

Evermore Chemical Industry Co.,
Ltd. and Subsidiaries

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

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DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

As of 2019 (from January 1 to December 31, 2019), in accordance with “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” if the companies required to be included in the consolidated financial statements of affiliates under these Criteria are all the same as companies required to be included in the consolidated financial statements of the parent and subsidiary companies as provided in IFRS 10, and if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it is not necessary to prepare separate consolidated financial statements for affiliates.

We hereby declare the above statement,

Evermore Chemical Industry Co., Ltd.

Chairman: Wen-Chieh Ho

2020 March 19

INDEPENDENT AUDITORS' REPORT

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

Audit Opinion

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

In our opinion, based on our audits and reports of other independent accountants, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group for December 31, 2019 and 2018, and its consolidated financial performance and its consolidated 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 Consolidated Financial Statements section of the report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's consolidated financial statements of the year 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2019 consolidated 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 accompanying consolidated financial statements for the accounting policies related to disclosures on accounts receivable.

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. 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.

Other Matters

Evermore Chemical Industry Co., Ltd. has prepared financial statements for the years ended December 31, 2019 and 2018. The audit report from the accountants are also on file for reference.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue operations, disclosing related matters, as well as continuing operations with the basis of accounting unless management either intends to liquidate the Group 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 Group's financial reporting process.

Auditors' Responsibilities for the Audit of Consolidated Financial Statements

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

individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant

deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 2019 consolidated 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. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2019 and 2018

Unit: Thousands New Taiwan Dollars

Code	ASSETS	December 31, 2019		December 31, 2018	
		Amount	%	Amount	%
	CURRENT ASSETS				
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 322,636	11	\$ 236,825	8
1150	Notes receivable (Notes 4, 5, and 7)	120,754	4	136,458	5
1170	Trade receivables from unrelated parties, net (Notes 4, 5, and 7)	710,778	25	799,508	27
1180	Trade receivables from related parties, net (Notes 4, 5, 7, and 26)	65,043	2	92,886	3
1200	Other receivables	11,430	-	19,589	1
1220	Current income tax assets (Notes 4 and 22)	2,385	-	8,079	-
130X	Inventories (Notes 4, 5, and 8)	600,250	21	694,361	23
1410	Prepayments (Notes 15)	30,338	1	38,240	1
1476	Other financial assets – current (Notes 4, 9, and 27)	1,586	-	1,570	-
1479	Other current assets	<u>1,109</u>	<u>-</u>	<u>587</u>	<u>-</u>
11XX	Total current assets	<u>1,866,309</u>	<u>64</u>	<u>2,028,103</u>	<u>68</u>
	NON-CURRENT ASSETS				
1550	Investment accounted for using the equity method (Notes 4 and 11)	778	-	2,990	-
1600	Property, plant, and equipment (Notes 4, 12, and 27)	821,195	28	890,423	30
1755	Right-of-use assets (Notes 4 and 13)	17,473	1	-	-
1760	Investment property, net (Notes 4 and 14)	1,243	-	1,393	-
1780	Intangible assets (Note 4)	3,255	-	4,247	-
1840	Deferred income tax assets (Notes 4 and 22)	19,870	1	11,827	-
1915	Prepayments for equipment	75,750	3	24,742	1
1920	Refundable deposits	9,649	-	1,525	-
1960	Prepayments for investments (Note 11)	87,561	3	-	-
1985	Long-term prepaid rent (Notes 4 and 15)	<u>-</u>	<u>-</u>	<u>17,861</u>	<u>1</u>
15XX	Total non-current assets	<u>1,036,774</u>	<u>36</u>	<u>955,008</u>	<u>32</u>
1XXX	TOTAL	<u>\$ 2,903,083</u>	<u>100</u>	<u>\$ 2,983,111</u>	<u>100</u>
	LIABILITIES AND EQUITY				
	CURRENT LIABILITIES				
2100	Short term borrowings (Notes 16 and 27)	\$ 714,136	25	\$ 781,947	26
2110	Short-term notes and bills payable (Note 16)	129,867	4	129,975	5
2150	Notes payable	71,516	2	97,998	3
2170	Accounts payable (Note 26)	179,152	6	278,609	9
2200	Other payables (Notes 17 and 26)	140,538	5	105,876	4
2230	Current income tax liabilities (Notes 4 and 22)	19,875	1	12,561	1
2250	Provisions – Current (Notes 4 and 18)	1,077	-	808	-
2322	Long-term borrowings due within one year (Notes 16 and 27)	54,483	2	34,664	1
2399	Other current liabilities- Other	<u>16,028</u>	<u>1</u>	<u>9,433</u>	<u>-</u>
21XX	Total current liabilities	<u>1,326,672</u>	<u>46</u>	<u>1,451,871</u>	<u>49</u>
	NON-CURRENT LIABILITIES				
2541	Long-term borrowings (Notes 16 and 27)	27,602	1	82,085	3
2570	Deferred income tax liabilities (Notes 4 and 22)	83,228	3	67,005	2
2645	Guarantee deposits	<u>431</u>	<u>-</u>	<u>494</u>	<u>-</u>
25XX	Total non-current liabilities	<u>111,261</u>	<u>4</u>	<u>149,584</u>	<u>5</u>
2XXX	Total liabilities	<u>1,437,933</u>	<u>50</u>	<u>1,601,455</u>	<u>54</u>
	EQUITY				
3110	Ordinary share - par value of NT\$10, authorized shares of 120,000 thousand shares, issued capital of 99,388 thousand shares	993,880	34	993,880	33
3200	Capital surplus	98,017	3	98,017	3
	Retained earnings				
3310	Legal reserve	202,841	7	201,804	7
3320	Special reserve	2,169	-	10,054	-
3350	Unappropriated earnings	189,853	7	80,070	3
3400	Other equity	<u>(21,610)</u>	<u>(1)</u>	<u>(2,169)</u>	<u>-</u>
3XXX	Total equity	<u>1,465,150</u>	<u>50</u>	<u>1,381,656</u>	<u>46</u>
	TOTAL	<u>\$ 2,903,083</u>	<u>100</u>	<u>\$ 2,983,111</u>	<u>100</u>

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

Chairman: Wen-Chieh Ho

Manager: Chang-Tse Huang

Chief Accountant: Hsiang-Li Chen

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED 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	Operating revenue (Notes 4 and 26)	\$ 3,174,698	100	\$ 3,675,769	100
5000	Operating costs (Notes 8, 21, 26)	<u>2,526,539</u>	<u>79</u>	<u>3,233,202</u>	<u>88</u>
5900	GROSS PROFIT	<u>648,159</u>	<u>21</u>	<u>442,567</u>	<u>12</u>
	Operating expenses (Note 21)				
6100	Selling and marketing expenses	160,863	5	164,254	5
6200	General and administrative expenses	155,832	5	115,013	3
6300	Research and development expenses	78,645	2	74,124	2
6450	Expected credit loss (Notes 4 and 7)	<u>52,335</u>	<u>2</u>	<u>15,274</u>	<u>-</u>
6000	Total operating expenses	<u>447,675</u>	<u>14</u>	<u>368,665</u>	<u>10</u>
6900	PROFIT FROM OPERATIONS	<u>200,484</u>	<u>7</u>	<u>73,902</u>	<u>2</u>
	NON-OPERATING INCOME AND EXPENSES				
7060	Share of loss of associates (Note 4)	(1,089)	-	(3,338)	-
7100	Interest income	1,099	-	1,215	-
7190	Other income (Note 26)	5,381	-	10,095	-
7210	Gains from disposal of property, plant, and equipment (Note 4)	113	-	48	-
7230	Foreign currency exchange losses (Note 21)	(11,297)	-	(6,883)	-
7510	Interest fees	(18,090)	(1)	(19,057)	(1)
7590	Miscellaneous expenses (Note 21)	(<u>1,540</u>)	<u>-</u>	(<u>1,817</u>)	<u>-</u>
7000	Total non-operating income and expenses	(<u>25,423</u>)	(<u>1</u>)	(<u>19,737</u>)	(<u>1</u>)

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Code		2019		2018	
		Amount	%	Amount	%
7900	PROFIT BEFORE INCOME TAX	\$ 175,061	6	\$ 54,165	1
7950	Income tax expense (Notes 4 and 22)	<u>57,218</u>	<u>2</u>	<u>43,798</u>	<u>1</u>
8200	NET PROFIT FOR THE YEAR	<u>117,843</u>	<u>4</u>	<u>10,367</u>	<u>-</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 related to components of other comprehensive income that will be reclassified to profit or loss (Note 22)	<u>3,577</u>	<u>-</u>	(<u>2,726</u>)	<u>-</u>
8300	Other comprehensive income (loss) for the year, net income tax	(<u>19,441</u>)	(<u>1</u>)	<u>7,885</u>	<u>-</u>
8500	TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 98,402</u>	<u>3</u>	<u>\$ 18,252</u>	<u>-</u>
	Earnings per share (Note 23)				
9750	Basic	<u>\$ 1.19</u>		<u>\$ 0.10</u>	
9850	Diluted	<u>\$ 1.18</u>		<u>\$ 0.10</u>	

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

Chairman: Wen-Chieh Ho

Manager: Chang-Tse Huang

Chief Accountant: Hsiang-Li Chen

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED 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		E	Q	U	I	T	Y	Total Equity
		Ordinary Shares	Capital Surplus (N o t e 2 0)	R e t a i n e d Legal Reserve	e a r n i n g s Special Reserve	(N o t e 2 0) Unappropriated E a r n i n g s	Exchange differences on translating the financial statements of foreign operations	
A1	Balance on January 1, 2018	\$ 993,880	\$ 98,017	\$ 195,534	\$ -	\$ 135,721	(\$ 10,054)	\$ 1,413,098
B1	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
B1	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 consolidated financial statements.

Chairman: Wen-Chieh Ho

Manager: Chang-Tse Huang

Chief Accountant: Hsiang-Li Chen

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOW

For the year ended December 31, 2019 and 2018

Unit: Thousands New Taiwan Dollars

C o d e		2019	2018
	CASH FLOW FROM OPERATING ACTIVITIES		
A10000	Income before tax	\$ 175,061	\$ 54,165
A20000	Adjustments for:		
A20100	Depreciation expenses	99,575	97,319
A20200	Amortization expenses	1,706	1,708
A20300	Expected credit loss	52,335	15,274
A20900	Interest fees	18,090	19,057
A21200	Interest income	(1,099)	(1,215)
A22300	Share of loss of associates	1,089	3,338
A22500	Gain on disposal of property, plant, and equipment	(113)	(48)
A23700	(Reversal of) impairment loss on non-financial assets	(2,007)	16,396
A24100	Foreign exchange losses (gains)	3,411	(1,426)
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	15,704	29,022
A31150	Trade receivables	65,145	(77,541)
A31180	Other receivables	8,131	(2,635)
A31200	Inventories	96,626	(42,942)
A31230	Prepayments	7,145	(75)
A31240	Other current assets	(522)	(1,173)
A32130	Notes payable	(26,482)	(3,808)
A32150	Trade payables	(98,550)	(7,046)
A32180	Other payables	34,621	(4,963)
A32200	Provisions	269	(627)
A32230	Other current liabilities	6,595	322
A33000	Cash generated from operations	456,730	93,102
A33100	Interest received	1,083	1,199
A33300	Interest paid	(18,135)	(19,274)
A33500	Income tax paid	(31,168)	(35,153)
AAAA	Net cash flow from operating activities	408,510	39,874

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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	(23,690)	(19,705)
B02800	Proceeds from disposal of property, plant, and equipment	313	48
B03700	Increase in refundable deposits	(8,805)	(264)
B03800	Decrease in refundable deposits	24	54
B04500	Payments for intangible assets	(714)	(1,244)
B07100	Increase in prepayments for equipment	(<u>60,090</u>)	(<u>28,530</u>)
BBBB	Net cash used in investing activities	(<u>180,523</u>)	(<u>49,641</u>)
	CASH FLOW FROM FINANCING ACTIVITIES		
C00100	Proceeds from short-term borrowings	5,412,650	4,421,898
C00200	Repayments of short-term borrowings	(5,477,488)	(4,438,813)
C00500	Net decrease in short-term notes and bills payable	(108)	(19,932)
C01700	Repayments of long-term borrowings	(34,664)	(34,664)
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>114,518</u>)	(<u>121,205</u>)
DDDD	EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	(<u>27,658</u>)	<u>19,926</u>
EEEE	NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	85,811	(111,046)
E00100	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>236,825</u>	<u>347,871</u>
E00200	CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 322,636</u>	<u>\$ 236,825</u>

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

Chairman: Wen-Chieh Ho

Manager: Chang-Tse Huang

Chief Accountant: Hsiang-Li Chen

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 consolidated 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)

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

IFRS 16 “Leases”

IFRS 16 – “Leases” replaces IAS 17 – “Leases,” IFRIC 4 -“Determining whether an Arrangement contains a Lease” and related interpretations and SICs. Refer to Note 4 for information relating to relevant accounting policies.

Lease definitions

In accordance with IFRS 16, the Group evaluates whether the contract signed (or changed) after January 1, 2019 can be (or contain) a lease. Leases that have previously been accounted for according to IAS 17 and IFRIC 4 are not required to be reassessed, and the Group shall apply the transition requirements of IFRS 16.

1. The Group as lessee

The consolidated entity recognizes right-of-use assets and lease liabilities on the balance sheet, except for low-value and short-term leases where expenses are recognized on a straight-line basis. The consolidated statement of comprehensive income makes separate presentations of depreciation expense on right-of-use asset and interest expense accrued on lease liabilities using the effective interest method. In the consolidated cash flow statement, the principal payments for lease liabilities are used in financing activities, while the interest paid is classified as operating activities. Currently, payments under operating lease contracts, including property interest qualified as investment properties, are recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights of land located in Mainland China are recognized as prepayments for leases. Cash flow for operating leases are classified within operating activities on the consolidated statements of cash flow.

The Group's accumulated effect of the retrospective application of IFRS16 is adjusted to the retained earnings on January 1, 2019 without restating the comparative information.

This has no significant impact on accounting with the Group as lessee.

2. Adjustments to asset, liability and equity balances as of January 1, 2019 after first-time adoption of IFRS 16 are presented below:

	Amount before restatement - January 1, 2019	Adjustments Arising from Initial Application	Amount after restatement - January 1, 2019
Prepayments for leases - current	\$ 757	(\$ 757)	\$ -
Prepayments for leases - non-current	17,861	(17,861)	-
Right-of-use assets	-	18,618	18,618
Total effect on assets	<u>\$ 18,618</u>	<u>\$ -</u>	<u>\$ 18,618</u>

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

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

completed.

IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(I) Statement of compliance

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

(II) Basis of preparation

The consolidated 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.

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

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;
2. Liabilities due to be settled within 12 months after the reporting period, and
3. Liabilities for which the 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) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the

Company and the entities controlled by the Company (subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income, and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

If the Group loses control over the subsidiary, a gain or loss is calculated as the difference between: (1) the aggregate of the fair value of consideration received and the fair value of any retained interest at the date when control is lost; and (2) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Group directly disposed of the related assets or liabilities.

The investment retained in the former subsidiary is to be recognized initially at its fair value at the date when control is lost.

Please refer to Note 10, Attachments 6 and 7 for details subsidiaries as well as its shareholding percentages and businesses.

(V) Foreign currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the 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 consolidated financial statements, the functional currencies of the Company and the Group entities are translated into the presentation currency - New Taiwan dollars. 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.

(VI) 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.

(VII) Investments in associates

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

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

(VIII) 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.

(IX) 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.

(X) 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.

(XI) Impairment of tangible and intangible assets

At the end of each reporting period, the Group 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 Group 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.

(XII) Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at 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 held by the merged company are financial assets measured 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.

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

2. Impairment of financial assets

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

The Group always recognizes lifetime Expected Credit 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 Group 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 Group 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.

(XIII) 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.

(XIV) Revenue recognition

The Group 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.

(XV) Leasing

2019

The consolidated entity evaluates whether a contract meets the criteria of (or includes arrangements characterized as) lease on the day of establishment.

The Group as lessee

The consolidated entity recognizes right-of-use assets and lease liabilities from the lease start date, except for exempted low-value and short-term leases where expenses are recognized on a straight-line basis over the lease tenor.

Right-of-use assets are measured at cost at initiation (including the initial amount of lease liability, lease payments made before the lease start date, and the initial direct cost), and subsequently at cost less accumulated depreciation and impairment with adjustments made to the remeasurement account for lease liability. Right-of-use assets are presented individually on the consolidated balance sheet.

Right-of-use assets are depreciated on a straight-line basis from the lease start date until the end of useful life or upon expiry of the lease tenor, whichever is earlier.

2018

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

The consolidated company is the lessee

Operating leases payments are recognized as expenses on the linear basis during the lease term.

Contingent rentals of lease agreements are recognized as periodic reported expenses.

(XVI) 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.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the 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 Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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

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 Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, and 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 AND CASH EQUIVALENTS

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash on hand and petty cash	\$ 1,038	\$ 1,939
Checking accounts and demand deposits	321,598	219,147
Cash equivalent		
Short-term bank deposits with an original maturity of three months	-	15,739
	<u>\$ 322,636</u>	<u>\$ 236,825</u>
<u>Interest rate per annum (%)</u>		
Demand deposits	0.01-0.33	0.01-0.48
Time deposits	-	2

VII. NOTES RECEIVABLE AND TRADE RECEIVABLE

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Notes receivable</u>		
Notes receivable - operating	\$ 120,754	\$ 136,458
Less: Allowance for impairment loss	-	-
	<u>\$ 120,754</u>	<u>\$ 136,458</u>
<u>Trade receivables - unrelated parties</u>		
Amortized cost		
Total book value	\$ 788,356	\$ 850,254
Less: Allowance for impairment loss	(77,578)	(50,746)
	<u>\$ 710,778</u>	<u>\$ 799,508</u>
<u>Trade receivables - related parties</u>		
Amortized cost		
Total book value	\$ 101,048	\$ 110,359
Less: Allowance for impairment loss	(36,005)	(17,473)
	<u>\$ 65,043</u>	<u>\$ 92,886</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	\$ 120,754	\$ 136,458
Past due	-	-
Total	<u>\$ 120,754</u>	<u>\$ 136,458</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 Group 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. Accordingly, the consolidated company's management believes that the consolidated company's credit risk is significantly reduced.

The consolidated entity 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 Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

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

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

	Not Past Due	Less than 30 Days	31 to 90 Days	Over 91 Days	Total
<u>December 31, 2019</u>					
Expected credit loss rate	0%-1%	0%-20%	5%-50%	100%	
Total book value	\$ 748,357	\$ 18,672	\$ 33,890	\$ 88,485	\$ 889,404
Loss allowance (Lifetime ECL)	(9,526)	(2,111)	(13,461)	(88,485)	(113,583)
Amortized cost	<u>\$ 738,831</u>	<u>\$ 16,561</u>	<u>\$ 20,429</u>	<u>\$ -</u>	<u>\$ 775,821</u>
<u>December 31, 2018</u>					
Expected credit loss rate	0%-1%	0%-20%	5%-50%	100%	
Total book value	\$ 861,323	\$ 27,436	\$ 17,864	\$ 53,990	\$ 960,613
Loss allowance (Lifetime ECL)	(7,963)	(1,723)	(4,543)	(53,990)	(68,219)
Amortized cost	<u>\$ 853,360</u>	<u>\$ 25,713</u>	<u>\$ 13,321</u>	<u>\$ -</u>	<u>\$ 892,394</u>

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

	2019	2018
Balance at Beginning of Year	\$ 68,219	\$ 52,072
Add: Net remeasurement of loss allowance	52,335	15,274
Loss: Amounts written off	(1,390)	(335)
Foreign exchange gains and losses	(5,581)	1,208
Balance at end of period	<u>\$ 113,583</u>	<u>\$ 68,219</u>

VIII. Inventories

	December 31, 2019	December 31, 2018
Finished goods	\$ 286,286	\$ 323,185
Merchandise	105,184	91,257
Raw materials and supplies	200,988	267,937
Inventories in transit	<u>7,792</u>	<u>11,982</u>
	<u>\$ 600,250</u>	<u>\$ 694,361</u>

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

	2019	2018
Cost of inventories sold	\$ 2,493,468	\$ 3,186,067
Inventory devaluation (or reversal ns)	(2,007)	16,396
Unallocated production overhead	<u>35,078</u>	<u>30,739</u>
	<u>\$ 2,526,539</u>	<u>\$ 3,233,202</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 27.

X. SUBSIDIARIES

Subsidiary included in the consolidated financial statements:

Investor	Investee	% of Ownership	
		December 31, 2019	December 31, 2018
The Company	NEOLITE INVESTMENTS LIMITED (NEOLITE)	100	100
	CHEM-MAT TECHNOLOGIES CO., LTD (CHEM-MAT)	100	100
	GIANT STAR TRADING CO., LTD (GIANT STAR)(Note)	100	100
CHEM-MAT	EVERMAT INVESTMENT LIMITED (EVERMAT)	-	-
GIANT STAR	NEOTOP INVESTMENT LIMITED (NEOTOP)	100	100
	NEOWIN INVESTMENT LIMITED (NEOWIN)	100	100
NEOTOP	TOPCO (SHANGHAI) CO., LTD (TOPCO)	100	100
NEOWIN	LEADERSHIP (SHANGHAI) CO., LTD (LEADERSHIP)	100	100
NEOLITE	LIBERTY BELL INVESTMENTS LTD. (LIBERTY BELL)	100	100
LIBERTY BELL	POU CHIEN CHEMICAL CO.,LTD (POU CHIEN)	100	100

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.

Please refer to Attachment 6 and 7 for the nature of business, the principal place of business, and information on the country of registration of the above-mentioned subsidiaries.

On March 2018, the board of directors resolved the liquidation of EVERMAT. The liquidation had been completed and \$820 thousand worth of asset was recovered in April 2018; thus, the related income and expenses were excluded from the consolidated statements of comprehensive income.

The subsidiary's gains or losses using the equity method, and other comprehensive income in 2019 and 2018, are recognized based on subsidiary financial statements of the same period that were audited by the CPA.

XI. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD AND PREPAYMENT OF INVESTMENTS

(I) Investments in associates

Investee Company	December 31, 2019		December 31, 2018	
	Carrying	Percentage of	Carrying	Percentage of

	Amount	Ownership and Voting Rights	Amount	Ownership and Voting Rights
<u>Unlisted Companies</u>				
TOPWELL ELASTIC TECHNOLOGY CO., LTD (TOPWELL)	\$ 778	48%	\$ 2,990	48%

Please refer to Attachment 6 for the nature of business, the principal place of business, and information on the country of registration of the above-mentioned affiliates.

The share of profit or loss and other comprehensive income of investments in associates accounted for using the equity method for the years ended December 31, 2018 and 2017 were based on the associates' audited financial statements for the same years as those of the Company.

(II) Prepayment of investments

The Group'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).

XII. Property, plant, and equipment

2019	Balance at Beginning of Year	Additions	Deductions	Reclassification	Effects of Foreign Currency Exchange Differences	Balance at end of period
<u>Cost</u>						
Land	\$ 392,315	\$ -	\$ -	\$ -	\$ -	\$ 392,315
Buildings	569,778	4,204	-	-	1,429	575,411
Machinery and equipment	1,074,948	15,823	(4,317)	5,620	13,039	1,105,113
Transportation equipment	20,224	3	(1,879)	2,855	(370)	20,833
Other equipment	213,681	3,871	(1,123)	607	(1,251)	215,785
Total cost	<u>2,270,946</u>	<u>\$ 23,901</u>	<u>(\$ 7,319)</u>	<u>\$ 9,082</u>	<u>\$ 12,847</u>	<u>2,309,457</u>
<u>Accumulated depreciation</u>						
Buildings	329,459	\$ 32,918	\$ -	\$ -	\$ 849	363,226
Machinery and equipment	883,379	48,525	(4,117)	-	15,568	943,355
Transportation equipment	15,655	1,468	(1,879)	-	(364)	14,880
Other equipment	152,030	15,744	(1,123)	-	150	166,801
Total accumulated depreciation	<u>1,380,523</u>	<u>\$ 98,655</u>	<u>(\$ 7,119)</u>	<u>\$ -</u>	<u>\$ 16,203</u>	<u>1,488,262</u>
	<u>\$ 890,423</u>					<u>\$ 821,195</u>
2018						
<u>Cost</u>						

Land	\$ 392,315	\$ -	\$ -	\$ -	\$ -	\$ 392,315
Buildings	557,118	2,822	-	3,641	6,197	569,778
Machinery and equipment	1,047,304	12,782	(1,613)	6,455	10,020	1,074,948
Transportation equipment	17,676	2,484	-	-	64	20,224
Other equipment	<u>209,685</u>	<u>2,796</u>	<u>(102)</u>	<u>137</u>	<u>1,165</u>	<u>213,681</u>
Total cost	<u>2,224,098</u>	<u>\$ 20,884</u>	<u>(\$ 1,715)</u>	<u>\$ 10,233</u>	<u>\$ 17,446</u>	<u>2,270,946</u>
<u>Accumulated depreciation</u>						
Buildings	292,862	\$ 31,010	\$ -	\$ -	\$ 5,587	329,459
Machinery and equipment	827,610	48,670	(1,613)	-	8,712	883,379
Transportation equipment	14,629	960	-	-	66	15,655
Other equipment	<u>134,835</u>	<u>16,530</u>	<u>(102)</u>	<u>-</u>	<u>767</u>	<u>152,030</u>
Total accumulated depreciation	<u>1,269,936</u>	<u>\$ 97,170</u>	<u>(\$ 1,715)</u>	<u>\$ -</u>	<u>\$ 15,132</u>	<u>1,380,523</u>
	<u>\$ 954,162</u>					<u>\$ 890,423</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
Others	5 years
Machinery and equipment	2-10 years
Transportation equipment	5 years
Other equipment	
Office equipment	2-10 years
Landscape gardening	15 years
Others	2-20 years

For the amounts of property, plant, and equipment as loan guarantees, please refer to Note 27.

XIII. Lease arrangements

(I) Right-of-use assets - 2019

Book value of right-of-use assets	<u>December 31, 2019</u>
Land	<u>\$ 17,473</u>
Depreciation expenses of right-of-use assets	<u>2019</u>
Land	<u>\$ 770</u>

(II) Major leasing activities and terms

The Group's land use right in China is recognized as current expense based on an average of 46 years, while land is used for the construction of manufacturing facilities, offices and employee dormitories.

XIV. Net investment assets

<u>2019</u>	<u>Balance at Beginning of Year</u>	<u>Additions</u>	<u>Balance at end of period</u>
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>
<u>2018</u>			
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.

XV. PREPAYMENTS FOR LEASE

	<u>December 31, 2018</u>
Current asset (classified as prepayments)	\$ 757
Non-current asset	<u>17,861</u>
	<u>\$ 18,618</u>

The Group's land use right in China is recognized as current expense based on an average of 46 years, while land is used for the construction of manufacturing facilities, offices and employee dormitories.

XVI. Loans

(I) Short-term bank borrowings

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Credit borrowings	\$ 524,094	\$ 663,570
<u>Secured borrowings</u>	177,220	90,000
Letters of credit	<u>12,822</u>	<u>28,377</u>
	<u>\$ 714,136</u>	<u>\$ 781,947</u>
<u>Rates of interest per annum</u> <u>(%)</u>		
Credit borrowings	1.05-2.89	1.28-2.89
Secured borrowings	1.28-6.10	1.38
Letters of credit	1.28-1.30	1.28-1.38

Please refer to Note 27 for mortgage borrowings which are secured by the Group's self-owned 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>	1.04
	<u>\$ 130,000</u>	<u>\$ 133</u>	<u>\$ 129,867</u>	

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest rate per annum (%)
<u>December 31, 2018</u>				
Mega Bills Finance Co., Ltd.	\$ 70,000	\$ 13	\$ 69,987	0.84
International Bills Finance Corporation	60,000	12	59,988	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	(54,483)	(34,664)
Long-term borrowings	<u>\$ 27,602</u>	<u>\$ 82,085</u>
 Rates of interest per annum (%)	 1.40-1.41	 1.38-1.41

Please refer to Note 27 for mortgage borrowings which are secured by the Group's self-owned land and buildings.

XVII. Other payables

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Payable for salaries and bonuses	\$ 43,542	\$ 32,473
Payable for employee's compensation and remuneration of directors and supervisors	12,534	2,756
Payable for freight	7,049	8,197
Payable for commissions	6,512	9,245
Payable for purchase of equipment	2,729	2,518
Others	68,172	50,687
	<u>\$ 140,538</u>	<u>\$ 105,876</u>

XVIII. 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.

XIX. Retirement benefit plans

The Company, CHEM-MAT and GIANT STAR of the Group 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.

Subsidiaries in China participate in social insurance schemes managed and coordinated by local government agencies. The plan is a system of determining the payment, and paying the pension insurance premium to the government in exchange for managing the social insurance plan, which is included in the current expense when the offer is made.

Other subsidiaries and sub-subsidiaries that are not registered in accordance with the laws of the Republic of China are not required to establish pension regulations, nor provide pensions in accordance with local laws and regulations.

XX. 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. Please refer to Note 21 (2) for the employee and director remuneration policy of the Company's Articles of Incorporation.

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 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>	
	2018	2017	2018	2017
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.

XXI. Net income

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

Type	Operating Costs	Operating and non-operating expenses	Total
<u>2019</u>			
Salaries expense	\$ 82,077	\$ 131,757	\$ 213,834
Labor and health insurance	5,349	6,377	11,726
Retirement benefits			
Defined contribution plans	2,416	11,387	13,803
Other employee benefits	6,147	5,866	12,013
Depreciation expenses	70,617	28,958	99,575
Amortization expenses	127	1,579	1,706

Type	Operating Costs	Operating and non-operating expenses	Total
<u>2018</u>			
Salaries expense	\$ 77,792	\$ 109,372	\$ 187,164
Labor and health insurance	5,158	6,128	11,286
Retirement benefits			
Defined contribution plans	2,381	7,951	10,332
Other employee benefits	5,281	11,662	16,943
Depreciation expenses	68,875	28,444	97,319
Amortization expenses	150	1,558	1,708

(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 9, 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 consolidated 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 consolidated 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) Net loss from foreign exchange

	2019	2018
Foreign exchange gains	\$ 5,224	\$ 58,759
Foreign exchange losses	(16,521)	(65,642)
Net loss	(\$ 11,297)	(\$ 6,883)

XXII. 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	\$ 42,033	\$ 34,308
Income tax on unappropriated earnings	1,255	1,400
Adjustments for prior years	887	(1,807)
	<u>44,175</u>	<u>33,901</u>
Deferred tax		
In respect of the current year	12,684	208
Effect of tax change	-	7,882
Adjustments for prior years	359	1,807
	<u>13,043</u>	<u>9,897</u>
Income tax expense recognized in profit or loss	<u>\$ 57,218</u>	<u>\$ 43,798</u>

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

	2019	2018
Income tax expense calculated at the statutory rate	\$ 35,012	\$ 10,833
Nondeductible expenses in determining taxable income	18,247	24,862

Not recognized income in determining taxable income	(3,912)	(5,066)
Income tax on unappropriated earnings	1,255	1,400
Effect of different tax rate of group entities operating in other jurisdictions	5,370	3,887
Adjustments for prior years' tax	1,246	-
Effect of tax change	<u>-</u>	<u>7,882</u>
Income tax expense recognized in profit or loss	<u>\$ 57,218</u>	<u>\$ 43,798</u>

The Group adopts the revised Individual 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%. The tax rate applicable to subsidiaries in China is 25%, while the tax generated in other regions are calculated based on the tax rate applicable to each region.

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 Comprehensive Income	Balance at end of period
<u>Deferred tax assets</u>				
Temporary differences				
Inventory write-downs	\$ 3,552	(\$ 49)	\$ -	\$ 3,503
Exchange differences on translating the financial statements of foreign operations	2,308	-	1,937	4,245
Investment accounted for using the equity method	897	218	-	1,115
Allowance for losses	429	3,949	-	4,378
Others	<u>3,361</u>	<u>1,420</u>	<u>-</u>	<u>4,781</u>
	10,547	5,538	1,937	18,022
Tax losses	<u>1,280</u>	<u>568</u>	<u>-</u>	<u>1,848</u>
	<u>\$ 11,827</u>	<u>\$ 6,106</u>	<u>\$ 1,937</u>	<u>\$ 19,870</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Investment accounted for using the equity method	\$ 40,690	\$ 17,396	\$ -	\$ 58,086

Exchange differences on translating the financial statements of foreign operations	2,926	-	(2,926)	-
Others	23,389	1,753	-	25,142
	<u>\$ 67,005</u>	<u>\$ 19,149</u>	<u>(\$ 2,926)</u>	<u>\$ 83,228</u>
<u>2018</u>				
<u>Deferred tax assets</u>				
Temporary differences				
Inventory write-downs	\$ 3,074	\$ 478	\$ -	\$ 3,552
Exchange differences on translating the financial statements of foreign operations	1,151	-	1,157	2,308
Investment accounted for using the equity method	-	897	-	897
Others	2,554	1,236	-	3,790
	6,779	2,611	1,157	10,547
Tax losses	-	1,280	-	1,280
	<u>\$ 6,779</u>	<u>\$ 3,891</u>	<u>\$ 1,157</u>	<u>\$ 11,827</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Investment accounted for using the equity method	\$ 32,796	\$ 7,894	\$ -	\$ 40,690
Exchange differences on translating the financial statements of foreign operations	43	-	2,883	2,926
Others	17,495	5,894	-	23,389
	<u>\$ 50,334</u>	<u>\$ 13,788</u>	<u>\$ 2,883</u>	<u>\$ 67,005</u>

(III) Information about unused loss carryforwards

Loss deduction of Chem-Mat Technologies Co., Ltd. as of December 31, 2019 are as follows:

<u>Unused Amount</u>	<u>Expiry Year</u>
\$ 6,400	117
2,839	118

(IV) Income tax assessments

Profit-seeking enterprise income tax filings of the Company, Giant Star Trading and Chem-Mat Technologies have been certified by the tax authority up till 2017.

XXIII. Earnings per share

	<u>Net profit</u> <u>Attributable to</u> <u>Owners of the</u> <u>Company</u>	<u>Number of</u> <u>Shares</u> <u>(In Thousands)</u>	<u>Earnings Per</u> <u>Shares (NT\$)</u>
<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>

2018

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.

XXIV. Capital risk management

The Group manages their capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

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

The management of the consolidated company re-examines the Group's capital structure on a quarterly basis, including considering various capital costs and the related risks. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

XXV. 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

The fair value of financial assets and financial liabilities is determined in the following:

- (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 and cash equivalents, 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)	\$ 1,241,876	\$ 1,288,361
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 2)	1,317,725	1,511,648

Note 1: The balances include financial assets at amortized cost, which comprise cash and cash equivalents, 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 Group's major financial instruments include trade receivables, trade payables, and borrowings. The Group's corporate treasury function provides services to the business, coordinates access to financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk, and liquidity risk.

1. Market risk

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

There has been no change to the Group'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 Groups have foreign currency sales and purchases, which exposed the Group to foreign currency risk.

The carrying amounts of the Company's non-functional foreign

currency denominated monetary assets and monetary liabilities (including non-functional foreign currency denominated monetary items written-off on the consolidated balance sheet) at the end of the reporting period are set out in Note 29.

Sensitivity analysis

The Group'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.

<u>C u r r e n c y</u>	<u>2019</u>	<u>2018</u>
NTD:USD	\$ 3,142	\$ 2,547
RMB:USD	3,277	3,276
NTD:RMB	533	386

The sensitivity rate used by the Group 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 Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Fair value interest rate risk		
Financial assets	\$ 1,586	\$ 17,309
Financial liabilities	248,394	390,880
Cash flow interest rate risk		

Financial assets	321,494	219,056
Financial liabilities	677,694	637,791

Sensitivity analysis

For the consolidated 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\$890 thousand and NT\$1,047 thousand, respectively.

2. Credit risk

The Group'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 Group will not suffer significant loss.

The Group is required to go through the credit confirmation procedure only after it has dealt with the approved third party, and the policy of the Group 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 Group doesn't expect the possibility of major losses.

3. Liquidity risk

The Group has built an appropriate liquidity risk management framework for the Group's short, medium and long-term funding and liquidity management requirements. The Group 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 Group's unused bank financing facilities are NT\$845,748 thousand and NT\$394,503 thousand respectively.

Liquidity and interest rate risk tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flow of financial liabilities from the earliest date on which the Group 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	\$ 391,206	\$ -
Variable interest rate liabilities	650,092	27,602
Fixed interest rate liabilities	248,394	-
	<u>\$ 1,289,692</u>	<u>\$ 27,602</u>
 Non-derivative financial liabilities	 Less Than 1 Year	 More than 1 Year
<u>December 31, 2018</u>		
Non-interest bearing liabilities	\$ 482,483	\$ -
Variable interest rate liabilities	555,706	82,085
Fixed interest rate liabilities	390,880	-
	<u>\$ 1,429,069</u>	<u>\$ 82,085</u>

XXVI. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Group and its related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

(I) Related party name and category

Related Party Name	Related Party Category
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

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, and 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	Others	\$ 110,232	\$ 109,489
	Associate	87,710	103,284
	Parent entity	88,348	9,895
	Fellow subsidiary	3,971	617
		<u>\$ 290,261</u>	<u>\$ 223,285</u>
Other revenue	Parent entity	<u>\$ 270</u>	<u>\$ 318</u>

The sales transactions of the Group 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.

Line Item	Related Party Category/Name	2019	2018
Purchases of goods	Parent entity	<u>\$ 12,535</u>	<u>\$ 5,823</u>

The purchase price and payment term between the Group and related parties were similar to those for third 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
Net trade receivables	Associate		
	TOPWELL	\$ 54,587	\$ 68,877
	Others	6,876	16,871
	Parent entity	3,580	7,138
		<u>\$ 65,043</u>	<u>\$ 92,886</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
Trade payables	Parent entity	<u>\$ 1,485</u>	<u>\$ 2,456</u>

Other payables	Parent entity	\$	2,551	\$	-
	Others		<u>206</u>		<u>252</u>
		\$	<u>2,757</u>	\$	<u>252</u>

(III) 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	\$ 8,009
Retirement benefits	<u>195</u>	<u>195</u>
	<u>\$ 15,020</u>	<u>\$ 8,204</u>

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

XXVII. 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	\$ 225,653	\$ 265,672
Other financial assets - current	<u>1,586</u>	<u>1,570</u>
	<u>\$ 227,239</u>	<u>\$ 267,242</u>

XXVIII. 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.

XXIX. THE FOREIGN ASSETS AND LIABILITIES WITH SIGNIFICANT IMPACT

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

Financial assets	December 31, 2019		
	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Monetary items</u>			
USD	\$ 14,074	29.98 (USD:NTD)	\$ 421,939
USD	11,484	6.964 (USD:RMB)	344,290
RMB	12,420	4.305 (RMB:NTD)	53,468
 Financial liabilities			
<u>Monetary items</u>			
USD	3,593	29.98 (USD:NTD)	107,718

USD	555	6.964 (USD:RMB)	16,639
RMB	36	4.305 (RMB:NTD)	155

December 31, 2018			
Financial assets	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Monetary items</u>			
USD	\$ 15,178	30.715 (USD:NTD)	\$ 466,192
RMB	8,679	4.472 (RMB:NTD)	38,812
RMB	91,562	0.145597 (RMB:USD)	409,465
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	6,886	30.715 (USD:NTD)	211,503
RMB	54	4.472 (RMB:NTD)	241
RMB	18,313	0.145597 (RMB:USD)	81,896

The merged company is mainly responsible for the US Dollar and Euro foreign exchange rate risk. The following information was aggregated by the functional currencies of the Group, and the exchange rates between respective functional currencies and the presentation currency were disclosed. The significant realized and unrealized foreign exchange gain (losses) were as follows:

Functional currency	2019		2018	
	Functional currency converted to presentation currency	Net exchange losses (gains)	Functional currency converted to presentation currency	Net exchange losses (gains)
USD	30.912 (USD:NTD)	(\$ 5,405)	30.149 (USD:NTD)	(\$ 21,069)
NTD	1 (NTD:NTD)	(7,701)	1 (NTD:NTD)	15,911
RMB	4.472 (RMB:NTD)	1,809	4.560 (RMB:NTD)	(1,725)
		(\$ 11,297)		(\$ 6,883)

XXX. 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. Other: Business relationships and significant transactions and amount between parent company and subsidiaries and among subsidiaries. (Table 5)
11. Invested Company Information. (Table 6)

(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 year end book value, investment income and loss inward, and investment limits in Mainland China. (Table 7)
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 and 5)
 - (2) Sale amount and percentage and the related receivables ending balance and percentage. (Table 3 and 5)
 - (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)

XXXI. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of

goods or services delivered or provided. The Group's segment information is disclosed as follows:

(I) Segment revenues and results

1. Domestic operations - manufacturing and sales in Taiwan.
2. Asia operations - manufacturing and sales in Asian countries except Taiwan.

The income from the consolidated company's continuing operations and its operating result is analyzed by the reportable department as follows:

	Segment Revenue		Segment Profit	
	2019	2018	2019	2018
Domestic operations	\$ 1,256,465	\$ 1,420,773	\$ 53,991	\$ 29,370
Asia operations	<u>1,918,233</u>	<u>2,254,996</u>	<u>146,493</u>	<u>44,532</u>
Total for continuing operations	<u>\$ 3,174,698</u>	<u>\$ 3,675,769</u>	200,484	73,902
Share of loss of associates			(1,089)	(3,338)
Interest income			1,099	1,215
Gains from disposal of property, plant, and equipment			113	48
Net loss from foreign exchange			(11,297)	(6,883)
Interest fees			(18,090)	(19,057)
General income and benefits			5,381	10,095
General expenses and losses			(<u>1,540</u>)	(<u>1,817</u>)
PROFIT BEFORE INCOME TAX			<u>\$ 175,061</u>	<u>\$ 54,165</u>

The departmental income referred to above arises from the transactions conducted with external customers. The segment sales in 2019 and 2018 are NT\$1,350,145 thousand and NT\$500,148 thousand respectively.

Segment gains refers to the profits made by each department, excluding the share of loss from associates, interest revenue, gains from disposal of property, plant and equipment, foreign exchange gains and losses, interest expenses, and income tax expenses recognized under the equity method. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

(II) Segment total assets and liabilities

	December 31, 2019	December 31, 2018
Segment assets		
Domestic operations	\$ 1,561,837	\$ 1,724,016
Asia operations	1,319,012	1,242,708
Unallocated assets	<u>22,234</u>	<u>16,387</u>
Consolidated total assets	<u>\$ 2,903,083</u>	<u>\$ 2,983,111</u>

Segment liabilities		
Domestic operations	\$ 988,353	\$ 923,720
Asia operations	366,352	610,729
Unallocated liabilities	<u>83,228</u>	<u>67,005</u>
Consolidated total		
liabilities	<u>\$ 1,437,933</u>	<u>\$ 1,601,454</u>

For the purpose of performance monitoring resource allocation of each department:

1. All assets were allocated to reportable segments other than interests in associates accounted for using the equity method, other financial assets, and deferred tax assets. Assets used jointly by reportable segments were allocated on the basis of the revenue earned by individual reportable segments; and
2. All liabilities were allocated to reportable segments other than deferred tax liabilities. Liabilities for which reportable segments are jointly liable were allocated in proportion to segment assets.

(III) Revenue from major products

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

	2019	2018
PU resin	\$ 2,436,965	\$ 2,754,414
Polyester polyol	190,816	195,630
Others	<u>546,917</u>	<u>725,725</u>
	<u>\$ 3,174,698</u>	<u>\$ 3,675,769</u>

(IV) Geographical information

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

	2019	2018
China (including Hong Kong)	\$ 1,194,863	\$ 2,327,808
Taiwan	873,813	453,395
Others	<u>1,106,022</u>	<u>894,566</u>
	<u>\$ 3,174,698</u>	<u>\$ 3,675,769</u>

(V) Information about major customers

No single customer accounted for more than 10% of the Group's total revenue in 2019 and 2018.

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 (Note 1)	Financial Statement Account	Related party	Highest Balance for the Period	Balance at end of period (Note 2)	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 3)	Necessary for short-term financing	\$ -	Operating capital	\$ -	—	\$ -	\$ 146,515 (Note 4)	\$ 586,060 (Note 4)	
1	NEOLITE	LIBERTY BELL	Other receivables	Yes	94,800 (USD 3,000)	89,940 (USD 3,000)	47,968 (USD 1,600)	(Note 3)	Necessary for short-term financing	-	Operating capital	-	—	-	351,097 (Note 5)	351,097 (Note 5)	
		The Company	Other receivables	Yes	63,200 (USD 2,000)	-	-	(Note 3)	Necessary for short-term financing	-	Operating capital	-	—	-	351,097 (Note 5)	351,097 (Note 5)	
2	TOPCO	LEADERSHIP SHANGHAI	Other receivables	Yes	9,042 (CNY 2,000)	8,610 (CNY 2,000)	8,610 (CNY 2,000)	(Note 3)	Necessary for short-term financing	-	Operating capital	-	—	-	16,737 (Note 6)	66,948 (Note 6)	

Note 1: Significant intercompany accounts and transactions have been eliminated.

Note 2: The ending balance amount has been approved by the board of directors.

Note 3: Interest rate according to bank loan contract.

Note 4: 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 5: The loan and limit and total limit of individual funds are limited to 50% of the net worth of NEOLITE.

Note 6: 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	Refer to Note 10 of consolidated financial statements	\$ 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	(Note 1)	Sale	(\$ 138,049)	(10)	T/T 90-180 days	Note 3	—	\$ 37,718	12	
LIBERTY BELL	POU CHIEN	(Note 1)	Sale	(245,996)	(25)	T/T 90 days	Note 3	—	4,758	2	
POU CHIEN	LIBERTY BELL	(Note 1)	Sale	(743,916)	(49)	T/T 30 days	Note 3	—	343,452	62	

Note 1: Refer to Note 10 to the consolidated financial statements.

Note 2: Significant intercompany accounts and transactions have been eliminated.

Note 3: 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	(Note 1)	Trade receivables \$ 343,452	2.17	\$ 273,334	Improved collection work	\$ 106,393	\$ -

Note 1: Refer to Note 10 to the consolidated financial statements.

Note 2: Significant intercompany accounts and transactions have been eliminated. Please refer to TABLE 5 of the consolidated financial report for related transactions.

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
Year ended December 31, 2019

TABLE 5

Unit: Thousands of New Taiwan Dollars or Foreign Currencies)

No.	Investee Company (Note 1)	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% to Total Sales or Assets
0	The Company	NEOLITE	1	Trade receivables	\$ 37,718	T/T 90-180 days	1
		NEOLITE	1	Sales	138,049	T/T 90-180 days	4
		CHEM-MAT	1	Trade receivables	7,057	T/T 90 days	-
		CHEM-MAT	1	Sales	18,757	T/T 90 days	1
		POU CHIEN	1	Trade receivables	7,007	T/T 90 days	-
		POU CHIEN	1	Sales	99,712	T/T 90 days	3
		LIBERTY BELL	1	Other receivables	2,818	—	-
		LEADERSHIP SHANGHAI	1	Trade receivables	1,965	T/T 180 days	-
		LEADERSHIP SHANGHAI	1	Sales	23,599	T/T 180 days	1
1	NEOLITE	LIBERTY BELL	1	Trade receivables	1,842	T/T 90 days	-
		LIBERTY BELL	1	Other receivables	48,177	—	2
		LIBERTY BELL	1	Other payables	3,528	—	-
		LIBERTY BELL	1	Sales	14,844	T/T 90 days	-
		LIBERTY BELL	1	Other revenue	2,810	—	-
		LEADERSHIP SHANGHAI	2	Trade receivables	26,685	T/T 90 days	1
2	CHEM-MAT	LEADERSHIP SHANGHAI	2	Sales	35,845	T/T 90 days	1
		LEADERSHIP SHANGHAI	2	Sales	35,845	T/T 90 days	1
3	GIANT STAR	The Company	3	Trade receivables	2,336	T/T 90 days	-
		The Company	3	Sales	4,584	T/T 90 days	-
		TOPCO	1	Trade receivables	2,896	T/T 90 days	-
		TOPCO	1	Sales	9,163	T/T 90 days	-
		LEADERSHIP SHANGHAI	1	Sales	4,109	T/T 90 days	-
		LEADERSHIP SHANGHAI	2	Other receivables	8,813	T/T 75 days	-
4	TOPCO	LEADERSHIP SHANGHAI	2	Other receivables	8,813	T/T 75 days	-
		LEADERSHIP SHANGHAI	2	Other receivables	8,813	T/T 75 days	-
5	LIBERTY BELL	The Company	3	Trade receivables	1,385	T/T 90 days	-
		The Company	3	Sales	8,222	T/T 90 days	-
		POU CHIEN	1	Trade receivables	4,758	T/T 90 days	-
		POU CHIEN	1	Sales	245,996	T/T 90 days	8
		POU CHIEN	1	Other revenue	64,955	—	2
		POU CHIEN	1	Other revenue	64,955	—	2
6	POU CHIEN	LIBERTY BELL	3	Trade receivables	343,452	T/T 30 days	12
		LIBERTY BELL	3	Sales	743,916	T/T 30 days	23

Note 1: Significant intercompany accounts and transactions have been eliminated.

Note 2: Relationship of counterparty: (1) parent entity to subsidiary; (2) subsidiary to subsidiary; (3) subsidiary to parent entity.

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES

Year ended December 31, 2019

TABLE 6

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 the Investee	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 2)
	NEOWIN	Samoa	Financial investment and international trade	15,553	6,242	-	100	5,892	(5,080)	(Note 2)
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 2)

Note 1: Significant intercompany accounts and transactions have been eliminated except for TOPWELL.

Note 2: Not applicable.

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

Investments in Mainland China

Year ended December 31, 2019

Table 7

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)

Note1: Investments in mainland China were through companies established in the third region.

Note2: 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.

Note3: 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.