

Evermore Chemical Industry Co.,  
Ltd.

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

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## INDEPENDENT AUDITORS' REPORT

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

### Audit Opinion

We have audited the accompanying individual balance sheets of Evermore Chemical Industry Co., Ltd. and its subsidiaries (the "Group") as at December 31, 2020 and 2019, and the related individual statements of comprehensive income, of changes in equity and of cash flow for the years then ended, and notes to the individual financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and reports of other independent accountants, the accompanying individual financial statements present fairly, in all material respects, the individual financial position of the Group as at December 31, 2020 and 2019, and its individual financial performance and its individual cash flow for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's individual financial statements of the year 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2020 individual financial statements are stated as follows:

#### Authenticity of revenue recognition for specific customers

The main source of revenue of Evermore Chemical Industry Co., Ltd. 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 the parent company only 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.

**Responsibilities of management and those charged with governance for the parent company only financial statements**

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

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

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

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

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

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

- 1 Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 2 Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- 3 Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 4 Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may

cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- 5 Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 6 Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 2020 individual financial statements and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte Taiwan  
CPA 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 22, 2021

Evermore Chemical Industry Co., Ltd.  
BALANCE SHEETS  
December31, 2020 and 2019

Unit: NT\$ thousand

Code	ASSETS	December31, 2020		December 31, 2019	
		Amount	%	Amount	%
	<b>CURRENT ASSETS</b>				
1100	Cash (Notes IV and VI)	\$ 49,458	2	\$ 29,949	1
1136	Financial assets measured at amortized cost - current (Notes IV and VII)	52,418	2	-	-
1150	Notes receivable (Notes IV, VIII, and XXIV)	64,562	2	76,797	3
1170	Accounts receivable due from non-related parties (Notes IV and VIII)	164,420	6	165,503	7
1180	Accounts receivable due from related parties (Notes IV, VIII, and XXIV)	101,744	4	72,509	3
1200	Other receivables, net (Note XXIV)	32,746	1	7,390	1
1220	Highest balance of financing to other parties during the period (Note IV and XX)	-	-	2,249	-
1300	Inventories (Notes IV and IX)	257,473	9	266,821	11
1476	Other current financial assets (Notes IV, X, and XXV)	15,740	1	1,586	-
1479	Other current assets	<u>6,448</u>	<u>-</u>	<u>5,237</u>	<u>-</u>
11XX	Total current assets	<u>745,009</u>	<u>27</u>	<u>628,041</u>	<u>26</u>
	<b>NON-CURRENT ASSETS</b>				
1550	Investment accounted for using the equity method (Notes IV and XI)	1,283,493	46	1,038,705	42
1600	Property, plant and equipment (Notes IV, XII, and XXV)	685,823	25	606,200	25
1760	Investment real estate (Notes IV and XIII)	1,094	-	1,243	-
1801	Computer software (Note IV)	606	-	766	-
1840	Deferred tax assets (Notes IV and XX)	22,236	1	11,111	-
1915	Prepayments for equipment	29,658	1	71,580	3
1920	Refundable deposits	129	-	248	-
1960	Prepayments for investments (Note XI)	<u>-</u>	<u>-</u>	<u>87,561</u>	<u>4</u>
15XX	Total non-current assets	<u>2,023,039</u>	<u>73</u>	<u>1,817,414</u>	<u>74</u>
1XXX	TOTAL	<u>\$ 2,768,048</u>	<u>100</u>	<u>\$ 2,445,455</u>	<u>100</u>
	<b>LIABILITIES AND EQUITY</b>				
	<b>CURRENT LIABILITIES</b>				
2100	Short-term bank loans (Notes XIV and XXV)	\$ 560,965	20	\$ 468,715	19
2110	Short term notes and bills payable (Note XIV)	129,855	5	129,867	5
2150	Notes payable (Note XXIV)	73,095	3	70,815	3
2170	Accounts payable (Note XXIV)	2021,497	4	88,045	4
2200	Other payables (Notes XV and XXIV)	63,434	2	63,138	3
2230	Current tax liabilities (Notes IV and XX)	24,120	1	13,608	1
2250	Provisions - Current (Notes IV and XVI)	1,077	-	1,077	-
2322	Long-term bank loans due within one year (Notes XIV and XXV)	64,000	2	54,483	2
2399	Other current liabilities- Other	<u>4,708</u>	<u>-</u>	<u>4,869</u>	<u>-</u>
21XX	Total current liabilities	<u>1,031,751</u>	<u>37</u>	<u>894,617</u>	<u>37</u>
	<b>NON-CURRENT LIABILITIES</b>				
2541	Long-term bank loans (Notes XIV and XXV)	207,117	7	27,602	1
2570	Deferred tax liabilities (Notes IV and XX)	<u>44,636</u>	<u>2</u>	<u>58,086</u>	<u>2</u>
25XX	Total non-current liabilities	<u>251,753</u>	<u>9</u>	<u>85,688</u>	<u>3</u>
2XXX	Total liabilities	<u>1,283,504</u>	<u>46</u>	<u>980,305</u>	<u>40</u>
	<b>EQUITY</b>				
3110	Share capital from common stock	993,880	36	993,880	41
3200	Capital surplus	98,017	3	98,017	4
	Retained earnings				
3310	Statutory reserves	214,625	8	202,841	8
3320	Special reserve	21,610	1	2,169	-
3350	Unappropriated earnings	168,036	6	189,853	8
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>54</u>	<u>1,465,150</u>	<u>60</u>
	TOTAL	<u>\$ 2,768,048</u>	<u>100</u>	<u>\$ 2,445,455</u>	<u>100</u>

The attached notes form part of this parent-company only financial report

Chairman: Ho Wen-Chieh

Manager: Huang Chng-Tze

Chief Accountant: Chen Hsiang-Li

Evermore Chemical Industry Co., Ltd.  
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 XXIV)	\$ 1,219,612	100	\$ 1,401,543	100
5000	Operating costs (Notes XI, XIX and XXIV)	<u>1,001,883</u>	<u>82</u>	<u>1,170,905</u>	<u>84</u>
5900	GROSS PROFIT	217,729	18	230,638	16
5910	UNREALIZED GROSS PROFIT ON SALES TO SUBSIDIARIES	( 5,223 )	-	( 5,451 )	-
5920	REALIZED GROSS PROFIT ON SALES TO SUBSIDIARIES	<u>5,451</u>	<u>-</u>	<u>3,804</u>	<u>-</u>
5950	REALIZED GROSS PROFIT	<u>217,957</u>	<u>18</u>	<u>228,991</u>	<u>16</u>
	Operating expenses (Note XIX)				
6100	Selling and marketing expenses	48,011	4	50,779	4
6200	Management expenses	60,496	5	62,786	4
6300	Research and development expenses	46,191	4	46,112	3
6450	Expected credit loss (Notes IV and VIII)	<u>3,150</u>	<u>-</u>	<u>20,990</u>	<u>2</u>
6000	Total operating expenses	<u>157,848</u>	<u>13</u>	<u>180,667</u>	<u>13</u>
6900	PROFIT FROM OPERATIONS	<u>60,109</u>	<u>5</u>	<u>48,324</u>	<u>3</u>
	NON-OPERATING INCOME AND EXPENSES				
7070	Share of profits and losses of subsidiaries and affiliates using the equity method (Note IV)	6,577	-	102,825	7
7100	Interest income (Note XXIV)	291	-	207	-
7190	Other revenue: (Note XXIV)	24,468	2	2,967	-
7510	Interest expense (Note XXIV)	( 8,621 )	( 1 )	( 8,246 )	-

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Code		2020		2019	
		Amount	%	Amount	%
7590	Type of expenditure	( \$ 570 )	-	( \$ 661 )	-
7630	Net loss from foreign exchange	( 14,889 )	( 1 )	( 654 )	-
7000	Total non-operating income and expenses	7,256	-	96,438	7
7900	PROFIT BEFORE INCOME TAX	67,365	5	144,762	10
7950	Income tax expense (gain) (Notes IV and XX)	( 6,645 )	( 1 )	26,919	2
8200	NET PROFIT FOR THE YEAR	74,010	6	117,843	8
	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 XX)	( 2,066 )	-	3,577	-
8300	Other comprehensive income (loss) for the year, net income tax	8,911	1	( 19,441 )	( 1 )
8500	TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 82,921	7	\$ 98,402	7
	Earnings per share (Note XXI)				
9710	Basic	\$ 0.74		\$ 1.19	
9810	Diluted	\$ 0.74		\$ 1.18	

The attached notes form part of this parent-company only financial report

Chairman: Ho Wen-Chieh

Manager: Huang Chng-Tze

Chief Accountant: Chen Hsiang-Li



Evermore Chemical Industry Co., Ltd.  
STATEMENTS OF CHANGES IN EQUITY  
January 1 to December 31, 2020 and 2019

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

Code		Ordinary Shares	Capital Surplus	Retained earnings (Note XVIII)			Exchange differences on translation of foreign financial statements	Total Equity
		(Note XVIII)	(Note XVIII)	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, 2020	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	<u>\$ 993,880</u>	<u>\$ 98,017</u>	<u>\$ 214,625</u>	<u>\$ 21,610</u>	<u>\$ 168,036</u>	( <u>\$ 11,624</u> )	<u>\$ 1,484,544</u>

The attached notes form part of this parent-company only financial report

Chairman: Ho Wen-Chieh

Manager: Huang Chng-Tze

Chief Accountant: Chen Hsiang-Li

Evermore Chemical Industry Co., Ltd.  
INDIVIDUAL CASH FLOW STATEMENT  
January 1 to December 31, 2020 and 2019

Unit: NT\$ thousand

Code		2020	2019
	<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
A10000	Income before tax	\$ 67,365	\$ 144,762
A20000	Adjustments for:		
A20100	Depreciation expense	59,292	59,292
A20200	Amortization expense	520	1,231
A20300	Expected credit loss	3,150	20,990
A20900	Interest fees	8,621	8,246
A21200	Interest income	( 291 )	( 207 )
A22300	Share of profits and losses of subsidiaries and affiliates using the equity method	( 6,577 )	( 102,825 )
A22500	Loss (gain) on disposal of property, plant, and equipment	( 128 )	6
A23100	Gain on disposal of investments	( 6,090 )	-
A23700	(Reversal of) impairment loss on non-financial assets	4,091	( 11,667 )
A23900	Unrealized (realized) profit from subsidiaries	( 228 )	1,647
A24100	Foreign exchange losses (gains)	5,483	( 258 )
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	12,235	( 6,582 )
A31150	Accounts receivable	( 35,479 )	75,422
A31180	Other receivables	761	2,727
A31200	Inventories	5,257	45,720
A31240	Other current assets	( 1,211 )	( 2,125 )
A32130	Notes payable	2,280	( 8,951 )
A32150	Accounts payable	22,935	( 61,543 )
A32180	Other payables	1,536	15,259
A32200	Provisions	-	269
A32230	Other current liabilities	( 161 )	1,424
A33000	Cash generated from operations	143,361	182,837
A33100	Interest received	290	191
A33300	Interest paid	( 8,587 )	( 8,255 )
A33500	Income tax paid	( 7,235 )	( 712 )
AAAA	Net cash flow from operating activities	<u>127,829</u>	<u>174,061</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 )	\$ -
B01800	Investments acquired and accounted for using equity method	( 267,880 )	-
B02000	Increase in prepayments for investments	-	( 87,561 )
B02700	Payments for property, plant, and equipment	( 33,716 )	( 9,649 )
B02800	Proceeds from disposal of property, plant, and equipment	313	104
B03800	Decrease in refundable deposits	119	-
B04400	Decrease (increase) in other receivables from related parties	( 27,012 )	8,265
B04500	Payments for intangible assets	( 360 )	( 714 )
B06500	Increase in other financial assets	( 14,154 )	-
B07100	Increase in prepayments for equipment	( 62,409 )	( 55,922 )
B07600	Dividends received from subsidiaries	<u>135,600</u>	<u>-</u>
BBBB	Net cash used in investing activities	( <u>322,928</u> )	( <u>145,477</u> )
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
C00100	Proceeds from short-term borrowings	4,481,600	2,285,900
C00200	Repayments of short-term borrowings	( 4,389,293 )	( 2,207,494 )
C00600	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 )
C03800	Decrease in other payables - related parties	( 2,117 )	( 56,015 )
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>214,608</u>	( <u>27,289</u> )
EEEE	Net increase in cash for the year	19,509	1,295
E00100	CASH AT THE BEGINNING OF THE YEAR	<u>29,949</u>	<u>28,654</u>
E00200	CASH AT THE END OF THE YEAR	<u>\$ 49,458</u>	<u>\$ 29,949</u>

The attached notes form part of this parent-company only financial report

Chairman: Ho Wen-Chieh

Manager: Huang Chng-Tze

Chief Accountant: Chen Hsiang-Li

Evermore Chemical Industry Co., Ltd.  
INDIVIDUAL FINANCIAL STATEMENT NOTES

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 parent company only 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 IFRSs)

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

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date of IASB announcement</u>
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 parent company only financial statements, the Company 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 financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

**(II) Basis of preparation**

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

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

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

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

**(III) Classification of current and non-current assets and liabilities**

Current assets include:

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

Current liabilities including:

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

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

(IV) Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

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

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

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

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

(V) Inventories

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

(VI) Investment accounted for using the equity method

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

1 Investments in subsidiaries

Subsidiary is an entity that is controlled by the Company.

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

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

When the Company's share of losses to a subsidiary equals or exceeds its equity in the subsidiary, the Company continues to recognize the loss based on its shareholding ratio.

The amount of the acquisition cost exceeding the Company's share of the net fair value of the identifiable assets and liabilities of the subsidiaries that constitute the business on the acquisition date is classified as goodwill, which is included in the carrying value of the investment and is not amortized.

When the Company assesses impairment, it considers the cash-generating unit as a whole in the financial statements and compares its recoverable amount with the book value. If the recoverable amount of the asset increases in the future, the reversal of the impairment loss is recognized as profit. However, the book value of the asset after the impairment loss has been reversed shall not exceed the book value of the asset after deducting the amortization if the impairment loss is not recognized. Impairment losses attributable to goodwill shall not be reversed in subsequent periods.

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



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

2 Investment related companies

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

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

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

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

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

(VII) Property, plant and equipment

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

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

Property, plant and equipment shall be depreciated on a straight-line basis within the service life of each significant component. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

(VIII) Investment properties

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

Investment property is initially measured at cost (including transaction costs), and the subsequent measurement is the cost minus accumulated depreciation. Depreciation is recognized using the straight-line method.

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

(IX) Intangible assets

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

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

(X) Impairment of property, plant and equipment and intangible assets

The Company evaluates on each balance sheet date whether there are any signs of possible impairment of property, plant and equipment 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 Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to the individual cash-generating units; otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is adjusted to the revised recoverable amount. However, the increased carrying amount should not exceed the carrying amount determined when the asset or cash-generating unit had not recognized the impairment loss in the previous year (minus amortization or depreciation). A reversal of an impairment loss is recognized in profit or loss.

(XI) Financial instruments

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

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

Financial assets

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

1 Measurement Category

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

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

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

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

Except for the following two cases, interest income is calculated by multiplying the effective interest rate by the total book value of financial assets:

- (1) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial asset; and
- (2) For financial assets that are not purchased or originated credit-impaired (POCI) but have subsequently become credit-impaired, the interest revenue shall be calculated by applying the effective interest rate to their amortized cost from the reporting period following the impairment.

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

## 2 Impairment of financial assets

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

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

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

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

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

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

### 3 Derecognition of financial assets

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

When a financial asset measured at amortized cost is delisted as a whole, the difference between its book value and the consideration received is recognized in profit or loss.

#### Financial liabilities

##### 1 Subsequent measurement

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

##### 2 Derecognition of financial liabilities

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

#### (XII) Provisions

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

#### (XIII) Revenue recognition

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

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

#### (XIV) Government subsidies

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

Government subsidies related to income are recognized in other revenues on a systematic basis during the period when the related costs that they intend to compensate are recognized as expenses by the Company.

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

(XV) 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.

(XVI) Taxation

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

1 Current income tax

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

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

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

3 Current and deferred income taxes

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

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

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

The Company 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 Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

(II) Write-down of inventories

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

(III) Impairment of goodwill included in investment subsidiaries

When deciding whether the goodwill included in the investment subsidiary is impaired, it is to allocate the goodwill obtained from the merger to the cash-generating units that the company expects to benefit from the merger synergy on the acquisition date; and it should estimate the value in use of the amortized goodwill cash-generating unit. In order to calculate the usage value, management should estimate the future cash flows expected to be generated from the amortized goodwill cash-generating unit and determine the appropriate discount rate used to calculate their present value. If the actual cash flow is less than expected, significant impairment losses may occur.

VI. Cash

	December 31, 2020	December 31, 2019
Cash on hand and petty cash	\$ 20	\$ 20
Checking accounts and demand deposits	49,438	29,929
	<u>\$ 49,458</u>	<u>\$ 29,949</u>
<u>Interest rate range (%)</u>		
Demand deposits	0.01-0.05	0.01-0.33

VII. Financial assets measured at amortized cost - current

	December 31, 2020	December 31, 2019
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

	December 31, 2020	December 31, 2019
<u>Notes receivable</u>		
Notes receivable - operating	\$ 64,562	\$ 76,797
Less: Loss allowance	<u>-</u>	<u>-</u>
	<u>\$ 64,562</u>	<u>\$ 76,797</u>
<u>Trade receivables - unrelated parties</u>		
Measured by cost after amortization		
Total book value	\$ 194,183	\$ 192,116
Less: Loss allowance	( <u>29,763</u> )	( <u>26,613</u> )
	<u>\$ 164,420</u>	<u>\$ 165,503</u>
<u>Trade receivables - related parties</u>		
Measured by cost after amortization		
Total book value	\$ 101,744	\$ 72,509
Less: Loss allowance	<u>-</u>	<u>-</u>
	<u>\$ 101,744</u>	<u>\$ 72,509</u>

(I) Notes receivable

The aging of notes receivable was as follows:

	December 31, 2020	December 31, 2019
Not past due	\$ 64,562	\$ 76,797
Past due	<u>-</u>	<u>-</u>
Total	<u>\$ 64,562</u>	<u>\$ 76,797</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 Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company recognizes loss provisions on accounts receivable based on expected credit losses over the duration. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

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

The Company's allowance for losses in account receivable is 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%	10%	20%-50%	100%	
Total book value	\$ 259,544	\$ 4,676	\$ 6,064	\$ 25,643	\$ 295,927
Allowance for loss (Expected credit loss during the period)	( <u>620</u> )	( <u>468</u> )	( <u>3,032</u> )	( <u>25,643</u> )	( <u>29,763</u> )
Amortized cost	<u>\$ 258,924</u>	<u>\$ 4,208</u>	<u>\$ 3,032</u>	<u>\$ -</u>	<u>\$ 266,164</u>
<u>December 31, 2019</u>					
Expected credit loss rate	0%-1%	10%	20%-50%	100%	
Total book value	\$ 232,537	\$ 15	\$ 12,339	\$ 19,734	\$ 264,625
Allowance for loss (Expected credit loss during the period)	( <u>708</u> )	( <u>2</u> )	( <u>6,169</u> )	( <u>19,734</u> )	( <u>26,613</u> )
Amortized cost	<u>\$ 231,829</u>	<u>\$ 13</u>	<u>\$ 6,170</u>	<u>\$ -</u>	<u>\$ 238,012</u>

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

	2020	2019
Balance at Beginning of Year	\$ 26,613	\$ 5,623
Add: Net remeasurement of loss allowance	<u>3,150</u>	<u>20,990</u>
Balance at End of Year	<u>\$ 29,763</u>	<u>\$ 26,613</u>

## IX. Inventories

	December 31, 2020	December 31, 2019
Finished goods	\$ 124,366	\$ 170,926
Merchandise	2,235	1,715
Raw materials and supplies	130,872	93,299
Inventories in transit	-	881
	<u>\$ 257,473</u>	<u>\$ 266,821</u>

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

	2020	2019
Cost of inventories sold	\$ 973,582	\$ 1,158,751
Inventory devaluation (or reversal gains)	4,091	( 11,667 )
Unallocated production overhead	24,860	23,552
Revenue from sale of scraps	( 1,128 )	( 1,204 )
Others	478	1,473
	<u>\$ 1,001,883</u>	<u>\$ 1,170,905</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 XXV.

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

Equity-accounted investments are listed as follows:

	December 31, 2020	December 31, 2019
Investments in subsidiaries	\$ 1,283,493	\$ 1,037,927
Investment related companies	-	778
	<u>\$ 1,283,493</u>	<u>\$ 1,038,705</u>

For the main business items and company registration information of the above-mentioned subsidiaries and affiliates, please refer to the attached Table 5 and 6.

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

## (I) Investments in subsidiaries

Investee company name	December 31, 2020		December 31, 2019	
	Amount	Shareholding	Amount	Shareholding
<u>Unlisted Companies</u>				
NEOLITE INVESTMENTS LIMITED (NEOLITE)	\$ 631,473	100%	\$ 697,226	100%
GIANT STAR TRADING CO., LTD (Giant Star Trading Co.)	206,831	100%	217,122	100%
SUCCESS INVESTMENTS LIMITED ( SUCCESS )	143,996	100%	-	-
CHEM-MAT TECHNOLOGIES CO., LTD. (CHEM-MAT)	132,071	100%	123,579	100%
U-BEST VIETNAM POLYMER INDUSTRY COMPANY LIMITED ( U-BEST )	128,395	100%	-	-
TOPWELL ELASTIC TECHNOLOGY CO., LTD. ( TOPWELL )	40,727	100%	-	48%
	<u>\$ 1,283,493</u>		<u>\$ 1,037,927</u>	

Based on the future market layout and strategic considerations of industrial supply chain integration, the Company 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 VIETNAM SUNYAD TECHNOLOGY LIMITED (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 of the consolidated financial statements.

## (II) Investment related companies

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

(III) Prepayment of investments

As authorized by the Board of Directors in October 2019, the Company signed equity 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 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.

12. PROPERTY, PLANT AND EQUIPMENT

2020	Balance at Beginning of Year	Additions	Deductions	Reclassification	Balance at End of Year
<u>Cost</u>					
Land	\$ 345,894	\$ -	\$ -	\$ -	\$ 345,894
Buildings	232,419	4,799	-	53,986	291,204
Machinery and equipment	730,011	20,422	( 3,237 )	34,746	781,942
Transportation equipment	11,303	-	-	-	11,303
Other equipment	<u>155,864</u>	<u>9,399</u>	<u>( 90 )</u>	<u>15,599</u>	<u>180,772</u>
Total cost	<u>1,475,491</u>	<u>\$ 34,620</u>	<u>( \$ 3,327 )</u>	<u>\$ 104,331</u>	<u>1,611,115</u>
<u>Accumulated depreciation</u>					
Buildings	130,025	\$ 10,197	\$ -	\$ -	140,222
Machinery and equipment	608,518	36,008	( 3,079 )	-	641,447
Transportation equipment	7,670	1,144	-	-	8,814
Other equipment	<u>123,078</u>	<u>11,794</u>	<u>( 63 )</u>	<u>-</u>	<u>134,809</u>
Total accumulated depreciation	<u>869,291</u>	<u>\$ 59,143</u>	<u>( \$ 3,142 )</u>	<u>\$ -</u>	<u>925,292</u>
	<u>\$ 606,200</u>				<u>\$ 685,823</u>
2019					
<u>Cost</u>					
Land	\$ 345,894	\$ -	\$ -	\$ -	\$ 345,894
Buildings	232,419	-	-	-	232,419
Machinery and equipment	720,010	6,424	( 1,528 )	5,105	730,011
Transportation equipment	9,347	3	( 901 )	2,854	11,303
Other equipment	<u>153,828</u>	<u>2,191</u>	<u>( 762 )</u>	<u>607</u>	<u>155,864</u>
Total cost	<u>1,461,498</u>	<u>\$ 8,618</u>	<u>( \$ 3,191 )</u>	<u>\$ 8,566</u>	<u>1,475,491</u>
<u>Accumulated depreciation</u>					
Buildings	115,777	\$ 14,248	\$ -	\$ -	130,025
Machinery and equipment	577,210	32,726	( 1,418 )	-	608,518
Transportation equipment	7,673	898	( 901 )	-	7,670
Other equipment	<u>112,570</u>	<u>11,270</u>	<u>( 762 )</u>	<u>-</u>	<u>123,078</u>
Total accumulated depreciation	<u>813,230</u>	<u>\$ 59,142</u>	<u>( \$ 3,081 )</u>	<u>\$ -</u>	<u>869,291</u>
	<u>\$ 648,268</u>				<u>\$ 606,200</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
Machinery and equipment	2-12 years
Transportation equipment	5 years
Other equipment	
Office equipment	2-8 years
Landscape gardening	15 years
Others	2-15 years

For the amounts of pledged collateral set as property, plant and equipment loan guarantees, please refer to Note XXV.

### XIII. INVESTMENT PROPERTIES, NET

<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>\$ -</u></u>	4,520
Accumulated depreciation			
Buildings	<u>3,277</u>	<u>\$ 149</u>	<u>3,426</u>
	<u><u>\$ 1,243</u></u>		<u><u>\$ 1,094</u></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>\$ -</u></u>	4,520
Accumulated depreciation			
Buildings	<u>3,127</u>	<u>\$ 150</u>	<u>3,277</u>
	<u><u>\$ 1,393</u></u>		<u><u>\$ 1,243</u></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.

#### XIV. Loans

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

	December 31, 2020	December 31, 2019
Credit loans	\$ 320,000	\$ 295,893
Secured borrowings	218,000	160,000
Letter of credit loans	<u>22,965</u>	<u>12,822</u>
	<u>\$ 560,965</u>	<u>\$ 468,715</u>
<u>Rates of interest per annum (%)</u>		
Credit loans	1.05-1.13	1.05-1.30
Secured borrowings	1.13-1.15	1.28-1.30
Letter of credit loans	1.13-1.15	1.28-1.30

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

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

	December 31, 2020	December 31, 2019
Commercial paper	\$ 130,000	\$ 130,000
Less: Unamortized discounts on bills payable	( <u>145</u> )	( <u>133</u> )
	<u>\$ 129,855</u>	<u>\$ 129,867</u>

Outstanding short-term bills payable were as follows:

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest rate range (%)
<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

	December 31, 2020	December 31, 2019
Secured borrowings	\$ 271,117	\$ 82,085
Less: Current portion	( 64,000 )	( 54,483 )
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 Company's own land and buildings; please refer to Note XXV.

XV. Other payables

	December 31, 2020	December 31, 2019
Payable for salaries and bonuses	\$ 32,170	\$ 23,476
Payable for employee's compensation and remuneration of directors and supervisors	5,183	10,942
Payable for commissions	4,941	4,444
Payable for freight	2,377	1,980
Payable for purchase of equipment	2,391	1,487
Accounts payable to related parties (Note XXIV)	578	2,551
Others	<u>15,794</u>	<u>18,258</u>
	<u>\$ 63,434</u>	<u>\$ 63,138</u>

XVI. 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.

XVII. Retirement benefit plans

The Company adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

# XVIII. Equity

## (I) Share capital from common stock

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Issuance of common shares	\$ 70,860	\$ 70,860
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.

#### XIX. Net profit

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

Type	Operating Costs	Operating Expenses	Total
<u>2020</u>			
Salary	\$ 59,763	\$ 65,498	\$ 125,261
Health and labor insurance	5,128	5,157	10,285
Retirement benefits			
Defined contribution plans	2,262	2,600	4,862
Directors' Remuneration	-	2,810	2,810
Other employee benefits	2,361	3,485	5,846
Depreciation expense	42,316	16,976	59,292
Amortization expense	-	520	520

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

The numbers of employees of the Company in 2020 and 2019 were 164 and 162 respectively. Among them, the numbers of directors who were not concurrent employees were 6 and 6 respectively, and their calculation basis is the same as that of employee benefits.

The Company's average employee benefits for 2020 and 2019 were NTD 926 thousand and NTD 905 thousand, respectively, and average employee salary costs were NTD 793 thousand and NTD 781 thousand, respectively. The average employee salary cost adjustment change witnessed an increase of 2%.

The remuneration of the Company's supervisors for 2020 and 2019 was NTD 1,968 thousand and NTD 2,449 thousand respectively.

#### Remuneration policy

##### 1 Remuneration policy for directors and supervisors

The remuneration of directors and supervisors is handled in accordance with the Company's Remuneration and Performance Evaluation Measures for Directors, Supervisors, and Functional Committees. Monthly fixed remunerations and remunerations provided in accordance with the Articles of Incorporation are allocated according to the degree of contribution and calculated based on the ratio of the number of board meetings to the total number of attendances, and with reference to the value of business participation and contribution. After the remuneration is reviewed by the Remuneration Committee, it is submitted to the Board of Directors for approval.

##### 2 Policies for employees and managers

- (1) Employee salary compensation includes fixed salary, year-end bonus, employee remuneration and quarterly bonus. The Company calculates the total bonus based on operating results, and issues individual bonuses based on the individual contribution of employees.
- (2) Authorization of manager salaries is handled in accordance with the Company's salary management measures, including fixed and variable components. After review by the Remuneration Committee regarding changes in operating performance and future risk considerations, it is submitted to the Board of Directors for approval.

##### (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%)	1,449	3,113

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

There 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 parent company only 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.

## XX. Income taxes

### (I) Income tax recognized in profit or loss

The main components of income tax expenses (benefits) are as follows:

	2020	2019
Current income tax		
In respect of the current year	\$ 11,482	\$ 13,508
Undistributed surplus earnings	1,101	115
Separate taxation on repatriation of overseas funds	9,481	-
Adjustments for prior years	( 2,068 )	697
	<u>19,996</u>	<u>14,320</u>
Deferred tax		
In respect of the current year	( 26,641 )	12,240
Adjustments for prior years	-	359
	<u>( 26,641 )</u>	<u>12,599</u>
Income tax expense recognized in profit or loss		
(Profit)	( \$ 6,645 )	\$ 26,919

The adjustment of accounting income and income tax expenses is as follows:

	2020	2019
Income tax expense calculated at the statutory rate	\$ 13,473	\$ 28,952
Nondeductible expenses in determining taxable income	201	708
Not recognized income in determining taxable income	( 28,833 )	( 3,912 )
Undistributed surplus earnings	1,101	115
Separate taxation on repatriation of overseas funds	9,481	-
Adjustments for prior years' tax	( 2,068 )	1,056
Income tax expense recognized in profit or loss		
(Profit)	( \$ 6,645 )	\$ 26,919

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 Company calculated 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	\$ 1,926	\$ 1,049	\$ -	\$ 2,975
Investment accounted for using the equity method	1,115	7,026	-	8,141
Allowance for losses	4,640	592	-	5,232
Exchange differences on translating the financial statements of foreign operations	823	-	1,392	2,215
Others	2,607	1,066	-	3,673
	<u>\$ 11,111</u>	<u>\$ 9,733</u>	<u>\$ 1,392</u>	<u>\$ 22,236</u>

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2020	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	\$ 58,086	( \$ 16,908 )	\$ -	\$ 41,178
Exchange differences on translating the financial statements of foreign operations	-	-	3,458	3,458
	<u>\$ 58,086</u>	<u>( \$ 16,908 )</u>	<u>\$ 3,458</u>	<u>\$ 44,636</u>
2019				
<u>Deferred tax assets</u>				
Temporary differences				
Inventory write-downs	\$ 1,947	( \$ 21 )	\$ -	\$ 1,926
Investment accounted for using the equity method	897	218	-	1,115
Allowance for losses	294	4,346	-	4,640
Exchange differences on translating the financial statements of foreign operations	170	-	653	823
Others	<u>2,354</u>	<u>253</u>	<u>-</u>	<u>2,607</u>
	<u>\$ 5,662</u>	<u>\$ 4,796</u>	<u>\$ 653</u>	<u>\$ 11,111</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Investment accounted for using the equity method	\$ 40,691	\$ 17,395	\$ -	\$ 58,086
Exchange differences on translating the financial statements of foreign operations	<u>2,924</u>	<u>-</u>	<u>( 2,924 )</u>	<u>-</u>
	<u>\$ 43,615</u>	<u>\$ 17,395</u>	<u>( \$ 2,924 )</u>	<u>\$ 58,086</u>

### (III) Income tax assessments

The tax collection authority approved the Profit-seeking Enterprise Income Tax Return case for the Company through 2018.

### XXI. Earnings per share

2020	Net profit Attributable to Owners of the Company	Number of Shares (In Thousands)	Earnings per share (NTD)
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	-	317	
Diluted earnings per share			
Net profit Attributable to Owners of the Company			
Add the impact of potential ordinary shares:	<u>\$ 74,010</u>	<u>99,705</u>	<u>\$ 0.74</u>

	Net profit Attributable to Owners of the Company	Number of Shares (In Thousands)	Earnings per share (NTD)
<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	-	454	
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 should be included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## XXII、Capital risk management:

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

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

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

## XXIII. 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

- (1) The fair value of short-term financial instruments is estimated by their book value on the balance sheet for the carrying amount at the end of reporting period because the maturity date is close to the reporting date or the payment price is similar to the carrying amount. The book value should be a reasonable basis for the estimated fair value. This method is applied to cash, notes and 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)	\$ 481,217	\$ 353,982
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 2)	1,208,963	902,665

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

1 Market risk

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

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

(1) Foreign currency risk

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

For the carrying value of monetary assets and monetary liabilities denominated in non-functional currencies of the Company at the balance sheet date, please refer to Note XXIX.

Sensitivity analysis

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

Currency	2020	2019
USD	\$ 1,796	\$ 1,357

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

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

(2) Interest rate risk

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

	December 31, 2020	December 31, 2019
Fair value interest rate risk		
Financial assets	\$ 15,740	\$ 1,586
Financial liabilities	129,855	129,867
Cash flow interest rate risk		
Financial assets	101,855	29,895
Financial liabilities	832,082	550,800

Sensitivity analysis

For financial assets and liabilities of the Company with floating interest rates, when interest rates change by 0.25%, and other conditions remain unchanged, the Company's net profit before tax for 2020 and 2019 would change by NT\$1,826 thousand and NT\$1,302 thousand, respectively.

2 Credit risk

The Company's transactions are targeted at reputable financial and securities institutions, and it also transacts with a number of financial institutions to spread the risks, so the



probability of default from contractual counterparty is very low; even if the other party defaults, the Company will not suffer significant loss.

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

### 3 Liquidity risk

The Company has built an appropriate liquidity risk management framework for the Company's short, medium, and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining banking facilities, obtaining the loan commitment, and continuously monitoring forecasted and actual cash flow as well as the maturity profiles of financial assets and liabilities. As of December 31, 2020 and 2019, the Company's unused bank financing lines were NT\$469,715 thousand and NT\$579,929 thousand respectively.

#### Schedule of liquidity and interest rate risk

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flow of financial liabilities from the earliest date on which the Company can be required to pay.

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

Non-derivative financial liabilities	Less Than 1 Year	More than 1 Year
<u>December 31, 2020</u>		
Non-interest bearing liabilities	\$ 247,026	\$ -
Variable interest rate liabilities	624,965	207,117
Fixed interest rate liabilities	129,855	-
	<u>\$ 1,001,846</u>	<u>\$ 207,117</u>
<u>December 31, 2019</u>		
Non-interest bearing liabilities	\$ 221,998	\$ -
Variable interest rate liabilities	523,198	27,602
Fixed interest rate liabilities	129,867	-
	<u>\$ 875,063</u>	<u>\$ 27,602</u>

XXIV. Related party transactions

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

(I) Related party name and category

<u>Name of related party</u>	<u>Related Party Category</u>
AICA	The Company's parent
PT. PT. AICA INDRIA (PT. AICA)	Fellow subsidiary
Aica Singapore Pte Ltd. (AICA SINGAPORE)	Fellow subsidiary
Dynea (Shanghai) Co, Ltd. ( Dynea )	Fellow subsidiary
Pou Chen Corporation and its subsidiaries	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)
NEOLITE	Subsidiary
CHEM-MAT	Subsidiary
Giant Star Trading Co.	Subsidiary

(Continued on the next page)

(Continued from the previous page)

Name of related party		Related Party Category	
LIBERTY BELL INVESTMENTS LTD. (LIBERTY BELL)		Subsidiary	
POU CHIEN CHEMICAL CO.,LTD (POU CHIEN)		Subsidiary	
LEADERSHIP (SHANGHAI) CO., LTD (LEADERSHIP)		Subsidiary	
U-BEST		Subsidiary	

  

(II) Sales of goods			
Accounts	Related Party Category/Name	2020	2019
Sales	Subsidiary		
	POU CHIEN Company	\$ 66,529	\$ 99,712
	NEOLITE	60,205	138,049
	TOPWELL	36,966	-
	CHEM-MAT	24,115	18,756
	U-BEST	19,790	-
	Others	25,241	24,816
	Parent company	83,426	88,348
	Associated enterprise	37,648	15,196
	Fellow subsidiary	3,395	3,971
	Other related parties	<u>3,531</u>	<u>700</u>
		<u>\$ 360,846</u>	<u>\$ 389,548</u>
Purchases of goods	Subsidiary	\$ 11,838	\$ 13,145
	Parent company	<u>234</u>	<u>2,629</u>
		<u>\$ 12,072</u>	<u>\$ 15,774</u>
Other revenue	Subsidiary		
	Giant Star Trading Co.	\$ 336	\$ 336
	Others	188	13
	Parent company	<u>270</u>	<u>270</u>
		<u>\$ 794</u>	<u>\$ 619</u>

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

The balance of accounts receivable from related parties on the balance sheet date is as follows:

Accounts	Related Party Category/Name	December 31, 2020	December 31, 2019
Notes receivable	Subsidiary		
	Giant Star Trading Co.	\$ 1,803	\$ 216
	Other related parties	<u>57</u>	<u>-</u>
		<u>\$ 1,860</u>	<u>\$ 216</u>
Accounts receivable	Subsidiary		
	TOPWELL	\$ 36,120	\$ -
	U-BEST	17,395	-
	NEOLITE	12,293	37,718
	POU CHIEN Company	12,538	7,007
	CHEM-MAT	7,921	7,057
	LEADERSHIP SHANGHAI	6,359	1,965
	Others	2,455	145
	Associated enterprise	-	14,975
	Parent company	6,181	3,580
	Fellow subsidiary	355	
	Other related parties	<u>127</u>	<u>62</u>
		<u>\$ 101,744</u>	<u>\$ 72,509</u>
Other receivables	Subsidiary		
	U-BEST	\$ 24,368	\$ -
	LIBERTY BELL	4,606	2,818
	Others	<u>55</u>	<u>77</u>
		<u>\$ 29,029</u>	<u>\$ 2,895</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
Notes payable	Subsidiary	<u>\$ -</u>	<u>\$ 17</u>
Accounts payable	Subsidiary		
	LIBERTY BELL	\$ 1,900	\$ 1,385
	Giant Star Trading Co.	400	2,336
	CHEM-MAT	5	210
	Parent company	<u>91</u>	<u>-</u>
		<u>\$ 2,396</u>	<u>\$ 3,931</u>
Other payables	Subsidiary		
	TOPWELL	\$ 526	\$ -
	Others	8	-
	Parent company	<u>44</u>	<u>2,551</u>
		<u>\$ 578</u>	<u>\$ 2,551</u>

(III) Loans to related parties

Related Party Category/Name	December 31, 2020	December 31, 2019
Subsidiary		
U-BEST	\$ <u>24,208</u>	\$ <u>-</u>

The loan interest rate for loans provided by the Company to related parties is 1.25%. For unsecured loans. Interest income for 2020 was NTD 163 thousand.

(IV) Loans from related parties

Related Party Category/Name	December 31, 2020	December 31, 2019
Subsidiary		
NEOLITE	\$ <u>-</u>	\$ <u>-</u>

The Company obtained loans at the interest rate of 1.3% for the loans from related parties. The loans were unsecured. Interest expense for 2019 was NTD 755 thousand.

(V) Endorsements and guarantees

As of December 31, 2020 and 2019, the Company had provided an endorsement guarantee of USD 15,000 thousand to its subsidiary LIBERTY BELL to guarantee the company's bank loan line.

As of December 31, 2020, the Company had provided an endorsement guarantee of USD 500 thousand to its subsidiary TOPWELL to guarantee the company's bank loan line.

(VI) 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	\$ 12,681	\$ 14,825
Retirement benefits	<u>195</u>	<u>195</u>
	\$ <u>12,876</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.

XXV. Pledged assets

The following assets were provided as collateral for bank borrowings:

	December 31, 2020	December 31, 2019
Property, plant and equipment	\$ 220,888	\$ 202,540
Other financial assets - current	15,740	1,586
	<u>\$ 236,628</u>	<u>\$ 204,126</u>

XXVI. 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.

XXVII. 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.

XXVIII. Other Matters

The Company has been affected by the global pandemic of COVID-19, as 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.

XXIX. THE FOREIGN ASSETS AND LIABILITIES WITH SIGNIFICANT IMPACT

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

Financial assets	December 31, 2020		
	Foreign currency	Exchange Rate	Carrying Amount
<u>Monetary items</u>			
USD	\$ 10,606	28.48 (USD:NTD)	\$ 302,059
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	4,299	28.48 (USD:NTD)	122,436

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

The significant unrealized foreign exchange losses were as follows:

Foreign currency	2020	2019
	Exchange Rate	Exchange Rate
USD	29.549 (USD:NTD)	30.912 (USD:NTD)
	Net Foreign Exchange Loss	Net Foreign Exchange Loss
	( \$ 4,776 )	( \$ 3,177 )

### XXX. SEPARATELY DISCLOSED ITEMS

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

- 1 Financing provided to others. (Table 1)
- 2 Endorsements/guarantees provided. (Table 2)
- 3 Status of securities held at the end of the year: (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 Information on investees. (Table 5)

#### (III) Investments in Mainland China

- 1 Invested company's name, business operations, paid-in capital, investment method, capital inward or outward, shareholding ratio, investment gains and losses, investment yearend book value, investment income and loss inward, and investment limits in Mainland China. (Table 6)
- 2 Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
  - (1) Purchase amount and percentage and the related payables ending balance and percentage. (Table 3)
  - (2) Sale amount and percentage and the related receivables ending balance and percentage. (Table 3)

- (3) The amount of property transactions and the amount of the resultant gains or losses. (None)
  - (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (None)
  - (5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (Table 1)
  - (6) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services. (None)
- (IV) Information on principal shareholders: The names, amounts, and proportions of shares of shareholders with a shareholding ratio of 5% or more: (Table 7)



Evermore Chemical Industry Co., Ltd.  
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 1)	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 2)	Necessary for short-term financing	\$ -	Operating capital	-	—	\$ -	\$ 317,978 (Note III)	\$ 317,978 (Note III)	
		The Company	Other receivables	Yes	60,520 ( USD 2,000 )	56,960 ( USD 2,000 )	-	(Note 2)	Necessary for short-term financing	-	Operating capital	-	—	-	317,978 (Note III)	317,978 (Note III)	
1	TOPCO	LEADERSHIP SHANGHAI	Other receivables	Yes	8,758 ( CNY 2,000 )	8,754 ( CNY 2,000 )	-	(Note 2)	Necessary for short-term financing	-	Operating capital	-	—	-	15,092 (Note IV)	60,368 (Note IV)	
2	The Company	U-BEST	Other receivables	Yes	30,020 ( USD 1,000 )	28,480 ( USD 1,000 )	24,208 ( USD 850 )	(Note 2)	Necessary for short-term financing	-	Operating capital	-	—	-	148,454 (Note V)	593,818 (Note V)	
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 2)	Necessary for short-term financing	-	Operating capital	-	—	-	5,549 (Note VI)	11,099 (Note VI)	

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

Note 2: Interest rate according to bank loan contract.

Note 3: The loan limit and total limit for individual counterparties are all limited to 50% of NEOLITE's net value.

Note 4: 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 5: 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 6: 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  
ENDORSEMENTS/GUARANTEES PROVIDED  
January 1 to December 31, 2020

TABLE 2Unit: 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 period	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	Sub-subsidiaries	\$ 742,272	\$ 453,900	\$ 427,200	\$ 46,930	\$ -	28.78%	\$ 1,039,181	Y	—	—	
1	The Company	TOPWELL	Subsidiary	742,272	( USD 15,000 ) 14,405 ( USD 500 )	( USD 15,000 ) 14,240 ( USD 500 )	( USD 1,648 ) 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.  
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 3Unit: 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	Parent company	(Sales)	( \$ 298,647 )	( 33 )	T/T 30 days	Note	—	\$ 217,453	51	
LIBERTY BELL	POU CHIEN Company	Subsidiary	(Sales)	( 103,699 )	( 24 )	T/T 90 days	Note	—	24,427	15	

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

Evermore Chemical Industry Co., Ltd.  
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	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	Parent company	Accounts receivable \$ 217,453	1.06	\$ 179,332	Improved collection work	\$ 65,548	\$ -

Evermore Chemical Industry Co., Ltd.  
INFORMATION ON INVESTEEES  
January 1 to December 31, 2020

TABLE 5

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	76,201	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 USD 18,126	563,243 USD 18,126	21,000	100	583,622	( 814 ) ( USD 29 )	(Note)
SUCCESS	SUNYAD	Vietnam	Manufacturing and sales of PU synthetic leather products	155,250	-	-	100	33,282	( 3,255 )	(Note)

Note: Not applicable.

Evermore Chemical Industry Co., Ltd.  
Investments in Mainland China  
January 1 to December 31, 2020

TABLE 6

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	Investment amounts remitted or recovered this year		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 "Principle of Examination on Investment or Technical Cooperation in Mainland China" stipulated by the Investment Commission, MOEA on August 29, 2008, the Company obtained the scope certificate for the headquarters issued by the Industrial Development Bureau, MOEA, with no upper limit for the investment amount in mainland China.

Evermore Chemical Industry Co., Ltd.

Information on principal shareholders

December 31, 2020

Table 7

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 parent company only financial statements and the actual number of shares delivered without physical registration may be different due to different calculation bases or other differences.

# §THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS§

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Evermore Chemical Industry Co., Ltd.

STATEMENT OF CASH

December 31, 2020

STATEMENT 1

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

Item	Amount
Cash on hand and petty cash	<u>\$ 20</u>
Cash in banks	
Foreign deposits (Note)	41,125
Demand deposits	8,312
Checking accounts	<u>1</u>
	<u>49,438</u>
	<u>\$ 49,458</u>

Note: Including USD 1,444 thousand (US\$1=NT\$28.48).



Evermore Chemical Industry Co., Ltd.  
STATEMENT OF NOTES RECEIVABLE  
December 31, 2020

2

Unit: NT\$ thousand

Client Name	Amount
Unrelated parties	
TUOH YA ENTERPRISE CO., LTD	\$ 3,723
SUNTA CHEMICAL CORPORATION	3,311
Others (Note)	<u>55,668</u>
	62,702
Related party	
Giant Star Trading Co.	1,803
Others (Note)	<u>57</u>
	<u>\$ 64,562</u>

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

Evermore Chemical Industry Co., Ltd.  
STATEMENT OF TRADE RECEIVABLES  
December 31, 2020

3

Unit: NT\$ thousand

Client Name	Amount
Unrelated parties	
SHANGHAI OCT IMP.&EXP. COMPANY LIMITED	\$ 32,109
SHAN HUA PLASTIC INDUSTRIAL CO., LTD	20,730
HSIN MEI KUANG CO., LTD	13,253
WONDERFUL INTERNATIONAL GROUP CO., LTD.	10,191
Others (Note)	<u>117,900</u>
	194,183
Less: Loss allowance	( <u>29,763</u> )
	<u>\$ 164,420</u>

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

Evermore Chemical Industry Co., Ltd.

STATEMENT OF INVENTORIES

December 31, 2020

4

Unit: NT\$ thousand

Item	Cost	Market Price
Finished goods	\$ 124,366	\$ 182,341
Merchandise	2,235	2,235
Raw materials and supplies	<u>130,872</u>	<u>141,144</u>
	<u>\$ 257,473</u>	<u>\$ 325,720</u>

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

Evermore Chemical Industry Co., Ltd.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

January 1 to December 31, 2020

5

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

Net Income (Loss) of	Amount at Beginning of Year			Additions for the year	Cash Dividends	Share of profits and losses of subsidiaries recognized using the equity method	Foreign operations mechanism Financial statement conversion exchange difference	Realized (unrealized) gross profit	Balance at End of Year			Net value of equity	Pledge status
	Number of Shares	Ownership (%)	Amount						Number of shares	Shareholding %	Amount		
NEOLITE	13,059	100	\$ 697,226	\$ -	( \$ 119,220 )	\$ 33,548	\$ 19,435	\$ 484	13,059	100	\$ 631,473	\$ 635,956	Nil
Giant Star Trading Co.	12,600	100	217,122	-	( 16,380 )	4,370	1,719	-	12,600	100	206,831	206,836	None
CHEM-MAT	7,199	100	123,579	-	-	8,748	-	( 256 )	7,199	100	132,071	138,492	None
U-BEST	-	-	-	132,314	-	1,128	( 5,047 )	-	-	100	128,395	55,494	None
SUCCESS	-	-	-	155,250	-	( 5,544 )	( 5,710 )	-	4,000	100	143,996	33,282	None
TOPWELL	923	48	<u>778</u>	<u>73,967</u>	<u>-</u>	( <u>35,673</u> )	<u>1,655</u>	<u>-</u>	8,000	100	<u>40,727</u>	<u>15,496</u>	None
			<u>\$ 1,038,705</u>	<u>\$ 361,531</u>	( <u>\$ 135,600</u> )	<u>\$ 6,577</u>	<u>\$ 12,052</u>	<u>\$ 228</u>			<u>\$ 1,283,493</u>	<u>\$ 1,085,556</u>	

Evermore Chemical Industry Co., Ltd.  
STATEMENT OF SHORT-TERM BANK BORROWINGS  
December 31, 2020

6

Unit: NT\$ thousand

Borrowing Types and Banks	Maturity Date	Interest Rates (%)	Total
Credit loans			
MUFG Bank - Taipei Branch	2021.01.25	1.05	\$ 260,000
CHANG HWA BANK - Nantou Branch	2021.01.14	1.12	30,000
E.Sun Bank Taichung Corporate Banking Center	2021.02.26	1.13	<u>30,000</u>
			<u>320,000</u>
Secured borrowings			
Bank of Taiwan - Nantou Branch	2021.07.07	1.15	150,000
Mega International Commercial Bank - Nantou Branch	2021.02.28-2021.05.30	1.13	<u>68,000</u>
			<u>218,000</u>
Letter of credit loans			
Bank of Taiwan - Nantou Branch (Note 1)	2021.05.19-2021.06.07	1.15	6,097
Mega International Commercial Bank - Nantou Branch (Note 2)	2021.04.03-2021.06.03	1.13	<u>16,868</u>
			<u>22,965</u>
			<u>\$ 560,965</u>

Note 1: Including USD 214 thousand (US\$1=NT\$28.48).

Note 2: Including USD 592 thousand (US\$1=NT\$28.48).

Evermore Chemical Industry Co., Ltd.

STATEMENT OF NOTES PAYABLE

December 31, 2020

7

Unit: NT\$ thousand

Vendor Name	Amount
Unrelated parties	
SHINGHO CHEMICAL CORP.	\$ 9,873
CHI MEI TRADING CO., LTD	8,050
ACHEMICAL CORP.	6,363
CHEMFRONT INTERNATIONAL CORP.	5,448
YOUNG SUN CHEMTRADE CO., LTD	4,548
SINO-JAPAN CHEMICAL CO., LTD.	4,433
Others (Note)	<u>34,380</u>
	<u>\$ 73,095</u>

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

Evermore Chemical Industry Co., Ltd.  
STATEMENT OF ACCOUNTS PAYABLES  
December 31, 2020

8

Unit: NT\$ thousand

Vendor Name	Amount
Unrelated parties	
ESTCHEM CO., LTD.	\$ 27,220
SHINGHO CHEMICAL CORP.	7,140
BASF TAIWAN LTD.	6,595
YOUNG SUN CHEMTRADE CO., LTD	6,361
MITSUI (TAIWAN) CO., LTD.	5,209
Others (Note)	<u>55,576</u>
	<u>108,101</u>
Related party	
LIBERTY BELL	1,900
Giant Star Trading Co.	400
AICA	91
CHEM-MAT	<u>5</u>
	<u>2,396</u>
	<u>\$ 2021,497</u>

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

Evermore Chemical Industry Co., Ltd.  
STATEMENT OF LONG-TERM BANK BORROWINGS  
December 31, 2020

9

Unit: NT\$ thousand

Borrowing Types and Banks	Maturity Date	Interest Rates (%)	Current Portion of Long-term Borrowings	Long-term borrowings	Total	Collateral
Secured borrowings						
Bank of Taiwan - Nantou Branch	Maturity in October 2025, starting in November 2020, monthly repayment in 60 installments	1.25	\$ 20,000	\$ 76,667	\$ 96,667	Land and building
CHANG HWA BANK - Nantou Branch	Maturity in September 2025, starting in October 2020, monthly repayment in 60 installments	1.16	6,000	22,500	28,500	Land and building
	Maturity in December 2025, starting in January 2021, monthly repayment in 60 installments	1.16	13,800	55,200	69,000	Land and building
	Maturity in September 2025, starting in October 2021, monthly repayment in 60 installments	0.315	5,200	19,500	24,700	Land and building
Mega International Commercial Bank - Nantou Branch	Maturity in March 2022 from June 2017, repayment over 20 periods, three months for one period	1.25	10,000	2,500	12,500	Land and building
	Maturity in May 2025, starting in June 2020, monthly repayment in 60 installments	1.25	<u>9,000</u>	<u>30,750</u>	<u>39,750</u>	Land and building
			<u>\$ 64,000</u>	<u>\$ 207,117</u>	<u>\$ 271,117</u>	



Evermore Chemical Industry Co., Ltd.  
STATEMENT OF NET REVENUE  
January 1 to December 31, 2020

10

Unit: NT\$ thousand

Item	Quantity (Ton)	Amount
PU resin	Approximately 13,853	\$ 1,082,397
Polyester polyol	Approximately 1,610	90,669
Others	Approximately 690	<u>54,669</u>
		1,227,735
Less: Sales return		( 5,855 )
Sales discount		( <u>2,268</u> )
Net revenue		<u>\$ 1,219,612</u>

Evermore Chemical Industry Co., Ltd.  
STATEMENT OF COST OF REVENUE  
January 1 to December 31, 2020

11

Unit: NT\$ thousand

Item	Amount
Raw material at beginning of year	\$ 92,728
Raw material purchased	759,307
Raw material at end of year	( 132,013 )
Sale of raw material	( 38,827 )
Others	( <u>2,250</u> )
Raw material used	\$ 678,945
Material, beginning of year	1,571
Raw material purchased	42,128
Material, end of year	( 1,213 )
Others	( <u>42,401</u> )
Material used	85
Direct labor	62,025
Manufacturing expenses	<u>138,056</u>
Manufacturing cost	879,111
Finished goods at beginning of year	187,908
Raw material purchased	2,653
Finished goods at end of year	( 143,203 )
Others	( <u>1,468</u> )
Cost of finished goods	925,001
Merchandise at beginning of year	1,715
Merchandise purchased	11,265
Merchandise at end of year	( 2,235 )
Others	( <u>991</u> )
Cost of merchandise	9,754
Cost of goods sold of raw material	38,827
Inventory write-downs	4,091
Revenue from sale of scraps	( 1,128 )
Unallocated production overhead	24,860
Other costs	<u>478</u>
Cost of goods sold	<u>\$ 1,001,883</u>

Evermore Chemical Industry Co., Ltd.  
STATEMENT OF OPERATING EXPENSES  
January 1 to December 31, 2020

12

Unit: NT\$ thousand

	Selling expenses	Management expenses	R&D expenses
Payroll	\$ 11,698	\$ 34,925	\$ 23,356
Freight	17,512	4	476
Depreciation expense	643	5,527	10,657
Commission expense	7,484	-	-
Others	<u>10,674</u>	<u>20,040</u>	<u>11,702</u>
	<u>\$ 48,011</u>	<u>\$ 60,496</u>	<u>\$ 46,191</u>