

Evermore Chemical Industry Co.,  
Ltd. and Subsidiaries

Consolidated Financial Statements  
and Independent Auditor's Report  
2020 and 2019

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## DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

As of 2020 (from January 1 to December 31, 2020), 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

March 22, 2021

## **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, 2020 and 2019, 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, 2020 and 2019, 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 2020. 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 2020 consolidated financial statements are stated as follows:

Authenticity of revenue recognition for specific customers

The main source of revenue of Evermore Group is the sales of resins, and the sales locations are mainly located in markets such as Asia. Operating revenue in 2020 decreased compared to the previous year, but the operating revenue of some customers grew compared to the previous year. There is a significant risk to the authenticity of their revenue, because the authenticity of revenue recognition for specific customers is listed as a key audit matter. For accounting policies related to revenue recognition, please refer to Note IV of consolidated financial statements.

The main audit procedures that we have implemented in response to the above key audit matters are as follows:

- 1 Understand and evaluate internal control design related to inspection and risk in the sales and collection cycle, and execute tests of its effectiveness.
- 2 Select samples from the sales details of specific customers, review relevant documents such as shipment orders and export declarations, and check whether collection counterparties are consistent with sales counterparties.

**Other Matters**

Evermore Chemical Industry Co., Ltd. has prepared parent company only financial statements for 2020 and 2019, and the audit reports with unqualified opinions that we have issued are 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 the governance unit, we have determined key audit matters of Evermore Group's 2020 consolidated financial statements. 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 Ting-Chien Su

CPA Li-Tung Wu

Approval reference of the Financial Supervisory  
Commission  
Jin-Guan-Zheng-Shen- 1070323246

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

March 27, 2021

## EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

December 31, 2020 and 2019

Unit: NT\$ thousand

Code	ASSETS	December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
	<b>CURRENT ASSETS</b>				
1100	Cash and cash equivalents (Notes IV and VI)	\$ 306,389	10	\$ 322,636	11
1136	Financial assets measured at amortized cost - current (Notes IV and VII)	52,418	2	-	-
1150	Notes receivable (Notes IV and VIII)	117,381	4	120,754	4
1170	Accounts receivable due from non-related parties (Notes IV and VIII)	579,323	19	710,778	25
1180	Accounts receivable due from related parties (Notes IV, VIII, and XXVIII)	23,107	1	65,043	2
1200	Other receivables	9,840	-	11,430	-
1220	Highest balance of financing to other parties during the period (Notes IV and XXIII)	3	-	2,385	-
130X	Inventories (Notes IV and IX)	622,491	20	600,250	21
1410	Prepayments	52,990	2	30,338	1
1476	Other current financial assets (Notes IV, X, and XXIX)	15,740	-	1,586	-
1479	Other current assets	<u>1,650</u>	<u>-</u>	<u>1,109</u>	<u>-</u>
11XX	Total current assets	<u>1,781,332</u>	<u>58</u>	<u>1,866,309</u>	<u>64</u>
	<b>NON-CURRENT ASSETS</b>				
1550	Investments accounted for using equity method (Notes IV, XI, and XII)	-	-	778	-
1600	Property, plant and equipment (Notes IV, XIII, and XXIX)	982,514	32	821,195	28
1755	Right of use assets (Notes IV and XIV)	169,921	6	17,473	1
1760	Investment real estate (Notes IV and XV)	1,094	-	1,243	-
1780	Intangible assets (Note IV)	2,639	-	3,255	-
1805	Goodwill (Notes IV, XVI, and XXV)	49,395	2	-	-
1840	Deferred tax assets (Notes IV and XXIII)	28,866	1	19,870	1
1915	Prepayments for equipment	37,953	1	75,750	3
1920	Refundable deposits	1,349	-	9,649	-
1960	Prepayments for investments (Note XII)	<u>-</u>	<u>-</u>	<u>87,561</u>	<u>3</u>
15XX	Total non-current assets	<u>1,273,731</u>	<u>42</u>	<u>1,036,774</u>	<u>36</u>
1XXX	TOTAL	<u>\$ 3,055,063</u>	<u>100</u>	<u>\$ 2,903,083</u>	<u>100</u>
	<b>LIABILITIES AND EQUITY</b>				
	<b>CURRENT LIABILITIES</b>				
2100	Short-term bank loans (Notes XVII and XXIX)	\$ 649,647	21	\$ 714,136	25
2110	Short term notes and bills payable (Note XVII)	129,855	4	129,867	4
2150	Notes payable	73,369	2	71,516	2
2170	Accounts payable (Note XXVIII)	204,682	7	179,152	6
2200	Other payables (Notes XVIII and XXVIII)	135,609	5	140,538	5
2230	Current tax liabilities (Notes IV and XXIII)	28,064	1	19,875	1
2250	Provisions - Current (Notes IV and XIX)	1,077	-	1,077	-
2322	Long-term bank loans due within one year (Notes XVII and XXIX)	64,000	2	54,483	2
2399	Other current liabilities- Other	<u>10,352</u>	<u>-</u>	<u>16,028</u>	<u>1</u>
21XX	Total current liabilities	<u>1,296,655</u>	<u>42</u>	<u>1,326,672</u>	<u>46</u>
	<b>NON-CURRENT LIABILITIES</b>				
2541	Long-term bank loans (Notes XVII and XXIX)	207,117	7	27,602	1
2570	Deferred tax liabilities (Notes IV and XXIII)	66,310	2	83,228	3
2645	Guarantee deposits	<u>437</u>	<u>-</u>	<u>431</u>	<u>-</u>
25XX	Total non-current liabilities	<u>273,864</u>	<u>9</u>	<u>111,261</u>	<u>4</u>
2XXX	Total liabilities	<u>1,570,519</u>	<u>51</u>	<u>1,437,933</u>	<u>50</u>
	<b>EQUITY</b>				
3110	Share capital from common stock	993,880	33	993,880	34
3200	Capital surplus	98,017	3	98,017	3
	Retained earnings				
3310	Statutory reserves	214,625	7	202,841	7
3320	Special reserve	21,610	1	2,169	-
3350	Unappropriated earnings	168,036	5	189,853	7
3400	Other equity	<u>( 11,624 )</u>	<u>-</u>	<u>( 21,610 )</u>	<u>( 1 )</u>
3XXX	Total equity	<u>1,484,544</u>	<u>49</u>	<u>1,465,150</u>	<u>50</u>
	<b>TOTAL</b>	<u>\$ 3,055,063</u>	<u>100</u>	<u>\$ 2,903,083</u>	<u>100</u>

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

Chairman: Ho Wen-Chieh

Manager: Huang Chng-Tze

Chief Accountant: Chen Hsiang-Li



EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

January 1 through December 31, 2020 and 2019

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

Code		2020		2019	
		Amount	%	Amount	%
4000	Operating revenue, net (Notes IV and XXVIII)	\$ 2,363,415	100	\$ 3,174,698	100
5000	Operating costs (Notes IX, XX, and XXVIII)	<u>1,906,186</u>	<u>81</u>	<u>2,526,539</u>	<u>79</u>
5900	GROSS PROFIT	<u>457,229</u>	<u>19</u>	<u>648,159</u>	<u>21</u>
	Operating expenses (Note XXII)				
6100	Selling and marketing expenses	133,159	5	160,863	5
6200	Management expenses	137,961	6	155,832	5
6300	Research and development expenses	70,287	3	78,645	2
6450	Expected credit loss (gain) (Notes IV and VIII)	( <u>21,668</u> )	( <u>1</u> )	<u>52,335</u>	<u>2</u>
6000	Total operating expenses	<u>319,739</u>	<u>13</u>	<u>447,675</u>	<u>14</u>
6900	PROFIT FROM OPERATIONS	<u>137,490</u>	<u>6</u>	<u>200,484</u>	<u>7</u>
	NON-OPERATING INCOME AND EXPENSES				
7060	Share of profits and losses of affiliated companies using the equity method (Note IV)	( 1,674 )	-	( 1,089 )	-
7100	Interest income	556	-	1,099	-
7190	Other revenue: (Note XXVIII)	21,468	1	5,381	-
7230	Net loss from foreign exchange (Note XXII)	( 29,099 )	( 1 )	( 11,297 )	-
7510	Interest fees	( 11,673 )	( 1 )	( 18,090 )	( 1 )
7590	Miscellaneous expenditures (Notes XVI and XXII)	( <u>39,484</u> )	( <u>2</u> )	( <u>1,427</u> )	-
7000	Total non-operating income and expenses	( <u>59,906</u> )	( <u>3</u> )	( <u>25,423</u> )	( <u>1</u> )

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Code		2020		2019	
		Amount	%	Amount	%
7900	PROFIT BEFORE INCOME TAX	\$ 77,584	3	\$ 175,061	6
7950	Income tax expense (Notes IV and XXIII)	<u>3,574</u>	-	<u>57,218</u>	<u>2</u>
8200	NET PROFIT FOR THE YEAR	<u>74,010</u>	<u>3</u>	<u>117,843</u>	<u>4</u>
	OTHER COMPREHENSIVE INCOME (LOSS) (Note IV)				
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of foreign financial statements	10,977	1	( 23,018 )	( 1 )
8399	Income tax related to items that may be reclassified to profit or loss (Note XXIII)	( <u>2,066</u> )	-	<u>3,577</u>	-
8300	Other comprehensive income (loss) for the year, net income tax	<u>8,911</u>	<u>1</u>	( <u>19,441</u> )	( <u>1</u> )
8500	TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 82,921</u>	<u>4</u>	<u>\$ 98,402</u>	<u>3</u>
	Earnings per share (Note XXIV)				
9750	Basic	<u>\$ 0.74</u>		<u>\$ 1.19</u>	
9850	Diluted	<u>\$ 0.74</u>		<u>\$ 1.18</u>	

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

Chairman: Ho Wen-Chieh

Manager: Huang Chng-Tze

Chief Accountant: Chen Hsiang-Li

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

January 1 to December 31, 2020 and 2019

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

		EQUITY						
Code		Share capital from common stock (Note XXI)	Capital Surplus (Note XXI)	Retained earnings (Note XXI)			Exchange differences on translation of foreign financial statements	Total Equity
				Statutory reserve	Special Reserve	Unappropriated Earnings		
A1	Balance on January 1, 2019	\$ 993,880	\$ 98,017	\$ 201,804	\$ 10,054	\$ 80,070	( \$ 2,169 )	\$ 1,381,656
	Distribution of 2018 consolidated net income:							
B1	Statutory reserves	-	-	1,037	-	( 1,037 )	-	-
B5	Shareholder cash dividend - NTD 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
	Earnings allocation and distribution for 2019							
B1	Statutory reserves	-	-	11,784	-	( 11,784 )	-	-
B3	Special reserve	-	-	-	19,441	( 19,441 )	-	-
B5	Shareholder cash dividend - NTD 0.65 per share	-	-	-	-	( 64,602 )	-	( 64,602 )
D1	2020 net profit	-	-	-	-	74,010	-	74,010
D3	Other comprehensive profit and loss after tax for 2020	-	-	-	-	-	8,911	8,911
D5	Total comprehensive income for 2020	-	-	-	-	74,010	8,911	82,921
M3	Proceeds from investments accounted for using equity method	-	-	-	-	-	1,075	1,075
Z1	Balance on December 31, 2020	\$ 993,880	\$ 98,017	\$ 214,625	\$ 21,610	\$ 168,036	( \$ 11,624 )	\$ 1,484,544

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

Chairman: Ho Wen-Chieh

Manager: Huang Chng-Tze

Chief Accountant: Chen Hsiang-Li

## EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CASH FLOW

January 1 to December 31, 2020 and 2019

Unit: NT\$ thousand

Code		2020	2019
	CASH FLOW FROM OPERATING ACTIVITIES		
A10000	Income before tax	\$ 77,584	\$ 175,061
A20000	Adjustments for:		
A20100	Depreciation expense	103,832	99,575
A20200	Amortization expense	976	1,706
A20300	Expected credit loss (reversal)	( 21,668 )	52,335
A20900	Interest fees	11,673	18,090
A21200	Interest income	( 556 )	( 1,099 )
A22300	Share of profits and losses of affiliated companies using the equity method		
		1,674	1,089
A22500	Gains from disposal of property, plant, and equipment	( 501 )	( 113 )
A23100	Gain on disposal of investments	( 6,090 )	-
A23700	Impairment loss on non-financial assets (reversal)		
		48,533	( 2,007 )
A24100	Net loss from foreign exchange	2,763	3,411
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	11,870	15,704
A31150	Accounts receivable	136,840	65,145
A31180	Other receivables	1,571	8,131
A31200	Inventories	7,947	96,626
A31230	Prepayments	( 17,511 )	7,145
A31240	Other current assets	( 488 )	( 522 )
A32130	Notes payable	1,818	( 26,482 )
A32150	Accounts payable	9,570	( 98,550 )
A32180	Other payables	( 11,171 )	34,621
A32200	Provisions	-	269
A32230	Other current liabilities	( 6,354 )	6,595
A33000	Cash generated from operations	352,312	456,730
A33100	Interest received	556	1,083
A33300	Interest paid	( 11,660 )	( 18,135 )
A33500	Income tax paid	( 21,989 )	( 31,168 )
AAAA	Net cash flow from operating activities	<u>319,219</u>	<u>408,510</u>

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Code		2020	2019
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
B00040	Increase in financial assets measured at amortised cost	( \$ 53,429 )	\$ -
B02200	Acquisition of subsidiaries	( 200,409 )	-
B02000	Increase in prepayments for investments	-	( 87,561 )
B02700	Payments for property, plant, and equipment	( 45,663 )	( 23,690 )
B02800	Proceeds from disposal of property, plant, and equipment	678	313
B03700	Increase in refundable deposits	( 124 )	( 8,805 )
B03800	Decrease in refundable deposits	8,604	24
B04500	Payments for intangible assets	( 360 )	( 714 )
B06500	Increase in other financial assets	( 14,178 )	-
B07100	Increase in prepayments for equipment	( <u>66,238</u> )	( <u>60,090</u> )
BBBB	Net cash used in investing activities	( <u>371,119</u> )	( <u>180,523</u> )
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
C00100	Proceeds from short-term borrowings	6,136,566	5,412,650
C00200	Repayments of short-term borrowings	( 6,235,833 )	( 5,477,488 )
C00500	Net decrease in short-term notes and bills payable	( 12 )	( 108 )
C01600	Proceeds from long-term borrowings	270,000	-
C01700	Repayments of long-term borrowings	( 80,968 )	( 34,664 )
C04500	Dividends paid to owners of the Company	( <u>64,602</u> )	( <u>14,908</u> )
CCCC	Net cash generated from (used in) financing activities	<u>25,151</u>	( <u>114,518</u> )
DDDD	<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES</b>	<u>10,502</u>	( <u>27,658</u> )
EEEE	Net increase (decrease) in cash and cash equivalents for the year	( 16,247 )	85,811
E00100	<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>322,636</u>	<u>236,825</u>
E00200	<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 306,389</u>	<u>\$ 322,636</u>

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

Chairman: Ho Wen-Chieh

Manager: Huang Chng-Tze

Chief Accountant: Chen Hsiang-Li

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

January 1 to December 31, 2020 and 2019

(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.

The parent company of the company is AICA Kogyo Company Limited (AICA) of Japan. As of December 31, 2020 and 2019, it held 50.1% of the company's common stock.

**II. APPROVAL OF FINANCIAL STATEMENTS**

The consolidated financial statements were approved by the Board of Directors on March 16, 2021.

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

- (I) First time applying International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations, or SIC Interpretations endorsed by the Financial Supervisory Commission (hereafter FSC)

The application of the revised FSC approved and issued effective IFRSs will not cause significant changes to the Group's accounting policies.

- (II) IFRSs recognized by the FSC applicable in 2021

New, Revised or Amended Standards and Interpretations	Effective date of IASB announcement
Amendment to IFRS 4 (Extension of the Temporary Exemption from Applying IFRS 9)	Effective from release date
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 amendments to "Interest Rate Benchmark Reform—Phase 2"	Effective for the annual reporting period beginning on January 1, 2021
Amendment to IFRS 16, "Covid-19-Related Rent Concessions"	Effective for the annual reporting period beginning on June 1, 2020

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

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB (Note 1)
"Annual improvement in the 2018-2020 cycle"	January 1, 2022 (Note 2)
Amendment to IFRS 3 "Updates to Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	Unresolved
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 4)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 5)
Amendments to IAS 16 "Property, Plant and Equipment — Proceeds before Intended Use"	January 1, 2022 (Note 6)
Amendments to IAS 37 "Onerous Contracts — Cost of Fulfilling a Contract"	January 1, 2022 (Note 7)

Note 1: Unless otherwise specified, all new/amended/modified standards and interpretations above shall take effect from the financial year that begins after the specified date.

Note 2: The amendments to IFRS 9 are applicable to the exchange or modification of terms of financial liabilities incurred during the annual reporting period beginning on January 1, 2022. The amendment to IAS 41 "Agriculture" applies to the fair value measurement of the annual reporting period beginning after January 1, 2022. The amendment of IFRS 1 "First-time Adoption of International Financial Reporting Standards" is retrospectively applied to the annual reporting period beginning after January 1, 2022.

Note 3: This amendment applies to business mergers whose acquisition date starts in the annual reporting period after January 1, 2022.

Note 4: The application of this amendment will be postponed during the annual reporting period beginning after January 1, 2023.

Note 5: This amendment applies to changes in accounting estimates and changes in accounting policies that occur during the annual reporting period beginning after January 1, 2023.

Note 6: Property, plant and equipment that attain the necessary locations and conditions for the management's expected mode of operation after January 1, 2021 are subject to this amendment.

Note 7: This amendment applies to contracts that have not fulfilled all obligations as of January 1, 2022.

As of the approval date of these consolidated financial statements, the Group is continuing to evaluate the impact of other standards and amendments to the interpretation on financial status and financial performance. The results thereof will be disclosed when the Group completes its evaluation.

#### 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.

For details of subsidiaries, shareholding ratios, and business items, please refer to Note XI, Table 6 and 7.

(V) Business mergers

Business mergers are handled by the acquisition method. Acquisition-related costs are included as expenses in the year in which the cost is incurred and the service is obtained.

Goodwill is measured by the total amount of the fair value of the transfer consideration and the fair value of the acquirer's previously held equity at the acquisition date over the net amount of identifiable assets acquired and liabilities assumed on the acquisition date.

The acquiree has the current ownership interest and is entitled to pro rata non-controlling interest in the acquiree's net assets at the time of liquidation, measured by fair value. Other non-controlling interests are measured at fair value.

If the measurement of identifiable assets acquired and liabilities assumed due to a business combination has not been completed, the balance sheet date is recognized as a provisional amount. During the measurement period, retrospective adjustments are made or additional assets or liabilities are recognized to reflect the obtained new information about the facts and circumstances that existed on the acquisition date.

(VI) 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.

(VII) 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.

(VIII) Investment related companies

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

(IX) 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.

(X) 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.

(XI) Goodwill

The goodwill obtained from a business combination is based on the amount of goodwill recognized on the acquisition date as the cost. Subsequent measurement is based on the cost minus the accumulated impairment loss.

For the purpose of impairment testing, goodwill is allocated to each cash-generating unit or group of cash-generating units that the Group expects to benefit from the synergy of the merger (hereafter abbreviated to "cash-generating unit").

The cash-generating unit of the assessed goodwill conducts an impairment test of the unit every year (and when there are signs that the unit may have been impaired) by comparing the carrying value of the unit containing the goodwill and its recoverable amount. If the goodwill allocated to the cash-generating unit is obtained from a business combination in the current year, then the unit shall conduct an impairment test before the end of the current year. If the recoverable amount of the cash-generating unit of the assessed goodwill is lower than its carrying value, the impairment losses are to first reduce the carrying value of the cash-generating unit's assessed goodwill, and then reduce the carrying value of each asset in proportion to the carrying value of the other assets in the unit. Any impairment losses are directly recognized as losses for the current year. Goodwill impairment losses shall not be reversed in subsequent periods.

When disposing of a certain operation within the cash-generating unit of the assessed goodwill, the amount of goodwill related to the dispositioned operation is included in the carrying value of the operation to determine the disposition profit and loss.

(XII) 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.

(XIII) Impairment of property, plant and equipment, right of use assets, and intangible assets

The Group evaluates on each balance sheet date whether there are any signs of possible impairment of property, plant and equipment, right of use assets, and intangible assets. 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.

(XIV) 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.

For financial assets measured at amortized cost after the original recognition (including cash and cash equivalents, notes and accounts receivable measured by cost after amortization, other receivables, other financial assets and refundable deposits), they are measured by the total carrying value determined by the effective interest method minus the amortized cost of any impairment losses. Any foreign currency exchange gains and losses are recognized in profit and 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.

(XV) 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.

(XVI) 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.

(XVII) Leasing

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.

(XVIII) Government subsidies

Government subsidies are recognized only when it is reasonably certain that the Group will comply with the conditions attached to the government subsidies and will receive the subsidies.

Government subsidies are recognized in the profit and loss on a systematic basis during the period when the related costs that they intend to offset are recognized as expenses by the Group.

If government subsidies are used to offset expenses or losses incurred, or used for the purpose of providing immediate financial support to the Group and there are no future related costs, they are recognized in profit and loss during the period when they can be collected.

(XIX) 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.

(XX) Taxation

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

1 Current income tax

The Group determines current income (loss) in accordance with the laws and regulations established by each income tax reporting jurisdiction, based on the calculation of income tax payable (recoverable).

Income tax on undistributed surplus earnings is calculated in accordance with the provisions of the Income Tax Act of the Republic of China and recognized in the annual resolution of the shareholders' meeting.

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 Group has taken into consideration the economic impact caused by the COVID-19 pandemic in respect to significant accounting estimates, and management will continue to review estimates and basic assumptions. 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.

#### (III) Goodwill impairment estimates

When deciding whether goodwill is impaired, an estimate must be made of the usage value of the cash-generating unit to which goodwill is allocated. To calculate the usage value, management should estimate the expected future cash flows from the cash-generating unit and determine the appropriate discount rate to be used in calculating their present value. If the actual cash flow is less than expected, significant impairment losses may occur.

## VI. Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand and petty cash	\$ 1,064	\$ 1,038
Checking accounts and demand deposits	290,305	321,598
Cash equivalent		
Time deposits with original maturities of less than 3 months	15,020	-
	<u>\$ 306,389</u>	<u>\$ 322,636</u>
<u>Interest rate range (%)</u>		
Demand deposits	0.005-0.05	0.01-0.33
Time deposits	0.16	-

VII. Financial assets measured at amortized cost - current

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Restricted bank deposits	\$ <u>52,418</u>	\$ <u>-</u>

The Company has gained approval from the National Taxation Bureau of the Ministry of Finance, in accordance with the Regulations on Investment from Repatriated Offshore Funds and has put forward an investment plan to the Ministry of Economic Affairs. In accordance with the Regulations, the funds are limited to approved plans and cannot be used for other purposes.

VIII. Notes receivable and accounts receivable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Notes receivable</u>		
Notes receivable - operating	\$ 117,381	\$ 120,754
Less: Loss allowance	<u>-</u>	<u>-</u>
	<u>\$ 117,381</u>	<u>\$ 120,754</u>
<u>Trade receivables - unrelated parties</u>		
Measured by cost after amortization		
Total book value	\$ 671,860	\$ 788,356
Less: Loss allowance	( <u>92,537</u> )	( <u>77,578</u> )
	<u>\$ 579,323</u>	<u>\$ 710,778</u>
<u>Trade receivables - related parties</u>		
Measured by cost after amortization		
Total book value	\$ 23,107	\$ 101,048
Less: Loss allowance	<u>-</u>	( <u>36,005</u> )
	<u>\$ 23,107</u>	<u>\$ 65,043</u>

(I) Notes receivable

The aging of notes receivable was as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Not past due	\$ 117,381	\$ 120,754
Past due	<u>-</u>	<u>-</u>
Total	<u>\$ 117,381</u>	<u>\$ 120,754</u>

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

(II) Accounts receivable

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, 2020</u>					
Expected credit loss rate	0%-1%	0%-20%	5%-50%	100%	
Total book value	\$ 588,681	\$ 17,154	\$ 6,824	\$ 82,308	\$ 694,967
Allowance for loss (Expected credit loss during the period)	( 6,126 )	( 2,239 )	( 1,864 )	( 82,308 )	( 92,537 )
Amortized cost	<u>\$ 582,555</u>	<u>\$ 14,915</u>	<u>\$ 4,960</u>	<u>\$ -</u>	<u>\$ 602,430</u>
<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
Allowance for loss (Expected credit loss during the period)	( 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>

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

	2020	2019
Balance at Beginning of Year	\$ 113,583	\$ 68,219
Acquired through business mergers	8,932	-
Impairment losses (reversals) of the current year	( 21,668 )	52,335
Actual write-offs for the current year	( 6,291 )	( 1,390 )
Foreign exchange gains and losses	( 2,019 )	( 5,581 )
Balance at End of Year	<u>\$ 92,537</u>	<u>\$ 113,583</u>

## IX. Inventories

	December 31, 2020	December 31, 2019
Finished goods	\$ 223,420	\$ 286,286
Merchandise	115,415	105,184
Raw materials and supplies	265,071	200,988
Inventories in transit	18,585	7,792
	<u>\$ 622,491</u>	<u>\$ 600,250</u>

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

	2020	2019
Cost of inventories sold	\$ 1,857,114	\$ 2,493,468
Inventory devaluation (or reversal gains)	12,528	( 2,007 )
Unallocated production overhead	36,544	35,078
	<u>\$ 1,906,186</u>	<u>\$ 2,526,539</u>

A rebound in net realizable value of inventories was caused by increases in the sales prices of inventory in specific markets as well as destocking.

## X. Other financial assets - current

The time deposits with original maturities over 3 months from the date of acquisition. For related pledge information, please refer to Note XXIX.

## XI. Subsidiaries

Subsidiary included in the consolidated financial statements:

Investor	Company Name	% of Ownership	
		December 31, 2020	December 31, 2019
The Company	NEOLITE INVESTMENTS LIMITED (NEOLITE)	100	100
	CHEM-MAT TECHNOLOGIES CO., LTD (CHEM-MAT)	100	100

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Investor	Company Name	% of Ownership	
		December 31, 2020	December 31, 2019
The Company	GIANT STAR TRADING CO., LTD (Giant Star Trading Co.)	100	100
	U-BEST VIETNAM POLYMER INDUSTRY COMPANY LIMITED ( U-BEST )	100	-
	SUCCESS INVESTMENTS LIMITED ( SUCCESS )	100	-
	TOPWELL ELASTIC TECHNOLOGY CO., LTD (TOPWELL)	100	48
Giant Star Trading Co.	NEOTOP INVESTMENTS LIMITED ( NEOTOP )	100	100
	NEOWIN INVESTMENTS 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
SUCCESS	VIETNAM SUNYAD TECHNOLOGY LIMITED ( SUNYAD )	100	-

Please refer to Table 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.

Based on the future market layout and strategic considerations of industrial supply chain integration, the Group acquired U-BEST in April 2020, holding 100% equity; it acquired 100% of shares of SUCCESS in July 2020, and indirectly invested 100% shares of SUNYAD; and it obtained 52% of shares in TOPWELL, an affiliated company, in July 2020, and it has been listed as a subsidiary since July 2020. For related disclosures, please refer to Note XXV.

The profit and loss of subsidiaries that adopt the equity method and the share of other comprehensive income are recognized based on the financial reports of each subsidiary having been audited by accountants during the same period.

## XII. Investments accounted for using the equity method and prepaid investment funds

### (I) Investment related companies

Investee company name	December 31, 2020		December 31, 2019	
	Amount	Shareholding	Amount	Shareholding
<u>Unlisted Companies</u>				
TOPWELL	\$ -	(Note)	\$ 778	48%

Note: Refer to Note XI.

Please refer to Table 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 were based on the associates' audited financial statements for the same years as those of the Company.

### (II) Prepayment of investments

As authorized by the Board of Directors in October 2019, the Group signed equity and transfer contracts with non-related parties for a planned direct investment in U-BEST by obtaining 100% of its shares and acquisition of SUCCESS through by obtaining 100% of its shares, as well as indirect investment in 100% of equity rights of SUNYAD, for a total investment amount of US\$9,400 thousand. As of December 31, 2019, 30% of the amount, i.e., NT\$87,561 thousand (US\$2,820 thousand), had been listed as prepaid investment funds. U-BEST and SUCCESS were set to complete the equity and share transfer procedures in April and July of 2020, respectively.

## XIII. Property, plant and equipment

2020	Balance at Beginning of Year	Acquired through business mergers	Additions	Deductions	Reclassification	Effects of Foreign Currency Exchange Differences	Balance at End of Year
<u>Cost</u>							
Land	\$ 392,315	\$ 26,627	\$ -	\$ -	\$ -	\$ 53	\$ 418,995
Buildings	575,411	98,682	7,099	-	54,326	1,566	737,084
Machinery and equipment	1,105,113	82,032	26,810	( 8,908 )	35,945	2,395	1,243,387
Transportation equipment	20,833	3,383	1,159	( 1,195 )	-	40	24,220
Other equipment	215,785	3,834	13,404	( 445 )	15,939	548	249,065
Total cost	<u>2,309,457</u>	<u>\$ 214,558</u>	<u>\$ 48,472</u>	<u>( \$ 10,548 )</u>	<u>\$ 106,210</u>	<u>\$ 4,602</u>	<u>2,672,751</u>
<u>Accumulated depreciation</u>							
Buildings	363,226	\$ 31,460	\$ 32,412	\$ -	\$ -	\$ 3,041	430,139
Machinery and equipment	943,355	69,070	49,632	( 8,771 )	-	2,619	1,055,905
Transportation equipment	14,880	2,338	2,039	( 1,195 )	-	11	18,073
Other equipment	166,801	3,216	16,060	( 405 )	-	448	186,120
Total accumulated depreciation	<u>1,488,262</u>	<u>\$ 106,084</u>	<u>\$ 100,143</u>	<u>( \$ 10,371 )</u>	<u>\$ -</u>	<u>\$ 6,119</u>	<u>1,690,237</u>
	<u>\$ 821,195</u>						<u>\$ 982,514</u>

2019	Balance at Beginning of Year	Acquired through business mergers	Additions	Deductions	Reclassification	Effects of Foreign Currency Exchange Differences	Balance at End of Year
<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>\$ -</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>\$ -</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>

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

Buildings	
Main building	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 pledged collateral used as property, plant and equipment loan guarantees, please refer to Note XXIX.

#### XIV. Lease agreements

##### (I) Right-of-use assets

	December 31, 2020	December 31, 2019
Book value of right-of-use assets		
Land	<u>\$ 169,921</u>	<u>\$ 17,473</u>
	2020	2019
Increases in right of use assets		
Acquired through business mergers	<u>\$ 161,866</u>	<u>\$ -</u>
Depreciation expenses of right-of-use assets		
Land	<u>\$ 3,540</u>	<u>\$ 770</u>

Except for the additions and the depreciation expenses listed above, the Group's right of use assets did not experience significant subletting or impairment in 2020 and 2019.

(II) Major leasing activities and terms

It is the Group's land use rights in mainland China and in Vietnam respectively recognized as current year expenses in 1957 and as the average from 1959 to 1960. The land use is for the construction of production plants, offices and staff dormitories.

XV. Net amount of investment real estate

<u>2020</u>	<u>Balance at Beginning of Year</u>	<u>Additions</u>	<u>Balance at End of Year</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>3,277</u>	<u>\$ 149</u>	<u>3,426</u>
	<u>\$ 1,243</u>		<u>\$ 1,094</u>
<u>2019</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>

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

Buildings	
Main building	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.



## XVI. Goodwill

	2020
Balance at Beginning of Year	\$ -
Acquired through business combinations in the current year (Note XXV)	85,886
Impairment losses recognized in the current year	( 36,005 )
Effects of Foreign Currency Exchange Differences	( 486 )
Net end-of-year amount	<u>\$ 49,395</u>

The Group acquired U-BEST, SUCCESS and TOPWELL in April, July, and July of 2020 respectively. The consideration paid includes the expected merger synergy. Because the transfer consideration exceeds the fair value of the acquired identifiable assets and liabilities, it is recognized as goodwill on the acquisition date.

Due to the impact of the COVID-19 pandemic, the industrial environment has changed drastically and operating revenue after the mergers is not as good as expected. After being assessed according to the recoverable amount, impairment losses of NTD 36,005 thousand were recognized in 2020.

## XVII. Loans

### (I) Short-term bank borrowings

	December 31, 2020	December 31, 2019
Credit loans	\$ 377,721	\$ 524,094
Secured borrowings	248,961	177,220
Letter of credit loans	<u>22,965</u>	<u>12,822</u>
	<u>\$ 649,647</u>	<u>\$ 714,136</u>
<u>Rates of interest per annum (%)</u>		
Credit loans	1.05-1.28	1.05-2.89
Secured borrowings	1.13-2.99	1.28-6.10
Letter of credit loans	1.13-1.15	1.28-1.30

Mortgage loans are secured by the mortgages of the Group's own land, buildings, and other financial assets; please refer to Note XXIX.

### (II) Short-term bills payable

	December 31, 2020	December 31, 2019
Commercial paper	\$ 130,000	\$ 130,000
Less: Unamortized discounts on bills payable	( 145 )	( 133 )
	<u>\$ 129,855</u>	<u>\$ 129,867</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 range (%)</u>
<u>December 31, 2020</u>				
Mega Bills Finance Co., Ltd.	\$ 70,000	\$ 57	\$ 69,943	0.83
International Bills Finance Corporation	<u>60,000</u>	<u>88</u>	<u>59,912</u>	0.94
	<u>\$ 130,000</u>	<u>\$ 145</u>	<u>\$ 129,855</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>	

(III) Long-term bank borrowings

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Secured borrowings	\$ 271,117	\$ 82,085
Less: Current portion	( <u>64,000</u> )	( <u>54,483</u> )
Long-term borrowings	<u>\$ 207,117</u>	<u>\$ 27,602</u>
Rates of interest per annum (%)	0.32-1.25	1.40-1.41

Mortgage loans are secured by the mortgages of the Group's own land and buildings; please refer to Note XXIX.

XVIII. Other payables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Payable for salaries and bonuses	\$ 51,592	\$ 43,542
Payable for freight	7,595	7,049
Payable for employee's compensation and remuneration of directors and supervisors	7,121	12,534
Payable for purchase of equipment	5,538	2,729
Payable for commissions	4,941	6,512
Others	<u>58,822</u>	<u>68,172</u>
	<u>\$ 135,609</u>	<u>\$ 140,538</u>

XIX. 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.

XX. 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.

## XXI. Equity

### (I) Share capital from common stock

	December 31, 2020	December 31, 2019
Authorized shares (thousand shares)	<u>120,000</u>	<u>120,000</u>
Authorized capital stock	<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>
Shares issued and received in full (In Thousands)	<u>99,388</u>	<u>99,388</u>
Issued share capital	<u>\$ 993,880</u>	<u>\$ 993,880</u>

### (II) Capital surplus

	December 31, 2020	December 31, 2019
Issuance of common shares	<u>\$ 70,860</u>	<u>\$ 70,860</u>
Treasury share transactions	<u>27,157</u>	<u>27,157</u>
	<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.

### (III) 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 Statutory 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.

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

An appropriation of earnings to a Statutory reserve shall be made until the Statutory reserve equals the Company's paid-in capital. The Statutory reserve may be used to offset deficit. If the Company has no deficit and the Statutory reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

In accordance with the requirements of Letters Financial-Supervisory-Securities-Corporate No. 1010012865 and Financial-Supervisory-Securities-Corporate No. 1010047490 and with "Questions and answers regarding the application of special reserves after adopting International Financial Reporting Standards (IFRSs)," the Company is required to make provisions for and reversals of surplus reserves.

The Company held its General Meetings of Shareholders in 2020 and June 2019 and passed resolutions for its 2019 and 2018 profit distributions as follows:

	Appropriation of Earnings		Dividend per share (NTD)	
	2019	2018	2019	2018
Statutory reserves	\$ 11,784	\$ 1,037		
Appropriation (reversal) of special reserve	19,441	( 7,885 )		
Cash dividend	64,602	14,908	\$ 0.65	\$ 0.15

In March 2021, the Company's Board of Directors proposed 2020 profit distribution as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Statutory reserves	\$ 7,401	
Special reserve	9,986	
Cash dividend	49,694	\$ 0.5

The profit distribution proposal for 2020 has yet to be resolved at the General Meeting of Shareholders that is expected to be held in June 2021.

## XXII. Net income

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

Type	Operating Costs	Operating Expenses	Total
<u>2020</u>			
Salary	\$ 79,933	\$ 123,051	\$ 202,984
Health and labor insurance	5,432	6,995	12,427
Retirement benefits			
Defined contribution plans	2,599	4,857	7,456
Other employee benefits	5,392	10,934	16,326
Depreciation expense	68,404	35,428	103,832
Amortization expense	10	966	976
<u>2019</u>			
Salary	82,077	131,757	213,834
Health and labor 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 expense	70,617	28,958	99,575
Amortization expense	127	1,579	1,706

### (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 remuneration of employees and the remuneration of directors and supervisors estimated for 2020 and 2019 was resolved by the Board of Directors in 2021 and in March 2020 as follows:

	2020	2019
Employees' compensation (5%)	\$ 3,622	\$ 7,783
Remuneration of directors and supervisors (2%)	1,499	3,113

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

There are no differences between the actual allotment amounts of employee remuneration and directors and supervisors' remuneration for 2019 and 2018 and the amounts recognized in the consolidated financial statements for 2019 and 2018.

For information about the remuneration of employees and the remuneration of directors and supervisors as decided by the Board of Directors of the company, please go to the Market Observation Post System of the Taiwan Stock Exchange for inquiries.

(III) Net loss from foreign exchange

	2020	2019
Foreign exchange gains	\$ 7,579	\$ 5,224
Foreign exchange losses	( 36,678 )	( 16,521 )
Net loss	( \$ 29,099 )	( \$ 11,297 )

XXIII. Income taxes

(I) Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	2020	2019
Current income tax		
In respect of the current year	\$ 22,963	\$ 42,033
Undistributed surplus earnings	1,162	1,255
Separate taxation on repatriation of overseas funds	9,481	-
Adjustments for prior years	( 1,621 )	887
	<u>31,985</u>	<u>44,175</u>
Deferred tax		
In respect of the current year	( 28,395 )	12,684
Adjustments for prior years	( 16 )	359
	<u>( 28,411 )</u>	<u>13,043</u>
Income tax expense recognized in profit or loss	<u>\$ 3,574</u>	<u>\$ 57,218</u>

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

	2020	2019
Income tax expense calculated at the statutory rate	\$ 15,517	\$ 35,012
Nondeductible expenses in determining taxable income	11,786	18,247
Not recognized income in determining taxable income	( 33,656 )	( 3,912 )
Undistributed surplus earnings	1,162	1,255
Subsidiaries operating in other jurisdictions		
Impact of differing tax rates	921	5,370
Separate taxation on repatriation of overseas funds	9,481	-
Adjustments for prior years' tax	( <u>1,637</u> )	<u>1,246</u>
Income tax expense recognized in profit or loss	<u>\$ 3,574</u>	<u>\$ 57,218</u>

In July 2019, Taiwan's President promulgated regulations on the management, operation, and taxation of overseas fund repatriation. For newly-added for-profit businesses that applied between August 15, 2019 and August 14, 2020 and repatriated the deposited funds within the approved period, the applicable tax rate would be reduced from 20% to 8%. The repatriated funds should be deposited in a special foreign exchange deposit account, and the receiving bank would deduct tax when the funds were deposited there. The Board of Directors of NEOLITE made resolutions in January and July of 2020 and gained approval by the Ministry of Finance and the Tax Bureau to respectively remit US\$2,000 thousand in each instance, thereby enjoying tax concessions of NT\$14,221 thousand altogether.

In July 2019, Taiwan's President announced amendments to the Statute for Industrial Innovation, clearly stipulating that the construction or purchase of specific assets or technologies based on undistributed surplus earnings of 2018 may be included as a deduction item for calculating the undistributed surplus earnings. When the Group calculated tax on undistributed surplus earnings, it only deducted the amounts of capital expenditures that had actually been reinvested.

(II) Deferred tax assets and liabilities

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

2020	Balance at Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance at End of Year
<u>Deferred tax assets</u>				
Temporary differences				
Inventory write-downs	\$ 3,560	\$ 1,126	\$ -	\$ 4,686
Exchange differences on translating the financial statements of foreign operations	4,245	-	979	5,224
Investment accounted for using the equity method	3,043	6,864	-	9,907
Allowance for losses	4,841	514	-	5,355
Others	<u>2,859</u>	<u>835</u>	<u>-</u>	<u>3,694</u>
	18,548	9,339	979	28,866
Tax losses	<u>1,322</u>	( <u>1,322</u> )	<u>-</u>	<u>-</u>
	<u>\$ 19,870</u>	<u>\$ 8,017</u>	<u>\$ 979</u>	<u>\$ 28,866</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Investment accounted for using the equity method	\$ 83,228	( \$ 20,604 )	\$ -	\$ 62,624
Exchange differences on translating the financial statements of foreign operations	-	-	3,476	3,476
Others	<u>-</u>	<u>210</u>	<u>-</u>	<u>210</u>
	<u>\$ 83,228</u>	( <u>\$ 20,394</u> )	<u>\$ 3,476</u>	<u>\$ 66,310</u>
<u>2019</u>				
<u>Deferred tax assets</u>				
Temporary differences				
Inventory write-downs	\$ 3,552	\$ 8	\$ -	\$ 3,560
Exchange differences on translating the financial statements of foreign operations	2,308	-	1,937	4,245
Investment accounted for using the equity method	1,810	1,233	-	3,043
Allowance for losses	429	4,412	-	4,841
Others	<u>2,448</u>	<u>411</u>	<u>-</u>	<u>2,859</u>
	10,547	6,064	1,937	18,548
Tax losses	<u>1,280</u>	<u>42</u>	<u>-</u>	<u>1,322</u>
	<u>\$ 11,827</u>	<u>\$ 6,106</u>	<u>\$ 1,937</u>	<u>\$ 19,870</u>

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2019	Balance at Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance at End of Year
<u>Deferred tax liabilities</u>				
Temporary differences				
Investment accounted for using the equity method	\$ 64,079	\$ 19,149	\$ -	\$ 83,228
Exchange differences on translating the financial statements of foreign operations	<u>2,926</u>	<u>-</u>	( <u>2,926</u> )	<u>-</u>
	<u>\$ 67,005</u>	<u>\$ 19,149</u>	( <u>\$ 2,926</u> )	<u>\$ 83,228</u>

(III) Income tax assessments

The tax collection authority approved the Profit-seeking Enterprise Income Tax Return cases for the Company, Giant Star Trading Co., and CHEM-MAT through 2018.

XXIV. Earnings per share

	Net profit Attributable to Owners of the Company	Number of Shares (In Thousands)	Earnings per share (NTD)
<u>2020</u>			
Basic earnings per share			
Net profit Attributable to Owners of the Company	\$ 74,010	99,388	<u>\$ 0.74</u>
Effect of potentially dilutive ordinary shares:			
Employees' compensation	<u>-</u>	<u>317</u>	
Diluted earnings per share			
Profit for the period attributable to owners of the Company plus effect of potentially dilutive ordinary shares	<u>\$ 74,010</u>	<u>99,705</u>	<u>\$ 0.74</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>

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 is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.



XXV. Business mergers

(I) Acquisition of subsidiaries

	Primary operational activities	Acquisition date	Acquisition ratio (%)
U-BEST	Production and sales of PU resin and adhesives	April 2020	100
SUCCESS	Financial investment and international trade	July 2020	100
TOPWELL	Synthetic resin trading business	July 2020	52

(II) Consolidated transferred:

	TOPWELL	SUCCESS	U-BEST
Cash	<u>\$ 9,537</u>	<u>\$ 155,250</u>	<u>\$ 132,314</u>

Acquisition-related costs have been excluded from the transfer consideration and recognized as management expenses in the current period of the acquisition.

(III) Assets acquired and liabilities assumed on the acquisition date

	TOPWELL	SUCCESS	U-BEST
Current assets			
Cash	\$ 2,500	\$ 690	\$ 5,941
Notes receivable	8,497	-	-
Accounts receivable	18,025	-	18,535
Inventories	18,260	-	24,916
Other current assets	1,125	3,471	598
NON-CURRENT ASSETS			
Property, plant and equipment	34,429	44,727	29,318
Right-of-use assets	-	105,301	56,565
Other non-current assets	23	-	2,175
Current liabilities:			
Short-term loans	( 41,296 )	-	-
Notes payable	( 35 )	-	-
Accounts payable	( 94,161 )	-	( 16,489 )
Other payables	( 2,468 )	( 323 )	( 690 )
Current tax liabilities	( 229 )	-	( 346 )
Other current liabilities	( <u>43</u> )	( <u>635</u> )	-
	( <u>\$ 55,373</u> )	<u>\$ 153,231</u>	<u>\$ 120,523</u>

Market evaluations and other calculations required to acquire a portion of the assets and liabilities of TOPWELL have not been completed as of the balance sheet date, because the original accounting treatment of the acquisition of TOPWELL was only tentative at that time. The completed market evaluation and calculation results shall be completed within a measurement period of no more than one year from the date of acquisition. If there is a significant difference from the provisional amounts, adjustments shall be made again.

(IV) Goodwill arising from acquisitions

	TOPWELL	SUCCESS	U-BEST
Consolidated transferred:	\$ 9,537	\$ 155,250	\$ 132,314
Add: Original holdings of the acquiree			
Fair value	7,166	-	-
Less: Identifiable net assets obtained			
Fair value	<u>55,373</u>	<u>( 153,231 )</u>	<u>( 120,523 )</u>
Goodwill arising from acquisitions	<u>\$ 72,076</u>	<u>\$ 2,019</u>	<u>\$ 11,791</u>

The goodwill generated from the acquisition of U-BEST, SUCCESS and TOPWELL is mainly derived from the control premiums. In addition, the consideration paid for the merger includes expected merger synergy, income growth, future market development, and employee value. However, these benefits do not meet the recognition conditions for identifiable intangible assets. Therefore, they are not recognized separately.

The fair value of the above-mentioned original holding of TOPWELL and the goodwill arising from the acquisition of TOPWELL are only tentative. The completed market evaluation and calculation results shall be completed within a measurement period of no more than one year from the date of acquisition. If there is a significant difference from the provisional amounts, adjustments shall be made again.

Goodwill arising from the merger is not expected to be a tax deduction item.

(V) Net cash outflow from acquisition of subsidiaries

	TOPWELL	SUCCESS	U-BEST
Cash payment consideration	\$ 9,537	\$ 155,250	\$ 132,314
Less: Cash balance obtained	<u>( 2,500 )</u>	<u>( 690 )</u>	<u>( 5,941 )</u>
	<u>\$ 7,037</u>	<u>\$ 154,560</u>	<u>\$ 126,373</u>

(VI) The impact of business mergers on business results

Since the dates of acquisition, the operating results from the acquired companies are as follows:

	TOPWELL	SUCCESS	U-BEST
Operating Revenue	<u>\$ 48,202</u>	<u>\$ -</u>	<u>\$ 48,940</u>
Current year net profit (loss)	<u>\$ 1,890</u>	<u>( \$ 3,255 )</u>	<u>\$ 4,003</u>

If the business combination occurred on the beginning of the fiscal year to which the acquisition date belongs, in 2020, the Group's proposed operating revenue and net profit would be NT\$2,427,361 thousand and NT\$51,238 thousand, respectively. These amounts cannot reflect the actual income and operating results that the Group can generate if the business combination is completed on the start date of the acquisition year, and should not be used to predict future operating results.

For the preparation of hypothetical Group, when acquiring the proposed operating revenue and net profit of U-BEST, SUCCESS, and TOPWELL from the beginning of the fiscal year of the acquisition date, the management has taken the following factors into consideration:

The fair value of the plant and real estate at the time of the original accounting treatment of the business combination is used as the basis for the depreciation calculation, rather than the carrying

value recognized in the financial statements before the acquisition.

#### XXVI. 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).

Key management personnel of the Group regularly review the capital structure. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the 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.

#### XXVII. 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

In 2020 and 2019, there will be no transfer of fair value measurement between Level 1 and Level 2.

###### 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, financial assets measured at amortized cost-current, notes and accounts receivable, other receivables, other financial assets, refundable deposits-time deposits, short-term bank loans, short term notes and bills payable and refundable deposits.
- (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, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets at amortized cost (Note 1)	\$ 1,105,547	\$ 1,241,876
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 2)	1,464,716	1,317,725

Note 1: Balances include financial assets measured at amortized cost including cash and cash equivalents, financial assets measured at amortized cost—current, notes and accounts receivable, other receivables, other financial assets and refundable deposit-time deposits, etc.

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.

For the carrying value of monetary assets and monetary liabilities denominated in non-functional currencies of the Group at the balance sheet date (including non-functional currency denominated monetary items that have been written off in consolidated financial statements), please refer to Note XXXIII.

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.

Currency	2020	2019
NTD:USD	\$ 2,285	\$ 3,142
CNY:USD	1,823	3,277
NTD:CNY	396	533

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:

	December 31, 2020	December 31, 2019
Fair value interest rate risk		
Financial assets	\$ 30,760	\$ 1,586
Financial liabilities	172,575	248,394
Cash flow interest rate risk		
Financial assets	257,642	321,494
Financial liabilities	878,044	677,694

### Sensitivity analysis

For financial assets and liabilities of the Group with floating interest rates, when interest rates change by 0.25%, and other conditions remain unchanged, the Group's net profit before tax for 2020 and 2019 would change by NT\$1,551 thousand and NT\$890 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, 2020 and 2019, the Group's unused bank financing lines were NT\$928,449 thousand and NT\$845,748 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, 2020</u>		
Non-interest bearing liabilities	\$ 413,660	\$ -
Variable interest rate liabilities	670,927	207,117
Fixed interest rate liabilities	<u>172,575</u>	<u>-</u>
	<u>\$ 1,257,162</u>	<u>\$ 207,117</u>
<u>December 31, 2019</u>		
Non-interest bearing liabilities	\$ 391,206	\$ -
Variable interest rate liabilities	650,092	27,602
Fixed interest rate liabilities	<u>248,394</u>	<u>-</u>
	<u>\$ 1,289,692</u>	<u>\$ 27,602</u>

XXVIII. Related party transactions

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

Name of related party	Related Party Category
AICA	The Company's parent
PT. PT. AICA INDRIA (PT. AICA)	Fellow subsidiary
Dynea (Shanghai) Co., Ltd. (Dynea)	Fellow subsidiary
Pou Chen Corporation and its subsidiaries	Other related parties (affiliated companies of the company's corporate directors)
Yue Yuen Industrial (Holdings) Limited and its subsidiaries	Other related parties (affiliated companies of the company's corporate directors)
TOPWELL	Related enterprise (subsidiary since July 2020)

## (II) Sales of goods

Accounts	Related Party Category/Name	2020	2019
Sales	Other related parties	\$ 93,345	\$ 110,232
	Parent company	85,321	88,348
	Associated enterprise	37,648	87,710
	Fellow subsidiary	<u>3,395</u>	<u>3,971</u>
		<u>\$ 219,709</u>	<u>\$ 290,261</u>
Other revenue	Parent company	<u>\$ 270</u>	<u>\$ 270</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.

Accounts	Related Party Category/Name	2020	2019
Purchases of goods	Parent company	<u>\$ 6,647</u>	<u>\$ 12,535</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:

Accounts	Related Party Category/Name	December 31, 2020	December 31, 2019
Net trade receivables	Other related parties	\$ 16,344	\$ 6,876
	Parent company	6,409	3,580
	Fellow subsidiary	354	-
	Associated enterprise		
	TOPWELL	<u>-</u>	<u>54,587</u>
		<u>\$ 23,107</u>	<u>\$ 65,043</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:

Accounts	Related Party Category/Name	December 31, 2020	December 31, 2019
Accounts payable	Parent company	<u>\$ 772</u>	<u>\$ 1,485</u>
Other payables	Other related parties	\$ 204	\$ 206
	Parent company	<u>-</u>	<u>2,551</u>
		<u>\$ 204</u>	<u>\$ 2,757</u>

(III) Payables to related parties

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

	2020	2019
Short-term employee benefits	\$ 12,691	\$ 14,825
Retirement benefits	<u>195</u>	<u>195</u>
	<u>\$ 12,886</u>	<u>\$ 15,020</u>

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

XXIX. Pledged assets

The following assets were provided as collateral for bank borrowings:

	December 31, 2020	December 31, 2019
Property, plant and equipment	\$ 263,306	\$ 225,653
Other financial assets - current	<u>15,740</u>	<u>1,586</u>
	<u>\$ 279,046</u>	<u>\$ 227,239</u>

XXX. Significant commitments and contingencies

As of December 31, 2020 and 2019, the outstanding balances of letters of credit that had been opened were approximately US\$93 thousand and US\$118 thousand, respectively.

XXXI. Subsequent material events

In January 2021, the Company's Board of Directors passed a resolution to acquire the land and above-ground buildings from DSM Coating Resins Ltd. in the Beigang Section of Dayuan District, Taoyuan City. The transaction amount is expected to be NT\$356,488 thousand.

XXXII. Other matters

Affected by the global pandemic of COVID-19, the consumption of end consumers has decreased and this has also affected supply and marketing in the industrial supply chain. As a result, Group's revenue and profit in the first half of the year decreased compared with the prior year. In response to the pandemic's impact, the Group has been actively negotiating with banks to replenish the Company's working capital. It has also applied to the government for various subsidies such as those for salaries and working capital. At this stage, the global pandemic has not yet stabilized but governments of all countries have put appropriate responsive policies in place and clients have partially resumed production. The Group will cooperate with customers to gradually increase production and sales, and control the progress of account collection to ensure normal operations of the Group.



XXXIII. Exchange rate information for foreign currency assets and liabilities

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

December 31, 2020				
Financial assets	Foreign currency		Exchange Rate	Carrying Amount
<u>Monetary items</u>				
USD	\$	13,089	28.48 (USD:NTD)	\$ 372,775
USD		7,923	6.507 (USD:CNY)	225,647
RMB		9,050	4.377 (CNY:NTD)	39,612
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD		5,065	28.48 (USD:NTD)	144,251
USD		1,521	6.507 (USD:CNY)	43,318
December 31, 2019				
Financial assets	Foreign currency		Exchange Rate	Carrying Amount
<u>Monetary items</u>				
USD	\$	14,074	29.98 (USD:NTD)	\$ 421,939
USD		11,484	6.964 (USD:CNY)	344,290
RMB		12,420	4.305 (CNY:NTD)	53,468
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD		3,593	29.98 (USD:NTD)	107,718
USD		555	6.964 (USD:CNY)	16,639
RMB		36	4.305 (CNY:NTD)	155

The Group is mainly exposed to the USD and CNY. 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	2020		2019	
	Functional currency converted to presentation currency	Net exchange losses (gains)	Functional currency converted to presentation currency	Net exchange losses (gains)
THB	0.9496 (THB:NTD)	\$ 4,168	1.0001 (THB:NTD)	\$ -
NTD	1 (NTD:NTD)	( 16,791)	1 (NTD:NTD)	( 7,701)
RMB	4.282 (CNY:NTD)	( 16,935)	4.472 (CNY:NTD)	1,809
USD	29.549 (USD:NTD)	( 7)	30.912 (USD:NTD)	( 5,405)
		( \$ 29,565)		( \$ 11,297)

#### XXXIV. Other disclosures

(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 Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: (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)
- (IV) Information on principal shareholders: The names, amounts, and proportions of shares of shareholders with a shareholding ratio of 5% or more: see (Table 8).

**XXXV. Department 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 following was an analysis of the Group's revenue and results from continuing operations by reportable segments:

	Segment Revenue		Segment Profit	
	2020	2019	2020	2019
Domestic operations	\$ 1,110,668	\$ 1,256,465	\$ 73,308	\$ 53,991
Asia operations	<u>1,252,747</u>	<u>1,918,233</u>	<u>64,182</u>	<u>146,493</u>
Total for continuing operations	<u>\$ 2,363,415</u>	<u>\$ 3,174,698</u>	137,490	200,484
Share of loss of associates			( 1,674 )	( 1,089 )
Interest income			556	1,099
Net loss from foreign exchange			( 29,099 )	( 11,297 )
Interest fees			( 11,673 )	( 18,090 )
General income and benefits			21,468	5,381
General expenses and losses			( 39,484 )	( 1,427 )
PROFIT BEFORE INCOME TAX			<u>\$ 77,584</u>	<u>\$ 175,061</u>

Departmental benefits refer to the profits earned by each department, excluding the share of losses of affiliated companies recognized by the equity method, interest income, net foreign currency exchange losses, interest expenses and income tax expenses. 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, 2020	December 31, 2019
Segment assets		
Domestic operations	\$ 1,582,185	\$ 1,561,837
Asia operations	1,428,272	1,319,012
Unallocated assets	<u>44,606</u>	<u>22,234</u>
Consolidated total assets	<u>\$ 3,055,063</u>	<u>\$ 2,903,083</u>
Segment liabilities		
Domestic operations	\$ 1,264,696	\$ 988,353
Asia operations	239,513	366,352
Unallocated liabilities	<u>66,310</u>	<u>83,228</u>
Consolidated total liabilities	<u>\$ 1,570,519</u>	<u>\$ 1,437,933</u>

For the purpose of monitoring segment performance and allocating resources between segments:

- 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.

	2020	2019
PU resin	\$ 1,782,499	\$ 2,436,965
Polyester polyol	178,344	190,816
Others	<u>402,572</u>	<u>546,917</u>
	<u>\$ 2,363,415</u>	<u>\$ 3,174,698</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.

	2020	2019
China (including Hong Kong)	\$ 942,820	\$ 1,194,863
Taiwan	789,209	873,813
Others	<u>631,386</u>	<u>1,106,022</u>
	<u>\$ 2,363,415</u>	<u>\$ 3,174,698</u>

(V) Information about major customers

In 2020 and 2019, no revenue from a single customer exceeded 10% of the Group's total revenue.

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS

January 1 to December 31, 2020

TABLE 1

Unit: Thousands of New Taiwan Dollars or Foreign Currencies)

Number	Lender	Loan and counterparty (Note 1)	Financial Statement Account	Related party	Highest Balance for the Period	Balance at End of Year (Note II)	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for bad debt	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
0	NEOLITE	LIBERTY BELL	Other receivables	Yes	\$ 90,780 ( USD 3,000 )	\$ -	\$ -	(Note III)	Necessary for short-term financing	\$ -	Operating capital	\$ -	—	\$ -	\$ 317,978 (Note IV)	\$ 317,978 (Note IV)	
		The Company	Other receivables	Yes	60,520 ( USD 2,000 )	56,960 ( USD 2,000 )	-	(Note III)	Necessary for short-term financing	-	Operating capital	\$ -	—	\$ -	317,978 (Note IV)	317,978 (Note IV)	
1	TOPCO	LEADERSHIP SHANGHAI	Other receivables	Yes	8,758 ( CNY 2,000 )	8,754 ( CNY 2,000 )	-	(Note III)	Necessary for short-term financing	-	Operating capital	-	—	-	15,092 (Note V)	60,368 (Note V)	
2	The Company	U-BEST	Other receivables	Yes	30,020 ( USD 1,000 )	28,480 ( USD 1,000 )	24,208 ( USD 850 )	(Note III)	Necessary for short-term financing	-	Operating capital	-	—	-	148,454 (Note VI)	593,818 (Note VI)	
3	U-BEST	SUNYAD	Other receivables	Yes	5,342 ( VND 4,200,000 )	5,183 ( VND 4,200,000 )	5,183 ( VND 4,200,000 )	(Note III)	Necessary for short-term financing	-	Operating capital	-	—	-	5,549 (Note VII)	11,099 (Note VII)	

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 limit and total limit for individual counterparties are all limited to 50% of NEOLITE's net value.

Note 5: The limit of lent funds for individual counterparties and the total limit shall be respectively be the sum of 10% of TOPCO's net value and the monthly average transaction volume within the most recent year and 40% of TOPCO's net value.

Note 6: The limit of lent funds for individual counterparties and the total limit shall be respectively be the sum of 10% of the Company's net value and the monthly average transaction volume within the most recent year and 40% of the Company's net value.

Note 7: The limit of lent funds for individual counterparties and the total limit shall be respectively be the sum of 10% of U-BEST's net value and the monthly average transaction volume within the most recent year and 20% of U-BEST's net value.

Evermore Chemical Industry Co., Ltd. and Subsidiaries  
ENDORSEMENTS/GUARANTEES PROVIDED  
January 1 to December 31, 2020

TABLE 2 Unit: Thousands of New Taiwan Dollars or Foreign Currencies)

Number	Endorser/Guarantor	Endorsee/Guarantee		Limited endorsements/guarantees limits (Note)	Maximum Amount Endorsed/Guaranteed During the Period	Outstanding Endorsement/Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/Guaranteed by Collateral	The ratio of the accumulated endorsement guarantee amount to the net value of the financial report for the year	Endorsement guarantee maximum limit (Note)	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 XI of the consolidated financial statements	\$ 742,272	\$ 453,900 ( USD 15,000 )	\$ 427,200 ( USD 15,000 )	\$ 46,930 ( USD 1,648 )	\$ -	28.78%	\$ 1,039,181	Y	—	—	
1	The Company	TOPWELL	Refer to Note XI of the consolidated financial statements	742,272	14,405 ( USD 500 )	14,240 ( USD 500 )	14,240 ( USD 500 )	-	0.96%	1,039,181	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  
January 1 to December 31, 2020

TABLE 3 Unit: NT\$ thousand

Buyer	Name of transaction counterparty (Note 2)	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	
POU CHIEN Company	LIBERTY BELL	(Note I)	(Sales)	( \$ 298,647 )	( 33 )	T/T 30 days	Note 3	—	\$ 217,453	51	
LIBERTY BELL	POU CHIEN Company	(Note I)	(Sales)	( 103,699 )	( 24 )	T/T 90 days	Note 3	—	24,421	15	

Note I: Refer to Note XI of 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, 2020

TABLE 4

Unit: NT\$ thousand

The company booked in the receivables	Counterparty (Note II)	Relationship	Receivables from related party	Turnover rate	Overdue Receivables from related parties		Receivables amount collected from related parties subsequently	Allowance for bad debt
					Amount	Process		
POU CHIEN Company	LIBERTY BELL	(Note 1)	Accounts receivable \$ 217,453	1.06	\$ 179,322	Improved collection work	\$ 65,548	\$ -

Note 1: Refer to Note XI of 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  
January 1 to December 31, 2020

TABLE 5

Unit: Thousands of New Taiwan Dollars or Foreign Currencies)

Number	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	Accounts receivable	\$ 12,293	T/T 90-180 days	-
		NEOLITE	1	Sales	60,205	T/T 90-180 days	3
		CHEM-MAT	1	Accounts receivable	7,921	T/T 90 days	-
		CHEM-MAT	1	Sales	24,115	T/T 90 days	1
		Giant Star Trading Co.	1	Accounts receivable	251	T/T 90 days	-
		Giant Star Trading Co.	1	Sales	8,607	T/T 90 days	-
		POU CHIEN Company	1	Accounts receivable	12,538	T/T 90 days	-
		POU CHIEN Company	1	Sales	66,529	T/T 90 days	3
		LEADERSHIP SHANGHAI	1	Accounts receivable	6,359	T/T 180 days	-
		LEADERSHIP SHANGHAI	1	Sales	10,980	T/T 180 days	-
		U-BEST	1	Other receivables	24,368	—	1
		U-BEST	1	Accounts receivable	17,395	T/T 90 days	1
		U-BEST	1	Sales	19,790	T/T 90 days	1
		TOPWELL	1	Accounts receivable	36,120	T/T 180 days	1
		TOPWELL	1	Sales	41,428	T/T 180 days	2
		LIBERTY BELL	1	Accounts receivable	2,204	T/T 90 days	-
		LIBERTY BELL	1	Sales	5,654	T/T 90 days	-
		LIBERTY BELL	1	Other receivables	4,606	—	-
1	CHEM-MAT	LEADERSHIP SHANGHAI	2	Accounts receivable	32,559	T/T 90 days	1
		LEADERSHIP SHANGHAI	2	Sales	55,021	T/T 90 days	2
2	Giant Star Trading Co.	The Company	3	Accounts receivable	400	T/T 90 days	-
		The Company	3	Sales	2,235	T/T 90 days	-
3	TOPCO	Giant Star Trading Co.	3	Accounts receivable	2,578	T/T 90 days	-
		Giant Star Trading Co.	3	Sales	11,673	T/T 90 days	-

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Number	Investee Company (Note 1)	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% to Total Sales or Assets
4	LIBERTY BELL	The Company	3	Sales	\$ 8,774	T/T 90 days	-
		NEOLITE	3	Other receivables	3,351	—	-
		POU CHIEN Company	1	Accounts receivable	24,427	T/T 90 days	1
		POU CHIEN Company	1	Sales	103,699	T/T 90 days	-
		POU CHIEN Company	1	Other revenue	154,676	—	7
5	POU CHIEN Company	LIBERTY BELL	3	Accounts receivable	217,453	T/T 30 days	7
		LIBERTY BELL	3	Sales	298,647	T/T 30 days	13
6	U-BEST	SUNYAD	2	Other receivables	5,235	—	-

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

January 1 to December 31, 2020

TABLE 6

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

Investor	Investee company name	Location	Main business items	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)
				End of this year	End of last year	Number of Shares	%	Carrying Amount		
The Company	NEOLITE	British Virgin Islands	Financial investment and international trade	\$ 413,902	\$ 413,902	13,059	100	\$ 631,473	\$ 33,548	\$ 33,548
	Giant Star Trading Co.	Taichung City	Trading of chemical raw materials	97,367	97,367	12,600	100	206,831	4,370	4,370
	CHEM-MAT	Nantou County	Wholesale of coating, pigments, and industrial catalyst	111,484	111,484	7,199	100	132,071	11,943	8,748
	U-BEST	Vietnam	Production and sales of PU resin and adhesives	132,314	-	-	100	128,395	3,999	1,128
	TOPWELL	Thailand	Synthetic resin trading business	76,020	8,326	8,000	100	40,727	1,890	( 35,673 )
	SUCCESS	Samoa	Financial investment and international trade	155,250	-	4,000	100	143,996	( 3,255 )	( 5,544 )
Giant Star Trading Co.	NEOTOP	Samoa	Financial investment and international trade	58,800	58,800	-	100	150,986	2,610	(Note)
	NEOWIN	Samoa	Financial investment and international trade	15,553	15,553	-	100	6,804	806	(Note)
NEOLITE	LIBERTY BELL	British Virgin Islands	Financial investment and international trade	563,243	563,243	21,000	100	583,622	( 814 )	(Note)
SUCCESS	SUNYAD	Vietnam	Manufacturing and sales of PU synthetic leather products	USD 18,126	USD 18,126	-	100	33,282	( USD 29 )	(Note)
				155,250	-	-	100		( 3,255 )	

Note: Not applicable.

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

Investments in Mainland China

January 1 to December 31, 2020

Table 7

Unit: Thousands of New Taiwan Dollars or Foreign Currencies)

INFORMATION ON INVESTMENTS IN MAINLAND CHINA	Main business items	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 Company	Production and sales of PU resin	\$ 518,956 CNY 120,789	(Note 1)	\$ 244,425 USD 7,576	\$ -	\$ -	\$ 244,425 USD 7,576	(\$ 157,482) (CNY 36,739)	100%	(\$ 157,482) (CNY 36,739)	\$ 672,660 CNY 153,680	\$ -
TOPCO	Wholesale of chemical products	32,399 CNY 8,053	(Note 1)	26,450 USD 820	-	-	26,450 USD 820	2,592 CNY 616	100%	2,592 CNY 616	150,919 CNY 34,480	101,620 CNY 21,911
LEADERSHIP SHANGHAI	Wholesale of chemical products	15,400 CNY 3,474	(Note 1)	15,400 USD 500	-	-	15,400 USD 500	808 (CNY 186)	100%	808 (CNY 186)	6,754 CNY 1,543	-

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 "Regulations Governing the Examination of 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.

Evermore Chemical Industry Co., Ltd.

Information on principal shareholders

December 31, 2020

Table 8

Name of Major Shareholder	Shares	
	Number of shares held (shares)	Shareholding
AICA Kogyo Company, Limited	49,793,388	50.10%
Ho Wen-Chieh	7,003,532	7.04%

Note: Principal shareholder information in this schedule is prepared by the depository corporation based on the last business day at the end of the quarter, calculating the information that shareholders held more than 5% of the Company's common stock and preferred stock that have been delivered without physical registration (including treasury shares). The share capital recorded in the Company's consolidated financial statements and the actual number of shares delivered without physical registration may be different due to different calculation bases or other differences.