

Evermore Chemical Industry  
Co., Ltd. and Subsidiaries

Consolidated Financial Statements  
and Independent Auditor's Report  
2021 and 2020

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## DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

For the year 2021 (January 1 - December 31, 2021), the Company complies with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises in that the companies that should be included in the preparation of the consolidated financial statements of the affiliated companies are the same as the companies that should be included in the preparation of the consolidated financial statements of the parent and subsidiary companies in accordance with IFRS 10. In addition, the relevant information that should be disclosed in the consolidated financial statements of the associated companies has been disclosed in the consolidated financial statements of the parent and subsidiary companies of the former disclosure. Therefore, there is no need to prepare the consolidated financial statements of associated companies separately.

Hereby declared by

Evermore Chemical Industry Co., Ltd.

Chairman: Ho Wen-Chieh

March 15, 2022

## **INDEPENDENT AUDITORS' REPORT**

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

### **Audit Opinion**

We have completed our review of Evermore Chemical Industry Co., Ltd. and Subsidiaries (Evermore Group) Consolidated Balance Sheet for December 31, 2021 and 2020; and Consolidated Statements of Comprehensive Income, Consolidated Statements of Changes in Equity, Consolidated Statements of Cash Flows, and Notes to the Consolidated Financial Statements (including a summary of significant accounting policies) for January 1 – December 31, 2021 and 2020.

In our opinion, the aforementioned consolidated financial statements in all major respects are in compliance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretation, or SIC Interpretation endorsed by the Financial Supervisory Commission. They are sufficient to adequately express the consolidated financial status of Evermore Group as of December 31, 2021 and 2020 and its consolidated financial performance and consolidated cash flow from January 1 through December 31, 2021 and 2020.

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters refer to the most important matters for the audit of Evermore Group's 2021 consolidated financial statements based on our professional judgment. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of Evermore Group's 2021 consolidated financial statements are hereby stated as follows:

Authenticity of revenue recognition for specific customers

The main source of revenue of Evermore Group is the sales of resins, and the sales locations are mainly located in markets such as Asia. Operating revenue in 2021 increased compared to the previous year. The amount of transactions with specific customers were critical to the overall operating revenue. Meanwhile, subject to the epidemic and changes in the economic environment, there was a significant risk to the authenticity of their revenue and, therefore, the authenticity of revenue recognition for specific customers was listed as a key audit matter. For accounting policies related to revenue recognition, please refer to Note IV of consolidated financial statements.

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

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

**Miscellaneous**

Evermore Chemical Industry Co., Ltd. has prepared parent company only financial statements for 2021 and 2020, and the audit reports with unqualified opinions that we have issued are on file for reference.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue operations, disclosing related matters, as well as continuing operations with the basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no feasible alternative but to do so.

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

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

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

decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

From the matters communicated with the governance unit, we have determined key audit matters of Evermore Group's 2021 consolidated financial statements. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte Taiwan  
Dai Hsin-Wei, CPA

Su Ting-Chien, CPA

Approval reference of the Securities and  
Futures Bureau  
Tai-Tsai-Cheng (VI) No. 0930128050

Approval reference of the Financial  
Supervisory Commission  
SFB Shenzi No. 1070323246

March 15, 2022

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
December 31, 2021 and 2020

Unit: NTD thousand

Code	ASSETS	March 31, 2021		31-Dec-20 (Re-prepared and audited)	
		Amount	%	Amount	%
	<b>CURRENT ASSETS</b>				
1100	Cash and cash equivalents (Notes IV and VI)	\$ 228,045	6	\$ 306,389	10
1136	Financial assets measured at amortized cost - current (Notes IV and VII)	70,765	2	68,158	2
1150	Notes receivable (Notes IV and VIII)	187,325	5	117,381	4
1170	Accounts receivable due from non-related parties (Notes IV and VIII)	745,825	20	579,323	19
1180	Accounts receivable due from related parties (Notes IV, IV, and XXVII)	24,403	1	23,107	1
1200	Other receivables	11,608	-	9,840	-
1220	Current tax assets (Notes IV and XXI)	2,691	-	3	-
130X	Inventories (Notes IV and IX)	752,571	20	622,491	20
1410	Prepayments	50,673	2	52,990	2
1479	Other current assets	854	-	1,650	-
11XX	Total current assets	<u>2,074,760</u>	<u>56</u>	<u>1,781,332</u>	<u>58</u>
	<b>NON-CURRENT ASSETS</b>				
1600	Property, plant and equipment (Notes IV, XII, and XXVIII)	1,352,143	37	982,514	32
1755	Right-of-use assets (Notes IV and XIII)	160,550	4	169,921	6
1760	Investment real estate (Notes IV and XIV)	1,007	-	1,094	-
1780	Intangible assets (Note IV)	7,988	-	7,110	-
1805	Goodwill (Notes IV, XV, and XXIII)	40,715	1	44,960	2
1840	Deferred tax assets (Notes IV and XXI)	31,834	1	28,866	1
1915	Prepayments for equipment	46,541	1	37,953	1
1920	Refundable deposits	1,280	-	1,349	-
15XX	Total non-current assets	<u>1,642,058</u>	<u>44</u>	<u>1,273,767</u>	<u>42</u>
1XXX	TOTAL	<u>\$ 3,716,818</u>	<u>100</u>	<u>\$ 3,055,099</u>	<u>100</u>
	<b>LIABILITIES AND EQUITY</b>				
	<b>CURRENT LIABILITIES</b>				
2100	Short term borrowings (Notes XVI and XXVIII)	\$ 1,139,045	31	\$ 649,647	21
2110	Short-term notes and bills payable (Note XVI)	129,926	3	129,855	4
2150	Notes payable	26,128	1	73,369	2
2170	Accounts payable (Note XXVII)	325,595	9	204,682	7
2200	Other payables (Notes XVII and XXVII)	110,516	3	135,609	5
2230	Current tax liabilities (Notes IV and XXI)	6,372	-	28,064	1
2322	Long-term borrowings due within one year (Notes XVI and XXVIII)	56,500	1	64,000	2
2399	Other current liabilities- Other	14,394	-	11,429	-
21XX	Total current liabilities	<u>1,808,476</u>	<u>48</u>	<u>1,296,655</u>	<u>42</u>
	<b>Noncurrent liabilities</b>				
2541	Long term borrowings (Notes XVI and XXVIII)	430,617	12	207,117	7
2570	Deferred tax liabilities (Notes IV and XXI )	45,073	1	66,310	2
2645	Guarantee deposits	434	-	437	-
25XX	Total non-current liabilities	<u>476,124</u>	<u>13</u>	<u>273,864</u>	<u>9</u>
2XXX	Total liabilities	<u>2,284,600</u>	<u>61</u>	<u>1,570,519</u>	<u>51</u>
	<b>EQUITY</b>				
3110	Share capital from common stock	993,880	27	993,880	33
3200	Capital surplus	98,017	3	98,017	3
	Retained earnings				
3310	Statutory reserves	222,026	6	214,625	7
3320	Special reserve	11,624	-	21,610	1
3350	Undistributed earnings	130,984	4	168,036	5
3400	Other equity	( 24,313 )	( 1 )	( 11,588 )	-
3XXX	Total equity	<u>1,432,218</u>	<u>39</u>	<u>1,484,580</u>	<u>49</u>
	<b>TOTAL</b>	<u>\$ 3,716,818</u>	<u>100</u>	<u>\$ 3,055,099</u>	<u>100</u>

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

Chairman: Ho Wen-Chieh

Manager: Huang Chng-Tze

Chief Accountant: Chen Hsiang-Li



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

January 1to December 31, 2021 and 2020

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

Code		2021		2020 (Re-prepared and audited)	
		Amount	%	Amount	%
4000	Operating revenue, net (Notes IV and XXVII)	\$ 3,201,106	100	\$ 2,363,415	100
5000	Operating costs (Notes IX, XX, and XXVII)	<u>2,767,913</u>	<u>86</u>	<u>1,906,186</u>	<u>81</u>
5900	Gross profit	<u>433,193</u>	<u>14</u>	<u>457,229</u>	<u>19</u>
	OPERATING EXPENSES (Note XX)				
6100	Selling and marketing expenses	158,756	5	133,159	5
6200	Management expenses	141,419	5	137,961	6
6300	Research and development expenses	70,427	2	70,287	3
6450	Expected credit loss (gain) (Notes IV and VIII)	<u>31,302</u>	<u>1</u>	<u>( 21,668 )</u>	<u>( 1 )</u>
6000	Total operating expenses	<u>401,904</u>	<u>13</u>	<u>319,739</u>	<u>13</u>
6900	Operating profit	<u>31,289</u>	<u>1</u>	<u>137,490</u>	<u>6</u>
	Non-operating revenue and expenditure				
7010	Other revenue: (Note XVII)	13,996	-	21,468	1
7020	Other gains and losses (Notes XV and X)	<u>( 6,042 )</u>	<u>-</u>	<u>( 39,484 )</u>	<u>( 2 )</u>
7060	Share of profits and losses of affiliated companies using the equity method (Note IV)	-	-	<u>( 1,674 )</u>	<u>-</u>
7100	Interest income	798	-	556	-
7510	Interest fees	<u>( 17,369 )</u>	<u>( 1 )</u>	<u>( 11,673 )</u>	<u>( 1 )</u>
7630	Net loss from foreign exchange (Note XX)	<u>( 16,264 )</u>	<u>-</u>	<u>( 29,099 )</u>	<u>( 1 )</u>
7000	Total non-operating income and expenses	<u>( 24,881 )</u>	<u>( 1 )</u>	<u>( 59,906 )</u>	<u>( 3 )</u>

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Code		2021		2020 (Re-prepared and audited)	
		Amount	%	Amount	%
7900	PROFIT BEFORE INCOME TAX	\$ 6,408	-	\$ 77,584	3
7950	Income tax expense (gain) (Notes IV and XXI)	( 3,649 )	-	3,574	-
8200	Net income	10,057	-	74,010	3
	OTHER COMPREHENSIVE INCOME (LOSS) (Note IV)				
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translating the financial statements of foreign operations	( 15,642 )	-	11,013	1
8399	Income tax related to items that may be reclassified to profit or loss (Note XXI)	2,917	-	( 2,066 )	-
8300	Current other comprehensive income (net after tax)	( 12,725 )	-	8,947	1
8500	Total comprehensive income	( \$ 2,668 )	-	\$ 82,957	4
	EARNINGS PER SHARE (Note XXII)				
9750	Basic	\$ 0.10		\$ 0.74	
9850	Diluted	\$ 0.10		\$ 0.74	

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

Chairman: Ho Wen-Chieh

Manager: Huang Chng-Tze

Chief Accountant: Chen Hsiang-Li

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
January 1 to December 31, 2021 and 2020

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

		EQUITY					Exchange differences on translating the financial statements of foreign operations	Total Equity
Code		Share capital from common stock (Note 19)	Capital Surplus (Note 19)	Retained Earnings (Note 19)				
				Legal Reserve	Special Reserve	Unappropriated Earnings		
A1	Balance on January 1, 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 (re-prepared and audited)	-	-	-	-	74,010	-	74,010
D3	Other comprehensive income 2020 (re-prepared and audited)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,947</u>	<u>8,947</u>
D5	Total comprehensive income 2020 (re-prepared and audited)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,010</u>	<u>8,947</u>	<u>82,957</u>
M3	Proceeds from investments accounted for using equity method	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,075</u>	<u>1,075</u>
Z1	Balance on December 31, 2020 (re-prepared and audited)	993,880	98,017	214,625	21,610	168,036	( 11,588 )	1,484,580
	Earnings allocation and distribution for 2020							
B1	Statutory reserves	-	-	7,401	-	( 7,401 )	-	-
B3	Special reserve	-	-	-	( 9,986 )	9,986	-	-
B5	Cash dividends distributed by the Company - NT\$ 0.5 per share	-	-	-	-	( 49,694 )	-	( 49,694 )
D1	2021 net profit	-	-	-	-	10,057	-	10,057
D3	Other comprehensive income after tax for 2021	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 12,725 )</u>	<u>( 12,725 )</u>
D5	Total comprehensive income for 2021	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,057</u>	<u>( 12,725 )</u>	<u>( 2,668 )</u>
Z1	Balance on December 31, 2021	<u>\$ 993,880</u>	<u>\$ 98,017</u>	<u>\$ 222,026</u>	<u>\$ 11,624</u>	<u>\$ 130,984</u>	<u>( \$ 24,313 )</u>	<u>\$ 1,432,218</u>

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

Chairman: Ho Wen-Chieh

Manager: Huang Chng-Tze

Chief Accountant: Chen Hsiang-Li

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOW

January 1 to December 31, 2021 and 2020

Unit: NTD thousand

Code		2021	2020 (Re-prepared and audited)
	CASH FLOW FROM OPERATING ACTIVITIES		
A10000	Income before tax	\$ 6,408	\$ 77,584
A20000	Adjustments for:		
A20100	Depreciation expense	100,503	103,832
A20200	Amortization expense	1,197	976
A20300	Expected credit loss (reversal)	31,302	( 21,668 )
A20900	Interest fees	17,369	11,673
A21200	Interest income	( 798 )	( 556 )
A22300	Share of profits and losses of affiliated companies using the equity method	-	1,674
A22500	Loss (gain) on disposal of property, plant, and equipment	623	( 501 )
A23100	Loss on disposal of investments	-	25,513
A23800	Impairment loss recognized on non-financial assets (reversal gains)	( 12,462 )	16,931
A24100	Net loss from foreign exchange	1,687	2,763
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	( 69,944 )	11,870
A31150	Accounts receivable	( 200,735 )	136,840
A31180	Other receivables	( 1,772 )	1,571
A31200	Inventories	( 117,415 )	7,946
A31230	Prepayments	2,317	( 17,511 )
A31240	Other current assets	796	( 488 )
A32130	Notes payable	( 47,241 )	1,818
A32150	Accounts payable	121,253	9,570
A32180	Other payables	( 21,595 )	( 11,171 )
A32230	Other current liabilities	<u>2,965</u>	<u>( 6,354 )</u>
A33000	Cash generated from (used in) operations	( 185,542 )	352,312
A33100	Interest received	374	556
A33300	Interest paid	( 16,643 )	( 11,660 )
A33500	Income tax paid	<u>( 41,764 )</u>	<u>( 21,989 )</u>
AAAA	Net cash generated from (used in) operating activities	<u>( 243,575 )</u>	<u>319,219</u>

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Code		2021	2020 (Re-prepared and audited)
	CASH FLOW FROM INVESTING ACTIVITIES		
B00040	Increase in financial assets measured at amortized cost	( \$ 79,746 )	( \$ 126,250 )
B00050	Disposal of financial assets measured at amortized cost	77,634	58,643
B02200	Acquisition of subsidiaries	-	( 200,409 )
B02700	Payments for property, plant, and equipment	( 423,237 )	( 45,663 )
B02800	Proceeds from disposal of property, plant, and equipment	91	678
B03700	Increase in refundable deposits	( 872 )	( 124 )
B03800	Decrease in refundable deposits	931	8,604
B04500	Payments for intangible assets	( 2,641 )	( 360 )
B07100	Increase in prepayments for equipment	( 60,693 )	( 66,238 )
BBBB	Net cash used in investing activities	( 488,533 )	( 371,119 )
	CASH FLOW FROM FINANCING ACTIVITIES		
C00100	Proceeds from short-term borrowings	6,410,580	6,136,566
C00200	Repayments of short-term borrowings	( 5,915,942 )	( 6,235,833 )
C00500	Proceeds (repayments) from short-term bills payable	71	( 12 )
C01600	Proceeds from long-term borrowings	280,000	270,000
C01700	Repayments of long-term borrowings	( 64,000 )	( 80,968 )
C04500	Dividends paid to owners of the Company	( 49,694 )	( 64,602 )
CCCC	Net cash inflow from financing activities	661,015	25,151
DDDD	EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	( 7,251 )	10,502
EEEE	Decrease in cash and cash equivalents	( 78,344 )	( 16,247 )
E00100	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	306,389	322,636
E00200	CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$ 228,045	\$ 306,389

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

Chairman: Ho Wen-Chieh

Manager: Huang Chng-Tze

Chief Accountant: Chen Hsiang-Li

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

January 1 to December 31, 2021 and 2020

(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, 2021 and 2020, it held 50.1% of the Company's common stock.

II. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on March 15, 2022.

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 consolidated entity's accounting policies.

- (II) IFRSs recognized by the FSC applicable in 2022

New, Revised or Amended Standards and Interpretations	Effective date of promulgation by International Accounting Standards Board (IASB)
“Annual Improvements to IFRS Standards 2018–2020”	January 1, 2022 (Note I)
Amendment to IFRS 3 “Updates to Reference to the Conceptual Framework”	January 1, 2022 (Note II)
Amendments to IAS 16 “Property, Plant and Equipment — Proceeds before Intended Use”	January 1, 2022 (Note III)
Amendments to IAS 37 “Onerous Contracts — Cost of Fulfilling a Contract”	January 1, 2022 (Note IV)

Note 1: 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 2: This amendment applies to business mergers whose acquisition date starts in the annual reporting period after January 1, 2022.

Note 3: 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 4: This amendment applies to contracts that have not fulfilled all obligations as of January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the consolidated entity assessed that there would be no material impact of the initial application of other standards and the amendments to interpretations on its financial position and results of operations.

(III) New IFRSs in issue by 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)
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"	1-Jan-23
Amendments to IFRS 17	1-Jan-23
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9—Comparative Information"	1-Jan-23
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	1-Jan-23
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note II)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note III)
Amendments to IAS 12 "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction"	Sunday, January 1, 2023 (Note 4)

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

Note 3: 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 4: Except the deferred income tax recognized for the temporary differences related to lease and decommissioning obligations on January 1, 2022, the amendments shall apply to transactions occurring after January 1, 2022.

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

#### **IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **(I) Statement of compliance**

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

##### **(II) Basis of preparation**

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

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

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



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

Current assets include:

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

Current liabilities include:

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

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

(IV) Basis of consolidation

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

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

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

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

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

(V) Business mergers

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

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

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

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

(VI) Foreign currencies

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

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

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

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

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

#### (VII) Inventories

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

#### (VIII) Investment related companies

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

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the consolidated entity's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of the equity of associates.

Any excess of the cost of acquisition over the consolidated entity'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 consolidated entity's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

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

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

(IX) Property, plant and equipment

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

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

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

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

(X) Investment properties

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

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

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

(XI) Goodwill

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

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

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

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

(XII) Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost minus accumulated amortization. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss.

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

The consolidated entity evaluates on each balance sheet date whether there are any signs of possible impairment of property, plant and equipment, right of use assets, and intangible assets. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to the individual cash-generating units; otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined for the asset or cash-generating unit (net of amortization and depreciation) had no impairment loss been recognized in the previous year. A reversal of an impairment loss is recognized in profit or loss.

(XIV) Financial instruments

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

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

## Financial assets

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

### 1. Measurement Category

Financial assets held by the merged company are financial assets measured at amortized cost.

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

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

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.

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

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

### 2. Impairment of financial assets

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

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

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



## Financial liabilities

### 1. Subsequent measurement

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

### 2. Derecognition of financial liabilities

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

## (XV) Revenue recognition

The consolidated entity 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 consolidated entity 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 consolidated entity does not adjust the promised amount of consideration for the effects of a significant financing component.

For the revenue from sale of goods, when the products are delivered, shipped or provided to the destination designated by the customers and the customers take over the products, the Company recognizes the revenue and receivable accounts at the same time.

## (XVI) Leasing

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

### The consolidated company is the lessee

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

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

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

(XVII) Borrowing cost

All borrowing costs are stated as income when they are incurred.

(XVIII) Government subsidies

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

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

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

(XIX) Employee benefits

1. Short-term employee benefits

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

2. Retirement benefits

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

(XX) Taxation

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

1. Current income tax

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

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

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

## 2. Deferred tax

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the consolidated entity 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 consolidated entity 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 consolidated entity'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 consolidated entity took into account the recent development of COVID-19 epidemic and the potential impact posed by it to the economic environment in Taiwan, when estimating the cash flow, growth rate, discount rate and profitability. The management will review the estimates and underlying assumptions on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Major sources of estimation and assumption uncertainty

(I) Provision for impairment of financial assets

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

(II) Write-down of inventories

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

VI. Cash and cash equivalents

	March 31, 2021	31-Dec-20
Cash on hand and petty cash	\$ 1,356	\$ 1,064
Checking accounts and demand deposits	226,689	290,305
Cash equivalent		
Time deposits with original maturities of less than 3 months	-	15,020
	<u>\$ 228,045</u>	<u>\$ 306,389</u>
<u>Rates of interest per annum (%)</u>		
Demand deposits	0.01-0.39	0.01-0.35
Time deposits	-	0.16

VII. Financial assets measured at amortized cost - current

	March 31, 2021	31-Dec-20
Restricted bank deposits	\$ 55,425	\$ 52,418
Bank time deposits with original maturities of more than 3 months	15,340	15,740
	<u>\$ 70,765</u>	<u>\$ 68,158</u>
<u>Rates of interest per annum (%)</u>		
Restricted bank deposits	0.03	0.05
Bank time deposits with original maturities of more than 3 months	0.03	0.03

For the information about pledge of the financial assets measured at amortized cost, please refer to Note XXVIII.

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

### VIII. Notes receivable and accounts receivable

	<u>March 31, 2021</u>	<u>31-Dec-20</u>
<u>Notes receivable</u>		
Notes receivable - operating	\$ 187,325	\$ 117,381
Less: Loss allowance	<u>-</u>	<u>-</u>
	<u>\$ 187,325</u>	<u>\$ 117,381</u>
<u>Trade receivables - unrelated parties</u>		
Measured by cost after amortization		
Total carrying amount	\$ 868,614	\$ 671,860
Less: Loss allowance	( <u>122,789</u> )	( <u>92,537</u> )
	<u>\$ 745,825</u>	<u>\$ 579,323</u>
<u>Accounts receivables - related parties</u>		
Measured by cost after amortization		
Total carrying amount	\$ 24,403	\$ 23,107
Less: Loss allowance	<u>-</u>	<u>-</u>
	<u>\$ 24,403</u>	<u>\$ 23,107</u>

(I) Notes receivable

The aging of notes receivable was as follows:

	<u>March 31, 2021</u>	<u>31-Dec-20</u>
Not past due	\$ 187,325	\$ 117,381
Past due	<u>-</u>	<u>-</u>
Total	<u>\$ 187,325</u>	<u>\$ 117,381</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 consolidated entity reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. Accordingly, the consolidated company's management believes that the consolidated company's credit risk is significantly reduced.

The consolidated entity recognizes loss provisions on accounts receivable based on expected credit losses over the duration. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the consolidated entity'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 consolidated entity's different customer base.

The consolidated entity 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 consolidated entity 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 allowance for loss on accounts receivable measured by the consolidated entity are as follows:

	Not Past Due	Less than 30 Days	31 to 90 Days	Over 91 Days	Total
<u>March 31, 2021</u>					
Expected credit loss rate	0%-1%	0%-20%	5%-50%	100%	
Total carrying amount	\$628,747	\$ 33,235	\$125,123	\$105,912	\$893,017
Allowance for loss (Expected credit loss during the period)	( 5,601)	( 822)	( 19,001)	( 97,365)	( 122,789)
Amortized cost	<u>\$623,146</u>	<u>\$ 32,413</u>	<u>\$106,122</u>	<u>\$ 8,547</u>	<u>\$770,228</u>
<u>31-Dec-20</u>					
Expected credit loss rate	0%-1%	0%-20%	5%-50%	100%	
Total carrying amount	\$588,681	\$ 17,154	\$ 6,824	\$ 82,308	\$694,967
Allowance for loss (Expected credit loss during the period)	( 6,126)	( 2,239)	( 1,864)	( 82,308)	( 92,537)
Amortized cost	<u>\$582,555</u>	<u>\$ 14,915</u>	<u>\$ 4,960</u>	<u>\$ -</u>	<u>\$602,430</u>

The accounts receivable already overdue for more than 91 days, NT\$8,547 thousand, on December 31, 2021 have already been collected subsequently. Therefore, no allowance for loss was provided.

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

	2021	2020
Balance at Beginning of Year	\$ 92,537	\$ 113,583
Acquired through business mergers	-	8,932
Impairment losses (reversals) of the current year	31,302	( 21,668)
Actual write-offs for the current year	-	( 6,291)
Foreign exchange gains and losses	( 1,050)	( 2,019)
Balance at End of Year	<u>\$ 122,789</u>	<u>\$ 92,537</u>

## IX. Inventories

	March 31, 2021	31-Dec-20
Raw materials and supplies	\$ 361,862	\$ 265,071
Finished goods	325,059	239,908
Merchandise	59,309	98,927
Inventories in transit	6,341	18,585
	<u>\$ 752,571</u>	<u>\$ 622,491</u>

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

	2021	2020
Cost of inventories sold	\$ 2,744,580	\$ 1,856,930
Inventory devaluation (or reversal ns)	( 12,462 )	12,528
Unallocated production overhead	32,918	36,544
Revenue from sale of scraps	( 1,769 )	( 1,190 )
Others	4,646	1,374
	<u>\$ 2,767,913</u>	<u>\$ 1,906,186</u>

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

## X. SUBSIDIARIES

Subsidiary included in the consolidated financial statements:

Investor	Investee	% of Ownership	
		March 31, 2021	31-Dec-20
The Company	NEOLITE INVESTMENTS LIMITED (NEOLITE)	100	100
	CHEM-MAT TECHNOLOGIES CO., LTD (CHEM-MAT)	100	100
	GIANT STAR TRADING CO., LTD (Giant Star Trading Co.)	100	100
	U-BEST VIETNAM POLYMER INDUSTRY COMPANY LIMITED ( U-BEST )	100	100
	SUCCESS INVESTMENTS LIMITED ( SUCCESS )	100	100
	TOPWELL ELASTIC TECHNOLOGY CO., LTD (TOPWELL)	100	100
	NEOTOP INVESTMENTS LIMITED ( NEOTOP )	100	100
	NEOWIN INVESTMENTS LIMITED ( NEOWIN )	100	100
Giant Star Trading Co.	TOPCO (SHANGHAI) CO., LTD (TOPCO)	100	100
NEOTOP	LEADERSHIP (SHANGHAI) CO., LTD (LEADERSHIP)	100	100
NEOWIN	LIBERTY BELL INVESTMENTS LTD. (LIBERTY BELL)	100	100
NEOLITE	POU CHIEN CHEMICAL CO.,LTD (POU CHIEN)	100	100
LIBERTY BELL	VIETNAM SUNYAD TECHNOLOGY LIMITED ( SUNYAD )	100	100
SUCCESS			



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

Based on the future market layout and strategic considerations of industrial supply chain integration, the consolidated entity acquired U-BEST in April 2020, holding 100% equity; it acquired 100% of shares of SUCCESS in July 2020, and indirectly invested 100% shares of SUNYAD; and it acquired 52% of shares in TOPWELL, an affiliated company, in July 2020, and it has been listed as a subsidiary since July 2020. Since the date of acquisition, the investment has no longer been stated as that in affiliated company but re-classified into fair value. The difference in the fair value and carrying amount of the investment on the date of acquisition was stated as the loss on disposal of investment, NT\$25,513 thousand. For related disclosures, please refer to Note XXIII.

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

#### XI. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investee company name	March 31, 2021		31-Dec-20	
	Amount	Share holdin g	Amount	Share holdin g
<u>Unlisted Companies</u>				
TOPWELL	\$ -	(Note)	\$ -	(Note )

Note: Refer to Note X.

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

## XII. PROPERTY, PLANT AND EQUIPMENT

	Balance at Beginning of Year	Additions	Deductions	Reclassification	Effects of Foreign Currency Exchange Differences	Balance at End of Year
2021						
Cost						
Land	\$ 418,995	\$ 315,368	\$ -	\$ -	(\$ 3,375)	\$ 730,988
Buildings	737,084	51,989	-	20,306	( 5,939)	803,440
Machinery and equipment	1,243,387	19,240	( 29,422)	( 12,799)	( 4,134)	1,216,272
Transportation equipment	24,220	884	( 298)	2,538	( 395)	26,949
Other equipment	<u>249,065</u>	<u>31,961</u>	<u>( 4,047)</u>	<u>42,060</u>	<u>( 706)</u>	<u>318,333</u>
Total cost	<u>2,672,751</u>	<u>\$ 419,442</u>	<u>(\$ 33,767)</u>	<u>\$ 52,105</u>	<u>(\$ 14,549)</u>	<u>3,095,982</u>
Accumulated depreciation						
Buildings	430,139	\$ 25,965	\$ -	\$ -	(\$ 3,441)	452,663
Machinery and equipment	1,055,905	46,618	( 28,890)	( 27,477)	( 3,786)	1,042,370
Transportation equipment	18,073	2,634	( 179)	-	( 296)	20,232
Other equipment	<u>186,120</u>	<u>19,573</u>	<u>( 3,984)</u>	<u>27,477</u>	<u>( 612)</u>	<u>228,574</u>
Total accumulated depreciation	<u>1,690,237</u>	<u>\$ 94,790</u>	<u>(\$ 33,053)</u>	<u>\$ -</u>	<u>(\$ 8,135)</u>	<u>1,743,839</u>
	<u>\$ 982,514</u>					<u>\$ 1,352,143</u>

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

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

Buildings	
Main building	25 to 50 years
Additional project	2-50 years
Others	5 years
Machinery and equipment	2-10 years
Transportation equipment	5 years
Other equipment	
Office equipment	2-10 years
Landscape gardening	15 years
Others	2-20 years

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

### XIII. Lease arrangements

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

	<u>March 31, 2021</u>	<u>31-Dec-20</u>
Carrying amount of right-of-use assets		
Land	<u>\$ 160,550</u>	<u>\$ 169,921</u>
	<u>2021</u>	<u>2020</u>
Increases in right of use assets		
Acquired through business mergers	<u>\$ -</u>	<u>\$ 161,866</u>
Depreciation expenses of right-of-use assets		
Land	<u>\$ 5,626</u>	<u>\$ 3,540</u>

Except for the additions and the depreciation expenses listed above, the consolidated entity's right of use assets did not experience significant subletting or impairment in 2021 and 2020.

#### (II) Major leasing activities and terms

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

XIV. Net investment assets

	Balance at Beginning of Year	Additions	Balance at End of Year
2021			
Cost			
Land	\$ 1,007	\$ -	\$ 1,007
Buildings	<u>3,513</u>	<u>-</u>	<u>3,513</u>
Total cost	<u>4,520</u>	<u>\$ -</u>	<u>4,520</u>
Accumulated depreciation			
Buildings	<u>3,426</u>	<u>\$ 87</u>	<u>3,513</u>
	<u>\$ 1,094</u>		<u>\$ 1,007</u>
2020			
Cost			
Land	\$ 1,007	\$ -	\$ 1,007
Buildings	<u>3,513</u>	<u>-</u>	<u>3,513</u>
Total cost	<u>4,520</u>	<u>\$ -</u>	<u>4,520</u>
Accumulated depreciation			
Buildings	<u>3,277</u>	<u>\$ 149</u>	<u>3,426</u>
	<u>\$ 1,243</u>		<u>\$ 1,094</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.

XV. Goodwill

	2021	2020
Balance at Beginning of Year	\$ 44,960	\$ -
Acquired through business combinations in the current year (Note XXIII)	-	49,821
Impairment losses recognized in the current year	-	( 4,403 )
Effects of Foreign Currency Exchange Differences	( 4,245 )	( 458 )
Net end-of-year amount	<u>\$ 40,715</u>	<u>\$ 44,960</u>

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

The consolidated entity received the Purchase Price Allocation Evaluation Report for acquisition of the subsidiary, TOPWELL, in June 2021. Meanwhile, it adjusted the original accounting treatment and provisional amounts as of the date of acquisition, and re-prepared the comparison information accordingly.

The increase (decrease) in items related to the Balance Sheet is stated as following:

	31-Dec-20		
	Before re-preparation	Adjustment	After re-preparation
Goodwill	\$ 49,395	(\$ 4,435)	\$ 44,960
Intangible assets	\$ 2,639	\$ 4,471	\$ 7,110
Other equity	(\$ 11,624)	\$ 36	(\$ 11,588)

The items related to Comprehensive Income Statement are adjusted as following:

	2020
Exchange differences on translating the financial statements of foreign operations	\$ 36

Due to the impact of the COVID-19 pandemic, the industrial environment has changed drastically and operating revenue after the mergers is not as good as expected. After being assessed according to the recoverable amount, impairment losses of NT\$4,403 thousand were recognized in 2020.

## XVI. Loans

### (I) Short-term bank borrowings

	March 31, 2021	31-Dec-20
Credit loans	\$ 568,440	\$ 377,721
Secured borrowings	544,482	248,961
Letter of credit loans	26,123	22,965
	<u>\$ 1,139,045</u>	<u>\$ 649,647</u>
<u>Rates of interest per annum</u> <u>(%)</u>		
Credit loans	0.44-1.23	1.05-1.28
Secured borrowings	1.00-4.05	1.13-2.99
Letter of credit loans	0.25-1.39	1.13-1.15

Mortgage loans are secured by the mortgages of the consolidated entity's own land, buildings, and other financial assets. Please refer to Note XXVIII.

(II) Short-term bills payable

	March 31, 2021	31-Dec-20
Commercial paper	\$ 130,000	\$ 130,000
Less: Unamortized discounts on bills payable	( 74 )	( 145 )
	<u>\$ 129,926</u>	<u>\$ 129,855</u>

Outstanding short-term bills payable were as follows:

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest rate range (%)
<u>March 31, 2021</u>				
Mega Bills Finance Co., Ltd.	\$ 70,000	\$ 14	\$ 69,986	0.67
International Bills Finance Corporation	<u>60,000</u>	<u>60</u>	<u>59,940</u>	0.74
	<u>\$ 130,000</u>	<u>\$ 74</u>	<u>\$ 129,926</u>	
<u>31-Dec-20</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>	

(III) Long-term bank borrowings

	March 31, 2021	31-Dec-20
Credit loans	\$ 280,000	\$ -
Secured borrowings	207,117	271,117
Less: Current portion	( 56,500 )	( 64,000 )
Long-term borrowings	<u>\$ 430,617</u>	<u>\$ 207,117</u>

Rates of interest per annum  
(%)

Credit loans	1.05	-
Secured borrowings	1.22-1.26	0.32-1.25

Mortgage loans are secured by the mortgages of the consolidated entity's own land and buildings. Please refer to Note XXVIII.

XVII. Other payables

	<u>March 31, 2021</u>	<u>31-Dec-20</u>
Payable for salaries and bonuses	\$ 38,412	\$ 51,592
Payable for freight	7,661	7,595
Payable for employee's compensation and remuneration of directors and supervisors	1,089	7,121
Payable for purchase of equipment	1,743	5,538
Payable for commissions	4,847	4,941
Others	56,764	58,822
	<u>\$ 110,516</u>	<u>\$ 135,609</u>

XVIII. RETIREMENT BENEFIT PLANS

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

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

The employees of the consolidated entity's subsidiaries in Vietnam and Thailand should be identified as the members of the retirement benefit plans operated by the governments of said countries respectively. Each of the subsidiaries shall allocate a specific percentage of the wage costs, in order to raise the fund for the retirement benefit plan. The obligation to be borne by the consolidated entity under the retirement benefit plan operated by the government is limited to allocation of the specific fund.

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

## XIX. EQUITY

### (I) Share capital from common stock

	March 31, 2021	31-Dec-20
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

	March 31, 2021	31-Dec-20
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.

The Company provided and reversed the special reserve according to the letter under Jin-Guan-Zheng-Fa-Zi No. 1090150022.

The Company held its General Meetings of Shareholders in August 2021 and June 2020 and passed resolutions for its 2020 and 2019 earnings distributions as follows:

	Appropriation of Earnings		Dividend per share (NTD)	
	2020	2019	2020	2019
Statutory reserves	\$ 7,401	\$ 11,784		
Appropriation (reversal) of special reserve	( 9,986)	19,441		
Cash dividend	49,694	64,602	\$ 0.5	\$ 0.65

In March 2022, the Company's Board of Directors proposed the 2021 earnings distribution plan as follows:

	Appropriation of Earnings
Statutory reserves	\$ 1,006
Special reserve	12,689

The earnings distribution plan for 2021 has yet to be resolved at the General Meeting of Shareholders that is expected to be held in June 2022.

## XX. NET PROFIT

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

Type	Operating Costs	Operating Expenses	Total
<u>2021</u>			
Salary	\$ 92,718	\$ 122,316	\$ 215,034
Health and labor insurance	7,127	7,983	15,110
Retirement benefits			
Defined contribution plans	5,242	7,165	12,407
Other employee benefits	5,851	11,202	17,053
Depreciation expense	63,373	37,130	100,503
Amortization expense	145	1,052	1,197
<u>2020</u>			
Salary	79,933	123,051	202,984
Health and labor insurance	5,432	6,995	12,427
Retirement benefits			
Defined contribution plans	2,599	4,857	7,456
Other employee benefits	5,392	10,934	16,326
Depreciation expense	68,404	35,428	103,832
Amortization expense	10	966	976

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

	2021	2020
Employees' compensation (5%)	\$ 203	\$ 3,622
Remuneration of directors and supervisors (2%)	81	1,499

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

There are no differences between the actual allotment amounts of employee remuneration and directors and supervisors' remuneration for 2020 and 2019 and the amounts recognized in the consolidated financial statements for 2020 and 2019.

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

(III) Net loss from foreign exchange

	2021	2020
Foreign exchange gains	\$ 2,569	\$ 7,579
Foreign exchange losses	( 18,833 )	( 36,678 )
Net loss	( \$ 16,264 )	( \$ 29,099 )

XXI. TAXES

(I) Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	2021	2020
Current income tax		
In respect of the current year	\$ 12,019	\$ 22,963
Undistributed surplus earnings	-	1,162
Separate taxation on repatriation of overseas funds	5,523	9,481
Adjustments for prior years	( 158 )	( 1,621 )
	<u>17,384</u>	<u>31,985</u>
Deferred tax		
In respect of the current year	( 21,033 )	( 28,395 )
Adjustments for prior years	-	( 16 )
	<u>( 21,033 )</u>	<u>( 28,411 )</u>
Income tax expense recognized in profit or loss (Profit)	( \$ 3,649 )	\$ 3,574

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

	2021	2020
Income tax expense calculated at the statutory rate	\$ 1,282	\$ 15,517
Nondeductible expenses in determining taxable income	6,168	11,786
Not recognized income in determining taxable income	( 15,154)	( 33,656)
Undistributed surplus earnings	-	1,162
Effect of different tax rate of group entities operating in other jurisdictions	( 1,310)	921
Separate taxation on repatriation of overseas funds	5,523	9,481
Adjustments for prior years' tax	( 158)	( 1,637)
Income tax expense recognized in profit or loss (Profit)	( \$ 3,649)	\$ 3,574

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 consolidated entity calculated tax on undistributed surplus earnings, it only deducted the amounts of capital expenditures that had actually been reinvested.

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 between August 15, 2020 and August 14, 2021 repatriated the deposited funds within the approved period, the applicable tax rate would be reduced from 20% to 8% and 10%. 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. In February and September 2020 and August 2021, NEOLITE gained approval by the National Taxation Bureau of Ministry of Finance to respectively remit US\$2,000 thousand in each instance, thereby enjoying tax concessions of NT\$19,744 thousand altogether.

(II) Deferred tax assets and liabilities

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

2021	Balance at Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensi ve Income	Balance at End of Year
<u>Deferred tax assets</u>				
Temporary differences				
Inventory write-downs	\$ 4,686	( \$ 867 )	\$ -	\$ 3,819
Exchange differences on translating the financial statements of foreign operations	5,224	-	2,434	7,658
Investment accounted for using the equity method	9,907	2,462	-	12,369
Allowance for losses	5,355	158	-	5,513
Others	3,694	( 1,219 )	-	2,475
	<u>\$ 28,866</u>	<u>\$ 534</u>	<u>\$ 2,434</u>	<u>\$ 31,834</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Investment accounted for using the equity method	\$ 62,624	( \$ 20,316 )	\$ -	\$ 42,308
Exchange differences on translating the financial statements of foreign operations	3,476	-	( 738 )	2,738
Others	210	( 183 )	-	27
	<u>\$ 66,310</u>	<u>( \$ 20,499 )</u>	<u>( \$ 738 )</u>	<u>\$ 45,073</u>
<u>2020</u>				
<u>Deferred tax assets</u>				
Temporary differences				
Inventory write-downs	\$ 3,560	\$ 1,126	\$ -	\$ 4,686
Exchange differences on translating the financial statements of foreign operations	4,245	-	979	5,224
Investment accounted for using the equity method	3,043	6,864	-	9,907
Allowance for losses	4,841	514	-	5,355
Others	2,859	835	-	3,694
	18,548	9,339	979	28,866
Tax losses	1,322	( 1,322 )	-	-
	<u>\$ 19,870</u>	<u>\$ 8,017</u>	<u>\$ 979</u>	<u>\$ 28,866</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Investment accounted for using the equity method	\$ 83,228	( \$ 20,604 )	\$ -	\$ 62,624
Exchange differences on translating the financial statements of foreign operations	-	-	3,476	3,476
Others	-	210	-	210
	<u>\$ 83,228</u>	<u>( \$ 20,394 )</u>	<u>\$ 3,476</u>	<u>\$ 66,310</u>

(III) Income tax assessments

The tax collection authority approved the Profit-seeking Enterprise Income Tax Return cases for the Company, Giant Star Trading Co., and CHEM-MAT through 2019.

XXII. EARNINGS PER SHARE

		Unit: NT\$ per share
	2021	2020 (After re-preparation)
Basic earnings per share	<u>\$ 0.10</u>	<u>\$ 0.74</u>
Diluted earnings per share	<u>\$ 0.10</u>	<u>\$ 0.74</u>

The net profit and weighted average number of common stocks used to calculate the Earnings per Share are stated as following:

Net income

	2021	2020 (After re-preparation)
The net profit used to calculate the Earnings per Share	<u>\$ 10,057</u>	<u>\$ 74,010</u>
The net profit used to calculate the diluted Earnings per Share	<u>\$ 10,057</u>	<u>\$ 74,010</u>

Quantity of shares

	2021	Unit: Thousand Shares 2020 (After re-preparation)
The weighted average number of common stocks used to calculate the Earnings per Share	99,388	99,388
Effect of potentially dilutive ordinary shares:		
Remuneration to employees	<u>56</u>	<u>317</u>
The weighted average number of common stocks used to calculate the diluted Earnings per Share	<u>99,444</u>	<u>99,705</u>

If the Company offers to settle the compensation or bonuses paid to employees in cash or shares, the Company assumes that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares are included in the weighted average number of common stocks 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.

### XXIII. Business mergers

#### (I) Acquisition of subsidiaries

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

#### (II) Consolidated transferred:

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

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

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

	TOPWELL	SUCCESS	U-BEST
Current assets			
Cash	\$ 2,500	\$ 690	\$ 5,941
Notes receivable	8,497	-	-
Accounts receivable	18,025	-	18,535
Inventories	18,260	-	24,916
Other current assets	1,125	3,471	598
NON-CURRENT ASSETS			
Property, plant and equipment	34,429	44,727	29,318
Right-of-use assets	-	105,301	56,565
Intangible assets	4,462	-	-
Other non-current assets	23	-	2,175
Current liabilities:			
Short-term loans	( 41,296 )	-	-
Notes payable	( 35 )	-	-
Accounts payable	( 94,161 )	-	( 16,489 )
Other payables	( 2,468 )	( 323 )	( 690 )
Current tax liabilities	( 229 )	-	( 346 )
Other current liabilities	( 43 )	( 635 )	-
	<u>( \$ 50,911 )</u>	<u>\$ 153,231</u>	<u>\$ 120,523</u>

(IV) Goodwill arising from acquisitions

	TOPWELL	SUCCESS	U-BEST
Consolidated transferred:	\$ 9,537	\$ 155,250	\$ 132,314
Add: Original holdings of the acquiree			
Fair value	( 24,437 )	-	-
Less: Identifiable net assets obtained			
Fair value	<u>50,911</u>	<u>( 153,231 )</u>	<u>( 120,523 )</u>
Goodwill arising from acquisitions	<u>\$ 36,011</u>	<u>\$ 2,019</u>	<u>\$ 11,791</u>

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

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

(V) Net cash outflow from acquisition of subsidiaries

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

XXIV. Cash flow

(I) Non cash transactions

Except those already disclosed in the other notes, the consolidated entity engaged in the following investing and financing activities other than cash transactions in 2021 and 2020:

1. The amount of cash paid by the consolidated entity for purchase of the property, plant and equipment in 2021 and 2020 is stated as following:

	2021	2020
Increase in property, plant and equipment	\$ 419,442	\$ 48,472
Net changes in construction contract payables	<u>3,795</u>	<u>( 2,809 )</u>
Amount of cash paid	<u>\$ 423,237</u>	<u>\$ 45,663</u>



(II) Changes in liabilities from financing activities

2021

	January 1, 2021	Cash flow	Non-cash changes		March 31, 2021
			Interest fees/selling expenses	Foreign exchange rate change	
Short-term bank borrowings	\$ 649,647	\$ 494,638	\$ -	(\$ 5,240)	\$ 1,139,045
Short-term bills payable	<u>129,855</u>	<u>-</u>	<u>71</u>	<u>-</u>	<u>129,926</u>
	<u>\$ 779,502</u>	<u>\$ 494,638</u>	<u>\$ 71</u>	<u>(\$ 5,240)</u>	<u>\$ 1,268,971</u>

2020

	January 1, 2020	Cash flow	Non-cash changes		31-Dec-20
			Interest fees/selling expenses	Foreign exchange rate change	
Short-term bank borrowings	\$ 714,136	(\$ 57,971)	\$ -	(\$ 6,518)	\$ 649,647
Short-term bills payable	<u>129,867</u>	<u>-</u>	<u>(12)</u>	<u>-</u>	<u>129,855</u>
	<u>\$ 844,003</u>	<u>(\$ 57,971)</u>	<u>(\$ 12)</u>	<u>(\$ 6,518)</u>	<u>\$ 779,502</u>

XXV. Capital risk management

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

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

Key management personnel of the consolidated entity 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 consolidated entity 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.

## XXVI. 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 2021 and 2020, there will be no transfer of fair value measurement between Level 1 and Level 2.

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

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

- (1) The fair value of short-term financial instruments is estimated by their carrying amount 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 carrying amount should be a reasonable basis for the estimated fair value. This method is applied to cash and cash equivalents, financial assets measured at amortized cost-current, notes and accounts receivable, other receivables, other financial assets, refundable deposits-time deposits, short-term bank loans, short term notes and bills payable and refundable deposits.
- (2) The fair value of long-term borrowings (including current portion) is determined using the discounted value of future cash flow. If the Company's long-term borrowings rate is a floating rate, the carrying amount is equal to the fair value.

### (II) Categories of financial instruments

March 31, 2021

31-Dec-20

Financial assets

Financial assets at amortized cost (Note 1)	\$ 1,269,251	\$ 1,105,547
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Financial liabilities

Financial liabilities at amortized cost (Note 2)	2,218,761	1,464,716
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Note 1: Balances include financial assets measured at amortized cost including cash and cash equivalents, financial assets measured at amortized cost — current, notes and accounts receivable, other receivables, other financial assets and refundable deposit-time deposits, etc.

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

(III) Financial risk management objectives and policies

The consolidated entity's major financial instruments include trade receivables, trade payables, and borrowings. The consolidated entity'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 consolidated entity 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 consolidated entity's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

There has been no change to the consolidated entity'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 consolidated entity has foreign currency sales and purchases, which exposed the consolidated entity to foreign currency risk.

For the carrying value of monetary assets and monetary liabilities denominated in non-functional currencies of the consolidated entity at the balance sheet date (including non-functional currency denominated

monetary items that have been written off in consolidated financial statements), please refer to Note XXXI.

#### Sensitivity analysis

The consolidated entity'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 the net profit after tax and the balances below would be negative.

Currency	2021	2020
NTD:USD	\$ 2,729	\$ 2,285
CNY:USD	1,148	1,823
NTD:CNY	205	396
THB to USD	( 438 )	( 365 )

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

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

#### (2) Interest rate risk

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

	March 31, 2021	31-Dec-20
Fair value interest rate risk		
Financial assets	\$ 15,340	\$ 30,760
Financial liabilities	1,097,526	172,575
Cash flow interest rate risk		
Financial assets	274,705	257,642
Financial liabilities	658,562	878,044

#### Sensitivity analysis

For the consolidated financial assets and liabilities with floating interest rates, assuming that other conditions remain unchanged, a change in 0.25% interest rate has led to 2021 and 2020 net profit before tax to change by NT\$961 thousand and NT\$1,551 thousand, respectively.

#### 2. Credit risk

The consolidated entity'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 consolidated entity will not suffer significant loss.

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

#### 3. Liquidity risk

The consolidated entity has built an appropriate liquidity risk management framework for the consolidated entity's short, medium and long-term funding and liquidity management requirements. The consolidated entity manages liquidity risk by maintaining sufficient reserve or banking facilities, obtaining the loan commitment, collecting debts proactively, and continuously monitoring forecast and actual cash flow as well as the maturity profiles of financial assets and liabilities. As of December 31, 2021 and 2020, the consolidated entity's unused bank financing lines were NT\$872,677 thousand and NT\$928,449 thousand respectively.

### Liquidity and interest rate risk tables

The following table details the consolidated entity'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 consolidated entity 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.

<u>Non-derivative financial liabilities</u>	<u>Less Than 1 Year</u>	<u>More than 1 Year</u>
<u>March 31, 2021</u>		
Non-interest bearing liabilities	\$ 462,239	\$ -
Variable interest rate liabilities	507,945	150,617
Fixed interest rate liabilities	<u>817,526</u>	<u>280,000</u>
	<u>\$ 1,787,710</u>	<u>\$ 430,617</u>
<u>31-Dec-20</u>		
Non-interest bearing liabilities	\$ 413,660	\$ -
Variable interest rate liabilities	670,927	207,117
Fixed interest rate liabilities	<u>172,575</u>	<u>-</u>
	<u>\$ 1,257,162</u>	<u>\$ 207,117</u>

### XXVII. Related party transactions

Transactions, account balances, income and expense between consolidated entities have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, relationship and transactions of the consolidated entity with 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
Dynea (Shanghai) Co., Ltd. ( Dynea )	Fellow subsidiary
AICA NEW ZEALAND Ltd. ( AICA NEW ZEALAND )	Fellow subsidiary
Dynea (Guangdong) Co., Ltd. (Dynea)	Fellow subsidiary
Pou Chen Corporation and its subsidiaries	Other related parties (affiliated companies of the company's corporate directors)
Yue Yuen Industrial (Holdings) Limited and its subsidiaries	Other related parties (affiliated companies of the company's corporate directors)
TOPWELL	Related enterprise (subsidiary since July 2020)

(II) Sales of goods

<u>Accounts</u>	<u>Related Party Category/Name</u>	<u>2021</u>	<u>2020</u>
Sales	Other related parties	\$ 109,192	\$ 93,345
	Parent company	99,570	85,321
	Fellow subsidiary	5,926	3,395
	Associated enterprise	-	37,648
		<u>\$ 214,688</u>	<u>\$ 219,709</u>
Other revenue	Parent company	<u>\$ 746</u>	<u>\$ 270</u>

The sales transactions of the consolidated entity 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.

<u>Accounts</u>	<u>Related Party Category/Name</u>	<u>2021</u>	<u>2020</u>
Purchases of goods	Parent company	<u>\$ 7,490</u>	<u>\$ 6,647</u>

The purchase price and payment term between the consolidated entity and related parties were similar to those for third parties.

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

Accounts	Related Party Category/Name	March 31, 2021	31-Dec-20
Net trade receivables	Other related parties	\$ 15,055	\$ 16,344
	Parent company	9,141	6,409
	Fellow subsidiary	207	354
		<u>\$ 24,403</u>	<u>\$ 23,107</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	March 31, 2021	31-Dec-20
Accounts payable	Parent company	<u>\$ 1,234</u>	<u>\$ 772</u>
Other payables	Other related parties	<u>\$ 182</u>	<u>\$ 204</u>

### (III) Payables to related parties

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

	2021	2020
Short-term employee benefits	\$ 9,784	\$ 12,691
Retirement benefits	220	195
	<u>\$ 10,004</u>	<u>\$ 12,886</u>

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

### XXVIII. Pledged assets

The following assets were provided as collateral for bank borrowings:

	March 31, 2021	31-Dec-20
Property, plant and equipment	\$ 503,577	\$ 263,306
Financial assets measured at amortized cost - current	15,340	15,740
	<u>\$ 518,917</u>	<u>\$ 279,046</u>



XXIX. Significant contingent liabilities and unrecognized contract commitments

As of December 31, 2021 and 2020, the outstanding balances of letters of credit that had been opened were approximately US\$723 thousand and US\$93 thousand, respectively.

XXX. Miscellaneous

Affected by the global pandemic of COVID-19 and impact posed to Taiwan recently, the consumption of end consumers has decreased and this has also affected supply and marketing in the industrial supply chain. As a result, the consolidated entity's revenue and profit in the second half of the year decreased due to the recurring epidemic. In response to the pandemic's impact, the consolidated entity has been actively negotiating with banks to replenish the Company's 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 consolidated entity will cooperate with customers to gradually increase production and sales, and control the progress of account collection to ensure normal operations of the consolidated entity.

XXXI. The significant assets and liabilities denominated in foreign currencies

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

Financial assets	March 31, 2021		
	Foreign currency	Exchange Rate	Carrying Amount
<u>Monetary items</u>			
USD	\$ 12,906	27.68 (USD:NTD)	\$ 357,238
USD	6,056	6.372 (USD:CNY)	167,630
RMB	4,726	4.344 (CNY:NTD)	20,530
 <u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	3,046	27.68 (USD:NTD)	84,313
USD	1,910	6.372 (USD:CNY)	52,869

Financial assets	31-Dec-20		
	Foreign currency	Exchange Rate	Carrying Amount
<u>Monetary items</u>			
USD	\$ 13,089	28.48 (USD:NTD)	\$ 372,775
USD	7,923	6.507 (USD:CNY)	225,647
RMB	9,050	4.377 (CNY:NTD)	39,612
 <u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	5,065	28.48 (USD:NTD)	144,251
USD	1,521	6.507 (USD:CNY)	43,318

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

Functional currency	2021	Net exchange losses (gains)	2020	Net exchange losses (gains)
	Functional currency converted to presentation currency		Functional currency converted to presentation currency	
NTD	1 (NTD:NTD)	(\$ 8,455)	1 (NTD:NTD)	(\$ 16,791)
THB	0.882 (THB:NTD)	( 5,862)	0.950 (THB:NTD)	4,168
RMB	4.341 (CNY:NTD)	( 4,280)	4.282 (CNY:NTD)	( 16,935)
USD	28.009 (USD:NTD)	1,861	29.549 (USD:NTD)	( 7)

## XXXII. Other disclosures

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

1. Financing provided to others: Table 1.
2. Endorsements/guarantees provided: Table 2.
3. Marketable securities held at the end of the period: None.
4. Marketable securities acquired and disposed of at costs or prices at least \$300 million or 20% of the paid-in capital: None.
5. Acquisition of individual real estate at costs of at least \$300 million or 20% of the paid-in capital: Table 3.
6. Disposal of individual real estate at prices of at least \$300 million or 20% of the paid-in capital: None.
7. Total purchases from or sales to related parties amounting to at least \$100 million or 20% of the paid-in capital: Table 4.

8. Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital: None.
9. Trading in derivative instruments: None.
10. Other: Business relationships and significant transactions and amount between parent company and subsidiaries and among subsidiaries: Table 5.
11. Invested Company Information: Table 6.

(III) Investments in Mainland China

1. Invested company's name, business operations, paid-in capital, investment method, capital inward or outward, shareholding ratio, investment gains and losses, investment year end carrying amount, investment income and loss inward, and investment limits in Mainland China: Table 7.
2. Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
  - (1) Purchase amount and percentage and the related payables ending balance and percentage: Table 5.
  - (2) Sale amount and percentage and the related receivables ending balance and percentage: Table 5.
  - (3) The amount of property transactions and the amount of the resultant gains or losses: None.
  - (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None.
  - (5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: Table 1.
  - (6) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services: None.

(IV) Information on principal shareholders: The names, amounts, and proportions of shares of shareholders with a shareholding ratio of 5% or more: Table 3.

XXXIII. Department information

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

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

(I) Segment revenues and results

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

The following was an analysis of the consolidated entity's revenue and results from continuing operations by reportable segments:

	Segment Revenue		Segment Profit	
	2021	2020	2021	2020
Domestic operations	\$ 1,477,516	\$ 1,110,668	\$ 39,920	\$ 73,308
Asia operations	<u>1,723,590</u>	<u>1,252,747</u>	( <u>8,631</u> )	<u>64,182</u>
Total for continuing operations	<u>\$ 3,201,106</u>	<u>\$ 2,363,415</u>	31,289	137,490
Share of loss of associates			-	( 1,674 )
Interest income			798	556
Net loss from foreign exchange			( 16,264 )	( 29,099 )
Interest fees			( \$ 17,369 )	( \$ 11,673 )
General income and benefits			13,996	21,468
General expenses and losses			( <u>6,042</u> )	( <u>39,484</u> )
PROFIT BEFORE INCOME TAX			<u>\$ 6,408</u>	<u>\$ 77,584</u>

Departmental benefits refer to the profits earned by each department, excluding the share of losses of affiliated companies recognized by the equity method, interest income, net foreign currency exchange losses, interest expenses and income tax expenses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

(II) Segment total assets and liabilities

	March 31, 2021	31-Dec-20
Segment assets		
Domestic operations	\$ 2,250,457	\$ 1,529,767
Asia operations	1,363,762	1,428,308
Unallocated assets	<u>102,599</u>	<u>97,024</u>
Consolidated total assets	<u>\$ 3,716,818</u>	<u>\$ 3,055,099</u>
Segment liabilities		
Domestic operations	\$ 1,892,913	\$ 1,264,696
Asia operations	346,614	239,513
Unallocated liabilities	<u>45,073</u>	<u>66,310</u>
Consolidated total liabilities	<u>\$ 2,284,600</u>	<u>\$ 1,570,519</u>

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

1. All assets were allocated to reportable segments other than financial assets measured at amortized cost-current and deferred income tax assets. Assets used jointly by reportable segments were allocated on the basis of the revenue earned by individual reportable segments; and
2. All liabilities were allocated to reportable segments other than deferred tax liabilities. Liabilities for which reportable segments are jointly liable were allocated in proportion to segment assets.

(III) Revenue from major products

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

	2021	2020
PU synthetic resin	\$ 2,487,488	\$ 1,782,499
PE resin	256,357	178,344
Others	457,261	402,572
	<u>\$ 3,201,106</u>	<u>\$ 2,363,415</u>

(IV) Geographical information

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

	2021	2020
China (including Hong Kong)	\$ 1,275,808	\$ 942,820
Taiwan	1,119,419	789,209
Others	805,879	631,386
	<u>\$ 3,201,106</u>	<u>\$ 2,363,415</u>

(V) Information about major customers

In 2021 and 2020, no revenue from a single customer exceeded 10% of the consolidated company's total revenue.

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS

January 1 to December 31, 2021

Table 1

Unit: Thousands of New Taiwan Dollars or Foreign Currencies)

Number	Lender	Loan and counterparty (Note 1)	Financial Statement Account	Related party	Highest Balance for the Period	Balance at End of Year (Note II)	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for bad debt	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
0	NEOLITE	The Company	Other receivables	Yes	\$ 57,070 (USD 2,000)	\$ 55,360 (USD 2,000)	\$ -	(Note III)	Necessary for short-term financing	\$ -	Operating capital	\$ -	—	\$	\$ 277,977 (Note IV)	\$ 277,977 (Note IV)	
1	TOPCO	LEADERSHIP SHANGHAI	Other receivables	Yes	8,816 (CNY 2,000)	-	-	(Note III)	Necessary for short-term financing	-	Operating capital	-	—		12,212 (Note V)	48,849 (Note V)	
2	The Company	U-BEST	Other receivables	Yes	41,460 (USD 1,500)	13,840 (USD 500)	13,840 (USD 500)	(Note III)	Necessary for short-term financing	-	Operating capital	-	—		143,222 (Note VI)	572,887 (Note VI)	
3	U-BEST	SUNYAD	Other receivables	Yes	6,120 (VND 5,000,000)	6,070 (VND 5,000,000)	6,070 (VND 5,000,000)	(Note III)	Necessary for short-term financing	-	Operating capital	-	—		23,840 (Note VII)	23,840 (Note VII)	

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

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

Note 3: Interest rate according to bank loan contract.

Note 4: The loan limit and total limit for individual counterparties are all limited to 50% of NEOLITE's net value.

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

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

Note 7: The limit of lent funds for individual counterparties and the total limit shall be respectively be the sum of 40% of U-BEST's net value and the monthly average transaction volume within the most recent year and 40% of U-BEST's net value.

Evermore Chemical Industry Co., Ltd. and Subsidiaries  
**ENDORSEMENTS/GUARANTEES PROVIDED**  
January 1 to December 31, 2021

Table 2

Unit: Thousands of New Taiwan Dollars or Foreign Currencies)

Number	Endorser / Guarantor	Endorsee & guaranteed company		Limit on Endorsement / Guarantee Given on Behalf of Each Party (Note)	Maximum Amount Endorsed / Guaranteed During the Period	Outstanding Endorsement / Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/Guarante ed by Collateral	The ratio of the accumulated endorsement guarantee amount to the net value of the financial report for the year	Endorsement guarantee maximum limit (Note)	Endorsement / Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement / Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement / Guarantee Given on Behalf of Companies in Mainland China	Note
		Company name	Relationship											
0	The Company	LIBERTY BELL	Refer to Note XI of the consolidated financial statements	\$ 716,109	\$ 428,025 ( USD 15,000 )	\$ 415,200 ( USD 15,000 )	\$ 13,840 ( USD 500 )	\$ -	28.99%	\$ 1,002,553	Y	—	—	
1	The Company	TOPWELL	Refer to Note XI of the consolidated financial statements	716,109	14,268 ( USD 500 )	13,840 ( USD 500 )	13,840 ( USD 500 )	-	0.97%	1,002,553	Y	—	—	

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

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital.

January 1 to December 31, 2021

Table 3

Unit: NTD thousand

Acquirer of the real property	Name of the property	Date of occurrence	Transaction amount	Payment status	Counterparty	Relationship	Information about the previous transfer, if the trading counterpart is a related party.				Reference basis for determination of the price	Purpose and usage	Other agreements
							All persons	Relationship with the issuer	Date of transfer	Amount			
The Company	Land and building	January 29, 2021	\$ 356,488	Paid in full	AGI Corporation	—	—	—	—	\$ -	Negotiation based on the appraisal report issued by China Credit Information Service Ltd.	Expansion of business locations	None.



EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL

January 1 to December 31, 2021

Table 4

Unit: NTD thousand

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes / Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Company	TOPWELL	Subsidiary	(Sales)	( \$ 106,083 )	( 6 )	T/T 90 days	Note I	—	\$ 44,815	9	
TOPWELL	The Company	Parent company	Purchase	106,083	97	T/T 90 days	Note I	—	( 44,815 )	( 100 )	

Note 1: The price of sales transactions with related parties is quoted based on product differentiation and market condition.

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

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES  
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS

January 1 to December 31, 2021

Table 5

Unit: Thousands of New Taiwan Dollars or Foreign Currencies)

Number	Investee Company (Note I)	Counterparty	Relationship (Note II)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% to Total Sales or Assets
0	The Company	NEOLITE	1	Sales	\$ 19,443	T/T 90 days	1
		Dongguan Baojian Company	1	Accounts receivable	28,619	T/T 90 days	1
		Dongguan Baojian Company	1	Sales	72,088	T/T 90 days	2
		U-BEST	1	Sales	51,853	T/T 90 days	2
		TOPWELL	1	Accounts receivable	44,815	T/T 90 days	1
		TOPWELL	1	Sales	106,083	T/T 90 days	3
		LEADERSHIP SHANGHAI	2	Sales	27,271	T/T 90 days	1
1	CHEM-MAT	Dongguan Baojian Company					1
2	LIBERTY BELL	Company	1	Sales	37,170	T/T 90 days	
		Dongguan Baojian Company	1	Other revenue	76,864	—	2
3	Dongguan Baojian Company	U-BEST	2	Sales	18,541	T/T 90 days	1
		LIBERTY BELL	3	Sales	53,638	T/T 30 days	2

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

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

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES

January 1 to December 31, 2021

Table 6

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

Investor	Investee company name	Location	Main business items	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)
				End of this year	End of last year	Number of Shares	%	Carrying Amount		
The Company	NEOLITE	British Virgin Islands	Financial investment and international trade	\$ 413,902	\$ 413,902	13,059	100	\$ 554,922	( \$ 20,353 )	( \$ 20,353 )
	Giant Star Trading Co.	Taichung City	Trading of chemical raw materials	97,367	97,367	12,600	100	165,018	3,308	3,308
	CHEM-MAT	Nantou County	Wholesale of coating, pigments, and industrial catalyst	111,484	111,484	7,199	100	125,229	3,982	3,974
	U-BEST	Vietnam	Production and sales of PU resin and adhesives	132,314	132,314	-	100	128,689	5,031	2,385
	TOPWELL	Thailand	Synthetic resin trading business	76,201	76,201	8,000	100	34,084	( 3,753 )	( 1,707 )
	SUCCESS	Samoa	Financial investment and international trade	155,250	155,250	4,000	100	129,473	( 6,196 )	( 10,603 )
Giant Star Trading Co.	NEOTOP	Samoa	Financial investment and international trade	58,800	58,800	-	100	122,156	5,048	(Note)
	NEOWIN	Samoa	Financial investment and international trade	15,553	15,553	-	100	6,755	2	(Note)
NEOLITE	LIBERTY BELL	British Virgin Islands	Financial investment and international trade	563,243	563,243	21,000	100	556,905	( 23,078 )	(Note)
SUCCESS	SUNYAD	Vietnam	Manufacturing and sales of PU synthetic leather products	USD 18,126	USD 18,126	-	100	26,224	( USD 819 )	(Note)
				155,250	155,250	-	100	26,224	( 6,196 )	(Note)
									( USD 221 )	

Note: Not applicable.

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

Investments in Mainland China

January 1 to December 31, 2021

Table 7

Unit: Thousands of New Taiwan Dollars or Foreign Currencies)

INFORMATION ON INVESTMENTS IN MAINLAND CHINA	Main business items	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019(Note 2)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018
					Outward	Inward						
Dongguan Baojian Company	Production and sales of PU resin	\$ 512,818 CNY 120,789	(Note I)	\$ 244,425 USD 7,576	\$ -	\$ -	\$ 244,425 USD 7,576	(\$ 111,945) (CNY 25,738)	100%	(\$ 111,945) (CNY 25,738)	\$ 555,781 CNY 127,942	\$ -
TOPCO	Wholesale of chemical products	38,922 CNY 8,053	(Note I)	26,450 USD 820	-	-	26,450 USD 820	5,083 CNY 1,169	100%	5,083 CNY 1,169	122,123 CNY 28,113	134,275 CNY 29,447
LEADERSHIP SHANGHAI	Wholesale of chemical products	15,400 CNY 3,474	(Note I)	15,400 USD 500	-	-	15,400 USD 500	84 CNY 19	100%	84 CNY 19	6,787 CNY 1,562	-

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 IV)	(Note V)

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

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

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

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

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

Evermore Chemical Industry Co., Ltd.  
Information on principal shareholders  
December 31, 2021

Table 8

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

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