so far, except for the case of non-conformity in 2008.

After consulting the lawyers and taking the relevant authorities' correspondence, BNX has issued a evaluation letter to the company in 2009 to inform that despite the company is not eligible due to case of non-conformity in 2008, however, considering the business model of the company, it agreed to reduce the proportion, and the company has been awarded with 10 years tax exemption. Since 2009 to 2013, the company has passed the BNX tax exemption qualification evaluation. In addition, due to the company's good compliance record, BNX advised that the company only required to report online in 2014 and 2015. In summary, despite the company was disqualified from the 10-year tax exemption previously. The risk of recourse to unqualified taxes is still low and should not have a material adverse effect on the Company.

The tax-free offer is expected to expire in March 2018. It is calculated based on

the 2017 profit and loss amount and the 20% tax rate. After the expiration of the offer, the company needs to increase the annual income tax of approximately RM6 million to make 2017 earnings per share. The earning per share was reduced by 0.99 and the dilution rate was about 20%. The company that had obtained the 10-year tax-free concession had a tax rate of 20% in the ten years after the tax-free offer expired, which is lower than the general tax rate of 24% to the applicable Malaysian companies.

**7.7 Other important matters:** None

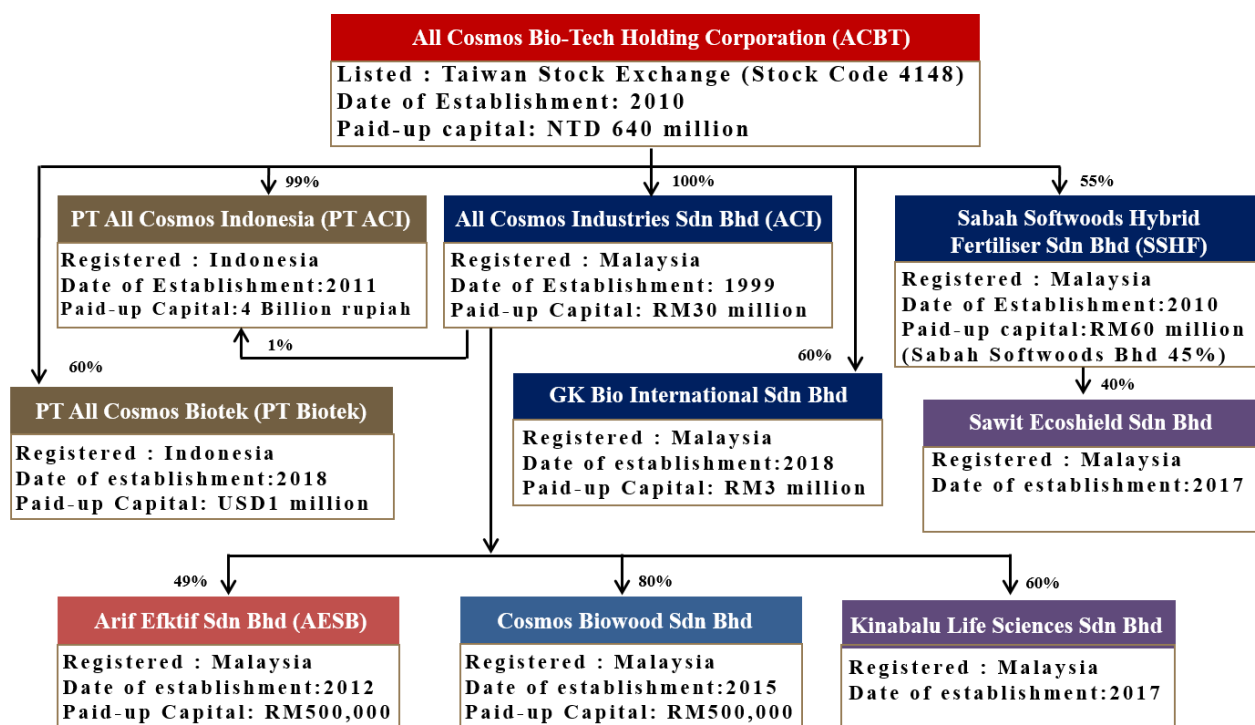


## 8.0: Special Records

### 8.1 Information about the affiliate companies:

#### 8.1.1 Overview of affiliate companies

##### (1) Organization chart



##### (2) Name of each company, date of establishment, address, amount of paid-in capital, main business items

Unit : in Thousand

Company Name	Date of establishment	Address	Paid-up capital	Main business activities or Production items
All Cosmos Industries Sdn. Bhd.	Jul, 1999	PLO 539, Jalan Keluli, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor, Malaysia.	RM 30,000	Research and development, manufacturing and sales of biochemical compound fertilizer products
Sabah Softwoods Hybrid Fertiliser Sdn Bhd	Nov, 2010	TB 11828, Block C Taman El-nysa, Jalan Kabota Camp, Off Jalan Apas Batu 3, 91000, Tawau, Sabah.	RM 60,000	Manufacturing and sales of biochemical compound fertilizer products
PT All Cosmos Indonesia	Aug, 2011	Ira Building Jl. Cactus Raya Blok J No.1 Komp. Perumahan Taman Setia Budi Indah Medan - 20131, Sumatera Utara - Indonesia	RP 4,000,000	Sales of biochemical compound fertilizer products
Arif Efektif Sdn. Bhd	Apr, 2012	PLO 539, Jalan Keluli, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor, Malaysia.	RM 500	Study on disease-resistant phage
Cosmos Biowood Sdn.	Oct, 2015	12A, Jalan Dedap 17, Taman	RM 500	Forest planting and

Bhd.		Johor Jaya, 81100 Johor Bahru, Johor, Malaysia.		research
Kinabalu Life Sciences Sdn. Bhd.	Dec, 2017	MPT 4604, 3rd Floor, Lot 15-16, Block B, Bandaran Baru, Jalan Baru, 91000 Tawau, Sabah.	RM 0.01	Research and production of bacterial cells into oil palm waste treatment
Sawit Ecoshield Sdn. Bhd.	Nov, 2017	Jalan Kelapa Sawit, Off KM 4, Jalan Tuaran, 88300 Kota Kinabalu, Sabah, Malaysia.	RM 5,000	Research and production of bacterial cells into oil palm waste treatment
PT All Cosmos Biotek	Aug, 2018	Jalan Kelapa Sawit – Nomor 1, KEK Sei Mangkei, Kecamatan Bosar Maligas, Kabupaten Simalungun, Sumatera Utara, Indonesia.	RP 14,000,000	Manufacturing and sales of biochemical compound fertilizer products
GK Bio International Sdn. Bhd.	Oct, 2018	42-2, Jalan PJU 5/11, Dataran Sunway, Kota Damansara, 47810 Petaling Jaya, Selangor, Malaysia.	RM 3,000	Probiotics for sale

(3) Presumed to be the same shareholder information for those with control and affiliation: None

(4) Relationship between the company and the related company, mutual shareholding ratio, share and actual investment amount

March 31, 2019

Name	Relationship	The company holds at the end of the period			Holding the company		
		Shares Holding proportion	Shares Holding	Investment Amount	Ratio	Unit Share	Investment Amount
All Cosmos Industries Sdn. Bhd.	Subsidiary company	100%	30,000,000	RM 30,000,000	—	—	—
Sabah Softwoods Hybrid Fertilizer Sdn. Bhd.	Subsidiary company	55%	33,000,000	RM 33,000,000	—	—	—
PT All Cosmos Indonesia	Subsidiary company	100%	80,000	Rp. 4,000,000,000	—	—	—
PT All Cosmos Biotek	Subsidiary company	60%	8,400	Rp. 8,400,000,000	—	—	—
Arif Efektif Sdn. Bhd.	2nd Tier Subsidiary company	49%	245,000	RM 245,000	—	—	—
Kinabalu Life Sciences Sdn. Bhd.	2nd Tier Subsidiary company	60%	6	RM 6	—	—	—
Cosmos Biowood Sdn. Bhd.	2nd Tier Subsidiary company	80%	400,000	RM 400,000	—	—	—
GK Bio International Sdn. Bhd.	2nd Tier Subsidiary company	60%	1,800,000	RM 1,800,000	—	—	—
Sawit Ecoshield Sdn. Bhd.	Related company	40%	2,000,000	RM 2,000,000	—	—	—

### 8.1.2 Operation overview

#### Overview of the operations of various related companies

As at March 31,2018. Unit : in Thousand

Company Name	Paid-up capital	Total assets	Total debt	Net worth	Current operating income	Current business profit	Current profit and loss (after tax)	Earnings per share (yuan) (after tax)
All Cosmos Industries Sdn. Bhd.	RM 30,000	RM 257,627	RM 34,445	RM 223,182	RM 255,387	RM 37,506	RM 38,314	RM 1.28
Sabah Softwoods Hybrid Fertiliser Sdn Bhd	RM 60,000	RM 119,261	RM 16,220	RM 103,041	RM 105,409	RM 13,845	RM 12,619	RM 0.21
PT All Cosmos Biotek	RP 14,000,000	RP 32,719,627	RP 18,371,293	RP 14,348,334	-	RP (388,481)	RP 348,335	RP 24,881
PT All Cosmos Indonesia	RP 4,000,000	RP 13,079,133	RP 11,907,094	RP 1,172,039	RP 21,926,711	RP 688,151	RP (768,967)	RP (9,612)
Arif Efektif Sdn. Bhd	RM 500	RM 3,082	RM 1,037	RM 2,045	RM 2,148	RM 344	RM281	RM 0.56
Kinabalu Life Sciences Sdn. Bhd.	RM 0.01	-	-	-	-	-	-	-
Cosmos Biowood Sdn. Bhd.	RM 500	RM 9	RM (345)	RM (336)	-	RM (122)	RM (122)	RM (0.24)
GK Bio International Sdn. Bhd.	RM 0.01	RM 0.01	RM (3)	RM (3)	-	RM (3)	RM (3)	RM (300)
Sawit Ecoshield Sdn. Bhd.	RM 5,000	RM 6,910	RM 1,917	RM 4,993	-	RM (11)	RM (7)	-

**8.2 The most recent year and the end of the annual report, the date of published, private equity securities processing:** None.

**8.3 The latest annual report, the date of publication, the company holds or disposes of the company's stock:** None.

**8.4 Other necessary supplementary notes:** None.

**8.5 The occurrence of significant impact on shareholders' equity or securities price as stipulated in Article 36-2-2 of the Securities Exchange Law: None.**

**8.6 A statement of significant differences with the provisions of the shareholders' rights and interests of the Republic of China:**

Due to the slight inconsistency between the British Cayman Islands Act and the Republic of China Act, the Taiwan Stock Exchange Co., Ltd. announced the “Registration Form for the Protection of Shareholders’ Rights of Foreign Issuer Registration Countries” (hereinafter referred to as “Shareholders’ Rights Protection Matters”). ) The following list shows the differences between the Company's current Articles of Association (the “Articles of Association”) and the protection of shareholders' interests due to the provisions of the British Cayman Islands Act, and the Articles of Association of the Company provisions.

Differences with the provisions on matters of protection of shareholders' rights and interests	British Cayman Islands Act and Description	Articles of Association and Description
If a company buys its own shares and transfers it to employees, it may limit the employees from transferring within a certain period of time. However, the period may not exceed two years.	The treasury shares are subject to the terms and conditions of the company directors; the Cayman Company Law does not have provisions for employee reward programs.	According to Article 1 of the Articles of Association, Treasury Shares are shares issued in accordance with the Articles of Association, the Cayman Companies Act and the Listing Rules Act, which are bought back, redeemed or otherwise obtained by the company and have not been cancelled; This provision is set out in section 40D of the company's articles of association; however, according to Cayman's lawyers, the restrictions on the transfer are between the company and the employee's contractual relationship (the restrictions agreed between the company and the employee is a contractual matter between themselves. )
5. The following matters shall be listed and explained in the convening of the shareholders' meeting, and shall not be proposed by a provisional motion: (1) Appointing or dismissing directors or supervisors; (2) Change the charter;	Regarding 5. The Cayman Company Law has no special provisions for the provisional motion. According to Cayman's lawyers, regarding the provisional motion, the notice of the shareholders' meeting must clearly stated the content of the meeting and provide relevant information for the	The Cayman Company Law has no special provisions for the provisional motion; therefore, the item 5 is stipulated in Article 50 of the Articles of Association. According to Cayman's lawyers, regarding the provisional motion, the notice of the shareholders' meeting must clearly state the agenda of the meeting and provide relevant information for the shareholders; however, in the notice of the shareholders' meeting, the

Differences with the provisions on matters of protection of shareholders' rights and interests	British Cayman Islands Act and Description	Articles of Association and Description
<p>(3) Dissolution, merger, share conversion, and division of the company;</p> <p>(4) conclude, change or terminate a contract for the lease of all business, entrusted operations or joint operations with others;</p> <p>(5) to transfer all or a major part of the business or property;</p> <p>(6) Transferring all business or property to others, which has a significant impact on the operation of the company;</p> <p>(7) Private placement of securities of an equity nature;</p> <p>(8) The director is engaged in the licensing of non-competition activities;</p> <p>(9) Distribution of one or all dividends by way of issuing new shares;</p> <p>(10) The statutory surplus reserve and the capital reserve due to the issuance of shares or the incentive of the shares, and the distribution of new shares to the original shareholder</p>	<p>shareholders; however, in the notice of the shareholders' meeting, the "any other subject" agenda is usually added. Usually have an informal or insignificant nature, the chairman should not add any important events into this agenda; if there are any important matters, the meeting should be convened to discuss the resolution according to the procedure; if the matter is urgent, it must be discussed in the next shareholders meeting, which agenda will be proposed and ratified in the next meeting.</p> <p>if the matter is urgent, it must be discussed in the next shareholders meeting, which agenda will be proposed and ratified in the next meeting. Although Cayman's law does not expressly prohibit an interim motion, Cayman's lawyers advise that it is not appropriate to have a provisional motion at the shareholders' meeting.</p>	<p>"any other subject" agenda is usually added. Usually have an informal or insignificant nature, the chairman should not add any important events into this agenda; if there are any important matters, the meeting should be convened to discuss the resolution according to the procedure; if the matter is urgent, it must be discussed in the next shareholders meeting, which agenda will be proposed and ratified in the next meeting.</p>
<p>3. When the company exercises its voting rights in writing or electronically, its method of exercise shall be stated in the notice convened by the shareholders' meeting. Shareholders who</p>	<p>According to the opinion of the British Cayman Islands lawyers, the chairman of the shareholders' meeting will be entrusted to vote on behalf of the shareholders whom voted in the form of writing.</p>	<p>The Cayman Company Law does not specifically stipulate the content of the preceding paragraph of Article 3. Therefore, the first paragraph of Article 3 is stipulated in Article 68 of the Articles of Association. According to the opinion of Cayman Lawyers, Shareholders who exercise their voting rights are deemed to</p>

Differences with the provisions on matters of protection of shareholders' rights and interests	British Cayman Islands Act and Description	Articles of Association and Description
exercise their voting rights in writing or electronically are deemed to be present in person at the shareholders' meeting. However, the provisional motion of the shareholders meeting and the amendment of the original motion are deemed to be waived.		have entrusted the chairman of the shareholders' meeting to vote on behalf on the basis of the instructions in the written or electronic . In consideration of Cayman's lawyer's opinion, the third paragraph shall be stipulated in Article 68 of the Articles of Association (that is, the shareholders who exercise the voting rights in writing or electronically shall be deemed to have entrusted the chairman of the shareholders' meeting to act on behalf in the shareholders' meeting in accordance with the instructions in the written or electronic documents. Its voting rights, but the temporary motion of the shareholders meeting and the amendment of the original motion are deemed to be waived, but the above-mentioned entrustment shall be deemed not to constitute the principal of the listing cabinet law.
5. After the shareholder has exercised the voting right in writing or electronically, if he wishes to attend the shareholders' meeting in person, he shall revoke the initial exercise of voting rights in the preceding paragraph two days before the the shareholders' meeting; the overdue revocation shall be in writing or electronically. The voting right of the mode of exercise shall prevail	According to the opinion of the British Cayman Islands lawyers, the chairman of the shareholders' meeting will be entrusted to vote on behalf of the shareholders whom voted in the form of writing.	The Cayman Company Law does not specifically stipulate the content of item 5; therefore, the item 5 is stipulated in Article 70 of the Articles of Association. According to Cayman's lawyer, under the Common Law, the principal can revoke its proxy by attending the meeting in person, due to written or electronic Shareholders who exercise their voting rights are deemed to have entrusted the chairman of the shareholders' meeting to vote on behalf on the basis of the instructions in the written or electronic documents. Therefore, the item 5 may not be enforceable (not enforceable).
4. After the power of attorney has been served on the company, the shareholder who wishes to attend the	The Cayman Company Law has no special provisions for the power of attorney or collection of powers.	The Cayman Company Law has no special provisions for the power of attorney or the collection of powers of attorney; therefore, the fourth item is specified in Article 62B of

Differences with the provisions on matters of protection of shareholders' rights and interests	British Cayman Islands Act and Description	Articles of Association and Description
shareholders' meeting in person or wishes to exercise his or her voting rights in writing or electronically; shall notify the company in writing of the cancellation of the entrustment two days before the shareholders' meeting; Any delay in cancellation of entrustment is subject to Proxy voting rights.		the Articles of Association. According to Cayman's lawyer, under the Common Law, the principal can revoke its proxy by attending the meeting in person, thus, the item 4 may not be enforceable.
The following resolutions relating to the interests of shareholders shall be attended by more than two-thirds of the total number of shareholders who have issued shares, and more than half of them shall agree to the voting rights of the shareholders. If the total number of shares of the attending shareholders is less than the above-mentioned quota, it is allowed to attend by proxy as long as the attendance are more than half of the total number of shareholders who have issued shares and to attend more than two-thirds of the voting rights of the shareholders: 1. The company concludes, alters or terminates the contract for the lease of all business, entrusted operations or co-operation with others, the transfer of all or a major part of the business or property, the transfer of all business	Regarding 1., 4., and 5. (Segmentation), there are no special requirements or prohibitions in the Cayman Company Law. With regard to 2. and 3., Article 24 of the Cayman Companies Act stipulates that any changes to the Bylaws shall be subject to a special resolution. Regarding 5 (dissolved part). Article 116 of the Cayman Company Law stipulates that the company shall voluntarily dissolve by special resolution, and if it is unable to pay off the debt and voluntarily dissolve it, it shall be passed by the shareholders' meeting (the company In general meeting resolves...), Cayman's lawyers believe that the aforementioned resolutions of the shareholders' meeting can be resolved by ordinary resolutions, special resolutions or higher resolutions as stipulated in the company's articles of association. Ordinary Resolution can be passed.	(1) The Cayman Company Law does not specifically require or prohibit the division of paragraphs 1, 4 and 5; therefore, the divisions of paragraphs 1, 4 and 5 are separately specified in the company. Article 32(a)(b)(c)(d)(g) of the Bylaws must be adopted by a special resolution of the shareholders' meeting (ie "Supermajority Resolution Type A" or "Type B Special Resolution" ( Supermajority Resolution Type B) (as defined above) (2) According to Article 24 of the Cayman Company Law, any change in the company's articles of association must be subject to a special resolution of the shareholders' meeting; therefore, paragraph 2 is stipulated in Article 157 of the Articles of Association, that is, the company may have a special resolution at any time ( Special Resolution) Change Memorandum and/or Bylaws. The shareholders' meeting will be in accordance with Article 51 of the Articles of Association (that is, the voting shareholders who represent more than half of the total number of

Differences with the provisions on matters of protection of shareholders' rights and interests	British Cayman Islands Act and Description	Articles of Association and Description
<p>or property of others, which has a significant impact on the company's operations.</p> <p>2. Change charter</p> <p>3. If the change of the articles of association will caused damage to the special shareholders, a special shareholder resolution meeting is required.</p> <p>4. Distribution of one or all dividends by way of issuing new shares</p> <p>5. Resolution of dissolution, merger or division</p>	<p>In addition, regarding 5 (merger), according to Cayman's lawyer, Section 233(6) of the Cayman Company Law is subject to special resolution. If there are other resolutions in the company's articles of association, it shall be handled in accordance with the company's articles of association.</p>	<p>issued shares will be present in person or by proxy)</p> <p>(3) According to Article 24 of the Cayman Company Law, any change in the company's articles of association must be subject to a special resolution of the shareholders' meeting approval; therefore, paragraph 3 shall be stipulated in Article 18 of the Articles of Association, that is, if the company's articles of association are changed. The matters of the rights of the special shareholders shall be subject to the Special Resolution by the Special Shareholders' Meeting, in addition to the Special Resolution. The shareholders' meeting will be in accordance with Article 51 of the Articles of Association (that is, the voting shareholders who represent more than half of the total number of issued shares will be present in person or by proxy)</p> <p>(4) Regarding the dissolution of paragraph 5, according to Article 116 of the Cayman Company Law, the company shall voluntarily dissolve by special resolution, and if it is unsolvable, it should be passed through resolution of the shareholders' meeting (the Company in general meeting resolves...), Cayman's lawyers believe that the aforementioned resolution of the shareholders' meeting can be resolved by an Ordinary Resolution, a Special Resolution or a higher resolution as stipulated in the company's articles of association; Partially stipulated in Article 33 of the Articles of Association, in which if the company voluntarily</p>



Differences with the provisions on matters of protection of shareholders' rights and interests	British Cayman Islands Act and Description	Articles of Association and Description
		<p>disbands due to the inability to pay off the debts as scheduled, it should be approved by the shareholders meeting with a special resolution (ie "Supermajority Resolution Type A" or "Type B Special Resolution". (Supermajority Resolution Type B) (as defined above) (Article 33(a)), if the company voluntarily disbands for other reasons, it shall be subject to a Special Resolution approval (Article 33(b) article). The shareholders' meeting will be in accordance with Article 51 of the Articles of Association (that is, the voting shareholders who represent more than half of the total number of issued shares will be present in person or by proxy).</p> <p>(5) Regarding the merger of paragraph 5, Cayman's lawyer stated that the merger part is subject to the special resolution approval (Special Resolution) in accordance with the provisions of Article 233(6) of the Cayman Company Law. If the company's articles of association have other resolutions, It is handled in accordance with the provisions of the company's articles of association; therefore, the merger of the fifth paragraph is stipulated in Article 31(c) of the Articles of Association. The shareholders' meeting will be in accordance with Article 51 of the Articles of Association (that is, the voting shareholders who represent more than half of the total number of issued shares will be present in person or by proxy)</p>
Supervisor regulations	The Cayman Company Act has no special rules for supervisors.	As the company did not set up a supervisor, the charter was not amended.

Differences with the provisions on matters of protection of shareholders' rights and interests	British Cayman Islands Act and Description	Articles of Association and Description
<p>1. Shareholders who hold more than three percent of the total number of issued shares of the company for more than one year may request the supervisor to file a lawsuit against the company through the Taipei District Court of Taiwan as first administer court.</p> <p>2. Within 30 days after the shareholder made the request, when the supervisor did not file a lawsuit, the shareholder may file a lawsuit against the company and the Taipei District Court of Taiwan shall be the first administer court .</p>	<p>There are no special requirements or prohibitions in the charter of the Cayman company.</p> <p>According to Cayman law, in the event of a shareholder filed a lawsuit on behalf of a company is: (A) the act is illegal or exceeds the scope of the company's jurisdiction and cannot be ratified by the shareholders; or (B) the act constitutes a fraud against the minority shareholder (ie The personnel of seeking relief in the lawsuit is the major shareholder, and the major shareholder will not allow the company to let the plaintiff seek relief in the lawsuit. If the lawsuit is filed on the grounds of this paragraph, it is necessary to prove the case of fraud and the person engaged in the wrongful act. The company has authority).</p> <p>Cayman's courts tend to not interfere with the company's internal behavior when the conduct within the company's jurisdiction, or beyond the scope of authority, which can be ratified by shareholders and in accordance with the will of the majority shareholder.</p>	<p>There are no special requirements or prohibitions in the charter of the Cayman company, and the company does not set up the supervisor, but the audit committees are set up; refer to the letter of the Board of Directors on July 27, 101, Taiwan letter No. 1011702189 The independent directors replaced the supervisors, so the contents of items 1 and 2 regarding the supervisors were replaced by independent board members of the audit committee, which was stipulated in Article 123 under the Articles of Association, that is, courts with jurisdiction (including Taipei, Taiwan) The District Court, if applicable, is the court of jurisdiction; another Cayman lawyer stated that Article 123 under the Articles of Association must comply with Cayman law. According to Cayman law, if the director believes that the lawsuit is not of interest to the company, the director is not liable for those shareholders who hold more than 3% of the shares to file a lawsuit against other directors.</p>
<p>1. The directors of the company shall manage the business with honesty and integrity. If there is any violation of the company interest, whom should be liable for the damage. If the act is committed by itself or by</p>	<p>According to the Cayman Company Law, directors have fiduciary duties on the company. If there is any breach of such obligations, the court shall hold the director's liability for compensation; if it is a breach of trust obligations</p>	<p>As per Cayman's lawyers opinion (see the left column), the contents of items 1., 2. and 3. are stated in Article 97B of the Articles of Association; However, Cayman's lawyers stated that although the company's articles of association stipulate directors and companies Joint and several liability, from the</p>

Differences with the provisions on matters of protection of shareholders' rights and interests	British Cayman Islands Act and Description	Articles of Association and Description
<p>others, the shareholder reserved the rights to decide on the proceeds of the act as the company's income.</p> <p>2. The director of the company acts on the execution of the company's operation, if there is any violation of the law and causes damage to others, the company shall be liable for compensation.</p> <p>3. The manager and supervisor of the company shall be responsible for the same liability as the directors of the company within the scope of their duties.</p>	<p>for himself or others on self beneficial, the court shall decide to return such benefits.</p> <p>According to Cayman law, the director causes damage to a third party during the company's execution of the business operation. The third party may claim damages from the company, despite the company may request the director for the same liability of compensation to the third party under the joint and several liability term. From the perspective of Cayman law, the third party is unable to make direct claim to the director.</p>	<p>Cayman legal point of view, the third party still unable to claim directly from the director.</p>

**All Cosmos Bio-Tech Holding Corporation  
and Subsidiaries**

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

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
All Cosmos Bio-Tech Holding Corporation

### **Opinion**

We have audited the accompanying consolidated financial statements of All Cosmos Bio-Tech Holding Corporation (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2018 and 2017 and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

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

### **Basis for Opinion**

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

### **Key Audit Matters**

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

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

#### Impairment of Trade Receivables

At the end of the reporting period, the balance of net trade receivables (including related parties) of the Group was \$808,203 thousand, which amounted to 27% of the Group's total assets. When assessing the allowance for impairment losses on trade receivables, management took into consideration past default experience of the debtor and an analysis of the debtor's current financial position. Refer to Notes 4(m), 5(a), and 8 in the consolidated financial statements for the details on the accounting policy, accounting estimation and assumption uncertainty and relevant disclosures of the impairment of accounts receivables. Since the assessment of the expected credit loss rate on trade receivables is subject to management's judgment, we identified such assessment as a key audit matter.

Our key audit procedures performed in respect of the above mentioned assessment included the following:

1. We understood management's assumptions used in assessing the expected credit loss rate and ascertaining the reasonableness of the assumptions;
2. We sampled the documentation of the aging of trade receivables provided by management to test the accuracy;
3. We performed our own calculation of the expected credit loss on trade receivables based on the expected credit loss rate provided by management in order to assess the reasonableness of the recognition of the allowance for impairment loss on trade receivables; and
4. We reviewed the subsequent collections of overdue trade receivables to evaluate the adequacy of the allowance for impairment losses on trade receivables.

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

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

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

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Chiang Hsun Chen and Cheng Chuan Yu.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 26, 2019

Notice to Readers

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

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



ALL COSMOS BIO-TECH HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 3, 4 and 6)	\$ 591,505	20	\$ 993,829	37
Financial assets at fair value through profit or loss - current (Notes 3, 4 and 7)	31,591	1	22,152	1
Trade receivables, net (Notes 3, 4, 5, 8 and 23)	787,960	26	542,468	20
Trade receivables from related parties (Notes 3, 4, 5, 23 and 34)	20,243	1	6,806	-
Other receivables (Notes 3, 4 and 8)	20,306	1	6,537	-
Other receivables from related parties (Notes 3, 4 and 34)	15	-	-	-
Current tax assets (Notes 4 and 25)	3,628	-	-	-
Inventories (Notes 4 and 9)	612,453	21	248,137	9
Prepayments (Note 17)	61,206	2	119,736	5
Prepayments for leases (Notes 3, 15 and 35)	4,103	-	2,263	-
Other financial assets - current (Notes 3, 4 and 16)	921	-	889	-
<b>Total current assets</b>	<b>2,133,931</b>	<b>72</b>	<b>1,942,817</b>	<b>72</b>
<b>NON-CURRENT ASSETS</b>				
Investments accounted for using the equity method (Notes 4 and 11)	14,768	1	-	-
Property, plant and equipment (Notes 4, 12 and 35)	482,291	16	475,961	18
Goodwill (Notes 4 and 13)	5,667	-	385	-
Other intangible assets (Notes 4 and 14)	2,913	-	1,694	-
Deferred tax assets (Notes 4 and 25)	28,564	1	12,236	-
Other financial assets - non-current (Notes 3, 4, 16 and 35)	125,025	4	120,796	5
Long-term prepayments for leases (Notes 3, 15 and 35)	171,888	6	120,769	5
Other non-current assets (Note 17)	9,823	-	12,852	-
<b>Total non-current assets</b>	<b>840,939</b>	<b>28</b>	<b>744,693</b>	<b>28</b>
<b>TOTAL</b>	<b>\$ 2,974,870</b>	<b>100</b>	<b>\$ 2,687,510</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 18 and 35)	\$ 146,785	5	\$ 60,204	2
Contract liabilities - current (Notes 3, 4, 23 and 34)	9,867	-	-	-
Trade payables	48,263	2	40,106	2
Other payables (Note 20)	147,058	5	123,117	5
Other payables to related parties (Note 34)	7	-	-	-
Current tax liabilities (Notes 4 and 25)	9,876	-	4,107	-
Current portion of long-term borrowings (Notes 18 and 35)	23,995	1	22,701	1
Finance lease payables - current (Notes 3, 4, 19 and 35)	964	-	768	-
Other current liabilities (Note 20)	4,040	-	12,049	-
<b>Total current liabilities</b>	<b>390,855</b>	<b>13</b>	<b>263,052</b>	<b>10</b>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Notes 18 and 35)	21,217	1	44,969	2
Deferred tax liabilities (Notes 4 and 25)	26,143	1	33,054	1
Finance lease payables - non-current (Notes 3, 4, 19 and 35)	567	-	1,079	-
Guarantee deposits received (Note 20)	22	-	30	-
<b>Total non-current liabilities</b>	<b>47,949</b>	<b>2</b>	<b>79,132</b>	<b>3</b>
<b>Total liabilities</b>	<b>438,804</b>	<b>15</b>	<b>342,184</b>	<b>13</b>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 22)</b>				
Share capital				
Ordinary shares	640,340	22	640,340	24
Capital surplus	781,838	26	781,838	29
Retained earnings				
Legal reserve	133,129	5	100,842	4
Special reserve	310,434	10	369,143	14
Unappropriated earnings	618,747	21	457,226	17
Total retained earnings	1,062,310	36	927,211	35
Other equity	(312,099)	(11)	(310,434)	(12)
<b>Total equity attributable to owners of the Company</b>	<b>2,172,389</b>	<b>73</b>	<b>2,038,955</b>	<b>76</b>
<b>NON-CONTROLLING INTERESTS</b>	<b>363,677</b>	<b>12</b>	<b>306,371</b>	<b>11</b>
<b>Total equity</b>	<b>2,536,066</b>	<b>85</b>	<b>2,345,326</b>	<b>87</b>
<b>TOTAL</b>	<b>\$ 2,974,870</b>	<b>100</b>	<b>\$ 2,687,510</b>	<b>100</b>

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

# ALL COSMOS BIO-TECH HOLDING CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 3, 4, 23 and 34)				
Sales	\$ 2,687,581	100	\$ 2,263,652	100
OPERATING COSTS (Notes 9 and 24)				
Cost of goods sold	<u>(1,912,987)</u>	<u>(71)</u>	<u>(1,512,131)</u>	<u>(67)</u>
GROSS PROFIT	<u>774,594</u>	<u>29</u>	<u>751,521</u>	<u>33</u>
OPERATING EXPENSES (Notes 24 and 34)				
Selling and marketing expenses	(197,888)	(8)	(155,994)	(7)
General and administrative expenses	(187,302)	(7)	(184,350)	(8)
Research and development expenses	(6,587)	-	(4,456)	-
Expected credit loss	<u>(26,048)</u>	<u>(1)</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>(417,825)</u>	<u>(16)</u>	<u>(344,800)</u>	<u>(15)</u>
PROFIT FROM OPERATIONS	<u>356,769</u>	<u>13</u>	<u>406,721</u>	<u>18</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 24)				
Other income	20,976	1	14,204	1
Other gains and losses	39,956	2	(473)	-
Finance costs	(18,666)	(1)	(13,517)	(1)
Share of loss of associates (Note 11)	<u>(20)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating income and expenses	<u>42,246</u>	<u>2</u>	<u>214</u>	<u>-</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	399,015	15	406,935	18
INCOME TAX EXPENSE (Notes 4 and 25)	<u>(50,328)</u>	<u>(2)</u>	<u>(10,512)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>348,687</u>	<u>13</u>	<u>396,423</u>	<u>17</u>
OTHER COMPREHENSIVE (LOSS) INCOME (Notes 4, 22 and 25)				
Items that will not be reclassified subsequently to profit or loss:				
Exchange differences on translation to the presentation currency	(431)	-	67,059	3

(Continued)

# ALL COSMOS BIO-TECH HOLDING CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	\$ (1,508)	-	\$ (358)	-
Income tax relating to items that may be reclassified subsequently to profit	<u>362</u>	<u>-</u>	<u>86</u>	<u>-</u>
Other comprehensive (loss) income for the year, net of income tax	<u>(1,577)</u>	<u>-</u>	<u>66,787</u>	<u>3</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 347,110</u>	<u>13</u>	<u>\$ 463,210</u>	<u>20</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 305,058	11	\$ 322,873	15
Non-controlling interests	<u>43,629</u>	<u>2</u>	<u>73,550</u>	<u>3</u>
	<u>\$ 348,687</u>	<u>13</u>	<u>\$ 396,423</u>	<u>18</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 303,393	11	\$ 381,582	17
Non-controlling interests	<u>43,717</u>	<u>2</u>	<u>81,628</u>	<u>3</u>
	<u>\$ 347,110</u>	<u>13</u>	<u>\$ 463,210</u>	<u>20</u>
EARNINGS PER SHARE (Note 26)				
From continuing operations				
Basic	<u>\$ 4.76</u>		<u>\$ 5.31</u>	
Diluted	<u>\$ 4.75</u>		<u>\$ 5.30</u>	

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

(Concluded)

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

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

# ALL COSMOS BIO-TECH HOLDING CORPORATION AND SUBSIDIARIES

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

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 399,015	\$ 406,935
Adjustments for:		
Excepted credit loss recognized on trade receivables	26,048	-
Impairment loss reversed on trade receivables	-	(3,671)
Depreciation expenses	45,307	39,962
Amortization expenses	908	876
Amortization of prepayments for leases	2,760	2,177
Net gain on fair value change of financial assets at fair value through profit or loss	(10,020)	(7,964)
Finance costs	18,666	13,517
Interest income	(12,614)	(11,970)
Compensation costs of employee share options	-	5,537
Share of loss of associates by equity method	20	-
Gain on disposal of property, plant and equipment	(73)	(661)
Write-downs of inventories	-	1,826
Reversal of write-downs of inventories	(189)	-
Net unrealized gain on foreign currency exchange	(263)	(9,911)
Changes in operating assets and liabilities		
Financial assets at held for trading	-	(13,265)
Trade receivables	(268,462)	(144,518)
Trade receivables from related parties	(14,161)	(6,549)
Other receivables	(14,123)	(4,362)
Inventories	(372,085)	(9,642)
Prepayments	59,045	(78,222)
Trade payables	9,004	(4,634)
Other payables	(12,354)	23,215
Contract liabilities	3,075	-
Receipts in advance	-	4,822
Other current liabilities	(1,250)	2,199
Cash (used in) generated from operations	(141,746)	205,697
Interest received	12,871	11,797
Interest paid	(18,587)	(13,815)
Income tax paid	(70,871)	(27,559)
Net cash (used in) generated from operating activities	(218,333)	176,120

## CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of financial assets at fair value through profit or loss	575	-
Acquisition of investments accounted for using the equity method	(14,788)	-
Net cash outflow on acquisition of subsidiaries (Note 28)	(2,100)	-
Payments for property, plant and equipment	(57,391)	(24,686)
Proceeds from property, plant and equipment	177	1,327
Decrease in refundable deposits	3,119	677
Payments for intangible assets	(2,133)	(202)

(Continued)

# ALL COSMOS BIO-TECH HOLDING CORPORATION AND SUBSIDIARIES

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

	2018	2017
Increase in other receivables from related parties	\$ (15)	\$ -
Decrease in other receivables from related parties	-	15
Increase in other financial assets	(3,769)	-
Decrease in other financial assets	-	41,551
Increase in prepayments for equipment	-	(5,299)
Increase in prepayments for leases	<u>(16,924)</u>	<u>-</u>
Net cash (used in) generated from investing activities	<u>(93,249)</u>	<u>13,383</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	87,255	-
Repayments of short-term borrowings	-	(208,032)
Repayments of long-term borrowings	(23,002)	(26,413)
Refund of guarantee deposits received	(8)	(14)
Increase in other payables to related parties	5	-
Decrease in other payables to related parties	-	(2)
Decrease in finance lease payables	(1,117)	(1,644)
Cash dividends paid	(169,690)	(121,475)
Changes in non-controlling interests	12,566	-
Issuance of ordinary shares for cash	<u>-</u>	<u>440,454</u>
Net cash (used in) generated from financing activities	<u>(93,991)</u>	<u>82,874</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>3,249</u>	<u>28,745</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(402,324)</b>	<b>301,122</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u><b>993,829</b></u>	<u><b>692,707</b></u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u><b>\$ 591,505</b></u>	<u><b>\$ 993,829</b></u>

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

(Concluded)

# ALL COSMOS BIO-TECH HOLDING CORPORATION AND SUBSIDIARIES

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

---

### 1. GENERAL INFORMATION

All Cosmos Bio-Tech Holding Corporation (the “Company”) is a limited company incorporated in the Cayman Islands on March 26, 2010. The Company and its subsidiaries (collectively, referred to as the “Group”) have reorganized in order to list the Company’s shares on the Taiwan Stock Exchange. On June 1, 2010, the Company issued new shares for 100% equity interest in All Cosmos Industries Sdn. Bhd. and completed the Group’s investment process. The major operation activities of the Group are production and sales of Bio-organic and Bio-chemical fertilizers.

The Company’s shares have been listed on the Taiwan Stock Exchange since June 2017.

The functional currency of the Company is Malaysian Ringgit. For greater comparability and consistency of financial reporting, the consolidated financial statements of the Group are presented in New Taiwan dollars since the Company’s shares are listed on the Taiwan Stock Exchange.

### 2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group’s accounting policies:

#### 1) IFRS 9 “Financial Instruments” and related amendments

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

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

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

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

Financial Assets	Measurement Category				Carrying Amount		Remark
	IAS 39		IFRS 9		IAS 39	IFRS 9	
Cash and cash equivalents	Loans and receivables		Amortized cost		\$ 993,829	\$ 993,829	Note
Mutual funds	Held-for-trading		Mandatorily at fair value through profit or loss (FVTPL)		22,152	22,152	-
Trade receivable (included related parties) and other receivables (excluded GST refund receivables)	Loans and receivables		Amortized cost		552,429	552,429	Note
Other financial assets and refundable deposits	Loans and receivables		Amortized cost		134,537	134,537	Note
Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifi- cations	Remea- surements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
<u>FVTPL</u>							
Financial assets at FVTPL	\$ 22,152	\$ -	\$ -	\$ 22,152	\$ -	\$ -	
<u>Amortized cost</u>							
Add: Reclassification from loans and receivables (IAS 39)	-	1,680,795	-	1,680,795	-	-	Note
	\$ 22,152	\$ 1,680,795	\$ -	\$ 1,702,947	\$ -	\$ -	

Note: Cash and cash equivalents, trade receivables (included related parties), other receivables (excluded GST refund receivable), other financial assets and refundable deposits that were previously classified as loans and receivables under IAS 39 are reclassified as at amortized cost with an assessment of expected credit losses under IFRS 9.

## 2) IFRS 15 “Revenue from Contracts with Customers” and related amendments

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

Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability. Prior to the application of IFRS 15, receivables were recognized or deferred revenue was reduced when revenue was recognized for the relevant contract under IAS 18.

The Group elected only to retrospectively apply IFRS 15 to contracts that were not complete as of January 1, 2018 and recognize the cumulative effect of the change in retained earnings on January 1, 2018.



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

	Originally Amount stated as of January 1, 2018	Adjustments Arising from Initial Application	Restated Amount as of January 1, 2018
Contract liabilities- current	\$ -	\$ 6,796	\$ 6,796
Other current liabilities	<u>12,049</u>	<u>(6,796)</u>	<u>5,253</u>
Total effect on liabilities	<u>\$ 12,049</u>	<u>\$ -</u>	<u>\$ 12,049</u>

Had the Group applied IAS 18 in the current year, the following adjustments should be made to reflect the line items and balances under IAS 18.

	December 31, 2018
Decrease in contract liability - current	\$ (9,867)
Increase in other current liabilities	<u>9,867</u>
	<u>\$ -</u>

- b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs endorsed by the FSC for application starting from 2019.

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

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

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

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

- IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 "Leases", IFRIC 4 "Determining Whether an Arrangement Contains a Leases" and a number of related interpretations.

### Definition of a lease

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

### The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights of land located in Malaysia and Indonesia are recognized as prepayments for leases. The difference between the actual payments and the expenses, as adjusted for lease incentives, is recognized as prepayments for leases. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

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

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at amount equal to the lease liabilities. The Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

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

For leases currently classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 will be determined as at the carrying amounts of the respective leased assets and finance lease payables as of December 31, 2018.

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Right-of-use assets	\$ -	\$ 179,883	\$ 179,883
Prepayments for leases - current	4,103	(4,103)	-
Prepayments for leases - non-current	171,888	(171,888)	-
Lease assets	<u>2,751</u>	<u>(2,751)</u>	<u>-</u>
Total effect on assets	<u>\$ 178,742</u>	<u>\$ 1,141</u>	<u>\$ 179,883</u>
Lease liabilities - current	\$ -	\$ 1,584	\$ 1,584
Finance lease payables - current	964	(964)	-
Lease liabilities - non-current	-	1,088	1,088
Finance lease payables - non-current	<u>567</u>	<u>(567)</u>	<u>-</u>
Total effect on liabilities	<u>\$ 1,531</u>	<u>\$ 1,141</u>	<u>\$ 2,672</u>

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

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

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

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

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

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

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### a. Statement of compliance

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

##### b. Basis of preparation

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

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

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

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

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

d. Basis of consolidation

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

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

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

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

Refer to Note 10 and Table 6 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gains on bargain purchases. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. The measurement period does not exceed 1 year from the acquisition date.

f. Foreign currencies

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

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

For the purpose of presenting consolidated financial statements, the functional currencies of the Company and the group entities (including subsidiaries in other countries that use currencies which are different from the currency of the Company) are translated into the New Taiwan dollars, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income attributed to the owners of the Company and non-controlling interests as appropriate.

g. Inventories

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

h. Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

i. Property, plant and equipment

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

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

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term is shorter than the assets' useful lives, such assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

j. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized on goodwill is not reversed in subsequent periods.

k. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

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

l. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

m. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

2018

Financial assets are classified into the following categories: Financial assets at FVTPL and financial assets at amortized cost.

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 33.

ii. Financial assets at amortized cost

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

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

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



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

- i) Purchased or originated credit impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

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

## 2017

Financial assets are classified into the following categories: Financial assets at FVTPL and loans and receivables.

### i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are held for trading as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 33.

### ii. Loans and receivables

Loans and receivables (including trade receivables, cash and cash equivalents and other financial assets) are measured at amortized cost using the effective interest method less any impairment, except for short-term receivables when the effect of discounting is immaterial.

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

### b) Impairment of financial assets

## 2018

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

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

## 2017

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence, as a result of one or more events that occurred after the initial recognition of the financial assets, that the estimated future cash flows of the investment have been affected.

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

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

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

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

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets, with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When trade receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables that are written off against the allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

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

2) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

3) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

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

n. Revenue recognition

2018

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

Revenue from the sale of goods

Revenue from the sale of goods comes from sales of Bio-organic and Bio-chemical fertilizers. Sales of fertilizers are recognized as revenue when the goods are delivered and shipped to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility bears the risks of obsolescence. Trade receivables are recognized currently. The transaction price received is recognized as a contract liability until the good have been delivered to the customer.

## 2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

### 1) Sale of goods

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

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

### 2) Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and at the applicable effective interest rate.

## o. Leasing

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

### 1) The Group as lessor

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

### 2) The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheets as a finance lease obligation.

Finance expenses implicit in lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets; in which case, they are capitalized.

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

p. Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

q. Government grants

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

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

r. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

s. Share-based payment arrangements - employee share options

Equity-settled share-based payment arrangements granted to employee

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vested immediately.

At the end of each reporting period, the Group revises its estimate of the number of employee share options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

t. Taxation

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

1) Current tax

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

## 2) Deferred tax

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

## 3) Current and deferred taxes for the year

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

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

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

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

a. Estimated impairment of financial assets - 2018

The provision for impairment of trade receivables is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience. For details of the key assumptions and inputs used, see Note 8. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Estimated impairment of trade receivables - 2017

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

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Cash on hand	\$ 288	\$ 406
Checking accounts and demand deposits	574,381	933,012
Cash equivalent		
Time deposits (with original maturities less than 3 months)	<u>16,836</u>	<u>60,411</u>
	<u>\$ 591,505</u>	<u>\$ 993,829</u>

The market rate intervals of cash in bank at the end of the reporting period were as follows:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Time deposits (with original maturities less than 3 months)	3.20%	3.00%-4.10%

## 7. FINANCIAL INSTRUMENTS AT FVTPL

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Financial assets at FVTPL - current</u>		
Financial assets held for trading		
Non-derivative financial assets		
Mutual funds	\$ -	\$ 22,152
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	1,137	-
Non-derivative financial assets		
Mutual funds	<u>30,454</u>	<u>-</u>
	<u>\$ 31,591</u>	<u>\$ 22,152</u>

At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2018</u>			
Buy	USD/MYR	January 15, 2019	USD100/MYR424
	USD/MYR	January 15, 2019	USD60/MYR255
	USD/MYR	January 18, 2019	USD200/MYR848
	USD/MYR	January 18, 2019	USD200/MYR848
	USD/MYR	January 18, 2019	USD200/MYR848
	USD/MYR	January 18, 2019	USD100/MYR424
	USD/MYR	February 15, 2019	USD100/MYR424
	USD/MYR	February 19, 2019	USD80/MYR340
	USD/MYR	February 22, 2019	USD200/MYR848
	USD/MYR	February 22, 2019	USD200/MYR848
	USD/MYR	February 22, 2019	USD200/MYR848
	USD/MYR	February 22, 2019	USD200/MYR848
	USD/MYR	February 22, 2019	USD200/MYR848
	USD/MYR	February 22, 2019	USD100/MYR424
	USD/MYR	March 22, 2019	USD200/MYR848

The Group entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

## 8. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	<u>December 31</u>	
	2018	2017
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 835,048	\$ 564,294
Less: Allowance for impairment loss	<u>(47,088)</u>	<u>(21,826)</u>
	<u>\$ 787,960</u>	<u>\$ 542,468</u>
<u>Other receivables</u>		
GST refund receivables	\$ 17,293	\$ 3,382
Interest receivable	1,149	1,406
Others	<u>1,864</u>	<u>1,749</u>
	<u>\$ 20,306</u>	<u>\$ 6,537</u>



a. Trade receivables

In 2018

The average credit period of sales of goods was 60 to 90 days. No interest was charged on trade receivables. The Group adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses other publicly available financial information or its own trading records to rate its major customers.

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

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

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

December 31, 2018

	Not Past Due	Less than 90 Days	91 to 180 Days	181 to 365 Days	Over 365 Days	Total
Expected credit loss rate	1.12%	2.62%	7.52%	21.81%	100%	-
Gross carrying amount	\$ 291,165	\$ 258,463	\$ 199,112	\$ 82,145	\$ 4,163	\$ 835,048
Loss allowance (Lifetime ECL)	<u>(3,271)</u>	<u>(6,769)</u>	<u>(14,971)</u>	<u>(17,914)</u>	<u>(4,163)</u>	<u>(47,088)</u>
Amortized cost	<u>\$ 287,894</u>	<u>\$ 251,694</u>	<u>\$ 184,141</u>	<u>\$ 64,231</u>	<u>\$ -</u>	<u>\$ 787,960</u>

The movements of the loss allowance of trade receivables were as follows:

	2018
Balance at January 1, 2018 per IAS 39	\$ 21,826
Adjustment on initial application of IFRS 9	<u>-</u>
Balance at January 1, 2018 per IFRS 9	21,826
Add: Net remeasurement of loss allowance	25,440
Foreign exchange gains and losses	<u>(178)</u>
Balance at December 31, 2018	<u>\$ 47,088</u>

### In 2017

The Group applied the same credit policy in 2018 and 2017. The Group recognized an allowance for impairment loss of 100% against all receivables over 365 days because historical experience was that receivables that are past due beyond 365 days are not recoverable. Allowance for impairment loss was recognized against trade receivables between 90 days and 365 days based on the estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

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

The aging of receivables was as follows:

	<b>December 31, 2017</b>
Up to 90 days	\$ 392,895
91-180 days	149,836
181-365 days	16,641
Over 365 days	<u>4,922</u>
	<u>\$ 564,294</u>

The above aging schedule was based on the number of past due days from the invoice date.

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

	<b>December 31, 2017</b>
Up to 90 days	\$ 53,290
91-180 days	2,780
181-365 days	250
Over 365 days	<u>231</u>
	<u>\$ 56,551</u>

The above aging schedule was based on the number of past due days from the end of the credit term.

The movements of the allowance for doubtful trade receivables were as follows:

	<b>Total</b>
Balance at January 1, 2017	\$ 25,062
Less: Impairment losses reversed	(3,671)
Foreign exchange translation gains and losses	<u>435</u>
Balance at December 31, 2017	<u>\$ 21,826</u>

b. Other receivables

In 2018

Other receivables primarily included interest receivables, GST refund receivables and others. The Group continuously monitors past default experience of the counterparties and analyzes their current financial position. Based on the information above, the Group then assesses the expected credit loss and considers whether credit risk has been a significant increase since the last period to the reporting date. As of December 31, 2018, the Group estimated the expected credit loss rate of other receivables to be 0%.

In 2017

Other receivables primarily included interest receivables. Historical experience revealed no previously stated receivables were unrecoverable. The Group also considered past default experience of the counterparties and had analyzed their current financial position. No allowance for impairment loss was recognized.

## 9. INVENTORIES

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Merchandise	\$ 12,964	\$ 4,519
Finished goods	56,740	78,781
Work in progress	24,921	12,650
Raw materials	517,828	150,668
Inventory in transit	-	1,519
	<u>\$ 612,453</u>	<u>\$ 248,137</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 was \$1,912,987 thousand and \$1,512,131 thousand, respectively. The cost of goods sold included reversals of inventory write-downs of \$(189) thousand and inventory write-downs of \$1,826 thousand.

## 10. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			December 31		
			2018	2017	
The Company	All Cosmos Industries Sdn. Bhd. (ACI)	Manufacturing and sales of Bio-organic and Bio-chemical compound fertilizers	100	100	
	Sabah Softwoods Hybrid Fertiliser Sdn. Bhd.	Manufacturing and sales of Bio-organic and Bio-chemical compound fertilizers	55	55	
	PT All Cosmos Indonesia	Sales of Bio-organic and Bio-chemical compound fertilizers	99	99	
The Company	PT All Cosmos Biotek	Manufacturing and sales of Bio-organic and Bio-chemical compound fertilizers	60	-	Note 4

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			December 31		
			2018	2017	
ACI	PT All Cosmos Indonesia	Sales of Bio-organic and Bio-chemical compound fertilizers	1	1	
	Arif Efektif Sdn. Bhd.	Research and development of effective microorganisms for Bio-organic and Bio-chemical compound fertilizers	49	49	Note 1
	Kinabalu Life Sciences Sdn. Bhd.	Research and development of effective microorganisms for waste disposal of oil-palm	60	60	Note 2
	Cosmos Biowood Sdn. Bhd.	Forest plantation and research	80	-	Note 3
	GK Bio International Sdn. Bhd.	Wholesale of probiotics	100	-	Note 5
(Concluded)					

Note 1: The Group and its substantive related party separately hold 49% and 26% interest in Arif Efektif Sdn. Bhd. Their combined holding exceeded 50% of the total shares outstanding. Hence, the Group has substantive control over Arif Efektif Sdn. Bhd. and has included it as part of the consolidated entity.

Note 2: The Company and Sawit Kinabalu Sdn. Bhd. entered into a joint venture agreement and established Kinabalu Life Sciences Sdn. Bhd. on December 8, 2017. As of December 31, 2018, there was no capital injection from the Company.

Note 3: ACI resolved to acquire 75% equity interest of Cosmos Biowood Sdn. Bhd., and make a capital injection in the subsidiary. After the capital injection, ACI's proportion of ownership in Cosmos Biowood Sdn. Bhd. from 75% to 80%. Refer to Notes 28 and 29 for the relevant disclosures.

Note 4: The Company and YPJ Plantation Sdn. Bhd. entered into a joint venture agreement and established PT All Cosmos Biotek on July 19, 2018. The Company and YPJ Plantation Sdn. Bhd. invested IDR8,400,000 thousand and IDR5,600,000 thousand, respectively.

Note 5: It was established on October 11, 2018.

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

Name of Subsidiary	Proportion of Ownership and Voting Rights Held by Non-controlling Interests	
	December 31	
	2018	2017
Sabah Softwoods Hybrid Fertiliser Sdn. Bhd.	45%	45%

Refer to Table 6 for the information on principal places of business and countries of incorporation.

Name of Subsidiary	Profit Allocated to Non-controlling Interests For the Year Ended December 31		Accumulated Non-controlling Interests December 31	
	2018	2017	2018	2017
Sabah Softwoods Hybrid Fertiliser Sdn. Bhd.	\$ 42,444	\$ 71,673	\$ 342,848	\$ 299,547

Summarized financial information of the subsidiary that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

Sabah Softwoods Hybrid Fertiliser Sdn. Bhd.

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Current assets	\$ 577,130	\$ 494,878
Non-current assets	304,682	287,600
Current liabilities	(80,665)	(62,100)
Non-current liabilities	<u>(39,262)</u>	<u>(54,717)</u>
Equity	<u>\$ 761,885</u>	<u>\$ 665,661</u>
Equity attributable to:		
The Company	\$ 419,037	\$ 366,114
Non-controlling interests of Sabah Softwoods Hybrid Fertiliser Sdn. Bhd.	<u>342,848</u>	<u>299,547</u>
	<u>\$ 761,885</u>	<u>\$ 665,661</u>
	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Revenue	<u>\$ 787,860</u>	<u>\$ 854,114</u>
Profit for the year	\$ 94,320	\$ 159,274
Other comprehensive income for the year	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>\$ 94,320</u>	<u>\$ 159,274</u>
Profit attributable to:		
The Company	\$ 51,876	\$ 87,601
Non-controlling interests of Sabah Softwoods Hybrid Fertiliser Sdn. Bhd.	<u>42,444</u>	<u>71,673</u>
	<u>\$ 94,320</u>	<u>\$ 159,274</u>
Total comprehensive income attributable to:		
The Company	\$ 51,876	\$ 87,601
Non-controlling interests of Sabah Softwoods Hybrid Fertiliser Sdn. Bhd.	<u>42,444</u>	<u>71,673</u>
	<u>\$ 94,320</u>	<u>\$ 159,274</u>
Net cash inflow from:		
Operating activities	\$ 7,378	\$ 137,183
Investing activities	(29,662)	(5,038)
Financing activities	8,437	(69,679)
Effect of foreign currency exchange	<u>1,186</u>	<u>6,338</u>
Net cash (outflow) inflow	<u>\$ (12,661)</u>	<u>\$ 68,804</u>

## 11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

### Investments in Associates

	December 31, 2018
Associates that are not individually material	
Sawit Ecoshield Sdn. Bhd.	<u>\$ 14,768</u>
	<b>For the Year Ended December 31, 2018</b>

The Group's share of:

Loss from continuing operations	<u>\$ (20)</u>
---------------------------------	----------------

Refer to Table 6 "Information on Investees" for the nature of activities, principal places of business and countries of incorporation of the associates.

Investments were accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on financial statements which have not been audited. Management believes there is no material impact on the equity method accounting or the calculation of the share of profit or loss from the financial statements of Sawit Ecoshield Sdn. Bhd. which has not been audited.

## 12. PROPERTY, PLANT AND EQUIPMENT

	Building	Machinery and Equipment	Transportation Equipment	Furniture, Fixture and Equipment	Lease Assets	Leasehold Improvements	Other Equipment	Property under Construction	Total
<u>Cost</u>									
Balance at January 1, 2017	\$ 328,585	\$ 309,162	\$ 5,349	\$ 3,310	\$ 14,156	\$ 531	\$ 36,565	\$ -	\$ 697,658
Additions	567	19,954	5,108	635	-	-	4,782	5,867	36,913
Reclassified	-	-	1,502	-	(1,502)	-	-	-	-
Disposals	-	(3,028)	(1,093)	-	(2,019)	-	(9)	-	(6,149)
Effect of foreign currency exchange differences	7,611	7,805	338	101	188	12	1,033	230	17,318
Balance at December 31, 2017	<u>\$ 336,763</u>	<u>\$ 333,893</u>	<u>\$ 11,204</u>	<u>\$ 4,046</u>	<u>\$ 10,823</u>	<u>\$ 543</u>	<u>\$ 42,371</u>	<u>\$ 6,097</u>	<u>\$ 745,740</u>
<u>Accumulated depreciation and impairment</u>									
Balance at January 1, 2017	\$ 38,270	\$ 160,055	\$ 3,875	\$ 1,752	\$ 7,051	\$ 265	\$ 17,400	\$ -	\$ 228,668
Depreciation expenses	6,250	26,201	2,381	498	1,124	22	3,486	-	39,962
Disposals	-	(2,548)	(911)	-	(2,019)	-	(5)	-	(5,483)
Effect of foreign currency exchange differences	1,129	4,624	147	60	127	6	539	-	6,632
Balance at December 31, 2017	<u>\$ 45,649</u>	<u>\$ 188,332</u>	<u>\$ 5,492</u>	<u>\$ 2,310</u>	<u>\$ 6,283</u>	<u>\$ 293</u>	<u>\$ 21,420</u>	<u>\$ -</u>	<u>\$ 269,779</u>
Carrying amounts at December 31, 2017	<u>\$ 291,114</u>	<u>\$ 145,561</u>	<u>\$ 5,712</u>	<u>\$ 1,736</u>	<u>\$ 4,540</u>	<u>\$ 250</u>	<u>\$ 20,951</u>	<u>\$ 6,097</u>	<u>\$ 475,961</u>
<u>Cost</u>									
Balance at January 1, 2018	\$ 336,763	\$ 333,893	\$ 11,204	\$ 4,046	\$ 10,823	\$ 543	\$ 42,371	\$ 6,097	\$ 745,740
Additions	184	16,005	2,282	845	708	-	24,735	5,337	50,296
Disposals	-	(1,332)	(673)	-	-	-	(99)	-	(2,104)
Reclassified	4,471	1,368	4,019	-	-	-	-	(9,858)	-
Effect of foreign currency exchange differences	834	1,292	(10)	8	42	2	(79)	73	2,162
Balance at December 31, 2018	<u>\$ 342,252</u>	<u>\$ 351,226</u>	<u>\$ 16,822</u>	<u>\$ 4,899</u>	<u>\$ 11,573</u>	<u>\$ 545</u>	<u>\$ 66,928</u>	<u>\$ 1,849</u>	<u>\$ 796,094</u>

(Continued)

	Building	Machinery and Equipment	Transportation Equipment	Furniture, Fixture and Equipment	Lease Assets	Leasehold Improvements	Other Equipment	Property under Construction	Total
Accumulated depreciation and impairment									
Balance at January 1, 2018	\$ 45,649	\$ 188,332	\$ 5,492	\$ 2,310	\$ 6,283	\$ 293	\$ 21,420	\$ -	\$ 269,779
Depreciation expenses	6,599	29,321	1,391	472	2,539	23	4,962	-	45,307
Disposals	-	(1,261)	(653)	-	-	-	(86)	-	(2,000)
Effect of foreign currency exchange differences	128	525	17	5	-	1	41	-	717
Balance at December 31, 2018	<u>\$ 52,376</u>	<u>\$ 216,917</u>	<u>\$ 6,247</u>	<u>\$ 2,787</u>	<u>\$ 8,822</u>	<u>\$ 317</u>	<u>\$ 26,337</u>	<u>\$ -</u>	<u>\$ 313,803</u>
Carrying amounts at December 31, 2018	<u>\$ 289,876</u>	<u>\$ 134,309</u>	<u>\$ 10,575</u>	<u>\$ 2,112</u>	<u>\$ 2,751</u>	<u>\$ 228</u>	<u>\$ 40,591</u>	<u>\$ 1,849</u>	<u>\$ 482,291</u>

(Concluded)

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

Building	
Main Buildings	50-52 years
Others	50 years
Machinery and equipment	5-10 years
Transportation equipment	5 years
Furniture, fixture and equipment	10 years
Lease assets	5-10 years
Leasehold improvements	25 years
Other Equipment	5-10 years

Property, plant and equipment pledged as collateral for bank borrowings is set out in Note 35.

### 13. GOODWILL

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Cost</u>		
Balance at January 1	\$ 385	\$ 376
Additional amounts recognized from business combinations occurring during the year (Note 28)	5,383	-
Effect of foreign currency exchange differences	<u>(101)</u>	<u>9</u>
Balance at December 31	<u>\$ 5,667</u>	<u>\$ 385</u>
<u>Accumulated impairment losses</u>		
Balance at January 1	\$ -	\$ -
Effect of foreign currency exchange differences	<u>-</u>	<u>-</u>
Balance at December 31	<u>\$ -</u>	<u>\$ -</u>
Carrying amounts at December 31	<u>\$ 5,667</u>	<u>\$ 385</u>

The Group recognized goodwill on the acquisition of Arif Efektif Sdn. Bhd. and Cosmos Biowood Sdn. Bhd. The amount represents the cost of investment in excess of the equity in the fair value of assets and liabilities assumed.

#### 14. OTHER INTANGIBLE ASSETS

#### Computer Software

##### Cost

Balance at January 1, 2017	\$ 5,611
Additions	202
Effect of foreign currency exchange differences	<u>137</u>
Balance at December 31, 2017	<u>\$ 5,950</u>

##### Accumulated amortization

Balance at January 1, 2017	\$ 3,270
Amortization expenses	876
Effect of foreign currency exchange differences	<u>110</u>
Balance at December 31, 2017	<u>\$ 4,256</u>
Carrying amounts at December 31, 2017	<u>\$ 1,694</u>

##### Cost

Balance at January 1, 2018	\$ 5,950
Additions	2,133
Effect of foreign currency exchange differences	<u>3</u>
Balance at December 31, 2018	<u>\$ 8,086</u>

##### Accumulated amortization

Balance at January 1, 2018	\$ 4,256
Amortization expenses	908
Effect of foreign currency exchange differences	<u>9</u>
Balance at December 31, 2018	<u>\$ 5,173</u>
Carrying amounts at December 31, 2018	<u>\$ 2,913</u>

Computer software is amortized over 5 years on a straight-line basis.

#### For the Year Ended December 31

	<u>2018</u>	<u>2017</u>
An analysis of amortization by function		
General and administrative expenses	<u>\$ 908</u>	<u>\$ 876</u>



## 15. PREPAYMENTS FOR LEASES

	December 31	
	2018	2017
Current	\$ 4,103	\$ 2,263
Non-current	<u>171,888</u>	<u>120,769</u>
	<u>\$ 175,991</u>	<u>\$ 123,032</u>

Prepayments for leases include land use rights which are located in Malaysia and Indonesia. The Group has obtained the certificates of land use rights.

Refer to Note 35 for the carrying amounts of the land use rights pledged by the Group to secure bank borrowings.

## 16. OTHER FINANCIAL ASSETS

	December 31	
	2018	2017
<u>Current</u>		
Bank deposit - original maturity of more than 3 months	<u>\$ 921</u>	<u>\$ 889</u>
<u>Non-current</u>		
Restricted bank deposit	<u>\$ 125,025</u>	<u>\$ 120,796</u>
Market rate intervals	2.95%-3.35%	2.55%-3.15%

The Group's exposure and the external credit ratings are continuously monitored. The Group reviews changes in bond yields and other public information and makes an assessment whether there has been a significant increase in credit risk since the last period to the reporting date. The Group assesses that there is no expected credit losses on other financial assets.

Refer to Note 35 for the carrying amounts of other financial assets pledged by the Group to secure bank borrowings.

## 17. OTHER ASSETS

	December 31	
	2018	2017
<u>Current</u>		
Prepayments		
Prepaid insurance expense	\$ 537	\$ 1,714
Prepayments for purchase	19,034	75,983
Office supplies	17,451	9,598
Input tax	1,654	3,262
		(Continued)

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Prepayments for equipment	\$ 1,966	\$ 5,507
Others	<u>20,564</u>	<u>23,672</u>
	<u>\$ 61,206</u>	<u>\$ 119,736</u>
<u>Non-current</u>		
Refundable deposits	<u>\$ 9,823</u>	<u>\$ 12,852</u> (Concluded)

## 18. BORROWINGS

### a. Short-term borrowings

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Secured borrowings (Note 35)</u>		
Bank loans	<u>\$ 146,785</u>	<u>\$ 60,204</u>

The range of interest rates on bank loans was 4.37%-4.72% and 3.85%-4.41% per annum as of December 31, 2018 and 2017, respectively.

### b. Long-term borrowings

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Secured borrowings (Note 35)</u>		
Bank loans	\$ 45,212	\$ 67,670
Less: Current portion	<u>(23,995)</u>	<u>(22,701)</u>
Long-term borrowings	<u>\$ 21,217</u>	<u>\$ 44,969</u>

The details of the long-term borrowings are as follows:

	Effective Rate	December 31	
		2018	2017
<u>Variable rate</u>			
AmIslamic Bank medium-term bank loan with a total amount of MYR5,000 thousand, from May 2, 2014 to May 1, 2021, repayable in monthly installments of principal and interest	4.95%	\$ 10,790	\$ 17,483
AmIslamic Bank medium-term bank loan with a total amount of MYR3,580 thousand, from March 31, 2013 to May 1, 2020, repayable in monthly installments of principal and interest	4.95%	5,533	9,687
AmIslamic Bank medium-term bank loan with a total amount of MYR5,000 thousand, from March 31, 2013 to December 1, 2020, repayable in monthly installments of principal and interest	4.95%	12,436	17,469
AmIslamic Bank medium-term bank loan with a total amount of MYR6,500 thousand, from March 31, 2013 to December 1, 2020, repayable in monthly installments of principal and interest	5.70%	<u>16,453</u>	<u>23,031</u>
		<u>\$ 45,212</u>	<u>\$ 67,670</u>

## 19. FINANCE LEASE PAYABLES

	December 31	
	2018	2017
<u>Minimum lease payments</u>		
Not later than 1 year	\$ 1,023	\$ 834
Later than 1 year and not later than 5 years	<u>589</u>	<u>1,112</u>
	1,612	1,946
Less: Future finance charges	<u>(81)</u>	<u>(99)</u>
Present value of minimum lease payments	<u>\$ 1,531</u>	<u>\$ 1,847</u>
<u>Present value of minimum lease payments</u>		
Not later than 1 year	\$ 964	\$ 768
Later than 1 year and not later than 5 years	<u>567</u>	<u>1,079</u>
	<u>\$ 1,531</u>	<u>\$ 1,847</u>

The Group leased vehicles under financial leases. The average lease terms for the years ended December 31, 2018 and 2017 were both 3 to 5 years. Interest rates underlying all obligations under financial leases fixed on contract dates were 2.40%-4.00% and 2.40% per annum at December 31, 2018 and 2017, respectively.

Refer to Note 35 for the details of the collaterals of the above obligations.

## 20. OTHER LIABILITIES

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Current</u>		
Other payables		
Payable for salaries and bonuses (including compensation to employees and remuneration to directors)	\$ 42,399	\$ 51,357
Payable for land use right	38,353	-
Payable for pension fees	3,067	2,957
Payable for professional service fees	2,373	2,233
Payable for utilities	1,864	3,428
Payable for purchase of equipment	671	8,474
Payable for taxes	873	251
Payable for royalties	2,240	4,361
Payable for marketing expenses	22,185	12,478
Payable for repairs and maintenance	2,383	2,203
Payable for freight	5,333	13,662
Payable for welfare	5,663	5,588
Others	<u>19,654</u>	<u>16,125</u>
	<u>\$ 147,058</u>	<u>\$ 123,117</u>
Other liabilities		
Receipts in advance	\$ -	\$ 6,796
Deferred revenue - arising from government grants (Note)	4,034	5,252
Others	<u>6</u>	<u>1</u>
	<u>\$ 4,040</u>	<u>\$ 12,049</u>
<u>Non-current</u>		
Guarantee deposits received	<u>\$ 22</u>	<u>\$ 30</u>

Note: The Group applied for a research and development grant sponsored by the Malaysia government. The grant spans over a two-year period and divided into two payments, \$2,715 thousand and \$3,556 thousand in 2014 and 2016, respectively. The associated income was recognized proportionally according to the progress of the research and development project.

## 21. RETIREMENT BENEFIT PLANS

The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits in accordance with local regulation. Except for the abovementioned, the Group does not have any other retirement or pension plans for employees.

## 22. EQUITY

### a. Share capital

#### Ordinary shares

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Number of shares authorized (in thousands)	600,000	600,000
Shares authorized	<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>
Number of shares issued and fully paid (in thousands)	64,034	64,034
Shares issued	<u>\$ 640,340</u>	<u>\$ 640,340</u>

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

On December 20, 2016, for the purpose of initial public offering, the Company's board of directors resolved to issue 7,534 thousand ordinary shares, with a par value of \$10. The issuance raised the total amount of \$440,454 thousand for 64,034 thousand new shares; the subscription base day was June 6, 2017. As of April 21, 2017, the above issuance was approved by the FSC by approval letter No. 10617012821.

### b. Capital surplus

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
May be used to offset a deficit, distributed as cash dividends, or <u>transferred to share capital (1)</u>		
Issuance of ordinary shares	\$ 775,964	\$ 775,964
<u>May be used to offset deficit only</u>		
Employee share options (2)	5,537	5,537
<u>May not be used for any purpose</u>		
Others	<u>337</u>	<u>337</u>
	<u>\$ 781,838</u>	<u>\$ 781,838</u>

- 1) Such capital surplus may be used to offset a deficit; In addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).
- 2) The cost of employees' compensation recognized for the year ended December 31, 2017 was \$5,537 thousand, including \$2,675 thousand reclassified to capital surplus - issuance of ordinary shares due to exercise of employee share options.

c. Retained earnings and dividend policy

In accordance with the Articles of Incorporation of Company, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the employees' compensation and remuneration of directors paid and the amounts recognized, refer to employees' compensation and remuneration of directors in Note 24 (f).

According to the Articles of Incorporation of Company, dividend can be paid by stock or cash. Cash dividends should be no less than 50% of the total dividends distributed.

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

The appropriations of earnings for 2017 and 2016 approved in the shareholders' meetings on June 12, 2018 and May 12, 2017, respectively, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (\$)</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Legal reserve	\$ 32,287	\$ 24,322	\$ -	\$ -
Special reserve	(58,709)	88,506	-	-
Cash dividends	169,690	121,475	2.65	2.15

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

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (\$)</b>
Legal reserve	\$ 30,506	\$ -
Special reserve	1,665	-
Cash dividends	153,682	2.40

The appropriations of earnings for 2018 are subject to the resolution by the shareholders in their meeting to be held on June 19, 2019.

d. Special reserve

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Balance at January 1	\$ 369,143	\$ 280,637
Appropriation in respect of		
Debit to other equity items	-	88,506
Reversal of the debit to other equity items	(58,709)	-
Balance at December 31	<u>\$ 310,434</u>	<u>\$ 369,143</u>

According to the Articles of Incorporation of Company, special reserve should be appropriated for the amount equal to the difference between net debit balance reserve of other equity items and the balance of special reserve appropriated on the reporting date. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter, distributed.

e. Other equity items

Exchange differences on translating the financial statements of foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Balance at January 1	\$ (310,434)	\$ (369,143)
Exchange differences on translating the financial statements of foreign operations	(1,508)	(358)
Related income tax	362	86
Exchange differences on translating to the presentation currency	<u>(519)</u>	<u>58,981</u>
Balance at December 31	<u>\$ (312,099)</u>	<u>\$ (310,434)</u>

f. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Balance at January 1	\$ 306,371	\$ 224,743
Share in profit for the year	43,629	73,550
Other comprehensive income during the year		
Exchange differences on translating the financial statements of foreign operations	88	8,078
Non-controlling interests arising from issuance of ordinary shares	12,566	-
Acquisition of non-controlling interests in subsidiaries (Note 28)	754	-
Changes in percentage of ownership interests in subsidiaries (Note 29)	<u>269</u>	<u>-</u>
Balance at December 31	<u>\$ 363,677</u>	<u>\$ 306,371</u>

## 23. REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Revenue from sale of goods	<u>\$ 2,687,581</u>	<u>\$ 2,263,652</u>

a. Contract balances

	<b>December 31, 2018</b>
Trade receivables (included related parties)	<u>\$ 808,203</u>
Contract liabilities - current (Note 34)	<u>\$ 9,867</u>

The amount of contract liabilities recognized as revenue on January 1, 2018 was \$6,796 thousand.

b. Disaggregation of revenue

Refer to Note 38 for details of disaggregation of revenue.

## 24. NET PROFIT FROM CONTINUING OPERATIONS

a. Other income

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Rental income	\$ 32	\$ 33
Interest income	12,614	11,970
Others	<u>8,330</u>	<u>2,201</u>
	<u>\$ 20,976</u>	<u>\$ 14,204</u>

b. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Gain on disposal of property, plant and equipment	\$ 73	\$ 661
Net foreign exchange gains (losses)	30,076	(8,371)
Gain on disposal of financial assets		
Financial assets held for trading	-	7,964
Financial assets mandatorily classified as at FVTPL	10,020	-
Others	<u>(213)</u>	<u>(727)</u>
	<u>\$ 39,956</u>	<u>\$ (473)</u>

c. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Interest on bank loans	\$ 18,587	\$ 13,407
Interest on obligations under finance leases	<u>79</u>	<u>110</u>
	<u>\$ 18,666</u>	<u>\$ 13,517</u>



d. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Property, plant and equipment	\$ 45,307	\$ 39,962
Intangible assets	<u>908</u>	<u>876</u>
	<u>\$ 46,215</u>	<u>\$ 40,838</u>
An analysis of depreciation by function		
Operating costs	\$ 33,556	\$ 30,761
Operating expenses	<u>11,751</u>	<u>9,201</u>
	<u>\$ 45,307</u>	<u>\$ 39,962</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 908</u>	<u>\$ 876</u>

e. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Post-employment benefits		
Defined contribution plans	\$ 9,868	\$ 8,476
Other employee benefits	184,854	164,690
Share-based payments	<u>-</u>	<u>5,537</u>
Total employee benefits expense	<u>\$ 194,722</u>	<u>\$ 178,703</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 63,562	\$ 51,245
Operating expenses	<u>131,160</u>	<u>127,458</u>
	<u>\$ 194,722</u>	<u>\$ 178,703</u>

f. Employees' compensation and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors at rates of no less than 1% and no higher than 10%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and the remuneration of directors for the years ended December 31, 2018 and 2017, which were approved by the Company's board of directors on March 26, 2019 and March 16, 2018, respectively, are as follows:

Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Employees' compensation	3%	5%
Remuneration of directors	2%	3%

Amount

	<b>For the Year Ended December 31</b>			
	<b>2018</b>		<b>2017</b>	
	<b>Cash</b>	<b>Shares</b>	<b>Cash</b>	<b>Shares</b>
Employees' compensation	\$ 9,628	\$ -	\$ 17,547	\$ -
Remuneration of directors	6,419	-	10,528	-

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

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

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

g. Gains and losses on foreign currency exchange

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Foreign exchange gains	\$ 50,900	\$ 57,298
Foreign exchange losses	<u>(20,824)</u>	<u>(65,669)</u>
	<u>\$ 30,076</u>	<u>\$ (8,371)</u>

**25. INCOME TAXES RELATING TO CONTINUING OPERATIONS**

a. Major components of income tax expense recognized in profit or loss

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Current tax		
In respect of the current year	\$ 72,919	\$ 19,859
Adjustments for prior years	629	(1,577)
Deferred tax		
In respect of the current year	<u>(23,220)</u>	<u>(7,770)</u>
Income tax expense recognized in profit or loss	<u>\$ 50,328</u>	<u>\$ 10,512</u>

A reconciliation of accounting profit and income tax expenses is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Profit before tax from continuing operations	<u>\$ 399,015</u>	<u>\$ 406,935</u>
Income tax expense calculated at the statutory rate (24%)	\$ 95,764	\$ 97,664
Nondeductible expenses in determining taxable income	2,062	4,518
Tax-exempt income	(38,233)	(100,758)
Utilisation of unrecognized loss carryforwards	439	186
Utilisation of unrecognized temporary differences	-	(5,094)
Unrecognized investment credit	(12,667)	(2,891)
Adjustments for prior years' income tax	629	(1,577)
Effect of different tax rate of group entities operating in other jurisdictions	2,334	18,407
Other	<u>-</u>	<u>57</u>
Income tax expense recognized in profit or loss	<u>\$ 50,328</u>	<u>\$ 10,512</u>

The applicable income tax rate used by the Group in Malaysia was both 24% in 2018 and 2017. Tax rates used by other entities operating in other jurisdictions are based on the tax laws in each jurisdiction.

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Deferred tax</u>		
In respect of the current period		
Exchange differences arising on translating of the financial statements of foreign operations	<u>\$ (362)</u>	<u>\$ (86)</u>

c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Current tax assets		
Tax refund receivables	<u>\$ 3,628</u>	<u>\$ -</u>
Current tax liabilities		
Income tax payable	<u>\$ 9,876</u>	<u>\$ 4,107</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensiv e Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Exchange differences on translating the financial statements of foreign operations	\$ 228	\$ -	\$ 362	\$ (3)	\$ 587
Unrealized exchange loss	4	104	-	(1)	107
Allowance for ECL	7,251	6,273	-	(35)	13,489
Allowance for impairment loss on inventory	1,671	175	-	5	1,851
Investments tax credits	<u>3,082</u>	<u>9,537</u>	<u>-</u>	<u>(89)</u>	<u>12,530</u>
	<u>\$ 12,236</u>	<u>\$ 16,089</u>	<u>\$ 362</u>	<u>\$ (123)</u>	<u>\$ 28,564</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Depreciation of property, plant and equipment	\$ 31,836	\$ (6,300)	\$ -	\$ 206	\$ 25,742
Unrealized exchange gains	1,186	(799)	-	14	401
Capitalized expense	<u>32</u>	<u>(32)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 33,054</u>	<u>\$ (7,131)</u>	<u>\$ -</u>	<u>\$ 220</u>	<u>\$ 26,143</u>

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensiv e Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Exchange differences on translating the financial statements of foreign operations	\$ 136	\$ -	\$ 86	\$ 6	\$ 228
Unrealized exchange loss	806	(790)	-	(12)	4
Allowance for bad debts	-	6,977	-	274	7,251
Allowance for impairment loss on inventory	-	1,608	-	63	1,671
Investments tax credits	<u>-</u>	<u>2,966</u>	<u>-</u>	<u>116</u>	<u>3,082</u>
	<u>\$ 942</u>	<u>\$ 10,761</u>	<u>\$ 86</u>	<u>\$ 447</u>	<u>\$ 12,236</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Depreciation of property, plant and equipment	\$ 29,246	\$ 1,842	\$ -	\$ 748	\$ 31,836
Unrealized exchange gains	-	1,145	-	41	1,186
Capitalized expense	<u>27</u>	<u>4</u>	<u>-</u>	<u>1</u>	<u>32</u>
	<u>\$ 29,273</u>	<u>\$ 2,991</u>	<u>\$ -</u>	<u>\$ 790</u>	<u>\$ 33,054</u>

- e. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Deductible temporary differences		
Allowance for impairment loss on inventory	<u>\$ 6,656</u>	<u>\$ 3,783</u>
Loss carryforwards	<u>\$ 5,144</u>	<u>\$ 2,577</u>
f. ACI is making research and development investment which, under the regulation of Income Tax Exemption No. 17, is qualified for tax exemption. With the approval of the Minister of Finance of Malaysia, it acquired 100% tax exemption for a period of 10 years, from March 27, 2008 to March 26, 2018. Within 10 years after the end of tax exemption period, the preferential income tax rate of 20% is still applicable to ACI.		
g. Sabah Softwoods Hybrid Fertiliser Sdn. Bhd. had been making investments on production equipment which satisfied the tax credit regulation. With the approval of the Malaysian Investment Development Authority, 60% of the investment on capital expenditure during the period from May 2012 to May 2017 could be counted as tax credit.		
h. Income tax assessments		

As of December 31, 2018, the Group did not have any claim or litigation regarding tax assessment.

## 26. EARNINGS PER SHARE

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Basic earnings per share	<u>\$ 4.76</u>	<u>\$ 5.31</u>
Diluted earnings per share	<u>\$ 4.75</u>	<u>\$ 5.30</u>

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

### Net Profit for the Year

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Profit for the period attributable to owners of the Company	<u>\$ 305,058</u>	<u>\$ 322,873</u>

### Weighted Average Number of Ordinary Shares Outstanding (In Thousand Shares)

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Weighted average number of ordinary shares used in computation of basic earnings per share	64,034	60,793
Effect of potentially dilutive ordinary shares		
Employees' compensation	<u>207</u>	<u>159</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>64,241</u>	<u>60,952</u>

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

## 27. SHARE-BASED PAYMENT ARRANGEMENTS

### Issuance of Ordinary Shares under the Employee Share Option Plan of the Company

In accordance with the Company Act, qualified employees of the Company were granted 1,130 options when the Group resolved to issue ordinary shares on June 6, 2017. Each option entitles the holder to subscribe for one thousand ordinary shares of the Company. All options have vested at the grant date.

Information on employee share options was as follows:

	<b>For the Year Ended December 31, 2017</b>	
	<b>Number of Options (In Thousands)</b>	<b>Weighted- average Exercise Price (\$)</b>
Balance at January 1	-	\$ -
Options granted	1,130	59.85
Options exercised	(546)	59.85
Options expired	<u>(584)</u>	59.85
Balance at December 31	<u>-</u>	-
Options exercisable, end of year	<u>-</u>	-
Weighted-average fair value of options granted (\$)	<u>\$ 4.9</u>	-

Options granted in May 2017 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	<b>Issuance of Ordinary Shares under the Share Option Plan in May 2017</b>
Grant-date share price	\$59.85
Exercise price	\$55
Expected volatility	18.07%
Expected life	1 day
Expected dividend yield	-
Risk-free interest rate	0.40%

Compensation cost recognized was \$5,537 thousand for the year ended December 31, 2017.

## 28. BUSINESS COMBINATIONS

In order to develop the sugar business and obtain the right of use for forest plantation, the Group acquired a 75% equity interest in Cosmos Biowood Sdn. Bhd. on May 28, 2018 for \$2,261 thousand (MYR 300 thousand).

a. Assets acquired and liabilities assumed at the date of acquisition

	<b>Cosmos Biowood Sdn. Bhd.</b>
Current assets	
Cash and cash equivalents	\$ 161
Other current assets	1
Current liabilities	
Other payables	<u>(2,530)</u>
	<u>\$ (2,368)</u>

b. Goodwill recognized on acquisitions

	<b>Cosmos Biowood Sdn. Bhd.</b>
Consideration transferred	\$ 2,261
Plus: Non-controlling interests (25% in Cosmos Biowood Sdn. Bhd.)	754
Plus: Fair value of identifiable net assets acquired	<u>2,368</u>
Goodwill recognized on acquisitions	<u>\$ 5,383</u>

c. Net cash inflow on the acquisition of subsidiaries

	<b>Cosmos Biowood Sdn. Bhd.</b>
Consideration paid in cash	\$ (2,261)
Plus: Cash and cash equivalent balances acquired	<u>161</u>
	<u>\$ (2,100)</u>

d. The results of the acquirees since the acquisition date included in the consolidated statements of comprehensive income

	<b>Cosmos Biowood Sdn. Bhd.</b>
Revenue	<u>\$ -</u>
Net loss	<u>\$ (910)</u>

Had these business combinations been in effect at the beginning of the annual reporting period, the Group's revenue from continuing operations would have been \$2,687,581 thousand, and the profit from continuing operations would have been \$347,343 thousand for the year ended December 31, 2018. This pro-forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2018, nor is it intended to be a projection of future results.

## 29. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On May 28, 2018, the Group subscribed for additional new shares of Cosmos Biowood Sdn. Bhd. at a percentage different from its existing ownership percentage, increasing its continuing interest from 75% to 80%.

	<b>Cosmos Biowood Sdn. Bhd.</b>
Cash consideration paid	\$ 754
The proportionate share of the carrying amount of the net assets of the subsidiary	<u>(1,023)</u>
Differences recognized from equity transactions	<u>\$ (269)</u>
<u>Line items adjusted for equity transactions</u>	
Retained earnings	<u>\$ (269)</u>

## 30. CASH FLOWS INFORMATION

### a. Non-cash transaction

For the years ended December 31, 2018 and 2017, the Group entered into the following non-cash investing and financing activities which were not reflected in the consolidated statements of cash flows:

- 1) As of December 31, 2018 and 2017, the payable for purchasing equipment (recognized as other payables) were \$671 thousand and \$8,474 thousand, respectively.
- 2) As of December 31, 2018, the payable amount on acquired prepayment of lease was (recognized as other payables) \$38,353 thousand.

### b. Changes in liabilities arising from financing activities

For the year ended December 31, 2018

	<b>Opening Balance</b>	<b>Cash Flows</b>	<b>Non-cash Changes</b>			<b>Closing Balance</b>
			<b>New Leases</b>	<b>Interest Expenses</b>	<b>Exchange Differences</b>	
Short-term borrowings	\$ 60,204	\$ 87,255	\$ -	\$ -	\$ (674)	\$ 146,785
Long-term borrowings	67,670	(23,002)	-	-	544	45,212
Guarantee deposits received	30	(8)	-	-	-	22
Finance lease payables	<u>1,847</u>	<u>(1,117)</u>	<u>708</u>	<u>79</u>	<u>14</u>	<u>1,531</u>
	<u>\$ 129,751</u>	<u>\$ 63,128</u>	<u>\$ 708</u>	<u>\$ 79</u>	<u>\$ (116)</u>	<u>\$ 193,550</u>



### 31. OPERATING LEASE ARRANGEMENTS

#### The Group as Lessee

Operating leases relate to leases of office and vehicle with lease terms between 1 and 2 years. The Group does not have a bargain purchase option to acquire the leased asset at the expiration of the lease periods.

The future minimum lease payments of non-cancellable operating lease are as follows:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Not later than 1 year	\$ 1,798	\$ 1,608
Later than 1 year and not later than 5 years	<u>644</u>	<u>275</u>
	<u>\$ 2,442</u>	<u>\$ 1,883</u>

### 32. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged as of December 31, 2018.

The management of the Group periodically reviews its capital structure. As part of the review, the management considers the cost of capital, and the risks associated with each borrowings and the financial ratio required to determine the reasonable scale of capital structure of the Group. The Group balances its overall capital structure by distributing dividend, issuing new shares and obtaining loans.

### 33. FINANCIAL INSTRUMENTS

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

The Group's management believes that the book value of financial asset and financial liability that are not measured at fair value approximates the fair value.

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

##### 1) Fair value hierarchy

December 31, 2018

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Derivative financial assets	\$ -	\$ 1,137	\$ -	\$ 1,137
Mutual funds	<u>30,454</u>	<u>-</u>	<u>-</u>	<u>30,454</u>
	<u>\$ 30,454</u>	<u>\$ 1,137</u>	<u>\$ -</u>	<u>\$ 31,591</u>

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Non-derivative financial assets held for trading	\$ 22,152	\$ -	\$ -	\$ 22,152

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

- 2) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivatives - foreign exchange forward contracts	Fair values of foreign exchange derivative products are measured on the basis of quotations provided by financial institutions.

c. Categories of financial instruments

	December 31	
	2018	2017
<u>Financial assets</u>		
Financial assets at FVTPL		
Held for trading	\$ -	\$ 22,152
Mandatorily classified as at FVTPL	31,591	-
Loans and receivables (Note 1)	-	1,680,795
Financial assets at amortized cost (Note 2)	1,538,505	-
<u>Financial liabilities</u>		
Amortized cost (Note 3)	341,008	236,562

Note 1: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, trade receivables, trade receivables from related parties, other receivables (excluding GST refund receivable), other financial assets and refundable deposits.

Note 2: The balances included financial assets at amortized cost, which comprise cash and cash equivalents, trade receivables, trade receivables from related parties, other receivables (excluding GST refund receivable), other receivables from related parties, other financial assets and refundable deposits.

Note 3: The balances included financial liabilities at amortized cost, which comprise short-term borrowings, trade payables, other payables (excluding payable for salaries and bonuses, payable for pension fees and payable for taxes), other payables to related parties, current portion of long-term borrowings, long-term borrowings, financial lease payables and guarantee deposits received.

d. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, trade payables and borrowings. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations

of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provided written principles on foreign currency risk, interest rate risk, credit risk, the use of derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

#### 1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and other price risk. The Group entered into forward foreign exchange contracts to hedge the exchange rate risk arising from the importations denominated in United States dollar.

##### a) Foreign currency risk

The Group's involvement in foreign currency denominated transactions exposed it to excessive risk arising from volatility of the exchange difference. The Group's risk management policy on foreign exchange is within standard, utilizing derivative - foreign currency forward contract - to manage risks.

Please refer to Note 36 for the amount of the Group's non-functional currency denominated monetary assets and liabilities on the balance sheet date (including those eliminated on consolidation).

#### Sensitivity analysis

The Group was mainly exposed to the changes in the exchange rate of USD.

The following table details the Group's sensitivity to a 5% increase and decrease in the functional currency against the relevant foreign currencies.

The sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates is 5%. The sensitivity analysis included only outstanding foreign currency denominated monetary items (e.g. trade receivables, trade payables and borrowing from external entities), and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with functional currency strengthened by 5% against the relevant foreign currency. For a 5% weakening of functional currency against the relevant foreign currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	<b>USD Impact</b>	
	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Profit or loss	\$ 7,903 *	\$ 19,558 *

\* This was mainly attributable to the exposure of bank deposits, trade receivables, trade payables and borrowings in USD which were not hedged at the end of the reporting period.

The Group's sensitivity to foreign currency decreased during the current period mainly due to the decreases of the foreign financial assets

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates.

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

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Fair value interest rate risk		
Financial assets	\$ 125,946	\$ 165,868
Financial liabilities	1,531	1,847
Cash flow interest rate risk		
Financial assets	113,924	324,810
Financial liabilities	191,997	127,874

Sensitivity analysis

The sensitivity analysis below were determined based on the Group's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. Sensitivity rate of 1% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2018 and 2017 would decrease/increase by \$781 thousand and increase/decrease \$1,969 thousand, respectively, which was mainly a result of the Group's exposure to the change in interest rate on its floating rate bank borrowings and bank deposits.

The Group's sensitivity to interest rates decreased during the current period mainly due to the decreases in financial assets of cash flow interest rate risk.

c) Other price risk

The Group was exposed to price risk relating to its investments in money market fund instruments which were classified as financial assets at FVTPL. The investments are held for strategic purposes. The Group manages this exposure by maintaining a portfolio of investments with lower risks.

Sensitivity analysis

The sensitivity analysis below was based on the exposure to money market funds price risks at the end of the reporting period.

If money market funds prices had been 1% higher/lower, pre-tax profit for the years ended December 31, 2018 and 2017 would have increased/decreased by \$305 thousand and \$222 thousand, respectively, as a result of the changes in fair value of financial assets at FVTPL.

The Group's sensitivity to price risk increased during the current period mainly due to the increases of currency investment fund.

## 2) Credit risk

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

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables.

## 3) Liquidity risk

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

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

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

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows.

Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

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

#### December 31, 2018

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ 73,724	\$ 62,541	\$ 12,724	\$ 22	\$ -
Finance lease liabilities	82	248	693	589	-
Floating interest rate instruments	<u>88,967</u>	<u>36,360</u>	<u>47,247</u>	<u>21,835</u>	<u>-</u>
	<u>\$ 162,773</u>	<u>\$ 99,149</u>	<u>\$ 60,664</u>	<u>\$ 22,446</u>	<u>\$ -</u>

December 31, 2017

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ 80,330	\$ 27,962	\$ 366	\$ 30	\$ -
Finance lease liabilities	70	139	625	1,112	-
Floating interest rate instruments	<u>2,125</u>	<u>6,958</u>	<u>76,634</u>	<u>47,263</u>	<u>-</u>
	<u>\$ 82,525</u>	<u>\$ 35,059</u>	<u>\$ 77,625</u>	<u>\$ 48,405</u>	<u>\$ -</u>

The amount included above for variable interest rate instruments for both non-derivative financial assets and liabilities was subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Liquidity and interest rate risk tables for derivative financial liabilities

The following table detailed the Group's liquidity analysis for its derivative financial instruments. The table was based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed was determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

December 31, 2018

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Net settled</u>					
Foreign exchange forward contracts	<u>\$ 373</u>	<u>\$ 764</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

c) Financing facilities

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Secured bank loan facility:		
Amount used	\$ 193,528	\$ 129,721
Amount unused	<u>894,819</u>	<u>959,072</u>
	<u>\$ 1,088,347</u>	<u>\$ 1,088,793</u>

### 34. TRANSACTIONS WITH RELATED PARTIES

Balances, transactions, revenue and expenses between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

#### a. Related party names and categories

Related Names	Related Party Categories
Sabah Softwoods Berhad	Substantive related party
Sawit Kinabalu Seeds Sdn. Bhd.	Substantive related party (Note)
Borneo Samudera Sdn. Bhd.	Substantive related party (Note)
Bongalio Development Sdn. Bhd.	Substantive related party (Note)
Kalabakan Plantation Sdn. Bhd.	Substantive related party (Note)
Oscar Kinabalu Sdn. Bhd.	Substantive related party (Note)
Bagahak Plantation Sdn. Bhd.	Substantive related party (Note)
Saplantco Sdn. Bhd.	Substantive related party (Note)
Sawit Ecoshield Sdn. Bhd.	Associate
Peng Sheng Ching	Substantive related party
Tan Chek Yen	Substantive related party
Peng Shih Hao	Key management personnel

Note: The related parties are the associates of Sawit Kinabalu Ecotech Sdn. Bhd., which is the shareholder of Kinabalu Life Sciences Sdn. Bhd. The Group recognized the associate as substantive related party since December 8, 2017.

#### b. Operating revenue

Line Items	Related Party Categories/Name	For the Year Ended December 31	
		2018	2017
Sales	Substantive related party		
	Sabah Softwoods Berhad	\$ 235,165	\$ 238,431
	Borneo Samudera Sdn. Bhd. (Note)	186,773	-
	Others (Note)	<u>59,936</u>	<u>-</u>
		<u>\$ 481,874</u>	<u>\$ 238,431</u>

Note: The entities were not classified as related parties for the year ended December 31, 2017.

The selling price for related parties is calculated with reference to the applicable market price. The credit terms for the related parties are comparable to those for unrelated parties.

#### c. Contract liabilities

Related Party Category/Name	December 31	
	2018	2017
Associate		
Sawit Ecoshield Sdn. Bhd.	<u>\$ 8,443</u>	<u>\$ -</u>

d. Receivables from related parties (excluding loans to related parties)

Line Items	Related Party Categories/Name	December 31	
		2018	2017
Trade receivables	Substantive related party		
	Sabah Softwoods Berhad	\$ 2,381	\$ 6,806
	Borneo Samudera Sdn. Bhd. (Note)	18,464	-
		<u>20,845</u>	<u>6,806</u>
	Less: Allowance for impairment loss	<u>(602)</u>	<u>-</u>
		<u>\$ 20,243</u>	<u>\$ 6,806</u>
Other receivables	Associate	<u>\$ 15</u>	<u>\$ -</u>

Note: The entities were not classified as related parties for the year ended December 31, 2017.

In 2018

The outstanding trade receivables from related parties are unsecured.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables from related parties. The expected credit losses on trade receivables from related parties are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position.

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

December 31, 2018

	Not Past Due	Less than 90 Days	91 to 180 Days	181 to 365 Days	Over 365 Days	Total
Expected credit loss rate	1.43%	4.25%	-	100%	100%	-
Gross carrying amount	\$ 10,502	\$ 10,330	\$ -	\$ 12	\$ 1	\$ 20,845
Loss allowance (Lifetime ECL)	<u>(150)</u>	<u>(439)</u>	<u>-</u>	<u>(12)</u>	<u>(1)</u>	<u>(602)</u>
Amortized cost	<u>\$ 10,352</u>	<u>\$ 9,891</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,243</u>

The movements of the loss allowance of trade receivables from related parties were as follows:

	2018
Balance at January 1, 2018 per IAS 39	\$ -
Adjustment on initial application of IFRS 9	<u>-</u>
Balance at January 1, 2018 per IFRS 9	-
Add: Net remeasurement of loss allowance	608
Foreign exchange gains and losses	<u>(6)</u>
Balance at December 31, 2018	<u>\$ 602</u>



In 2017

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2017, no impairment loss was recognized for trade receivables from related parties.

e. Payables to related parties (excluding loans from related parties)

Line Items	Related Party Category/Name	December 31	
		2018	2017
Other payables to related parties	Key management personnel	\$ <u>7</u>	\$ <u>-</u>

The outstanding payables to related parties are unsecured.

f. Others

The Group leased an employees' dormitory from substantive related parties under operating lease arrangements with rentals paid monthly. For the year ended December 31, 2018 and 2017, the rental expenses were \$314 thousand and \$298 thousand, respectively.

g. Compensation of key management personnel

Line Items	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	\$ 55,014	\$ 57,362
Share-based payments	<u>-</u>	<u>5,537</u>
	\$ <u>55,014</u>	\$ <u>62,899</u>

The remuneration to directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

### 35. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	December 31	
	2018	2017
Prepayment for leases	\$ 121,659	\$ 123,032
Other financial assets - non-current	125,025	120,796
Lease assets, net	2,751	4,540
Buildings, net	<u>289,876</u>	<u>291,114</u>
	\$ <u>539,311</u>	\$ <u>539,482</u>

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

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

December 31, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 5,469	4.2350 (USD:MYR)	\$ 171,240
USD	410	14,860 (USD:IDR)	12,861
<u>Financial liabilities</u>			
Monetary items			
USD	831	4.2350 (USD:MYR)	26,033

December 31, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 14,527	4.1400 (USD:MYR)	\$ 442,759
<u>Financial liabilities</u>			
Monetary items			
USD	1,693	4.1400 (USD:MYR)	51,602

The significant realized and unrealized foreign exchange gains (losses) were as follows:

For the Year Ended December 31				
2018			2017	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	4.0432 (USD:MYR)	<u>\$ 28,125</u>	4.2988 (USD:MYR)	<u>\$ (8,598)</u>

### 37. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and b. investees:

1) Financing provided to others (Table 1)

2) Endorsements/guarantees provided (Table 2)

- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 3)
  - 4) Marketable securities acquired and disposed of at costs or prices of at least \$300 million or 20% of the paid-in capital (None)
  - 5) Acquisition of individual real estate at costs of at least \$300 million or 20% of the paid-in capital (None)
  - 6) Disposal of individual real estate at prices of at least \$300 million or 20% of the paid-in capital (None)
  - 7) Total purchases from or sales to related parties amounting to at least \$100 million or 20% of the paid-in capital (Table 4)
  - 8) Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital (None)
  - 9) Trading in derivative instruments (Notes 7 and 33)
  - 10) Intercompany relationships and significant intercompany transactions (Table 5)
  - 11) Information on investees (Table 6)
- c. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (None)
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (None):
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
    - c) The amount of property transactions and the amount of the resultant gains or losses.
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
    - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
    - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.

### 38. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments were identified as All Cosmos Industries Sdn. Bhd. (ACI), Sabah Softwoods Hybrid Fertiliser Sdn. Bhd. (SSHF) and others.

The details of the Group's reportable segments were as follows:

#### a. Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segments.

	<b>Segment Revenue</b>		<b>Segment Income</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
ACI	\$ 1,860,224	\$ 1,403,875	\$ 274,438	\$ 290,662
SSHF	775,038	841,680	101,204	160,485
Others	<u>52,319</u>	<u>18,097</u>	<u>20,127</u>	<u>20,257</u>
Continuing operations	<u>\$ 2,687,581</u>	<u>\$ 2,263,652</u>	395,769	471,404
Other income			20,976	14,204
Other gains and losses			39,956	(473)
Finance costs			(18,666)	(13,517)
Share of loss of associates			(20)	-
General administration costs and remuneration of directors			<u>(39,000)</u>	<u>(64,683)</u>
Profit before tax (continuing operations)			<u>\$ 399,015</u>	<u>\$ 406,935</u>

Segment revenue reported above represents revenue generated from external customers. The inter-segment sales for the years ended December 31, 2018 and 2017 have both been eliminated.

Segment profit represented the profit before tax earned by each segment without allocation of general administration costs and remuneration of directors, share of loss of associates, other income, other gains and losses, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

#### b. Segment total assets and liabilities

Segment total assets and liabilities are not provided to the chief operating decision maker and not required to be disclosed.

c. Revenue from major products

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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Bio-chemical fertilizers	\$ 2,650,533	\$ 2,222,892
Others	<u>37,048</u>	<u>40,760</u>
	<u><u>\$ 2,687,581</u></u>	<u><u>\$ 2,263,652</u></u>

d. Geographical information

The Group operates mainly in Malaysia.

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

	<b>Revenue from External Customers</b>		<b>Non-current Assets</b>	
	<b>For the Year Ended December 31</b>		<b>December 31</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Malaysia	\$ 2,448,563	\$ 2,175,593	\$ 624,214	\$ 598,797
Others	<u>239,018</u>	<u>88,059</u>	<u>53,313</u>	<u>12</u>
	<u><u>\$ 2,687,581</u></u>	<u><u>\$ 2,263,652</u></u>	<u><u>\$ 677,527</u></u>	<u><u>\$ 598,809</u></u>

Non-current assets exclude other financial assets, deferred tax assets and refundable deposits.

e. Information about major customers

Single customers that contributed 10% or more to the revenue in the consolidated statements of comprehensive income for the years ended December 31, 2018 and 2017 were as follows:

	<b>For the Year Ended December 31</b>			
	<b>2018</b>		<b>2017</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Company A	NA (Note)	-	\$ 242,947	11
Company B	NA (Note)	-	238,431	11
Company C	NA (Note)	-	231,050	10
Company D	\$ 339,365	15	NA (Note)	-

Note: The annual income amount does not reach 10% of the total income of the Group.

TABLE 1

## ALL COSMOS BIO-TECH HOLDING CORPORATION AND SUBSIDIARIES

## FINANCING PROVIDED TO OTHERS

FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance (Note 3)	Actual Borrowing Amount (Note 3)	Interest Rate %	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits
													Item	Value		
0	The Company	ACI	Other receivables from related parties	Yes	\$ 108,151	\$ -	\$ -	-	Short-term financing	\$ -	Operating capital	\$ -	-	-	\$ 434,478 (Note 1)	\$ 868,956 (Note 1)
1	ACI	The Company	Other receivables from related parties	Yes	45,765	-	-	-	Short-term financing	-	Operating capital	-	-	-	495,058 (Note 2)	660,078 (Note 2)

Note 1: The amount of loans to companies with short-term financing shall not aggregate more than 40% of the Company's net asset value; loans to individual borrower shall not exceed 20% of the Company's net asset value.

Note 2: The amount of loans to companies with short-term financing shall not aggregate more than 40% of ACI's net asset value; loans to individual borrower shall not exceed 30% of ACI's net asset value.

Note 3: The transactions were eliminated in the consolidated financial statements.

Note 4: The highest balance for the period, the ending balance and the actual borrowing amount were recognized at the exchange rate at the end of the reporting period.

TABLE 2

## ALL COSMOS BIO-TECH HOLDING CORPORATION AND SUBSIDIARIES

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

No.	Endorser/Guarantor	Endorsee/Guaranteee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period (Note 2)	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 1)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	The Company	ACI	The Company directly and indirectly hold more than 50% voting share of the investee company.	\$ 1,412,053	\$ 904,119	\$ 904,119	\$ 177,407	\$ -	41.62	\$ 2,172,389	Yes	No	No

Note 1: The amount of endorsements/guarantee provided shall not aggregate more than 100% of the Company's net asset value. The total amount of the endorsement/guarantee provided by the Company to any individual subsidiary shall not exceed 65% of the Company net asset value.

Note 2: The transactions were eliminated in the consolidated financial statements.

Note 3: The maximum amount for the period, the ending balance for the period and the actual borrowing amount were recognized at the exchange rate at the end of the reporting period.

TABLE 3

## ALL COSMOS BIO-TECH HOLDING CORPORATION AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars, Unless Number of Shares and Shareholding Ratio Otherwise Stated)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018			Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	
ACI	Mutual Fund Affin Hwang Capital UOB- United Cash Fund	None None	Financial assets at FVTPL - current Financial assets at FVTPL - current	2,650,866	\$ 22,858	-	Note Note
				1,015,195	7,596	-	

Note: There is no restriction due to collateral, pledge loan or other arrangement.



TABLE 4

## ALL COSMOS BIO-TECH HOLDING CORPORATION AND SUBSIDIARIES

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

(In Thousands of New Taiwan Dollars)

Buyer/Seller	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Sabah Softwoods Hybrid Fertiliser Sdn. Bhd.	Sabah Softwoods Berhad	Substantive related party	Sales	\$ (235,165)	(30)	60 days	NA (Same as the Company's usual list prices)	NA (Same as the Company's usual payment terms)	\$ 2,381	2	
	Borneo Saunders Sdn. Bhd.	Substantive related party	Sales	(186,773)	(24)	60 days	NA (Same as the Company's usual list prices)	NA (Same as the Company's usual payment terms)	18,464	15	

TABLE 5

**ALL COSMOS BIO-TECH HOLDING CORPORATION AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS**

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

**(In Thousands of New Taiwan Dollars and Malaysian Ringgit)**

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transactions Details				% to Total Sales or Assets
				Financial Statement Accounts	MYR	\$	Payment Terms	
0	The Company	All Cosmos Industries Sdn. Bhd. PT All Cosmos Biotech	a a	Endorsement/guarantee Investments accounted for using the equity method	\$ 122,278 2,568	\$ 904,119 18,849		30 1
1	All Cosmos Industries Sdn. Bhd.	Sabah Softwoods Hybrid Fertiliser Sdn. Bhd. PT All Cosmos Indonesia	c c	Other income Sales Trade receivables	1,896 6,034 2,710	14,171 45,100 20,038	Royalty revenue which is made at certain percentage of quantity of sales Sales price is based on market price and transfer pricing within the Group, payment terms is net 60 days	1 2 1
2	Sabah Softwoods Hybrid Fertiliser Sdn. Bhd.	All Cosmos Industries Sdn. Bhd.	c	Sales	1,562	11,675	Sales price is based on market price and transfer pricing within the Group, payment terms is net 60 days	-

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- Parent company is "0".
- The subsidiaries are numbered in order starting from "1".

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

- Parent company to subsidiary;
- Subsidiary to parent company;
- Subsidiary to subsidiary.

Note 3: The percent to total assets is calculated by the amount of balance sheet item divided by the consolidated total assets at the end of the reporting period; and the percent to sales is calculated by the amount of income and expense item divided by the consolidated total operating revenues during the reporting period.

Note 4: All assets and liabilities were recognized at the exchange rate (MYR1=\$7.393961) at the end of the reporting period. All income statement accounts were recognized at the average exchange rate (MYR1=\$7.474321).

Note 5: The transactions were eliminated in the consolidated financial statements.

Note 6: This table disclosed significant transactions with amounts of at least \$10 million.

TABLE 6

## ALL COSMOS BIO-TECH HOLDING CORPORATION AND SUBSIDIARIES

## INFORMATION ON INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2018

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2018		Carrying Amount	Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2018	December 31, 2017	Shares	%				
The Company	All Cosmos Industries Sdn. Bhd.	Johor Bahru, Malaysia	Manufacturing and sales of Bio-organic and Bio-chemical compound fertilizers.	\$ 292,969 (MYR 30,000)	\$ 292,969 (MYR 30,000)	30,000,000	100	\$ 1,642,225 (MYR 222,645)	286,372 (MYR 38,614)	\$ 281,740 (MYR 37,638)	Notes 1 and 2
	Sabah Softwoods Hybrid Fertiliser Sdn. Bhd.	Lahad Datu, Malaysia	Manufacturing and sales of Bio-organic and Bio-chemical compound fertilizers	292,053 (MYR 33,000)	292,053 (MYR 33,000)	33,000,000	55	419,037 (MYR 56,673)	94,320 (MYR 12,619)	51,876 (MYR 6,941)	Note 1
	PT All Cosmos Biotech	North Sumatra, Indonesia	Manufacturing and sales of Bio-organic and Bio-chemical compound fertilizers	18,849 (IDR 8,400,000)	-	8,400	60	18,142 (MYR 2,454)	739 (MYR 99)	443 (MYR 59)	Note 1
	PT All Cosmos Indonesia	North Sumatra, Indonesia	Sales of Bio-organic and Bio-chemical compound fertilizers	9,925 (IDR 3,960,000)	9,925 (IDR 3,960,000)	79,200	99	2,371 (MYR 321)	(1,632) (MYR -218)	(1,616) (MYR -216)	Note 1
	PT All Cosmos Indonesia	North Sumatra, Indonesia	Sales of Bio-organic and Bio-chemical compound fertilizers	102 (IDR 40,000)	102 (IDR 40,000)	800	1	100 (MYR 14)	(1,632) (MYR -218)	(16) (MYR -2)	Note 1
All Cosmos Industries Sdn Bhd	Arif Elektrif Sdn. Bhd.	Johor Bahru, Malaysia	Research and development of effective microorganisms for Bio-organic and Bio-chemical compound fertilizers	2,349 (MYR 245)	2,349 (MYR 245)	245,000	49	7,601 (MYR 1,028)	2,100 (MYR 281)	1,029 (MYR 138)	Note 1
	Kinabalu Life Sciences Sdn. Bhd.	Lahad Datu, Malaysia	Research and Development of effective microorganisms for waste disposal of oil-palm	-	-	6	60	-	-	-	Notes 1 and 3
	Cosmos Biowood Sdn. Bhd.	Johor Bahru, Malaysia	Forest plantation and research	3,015 (MYR 400)	-	400,000	80	1,973 (MYR 267)	(910) (MYR -122)	(728) (MYR -97)	Note 1
	GK Bio International Sdn. Bhd.	Johor Bahru, Malaysia	Wholesale of probiotics	-	-	10	100	(25) (MYR -3)	(25) (MYR -3)	(25) (MYR -3)	Note 1
	Sawit Ecofield Sdn. Bhd.	Kota Kinabalu, Malaysia	Research and development of effective microorganisms for waste disposal of oil-palm	14,788 (MYR 2,000)	-	4	40	14,768 (MYR 1,997)	(49) (MYR -7)	(20) (MYR -3)	

Note 1: The transactions were eliminated in the consolidated financial statements.

Note 2: Realized/unrealized gross profit on intercompany transactions were included

Note 3: A registered company and there was no capital injection as of December 31, 2018.