

Evermore Chemical Industry Co., Ltd.

Individual Financial Statements  
and Independent Auditor's Report  
December 31, 2019 and 2018

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## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders Evermore Chemical Industry Co., Ltd.

### **Audit Opinion**

We have audited the accompanying individual balance sheets of Evermore Chemical Industry Co., Ltd. and its subsidiaries (the "Group") as at December 31, 2019 and 2018, and the related individual statements of comprehensive income, of changes in equity and of cash flow for the years then ended, and notes to the individual financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and reports of other independent accountants, the accompanying individual financial statements present fairly, in all material respects, the individual financial position of the Group as at December 31, 2019 and 2018, and its individual financial performance and its individual cash flow for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

### **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 Financial Statements section of our report. We are independent of the Company 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 Group's individual financial statements of the year 2019. These matters were addressed in the context of our audit of the 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 2019 individual financial statements are stated as follows:

#### Impairment Assessment of Trade Receivables

The impairment assessment of trade receivables is based on the management's assumptions about risk of default and expected loss rates, and the subjective estimates of future cash flow. Where the actual future cash inflows are less than the carrying amount of assets, a material impairment loss may arise. Considering the management's significant accounting judgments, estimates, and significant accounts receivable balances, the impairment assessment of trade receivables is a key audit matter. Refer to Notes 4, 5, and 7 to the Company's financial statements for the accounting policies related to disclosures on trade receivables.

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

1. Obtain an understanding and assess the design and effectiveness of the Company's internal control related to the impairment of trade receivables.
2. Understand the management's policy on the impairment of trade receivables, and check the correctness of the aging of trade receivables.
3. Review the reasonableness of the management's assessment on expected loss rates for calculating the adequacy of recognizing impairment loss, and for verifying the possibility of recovering outstanding receivables after the audit period.

#### Valuation of Inventories

Due to frequent fluctuations in international crude oil prices, fierce market competition, and rapid technological changes in the chemical industry, the net realizable value decisions for the assessment data related to the lower of inventory cost and net realizable value at the reporting period have a greater impact on the financial statements. Since determining the net realizable value of inventory involves more estimations, the valuation of inventories is a key audit procedure. Please refer to Notes 4, 5, and 8 to the accompanying consolidated financial statements for the accounting policies related to disclosures on inventory.

Our key audit procedures performed in respect to the impairment assessment of accounts receivable included the following:

1. We understood and tested whether management managed the inventory of normal and stagnant goods under appropriate control.
2. We obtained assessment data related to the low inventory cost and net realizable value prepared by the management, extracted the estimated selling price information to the most recent sales record, and assessed the basis and reasonableness of the management's estimated net realizable value.

3. We reviewed the inventory status and assessed the appropriateness of depreciation losses for obsolete or defective goods in inventory carried out at the end of the year.

### **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of the Company's financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the supervisors, are responsible for overseeing the Company's financial reporting process.

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 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 Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the 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 2019 individual financial statements 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.

Deloitte Taiwan

CPA Shu-Ching Chiang

CPA Li-Tung Wu

Approval reference of the Financial  
Supervisory Commission  
Jin-Guan-Zheng-Shen-1000028068

Approval reference of the Securities and  
Futures Bureau  
Tai-Tsai-Cheng (VI) No. 0920123784

March 19, 2020

EVERMORE CHEMICAL INDUSTRY CO., LTD.  
BALANCE SHEETS  
December 31, 2019 and 2018

Unit: Thousands New Taiwan Dollars

Code	ASSETS	December 31, 2019		December 31, 2018	
		Amount	%	Amount	%
	<b>CURRENT ASSETS</b>				
1100	Cash (Notes 4 and 6)	\$ 29,949	1	\$ 28,654	1
1150	Notes receivable (Notes 4, 5, 7, and 23)	76,797	3	70,215	3
1170	Trade receivables from unrelated parties, net (Notes 4, 5, and 7)	165,503	7	231,370	10
1180	Trade receivables from related parties, net (Notes 4, 5, 7, and 23)	72,509	3	106,312	4
1200	Other receivables (Note 23)	7,390	1	18,479	1
1220	Current tax assets (Notes 4 and 19)	2,249	-	2,249	-
1300	Inventories (Notes 4, 5, and 8)	266,821	11	300,874	13
1476	Other financial asset - current (Notes 4, 9, and 24)	1,586	-	1,570	-
1479	Other current assets	5,237	-	3,112	-
11XX	Total current assets	<u>628,041</u>	<u>26</u>	<u>762,835</u>	<u>32</u>
	<b>NON-CURRENT ASSETS</b>				
1550	Investment accounted for using the equity method (Notes 4 and 10)	1,038,705	42	960,545	40
1600	Property, plant, and equipment (Notes 4, 11, and 24)	606,200	25	648,268	27
1760	Real estate net investments (Notes 4 and 12)	1,243	-	1,393	-
1801	Net computer software (Note 4)	766	-	1,283	-
1840	Deferred tax assets (Notes 4 and 19)	11,111	-	5,662	-
1915	Prepayments for equipment	71,580	3	24,224	1
1920	Refundable deposits	248	-	248	-
1960	Prepayments for investments (Note 10)	87,561	4	-	-
15XX	Total non-current assets	<u>1,817,414</u>	<u>74</u>	<u>1,641,623</u>	<u>68</u>
1XXX	<b>TOTAL</b>	<u>\$ 2,445,455</u>	<u>100</u>	<u>\$ 2,404,458</u>	<u>100</u>
	<b>LIABILITIES AND EQUITY</b>				
	<b>CURRENT LIABILITIES</b>				
2100	Short-term bank borrowings (Notes 13 and 24)	\$ 468,715	19	\$ 390,410	16
2110	Short-term bills payable (Note 13)	129,867	5	129,975	6
2150	Notes payable (Note 23)	70,815	3	79,766	3
2170	Trade payables (Note 23)	88,045	4	149,965	6
2200	Other payables (Notes 14 and 23)	63,138	3	108,069	5
2230	Current tax liabilities (Notes 4 and 19)	13,608	1	-	-
2250	Provisions - current (Notes 4 and 15)	1,077	-	808	-
2322	Current portion of long-term bank borrowings (Notes 13 and 24)	54,483	2	34,664	2
2399	Other current liabilities- Other	4,869	-	3,445	-
21XX	Total current liabilities	<u>894,617</u>	<u>37</u>	<u>897,102</u>	<u>38</u>
	<b>NON-CURRENT LIABILITIES</b>				
2541	Long-term bank borrowings (Notes 13 and 24)	27,602	1	82,085	3
2570	Deferred tax liabilities (Notes 4 and 19)	58,086	2	43,615	2
25XX	Total non-current liabilities	<u>85,688</u>	<u>3</u>	<u>125,700</u>	<u>5</u>
2XXX	Total liabilities	<u>980,305</u>	<u>40</u>	<u>1,022,802</u>	<u>43</u>
	<b>EQUITY</b>				
3110	Ordinary share - par value of NT\$10, authorized shares of 120,000 thousand shares, issued capital of 99,388 thousand shares	993,880	41	993,880	41
3200	Capital surplus	98,017	4	98,017	4
	Retained earnings				
3310	Legal reserve	202,841	8	201,804	8
3320	Special reserve	2,169	-	10,054	1
3350	Unappropriated earnings	189,853	8	80,070	3
3400	Other equity	( 21,610 )	( 1 )	( 2,169 )	-
3XXX	Total equity	<u>1,465,150</u>	<u>60</u>	<u>1,381,656</u>	<u>57</u>
	<b>TOTAL</b>	<u>\$ 2,445,455</u>	<u>100</u>	<u>\$ 2,404,458</u>	<u>100</u>

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

Chairman: Wen-Chieh Ho

Manager: Chang-Tse Huang

Chief Accountant: Hsiang-Li Chen



EVERMORE CHEMICAL INDUSTRY CO., LTD.  
STATEMENTS OF COMPREHENSIVE INCOME

Year ended December 31, 2019 and 2018

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

Code		2019		2018	
		Amount	%	Amount	%
4000	NET SALES REVENUES (Notes 4 and 23)	\$ 1,401,543	100	\$ 1,722,183	100
5000	COST OF GOODS SOLD (Notes 8, 18, and 23)	<u>1,170,905</u>	<u>84</u>	<u>1,604,862</u>	<u>93</u>
5900	GROSS PROFIT	230,638	16	117,321	7
5910	UNREALIZED GROSS PROFIT ON SALES TO SUBSIDIARIES	( 5,451 )	-	( 3,804 )	-
5920	REALIZED GROSS PROFIT ON SALES TO SUBSIDIARIES	<u>3,804</u>	<u>-</u>	<u>3,561</u>	<u>-</u>
5950	REALIZED GROSS PROFIT	<u>228,991</u>	<u>16</u>	<u>117,078</u>	<u>7</u>
	OPERATING EXPENSES (Note 18)				
6100	Selling and marketing expenses	50,779	4	48,725	3
6200	General and administrative expenses	62,786	4	42,754	2
6300	Research and development expenses	46,112	3	43,790	3
6450	Expected credit loss (Note 4, 7)	<u>20,990</u>	<u>2</u>	<u>-</u>	<u>-</u>
6000	Total operating expenses	<u>180,667</u>	<u>13</u>	<u>135,269</u>	<u>8</u>
6900	PROFIT (LOSS) FROM OPERATIONS	<u>48,324</u>	<u>3</u>	( <u>18,191</u> )	( <u>1</u> )
	NON-OPERATING INCOME AND EXPENSES				
7070	Share of profit of subsidiaries and associates (Note 4)	102,825	7	30,084	2
7100	Interest income	207	-	124	-
7190	Other income (Note 23)	2,967	-	2,159	-
7230	Foreign exchange net gain (loss) (Note 18)	( 654 )	-	10,211	1

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Code		2019		2018	
		Amount	%	Amount	%
7510	Interest expenses (Note 23)	( \$ 8,246 )	-	( \$ 9,133 )	( 1 )
7590	Other expenses (Note 18)	( 661 )	-	( 694 )	-
7000	Total non-operating income and expenses	<u>96,438</u>	<u>7</u>	<u>32,751</u>	<u>2</u>
7900	PROFIT BEFORE INCOME TAX	144,762	10	14,560	1
7950	INCOME TAX EXPENSE (Notes 4 and 19)	<u>26,919</u>	<u>2</u>	<u>4,193</u>	-
8200	NET PROFIT FOR THE YEAR	<u>117,843</u>	<u>8</u>	<u>10,367</u>	<u>1</u>
	OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translating the financial statements of foreign operations	( 23,018 )	( 1 )	10,611	-
8399	Income tax relating to items that may be reclassified subsequently to profit or loss (Note 19)	<u>3,577</u>	-	( <u>2,726</u> )	-
8300	Other comprehensive income (loss) for the year, net income tax	( <u>19,441</u> )	( <u>1</u> )	<u>7,885</u>	-
8500	TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 98,402</u>	<u>7</u>	<u>\$ 18,252</u>	<u>1</u>
	EARNINGS PER SHARE (Note 20)				
9710	Basic	<u>\$ 1.19</u>		<u>\$ 0.10</u>	
9810	Diluted	<u>\$ 1.18</u>		<u>\$ 0.10</u>	

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

Chairman: Wen-Chieh Ho

Manager: Chang-Tse Huang

Chief Accountant: Hsiang-Li Chen

EVERMORE CHEMICAL INDUSTRY CO., LTD.

STATEMENTS OF CHANGES IN EQUITY

For the year ended December 31, 2019 and 2018

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

Code		Ordinary Shares	Capital Surplus ( N o t e 1 7 )	R e t a i n e d E a r n i n g s ( N o t e 1 7 )		Unappropriated E a r n i n g s ( N o t e 1 9 )	Exchange differences on translating the financial statements of foreign operations	Total Equity
				Legal Reserve	Special Reserve			
A1	Balance on January 1, 2018	\$ 993,880	\$ 98,017	\$ 195,534	\$ -	\$ 135,721	(\$ 10,054)	\$ 1,413,098
	Appropriation of 2017 earnings							
B1	Legal reserve	-	-	6,270	-	( 6,270 )	-	-
B3	Special reserve	-	-	-	10,054	( 10,054 )	-	-
B5	Cash dividends distributed by the Company - NT\$ 0.5 per share	-	-	-	-	( 49,694 )	-	( 49,694 )
D1	Net profit for the year ended December 31, 2018	-	-	-	-	10,367	-	10,367
D3	Other comprehensive income for the year ended December 31, 2018, net of income tax	-	-	-	-	-	7,885	7,885
D5	Total comprehensive income for the year ended December 31, 2018	-	-	-	-	10,367	7,885	18,252
Z1	BALANCE ON DECEMBER 31, 2018	993,880	98,017	201,804	10,054	80,070	( 2,169 )	1,381,656
	Distribution of 2018 consolidated net income:							
B1	Legal reserve	-	-	1,037	-	( 1,037 )	-	-
B5	Cash dividend – NT\$0.15 per share	-	-	-	-	( 14,908 )	-	( 14,908 )
B17	Reversal of special reserve	-	-	-	( 7,885 )	7,885	-	-
D1	2019 net income	-	-	-	-	117,843	-	117,843
D3	2019 other comprehensive profit and loss after tax	-	-	-	-	-	( 19,441 )	( 19,441 )
D5	2019 total current comprehensive profit and loss	-	-	-	-	117,843	( 19,441 )	98,402
Z1	Balance on December 31, 2019	\$ 993,880	\$ 98,017	\$ 202,841	\$ 2,169	\$ 189,853	(\$ 21,610)	\$ 1,465,150

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

Chairman: Wen-Chieh Ho

Manager: Chang-Tse Huang

Chief Accountant: Hsiang-Li Chen

EVERMORE CHEMICAL INDUSTRY CO., LTD.

INDIVIDUAL CASH FLOW STATEMENT

For the year ended December 31, 2019 and 2018

Unit: Thousands New Taiwan Dollars

Code		2019	2018
	CASH FLOW FROM OPERATING ACTIVITIES		
A10000	Income before tax	\$ 144,762	\$ 14,560
A20000	Adjustments for:		
A20100	Depreciation expenses	59,292	58,666
A20200	Amortization expenses	1,231	1,245
A20300	Expected credit loss	20,990	-
A20900	Interest fees	8,246	9,133
A21200	Interest income	( 207 )	( 124 )
A22300	Share of profit of subsidiaries and associates	( 102,825 )	( 30,084 )
A22500	Loss (gain) on disposal of property, plant, and equipment	6	( 48 )
A23700	(Reversal of) impairment loss on non-financial assets	( 11,667 )	14,191
A23900	UNREALIZED GROSS PROFIT ON SALES TO SUBSIDIARIES	1,647	243
A24100	Foreign exchange losses (gains)	( 258 )	3,056
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	( 6,582 )	3,039
A31150	Trade receivables	75,422	54,835
A31180	Other receivables	2,727	1,638
A31200	Inventories	45,720	29,226
A31240	Other current assets	( 2,125 )	1,776
A32130	Notes payable	( 8,951 )	( 8,174 )
A32150	Trade payables	( 61,543 )	( 49,439 )
A32180	Other payables	15,259	( 9,395 )
A32200	Provisions	269	( 627 )
A32230	Other current liabilities	1,424	( 2,357 )
A33000	Cash generated from operations	182,837	91,360
A33100	Interest received	191	108
A33300	Interest paid	( 8,255 )	( 9,346 )
A33500	Income tax paid	( 712 )	( 5,456 )
AAAA	Net cash flow from operating activities	174,061	76,666

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C o d e		2019	2018
	CASH FLOW FROM INVESTING ACTIVITIES		
B02000	Increase in prepayments for investments	(\$ 87,561)	\$ -
B02700	Payments for property, plant, and equipment	( 9,649)	( 7,957)
B02800	Proceeds from disposal of property, plant, and equipment	104	48
B03700	Increase in refundable deposits	-	( 237)
B03800	Decrease in refundable deposits	-	12
B04400	Decrease in other receivables due from related parties	8,265	687
B04500	Payments for intangible assets	( 714)	( 1,151)
B07100	Increase in prepayments for equipment	( 55,922)	( 27,781)
B07600	Dividend received	<u>-</u>	<u>20,759</u>
BBBB	Net cash used in investing activities	( <u>145,477</u> )	( <u>15,620</u> )
	CASH FLOW FROM FINANCING ACTIVITIES		
C00100	Proceeds from short-term borrowings	2,285,900	1,712,973
C00200	Repayments of short-term borrowings	( 2,207,494)	( 1,749,988)
C00500	Proceeds (repayments) from short-term bills payable	( 108)	49
C01700	Repayments of long-term borrowings	( 34,664)	( 34,664)
C03800	Increase (decrease) in other payables due to related parties	( 56,015)	31,670
C04500	Dividends paid to owners of the Company	( <u>14,908</u> )	( <u>49,694</u> )
CCCC	Net cash flow used in financing activities	( <u>27,289</u> )	( <u>89,654</u> )
EEEE	NET INCREASE (DECREASE) IN CASH	1,295	( 28,608)
E00100	CASH AT THE BEGINNING OF THE YEAR	<u>28,654</u>	<u>57,262</u>
E00200	CASH AT THE END OF THE YEAR	<u>\$ 29,949</u>	<u>\$ 28,654</u>

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

Chairman: Wen-Chieh Ho

Manager: Chang-Tse Huang

Chief Accountant: Hsiang-Li Chen

EVERMORE CHEMICAL INDUSTRY CO., LTD.

INDIVIDUAL FINANCIAL STATEMENT NOTES

For the year ended December 31, 2019 and 2018

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

I. GENERAL INFORMATION

Evermore Chemical Industry Co., Ltd. (the “Company”) was incorporated in 1989. The Company’s shares were listed on the Taiwan Stock Exchange (“TWSE”) in 2002 after being traded on the Taipei Exchange (“TPEX”) since 2000.

The Company mainly engages in the manufacturing and selling of synthetic resin, synthetic chemistry, and investment related business operations.

AICA Kogyo Company Limited (AICA) in Japan announced to acquire the shares of the Company through a tender offer on November 16, 2017. The expected date of commencement of payment was on January 5, 2018. AICA acquired 50.1% shares of the Company on January 16, 2018 and became the parent company.

II. APPROVAL OF FINANCIAL STATEMENTS

These individual financial statements were authorized by the Board of Directors on March 19, 2020.

III. APPLICATION OF NEW, AMENDED, AND REVISED STANDARDS AND INTERPRETATIONS

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

The initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have a significant effect on the Group’s accounting policies.

- (II) The Financial Supervisory Commission recognized IFRSs adopted in 2020.

New IFRSs	Effective date of IASB announcement
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Interest rate benchmark reform related amendments to IFRS 9, IAS 39, and IFRS 7	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: 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 2: This amendment applies retrospectively from the beginning of January 1, 2020.

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

- (III) New IFRSs in issue by International Accounting Standards Board (IASB) but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective date of IASB announcement (Note)
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
Amendment to IAS1 “Classification of Liabilities as Current or Non-Current”	January 1, 2022

Note: Unless otherwise specified, all new/amended/modified standards and interpretations above shall take effect from the financial year that begins after the specified date.

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

#### IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(I) Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(II) Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments.

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 the asset or liability.

The subsidiaries and associates are incorporated in the financial statements under the equity method. To make net profit for the year, other comprehensive income and equity in the financial statements equal to those attributed to owners of the Company on consolidated financial statements, the effect of the differences between standalone and consolidated basis of consolidation are adjusted in the “investments accounted for using the equity method,” the “share of profit of subsidiaries,” and related equity.

(III) 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 unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

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



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

(IV) Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (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 closing rates. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

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

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting financial statements, the functional currencies of the Company and its entities are translated into the presentation currency, the New Taiwan dollar as follows: Income and expense items are translated in accordance with the current average exchange rates and the exchange differences are booked in the other comprehensive profit or loss.

(V) Inventories

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

(VI) Investment accounted for using the equity method

The Company uses the equity method to account for its investments in subsidiaries and associates.

1. Investments in subsidiaries

Subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the share of equity of subsidiaries.

Changes in the Company's ownership interests in a subsidiaries that do not result in the Company losing of control over the subsidiary are accounted for as equity transaction. Differences between the carrying amounts of the investment and the fair value of consideration paid or received are directly recognized in equity.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

The unrealized profits and losses are eliminated in the individual financial report for downstream transactions between the Company and its subsidiaries. Profits and losses on transactions with subsidiaries other than downstream are recognized in financial statements only to the extent of interests in the subsidiary that are not related to the Company.

2. Investments in associates

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

Under the equity method, on initial recognition the investment in the associate is recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Company also recognizes the changes in the Company's share of the equity of associates.

Any excess of the cost of acquisition over the Company's share of the net

fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When impairment loss is evaluated the entire carrying amount of an investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment has subsequently increase.

When a Company entity transacts with its associates, profits and losses on these transactions are recognized in the financial statements only to the extent of interests in the associate that are not related to the Company.

(VII) Property, plant, and equipment

Property, plant, and equipment are stated at cost minus accumulated depreciation.

Property, plant, and equipment in the course of construction are carried at cost. Such properties are classified to the appropriate categories of property, plant, and equipment when completed and ready for intended use and depreciated accordingly.

Depreciation of property, plant, and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation 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.

(VIII) Investment properties

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

Investment property is initially measured at cost (including transaction costs), and the subsequent measurement is the cost minus accumulated depreciation.

Depreciation is recognized using the straight-line method.

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

(IX) Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost minus accumulated amortization. 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.

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

(X) Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an 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 Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to the individual cash-generating units; otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 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 for the asset or cash-generating unit (net of amortization and depreciation) had no impairment loss been recognized in the previous year. A reversal of an impairment loss is recognized in profit or loss.

(XI) Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) 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 fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

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

1. Measurement Category

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

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

- (1) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flow; and
- (2) The contractual terms of the financial asset give rise on specified dates to cash flow 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, notes and trade receivables at amortized cost, other receivables, other financial asset and refundable deposits) are measured at amortized cost, which equals to 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:

- (1) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate

to the amortized cost of such financial asset; and

- (2) For financial assets that are not purchased or originated credit-impaired (POCI) but have subsequently become credit-impaired, the interest revenue shall be calculated by applying the effective interest rate to their amortized cost from the reporting period following the impairment.

Credit-impaired financial assets refers to when there is a significant financial difficulty or a breach of contract of the issuer or debtor, the debtor will enter bankruptcy or other financial reorganization, or the disappearance of an active market because the financial instruments are no longer publicly traded.

## 2. Impairment of financial assets

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

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

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. 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. In contrast, lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

To manage the internal credit risk, the Company determined that the following situations represent a default of financial assets without considering the collateral information:

- (1) Internal or external information indicates that debt settlement is no longer possible for the debtor.
- (2) Past due more than 90 days, unless there is reasonable evidence as the appropriate reason for the delay.

The Company 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.

3. Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flow 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.

For derecognition of financial assets measured at amortized cost, any difference between the carrying amount and consideration is recognized as gains/losses.

Financial liabilities

1. Subsequent measurement

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

2. Derecognition of financial liabilities

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

(XII) Provisions

Provisions are measured at the best estimate of the discounted cash flow of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Provisions are measured using estimated cash flow to settle the present obligation, that the cash flow be discounted to their present value.

(XIII) Revenue recognition

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

For contracts where the period between the date the Group transfers a promised good or service to a customer and the date the customer pays for that good or service is one year or less, the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

(XIV) 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 service.

2. Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

(XV) Taxation

Income tax expense is the sum of the current income tax and deferred income tax.

1. Current income tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

The adjustment to prior period income tax payable is booked as current income tax.

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 liability is generally recognized for all taxable temporary differences, while deferred tax asset is recognized is recognized for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company 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 asset 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 liability is settled or the asset 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 Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

### 3. Current and deferred income taxes

Current and deferred income taxes are recognized in the profit or loss, except for the current and deferred income taxes related to the items recognized in other comprehensive profit or loss or directly included in the equity are recognized in the other comprehensive profit or loss or directly included in the equity.

## V. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

### Major sources of estimation and assumption uncertainty

(I) Provision for impairment of financial assets

The provision for impairment of trade receivables, investments in debt instruments, and financial guarantee contracts is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

(II) Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

VI. Cash

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash on hand and petty cash	\$ 20	\$ 26
Checking accounts and demand deposits	<u>29,929</u>	<u>28,628</u>
	<u>\$ 29,949</u>	<u>\$ 28,654</u>
<u>Interest rate per annum (%)</u>		
Demand deposits	0.01-0.33	0.01-0.48

VII. NOTES RECEIVABLE AND TRADE RECEIVABLE

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Notes receivable</u>		
Notes receivable - operating	\$ 76,797	\$ 70,215
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 76,797</u>	<u>\$ 70,215</u>
<u>Trade receivables - unrelated parties</u>		
Amortized cost		
Total book value	\$ 192,116	\$ 236,993
Less: Allowance for impairment loss	<u>( 26,613 )</u>	<u>( 5,623 )</u>
	<u>\$ 165,503</u>	<u>\$ 231,370</u>

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Trade receivables - related parties</u>		
Amortized cost		
Total book value	\$ 72,509	\$ 106,312
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 72,509</u>	<u>\$ 106,312</u>

(I) Notes receivable

The aging of notes receivable was as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Not past due	\$ 76,797	\$ 70,215
Past due	<u>-</u>	<u>-</u>
Total	<u>\$ 76,797</u>	<u>\$ 70,215</u>

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

(II) Trade receivables

In order to minimize credit risk, the management of the Company 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 debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company recognizes loss provisions on accounts receivable based on expected credit losses over the duration. 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 Company'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 Company's different customer base.

The Company 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 Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

Loss provisions on accounts receivable recognized by the Company are as follows:

	Not Past Due	Less than 30 D a y s	31 to 90 Days	Over 91 Days	T o t a l
<u>December 31, 2019</u>					
Expected credit loss rate	0%-1%	10%	20%-50%	100%	
Total book value	\$ 232,537	\$ 15	\$ 12,339	\$ 19,734	\$ 264,625
Loss allowance					
(Lifetime ECL)	( <u>708</u> )	( <u>2</u> )	( <u>6,169</u> )	( <u>19,734</u> )	( <u>26,613</u> )
Amortized cost	<u>\$ 231,829</u>	<u>\$ 13</u>	<u>\$ 6,170</u>	<u>\$ -</u>	<u>\$ 238,012</u>
<u>December 31, 2018</u>					
Expected credit loss rate	0%-1%	10%	20%-50%	100%	
Total book value	\$ 331,465	\$ 8,235	\$ 1,886	\$ 1,719	\$ 343,305
Loss allowance					
(Lifetime ECL)	( <u>2,703</u> )	( <u>824</u> )	( <u>377</u> )	( <u>1,719</u> )	( <u>5,623</u> )
Amortized cost	<u>\$ 328,762</u>	<u>\$ 7,411</u>	<u>\$ 1,509</u>	<u>\$ -</u>	<u>\$ 337,682</u>

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

	2019	2018
Balance at Beginning of Year	\$ 5,623	\$ 5,623
Add: Net remeasurement of loss allowance	<u>20,990</u>	<u>-</u>
Balance at end of period	<u>\$ 26,613</u>	<u>\$ 5,623</u>

#### VIII. INVENTORIES

	December 31, 2019	December 31, 2018
Finished goods	\$ 170,926	\$ 182,535
Merchandise	1,715	1,745
Raw materials and supplies	93,299	112,830
Inventories in transit	<u>881</u>	<u>3,764</u>
	<u>\$ 266,821</u>	<u>\$ 300,874</u>

The nature of the cost of goods sold was as follows:

	2019	2018
Cost of inventories sold	\$ 1,159,020	\$ 1,569,910
Inventory devaluation (or reversal gains)	( 11,667 )	14,191
Unallocated production overhead	<u>23,552</u>	<u>20,761</u>
	<u>\$ 1,170,905</u>	<u>\$ 1,604,862</u>

#### IX. OTHER FINANCIAL ASSETS - CURRENT

The time deposits with original maturities over 3 months from the date of acquisition. For pledged assets information, refer to Note 24.

X. Equity-accounted investments and prepayment of investments

Equity-accounted investments are listed as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Investments in subsidiaries	\$ 1,037,927	\$ 957,555
Investments in associates	778	2,990
	<u>\$ 1,038,705</u>	<u>\$ 960,545</u>

Please refer to Attachment 5 and 6 for the main business and information on the country of registration of the above-mentioned subsidiaries and affiliates.

The share of profit or loss and other comprehensive income of investments in associates accounted for using the equity method were based on the associates' audited financial statements for the same years as those of the Company.

(I) Investments in subsidiaries

Investee Company	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	Amount	Percentage of Ownership and Voting Rights	Amount	Percentage of Ownership and Voting Rights
<u>Unlisted Companies</u>				
NEOLITE INVESTMENTS LIMITED (NEOLITE)	\$ 697,226	100%	\$ 629,182	100%
GIANT STAR TRADING CO., LTD (GIANT STAR)(Note)	217,122	100%	202,690	100%
CHEM-MAT TECHNOLOGIES CO., LTD (CHEM-MAT)	123,579	100%	125,683	100%
	<u>\$ 1,037,927</u>		<u>\$ 957,555</u>	

Note: In April, 2018, GIANT STAR changed its organization type to a company limited by shares and changed its name to GIANT STAR TRADING CO., LTD.

(II) Investments in associates

Investee Company	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	Amount	Percentage of Ownership and Voting Rights	Amount	Percentage of Ownership and Voting Rights
<u>Unlisted Companies</u>				
TOPWELL ELASTIC TECHNOLOGY CO., LTD (TOPWELL)	<u>\$ 778</u>	48%	<u>\$ 2,990</u>	48%

(III) Prepayment of investments

The Company's board of directors passed the signing of the Equity Transfer Agreement with a non-related party in October 2019, and plans on direct investment on 100% shareholding of U-Bes Vietnam Polymer Industry Co., Ltd., acquisition of 100% shareholding of Success Investments Limited, and indirect investment of 100% shareholding of Vietnam Sum Yad Technology Ltd., with total investment of approximately US\$9,400 thousand. As of December 31, 2019, 30% of total payment is recognized as prepayments for investments at NT\$87,561 (US\$2,820 thousand).

**XI. PROPERTY, PLANT, AND EQUIPMENT**

2019	Balance at Beginning of Year	Additions	Deductions	Reclassificati on	Balance at end of period
<u>Cost</u>					
Land	\$ 345,894	\$ -	\$ -	\$ -	\$ 345,894
Buildings	232,419	-	-	-	232,419
Machinery and equipment	720,010	6,424	( 1,528 )	5,105	730,011
Transportation equipment	9,347	3	( 901 )	2,854	11,303
Other equipment	153,828	2,191	( 762 )	607	155,864
Total cost	<u>1,461,498</u>	<u>\$ 8,618</u>	<u>( \$ 3,191 )</u>	<u>\$ 8,566</u>	<u>1,475,491</u>
<u>Accumulated depreciation</u>					
Buildings	115,777	\$ 14,248	\$ -	\$ -	130,025
Machinery and equipment	577,210	32,726	( 1,418 )	-	608,518
Transportation equipment	7,673	898	( 901 )	-	7,670
Other equipment	<u>112,570</u>	<u>11,270</u>	<u>( 762 )</u>	<u>-</u>	<u>123,078</u>
Total accumulated depreciation	<u>813,230</u> <u>\$ 648,268</u>	<u>\$ 59,142</u>	<u>( \$ 3,081 )</u>	<u>\$ -</u>	<u>869,291</u> <u>\$ 606,200</u>
2018					
<u>Cost</u>					
Land	\$ 345,894	\$ -	\$ -	\$ -	\$ 345,894
Buildings	227,882	895	-	3,642	232,419
Machinery and equipment	707,225	7,468	( 1,043 )	6,360	720,010
Transportation equipment	9,347	-	-	-	9,347
Other equipment	152,819	1,037	( 28 )	-	153,828
Total cost	<u>1,443,167</u>	<u>\$ 9,400</u>	<u>( \$ 1,071 )</u>	<u>\$ 10,002</u>	<u>1,461,498</u>
<u>Accumulated depreciation</u>					
Buildings	101,651	\$ 14,126	\$ -	\$ -	115,777

Machinery and equipment	546,107	32,146	( 1,043 )	-	577,210
Transportation equipment	7,016	657	-	-	7,673
Other equipment	<u>101,010</u>	<u>11,588</u>	<u>( 28 )</u>	<u>-</u>	<u>112,570</u>
Total accumulated depreciation	<u>755,784</u>	<u>\$ 58,517</u>	<u>( \$ 1,071 )</u>	<u>\$ -</u>	<u>813,230</u>
	<u>\$ 687,383</u>				<u>\$ 648,268</u>

Depreciation expenses are provided on a straight-line basis over useful years shown as follows:

Buildings	
Main buildings	25-50 years
Additional project	2-50 years
Machinery and equipment	2-12 years
Transportation equipment	5 years
Other equipment	
Office equipment	2-8 years
Landscape gardening	15 years
Others	2-15 years

Property, plant, and equipment pledged as collateral for bank borrowings is set out in Note 24.

## XII. NET AMOUNT FOR INVESTMENT PROPERTIES

2019	Balance at Beginning of Year	Additions	Balance at end of period
Cost			
Land	\$ 1,007	\$ -	\$ 1,007
Buildings	<u>3,513</u>	<u>-</u>	<u>3,513</u>
Total cost	4,520	<u>\$ -</u>	4,520
Accumulated depreciation			
Buildings	<u>3,127</u>	<u>\$ 150</u>	<u>3,277</u>
	<u>\$ 1,393</u>		<u>\$ 1,243</u>
2018			
Cost			
Land	\$ 1,007	\$ -	\$ 1,007
Buildings	<u>3,513</u>	<u>-</u>	<u>3,513</u>
Total cost	4,520	<u>\$ -</u>	4,520
Accumulated depreciation			
Buildings	<u>2,978</u>	<u>\$ 149</u>	<u>3,127</u>
	<u>\$ 1,542</u>		<u>\$ 1,393</u>

The following items of investment properties are depreciated on a straight-line basis over the following useful lives:

Buildings	
Main buildings	25 years

The management was unable to reliably measure the fair value of the Company investment property located in Zhongli City, because the market for comparable properties is inactive and alternative reliable measurements of fair value are not available; therefore, the Company determines that the fair value of the investment property is not reliably measurable.

### XIII. Loans

#### (I) Short-term bank borrowings

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Credit borrowings	\$ 295,893	\$ 272,033
Secured borrowings	160,000	90,000
Letters of credit	<u>12,822</u>	<u>28,377</u>
	<u>\$ 468,715</u>	<u>\$ 390,410</u>
<u>Rates of interest per annum (%)</u>		
Credit borrowings	1.05-1.30	1.28-1.35
Secured borrowings	1.28-1.30	1.38
Letters of credit	1.28-1.30	1.28-1.38

Refer to Note 24 for the bank borrowings secured by the Company's freehold land, buildings, and other financial assets.

#### (II) Short-term bills payable

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Commercial paper	\$ 130,000	\$ 130,000
Less: Unamortized discounts on bills payable	( <u>133</u> )	( <u>25</u> )
	<u>\$ 129,867</u>	<u>\$ 129,975</u>

Outstanding short-term bills payable were as follows:

<u>Promissory Institution</u>	<u>Nominal Amount</u>	<u>Discount Amount</u>	<u>Carrying Amount</u>	<u>Interest rate per annum (%)</u>
<u>December 31, 2019</u>				
Mega Bills Finance Co., Ltd.	\$ 70,000	\$ 80	\$ 69,920	0.93
International Bills Finance Corporation	<u>60,000</u>	<u>53</u>	<u>59,947</u>	<u>1.04</u>



	<u>\$ 130,000</u>	<u>\$ 133</u>	<u>\$ 129,867</u>	
<u>December 31, 2018</u>				
Mega Bills Finance Co., Ltd.	\$ 70,000	\$ 13	\$ 69,987	0.84
International Bills Finance Corporation	<u>60,000</u>	<u>12</u>	<u>59,988</u>	1.04
	<u>\$ 130,000</u>	<u>\$ 25</u>	<u>\$ 129,975</u>	

(III) Long-term bank borrowings

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Secured borrowings</u>		
Due on May 2020	\$ 33,823	\$ 47,827
Due on May 2022	25,762	36,422
Due on March 2022	22,500	32,500
Less: Current portion	( <u>54,483</u> )	( <u>34,664</u> )
Long-term borrowings	<u>\$ 27,602</u>	<u>\$ 82,085</u>
Rates of interest per annum (%)	1.40-1.41	1.38-1.41

Refer to Note 24 for the borrowings secured by the Company's freehold land and buildings.

XIV. OTHER PAYABLES

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Payable for salaries and bonuses	\$ 23,476	\$ 15,732
Payable for employee's compensation and remuneration of directors and supervisors	10,942	1,220
Payable for commissions	4,444	7,324
Payable for freight	1,980	2,385
Payable for purchase of equipment	1,487	2,518
Payable for related parties (Note 23)	2,601	61,497
Others	<u>18,208</u>	<u>17,393</u>
	<u>\$ 63,138</u>	<u>\$ 108,069</u>

XV. PROVISIONS - CURRENT

The provision for sales returns and rebates is based on historical experience, management's judgments and other known reasons to estimate the product returns and rebates that may occur in the year. The provision is recognized as a reduction of sales in the year of the related goods sold.

XVI. RETIREMENT BENEFIT PLANS

The Company adopted a pension plan under the Labor Pension Act (the "LPA"),

which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

## XVII. Equity

### (I) Capital surplus

	December 31, 2019	December 31, 2018
Issuance of common shares	\$ 70,860	\$ 70,860
Treasury share transactions	27,157	27,157
	<u>\$ 98,017</u>	<u>\$ 98,017</u>

The capital surplus arising from shares issued in excess of par (including share premium from issuance of ordinary shares and treasury share transactions) and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year). However, capitalization of this reserve is capped at a certain percentage of the Company's paid-up capital each year.

### (II) Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 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 the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to Note 18-b.

The dividend policy considers the future operating expansion and capital expenditures meet the best capital budget and diluted earnings per share, and the annual allocated surplus accounts for at least 50% of the available surplus. Distribution of profits may also be made by way of cash dividend provided; however, the ratio of share dividend shall exceed 25% of total distribution.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset

deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The Company conducted regular shareholders' meetings in June 2019 and June 2018, and passed the following 2018 and 2017 earnings distribution:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Legal reserve	\$ 1,037	\$ 6,270		
Appropriation (reversal) of special reserve	( 7,885 )	10,054		
Cash dividends	14,908	49,694	\$ 0.15	\$ 0.5

The 2019 earnings distribution proposed by the Company's board of directors on March 19, 2020:

	<u>Appropriation of Earnings</u>	<u>Dividends Per Share (NT\$)</u>
Legal reserve	\$ 11,784	
Special reserve	19,441	
Cash dividends	64,602	\$ 0.65

The 2019 earnings distribution is yet to be resolved at the shareholders' meeting to be held on June 15, 2020.

## XVIII. NET PROFIT

### (I) Employee benefits expense, depreciation, and amortization expense

<u>Type</u>	<u>Operating Costs</u>	<u>Operating Expenses</u>	<u>Total</u>
<u>2019</u>			
Salaries expense	\$ 57,594	\$ 64,242	\$ 121,836
Labor and health insurance	5,033	4,628	9,661
Retirement benefits			
Defined contribution plans	2,258	2,342	4,600
Director's remuneration	-	3,113	3,113
Other employee benefits	2,392	2,741	5,133
Depreciation expenses	43,711	15,581	59,292
Amortization expenses	110	1,121	1,231

<u>2018</u>			
Salaries expense	53,147	47,438	100,585
Labor and health insurance	4,841	4,477	9,318
Retirement benefits			
Defined contribution plans	2,219	2,349	4,568
Director's remuneration	-	1,628	1,628
Other employee benefits	2,350	4,405	6,755
Depreciation expenses	43,395	15,271	58,666
Amortization expenses	138	1,107	1,245

For 2019 and 2018, there were 162 and 161 employees, respectively, of which the number of directors with no concurrent positions were 6 and 6 respectively. The calculation basis is the same as that of employee benefits expense.

The Company's average employee benefits expense for 2019 and 2018 were NT\$905 thousand and NT\$782 thousand, respectively, while the average salary expenses were NT\$781 thousand and NT\$649 thousand, respectively, with average salary increase of 20%.

(II) Employees' compensation and remuneration of directors and supervisors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors and supervisors at rates of 3% to 5% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The 2019 and 2018 employees' compensation and remuneration of directors and supervisors have been set in March 19, 2020 and March 21, 2019 respectively by resolution of the board of directors:

	2019	2018
Employees' compensation (5%)	\$ 7,783	\$ 783
Remuneration of directors and supervisors (2%)	3,113	313

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

There is no discrepancy between the actual amount of remuneration for employees, directors, and supervisors in 2018 and 2017 and the amount recognized in the individual financial statements as of December 31, 2018 and 2017.

For information on remuneration for employees, directors, and supervisors by

resolutions of the Company's 2020 and 2019 board of directors, please visit the MOPS on Taiwan Stock Exchange.

(III) Foreign currency exchange net gains (loss)

	2019	2018
Foreign exchange gains	\$ 1,909	\$ 33,062
Foreign exchange losses	( 2,563 )	( 22,851 )
Net gains (loss)	( \$ 654 )	\$ 10,211

XIX. Income tax

(I) Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	2019	2018
Current income tax		
In respect of the current year	\$ 13,508	\$ -
Income tax on unappropriated earnings	115	-
Adjustments for prior years	<u>697</u>	( <u>1,807</u> )
	<u>14,320</u>	( <u>1,807</u> )
Deferred tax		
In respect of the current year	12,240	( 960 )
Effect of tax change	-	5,153
Adjustments for prior years	<u>359</u>	<u>1,807</u>
	<u>12,599</u>	<u>6,000</u>
Income tax expense recognized in profit or loss	<u>\$ 26,919</u>	<u>\$ 4,193</u>

The accounting income and income tax expenses are adjusted as follows:

	2019	2018
Income tax expense calculated at the statutory rate	\$ 28,952	\$ 2,912
Nondeductible expenses in determining taxable income	708	1,194
Not recognized income in determining taxable income	( 3,912 )	( 5,066 )
Income tax on unappropriated earnings	115	-
Effect of tax change	-	5,153
Adjustments for prior years' tax	<u>1,056</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 26,919</u>	<u>\$ 4,193</u>

The Company adopts the revised Income Tax Act of the Republic of China in 2018 to adjust the prescribed tax rate applicable to the profit-seeking enterprise from 17% to 20%. The amendment also stipulated that the prescribed tax rate applicable to the unappropriated earnings for 2018 was trimmed from 10% to 5%.

In July 2019, the President of Taiwan announced the amendment of the Statute for Industrial Innovation, stipulating that in calculation of the current year's undistributed earnings, the amount to construct or purchase buildings, or technology for use in production or operation may be deducted.

(II) Deferred tax assets and liabilities

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

2019	Balance at Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensi ve Income	Balance at end of period
<u>Deferred tax assets</u>				
Temporary differences				
Inventory write-downs	\$ 1,947	(\$ 21)	\$ -	\$ 1,926
Investment accounted for using the equity method	897	218	-	1,115
Allowance for losses	294	4,346	-	4,640
Exchange differences on translating the financial statements of foreign operations	170	-	653	823
Others	<u>2,354</u>	<u>253</u>	<u>-</u>	<u>2,607</u>
	<u>\$ 5,662</u>	<u>\$ 4,796</u>	<u>\$ 653</u>	<u>\$ 11,111</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Investment accounted for using the equity method	\$ 40,691	\$ 17,395	\$ -	\$ 58,086
Exchange differences on translating the financial statements of foreign operations	<u>2,924</u>	<u>-</u>	<u>( 2,924 )</u>	<u>-</u>
	<u>\$ 43,615</u>	<u>\$ 17,395</u>	<u>( \$ 2,924 )</u>	<u>\$ 58,086</u>
2018				
<u>Deferred tax assets</u>				
Temporary differences				
Inventory write-downs	\$ 1,660	\$ 287	\$ -	\$ 1,947
Investment accounted for using the equity method	-	897	-	897
Exchange differences on translating the financial statements of foreign operations	-	-	170	170
Others	<u>1,894</u>	<u>754</u>	<u>-</u>	<u>2,648</u>
	<u>\$ 3,554</u>	<u>\$ 1,938</u>	<u>\$ 170</u>	<u>\$ 5,662</u>
<u>Deferred tax liabilities</u>				

Temporary differences				
Investment accounted for using the equity method	\$ 32,753	\$ 7,938	\$ -	\$ 40,691
Exchange differences on translating the financial statements of foreign operations	<u>28</u>	<u>-</u>	<u>2,896</u>	<u>2,924</u>
	<u>\$ 32,781</u>	<u>\$ 7,938</u>	<u>\$ 2,896</u>	<u>\$ 43,615</u>

(III) Income tax assessments

Profit-seeking enterprise income tax filings of the Company have been certified by the tax authority up till 2017.

XX. EARNINGS PER SHARE

	Net profit Attributable to Owners of the Company	Number of Shares (In Thousands)	Earnings Per Shares (NT\$)
<u>2019</u>			
Basic earnings per share			
Net profit Attributable to Owners of the Company	\$ 117,843	99,388	<u>\$ 1.19</u>
Effect of potentially dilutive ordinary shares:			
Employees' compensation	<u>-</u>	<u>454</u>	
Diluted earnings per share			
Profit for the period attributable to owners of the Company plus effect of potentially dilutive ordinary shares	<u>\$ 117,843</u>	<u>99,842</u>	<u>\$ 1.18</u>
<u>2018</u>			
Basic earnings per share			
Net profit Attributable to Owners of the Company	\$ 10,367	99,388	<u>\$ 0.10</u>
Effect of potentially dilutive ordinary shares:			
Employees' compensation	<u>-</u>	<u>108</u>	
Diluted earnings per share			
Profit for the period attributable to owners of the Company plus effect of potentially dilutive ordinary shares	<u>\$ 10,367</u>	<u>99,496</u>	<u>\$ 0.10</u>

If the Company offered to settle the compensation or bonuses paid to employees in cash or shares, the Company assumed that 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 should be 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.

## **XXI. CAPITAL MANAGEMENT**

The Company manages its capital to ensure it will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity (comprising issued capital, reserves, retained earnings and other equity).

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

## **XXII. FINANCIAL INSTRUMENTS**

### **(I) Fair value of financial instruments**

#### **1. Financial instruments carried at fair value**

The following table provides an analysis of financial instruments that are measured at fair value subsequent to initial recognition. 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 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 the asset or liability

Transfers have not occurred between 1st and 2nd inputs in 2019 and 2018.

#### **2. Financial instruments not carried at fair value**

- (1) The fair value of short-term financial instruments is estimated by their



book value on the balance sheet for the carrying amount at the end of reporting period because the maturity date is close to the reporting date or the payment price is similar to the carrying amount. The book value should be a reasonable basis for the estimated fair value. This method is applied to cash, notes and trade receivables, other receivables, other financial assets, refundable deposits, short-term loans, short-term bills payable, other payables, and guarantee deposits received.

- (2) The fair value of long-term borrowings (including current portion) is determined using the discounted value of future cash flow. If the Company's long-term borrowings rate is a floating rate, the book value is equal to the fair value.

(II) Categories of financial instruments

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial assets</u>		
Financial assets at amortized cost (Note 1)	\$ 353,982	\$ 456,848
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 2)	902,665	974,934

Note 1: The balances include financial assets at amortized cost, which comprise cash, notes and trade receivables, other receivables, other financial assets, and refundable deposits.

Note 2: The balances include financial liabilities at amortized cost, which comprise short-term borrowings, short-term bills payable, notes payable, trade payables, other payables, and long-term borrowings (including current portion).

(III) Financial risk management objectives and policies

The Company's major financial instruments include trade receivables, trade payables, and borrowings. The Company's corporate treasury function provides services to the business, coordinates access to financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk, and liquidity risk.

## 1. Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured. The major financial risks are as follows:

### (1) Foreign currency risk

The Company has foreign currency sales and purchases, which exposes the Company to foreign currency risk.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 26.

#### Sensitivity analysis

The Company's sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period. A positive number below indicates an increase in post-tax profit associated with the New Taiwan dollar strengthening 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on post-tax profit and the balances below would be negative.

C u r r e n c y	2019	2018
USD	\$ 1,357	\$ 718

The sensitivity rate used by the Company when reporting foreign currency risk internally to key management personnel is 1%, which represents management's assessment of the reasonably possible change in foreign exchange rates.

In management's opinion, sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period did not reflect the exposure during the period.

### (2) Interest rate risk

The carrying amount of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period

were as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Fair value interest rate risk		
Financial assets	\$ 1,586	\$ 1,570
Financial liabilities	129,867	152,975
Cash flow interest rate risk		
Financial assets	29,895	28,621
Financial liabilities	550,800	484,159

### Sensitivity analysis

For the individual financial assets and liabilities with floating interest rates, assuming that other conditions remain unchanged, a change in 0.25% interest rate has led to 2019 and 2018 net profit before tax to change by NT\$1,302 thousand and NT\$1,139 thousand, respectively.

## 2. Credit risk

The Company's transactions are targeted at reputable financial and securities institutions, and it also transacts with a number of financial institutions to spread the risks, so the probability of default from contractual counterparty is very low; even if the other party defaults, the Company will not suffer significant loss.

The Company is required to go through the credit confirmation procedure only after it has dealt with the approved third party, and the policy of the Company is to conduct credit transactions with the customer, and to regularly assess the possibility of recovering the receivables while providing appropriate allowances for doubtful debts, so the Company doesn't expect the possibility of major losses.

## 3. Liquidity risk

The Company has built an appropriate liquidity risk management framework for the Company's short, medium, and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining banking facilities, obtaining the loan commitment, and continuously monitoring forecasted and actual cash flow as well as the maturity profiles of financial assets and liabilities. As of December 31, 2019

and 2018, the Company's unused bank financing facilities are NT\$579,929 thousand and NT\$286,030 thousand respectively.

#### Liquidity and interest rate risk tables

The following table details the Company'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 flow of financial liabilities from the earliest date on which the Company can be required to pay.

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

Non-derivative financial liabilities	Less Than 1 Year	More than 1 Year
<u>December 31, 2019</u>		
Non-interest bearing liabilities	\$ 221,998	\$ -
Variable interest rate liabilities	523,198	27,602
Fixed interest rate liabilities	<u>129,867</u>	<u>-</u>
	<u>\$ 875,063</u>	<u>\$ 27,602</u>
<u>December 31, 2018</u>		
Non-interest bearing liabilities	\$ 337,800	\$ -
Variable interest rate liabilities	402,074	82,085
Fixed interest rate liabilities	<u>152,975</u>	<u>-</u>
	<u>\$ 892,849</u>	<u>\$ 82,085</u>

### XXIII. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed below:

#### (I) Related party name and category

<u>R e l a t e d P a r t y N a m e</u>	<u>Related Party Category</u>
AICA	The Company's parent
PT. PT. AICA INDRIA (PT. AICA)	Fellow subsidiary
Aica Singapore Pte Ltd. (AICA SINGAPORE)	Fellow subsidiary
Dynea (Shanghai) Co, Ltd. (Dynea)	Fellow subsidiary
Pou Chen Corporation and its subsidiaries	Others (affiliated company of the Company's legal director) (Note)
Yue Yuen Industrial (Holdings) Limited and its subsidiaries	Others (affiliated company of the Company's legal director) (Note)

TOPWELL	Associate
NEOLITE	Subsidiary
CHEM-MAT	Subsidiary
GIANT STAR	Subsidiary
LIBERTY BELL INVESTMENTS LTD. (LIBERTY BELL)	Subsidiary
POU CHIEN CHEMICAL CO.,LTD (POU CHIEN)	Subsidiary
LEADERSHIP (SHANGHAI) CO., LTD (LEADERSHIP)	Subsidiary

Note: On January 16, 2018, the director of the Company's legal person was dismissed for the transfer of shares more than one-half of the shares held at the time of election, during the re-election at the shareholders' meeting on June 26, 2018, one director was elected.

(II) Sales of goods

Line Item	Related Party Category/Name	2019	2018
Sales	Subsidiary		
	NEOLITE	\$ 138,049	\$ 189,291
	POU CHIEN	99,712	198,804
	Others	43,572	40,657
	Parent entity	88,348	9,869
	Associate	15,196	18
	Fellow subsidiary	3,971	617
	Others	<u>700</u>	<u>1,064</u>
		<u>\$ 389,548</u>	<u>\$ 440,320</u>
Line Item	Related Party Category/Name	2019	2018
Purchases of goods	Subsidiary		
		\$ 13,145	\$ 7,440
	Parent entity	<u>2,629</u>	<u>1,890</u>
		<u>\$ 15,774</u>	<u>\$ 9,330</u>
Other revenue	Subsidiary		
	GIANT STAR	\$ 336	\$ 336
	Parent entity	<u>270</u>	<u>318</u>
		<u>\$ 606</u>	<u>\$ 654</u>

The sales transactions of the Company to related parties are quoted based on the differences between the products and the acceptance of the market, and the credit period is from 60 days to 180 days. The purchase price and payment term have no significant difference with unrelated parties.

The following balances of trade receivables from related parties were outstanding at the end of the reporting period:

Line Item	Related Party Category/Name	December 31, 2019	December 31, 2018
Notes receivable	Subsidiary	<u>\$ 216</u>	<u>\$ 207</u>
Net trade receivables	Subsidiary		
	NEOLITE	\$ 37,718	\$ 46,169
	POU CHIEN	7,007	29,363
	LEADERSHIP		
	SHANGHAI	1,965	15,039
	Others	7,202	8,519
	Associate	14,975	18
	Parent entity	3,580	7,138
	Others	62	66
		<u>\$ 72,509</u>	<u>\$ 106,312</u>
Other receivables	Subsidiary		
	LIBERTY BELL	\$ 2,818	\$ 11,145
	Others	77	72
		<u>\$ 2,895</u>	<u>\$ 11,217</u>

The outstanding trade receivables from related parties are unsecured.

The following balances of trade payables from related parties were outstanding at the end of the reporting period:

Line Item	Related Party Category/Name	December 31, 2019	December 31, 2018
Notes payable	Subsidiary	<u>\$ 17</u>	<u>\$ 97</u>
Trade payables	Subsidiary		
	GIANT STAR	\$ 2,336	\$ 778
	LIBERTY BELL	1,385	1,792
	CHEM-MAT	210	-
	Parent entity	-	1,018
		<u>\$ 3,931</u>	<u>\$ 3,588</u>
Line Item	Related Party Category/Name	December 31, 2019	December 31, 2018
Other payables	Parent entity	<u>\$ 2,551</u>	<u>\$ -</u>

(III) Loans from related parties

Related Party Category/Name	December 31, 2019	December 31, 2018
Subsidiary		
NEOLITE	<u>\$ 50</u>	<u>\$ 61,430</u>

The Company obtained loans at the interest rate of 1.3% for the loans from related parties. The loans were unsecured. The interest expenses for 2019 and 2018 were NT\$50 thousand and NT\$67 thousand, respectively.

(IV) Endorsements and guarantees

As of December 31, 2019 and 2018, the Company's endorsements and guarantees are US\$15,000 for the loan amount of its subsidiary LIBERTY BELL.

(V) Payables to related parties

The following balances of trade payables from related parties were outstanding at the end of the reporting period.

	2019	2018
Short-term employee benefits	\$ 14,825	\$ 7,628
Retirement benefits	195	195
	<u>\$ 15,020</u>	<u>\$ 7,823</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

XXIV. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	December 31, 2019	December 31, 2018
Property, plant, and equipment	\$ 202,540	\$ 209,815
Other financial assets - current	1,586	1,570
	<u>\$ 204,126</u>	<u>\$ 211,385</u>

XXV. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As of December 31, 2019 and 2018, the unused balance of guaranteed letters of credit outstanding were approximately US\$118 thousand and US\$373 thousand, respectively.

XXVI. THE FOREIGN ASSETS AND LIABILITIES WITH SIGNIFICANT IMPACT

The significant assets and liabilities denominated in foreign currencies were as follows:

	December 31, 2019		
	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 6,418	29.98 (USD:NTD)	\$ 192,426
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	1,893	29.98 (USD:NTD)	56,751
December 31, 2018			

<u>Financial assets</u>	<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
<u>Monetary items</u>			
USD	\$ 7,603	30.715 (USD:NTD)	\$ 233,526
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	5,265	30.715 (USD:NTD)	161,714

The significant unrealized foreign exchange losses were as follows:

	2019		2018	
<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>Net Foreign Exchange Loss</u>	<u>Exchange Rate</u>	<u>Net Foreign Exchange Loss</u>
USD	30.912 (USD:NTD)	( \$ 3,177 )	30.149 (USD:NTD)	( \$ 3,082 )

## XXVII. SEPARATELY DISCLOSED ITEMS

### (I) Information about significant transactions and investees:

1. Financing provided to others. (Table 1)
2. Endorsements/guarantees provided. (Table 2)
3. Marketable securities held at the end of the period. (None)
4. Marketable securities acquired and disposed of at costs or prices 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 3)
8. Accounts receivable from related parties for an amount exceeding NT\$100 million or 20% of paid-in capital. (Table 4)
9. Trading in derivative instruments. (None)
10. Information on investees. (Table 5)

### (III) Investments in Mainland China

1. Invested company's name, business operations, paid-in capital, investment method, capital inward or outward, shareholding ratio, investment gains and losses, investment yearend book value, investment income and loss inward, and investment limits in Mainland China. (Table 6)



2. Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
- (1) Purchase amount and percentage and the related payables ending balance and percentage. (Table 3)
  - (2) Sale amount and percentage and the related receivables ending balance and percentage. (Table 3)
  - (3) The amount of property transactions and the amount of the resultant gains or losses. (None)
  - (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (None)
  - (5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (Table 1)
  - (6) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services. (None)

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS

Year ended December 31, 2019

TABLE 1

Unit: Thousands of New Taiwan Dollars or Foreign Currencies)

No.	Lender	Borrower	Financial Statement Account	Related party	Highest Balance for the Period	Balance at end of period (Note 1)	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
0	The Company	LIBERTY BELL	Other receivables	Yes	\$ 124,240 (USD 4,000)	\$ -	\$ -	(Note 2)	Necessary for short-term financing	\$ -	Operating capital	\$ -	—	\$ -	\$ 146,515 (Note 3)	\$ 586,060 (Note 3)	
1	NEOLITE	LIBERTY BELL	Other receivables	Yes	94,800 (USD 3,000)	89,940 (USD 3,000)	47,968 (USD 1,600)	(Note 2)	Necessary for short-term financing	-	Operating capital	-	—	-	351,097 (Note 4)	351,097 (Note 4)	
		The Company	Other receivables	Yes	63,200 (USD 2,000)	-	-	(Note 2)	Necessary for short-term financing	-	Operating capital	-	—	-	351,097 (Note 4)	351,097 (Note 4)	
2	TOPCO	LEADERSHIP SHANGHAI	Other receivables	Yes	9,042 (CNY 2,000)	8,610 (CNY 2,000)	8,610 (CNY 2,000)	(Note 2)	Necessary for short-term financing	-	Operating capital	-	—	-	16,737 (Note 5)	66,948 (Note 5)	

Note 1: The ending balance amount has been approved by the board of directors.

Note 2: Interest rate according to bank loan contract.

Note 3: The loan and limit and total limit of individual funds are limited to the sum of 10% of the Company's net worth and the monthly average transaction value over the previous year, or 40% of the Company's net worth.

Note 4: The loan and limit and total limit of individual funds are limited to 50% of the net worth of NEOLITE.

Note 5: The loan and limit and total limit of individual funds are limited to the sum of 10% of the net worth of TOPCO (SHANGHAI) CO., LTD and the monthly average transaction value over the previous year, or 40% of the net worth of TOPCO (SHANGHAI) CO., LTD.

Evermore Chemical Industry Co., Ltd. and Subsidiaries  
ENDORSEMENTS/GUARANTEES PROVIDED  
Year ended December 31, 2019

TABLE 2

Unit: Thousands of New Taiwan Dollars or Foreign Currencies)

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limited endorsements/ guarantees for any single entity	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement / Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement / Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement / Guarantee Given on Behalf of Companies in Mainland China	Note
		Company name	Relationship											
0	The Company	LIBERTY BELL	Sub-subsidiaries	\$ 732,575 (Note)	\$ 474,000 (USD 15,000)	\$ 449,700 (USD 15,000)	\$ 179,730 (USD 5,995)	\$ -	30.69%	\$ 1,025,605 (Note)	Y	—	—	

Note: The guarantee limit and maximum limit for individual entity are 50% and 70% of the net worth of the Company, respectively.

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES  
TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
Year ended December 31, 2019

TABLE 3

Unit: Thousands New Taiwan Dollars

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Company	NEOLITE	Subsidiary	Sale	( \$ 138,049 )	( 10 )	T/T 90-180 days	Note	—	\$ 37,718	12	
LIBERTY BELL	POU CHIEN	Subsidiary	Sale	( 245,996 )	( 25 )	T/T 90 days	Note	—	4,758	2	
POU CHIEN	LIBERTY BELL	Parent company	Sale	( 743,916 )	( 49 )	T/T 30 days	Note	—	343,452	62	

Note: The price of sales transactions with related parties is quoted based on product differentiation and market condition.

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES  
Accounts receivable from related parties for an amount exceeding NT\$100 million or 20% of paid-in capital  
December 31, 2019

TABLE 4

Unit: Thousands of New Taiwan Dollars or Foreign Currencies)

The company booked in the receivables	Counterparty (Note 2)	Relationship	Receivables from related party	Turnover rate	Overdue Receivables from related parties		Receivables amount collected from related parties subsequently	Allowance for bad debts
					Amount	Process		
POU CHIEN	LIBERTY BELL	Parent company	Trade receivables \$ 343,452	2.17	\$ 273,334	Improved collection work	\$ 106,393	\$ -

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES  
INFORMATION ON INVESTEEES  
Year ended December 31, 2019

TABLE 5

Unit: Thousands of New Taiwan Dollars or Foreign Currencies/Thousands of Shares

Investor	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of Net Income for the year (Loss)	Share of Profit (Loss)
				December 31, 2019	December 31, 2018	Number of Shares	%	Carrying Amount		
The Company	NEOLITE	British Virgin Islands	Financial investment and international trade	\$ 413,902	\$ 413,902	13,059	100	\$ 697,226	\$ 86,977	\$ 86,977
	GIANT STAR	Taichung City	Trading of chemical raw materials	97,367	97,367	12,600	100	217,122	19,564	19,564
	CHEM-MAT	Nantou County	Wholesale of coating, pigments, and industrial additives	111,484	111,484	7,199	100	123,579	( 1,342 )	( 2,627 )
	TOPWELL	Thailand	Synthetic resin trading business	8,326	8,326	932	48	778	( 2,269 )	( 1,089 )
	NEOTOP	Samoa	Financial investment and international trade	58,800	58,800	-	100	167,420	26,048	(Note)
	NEOWIN	Samoa	Financial investment and international trade	15,553	6,242	-	100	5,892	( 5,080 )	(Note)
NEOLITE	LIBERTY BELL	British Virgin Islands	Financial investment and international trade	563,243 USD 18,126	563,243 USD 18,126	21,000	100	565,000	109,533 USD 3,538	(Note)

Note: Not applicable.

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

Investments in Mainland China

Year ended December 31, 2019

TABLE 6

Unit: Thousands of New Taiwan Dollars or Foreign Currencies)

INFORMATION ON INVESTMENTS IN MAINLAND CHINA	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019(Note 2)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018
					Outward	Inward						
POU CHIEN	Production and sales of PU resin	\$ 518,956 CNY 120,789	(Note 1)	\$ 244,425 USD 7,576	\$ -	\$ -	\$ 244,425 USD 7,576	\$ 62,275 CNY 13,646	100%	\$ 62,275 CNY 13,646	\$ 819,759 CNY 190,420	\$ -
TOPCO	Wholesale of chemical products	32,399 CNY 8,053	(Note 1)	26,450 USD 820	-	-	26,450 USD 820	26,084 CNY 5,796	100%	26,084 CNY 5,796	167,371 CNY 38,878	80,533 CNY 16,896
LEADERSHIP SHANGHAI	Wholesale of chemical products	15,400 CNY 3,474	(Note 1)	6,090 USD 200	9,310 USD 300	-	15,400 USD 500	( 5,034) (CNY 1,121)	100%	( 5,034) (CNY 1,121)	5,840 CNY 1,357	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 412,055 ( USD 12,796 )	\$ 921,115 ( USD 29,126 ) (Note 4)	(Note 5)

Note 1: Investments in mainland China were through companies established in the third region.

Note 2: Including investment in equipment and expertise, but not including the surplus of investment in China's investment business, and reinvestment of investment in the third region.

Note 3: The financial statements of the investee were audited by the ROC parent company's CPA during the same period.

Note 4: Investment of US\$29,126 thousand was authorized by the Investment Commission, MOEA, not including the surplus of investment in China's investment business, and reinvestment of investment in the third region (NEOLITE) of US\$ 5,591 thousand.

Note 5: In accordance with "Principle of Examination on Investment or Technical Cooperation in Mainland China" stipulated by the Investment Commission, MOEA on August 29, 2008, the Company obtained the scope certificate for the headquarters issued by the Industrial Development Bureau, MOEA, with no upper limit for the investment amount in mainland China.

# THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

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EVERMORE CHEMICAL INDUSTRY CO., LTD.

STATEMENT OF CASH

December 31, 2019

STATEMENT 1

Unit: In Thousands of New Taiwan Dollars,  
Unless Otherwise Specified

Item	Amount
Cash on hand and petty cash	<u>\$ 20</u>
Cash in banks	
Foreign deposits (Note)	28,115
Demand deposits	1,780
Checking accounts	<u>34</u>
	<u>29,929</u>
	<u>\$ 29,949</u>

Note: Including US\$938 thousand (US\$1=NT\$29.98).

EVERMORE CHEMICAL INDUSTRY CO., LTD.

STATEMENT OF NOTES RECEIVABLE

December 31, 2019

2

Unit: Thousands New Taiwan Dollars

Client Name	Amount
Unrelated parties	
JPT CORPORATION	\$ 9,217
SUMMITEX ENTERPRISE CO., LTD.	8,581
JETCOAT CORPORATION	6,493
Yu Feng Chemical Industry Co., Ltd.	5,676
WANDA GLUE CO., LTD	4,185
TUOH YA ENTERPRISE CO., LTD	3,994
Others (Note)	<u>38,435</u>
	76,581
Related party	
GIANT STAR	<u>216</u>
	<u>\$ 76,797</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.



EVERMORE CHEMICAL INDUSTRY CO., LTD.

STATEMENT OF TRADE RECEIVABLES

December 31, 2019

3

Unit: Thousands New Taiwan Dollars

Client Name	Amount
Unrelated parties	
SHANGHAI OCT IMP.&EXP. COMPANY LIMITED	\$ 37,351
SHAN HUA PLASTIC INDUSTRIAL CO., LTD	30,253
HSIN MEI KUANG CO., LTD	14,013
WONDERFUL INTERNATIONAL GROUP CO., LTD.	10,712
Others (Note)	<u>99,787</u>
	192,116
Less: Allowance for impairment loss	( <u>26,613</u> )
	<u>\$ 165,503</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

EVERMORE CHEMICAL INDUSTRY CO., LTD.

STATEMENT OF INVENTORIES

December 31, 2019

4

Unit: Thousands New Taiwan Dollars

Item	Cost	Market Price
Finished goods	\$ 170,926	\$ 232,634
Merchandise	1,715	1,715
Raw materials and supplies	93,299	93,585
Inventories in transit	<u>881</u>	<u>881</u>
	<u>\$ 266,821</u>	<u>\$ 328,815</u>

Note: The inventories are stated at the lower cost or net realizable value, and they were compared item by item.

EVERMORE CHEMICAL INDUSTRY CO., LTD.  
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD  
Year ended December 31, 2019

5

Unit: In Thousands of New Taiwan Dollars,  
Unless Otherwise Specified

	Balance at Beginning of Year				Share of Profit (Loss) of Subsidiaries and Associates in Using the Equity Method	Exchange differences on translating the financial statements of foreign operations	Realized (unrealized) gross profit	Balance at end of period				
Net Income (Loss) of	Number of Shares	Ownership (%)	Amount	Cash Dividends				Number of Shares	Ownership (%)	Amount	Net Assets Value	Collateral
NEOLITE	13,059	100	\$ 629,182	\$ -	\$ 86,977	(\$ 16,763)	(\$ 2,170)	13,059	100	\$ 697,226	\$ 702,193	Nil
GIANT STAR	12,600	100	202,690	-	19,564	( 5,132)	-	12,600	100	217,122	217,128	Nil
CHEM-MAT	7,199	100	125,683	-	( 2,627)	-	523	7,199	100	123,579	126,549	Nil
TOPWELL	923	48	<u>2,990</u>	<u>-</u>	<u>( 1,089)</u>	<u>( 1,123)</u>	<u>-</u>	923	48	<u>778</u>	<u>( 42,733)</u>	Nil
			<u>\$ 960,545</u>	<u>\$ -</u>	<u>\$ 102,825</u>	<u>(\$ 23,018)</u>	<u>(\$ 1,647)</u>			<u>\$ 1,038,705</u>	<u>\$ 1,003,137</u>	

EVERMORE CHEMICAL INDUSTRY CO., LTD.  
STATEMENT OF SHORT-TERM BANK BORROWINGS  
December 31, 2019

6

Unit: Thousands New Taiwan Dollars

Borrowing Types and Banks	Maturity Date	Interest Rates (%)	Total
Credit borrowings			
Mega International Commercial Bank - Nantou Branch	2020.03.07- 2020.06.06	1.28	\$ 135,893
MUFG Bank - Taipei Branch	2020.01.03	1.05	130,000
CHANG HWA BANK - Nantou Branch	2020.04.30	1.30	<u>30,000</u>
			<u>295,893</u>
Secured borrowings			
Bank of Taiwan - Nantou Branch	2020.07.12	1.30	120,000
Mega International Commercial Bank - Nantou Branch	2020.04.06- 2020.06.06	1.28	<u>40,000</u>
			<u>160,000</u>
Letters of credit			
Bank of Taiwan - Nantou Branch (Note 1)	2020.04.12- 2020.06.10	1.30	9,980
Mega International Commercial Bank - Nantou Branch (Note 2)	2020.04.27- 2020.06.03	1.28	<u>2,842</u>
			<u>12,822</u>
			<u>\$ 468,715</u>

Note: Including US\$333 thousand (US\$1=NT\$29.98).

Note: Including US\$95 thousand (US\$1=NT\$29.98).

EVERMORE CHEMICAL INDUSTRY CO., LTD.

STATEMENT OF NOTES PAYABLE

December 31, 2019

7

Unit: Thousands New Taiwan Dollars

Vendor Name	Amount
Unrelated parties	
CHI MEI TRADING CO., LTD	\$ 9,349
SHINGHO CHEMICAL CORP.	6,610
YOUNG SUN CHEMTRADE CO., LTD	6,209
CHEMFRONT INTERNATIONAL CORP.	5,729
YUAN JEN ENTERPRISES CO., LTD	5,121
Others (Note)	<u>37,780</u>
	70,798
Related party	
CHEM-MAT	<u>17</u>
	<u>\$ 70,815</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

EVERMORE CHEMICAL INDUSTRY CO., LTD.

STATEMENT OF ACCOUNTS PAYABLES

December 31, 2019

8

Unit: Thousands New Taiwan Dollars

Vendor Name	Amount
Unrelated parties	
ESTCHEM CO., LTD.	\$ 27,556
BASF TAIWAN LTD.	5,137
MITSUI (TAIWAN) CO., LTD.	4,213
Others (Note)	<u>47,208</u>
	<u>84,114</u>
Related party	
GIANT STAR	2,336
LIBERTY BELL	1,385
CHEM-MAT	<u>210</u>
	<u>3,931</u>
	<u>\$ 88,045</u>

Note: The amount of individual client included in others does not exceed 5% of the account balance.

EVERMORE CHEMICAL INDUSTRY CO., LTD.  
STATEMENT OF LONG-TERM BANK BORROWINGS  
December 31, 2019

9

Unit: Thousands New Taiwan Dollars

Borrowing Types and Banks	Maturity Date	Interest Rates (%)	Current Portion of Long-term Borrowings	Long-term borrowings	Total	Collateral
Secured borrowings						
Bank of Taiwan - Nantou Branch	Due on May 2020 from June 2017, repayment over 36 periods, each month for one period	1.41	\$ 33,823	\$ -	\$ 33,823	Land and building
CHANG HWA BANK - Nantou Branch	Due on May 2022 from June 2017, repayment over 60 periods, each month for one period	1.41	10,660	15,102	25,762	Land and building
Mega International Commercial Bank - Nantou Branch	Due on March 2022 from June 2017, repayment over 20 periods, three months for one period	1.40	<u>10,000</u>	<u>12,500</u>	<u>22,500</u>	Land and building
			<u>\$ 54,483</u>	<u>\$ 27,602</u>	<u>\$ 82,085</u>	

EVERMORE CHEMICAL INDUSTRY CO., LTD.

STATEMENT OF NET REVENUE

Year ended December 31, 2019

10

Unit: Thousands New Taiwan Dollars

Item	Quantity (Ton)	Amount
PU resin	15,482	\$ 1,275,045
Polyester polyol	1,449	94,948
Others	424	<u>38,788</u>
		1,408,781
Less: Sales return		( 5,991 )
Sales discount		( <u>1,247</u> )
Net revenue		<u>\$ 1,401,543</u>



EVERMORE CHEMICAL INDUSTRY CO., LTD.

STATEMENT OF COST OF REVENUE

Year ended December 31, 2019

11

Unit: Thousands New Taiwan Dollars

Item	Amount	
Raw material at beginning of year	\$ 115,496	
Raw material purchased	891,146	
Raw material at end of year	( 92,728 )	
Sale of raw material	( 24,470 )	
Transferred to expenses	( 2,030 )	
Other adjustments	( <u>186</u> )	
Raw material used		\$ 887,228
Material, beginning of year	1,579	
Raw material purchased	48,356	
Material, end of year	( 1,571 )	
Transferred to expenses	( 48,296 )	
Other adjustments	( <u>9</u> )	
Material used		59
Direct labor		59,852
Manufacturing expenses		<u>159,035</u>
Manufacturing cost		1,106,174
Finished goods at beginning of year		210,822
Raw material purchased		2,451
Finished goods at end of year	( 187,908 )	
Transferred to expenses	( 4,613 )	
Other adjustments		<u>2,256</u>
Cost of finished goods		1,129,182
Merchandise at beginning of year	1,745	
Merchandise purchased	6,414	
Merchandise at end of year	( 1,715 )	
Other adjustments	( <u>1,345</u> )	
Cost of merchandise		5,099
Cost of goods sold of raw material		24,470
Inventory devaluation reversal gains	( 11,667 )	
Loss on physical inventory and scrapped		1,473
Revenue from sale of scraps	( 1,204 )	
Other costs		<u>23,552</u>
Cost of goods sold		<u>\$ 1,170,905</u>

EVERMORE CHEMICAL INDUSTRY CO., LTD.

STATEMENT OF OPERATING EXPENSES

Year ended December 31, 2019

12

Unit: Thousands New Taiwan Dollars

	Selling expenses	General and administrative expenses	R&D expenses	Expected credit loss	Total
Payroll	\$ 11,981	\$ 33,243	\$ 21,360	\$ -	\$ 66,584
Freight	19,550	1	415	-	19,966
Depreciation expense	274	4,387	10,770	-	15,431
Commission expense	4,395	-	-	-	4,395
Expected credit loss	-	-	-	20,990	20,990
Others	<u>14,579</u>	<u>25,155</u>	<u>13,567</u>	<u>-</u>	<u>53,301</u>
	<u>\$ 50,779</u>	<u>\$ 62,786</u>	<u>\$ 46,112</u>	<u>\$ 20,990</u>	<u>\$180,667</u>