Stock Code：1735

日勝化工股份有限公司
EVERMORE CHEMICAL INDUSTRY CO., LTD.

2019
ANNUAL REPORT

The date of publication: May 04, 2020
search website : http://mops.twse.com.tw
http://www.twemc.com/

I. The Company's Spokesman

Name: Wu Pao Hua
Job Title: Director
Tel. No.: (049)2263551
Email: baohua@twemc.com.tw

Deputy Spokesman

Name: Ho Han Jen
Job Title: Vice Factory Manager
Tel. No.: (049)2263551
Email: felix.ho@twemc.com.tw

II. Address and Tel. No. of the Company and factories

Company: No.7, Gongye S. 2nd Rd., Nangang Industrial Park, Nantou City, Nantou County

Tel. No.: (049)2255356-7

Factory: No.7, Gongye S. 2nd Rd., Nangang Industrial Park, Nantou City, Nantou County

Tel. No.: (049)2255356-7

III. Shares Administration Agency

Name: KGI Securities, Stock Administration Dept.

Address: 5F, No. 2, Chong Qing S. Rd., Taipei City

Tel. No.: (02)23892999

Website: http://www.kgieworld.com.tw/

IV. CPAs certifying the latest annual financial statements

CPAs: Chiang Shu Ching and Wu Li Tung

Firm Name: Deloitte Taiwan

Address: 22nd Floor, No. 88, Section 1, Huizhong Road, Xitun District, Taichung City 40756

Tel. No.: (04)37059988

Website: http://www.deloitte.com.tw/

V. Name of any exchanges where the Company's securities are traded offshore, and the method by which to access information on said offshore securities: None.

VI. The Company's website: http://www.twemc.com/

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One. Letter to Shareholders

I. Operating Results for 2019

(I) Results of Business Plans

In 2019 the Company's consolidated net operating revenue was NT$ 3,174,698,000, the consolidated net profits after tax were NT$ 117,843,000, the consolidated basic earnings per share (EPS) after tax was NT$ 1.19, and the diluted earnings per share was NT$ 1.18. Please refer to the table below for details.

Revenue in 2019 decreased compared to 2018. Because the prices of the main raw materials of some products fell rapidly from the third quarter of 2018, the prices of some products were gradually lowered in order to encourage actively purchasing and create a win-win situation with customers, and so revenue decreased accordingly. In addition, the cost of raw materials remained relatively stable for the year after their prices fell in the third quarter of 2018, generating a reversal benefit from the loss of the value of the inventory. Overall, the year's gross profit margin was 140% higher than in 2018, leading pretax and after tax profit to increase over the prior year.

Operating Performance: Unit: NT$ 1,000

Item	2019	2018	Growth Rate
Operating Revenue	3,174,698	3,675,769	-13.63%
Operating Profits	200,484	73,902	171.28%
Profit before income tax	175,061	54,165	223.20%

(II) Budget Implementation

The Company has not disclosed the financial forecasts for the year of 2019.

(III) Financial Revenue and Expenditure

As of December 31, 2019, the total assets were NT$ 2,903,083,000, the total liabilities were NT$ 1,437,933,000, the debt ratio was 49.53%, and the current ratio was 140.67%.

(IV) Analysis of Profitability

Item	2019	2018
Return on assets (%)	4.49	0.84
Return on equity (%)	8.27	0.74
Income before tax/paid-in capital (%)	17.61	5.44
Net profit margin (%)	3.71	0.28
Earnings per share (NT$)	1.19	0.10

(V) Status of Research and Development

1. R & D expenses spent in this year:

Item	2019
Amount (NT$ 1,000)	78,645
Proportion to operating revenue (%)	2.48%

2. The technologies or products developed successfully:
   A. Environmentally friendly solvent-free polyurethane adhesive used in building bed boards.
   B. Environmentally-friendly polyurethane adhesive for solvent-free solid wood composite floors.
   C. Environmentally friendly solvent-free polyurethane hot-melt adhesive suitable for water-repellent treatment fabrics.
   D. Environmentally friendly polyurethane hot melt adhesive for solvent-free paper lamination.

E. Polyester plasticizer for migration-resistant PVC.
F. Benzoate plasticizer for environmentally friendly plastic rubber.
G. High-value acrylate monomer/methacrylate monomer produced in a toluene-free manufacture process.

II. Summary of Annual Business Plan for 2020

(I) Business Policies

1. In terms of core technology, we focus on polyurethane resins, functional acrylic monomers, oligomers, UV-curable resins, and the development and application of bridging agents and additives for coatings.
2. In terms of the application of products in the downstream industry, continuous attention should be paid to sports and leisure sectors, including the demand for functional materials in sports shoes, clothes, bags, equipment, outdoor activities, etc.; the Company plans to integrate upstream development and marketing with downstream development and marketing, and broaden cooperation with international brands; continue to expand the application of traditional woodware to 3C photoelectric coatings, the application of PU resin in construction, electronics and automotive-related industry to explore niche-type industries.
3. In the product development section, and in addition to functional requirements, we continue to develop green and environmentally friendly materials in line with modern trends. This includes one solvent-free liquid for textile coating lamination, two-component PU, thermoplastic PU, water-based PU, low-energy UV-curable acrylic resins, and so on, in hopes of contributing to a green Earth.
4. In order to be closer to and serve the brand customers of the sports industry, we engage in continuous development with low pollution, with more energy-efficient processing characteristics in the process and products such as solvent-free functional PU films, thereby deeply cultivating functional textile lamination and the application market of solvent-free PU synthetic leather.
5. In terms of resource integration by the Group, we will continue to strengthen the complementation of production and sales between the plants located in Nangang, Taiwan and Huangjiang, Guangdong; it is also necessary to combine the marketing channels of AICA and other subsidiaries in the field of optoelectronics and coatings to expand the integration effect in Greater China.
6. We will continue to invest resources in the Southeast Asian market. In addition to market development, we also are also investing in the construction plan of the production base in Vietnam, with a view to exerting the comprehensive effect of Taiwan, Dongguan, Vietnam, and Thailand.

(II) Expected Sales Volume and Its Basis

Unit: MT

Type of Products	PU resin	PE resin	Other products
Quantity	33,204	3,688	3,950

The above-mentioned expected quantities are based on the annual sales in 2019, with reference to the estimate of the overall economic situation for 2020.

(III) Significant Policies for Production and Sales

1. To stabilize the quality of products, meet customer requirements, and improve customer loyalty.
2. To quickly respond to the customer's demand for special specifications of products and capture the market as soon as possible.
3. To strengthen the development of new products and customers, and take the initiative to pay close attention to the market.

4. Subsidiaries in various regions closely communicate and coordinate with one another in order to cope with the ability of any transnational scheduling production and multinational delivery.

III. The Company's development strategies in the future will be influenced by the external competitive environment, regulatory environment and overall business environment:

(I) The Company's Development Strategies in the Future

-To strengthen the function of the Group: Set up the general manager's office, integrate the executive functions of the Group, and the operational affairs of each business unit, enhance the functional level of the Group, and make full use of internal resources to maximize value.

-To enhance the ability of the dedicated teams to take charge: keep the group's finance, marketing, R&D and supply chain functioned as the group’s management center, with each department focused on the operation and management of specific areas, so that they are responsible for their respective goals and strategies, and create profits.

-To continuously review and focus on core competencies: Carry out internal evaluation of the value and scalability of core competencies, and innovate products and sustain core capabilities by exerting the existing capabilities of marketing and R&D.

-To build a service-oriented business model: The key to the future business strategy of EVERMORE CHEMICAL is re-examining the characteristics of the existing industrial value chains with innovative thinking and vision, finding new niche, creating differentiated value, and developing the service-oriented corporate culture of T2.5 generation manufacturing.

-Beginning with the end: Start with meeting the needs of the terminal industry and the market based on the core capabilities of precision chemistry and materials technology, and deeply explore and focus on the niche market. Looking ahead, we will focus on the overall solution in the year, by going beyond the original product application market, integrating the existing technologies of products with innovative thinking, providing customers with higher added value and developing innovative production process that keeps up with the green trends of carbon reduction and low pollution in the future.

-To improve production technology, product quality, yield rate and other related production processes through the cooperation model of international subcontracting.

-To expand the fields of construction, optoelectronics, adhesives, etc. through the AICA cooperation platform to improve business performance and profitability.

-To actively expand the Southeast Asia and emerging markets.

-To continuously recruit and train outstanding talents to achieve medium- and long-term organizational goals.

-To develop new products with high added value and enhance internal core technologies based on industry trends and customer needs.

-In addition to focusing on the development of green and environmentally friendly products, we will also contribute to the construction of green earth by responding to environmental awareness and reducing waste output.

(II) Impact of the external competitive environment, regulatory environment and overall business environment, and countermeasures

The overall business environment, including international prosperity, regional political factors, crude oil prices, trade agreements, environmental regulations of each country and exchange rates, will have impact on the operation of the chemical industry. In terms of raw materials, with reference to the prices for crude oil and supply of raw materials in the market, we will purchase raw materials with competitive price advantage if appropriate to cut product costs; with respect to trade agreements, by taking into consideration of the status of each production base of the group, and with reference to the terms of the trade agreements for territories, we will take advantage of the Group's supply chain platform and adopt a more flexible marketing strategy; as the development of chemical industry is limited by the heightening environment protection awareness of each country, the Company gradually reduces its dependence on high-pollution energy, promotes lean production and strengthens the recycling of internal wastes, reduces waste emissions, and continues to develop environmentally friendly products in response to market development needs in the future; at the same time, in response to the changes in the business environment, we will overcome excessive dependence on a single market, and gradually strengthen the development of the Southeast Asian market.

The novel coronavirus emerged in January 2020. The start-up status of enterprises in the main affected countries or regions is restricted, and the global economy is bound to be affected in the first quarter of this year. The Company has fully coordinated the production capacity of the Nangang and Guangdong Huangjiang plants and is striving to minimize the impact. It is expected that this year's operating budget can be reached.

Today, ladies and gentlemen, thanks for taking the time to attend the General Meeting of the Company. All employees of the Company will adhere to the consistent business philosophy, and create profits to share with shareholders and give back to the society. We wish all the shareholders good health and good luck!

Chairman: Ho Wen Chieh

Manager: Huang Chng Tze

Chief Accountant: Chen Hsiang-Li

Two. Company Profile

I.Company Profile

(I) Date of Incorporation: May 15, 1989

(II) Corporate Milestones:

1. Status of merger and acquisition: Upon merge of Ri Xing Investment Co., Ltd. on August 31, 2003, the Company is the surviving company and Ri Xing is the extinguishing company.

2. Strategic investments in affiliated enterprises:
   (1) The Company owned Topco (Shanghai) Co., Ltd. wholly upon the capital increase in 2008.
   (2) The Company increased capital in Dongguan Pou Chien Shoe Materials Co., Ltd. in cash in 2008, and the equity in said company held by the Company remained 51%.
   (3) The Company acquired 100% of the equity in Giant Star Trading Co., Ltd. in 2009.
   (4) The Company disposed of the equity in the subsidiary, Jinjiang Defu Resin Co., Ltd., held by it in 2009.
   (5) The Company owned Wenzhou Detai Resin Co., Ltd. wholly upon the capital increase in 2010.
   (6) Upon capital increase in Chem-Mat Technologies Co., Ltd., the Company didn't subscribe for shares in proportion to its shareholding; as a result, the Company's shareholding declined until 47.92% in 2010.
   (7) The Company increased in capital in Giant Star Trading Co., Ltd. in 2012.
   (8) The Company disposed of the whole equity in the subsidiary, Wenzhou Detai Resin Co., Ltd., in 2012.
   (9) The Company wholly owned Liberty Bell Investments LTD. upon cash capital increase in 2013.
   (10) The Company increased capital in Giant Star Trading Co., Ltd. and recapitalized the undistributed earnings.
   (11) The Company acquired 52.08% of the equity in Chem-Mat Technologies Co., Ltd. from the other shareholders in 2014 and, therefore, wholly owned said company.
   (12) The Company's subsidiary, NEOLITE INVESTMENTS LIMITED, sold the whole equity held by it in its three subsidiaries in Jiangsu Province, China in 2015.
   (13) The Company acquired 48% of the equity in TOP WELL ELASTIC TECHNOLOGY CO., LTD. in Thailand upon participating in the capital increase in 2016.
   (14) The Company founded LEADERSHIP (SHANGHAI) CO., LTD. in April 2017.
   (15) The Company recapitalized the earnings from Giant Star Trading Co., Ltd., NT$26 million, in July 2017
   (16) Giant Star Trading Co., Ltd. was reformed into a company limited by shares in April 2018.

3. Reorganization: None.

4. Major transfer or conversion of equity by directors, supervisors, or shareholders with more than 10% ownership interest: None.

5. Any change in managerial control: None.

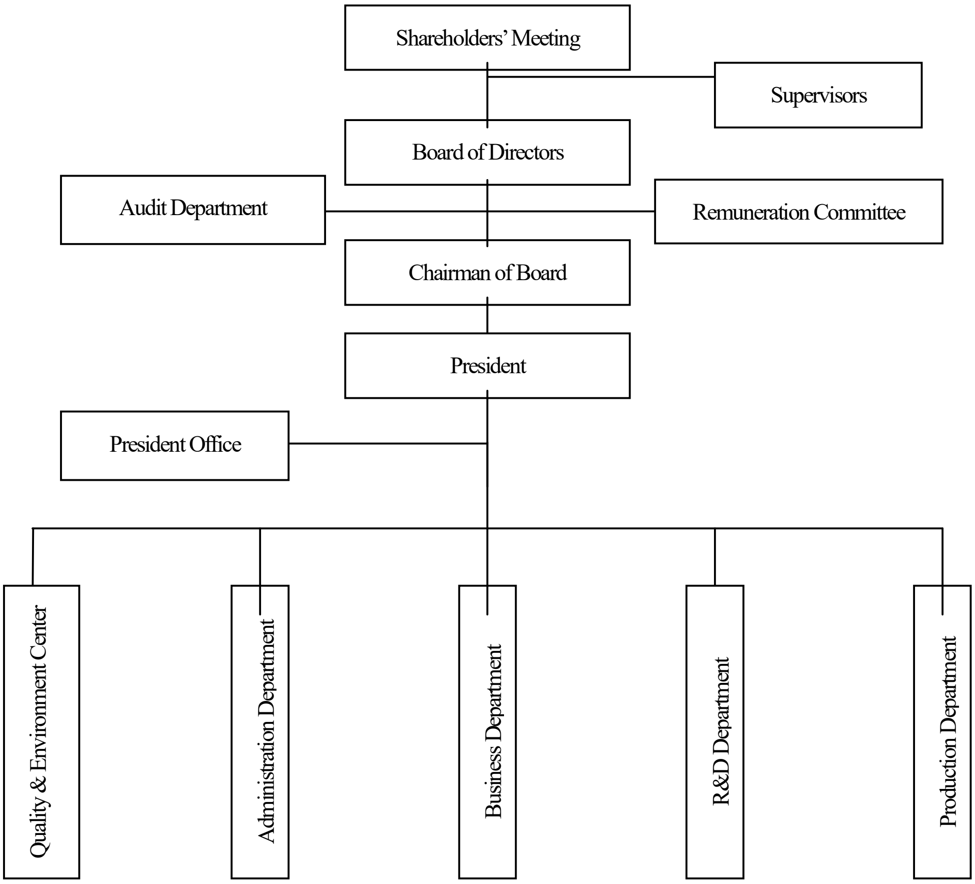
6. Any material change in operating methods or type of business: None.

7. Any other matters of material significance that could affect shareholders' equity: None.

Three. Corporate Governance Report

I. Organization

1. Organizational structure



2. Tasks of principal departments

Principal departments	Tasks
<1> Audit Department	Responsible for auditing and evaluating the status and operation of the internal control system by department.
<2> President Office	Responsible for the Group's business strategy, business integration of various companies and project supervision.
<3> Quality & Environment Center	Responsible for the Company's environmental protection, safety and health operations.
<4> Administration Department	Responsible for the Company's information disclosure, personnel, establishment of management systems, procurement, general affairs, legal affairs, accounting and finance, et al.
<5> Business Department	Responsible for marketing development and credit investigation, product sale and after-sale services.
<6> R&D Department	Responsible for research and development of new products, research, improvement and service of production technology, establishment of the Company's product quality goal, and incoming and outgoing quality inspection.
<7> Production Department	Responsible for production of the Company's products, purchase of raw materials and supplies, stock-in, production process and engineering affairs.

II. Director, supervisor, president, vice presidents, assistant vice presidents, chiefs of all the Company's departme

1. Information about directors and supervisors (1)

Job title	Nationality or place of registration	Name	Gender	Date of election (appointment)	Term of office	Date when first elected	Shares held at time of election		Number of shares held currently		Shares currently held by spouse or underage children		Shares held in the names of others		Major (Ac Degree) Ex
							Number of Shares	% of shareholding	Number of Shares	% of shareholding	Number of Shares	% of shareholding	Number of Shares		
Chairman	the R.O.C.	Ho Wen Chieh	Male	June 26, 2018	3	April 24, 1989	6,973,532	7.02	7,003,532	7.05	1,451,657	1.46	0	0.00	Bach Jye Hwa C Industrial C Sales ma
Corporate director	Japan	Aica Kogyo Company, Limited	-	June 26, 2018	3	March 7, 2018	49,793,388	50.10	49,793,388	50.10	0	0.00	0	0.00	-
Representative of Aica Kogyo Company, Limited	Japan	Tohdoh Satoshi	Male	June 26, 2018	3	March 7, 2018	0	0.00	0	0.00	0	0.00	0	0.00	Bach The Tokai B (now kn MUFG
Representative of Aica Kogyo Company, Limited	Japan	Omura Nobuyuki	Male	June 26, 2018	3	June 26, 2018	0	0.00	0	0.00	0	0.00	0	0.00	Bach Mitsui & C
Representative of Aica Kogyo Company, Limited	Japan	Ebihara Kenji	Male	June 26, 2018	3	March 7, 2018	0	0.00	0	0.00	0	0.00	0	0.00	Bach Leader Adhe Developmen Aica K Company, Chief of E Materials Developmen the elec company, C Center C
Corporate director	the R.O.C.	Pou Chien Enterprise Co.,Ltd.	-	June 26, 2018	3	June 26, 2018	3,352,771	3.37	3,352,771	3.37	0	0.00	0	0.00	-
Corporate representative of Baojian Enterprise Co., Ltd.	the R.O.C.	Tsai Nai Yung	Male	June 26, 2018	3	June 26, 2018	0	0.00	0	0.00	0	0.00	0	0.00	Junior hig Vice Pre Global Sup Administrat Chen C
Independent director	the R.O.C.	Chen Chao Hwei	Male	June 26, 2018	3	June 26, 2018	0	0.00	0	0.00	0	0.00	0	0.00	Mas Director/Pr Taiwan Re Preside Asia-Pacif of INV (TAIW LIMITE Preside Asia-Pacif of DUP TAIWAN L

Job title	Nationality or place of registration	Name	Gender	Date of election (appointment)	Term of office	Date when first elected	Shares held at time of election		Number of shares held currently		Shares currently held by spouse or underage children		Shares held in the names of others		Major (Academic Degree) Experience	Concurrent positions in the Company and in other companies	Spouse or relatives within the second degree of kinship or closer acting as other department heads, directors or supervisors			Note
							Number of Shares	% of shareholding	Number of Shares	% of shareholding	Number of Shares	% of shareholding	Number of Shares				Job title	Name	Relationship	(note 1)
Independent director	Japan	Higashiyama Mikio	Male	June 26, 2018	3	June 26, 2018	0	0.00	0	0.00	0	0.00	0	0.00	Bachelor Chairman of MITSUI & CO. (Taiwan), LTD.	Nil	Nil	Nil	Nil	Nil
Supervisor	the R.O.C.	Liu Ve-Tung	Male	June 26, 2018	3	March 7, 2018	2,255,412	2.27	2,255,412	2.27	88,574	0.09	0	0.00	Bachelor Da Yi Chemical Co., Ltd. Vice President, EVERMORE CHEMICAL INDUSTRY CO, LTD. President, Giant Star Trading Co., Ltd. Chairman	Nil	Nil	Nil	Nil	Nil
Supervisor	the R.O.C.	Lu Hui Pin	Male	June 26, 2018	3	March 7, 2018	2,196,193	2.21	2,196,193	2.21	2,647	0.00	0	0.00	Graduated from senior vocational high school Vice President of EVERMORE CHEMICAL INDUSTRY CO, LTD.	Nil	Nil	Nil	Nil	Nil
Supervisor	the R.O.C.	Su I-Hsiu	Male	June 26, 2018	3	March 7, 2018	0	0.00	0	0.00	0	0.00	0	0.00	Master Investigation Officer of Investigation Bureau, Ministry of Justice, Prosecutor of Taiwan New Taipei District Prosecutors Office, Attorney-at-Law of Kuroda Law Offices	Nil	Nil	Nil	Nil	Nil

Note 1:The company's chairman and general manager or equivalent (top manager) are the same person, or spouse or relative within one degree of kinship to the other. The reason, rationality, necessity and relevant information of the corresponding measures should be explained (e.g., the number of independent directors should be increased, more than half of the directors should not be concurrent employees or managers, etc.).

Note 2:Director of Aica Kogyo Company, Limited, Director of Aica Asia Pacific Holding Pte. Ltd., Director of NISHI TOKYO CHEMIX Corporation, Director of Kunshan Aica Kogyo Co., Ltd., Director of AICA Trading (Shanghai) Co., Ltd.

Note 3:Chang Yang Vietnam Plastic Co., Limited、Dah-Chen Shoe Materials Limited、PT. Ever Tech Plastic、Dah Sheng Vietnam Co., Limited、PT. DahSheng、PT. Chairman of Limao Novatex; Orisol Asia Limited ; Evermore Chemical Industry Co., Ltd.; Nan Pao Resins Chemical Co., Ltd. ; Cheng Yang Precision Ind. Co., Ltd.; I-TECH. Sporting Enterprise Ltd.; Limao Digital Printing Co., Ltd.; Bigfoot Limited; Cohen Enterprises Inc.; Enthroned Group Limited; Great Skill Industrial Limited; High Shine Investments Limited; Just Lucky Investments Limited; Max Chance Industrial Limited; Natural Options Limited; Pou Ming Paper Products Manufacturing Company Limited; Top Units Developments Limited; Twinways Investments Limited; Willpower Industries Limited; Yuen Foong Yu Paper Enterprise (Vietnam) Co., Limited; Brilliant Ocean Limited; Upsize Limited; Rise Bloom International Limited; Prosperlink Limited; Tay Ninh Kuo Yuen Limited; Infochamp Limited; Raidant Lion Limited; Mega Sky International Limited; Time Swift Investments Limited; Limao International Holdings Co., Limited; Everlasting Profitable International Co., Limited; Sonic Zone Limited; Absolute Goodness International Co., Limited; Jingxuan Limited; Radiant Ally Holdings Limited ; Max Chance Inudstrial Limited; Prosper Day Limited; Perpetual Prosperity Printing Technology Co., Ltd; Ever Brave Developments Limited; Pou Ming Paper Products Manufacturing Co. Ltd.; Dongguan Yuancheng Shoes Material Co., Ltd.; Jiangxi Huaqing Foam Co., Ltd.; Yangxin Zhangyuan Footwear Company Limited; Zhongshan Bifu Shoes Material Co., Ltd.; Director of Dongguan Yuguan Paper Products Co., Ltd. : Non-executive director of Prosperous Industrial (Holdings) Limited.

Note 4: Since April 30, 109, the representative was changed to Ichikawa Toyoaki.

Table 1: Major shareholders of corporate shareholders

April 17, 2020

Name of Corporate Shareholder	Major Shareholders of Corporate Shareholders	
	Name of Shareholder	Shareholding
Aica Kogyo Company, Limited	1. The Master Trust Bank of Japan, Ltd. (Trust Account)	9.27%
	2. Japan Trustee Services Bank, Ltd. (Trust Account)	6.95%
	3. Business Connections Shareholding Association of Aica Kogyo Company, Ltd.	3.35%
	4. Employee Shareholding Association of Aica Kogyo Company, Ltd.	2.30%
	5. BBH for Matthews Japan Fund	2.24%
	6. Japan Trustee Services Bank, Ltd. (Trust Account No.9)	2.11%
	7. SUMITOMO LIFE INSURANCE COMPANY	2.02%
	8. THE BANK OF NEW YORK MELLON(INTERNATIONAL) 131800	2.00%
	9. MUFG Bank, Ltd.	1.99%
	10. Dai Nippon Printing Co., Ltd.	1.98%
Baojian Enterprise Co., Ltd.	POU CHIEN CHEMICAL (Holding) CO., LTD., a British Virgin Islands-based company	100%

Table 2: Major shareholders of the major shareholder who is a juristic person referred to in Table 1

April 17, 2020

Name of Juristic Person	Major Shareholders of Juristic Person	
	Name of Shareholder	Shareholding
The Master Trust Bank of Japan, Ltd. (Trust Account)	1.Mitsubishi UFJ Trust and Banking Corporation	46.5%
	2.Nippon Life Insurance Company	33.5%
	3.Meiji Yasuda Life Insurance Company	10.0%
	4.The Norinchukin Trust and Banking Co., Ltd.	10.0%
Japan Trustee Services Bank, Ltd・	1.Sumitomo Mitsui Trust Holdings, Inc.	66.7%
	2.Resona Bank, Limited	33.3%
Business Connections Shareholding Association of Aica Kogyo Company, Ltd.	Cannot be accessed due to practical restrictions.	-
Employee Shareholding Association of Aica Kogyo Company, Ltd.	Cannot be accessed due to practical restrictions.	-
BBH for Matthews Japan Fund	Cannot be accessed due to practical restrictions.	-
Japan Trustee Services Bank, Ltd. (Trust Account No.9)	1.Sumitomo Mitsui Trust Holdings, Inc.	66.7%
	2.Resona Bank, Limited	33.3%
SUMITOMO LIFE INSURANCE COMPANY	Cannot be accessed due to practical restrictions.	-
THE BANK OF NEW YORK MELLON(INTERNATIONAL) 131800	Cannot be accessed due to practical restrictions.	-
MUFG Bank, Ltd.	1.The Master Trust Bank of Japan, Ltd.	5.1%
	2.Japan Trustee Services Bank, Ltd. (Trust Account)	4.8%
	3.Mizuho Trust & Banking Co., Ltd. Retirement Benefits Trust	2.6%
	4.National Mutual Insurance Federation of Agricultural Cooperatives	1.9%
	5.MITSUI LIFE INSURANCE COMPANY LIMITED	1.6%
	6.State Street Bank and Trust Company 505001	1.4%
	7.Japan Trustee Services Bank, Ltd. (Trust Account No.9)	1.4%
	8.Japan Trustee Services Bank, Ltd. (Trust Account No.5)	1.4%
	9.Trust & Custody Services Bank, Ltd. (Trust Collateral Account)	1.3%
	10.Mitsui Sumitomo Insurance Company, Limited	1.3%
Dai Nippon Printing Co., Ltd.	1. The Master Trust Bank of Japan, Ltd. (Trust Account)	8.4%
	2. Japan Trustee Services Bank,Ltd. (Trust Account)	5.6%
	3. The Dai-ichi Life Insurance Company, Limited	2.9%
	4. Mizuho Bank, Ltd.	2.4%

Name of Juristic Person	Major Shareholders of Juristic Person		
	Name of Shareholder		Shareholding
Dai Nippon Printing Co., Ltd.	5.	Employee Shareholding Association of Dai Nippon Printing Co., Ltd.	2.3%
	6.	Japan Trustee Services Bank, Ltd. (Trust Account No.5)	2.2%
	7.	Nippon Life Insurance Company	1.6%
	8.	State Street Bank and Trust Company 505225	1.5%
	9.	Japan Trustee Services Bank, Ltd. (Trust Account No.1)	1.3%
	10.	Japan Trustee Services Bank, Ltd. (Trust Account No.2)	1.2%
POU CHIEN CHEMICAL (Holding) CO., LTD., a British Virgin Islands-based company	KEY INTERNATIONAL CO.,LTD(BVI)		100%

Note: Said information was provided by the corporate shareholders. The Company made the disclosure based on such information only.

Information about directors and supervisors (2)

April 17, 2020

Qualifications / Name	Has at least five years of relevant working experience and the following professional qualifications			Compliance of independence (Note 1)												Independent directors of other public companies
	Lecturer (or above) of commerce, law, finance, accounting, or any subject relevant to the Company's operations in a public or private college/university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Ho Wen Chieh			✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Aica Kogyo Company, Limited Representative: Tohdoh Satoshi			✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓		0
Aica Kogyo Company, Limited Representative: Omura Nobuyuki			✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓		0
Aica Kogyo Company, Limited Representative: Ebihara Kenji			✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓		0
Pou Chien Enterprise Co.,Ltd. Representative: Tsai Nai Yung			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Chen Chao Hwei			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Higashiyama Mikio			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Liu Ve-Tung			✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Lu Hui Pin			✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Su I-Hsiu		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note 1: A "✓" is marked in the space beneath a condition number when a director/supervisor has met that condition during the two (2) years prior to election and during his or her period of service. The conditions are as follows:

(1) Not an employee of the Company or its affiliates.

(2) Not a director or supervisor of the Company or its affiliates. (However, in the case of independent directors established and concurrently serving in the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local laws, this limitation shall not apply.)

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of outstanding shares of the Company or ranking in the top ten in holdings.

(4) Not a manager of those listed in (1) , or someone having a relationship with those listed in (2) or (3) including a spousal relationship, a second-degree kinship or closer, or an immediate blood relative within three degrees of kinship.

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings, or is designated as a representative in accordance with Article 27, Paragraph 1 or 2 of the Company Act. (However, in the case of independent directors established and concurrently serving in the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local laws, this limitation shall not apply.)

(6) Not a director, supervisor, or employee of another company controlled by the same person with more than half of the shares with voting rights on the company's board of directors. (However, in the case of independent directors established and concurrently serving in the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local laws, this limitation shall not apply.)

(7) Not a director, supervisor, or employee of another company or institution whose chairman, general manager, or equivalent position is the same person as that of the Company, or the spouse thereof. (However, in the case of independent directors established and

concurrently serving in the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local laws, this limitation shall not apply.)

(8) Not a director, supervisor, or manager of a specific company or institution having financial or business dealings with the Company, or a shareholder holding 5% or more of shares.(However, if a specific company or institution holds more than 20% of the total issued shares of the company but not more than 50%, and the established independent director concurrently serves in the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local laws, this limitation shall not apply.)

(9) Not an owner, partner, director, supervisor, manager, or spouse thereof of a company or institution that provides commercial, legal, financial, accounting services or consultation to the company or any affiliate of the Company for amounts exceeding NT$500,000 in the past two years. However, for members of the Remuneration Committee, Public Acquisitions Review Committee, or M&A Special Committee who perform their functions and powers in accordance with the relevant laws and regulations of the Securities and Exchange Act or the Corporate Mergers & Acquisitions Act, this limitation shall not apply.

(10) No relationship with other directors falling within a spousal relationship or second degree of kinship.

(11) Not showing any of the circumstances under Article 30 of the Company Act.

(12) No provision to be elected by a government or juristic person or their representative under Article 27 of the Company Act.

3.Information about president, vice presidents, assistant vice presidents, chiefs of all the Company's departments and branch units:

April 17, 2020

Job title	Nationality	Name	Gender	Date of election (appointment)	Shares held		Shares currently held by spouse or underage children		Shares held in the names of others		Major (Academic Degree) Experience	Concurrent positions in the Company and in other companies	Spouse or relatives within the second degree of kinship or closer acting as managerial officers			Remarks (Note 1)
					Number of Shares	% of shareholding	Number of Shares	% of shareholding	Number of Shares	% of shareholding			Job title	Name	Relationship	
President	R.O.C.	Huang Chng Tze	Male	July 1, 2016	93	0.00	5,000	0.01	0	0.00	Master Pou Chen Corporation	Director of Chem-Mat Technologies Co., Ltd. Director of Giant Star Trading Co., Ltd.	Nil	Nil	Nil	Nil
Group Vice President	R.O.C.	Lee Ching Song	Male	April 1, 2019	0	0.00	0	0.00	0	0.00	Bachelor EVERMORE CHEMICAL INDUSTRY CO, LTD Sales Office Supervisor	Nil	Nil	Nil	Nil	Nil
Business Department Assistant Vice President	R.O.C.	Wang Shih Chieh	Male	April 1, 2019	0	0.00	3,040	0.00	0	0.00	PhD EVERMORE CHEMICAL INDUSTRY CO, LTD Head of Research & Development	Nil	Nil	Nil	Nil	Nil
Administration Department Assistant Vice President	R.O.C.	Wu Pao Hua	Male	December 1, 2017	25,000	0.03	0	0.00	0	0.00	Bachelor EVERMORE CHEMICAL INDUSTRY CO, LTD Head of Administration	Supervisor of Giant Star Trading Co., Ltd.	Nil	Nil	Nil	Nil
R&D Department Assistant Vice President	R.O.C.	Liu Shih Wei	Male	April 1, 2019	0	0.00	0	0.00	0	0.00	PhD EVERMORE CHEMICAL INDUSTRY CO, LTD Head of Research & Development	Nil	Nil	Nil	Nil	Nil

Note 1: When the general manager or equivalent (top manager) and the chairman are the same person, are spouses or relatives, etc., then the reason, rationality, necessity and relevant information of the corresponding measures should be disclosed (e.g., the number of independent directors should be increased, more than half of the directors should not be not concurrent employees or managers, etc.).

III.Remuneration to directors, supervisors, president and vice presidents of the Company in the most recent year:

1. Remuneration to directors (including independent directors)

December 31, 2019 Unit: NT$

Job title	Name	Director's remuneration								Sum of A, B, C, and D as percentage of income after tax (%)		Remuneration from concurrently servings as employees								Sum of A, B, C, D, E, F and G as percentage of income after tax (%)		Remuneration from investees other than subsidiaries
		Remuneration (A)		Pension upon retirement (B)		Remuneration to directors (C)		Professional practice expenses (D)				Wages, bonuses, and special allowances, etc. (E)		Pension upon retirement (F)		Remuneration to employees (G)						
		The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company		Companies included into the financial statement		The Company	Companies included into the financial statement	
																Cash	Stock	Cash	Stock			
Chairman	Ho Wen Chieh	0	0	0	0	2,213,725	2,213,725	1,770,000	1,775,000	3.3806%	3.3848%	2,446,573	2,446,573	0	0	360,345	0	360,345	0	5.7625%	5.7667%	0
Director	Aica Kogyo Company, Limited																					
	Representative: Tohdoh Satoshi																					
	Representative: Omura Nobuyuki																					
	Representative: Ebihara Kenji																					
Director	Pou Chien Enterprise Co.,Ltd.																					
	Representative: Tsai Nai Yung																					
Independent director	Higashiyama Mikio																					
Independent director	Chen Chao Hwei																					

1.Regarding independent directors' remuneration payment policies, systems, standards and structure, and in accordance with their responsibilities, risks, time invested and other factors, describe the relevance to the amount of remuneration: Independent directors of the company bear the same responsibilities and risks as ordinary directors. The remuneration is divided into fixed amounts and the amount allocated according to the Articles of Association is distributed according to the degree of contribution. The part allocated according to degree of contribution is calculated based on the ratio of the number of board attendances to the total number of attendances.

2.In addition to the disclosure above, in the most recent year, the directors of the company have received remuneration for providing services to all companies in the financial report (for example, as a consultant who is not an employee): None.

3.Proposed employee compensation amount.

Breakdown of Remuneration

Breakdown of remuneration paid to directors of the Company	Name of Director			
	A+B+C+D		A+B+C+D+E+F+G	
	The Company	Companies included into the financial statement H	The Company	Companies included into the financial statement I
Less than NT$1,000,000	Ho Wen Chieh, Pou Chien Enterprise Co., Ltd., Tsai Nai Yong, AICA Kogyo Company Limited, Tohdoh Satoshi, Omura Nobuyuki, Ebihara Kenji, Chen Chao Hwei, Higashiyama Mikio	Ho Wen Chieh, Pou Chien Enterprise Co., Ltd., Tsai Nai Yong, AICA Kogyo Company Limited, Tohdoh Satoshi, Omura Nobuyuki, Ebihara Kenji, Chen Chao Hwei, Higashiyama Mikio	Pou Chien Enterprise Co., Ltd., Tsai Nai Yong, AICA Kogyo Company Limited, Tohdoh Satoshi, Omura Nobuyuki, Ebihara Kenji, Chen Chao Hwei, Higashiyama Mikio	Pou Chien Enterprise Co., Ltd., Tsai Nai Yong, AICA Kogyo Company Limited, Tohdoh Satoshi o, Omura Nobuyuki, Ebihara Kenji, Chen Chao Hwei, Higashiyama Mikio
1,000,000 (inclusive) - 2,000,000 (exclusive)			Ho Wen Chieh	Ho Wen Chieh
2,000,000 (inclusive) - 3,500,000 (exclusive)				
3,500,000 (inclusive) - 5,000,000 (exclusive)				
5,000,000 (inclusive)~10,000,000 (exclusive)				
10,000,000 (inclusive)~15,000,000 (exclusive)				
15,000,000 (inclusive)~30,000,000 (exclusive)				
30,000,000 (inclusive)~50,000,000 (exclusive)				
50,000,000 (inclusive)~100,000,000 (exclusive)				
More than 100,000,000				
Total	9	9	9	9

2.Remuneration to supervisors December 31, 2019 Unit: NT$

Job title	Name	Remuneration to supervisors						Sum of A, B and C as percentage of income after tax (%)		Remuneration from investees other than subsidiaries
		Remuneration (A)		Compensation (B)		Professional practice expenses (C)				
		The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	
Supervisor	Liu Ve-Tung	0	0	889,415	889,415	1,560,000	1,560,000	2.0870%	2.0870%	0
Supervisor	Lu Hui Pin									
Supervisor	Su I-Hsiu									

Breakdown of Remuneration

Breakdown of remuneration paid to supervisors of the Company	Name of supervisor	
	A+B+C	
	The Company	Companies included into the financial statement D
Less than NT$1,000,000	Liu Ve-Tung, Lu Hui Pin, Su I-Hsiu	Liu Ve-Tung, Lu Hui Pin, Su I-Hsiu
1,000,000 (inclusive) - 2,000,000 (exclusive)		
2,000,000 (inclusive) - 3,500,000 (exclusive)		
3,500,000 (inclusive) - 5,000,000 (exclusive)		
5,000,000 (inclusive)~10,000,000 (exclusive)		
10,000,000 (inclusive)~15,000,000 (exclusive)		
15,000,000 (inclusive)~30,000,000 (exclusive)		
30,000,000 (inclusive)~50,000,000 (exclusive)		
50,000,000 (inclusive)~100,000,000 (exclusive)		
More than 100,000,000		
Total	3	3

3.Remuneration to president and vice presidents December 31, 2019 Unit: NT$

Job title	Name	Salary (A)		Pension upon retirement (B)		Bonuses, special expenses, and others (C)		Remuneration to employees (D)				Sum of A, B, C, and D as percentage of income after tax (%)		Remuneration from investees other than subsidiaries
		The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company		Companies included into the financial statement		The Company	Companies included into the financial statement	
								Cash	Stock	Cash	Stock			
President	Huang Chng Tze	3,573,600	3,573,600	0	0	1,342,764	1,342,764	648,180	0	648,180	0	4.7220%	4.7220%	0
Group Vice President	Lee Ching Song													

Note: 1. If the director holds the position as the president or vice president concurrently, the remuneration to him/her shall be disclosed in this Table and the table for remuneration to directors (including independent directors).
2. Proposed employee compensation amount.

Breakdown of Remuneration

Breakdown of remuneration paid to president and vice presidents of the Company	Name of President/Vice President	
	The Company	Companies included into the financial statement E
Less than NT$1,000,000		
1,000,000 (inclusive) - 2,000,000 (exclusive)		
2,000,000 (inclusive) - 3,500,000 (exclusive)	Huang Chng Tze, Lee Ching Song	Huang Chng Tze, Lee Ching Song
3,500,000 (inclusive) - 5,000,000 (exclusive)		
5,000,000 (inclusive)~10,000,000 (exclusive)		
10,000,000 (inclusive)~15,000,000 (exclusive)		
15,000,000 (inclusive)~30,000,000 (exclusive)		
30,000,000 (inclusive)~50,000,000 (exclusive)		
50,000,000 (inclusive)~100,000,000 (exclusive)		
More than 100,000,000		
Total	2	2

3.Names of managerial officers entitled to employee remuneration and amount entitled:

December 31, 2019 Unit: NT$

<table>
<tr><th></th><th>Job title</th><th>Name</th><th>Stock
(projected amount)</th><th>Cash
(projected amount)</th><th>Total</th><th>As percentage of
income after tax (%)</th></tr>
<tr><td rowspan="6">Manager</td><td>President</td><td>Huang Chng Tze</td><td rowspan="6">0</td><td rowspan="6">1,268,010</td><td rowspan="6">1,268,010</td><td rowspan="6">1.0760%</td></tr>
<tr><td>Group Vice</td><td>Lee Ching Song</td></tr>
<tr><td>Assistant Vice</td><td>Wang Shih Chieh</td></tr>
<tr><td>Financial</td><td>Wu Pao Hua</td></tr>
<tr><td>Assistant Vice</td><td>Liu Shih Wei</td></tr>
<tr><td>Accounting</td><td>Chen Hsiang Li</td></tr>
</table>

4.Amount of compensation paid in the last 2 years by the Company and all companies included in the consolidated financial statements to the Company's directors, supervisors, president, and vice presidents, and the respective proportion of such compensation to the income after tax referred to in the entity or separate financial statements, as well as the policies, standards, and packages by which it was paid, the procedures through which the compensation was determined, and its association with business performance and future risks.

(1)Analysis on the proportion of amount of compensation paid to the directors, supervisors, president, and vice presidents to the income after tax referred to in the entity or separate financial statements:

A.Analysis on the proportion of amount of compensation paid to the Company's directors, supervisors, president, and vice presidents to the income after tax referred to in the entity or separate financial statements:

Item / Job title	2019		2018	
	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement
Director	3.38%	3.38%	15.56%	15.61%
Supervisor	2.09%	2.09%	13.57%	13.57%
President and Vice President	4.72%	4.72%	39.24%	39.24%

B.The remuneration of directors and supervisors in the remuneration of directors and supervisors of the Company for the two-year period is calculated based on the fixed amount and 2% of the pre-remuneration benefits, and the business execution costs of directors and supervisors will be raised from March 2018. Higher in 2018, the proportion of net profit after tax is lower in 2019 than in 2018, mainly due to the higher net profit after tax in 2019 than in 2018.

C.The actual amount of remuneration of general manager and deputy general managers in 2019 is higher than in 2018, and the proportion of net profit after tax in 2019 is lower than that in 2018.

(2)Policies, standards, and packages by which the compensation was paid, the procedures through which the compensation was determined, and its association with business performance and future risks:

A.The amount of remuneration for directors and supervisors and the amount allocated in accordance with the articles of association are distributed according to contribution. The portion allocated according to the degree of contribution is calculated based on the ratio of the number of board attendances to the total number of attendances. Business performance and the pros and cons of future risks affect the payment of remuneration. Relevant remunerations are reviewed by the Remuneration Committee and submitted to the Board for approval.

B.Remuneration of general manager and deputy general manager: The manager's salary review is handled in accordance with the company's salary management method, which includes fixed and variable parts. The performance and future risks will affect the payment of remuneration. The relevant part of the remuneration will be reviewed by the salary and compensation committee and submitted to the board for approval.

IV.Status of corporate governance

(I)Operations of Board of Directors

(1) Information on the operation of the board of directors

Out of 7 meetings of the board of directors in 2019 (A), director and supervisor attendance was as follows:

Job title	Name	Count of actual presence (in attendance) (B)	Count of presence by proxy	Actual presence (in attendance) rate (%) 【B/A】	Remark
Chairman	Ho Wen Chieh	7	0	100%	Re-elected on June 26, 2018
Corporate director (Representative of Aica Kogyo Company, Limited)	Tohdoh Satoshi	7	0	100%	Re-elected on June 26, 2018
Corporate director (Representative of Aica Kogyo Company, Limited)	Omura Nobuyuki	6	1	86%	Elected upon the re-election on June 26, 2018
Corporate director (Representative of Aica Kogyo Company, Limited)	Ebihara Kenji	6	1	86%	Re-elected on June 26, 2018
Corporate director (Representative of Pou Chien Enterprise Co.,Ltd.)	Tsai Nai Yong	7	0	100%	Elected upon the re-election on June 26, 2018
Independent director	Chen Chao Hwei	7	0	100%	Elected upon the re-election on June 26, 2018
Independent director	Higashiyama Mikio	7	0	100%	Elected upon the re-election on June 26, 2018
Supervisor	Liu Ve- Tung	7	0	100%	Re-elected on June 26, 2018
Supervisor	Lu Hui Pin	7	0	100%	Re-elected on June 26, 2018
Supervisor	Su I- Hsiu	7	0	100%	Re-elected on June 26, 2018

Other items to be stated:

I.Where the operation of the Board of Directors meets any of the following circumstances, the minutes concerned shall clearly state the meeting date, term, contents of motions, opinions of all independent directors and the Company's resolution of said opinions:

1.The circumstances referred to in Article 14-3 of the Securities and Exchange Act:

Meeting Date	Term	Contents of Motion	Opinions of All Independent Directors	The Company's Resolution of Independent Directors' Opinions
February 1, 2019	First meeting of 2019	Motion for loaning of fund to the Company by the subsidiary, NEOLITE INVESTMENTS LTD.	No comments.	N/A.
March 21, 2019	Second meeting of 2019	Liberty Bell Investments LTD. endorsement guarantee renewal. Amendment for "Procedures for Acquiring or Disposing of Assets" Amendment for "Operational Procedures for Loans	No comments.	N/A.

		and Endorsements”		
May 9, 2019	Third meeting of 2019	Amendments to the sales and collection cycle and internal audit implementation rules	No comments.	N/A.
2019/11/13	Seventh meeting of 2019	Amendments to the internal control system and internal audit implementation rules Motion for loaning of fund by the subsidiary, NEOLITE INVESTMENTS LTD., to LIBERTY BELL INVESTMENTS LTD.	No comments.	N/A.

2.Any documented objections or qualified opinions raised by independent director against the Board’s resolutions in relation to matters other than those described above:
None.

II. Status of directors’ recusal due to a conflict of interest:
Where the motion proposed at the Board meeting involves any director’s conflict of interest, the director shall recuse himself/herself from discussion on the motion.
The Company's board of directors on February 1, 2019 discussed the 2018 manager year-end bonus distribution case. Because Director Ho Wen Chieh is a stakeholder in this case, he voluntarily recused from discussions and resolutions.

III. TWSE / TPEX Listed Companies should disclose the evaluation cycle and period, assessment scope, method and evaluation content of the board’s self (or peer) evaluation: Detailed in Table (2) Evaluation of the implementation of the board of directors.

IV. An evaluation of targets for strengthening of the functions of the Board during the current and the most recent years, and measures taken toward achievement thereof :
In order to improve corporate governance and strengthen the functions of the board of directors, the Company has two independent directors participating in the operation of the board of directors. In 2019, the independent directors personally attended the board of directors for the implementation of supervision and participated in the decision-making of the Company's financial, business and major operating plans.

(2) Evaluation of the implementation of the board of directors

Evaluation cycle (Note 1)	Assessment period (Note 2)	Assessment scope (Note 3)	Evaluation method (Note 4)	Evaluation content (Note 5)
Implemented once per year	2019/01/01-2019/12/31	Overall board, Individual directors	Internal self-evaluation of the board of directors, Board member self-evaluation	Board Performance Evaluation: Including degree of participation in company operations, board decision-making quality, board composition and structure, director selection and continuous training, internal controls, etc. Individual director performance evaluation: including mastering company goals and tasks, cognition of director responsibilities, degree of participation in company operations, internal relationship management and communication, professional and continuous education of directors, internal controls, etc.

(II)Status of operations of the Audit Committee or participation in Board meetings by the supervisors:

1.Status of operations of the Audit Committee: The Company has not yet established an audit committee.

2.Information about participation in Board meetings by the supervisors:

Status of participation in Board meetings by the supervisors

Out of 7 meetings of the board of directors in 2019 (A), director and supervisor attendance was as follows:

Job title	Name	Count of actual in attendance (B)	Actual in attendance rate (%) 【B/A】	Remark
Supervisor	Liu Ve- Tung	7	100%	Re-elected on June 26, 2018
Supervisor	Lu Hui Pin	7	100%	Re-elected on June 26, 2018
Supervisor	Su I- Hsiu	7	100%	Re-elected on June 26, 2018

Other items to be stated:

I.Formation and duties of supervisors:

1.Communication between supervisors and the Company's employees & shareholders:

The Company's supervisors will visit the Company and employees from time to time to verify the Company's overview of finance and business, and also attend the Board meetings to communicate with employees, and the general shareholders' meeting to answer the questions posed by shareholders each year.

2.Communication between supervisors and internal audit officers and CPAs:

(1)Communication between the Company's supervisors and internal audit officers:

A.The internal audit officers conduct the random check per the audit plan and verify related certificates on a monthly basis, and compile the audit results into the audit report and submit the report to the Chairman. They also submit the audit report to the supervisors via email or in person on a monthly basis. Should the supervisors have any opinion, they would communicate with the internal audit officers in person or via phone or email. For the time being, on dissenting opinion is received upon the feedback.

B.The internal audit officers attend the Board meetings and submit the audit report. Directors and supervisors are allowed to communicate with the internal audit officers face to face on the contents of the report and any questions about it to control the Company's internal audit status in a timely manner.

(2)Communication between the Company's supervisors and CPAs:

The Company's supervisors will communicate with the CPAs about the contents of the Company's financial statements in a timely manner, and review the financial statements audited and certified by the CPAs at the end of each fiscal year and issue their review report thereon. Therefore, the supervisors are held maintaining a fair communication channel with the CPAs.

II.Supervisors' attendance to the Board meeting to state their opinion:

The Company's supervisors attended each of the Board meetings in the most recent year and the current year. Notwithstanding, they didn't raise any objection toward the motions discussed at the Board meetings.

(III) Status of corporate governance, and deviation from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and causes thereof

Scope of Assessment	Status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and causes thereof
	Yes	No	Summary	
I. Whether the Company has established rules of corporate governance in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies?		V	The Company has established the "Parliamentary Rules for Directors' Meetings" to govern the notification, frequency, submission of motions, avoidance of conflict of interest and deferred review on motions for the directors' meetings to enhance the validity and timeliness of operations of the directors' meetings. The Company also established various regulations in accordance with the Company Act and related laws, most of which were primarily intended to signify the key spirit and principle for the corporate governance.	The company's Governance Code of Practice had not yet been established and disclosed in 2019. The board of directors is expected to formulate and disclose the code in March 2020.
II.Equity structure and shareholders' equity (I) Whether the Company has defined some internal operating procedure to deal with suggestions, questions, disputes and legal actions from shareholders, and implemented the procedure? (II) Whether the Company controls the list of major shareholders and the controlling parties of such shareholders? (III) Whether the Company establishes or implements some risk control and firewall mechanisms between the Company and its affiliate?	V V V	V	(I) So far, the Company has not yet established any internal operating procedures. Notwithstanding, shareholders may access "Contact Us" on the Company's website, and the Company will have its dedicated staff to accept, assess and respond to the suggestions, questions, dispute and legal actions raised by shareholders. So far, no dispute has arisen. (II) The changes in shares held by insiders are reported on a monthly basis (or from time to time, if necessary).	(I) The Company has not yet established the internal operating procedure. Notwithstanding, the spokesman and related units will be responsible for resolving the related matters. (II) No deviation. The monthly report on changes in shares held by insiders serves as the basis

Scope of Assessment	Status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and causes thereof
	Yes	No	Summary	
(IV) Whether the Company has established internal policies that prevent insiders from trading securities based on non-public information?			(III) Except important decision which shall be subject to approval of the Board of Directors, the various subsidiaries' operations are managed by the subsidiaries' management independently. Various operations are carried out in a just and reasonable manner pursuant to existing norms in written form. (IV) The Company's ethical management best-practice principles and operating procedure for handling of internal important information govern the non-disclosure requirements about the confidential and business sensitive information accessed by directors, supervisors, managerial officers, employees and controlling shareholders for business. Meanwhile, the Company engages in the educational propagation about related laws and regulations each year to prohibit the Company's insiders from trading securities based on non-public information on the market.	for follow-up. (III) No deviation. (IV) No deviation.
III. Composition and duties of Board of Directors (I) Whether the Board of Directors has diversified policies regulated and implemented substantively according to the composition	V	V	(I) The Board members are composed in accordance with the Articles of Incorporation, and the composition is	(I) No deviation. (II) Not yet established any

Scope of Assessment	Status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and causes thereof
	Yes	No	Summary	
of the members? (II) Whether the Company, in addition to establishing the Remuneration Committee and Audit Committee pursuant to laws, is willing to establish any other functional committees voluntarily? (III) Whether the company formulates the board's performance evaluation method and evaluation method, conduct performance evaluation annually and regularly, and report the results of the performance evaluation to the board of directors, and apply it to individual directors' remuneration and nomination renewal? (IV) Whether the Company assesses the independence of the CPAs periodically?	 V V		implemented precisely. (II) Except the Remuneration Committee established by the Company pursuant to laws, the Company has not yet established any other functional committees so far. (III) The company has completed the Company's "Board self-evaluation or peer evaluation method" on November 13, 2019. And the self-assessment will be carried out in March 2020. In the future, it will be used as a reference for individual directors' remuneration and nomination renewal. (IV) The Company periodically evaluates the independence and suitability of visa accountants based on the evaluation form, and reported to the board of directors meeting of February 1, 2019.	other functional committees. (III) No difference. (IV) No deviation.

Scope of Assessment	Status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and causes thereof
	Yes	No	Summary	
IV. Whether TWSE / TPEx Listed Companies is equipped with qualified and appropriate number of corporate governance personnel, and appoint a corporate governance director responsible for corporate governance related matters (including but not limited to providing information needed by directors and supervisors to carry out business, assisting directors and supervisors to comply with laws and regulations, handling matters related to meetings of the board of directors and shareholders' meeting in accordance with the law, and producing minutes of board meetings and shareholders' meetings)?	V		The Finance Department of the Administrative Department of the Company is a part-time unit of corporate governance. The Head of Administration is responsible for corporate governance related matters. Including but not limited to providing information needed by directors and supervisors to carry out business, assisting directors and supervisors to comply with laws and regulations, handling matters related to meetings of the board of directors and shareholders' meeting in accordance with the law, and producing minutes of board meetings and shareholders' meetings.	No deviation.
V. Whether the Company has established a communication channel with the stakeholders (including but not limited to stockholders, employees, customers and suppliers), set up the stakeholder section on the Company's website, and responded to the stakeholders regarding their concerns over corporate social responsibilities?	V		(I) Communication channel with stakeholders: 1.The Company has set up the Stakeholder Section on the the Company's website to provide the stakeholders with the contact person and contact No. 2.Meanwhile, the Company also set up the tangible "employees' opinion mailbox" available for the employees to provide opinion or file complaints. (II) The Company responds to the stakeholders regarding their concerns adequately via said communication channel.	No deviation.

Scope of Assessment	Status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and causes thereof
	Yes	No	Summary	
VI. Whether the Company has commissioned a professional shareholders service agent to handle shareholders service affairs?	V		The Company has appointed KGI Securities, Stock Administration Dept. to handle the shareholders service affairs on behalf of it.	No deviation.
VII. Information disclosure (I) Whether the Company has established a website that discloses financial, business, and corporate governance-related information? (II) Whether there are other means for disclosure adopted by the Company (e.g. set up an English website, with the personnel dedicated to gathering and disclosing relevant information, properly implement the spokesman system, and post the meetings minutes with institutional investors on the Company website, et al.)? (III) Whether the company announces and declares its annual financial report within two months after the end of the fiscal year, and announces and declare the first, second, and third quarter financial reports and the monthly operating situation as early as possible within the prescribed time limit?	V V	V	(I) The Company has set up its website engaged in disclosing the information about the Company's finance, business and corporate governance. Company's website: http://www.twemc.com (II) There are dedicated individuals responsible for the collection of relevant information, the disclosure of major company matters, and implementing the spokesperson system. (III) The Company announces and declares its annual financial report within the time limit according to law, and reports the first, second, and third quarter financial reports and the monthly operating situation. If the information is complete, it is announced as early as possible.	(I) No deviation. (II) No deviation. (III) Announce before the time limit for the evaluation project has not been met.
VIII. Does the Company have other information that enables a better understanding of the	V		1. Employee rights: The Company has established the regulations governing	No deviation.

Scope of Assessment	Status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and causes thereof
	Yes	No	Summary	
Company's corporate governance practices (including but not limited to, employee rights, employee care, investor relations, supplier relations, stakeholders' interests, continuing education of directors/supervisors, implementation of risk management policies and risk measurements, implementation of customer policy, and maintenance of liability insurance for the Company's directors and supervisors)?			workers' retirement and regulations governing managerial officers' retirement for its employees and managerial officers. The Company set up the "Workers' Welfare Committee" to allocate the benefit periodically to provide the expenditure needed by various activities. The Company convenes the "labor-management coordination meeting" periodically and values the harmonious relationship between the labor and management very much, respects the employees' suggestions and claims for work, and practices OHSAS18001 occupational safety and health management to raise the awareness toward safety. 2. Employee care, investor relations, supplier relations and stakeholders' interests: The Company establishes the two-way communication channel and values related personnel's right. 3. Continuing education of directors/supervisors: The Company propagates the channels and messages about continuing education of directors/supervisors from time to time, and discloses the status of continuing education on MOPS.	

<table>
<tr><th rowspan="2">Scope of Assessment</th><th colspan="3">Status</th><th rowspan="2">Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and causes thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>4. Implementation of risk management policies and risk measurements, and implementation of customer policy: Strict implementation of the same pursuant to the Company's internal control system may mitigate the risk effectively.
5. The situation where the company purchases liability insurance for directors and supervisors: Liability insurance has been purchased for directors, supervisors and important staff.</td><td></td></tr>
<tr><td colspan="5">IX. Please specify the status of correction based on the corporate governance assessment report released by the Corporate Governance Center of TWSE in the most recent year, and the priority corrective actions and measures against the remaining deficiencies:
(1) Explanation of the results of the sixth corporate governance evaluation: After the company's annual evaluation results are announced, it will review items that have not yet reached the evaluation criteria, gradually adjust and improve, and gradually implement.
(2) Those who have not yet improved put forward priority enhancements and measures: The relevant codes, methods and procedures that have not yet been formulated have been formulated by the board of directors in March 2020, and strengthen the disclosure of information.</td></tr>
</table>

(IV) Disclose the composition, responsibilities, and functioning of the Company's Remuneration Committee, if any:

1. Information about Remuneration Committee members

Position	Qualifications / Name	Has at least five years of relevant working experience and the following professional qualifications: Lecturer (or above) of commerce, law, finance, accounting, or any subject relevant to the Company's operations in a public or private college/university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	Compliance of independence (Note 1): 1	2	3	4	5	6	7	8	9	10	Number of positions as a Remuneration Committee member in other public listed companies	Note
Independent director	Higashiyama Mikio			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Nil	Appointed (new elected) on August 10, 2018
Independent director	Chen Chao Hwei			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Nil	Appointed (new elected) on August 10, 2018
Others	Tao Hung Wen	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Nil	Appointed (re-elected) on August 10, 2018

Note 1: embers who meet the following conditions during the two years before and during their tenure of office, please mark " " in the space below each condition code.

(1) Not an employee of the Company or its affiliates.

(2) Not a director or supervisor of the Company or its affiliates. (However, in the case of independent directors established and concurrently serving in the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local laws, this limitation shall not apply.)

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of outstanding shares of the Company or ranking in the top ten in holdings.

(4) Not a manager of those listed in (1), or someone having a relationship with those listed in (2) or (3) including a spousal relationship, a second-degree kinship or closer, or an immediate blood relative within three degrees of kinship.

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings, or is designated as a representative in accordance with Article 27, Paragraph 1 or 2 of the Company Act. (However, in the case of independent directors established and concurrently serving in the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local country laws, this limitation shall not apply.)

(6) Not a director, supervisor, or employee of another company controlled by the same person with more than half of the shares with voting rights on the company's board of directors. (However, in the case of independent directors established and concurrently serving in the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local laws, this limitation shall not apply.)

(7) Not a director, supervisor, or employee of another company or institution whose chairman, general manager, or equivalent position is the same person as that of the Company, or the spouse thereof. (However, in the case of independent directors established and concurrently serving in the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local laws, this limitation shall not apply.)

(8) Not a director, supervisor, or manager of a specific company or institution having financial or business dealings with the Company, or a shareholder holding 5% or more of shares. (However, if a specific company or institution holds more than 20% of the total issued shares of the company but not more than 50%, and the established independent director concurrently serves in the company and its parent company, subsidiary company or subsidiary company of the same parent company in accordance with this law or local laws, this limitation shall not apply.)

(9) Not a owner, partner, director, supervisor, manager, or spouse thereof of a company or institution that provides commercial, legal, financial, accounting services or consultation to the company or any affiliate of the Company for amounts exceeding NT$500,000 in the past two years. However, for members of the Remuneration Committee, Public Acquisitions Review Committee, or M&A Special Committee who perform their functions and powers in accordance with the relevant laws and regulations of the Securities and Exchange Act or the Corporate Mergers & Acquisitions Act, this limitation shall not apply..

(10) Not exhibiting any of the circumstances specified under Article 30 of the Company Act.

2. Responsibilities of the Company's Remuneration Committee:

The Committee shall perform the following duties honestly with due diligence as a good administrator and propose its motions to the Board of Directors for discussion. Notwithstanding, the motion about salary and remuneration of supervisors submitted to the Board of Directors shall be limited to that about the salary and remuneration expressly stated in the Articles of Incorporation or determined by the Board of Directors upon resolution by a shareholders' meeting:

(1) Periodically review the articles of association of the Company's Remuneration Committee, and propose the suggestions about amendments thereto.

(2) Determine and periodically review the annual and long-term performance goals and remuneration policy, system, standard and structure for the Company's directors, supervisors and managerial officers.

(3) Periodically assess the achievement of performance goals by the Company's directors, supervisors and managerial officers, and determine the contents and amount of the remuneration to each individual director, supervisor and managerial officer.

3. Operations of Remuneration Committee

(1) The Company's Remuneration Committee consists of 3 members.

(2) Term of office: From August 10, 2018 to June 25, 2021; the Committee has held 3(A) meetings during the most recent year, and the Committee members' qualification and attendance are summarized as follows:

Job title	Name	Count of actual presence (B)	Count of presence by proxy	Actual presence ratio (%) (B/A)	Note
Convener	Higashiyama Mikio	3	0	100	New elected on August 10, 2018
Member	Chen Chao Hwei	3	0	100	New elected on August 10, 2018
Member	Tao Hung Wen	3	0	100	Re-elected on August 10, 2018
Other items to be stated: I. The Board of Directors does not adopt, or amends the Remuneration Committee's suggestions: None. II. For resolution(s) made by the Remuneration Committee with the committee members voicing opposing or qualified opinions on the record or in writing: None.					

(V) Social responsibility situation and its differences and causes versus Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies:

Scope of Assessment	Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies and causes thereof
	Yes	No	Summary	
1. Whether the company follows the principle of materiality, conducts risk assessments on environmental, social and corporate governance issues related to company operations, and formulates relevant risk management policies or strategies?	V		According to the principle of materiality, the Company conducts risk assessment and project management on environmental, social and corporate governance issues related to Company operations, and indeed complies with the provisions of various laws and regulations and social responsibility, as detailed in the Company's Corporate Social Responsibility Report, Chapter 2, "Governance and Operational Risk Management."	Satisfy the spirit upheld by the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies.
2. Does the company set up a full-time (part-time) unit to promote corporate social responsibility, and the board of directors authorizes senior management to handle it and reports the handling situation to the board of directors?	V		The Company sets up a full-time (part-time) unit to promote corporate social responsibility, the functional Corporate Social Responsibility Committee (CSR Committee). The CSR Committee is the highest-level enterprise sustainability organization within Evermore Chemical Industry Co., Ltd. Members include the general manager, the general manager's office, and heads of various departments to integrate organizational resources and improve efficiency, and they are responsible for the operation of the committee, project coordination and data collection and execution as detailed in the Company's Corporate Social Responsibility Report, Chapter 2, "Governance and Operational Risk Management."	Satisfy the spirit upheld by the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies.
3. Environmental issues (I) Does the company establish an	V		(I) The company has passed ISO 14001 certification, as it has	Satisfy the spirit upheld

Scope of Assessment	Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies and causes thereof
	Yes	No	Summary	
appropriate environmental management system according to its industry characteristics? (II) Whether the company is committed to improving the efficiency of the use of various resources, and uses recycled materials with low impact on environmental load? (III) Does the company assess the potential risks and opportunities of climate change for the company now and in the future, and take measures to deal with climate-related issues? (IV) Does the company count greenhouse gas emissions, water consumption and	V V V		reduced the impact on the environment during the production process as detailed in the Company's Corporate Social Responsibility Report, Chapter 4 "Products and Services" and Chapter 5 "Sustainable Environment." (II) The Company's business waste is sorted and recycled, and it entrusts a waste disposal agency approved by the Environmental Protection Agency for removal. The Company encourages environmental protection standards. Taking green production as the main focus for future product sales and research and development, we can provide customers with products that comply with ROHS regulations (the European Union’s Restriction Of The Use Of Certain Hazardous Substances In Electrical And Electronic Equipment). as detailed in the Company's Corporate Social Responsibility Report, Chapter 4 "Products and Services" and Chapter 5 "Sustainable Environment." (III) In response to energy saving & carbon reduction and environmental protection, the Company worked with Experimental Forest Office of National Taiwan University in November 2009 to boost the “Enterprise Forestation Plan” and adopted the forestation land occupying an area of 1 hectare, in order to reduce damage to the ecological environment. as detailed in the Company's Corporate Social Responsibility Report, Chapter 4 "Products	by the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies.

Scope of Assessment	Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies and causes thereof
	Yes	No	Summary	
the volume of total waste in the past two years, and formulate policies for energy saving and carbon reduction, greenhouse gas reduction, water management or other waste management?			and Services" and Chapter 5 "Sustainable Environment." (IV) As detailed in the Company's Corporate Social Responsibility Report, Chapter 4 "Products and Services" and Chapter 5 "Sustainable Environment."	
4. Social issues (I) Whether the Company establishes the related management policies and procedures in accordance with the relevant laws and international human rights conventions? (II) Whether the company has formulated and implemented reasonable employee welfare measures (including salary, vacation and other benefits, etc.), and appropriately reflects business performance or results in employee compensation? (III) Whether the Company provides its	V V V V		(I) The Company establishes the work rules and management regulations for its employees in accordance with Labor Standard Act and related laws. It defines the labor-management right and obligation in accordance with labor-related laws and also respects the principles about labors' basic human rights recognized globally. The subsidiaries in the mainland China maintain insurance for their employees and established labor unions in accordance with the local social insurance requirements. (II) The company follows labor-related laws and regulations, and employees' rights and interests are legally protected. This is detailed in the company's corporate social responsibility report in Chapter 5 discussion of sustainable environment and Chapter 6 discussion of corporate commitment and social participation. (III) Set up occupational safety and health management units; specify personnel; formulate, plan, supervise and promote safety and health and other management matters. Details are in	Satisfy the spirit upheld by the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies.

Scope of Assessment	Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies and causes thereof
	Yes	No	Summary	
employees with a safe and healthy work environment, and regularly implements employee safety and health education measures? (IV) Does the company establish an effective career development training program for employees? (V) Regarding customer health and safety, customer privacy, marketing and labeling of products and services, whether the company complies with relevant regulations and international standards, and formulates relevant consumer protection policies and appeal procedures? (VI) Whether the company has formulated	V V		Chapter 6 of the company's corporate social responsibility report on corporate commitment and social participation. (IV) The company has established education and training management methods and formulated an annual education and training plan, which can improve the quality of manpower, enhance employees' working knowledge and skills, and organize internal and external training every year according to the training needs of various departments. The company's CSR report details the company's commitment to nurturing talent with social participation. (V) The company has operated in accordance with relevant regulations and international standards, and has set up a special area for stakeholders on the company website, providing contact windows and contact methods for interested parties and for customers to provide comments or appeals. (VI) The company's supplier management procedures and supplier evaluation form are based on ISO 9001, and regularly score and evaluate suppliers and third-party suppliers. Identification and management of major topics for stakeholders are detailed in the company's corporate social responsibility report.	

Scope of Assessment	Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies and causes thereof
	Yes	No	Summary	
supplier management policies, where suppliers are required to follow relevant regulations on issues such as environmental protection, occupational safety and health or labor and their implementation?				
5. hether the company refers to the internationally-prepared reporting standards or guidelines, preparation of corporate social responsibility reports and other reports that disclose the company's non-financial information? Did the preliminary report obtain the confidence or assurance opinion of the third-party verification unit?	V	V	1. The company follows the Global Reporting Initiative Standards (GRI Standards) as core options for information disclosure in preparation of its corporate social responsibility report. 2. The company's corporate social responsibility report has not obtained the confidence or assurance opinions of the third-party verification unit.	Satisfy the spirit upheld by the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies.
6. If the company has its own corporate social responsibility code based on the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies," please describe the differences between its operations and the prescribed code: The Company established its "Corporate Social Responsibility Best Practice Principles" in March 2020 for the implementation of corporate social responsibility in the future.				
7. Other important information to facilitate understanding of corporate social responsibility operations: 1. The Company upholds the spirits for Simplicity & Firmness, Research & Innovation, Sustainability and Profit Sharing and the practical management philosophy pursuing constant improvement, and establishes the fair two-way communication channel to serve customers trading with it and create the value chain for the community of shared life. 2. The Company has donated the sponsorship for carnivals to Taiwan Fund for Children and Families and participated in the bazaar physically since 2009, in order to feed back to the society through participation in the public welfare activities.				

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<tr><th rowspan="2">Scope of Assessment</th><th colspan="3">Status</th><th rowspan="2">Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies and causes thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td colspan="5">3. The Company’s plant uses its best efforts to protect the environment to achieve the sustainability and corporate social responsibility. The multiple advanced pollution prevention equipment owned by the plant is stated as following: Please refer to the CSR report.
A. Liquid-injected incinerator: The particulate matter emission control standard values applicable to such equipment are 50mg/Nm^3 (new pollution sources) and 100 mg/Nm^3 (existing pollution sources) in the process of combustion. The plant has reviewed the boilers and incinerators and adopted the eco-friendly fuel (change from heavy oil to natural gas) since 2014, in order to commit itself to practice the “recognition of environmental safety and fulfillment of improvement” declared by the SHE policy. The plant processes the high-concentration COD waterbody generated by evacuation in the process of production of the "polyester polyol". If it exceeds the waste water treatment load, it will be treated by the incinerator at the plant in accordance with the “Small-Sized Waste Incinerator Dioxin Control and Emission Standards". Meanwhile, the Boiler Air Pollutant Emissions Standards has been made public on September 19, 2018. The particulate matter emission control value applicable to the existing boilers should be 30 mg/Nm^3 (since Jully 1, 2020). As the plant adopts such eco-friendly fuel as natural gas, the permit extension test report shows that the particulate matter emission control value is <30 mg/Nm^3.
B. Waste water treatment equipment: Store, manage and treat the esterified water D-1505 waste (sewage) water and cooling waste water generated in the process of the production of the "polyester polyol", and domestic waste water in the form of ultra-high, high and low-concentration COD waterbody. The waste water treatment equipment invested by the plant is engaged in discharging the organic matters contained in the waste water treated and decomposed by the two-step biological treatment process in the equalization basin upon mixing into the sewage sewer of the industrial park. The discharged water quality upon the treatment satisfies the industrial park’s emission standard (COD$<$640mg/L).
C. Organic gas biological filter bed treatment equipment: In order to process VOCs effectively, the plant adopts high-efficiency low-carbon volatile organic matter control technology, the biological filter bed, to process the Company’s VOCs of odor substance or organic compounds, in accordance with the “Volatile Organic Compounds Air Pollution Control and Emission Standards”.</td></tr>
</table>

(VI) Ethical business performance conditions, as well as differences and reasons for differences with Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies:

Scope of assessment	Status			Deviation from Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and causes thereof
	Yes	No	Summary	
I. Enactment of ethical management policy and program (I) Whether the company has formulated the ethical management policy approved by the board of directors, and in the regulations and external documents expressed the policies and practices of operating in good faith, and the commitment of the board of directors and senior management to actively implement business policies? (II) Has the company established an assessment mechanism for the risk of dishonesty, regularly analyzing and evaluating business activities with a high risk of dishonesty in the business scope, and formulated a plan to prevent dishonesty, and cover at a minimum the preventive measures for various acts under Article 7, Paragraph 2 of "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies?" (III) Does the company specify the operating procedures, behavior guidelines, disciplinary penalties and grievance system in the plan to prevent dishonesty, and implement it, and regularly review and revise the pre-disclosure plan?	V V V		(I) The Company has established “Ethical Corporate Management Best Practice Principles” and disclosed them on the market observation post system. Amendment of the code must be approved by the board of directors, and the board of directors and senior management are committed to to actively implementing business policies. (II) The Company stipulates the prevention of dishonesty in Article 6 of the “Ethical Corporate Management Best Practice Principles” and sets out operating procedures, behavior guidelines, disciplinary penalties and appeal systems, and covers at a minimum the preventive measures for various acts under Article 7, Paragraph 2 of "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies." (III) The Company in “Ethical Corporate Management Best Practice Principles” defines operating procedures, guidelines for conduct, penalties and appeal system for violations. Implements them, and regularly reviews and revises the pre-disclosure plan to explain the form of interest and standardize the scope of prevention.	No deviation.

Scope of assessment	Status			Deviation from Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and causes thereof
	Yes	No	Summary	
II.Implementation of ethical management (I) Whether the Company assesses a trading counterpart's ethical management record, and expressly states the ethical management clause in the contract to be signed with the trading counterpart? (II) Has the company set up a special unit under the board of directors to promote corporate ethical management, and regularly reports (at least once a year) to the board of directors on its ethical management policies and plans to prevent dishonesty and supervision and implementation? (III) Whether the Company defines any policy against conflict of interest, provides adequate channel thereof, and fulfills the same precisely? (IV) Whether the company has established an effective accounting system for the implementation of	V V V V V		(I) The Company will assess the trading counterpart's ethical management record, and expressly state the ethical management best-practice principles to be followed. (II) The Company's "ethical corporate management best-practice principles" provide that the Board of Director shall designate a unit dedicated to establishing, supervising and implementing the ethical corporate management policy and preventive program, if necessary, and to reporting the status thereof to the Board of Directors periodically. For the time being, the unit is acted by Administration Department. (III) The Company's directors, supervisors and managerial officers may state to the Company's management voluntarily from time to time whether there is any conflict of interest between them and the Company. If any motion proposed at a directors' meeting involves a conflict of interest with them per se or any juristic persons represented by them and thereby causes harm to the Company's interest, they may state their opinion and responses and be prohibited from	No deviation.

Scope of assessment	Status: Yes	No	Summary	Deviation from Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and causes thereof
ethical management, internal control system, and the evaluation result of the risk of dishonesty by the internal audit unit, to formulate relevant audit plans, and check the compliance with the plan to prevent dishonesty, or entrust an accountant to perform the audit? (V) Whether the Company organizes internal/external education training program for ethical management periodically?			participating in discussion and voting. They shall recuse themselves from discussion and voting or exercising voting power on behalf of any other director. The directors shall be self-disciplined, and prohibited from backing up each other inadequately. (IV) The Company has established the internal control system and accounting system which operate effectively. The internal auditors will audit related transactions periodically and report the audit result to the Board of Directors. (V) The Company will organize internal/external education training program for ethical management periodically, and promote the program from time to time.	
III. Status of the Company's whistleblowing system (I) Whether the Company defines a specific whistleblowing and reward system, and establishes some convenient whistleblowing channel, and assigns competent dedicated personnel to deal with the situation?	V V		(I) The whistleblower may feed the violation of the ethical management principles back to Administration Department in writing. Administration Department shall keep the whistleblower's identity and contents of the whistleblowing case in confidence. The Company disciplines the personnel acting against the ethical management principles	No deviation.

Scope of assessment	Status			Deviation from Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and causes thereof
	Yes	No	Summary	
(II) Has the company established standard operating procedures for accepting complaints, follow-up measures to be taken after the investigation is completed, and relevant confidentiality mechanisms? (III) Whether the Company adopts any measures to prevent the whistleblowers from being abused after the whistleblowing?	V		pursuant to the relevant personnel regulations. If the personnel disagree with the discipline, they may file an appeal based on the facts. (II) The Company's "ethical corporate management best-practice principles" and "guidelines of ethical conduct" have defined the standard operating procedure for investigation into the whistleblowing cases and related nondisclosure mechanism. (III) The Company has established the "Operating Procedure for Whistleblowing Channels and Protection of Whistleblowers" (November 12, 2018) to define the procedure for investigation into the whistleblowing cases and related nondisclosure mechanism.	
IV. Enhancing Information Disclosure Whether the company, on its website and on the market observation post system, discloses the content and promotion effectiveness of its Ethical Corporate Management Best Practice Principles?	V		The Company's ethical corporate management best-practice principles are disclosed on the Company's website and the MOPS.	No deviation.
V. If the Company has established its own ethical corporate management best-practice principles in accordance with the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: The Company's "ethical corporate management" has been passed at the directors' meeting on March 21, 2011. The Company upholds the practical management philosophy for "Simplicity & Firmness, Research & Innovation, Sustainability and Profit Sharing" pursuing constant				

<table>
<tr><th rowspan="2">Scope of assessment</th><th colspan="3">Status</th><th rowspan="2">Deviation from Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and causes thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td colspan="5">improvement. Meanwhile, the Company establishes the fair corporate governance and risk control mechanism and creates the operating environment for sustainability based on the ethical corporate management, in order to satisfy the spirits upheld in the ethical corporate management for TWSE/TPEx Listed Companies.</td></tr>
<tr><td colspan="5">VI. Other information that enables a better understanding of the Company's ethical corporate management: (e.g. review and amendments on the ethical corporate management best-practice principles established by itself): None.</td></tr>
</table>

(VII) If the company stipulates the corporate governance code and related regulations, it should disclose its inquiry method: The Company in March 2020 established the Company's Governance Code of Practice; please find this on our website.

(VIII) Other important information sufficient to enhance the understanding of the operation of corporate governance: please refer to the market observation post system (http://mops.twse.com.tw/) "corporate governance" area and the section "Information on the rules and regulations for corporate governance."

(IX)Implementation of the internal control system

1.Statement of Declaration on Internal Control

EVERMORE CHEMICAL INDUSTRY CO., LTD.

Statement of Declaration on Internal Control System

Date: March 19, 2020

For the Company'sInternal Control System of 2019, based on the results of self-assessment, the following is hereby declared:

I. The Company acknowledges and understands that the establishment, implementation and maintenance of the internal control system are the responsibility of the Board and managerial officers of the Company, and that such a system has been implemented within the Company. The purpose of the system is to reasonably ensure that the effectiveness and efficiency of operations (including profits, performance, and protecting the security of assets), reliability, timeliness, transparency, and regulatory compliance of reporting, as well as the compliance with applicable laws, regulations, and bylaws are achieved.

II. The internal control system is designed with inherent limitations. No matter how perfect the internal control system is, it can only provide a reasonable assurance to the fulfillment of the three objectives referred to above. Moreover, the effectiveness of the internal control system could be affected by the changes of environment and circumstances. However, the company's internal control system has a self-supervision mechanism. Once the missing element is recognized, the company takes corrective action.

III. The Company evaluates the design and execution of its internal control system based on the criteria specified in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations") to determine whether the existing system continues to be effective. The criteria defined in "the Regulations" include five elements depending on the management control process: 1. environment control; 2. risk assessment; 3. control process; 4. information and communication; and 5. supervision. Each element further encompasses several sub-elements. Please refer to "the Regulations" for details.

IV. The Company has adopted the said criteria to validate the effectiveness of its internal control system design and execution.

V. Based on the evaluation result of the preceding item, regarding the Company's Internal Control System on December 31, 2019 (encompassing the supervision and management of subsidiaries), and including understanding of the effectiveness of operations and the degree to which the efficiency with which objectives are achieved, it is believed that the reporting is reliable, timely, transparent and in compliance with the relevant specifications and relevant laws and regulations, and the design and execution of the relevant Internal Control System are effective and it can reasonably ensure that the above goals are achieved.

VI. The Statement of Declaration will be the major contents of the annual report and prospectus of the Company and to be publicly disclosed. Any illegalities such as misrepresentations or concealments in said published contents will be considered a breach of Articles 20, 32, 171, and 174 of the Securities and Exchange Act and incur legal responsibilities.

VII. This statement was approved by the board of directors of the company on March 19, 2020. Seven directors attended and agree with the content of this statement, and hereby make this declaration.

EVERMORE CHEMICAL INDUSTRY CO., LTD.

Chairman: Ho Wen Chieh (seal/signature)

General Manager: Huang Chng Tze (seal/signature)

2.The special internal control audit report issued by the CPA, if any: N/A.

(X)In the most recent year and as of the date of publication of the annual report, whether the company and its internal personnel have been disciplined according to law, or whether the company has disciplined its internal personnel for violating the provisions of the Internal Control System. The content of the disciplinary measures should be listed, as well as the main deficiencies and improvements: None.

(XI)Important resolutions reached in the shareholder's meeting and Board meetings during the most recent year and up to the date of publication of the annual report:

1.In 2019 and as of the date of publication of the annual report, the minutes of shareholders' meetings:

Date		Contents	Resolutions	Status
June 27, 2019 shareholders' meeting	Proposals	1. Acknowledge the 2018 business report and financial statements.	Passed unanimously.	-
		2. Acknowledge the 2018 earnings distribution plan.	Passed unanimously.	A cash dividend of 14,908,200 TWD has been issued on August 9, 2019.
	Discussions	1. Motion for amendments to the Company's Articles of Association.	Passed unanimously.	Implemented in accordance with the amended Articles of Incorporation.
		2. Amendment of "Operational Procedures for Loans and Endorsements."	Passed unanimously.	Implemented in accordance with the amended operating procedure.
		3. Amendment of "Procedures for Acquiring or Disposing of Assets."	Passed unanimously.	Implemented in accordance with the amended operating procedure.
		4. Removal of the prohibition on directors' competition.	Passed unanimously.	-

2.Important board resolutions in 2019 and as of the date of publication of the annual report:

Date	Contents	Resolution
February 1, 2019	1.Loan between the Company and its subsidiary NEOLITE INVESTMENTS LTD. 2.Assess the independence and suitability of the company's appointment of a certified accountant. 3.Revised the assessment method for the independence and suitability of certifying accountants. 4.The Company's 2018 manager year-end bonus distributions.	Passed unanimously.

Date	Contents	Resolution
March 21, 2019	1. Established the Company's "Standard operating procedures for handling director requests". 2. Manager transactions. 3. Liberty Bell Investments LTD. endorsement guarantee renewal. 4. Submitted the company's 2018 internal control system declaration in accordance with the law. 5. Amendment of the Company's Articles of Association. 6. Amendment of "Procedures for Acquiring or Disposing of Assets." 7. Amendment of "Operational Procedures for Loans and Endorsements." 8. Removal of the prohibition on competition by directors the company and their representatives. 9. The Company's 2018 employee compensation and provisions for director and supervisor compensation. 10.Deliberations on 2018 individual and consolidated financial statements. 11.2018 earnings distributions. 12.Held the 2019 regular meeting of shareholders.	Passed unanimously.
May 9, 2019	1. Removal of the prohibition on directors' competition. 2. Changes to the agenda of the 2019 general meeting of shareholders 3. Amendments to the sales and collection cycle and internal audit implementation rules.	Passed unanimously.
June 27, 2019	1. 2018 surplus distribution plan, setting the reference date and payment date.	Passed unanimously.
August 9, 2019	1. 2018 director and supervisor remuneration distributions 2. Managers' allotment of employee compensation in 2018.	Passed unanimously.
October 3, 2019	1. Vietnam Investment Case.	Passed unanimously.
2019/11/13	1. Amendments to the internal control system and internal audit implementation rules. 2. 2020 internal audit plan. 3. Loan between subsdiary company NEOLITE INVESTMENTS LTD. And LIBERTY BELL INVESTMENTS LTD. 4. Established the Company's "Independent Directors' Scope of Duties". 5. Established the Company's "Board self-evaluation or peer evaluation method". 6. 2020 budget. 7. The actual investment expenditures added by the Industrial Innovation Regulations may be classified as undistributed surplus deductions. Cases related to cooperation matters.	Passed unanimously.
2020/01/21	1. Motion for loaning of fund to the Company by the subsidiary, NEOLITE INVESTMENTS LTD. 2. Appointment of directors, supervisors and general managers of Vietnamese subsidiaries.	Passed unanimously.

Date	Contents	Resolution
	3. Budget revision for 2020. 4. Motion for allocation of 2019 year-end bonus to managerial officers.	
2020/03/19	1. Liberty Bell Investments LTD. endorsement guarantee renewal. 2. Motion for presentation of the Company's 2019 Statement of Declaration on Internal Control System under laws. 3. Cooperation with internal business adjustment of the accounting firm to change the certifying accountant. 4. Motion for assessment on independence and competence of the CPAs certifying the Company's financial statements. 5. Established the Company's "Governance Code of Practice." 6. Formulated "Independent Directors Establishment and Measures to Be Followed." 7. Formulated "Corporate Social Responsibility Best Practice Principles." 8. Amended "Ethical Corporate Management Best Practice Principles." 9. Formulated "Procedures for Ethical Management and Guidelines for Conduct." 10. Amended "Code of Procedures for Board Meetings." 11. Amended the Company's "Articles of Association." 12. Amended "Rules of Procedure for Shareholders' Meetings." 13. Removed prohibition on directors' competition. 14. Amended "Organization Regulations of Remuneration Committee." 15. Motion for allocation of 2019 remuneration to employees and directors/supervisors. 16. Motion for review on 2019 entity financial statements and consolidated financial statements. 17. Motion for 2019 earnings distribution. 18. Holding 2020 regular shareholders' meeting.	Passed unanimously.

(XII) The main contents of important resolutions passed by the Board of Directors regarding in which directors in which directors have voiced differing opinions on the record or in writing, during the most recent year and up to the date of publication of the annual report: None.

(XIII) In the most recent year and as of the date of publication of the annual report, the company chairman, general manager, accounting supervisor, financial supervisor, internal audit supervisor, corporate governance supervisor and R&D supervisor, etc.

April 17, 2020

Job title	Name	Date of onboard	Date of discharge	Cause of resignation or discharge
R&D Department Manager	Wang Shih Chieh	August 8, 2016	April 1, 2019	Discharged upon transfer of duties
R&D Department Manager	Liu Shih Wei	April 1, 2019	-	New appointed upon transfer of duties

V.Information about CPA Professional Fee:

Breakdown of information about CPA professional fee

Name of CPAs Firm	Name of CPA		Audit Period	Remark
Deloitte Taiwan	Chiang Shu Ching	Wu Li Tung	2019/01/01-2019/12/31	

Currency Unit: NTD thousand

Range of Amount \ Fee Items		Audit Fees	Non-Audit Fees	Total
1	Less than 2,000 thousand			
2	2,000 thousand (inclusive)~4,000 thousand	✓	✓	
3	4,000 thousand (inclusive)~6,000 thousand			✓
4	6,000 thousand (inclusive)~8,000 thousand			
5	8,000 thousand (inclusive)~10,000 thousand			
6	More than 10,000 thousand (inclusive)			

(I) For non-audit public fees paid to a certified public accountant, the firm or affiliated company of the certified public accountant accounted for more than a quarter of the public audit fee. This year, the audit firm and its affiliates were invited to perform the Vietnam Investment Case due diligence.

(II) Replacement of the CPAs firm and reduction in audit fees paid during the year of replacement compared with the previous year: N/A.

(III)The audit public expenditure decreased by more than 10% compared with the previous year: No.

(IV) The assessment report on independence of the CPA certifying the Company's financial statements:

According to the Company's "Regulations Governing Assessment on Independence and Competence of CPAs", the Company conducted the assessment on independence and competence of the CPAs as following, and submitted the assessment to the Company's 1st Board meeting in 2019.

Item No.	Scope of Assessment	Yes	No	Note
1.	Do the CPAs act as the Company's external auditors for no more than 7 years consecutively?	V		
2.	Do the CPAs not collect any related commission?	V		
3.	Do the CPAs not hold any shares int he Company?	V		
4.	Do the CPAs not hold any regular position in the Company with fixed pay concurrently?	V		
5.	Do the CPAs not co-invest or share profit with the Company?	V		
6.	Do the CPAs not hold the position as directors, supervisors or managerial officers or any position that might affect the audited cases materially in the Company, currently or within the most recent two years?	V		
7.	Are the CPAsnot the relatives of the Company's directors, supervisors or managerial officers, or staff holding the position that might affect the audited cases materially?	V		
8.	Whether the audit service team satisfies the criteria about independence referred to in Statement No. 10 of the Norm of Professional Ethics for Certified Public Accountant of the Republic of China?	V		Statement of Declaration
9.	Whether the review or audit report is completed within the agreed time limit?	V		
10.	Whether the audit report guarantees specific accuracy?	V		
11.	Whether the CPAs pose positive suggestions against the Company's management system and internal control audit, and whether the same are recorded?	V		
12.	Whether the CPAs provide the Company with the information about update and amendments to laws & regulations and relevant training courses voluntarily?	V		
13.	Whether the CPAs help the Company communicate and coordinate with the competent authority?	V		

Date of Assessment: February 1, 2019
Evaluation result: ☑ In line with ☐ In line with the independence and suitability of accountants

VI. Information about Replacement of CPAs: None.

VII. Name of CPAs Firm or its affiliates in which the Company's Chairman, president, financial or accounting manager is an employee over the past year: None.

VIII. Any transfer of equity interests and pledge of or change in equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent year and until the date of publication of the annual report:

Directors, supervisors, managers and major shareholders' equity changes

Job title	Name	2019		Fiscal year 2020 ended April 17	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman	Ho Wen Chieh	0	0	0	0
New director	Aica Kogyo Company, Limited	0	0	0	0
	Representative: Tohdoh Satoshi	0	0	0	0
	Representative: Omura Nobuyuki	0	0	0	0
	Representative: Ebihara Kenji	0	0	0	0
New director	Pou Chien Enterprise Co.,Ltd.	0	0	0	0
	Representative: Tsai Nai-yung	0	0	0	0
Independent director	Chen Chao Hwei	0	0	0	0
Independent director	Higashiyama Mikio	0	0	0	0
New supervisor	Liu Ve- Tung	0	0	0	0
New supervisor	Lu Hui Pin	0	0	0	0
New supervisor	Su I- Hsiu	0	0	0	0
President	Huang Chng Tze	0	0	0	0
Group Vice President	Lee Ching Song	0	0	0	0
Assistant Vice President	Wang Shih Chieh	0	0	0	0
Financial Manager	Wu Pao Hua	0	0	0	0
Accounting Manager	Chen Hsiang Li	0	0	0	0
Assistant Vice President	Liu Shih Wei (New elected on April 1, 2019)	0	0	0	0

Note: 1. Stock transfer information: None.
2. Equity pledge information: None.

IX. Information on the relationship of the ten largest shareholders, related parties, spouse, or relative within the second degree of kinship:

Information about the relationship of the ten largest shareholders:

April 17, 2020

Name	Shareholdings by oneself		Shares held by spouse or underage children		Total shares held in the names of others		Disclosure of information on related parties defined in the Statement of Financial Accounting Standards No. 6 or spousal relationship or relations within second degree of kinship, among top ten shareholders, including their names or designations, and relationships		Note
	Number of Shares	% of shareholding	Number of Shares	% of shareholding	Number of Shares	% of shareholding	Designation (or name)	Relationship	
Representative of Aica Kogyo Company, Limited: Tohdoh Satoshi Representative: Omura Nobuyuki Representative: Ebihara Kenji	49,793,388	50.10%	0	0	0	0	None.	-	-
Ho Wen Chieh	7,003,532	7.05%	1,451,657	1.46%	0	0	None.	-	-
Ho Chi Lin	4,114,000	4.14%	0	0	0	0	Ho Wen Chieh	Child	-
Ho Han Jen	4,113,000	4.14%	3,000	0	0	0	Ho Wen Chieh	Child	-
POU CHIEN ENTERPRISE CO.,LTD. Chairman: Ho, Ming-Kun	3,352,771	3.37%	0	0	0	0	None.	-	-
Pou Chien Technology Co., Ltd. Chairman: Wu, Hui-Chi	2,437,750	2.45%	0	0	0	0	None.	-	-
Yue Dean Technology Co., LTD. Chairman:Wu, Hui-Chi	2,290,760	2.30%	0	0	0	0	None.	-	-
Liu Ve- Tung	2,255,412	2.27%	88,574	0.09%	0	0	None.	-	-
Lu Hui Pin	2,196,193	2.21%	2,647	0.00%	0	0	None.	-	-
Hsu Chun Liang	1,457,139	1.47%	171,098	0.17%	0	0	None.	-	-

X. The number of shares held by the Company, its directors, supervisors, managerial officers, and any companies controlled either directly or indirectly by the Company on the same investee and also, the consolidated comprehensive shareholding ratio: None.

Four. Information on Capital Raising

I. Capital and Shares

(I) Source of capital

Year/Month	Issue price	Authorized capital stock		Paid-in capital stock		Note					
		Quantity of shares	Amount	Quantity of shares	Amount	Source of capital	Offset by any property other than cash	Effective date	Doc. No.	Amount	Others
May 1989	NT$10	600,000	6,000,000	600,000	6,000,000	Own capital	Nil	-	Initial capital at the time of incorporation	6,000,000	Nil
October 2006	NT$13.25	120,000,000	1,200,000,000	89,700,000	897,000,000	Cash capital increase by private placement	Nil	October 18, 2006	Jing-Shou-Shang-Zi No. 09501234720	100,000,000	Nil
August 2008	NT$10	120,000,000	1,200,000,000	93,288,000	932,880,000	Recapitalized from earnings	Nil	August 20, 2008	Jing-Shou-Shang-Zi No. 09701207050	35,880,000	Nil
November 2011	NT$10	120,000,000	1,200,000,000	91,788,000	917,880,000	Note Reduced capital stocks sold	Nil	November 24, 2011	Jing-Shou-Shang-Zi No. 10001268740	-15,000,000	Nil
March 2013	NT$13.87	120,000,000	1,200,000,000	102,388,000	1,023,880,000	Cash capital increase	Nil	March 13, 2013	Jing-Shou-Shang-Zi No. 10201045750	106,000,000	Nil
February 2015	NT$10	120,000,000	1,200,000,000	99,388,000	993,880,000	Note Reduced capital stocks sold	Nil	February 26, 2015	Jing-Shou-Shang-Zi No. 10401034750	-30,000,000	Nil

Note: Only the information about the capital at the time of incorporation and for the most recent five years is available.

Type of share	Authorized capital			Note
	Outstanding (Note 1)	Unissued	Total	
Common shares	99,388,000	20,612,000	120,000,000	-

Note: 1. The stock refers to stock traded on TWSE.

2. Information relevant to the aggregate reporting policy: None.

(II) Shareholders' structure

April 17, 2020

Quantity/Shareholders' Structure	Government agencies	Financial institutions	Other juristic persons	Individuals	Foreign institutions and foreigners	Total
Number of persons	1	1	12	2,730	10	2,754
Shares held	126	994,829	8,490,168	39,991,133	49,911,744	99,388,000
Shareholding (%)	0	1.00	8.54	40.25	50.21	100.00

(III)Distribution of equity

April 17, 2020

Shareholding category	Number of shareholders	Shares held	Shareholding
1 ~ 999	1,414	175,987	0.18
1,000 ~ 5,000	931	1,952,521	1.96
5,001 ~ 10,000	152	1,173,982	1.18
10,001 ~ 15,000	65	832,320	0.84
15,001 ~ 20,000	27	505,435	0.51
20,001 ~ 30,000	58	1,445,389	1.45
30,001 ~ 40,000	14	496,321	0.50
40,001 ~ 50,000	18	833,624	0.84
50,001 ~ 100,000	33	2,232,522	2.25
100,001 ~ 200,000	18	2,376,316	2.39
200,001 ~ 400,000	7	1,864,604	1.88
400,001 ~ 600,000	1	517,806	0.52
600,001 ~ 800,000	2	1,448,083	1.46
800,001 ~ 1,000,000	1	994,829	1.00
More than 1,000,001	13	82,538,261	83.04
Total	2,754	99,388,000	100.00

Note: The Company didn't offer preferred stock.

(IV) List of major shareholders

Shareholders with a stake of 5 percent or greater April 17, 2020

Name of Major Shareholder	Shares held	Shareholding
Aica Kogyo Company, Limited	49,793,388	50.10%
Ho Wen Chieh	7,003,532	7.05%
Ho Chi Lin	4,114,000	4.14%
Ho Han Jen	4,113,000	4.14%
Pou Chien Enterprise Co.,Ltd.	3,352,771	3.37%
Pou Chien Technology Co., Ltd.	2,437,750	2.45%
Yue Dean Technology Co., LTD.	2,290,760	2.30%
Liu Ve-Tung	2,255,412	2.27%
Lu Hui Pin	2,196,193	2.21%
Hsu Chun Liang	1,457,139	1.47%

(V)Information on market value, net worth, earnings and dividends per share during the most recent two years

Item \ Year			2018	2019	Ending on March 31, 2020 (Note 8)
Share price (Note 1)	Highest		19.55	18.20	17.90
	Lowest		13.30	14.60	15.00
	Average		16.62	16.46	16.87
Net worth per share (Note 2)	Before distribution		13.90	14.74	14.98
	After distribution		13.75	14.09 (Note 9)	Undistributed
Earnings per share	Weighted average shares (thousand shares)		99,388	99,388	99,388
	Earnings per share (before adjustment/after adjustment) (Note 3)		0.1	1.19	0.33
Stock dividend per share	Cash dividend		0.15	0.65 (Note 9)	Undistributed
	Stock bonus	Stock dividend from retained earnings	-	-	-
		Stock dividend from capital surplus	-	-	-
	Accumulated unpaid dividend (Note 4)		-	-	-
ROI analysis	P/E ratio (before adjustment/after adjustment) (Note 5)		158.20	13.60	N/A.
	P/D ratio (Note 6)		105.47	24.89	N/A.
	Cash dividend yield(Note 7)		0.95%	4.02%	N/A.

Note 1:Please identify the highest and lowest market price per share of common stock for each fiscal year and calculate each fiscal year's average market price based on the trading value and trading volume of each year.

Note 2:Please apply the number of the outstanding issued shares at the end of year as the basis and specify it based on the distribution resolved by the shareholders' meeting of next year.

Note 3:If retroactive adjustment is needed due to allocation of stock bonus, please identify the earnings per share before and after the adjustment.

Note 4:f the equity securities issue terms and conditions require that the stock dividends undistributed in the year may be accumulated and distributed until the year in which earnings are generated, please disclose the stock dividends accumulated and undistributed until the end of the year separately.

Note 5:P/E ratio = Average closing price per share for the year/Earnings per share.

Note 6:P/D ratio = Average closing price per share for the year/Cash dividend per share.

Note 7:: Cash dividend yield = Cash dividend per share/Average closing price per share for the current year.

Note 8:The information about net worth per share and earnings per share shall refer to the information available during the most recent quarter until the date of publication of the annual report, which has been audited (reviewed) by the CPA, while the other sections shall specify the information available in the current year until the date of publication of the annual report.

Note 9:Passed by the Board of Directors, but pending resolution by a shareholders' meeting.

(VI) Dividend policy and implementation thereof

1.The Company's dividend policy:

If there are surpluses in the Company's final accounts, taxes and accumulated losses shall be paid out of such surpluses first, 10% of them shall be set aside as statutory surplus reserves, a provision for or reversal of special surplus reserves shall be made according to law, with the balance of such earnings (if any) paid to shareholders as dividends after a resolution is adopted at the general meeting.

The Company is engaged in the manufacture and sale of PU resin. It is a technology-intensive, mature and profitable chemical industry. Due to the need for technological upgrading, it is possible for the Company to expand its factories in the next few years. With reference to the remaining dividend policy and to the extent meeting optimal capital budget and the requirements for dilution of earnings per share, the annual surpluses allocated per year account for at least 50% of the surpluses available for distribution in principle, when dividends are declared to shareholders, the proportion of cash dividends shall not be less than 25%.

2.Implementation thereof:

The dividend proposed to be distributed at the shareholders' meeting satisfies the Company's dividend policy:

	____ allocated per share (NT$)	Source
Cash dividends	0.65	Unappropriated earnings
Total	0.65	*

3.Expected significant changes in the dividend policy: None.

(VII)The effects of stock bonus proposed at this general shareholders' meeting on business performance and earnings per share: N/A.

(VIII) Remuneration to employees, directors and supervisors

1.The percentages or ranges with respect to remuneration to employees, directors and supervisors, as set forth in the Company's Articles of Incorporation

If the Company makes profits in the year, 3% to 5% of the profits shall be reserved to pay employee remuneration and no more than 2% of the profits reserved to pay director and supervisor remuneration. However, if the Company has accumulated losses, the profits shall be reserved in advance to cover the losses.

2.The basis for estimating the amount of remuneration to employees, directors and supervisors, for calculating the number of shares to be distributed as the remuneration to employees, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

(A)The basis for estimating the amount of remuneration to employees, directors and supervisors for the current period:

Based on the percentages resolved by the Board of Directors or defined under the Articles of Incorporation (at 3%~5% and 2%)

(B) The basis for calculating the number of shares to be distributed as the remuneration to employees: The operating costs or operating expenses for the current year were stated based on the closing price applicable on the date preceding to the date of resolution made by the shareholders' meeting and by taking the ex-right and ex-dividend factors into account.

(C) The accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure: The significant changes in the amount distributed per resolution made by the Board of Director prior to the date of approval and publication of the annual financial statements, if any, were stated as the initial annual expenses, while the changes in the amount after the date of approval and publication of the financial statements should be treated as the changes in accounting estimates and stated in next year.

3. Allocation of remuneration passed by the Board meeting:

(A) According to the motion for allocation of 2019 remuneration passed by the Board meeting on March 19, 2020, the remuneration to employees should be NT$7,782,850, and the remuneration to directors/supervisors NT$3,113,140, both to be allocated in cash.

(B) No remuneration to employees was allocated in the form of stock.

4. Actual allocation of remuneration to employees and directors in the previous year:

(A) The actual allocation of remuneration to employees, directors and supervisors in 2018:

Unit: NT$

Item	Initial motion for allocation passed by the Board meeting	Actual allocation	Variance
Employees' compensation	782,833	782,833	0
Remuneration to directors/supervisors	313,133	187,007	126,126

(B) If there is a discrepancy between the remuneration of the recognized employees, directors and supervisors, the difference, reason and handling situation: the difference between the remuneration of the directors and supervisors belongs to the remuneration of the directors who should be paid to directors AICA Kogyo Company Limited. Since the director voluntarily renounced the collection, the company has transferred other income in 2019.

(IX) Repurchase of the Company's shares: None.

II. Status of corporate bond: None.

III. Status of preferred stock: None.

IV. Status of overseas deposit receipts: None.

V. Status of employee stock option certificates: None.

VI. Status of issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies: None.

VII. Implementation of capital utilization plan: None.

Five. Overview of Operations

I. Descriptions of business

(I) Scope of business

1. Major lines of business:

   Synthetic resin and plastic manufacturing; industrial additives manufacturing; plastic leather, cloth, board, pipe manufacturing; other chemical materials manufacturing; other chemical manufacturing; industrial additives wholesale industry; chemical raw materials wholesale; other chemical wholesale industry; international trade. In addition to licensing business, other business may be conducted that is not prohibited or restricted by law.

2. Relative weight of each business line:

Type of product	% of consolidated operating revenue
PU resin	77%
Polyester polyol	6%
Other products	17%
Total	100%

3. Current products of the Company:

   A. PU resin for synthetic leather
   B. PU resin for textile sizing industry
   C. PU resin for split leather.
   D. Polyester polyol
   E. TDI Based - Low Free Monomer Type cross-linking agent.
   F. Adhesive for shoes.
   G. PU resin for printing ink.
   H. TPU compound.
   I. Waterproof and moisture PU resin.
   J. Waterborne PU dispersion
   K. Surface treatment agents.
   L. PU foam system material for shoe materials
   M. Food packaging composite film adhesive
   N. reactive PU hot melt adhesive
   O. Light curing monomer, oligomer and system products
   P. Solvent-free PU system membrane and sheet materials.
   Q. Polymer polyester plasticizer
   R. Other foundry products.

4. New products planned for development:

   The Company plans to develop the following new products:

   A. High weather resistance quick-drying non-yellowing polyurethane bridging agent.
   B. Lightweight and high-rebound polyurethane material for shoes produced by integrated molding.
   C. Polyurethane midsole material for high physical properties hydrolysis-resistant sports shoes.
   D. High weather resistance, environmentally friendly solvent-free structure polyurethane adhesive for integrated materials.
   E. Polyurethane coating for textiles treated with fluorine-free water.
   F. Supercritical nitrogen foamed thermoplastic polyurethane material for shoes.
   G. Polyurethane coating for textiles using carbon dioxide as raw material.
   H. Environmentally friendly, solvent-free woodworking edge banding polyurethane hot melt adhesive with high operability.
   I. High-operability, environmentally friendly, solvent-free woodworking flat polyurethane hot melt adhesive.
   J. Environmentally friendly solvent-free textile high-permeability polyurethane hot-melt adhesive.

(II) Overview of the industry:

1. The overall economic environment in 2019:

Overall demand in the global market exhibited a significant decline in 2019, and signs once again emerged of the 10-year cycle from previous worldwide economic trends. In addition to the significant tensions in Sino-US trade relations, Brexit, the impeachment of the US president, and under the influence of the two major powers of China and the United States, the economies of various countries are generally unable to grow significantly. The demand for finished product orders is not as favorable as in previous years. In addition, various changes in the international situation have affected the structure and ecology of production. In addition, China has risen to become the second largest economy in the world, behind only the United States. In the upstream, middle and downstream industrial chains, there is a huge supply with very large production capacity and even excess capacity. In 2019, the Chinese government proposed a number of national internal and external policies, which resulted in changes in the capital structure and increased the risk of capital flows. On the other hand, many serious chemical industrial safety accidents in China in 2019 have led to environmental protection and safety supervision policies that have been strictly implemented to a higher standard. This in turn has severely affected the production and operation of the chemical industry, and factories often have production restrictions, shutdowns, or even closures. Although capacity supply exceeds demand, frequent shutdowns have led to frequent disruption and disorder in supply. Raw material prices thus see great fluctuations within a short period, causing operational difficulties.

Whether it is upstream raw materials or downstream finished products, the problem of overcapacity in mainland China also affects PU related industries. There are problems in the industrial supply chain, and oversupply. However, the end market also understands that supply exceeds demand, so the sales prices re greatly reduced, which greatly reduces the original profits on the supply side.

2. Related industries in 2019:

PU upstream raw materials:

The overall raw material market in 2019 clearly shows oversupply, and overcapacity is particularly serious in mainland China. As a result, the prices of bulk chemical raw materials have dropped significantly compared to 2018. But in 2019, mainland China's implementation of environmental protection and safety production has become stronger, which seriously impacts upstream and downstream segments of the chemical industry. Limited production and suspension of production frequently occurs, causing instability on the supply side. In terms of TDI, given the high price level of the mainland Chinese market in 2018, prices dropped sharply in 2019. At the same time, it also drove the external market price of US dollars to plunge, mainly due to the Sino-US trade war. Punitive import and export tariffs have increased sharply, and as a result the demand for TDI application products has been greatly reduced and prices plunged sharply. Other PU bulk materials such as MDI and AA also fell due to weak market demand, with the average decline ranging from 20% to 30%.

Downstream segment of the industry:

Overall demand in this environment continues to shrink, and the problem of the global economic downturn has not yet fully recovered. Mainland China 's related industries still have excess capacity, and structural economic problems have not been fundamentally resolved. Simultaneously, regional environmental protection and industrial safety issues have arisen in mainland China, Taiwan and other regions, as policies continues to be implemented with greater force. As a result, upstream and downstream manufacturers face an increase in overall operating costs, including increases in raw material procurement costs, production costs and transportation costs, and these costs cost cannot fully reflect the plight of the market.

3. Looking ahead to 2020, the global economy should remain weak with a slow recovery. The Sino-US trade war continued in 2019, and the effects are expected to last into 2020. This will produce clear structural changes in the international economy, as the world's production centers will be gradually transferred from China to Southeast Asia and other countries in 2020. This will also change the interaction between the Asia-Pacific region and the global economic structure. Management faces many challenges including frequent fluctuations in the international exchange rate against the US dollar in 2020, as well as problems such as uncertainty about future development, a cold war in cross-Strait relations, and no breakthrough in diplomatic relations. Trade barriers still form the greatest issue placing pressure on Taiwan ’s export competitiveness. Mainland China's GDP has seen a hard landing with continued downward revisions. At the same time, several major chemical industrial safety accidents in 2019 mean that implementation of China's environmental protection policy in 2020 is bound to become stricter. We will continue develop and sell products rolled out in 2019 in response to environmental issues. At the same time, breaking through existing difficulties and limitations, producing and selling differentiated products, and achieving digital results in 2020 will be important keys, such as environmentally friendly products that comply with environmental trends. The regional economic structure in Asia has changed, and past dependence on mainland China will obviously shift. The Southeast Asia region should also become more active as the country launches its new southbound policy. Vietnam has become a country with a high GDP growth, and Evermore will invest more resources in Vietnam from 2020 to obtain more efficient output.

At the beginning of 2018, after Japan’s AICA Group invested in Evermore, the two parties deepened their cooperation and took advantage of the comprehensive benefits within the Group. Evermore PU products complement AICA ’s portfolio in woodworking, flooring, industrial, automotive and other related adhesive products, and they are gradually being introduced to Japan, South Korea, mainland China and Southeast Asia. In 2020, we will further expand and continue to invest resources, aiming at the Group's comprehensive market and product development, to improve the product portfolio and gradually expand market sales.

We continue to strengthen our green products that focus on meeting environmental protection needs and maintain our cooperation with customers in response to environmental policy requirements while modifying the formula and reducing the amount of solvents. After obtaining results, this will continue to expand in scope. We will also continue to improve and expand the use and promotion of quality and market in terms of solvent reduction, increasing solvent-free synthetic resins as well as environmentally friendly plastic particles, UV light curing products and solvent-free PU films.

(III) Overview of technology and R&D:

1. R&D expenses already invested during the most recent year and until the date of publication of the annual report:

Item	2019	January~March 2020
Consolidated R&D expenses (NTD thousand).	78,645	16,532
% of consolidated operating revenue (%)	2.48%	3.11%

2. The technologies or products developed successfully:
   A. Environmentally friendly solvent-free polyurethane adhesive used in building bed boards.
   B. Environmentally-friendly polyurethane adhesive for solvent-free solid wood composite floors.
   C. Environmentally friendly solvent-free polyurethane hot-melt adhesive suitable for water-repellent treatment fabrics.
   D. Environmentally friendly polyurethane hot melt adhesive for solvent-free paper lamination.
   E. Polyester plasticizer for migration-resistant PVC.
   F. Benzoate plasticizer for environmentally friendly plastic rubber.
   G. High-value acrylate monomer / methacrylate monomer produced in toluene-free process.

(IV) Long-term and short-term business development plans:

1. Short-term plan:

According to product applicability and attributes, it is divided into five categories of products: PUR / PUS / CLA / TPU and UV:

A. PUR:

Taking advantage of our own R&D energy and capacity advantages, we will actively engage in strategic cooperation with downstream customers, strengthening product development and sales in line with market demand and quickly integrating and adjusting according to the requirements of downstream customers and national environmental protection policies, thereby achieving a reciprocal relationship.

We will develop OEM and ODM OEM business and improve production utilization rate to achieve a significant increase in per capita output value and cost control, creating advantages to expand the market to improve operating profitability.

We will continue to develop environmentally friendly solvent-based, water-based and solvent-free high-value niche products and expand market sales, increasing sales margin.

Actively use AICA to find high value-added demand and sell products in markets such as Japan, South Korea and Southeast Asia.

B. CLA:

We face the pressure of mass production and price reduction competition for equivalent products in mainland China, regardless of whether it is general type adduct, trimer type or low free adduct type bridging agents, etc. We thus will organize distribution channels, increase direct customers, reduce the intermediate cost of dealers, increase competitiveness, and engage in direct marketing to expand the market.

Using our own production capacity of low free bridging agents, we will promote the application of its products in the market of non-paints and adhesives and enhance the market diversity of products and product sales.

Avoiding excessive sales concentration in a single area, we will increase sales in Southeast Asia, Northeast Asia and other markets to diversify and reduce the risk of a single region's sales.

We will increase value-added, differentiated product development and sales; for example, the development and sales of non-yellowing hardeners.

We will engage in development of 1K liquid moisture curing products through cooperation with AICA, and increase revenue and gross profit through sales in building materials and flooring and other laminating industries.

C.PUS:

We will master brands and pay more attention to the timing of PU use in sports shoes, deepening cooperation with Nike, Adidas, Puma and other first-line well-known brands. We will get orders for products that enhance the functionality of PU and cooperate with the automation and improvement measures of the shoe factory processing process. At the same time, we will fully introduce PU polyether insoles and functional polyether system materials with high rebound characteristics in the promotion and sales of the brand.

We will put the core technology of solvent-free two-component PU systems into the development and application of flexible packaging multilayer film and coating lamination market, and break through the dependence on traditional solvent-based synthetic resins on solvents to develop and sell products in oriented toward environmental protection and solvent-free concepts.

D. TPU:

We will master key customers and directly utilize deep understanding of customer needs, while advancing strategies for strengthening cooperation with customers as well as development and sales of high-performance TPU and increasing sales.

We will use AICA to develop the Japanese market while at the same time investing in the development of non-yellowing polyether raw materials, existing production capacity on both sides of the Taiwan Strait, and stable quality. We will pay close attention to key value customers and continue to meet full-capacity shipments and gross sales.

E.UV:

We will expand the market sales area; outside of Taiwan and mainland China, we will expand sales in Southeast Asia and sell to meet AICA Japan's internal product demand. At the same time, we will use AICA to enter the Japanese market and our sales strategy is based on general monomers, developing niche products of customized oligomers.

F. PU reactive hot melt adhesive:

In response to environmental protection needs, the overall solution for solvent reduction has pushed PU reactive hot melt adhesive into the textile laminating industry to increase product sales.

With the comprehensive benefits of cooperation with AICA, we will introduce PU reactive hot melt adhesive into woodworking, flooring and other applications for sale in Japan, Southeast Asian markets, and so on.

G. We will use the existing channels of AICA Group for mutual cooperation, for the sake of new market development with current high value and new products and expansion of the company's products in various countries outside Taiwan to increase profitability.

2. Long-term plan:

We will continuously take future market demand into account, with polyurethane chemical and other related basic reactions as the main focus. In adjusting product structure and application scope, the Group is developing towards the two major areas of PU series products and coatings business. At the same time, it has also entered into industrial applications such as construction, electronics 3C, and automobiles. Taiwan is used as the Group's research and development center to connect production, government, learning, and research. We will introduce high-end technology and go hand in hand with strategic partners, continuing to improve and sell environmentally friendly products in line with the future trend of environmental protection processes, and aspire to become a supplier of the green industry value chain.

A. We will deepen and fully leverage the comprehensive benefits of AICA to get the maximum benefits of the Group.

B. We will develop low-pollution environmental protection and green carbon reduction products in line with future market trends, obtaining the leading position in the market.

C. We will integrate product resources, with continuous process improvement, and effective cost control, to improve profits and product added value.

D. We will strengthen sales and development in Southeast Asia, especially in Vietnam and Thailand.

E. We will adjust existing product development based on market demand, moving towards differentiated and high value-added PU synthetic resins.

F. We will expand the market share of UV light curing products, in order to achieve the value of economies of scale.

G. We will use environmentally friendly solvent-free PU system technology to develop and sell various important customized series products.

H. Starting from our own PU core technology, we will enter the fields of electronics, construction, and automobiles for product adjustment and sales. .

II. Production and marketing situation

(I)Market analysis:

1. Territories where main products are marketed:

The Company is a chemical manufacturer specialized in PU resin and related products. The Company keeps transforming in response to the industrial environment in the market, and also adjusts its operating structure voluntarily in hopes of pursuing transforming development based on the existing resources. The Company has achieved positive development in diversity of products or expansion of customers' markets to keep the Company's sustainability.

The sales value and domestic marketing/export of the Company's products during the most recent two years (%):

Unit: NTD thousand

Amount / Territory	2018		2019	
	Sales value	%	Sales value	%
Domestic	883,425	24%	873,643	27%
China	2,014,694	55%	1,297,818	41%
Others	777,650	21%	1,003,237	32%
Total	3,675,769	100%	3,174,698	100%

2.Market share, future market demand and supply, and market's growth potential:

(1) Market share:

The Company's products are diversified and used in various industries, covering a wide area and many downstream industries. Because PUR products are continuously evolving through the downstream market, the market share in Taiwan is about 20-25%. In CLA products we are the main domestic manufacturer, producing competitive products. The market share of Taiwan is about 50-55%, constituting a relatively large proportion. In PUS products we are currently the only domestic system manufacturer, making us the sole supplier. There are many suppliers of TPU products and environmentally friendly materials, and the development of the industry is relatively positive; the Company's overall market share is about 10 to 15%. As for the development of UV light curing products, because of the Company's slow start the original market mainly includes manufacturers such as Eternal Chemical, DSM, and Qualipoly Chemical. We joined Korean's MIWON, KPC, etc., to actively enter the market at low prices. It is estimated that the market share is about 5-8%.

(2) Future market demand and supply, and market's growth potential:

The PU industry itself has a wide range of terminal applications and is closely related to consumer goods consumption. The market demand of various industries will also be relatively stable and demonstrate gradual growth. However, overall supply and demand cannot be balanced within a short period of time, and the global industrial supply chain presents a problem of oversupply. The phenomenon of frequent and large fluctuations in upstream raw material prices continues, which seriously affects downstream finished product quotations, profitability and willingness to take orders. Still, environmental awareness is rising and demand for environmental protection and environmental protection materials will be stronger. This is especially true for environmentally friendly solvent-based products, solvent-free products, reactive hot melt adhesive products and the UV light curing product market. Due to high technical content, entry barriers are formidable and supply and demand have not been truly balanced. Demand also persists in exceeding supply. Following the 2019 Sino-US trade war, future products in the market will continue to take the lead in terms of environmental protection and functionality, showing a positive growth trend. General pricing for products under a "red ocean" strategy will gradually fall to Chinese and other large manufacturers, while Evermore Chemical will focus on serving high-value products under a "blue ocean" strategy.

3. Competitive niche

(1)In consideration of the high integration of key raw materials, the turnover of raw materials and supplies is rapid and takes shape and thereby increases the advantages for purchases.

(2)Production and sales have long-term experience and establish good interaction with customers, with faster and more efficient service quality and higher customer satisfaction.

(3)Development of green and environmentally friendly products; for example, in solvent-free products and UV light curing products there will be breakthrough growth in economies of scale.

(4)Continuous resources are introduced into the R&D team to develop R&D innovation ability, and it can respond to the changing development needs of the industrial environment.

(5)Having experience and recognition for OEM production for large international factories, professional technology, advanced production and management, effective cost control, and improved competitiveness.

(6)The products are diversified enough to satisfy and serve the different needs from customers and different applications.

(7)The introduction of Japanese AICA technology strengthens product competitiveness.

4. Analysis on positive and negative factors for future development and responsive measures:

(1)Positive factors:

A. Diversified product development compared with others in the same industry. Downstream industries are widely distributed and connected with the basic needs of consumer goods, and operational risk is low.

B. The proportion of green product revenue has gradually increased, adding benefits to future revenues and profits.

C. TPU combines the power of group-related enterprises, recognition of stable product quality and valuable customers, and production capacity can be fully loaded and sold.

D. The reach of the reinvestment business has been extended from the traditional consumer goods chemical industry market to high-end precision technology applications, and has expanded to the photovoltaic 3C industry, which can create higher profits.

E. There are clear plans for environmentally friendly products, with certain core R&D technical capabilities and experience. At the same time, it includes the cooperation of equipment and terminal manufacturers, with the overall output imported into the market. Therefore, the product structure will be further developed and improved.

F. With the comprehensive benefits of AICA, we will promote new products and new markets.

(2)Negative factors:

A. International trade tariff issues:

Given the unstable factors of the Sino-US trade war and cross-Strait interactions entering a cold war period, this has profoundly affected challenges in Taiwan's foreign trade, while tariff barriers of various countries toward Taiwan has weakened its ability to sell and profit overseas.

Countermeasures: Effective use of mainland China's production capacity, turning to export to obtain mainland China's tariff advantages. On the other hand, and following Thailand, the Vietnam plant is expected to start operations in the second quarter of 2020, allowing us to operate more quickly and more directly in the Southeast Asian market. At the same time, we will vigorously develop markets with countries that have trade agreements with China to reduce shocks, and we are committed to differentiating R&D, developing high-end products, and continuing to maintain growth and sustainable operations.

B. The prices of raw materials fluctuate greatly with unstable factors, and Taiwan lacks major raw material manufacturers:

We mainly use raw materials such as AA, MDI, TDI, etc., because Taiwan has no production suppliers, all relying on overseas imports, and the overall market size of Taiwan can no longer be increased or have a cluster effect. The strength of suppliers to pay attention to the market is weakened, and the strength of support is reduced, which directly compresses enterprise profits.

Countermeasures: Adopt group procurement mode operations to strengthen procurement bargaining power. At the same time, strategic alliances between upstream and downstream are being developed, and deep-seated partnerships have obtained favorable conditions.

C. Potential risk in emerging markets of South East Asia:

The transfer of global factories has gradually moved from the mainland China in the past to emerging countries in Southeast Asia. However, the essentials and production technology are not yet in place, which makes them prone to product defects and product customer complaints.

Countermeasures: Take advantage of the Group's R&D and technical service capabilities to provide product production technology required by Southeast Asian customers have the ability support to transfer past Chinese experience to Southeast Asian countries to reduce the risk of the development of emerging markets in Southeast Asia.

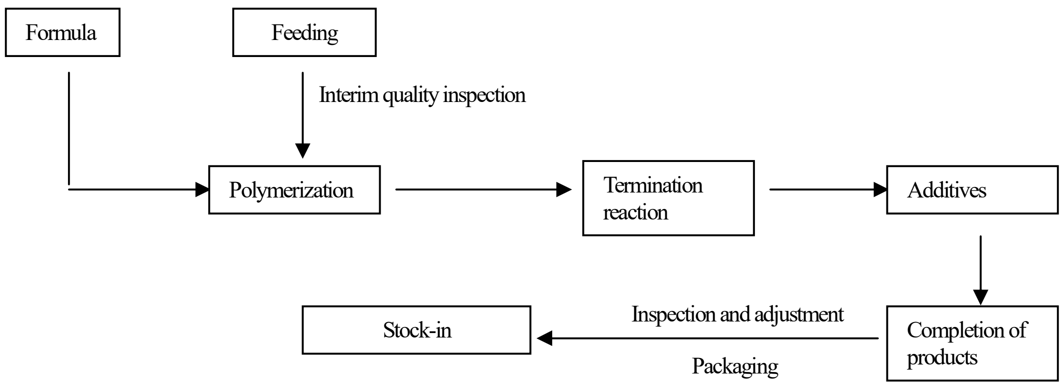
(II) Important purpose and production process of main products:

The PU resin produced by the Company is primarily supplied for the purpose of waterproof processing and printing ink coating of synthetic leather, split leather, genuine leather and textiles, and adhesive for shoes, while the polyester polyol resin is supplied for the purpose of PU synthetic resin and TPU.

The foam system materials for shoes are primarily supplied to the OEMs of such renowned brands as Nike and Adidas, et al..

TPU is primarily supplied for industrial purpose and shoes materials and accessories.

Production process of main products:



(III)Supply of main raw materials:

Name of raw material	Main supplier
AA	Vendor A
MDI	Vendor N
TDI	Vendor C
EAC	Vendor D
Additives for coating	Vendor O

(IV) A list of any suppliers (customers) accounting for 10 percent or more of the Company's total procurement (sales) amount in either of the most recent two years, the amounts bought from (sold to) each, the percentage of total procurement (sales) accounted for by each:

1. The information about any suppliers accounting for 10 percent of more of the Company's total procurement for the most recent two years:

Unit: Thousands New Taiwan Dollars

	2018				2019				Ending until Q1 of 2020			
Item	Name	Amount	To the annual net procurement amount (%)	Relationship with the issuer	Name	Amount	To the annual net procurement amount (%)	Relationship with the issuer	Name	Amount	To the net procurement amount ending until Q1 of the year (%)	Relationship with the issuer
	Supplier D	353,798	12	Nil	Supplier N	245,887	12	Nil	Supplier N	47,040	12	Nil
	Supplier N	302,853	10	Nil	Other	1,845,446	88		Other	331,014	88	
	Other	2,289,825	78									
	Net procurement	2,946,476	100		Net procurement	2,091,333	100		Net procurement		100	

2. The information about any customers accounting for 10 percent of more of the Company's total sales for the most recent two years:

Unit: Thousands New Taiwan Dollars

	2018				2019				Ending until Q1 of 2020			
Item	Name	Amount	To the annual net sales amount (%)	Relationship with the issuer	Name	Amount	To the annual net sales amount (%)	Relationship with the issuer	Name	Amount	To the net sales amount ending until Q1 of the year (%)	Relationship with the issuer
	Others	3,675,769	100		A customer	406,500	13	Nil	Others	519,219	100	
					Others	2,768,198	87					
	Net sales	3,675,769	100		Net sales		100		Net sales	519,219	100	

Note: The company's sales amount and ratio vary with the market share of major customers. No revenue from a single customer reached more than 10% of combined revenue in 107 and in the first quarter of 109.

(V)Production volume and value for the most recent two years

Unit: Tons/NTD thousand

Year / Production value / Main products	2018			2019		
	Capacity	Volume	Value	Capacity	Volume	Value
PU resin	-	37,866	2,852,595	-	32,628	2,073,627
Polyester polyol	-	8,575	459,067	-	7,441	327,313
Other products	-	1,640	82,899	-	308	64,576
Total	65,868	48,081	3,394,561	65,868	40,377	2,465,516

Note: The reaction tanks engaged in production of PU resin permit the production of said products. Therefore, the overall production capacity is identified.

(VI) Sales volume and value for the most recent two years

Unit: Tons/NTD thousand

Year / Sales volume and value / Main products	2018				2019			
	Domestic marketing		Export		Domestic marketing		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
PU resin	8,771	715,926	26,297	2,161,958	8,522	697,334	21,834	1,739,461
Polyester polyol	398	30,468	2,571	164,537	627	41,570	2,759	149,225
Other products	375	137,031	2,413	465,849	388	133,737	2,255	413,371
Total	9,544	883,425	31,281	2,792,344	9,537	872,641	26,848	2,302,057

Note: The domestic marketing refers to the sale to domestic customers. The others are attributed to export.

III.Employees

Information about the employees employed for the most recent two years and until the date of publication of the annual report:

Year		2018	2019	Ending on March 31, 2020
Number of employees	General staff members	198	193	195
	Direct personnel	123	117	117
	Total	321	310	312
Average age		38.88	39.17	39.18
Average years of service		8.37	8.54	8.60

Year		2018	2019	Ending on March 31, 2020
Academic background percentage	PhD	2%	2%	2%
	Master	11%	11%	11%
	College	39%	42%	41%
	High school	30%	27%	28%
	Below high school	18%	18%	18%

Note: Said employees include various subsidiaries' employees.

IV. Information about the expenses of environmental protection:

In the most recent year and as of the date of publication of the annual report, losses due to environmental pollution (including compensation and environmental protection audit results that violate environmental protection laws and regulations, the date of punishment, the scope of the punishment, the violation of the provisions of the regulations, the content of the violation of the regulations, the content of the punishment), and disclose the current and future estimated amount and corresponding measures; if it cannot be reasonably estimated, the fact that it cannot be reasonably estimated should be stated:

1. On July 10, 2019, the wastewater discharged through the Nangang Industrial Park Service Center Sewage Treatment Plant was randomly sampled and sampled for sampling and discharge water SS 450mg / L exceeded the "Nangang Industrial Park Sewer System User Sewerage Quality Standard (320mg / L)." According to "abnormal violations and increased sewage treatment fees", the monthly sewage treatment fee of 90,427 TWD was higher than the average annual fee of 47,773 TWD.

   Future responsive strategies (including improvement measures):

   Because the wastewater passes through the new sludge dehydrator → aeration tank → raw sedimentation tank → release, there is abnormal turbidity, which is improved by adjusting the polymer ratio.

2. The relevant laws and regulations become strict increasingly in response to changes in the conditions. The plant uses its best effort to satisfy the environmental protection requirements to achieve the sustainability and corporate social responsibility. The multiple advanced pollution prevention equipment owned by the plant is stated as following:

   2.1 Liquid-injected incinerator:

   Under high temperature operating conditions, decompose organic substances in waste liquid into stable and harmless products. In the "Polyester polyol" process, for a very high concentration of COD water produced by vacuuming, if it exceeds the load of the wastewater treatment plant, then it will be treated in this factory's incinerator, and it shall meet the "small incinerator dioxin emission standards."

   The fire protection mud maintenance of incinerator equipment was put into operation in December 2019; the estimated cost was 900,000 TWD.

   The current standard value of particulate emission control of this equipment is 100 mg / Nm3 (existing pollution source). In addition, the boiler air pollutant emission standards were announced on 9/19/2018. Granules of existing boiler 30 mg / Nm3 (from 7/01/2020), because our factory currently uses environmentally friendly fuel for natural gas, after checking the license extension test report that the particulate matter <30 mg / Nm3.

   2.2 Waste water treatment equipment:

   Store, manage and treat the esterified water D-1505 waste (sewage) water and cooling waste water generated in the process of the production of the "polyester polyol", and domestic waste water in the form of ultra-high, high and low-concentration COD waterbody. With the waste water treatment equipment put in by our factory, the mixed mixing tank, after two-stage biological treatment to decompose the organic matter contained in the waste water, is discharged to the sewage sewer of the industrial zone: COD <640mg / L, SS <320mg / L. The annual cost of maintenance and consumables is about 800,000 TWD.

2.3 Organic gas biological filter bed treatment equipment:

The biological filter bed uses microorganisms to treat volatile organic compounds (VOCs). A humidification tower assists effective humidity control, conducive to the growth of microorganisms and enhancing the treatment effect, in compliance with the "Volatile Organic Compounds Air Pollution Control and Emission Standards" requirements. The annual cost of maintenance and consumables is about 600,000 to 800,000 TWD.

3. Social responsibility for keeping improving the environmental impacts and reduction of pollution and waste:

The Company is committed to process adjustments to improve non-hazardous wastewater produced during the production of UV-curable monomers (UM), installing a set of drying equipment in 2016. In 2018, we continued to invest in the second phase of drying equipment. Since June 2019, these two sets of drying equipment can support the water / solid separation operation of non-hazardous wastewater produced during the production of UV-curable monomers (UM). Among them, the liquid wastewater is treated by the wastewater equipment in the plant. The solid waste commission shall be cleared, transported and disposed by waste disposal companies approved by the competent authority.

V. Relations between laborers and employer

(I) The Company's employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests:

1. Employee benefit plans:

In order to provide the employees with welfare, the Company contributes the welfare fund pursuant to laws, and have the representatives of laborers and employer form the Workers' Welfare Committee in charge of disbursement of the welfare fund and implementation of the following measures: (1) Domestic/overseas travel for employees; (2) Season and festival gifts to employees; (3) Marriage, funeral and festive subsidy for employees; (4) Allowance and subsidy for employees' injury, sickness and hospitalization; (5) Birthday celebration for employees; (6) Purchase of the sport facilities for table tennis, billiard balls and basketballs, et al.; (7) Subsidy for various club activities.

2. Continuing education and training of employees:

A. The Company establishes the educational training regulations and drafts the annual educational training plan to upgrade the quality of human resource and enhance employees' knowledge and skills required for their duties. The Company organizes the internal and external training per the need for training from various departments each year.

B. Status of the Company's educational training in 2019:

Number of person	Hours	Expenses incurred
1,599 person-times	5,917 hours	1,061 thousand TWD

3. Certificates and qualifications designated by the competent authority as acquired by the staff involved in financial transparency work:

2 internal auditors and 2 financial managers.

4. Retirement system:

In response to implementation of the pension act under the new system, the Company contributes 6% of the salary per laborer to the Bureau of Labor Insurance according to the Labor Pension Act on a monthly basis.

The Company's regulations governing managerial officers' retirement were approved by the Board of Directors on February 19, 2003, and reported to the shareholders' meeting on June 18, 2003. The Company contributes 8% of the total salary per managerial officer as the reserve fund for pension on a monthly basis.

The employees of subsidiaries in China pay the insurance premium according to the social insurance systems defined by various local governments.

5. Labor-management agreement:

The labor-management coordination meeting is held on a quarterly basis. Both of the laborers and management may negotiate with each other to create a win-win situation at the meeting.

6. Code of conduct and ethics for employees:

The Company has established the work rules and management regulations for employees to enable the employees to better understand their right and obligation. Meanwhile, the Company demands that each employee should sign the "Letter of Undertaking" when he/she is hired, which expressly states that when holding a position in the Company, the employee shall not act against the Company's rules or embezzle the Company's financial fund or loans, or engage in any other illegal activities that cause loss to the Company.

7. Measures for preserving employees' interests and rights:

The company has an employee suggestion box, which is handled by a dedicated person, and fully respects the rights and interests of employees' opinions. The company's website also has a reporting window, allowing employees to have a variety of opinion channels.

(II) Any loss sustained as a result of labor disputes during the most recent year and up to the date of publication of the annual report, and an estimate of losses incurred to date or likely to be incurred in the future, and the responsive measures:

1. No labor dispute or loss has arisen or sustained during the most recent year and up to the date of publication of the annual report.
2. The Company respects employees' interest and right in work and leads the employees to perform their routine duties under the humanized management model. In the meantime, the Company also establishes various work response mechanisms, e.g. proposal of motions, labor-management meetings and monthly meetings, et al., and maintains fair communication channels with employees.

VI. Important contracts

Nature of Contract	Principal	Duration of Contract	Main Contents	Restrictive Clauses
Long-term loan	Bank of Taiwan	May 2017~May 2020	Long-term loan	Per the contract
Long-term loan	Mega Bank	March 2017~March 2022	Long-term loan	Per the contract
Long-term loan	CHB	May 2017~May 2022	Long-term loan	Per the contract

Six. Overview of Finance

I. Condensed financial information for the past five years

(I) Condensed balance sheet

Unit: NTD thousand

Item	Year	Financial information for the past five years (Note 1)					Ending on March 31, 2020 Financial information (Audited by the CPAs)
		2019	2018	2017	2016	2015	
Current assets		1,866,309	2,028,103	2,074,044	1,918,087	1,860,269	1,751,218
Property, plant and equipment		821,195	890,423	954,162	794,673	826,566	826,139
Intangible assets		3,255	4,247	4,710	2,558	3,196	3,032
Other assets		212,324	60,338	41,013	110,312	46,174	219,606
Total assets		2,903,083	2,983,111	3,073,929	2,825,630	2,736,205	2,799,995
Current liabilities	Before distribution	1, 326, 672	1,451,871	1,493,270	1,321,263	1,156,856	1,214,193
	After distribution	Note 2	1, 466, 779	1,542,964	1,370,957	1,256,244	N/A.
Noncurrent liabilities		111, 261	149,584	167,561	73,860	109,186	96,475
Total liabilities	Before distribution	1, 437, 933	1,601,455	1,660,831	1,395,123	1,266,042	1,310,668
	After distribution	Note 2	1, 616, 363	1,710,525	1,444,817	1,365,430	N/A.
Equity attributed to the owner of parent company		1,465,150	1,381,656	1,413,098	1,430,507	1,470,163	1,489,327
Capital		993,880	993,880	993,880	993,880	993,880	993,880
Capital surplus		98,017	98,017	98,017	98,017	98,017	98,017
Retained earnings	Before distribution	394, 863	291,928	331,255	318,246	344,402	428,094
	After distribution	Note 2	277, 020	281,561	268,552	245,014	N/A.
Other equity		(21, 610)	(2,169)	(10,054)	20,364	33,864	(30,664)
Treasury stock		-	-	-	-	-	-
Non-controlling equity		-	-	-	-	-	-
Total equity	Before distribution	1, 465, 150	1,381,656	1,413,098	1,430,507	1,470,163	1,489,327
	After distribution	Note 2	1, 366, 748	1,363,404	1,380,813	1,370,775	N/A.

Note 1: The financial information adopted IFRSs.

Note 2: The motion for 2019 earnings distribution is pending resolution by the shareholders' meeting.

(II) Condensed consolidated statement of comprehensive income

Unit: NTD thousand (except EPS at NT$)

Item \ Year	Financial information for the past five years (Note 1)					Ending on March 31, 2020 Financial information (Audited by the CPAs)
	2019	2018	2017	2016	2015	
Operating Revenue	3,174,698	3,675,769	3,325,124	3,007,333	3,361,317	531,219
Gross profit	648,159	442,567	466,076	549,782	671,176	110,514
Operating income	200,484	73,902	112,011	178,783	196,472	31,221
Non-operating revenue and expenditure	(25,423)	(19,737)	(5,612)	(62,713)	(16,121)	2,103
Net profits before tax	175,061	54,165	106,399	116,070	180,351	33,324
Income from continuing operations before income tax	117,843	10,367	62,703	73,232	119,911	33,231
Loss from discontinued operations	-	-	-	-	-	-
Net profit (loss)	117,843	10,367	62,703	73,232	119,911	33,231
Other comprehensive income (net after tax)	(19,441)	7,885	(30,418)	(13,500)	7,138	(9,054)
Total comprehensive income	98,402	18,252	32,285	59,732	127,129	24,177
Net income attributed to the owner of parent company	117,843	10,367	62,703	73,232	124,279	33,231
Net income attributed to the non-controlling equity	-	-	-	-	(4,288)	-
Total comprehensive income attributed to the owner of parent company	98,402	18,252	32,285	59,732	133,275	24,177
Total comprehensive income attributed to the non-controlling equity	-	-	-	-	(6,146)	-
Earnings per share	1.19	0.10	0.63	0.74	1.25	-

Note 1: The financial information adopted IFRSs.

(III) Condensed entity balance sheet

Unit: NTD thousand

Item \ Year		Financial information for the past five years (Note 1)				
		2019	2018	2017	2016	2015
Current assets		628,041	762,835	894,683	696,876	652,327
Property, plant and equipment		606,200	648,268	687,383	506,886	513,141
Intangible assets		766	1,283	1,377	1,943	2,338
Other assets		1,210,448	992,072	952,416	1,036,544	992,591
Total assets		2,445,455	2,404,458	2,535,859	2,242,249	2,160,397
Current liabilities	Before distribution	894,617	897,102	973,231	749,498	594,526
	After distribution	Note 2	912,010	1,022,925	799,192	693,914
Noncurrent liabilities		85,688	125,700	149,530	62,244	95,708
Total liabilities	Before distribution	980,305	1,022,802	1,122,761	811,742	690,234
	After distribution	Note 2	1,037,710	1,172,455	861,436	789,622
Equity attributed to the owner of parent company		1,465,150	1,381,656	1,413,098	1,430,507	1,470,163
Capital		993,880	993,880	993,880	993,880	993,880
Capital surplus		98,017	98,017	98,017	98,017	98,017
Retained earnings	Before distribution	394,863	291,928	331,255	318,246	344,402
	After distribution	Note 2	277,020	281,561	268,552	245,014
Other equity		(21,610)	(2,169)	(10,054)	20,364	33,864
Treasury stock		-	-	-	-	-
Non-controlling equity		-	-	-	-	-
Total equity	Before distribution	1,465,150	1,381,656	1,413,098	1,430,507	1,470,163
	After distribution	Note 2	1,366,748	1,363,404	1,380,813	1,370,775

Note 1: The financial information adopted IFRSs.

Note 2: The motion for 2019 earnings distribution is pending resolution by the shareholders' meeting.

(IV) Condensed entity statement of comprehensive income

Unit: NTD thousand (except EPS at NT$)

Item \ Year	Financial information for the past five years (Note 1)				
	2019	2018	2017	2016	2015
Operating Revenue	1,401,543	1,722,183	1,701,576	1,457,822	1,502,699
Gross profit	230,638	117,321	172,961	184,649	194,186
Operating income	48,324	(18,191)	27,620	35,640	54,204
Non-operating revenue and expenditure	96,438	32,751	42,165	43,288	81,375
Net profits before tax	144,762	14,560	69,785	78,928	135,579
Income from continuing operations before income tax	117,843	10,367	62,703	73,232	124,279
Loss from discontinued operations	-	-	-	-	-
Net profit (loss)	117,843	10,367	62,703	73,232	124,279
Other comprehensive income (net after tax)	(19,441)	7,885	(30,418)	(13,500)	8,996
Total comprehensive income	98,402	18,252	32,285	59,732	133,275
Net income attributed to the owner of parent company	117,843	10,367	62,703	73,232	124,279
Net income attributed to the non-controlling equity	-	-	-	-	-
Total comprehensive income attributed to the owner of parent company	98,402	18,252	32,285	59,732	133,275
Total comprehensive income attributed to the non-controlling equity	-	-	-	-	-
Earnings per share	1.19	0.10	0.63	0.74	1.25

Note 1: The financial information adopted IFRSs.

Names and audit opinions of the CPAs for the most recent five years:

Year	Name of CPAs Firm	Name of CPA	Audit Opinion
2015	Deloitte Taiwan	Chiang Shu Ching and Cheng Te Jun	Unqualified opinion
2016	Deloitte Taiwan	Chiang Shu Ching and Cheng Te Jun	Unqualified opinion
2017	Deloitte Taiwan	Chiang Shu Ching and Wu Li Tung	Unqualified opinion
2018	Deloitte Taiwan	Chiang Shu Ching and Wu Li Tung	Unqualified opinion
2019	Deloitte Taiwan	Chiang Shu Ching and Wu Li Tung	Unqualified opinion

II. Financial analysis for the past five years:

(I) Financial analysis - consolidated financial statements

Analysis items		2019	2018	2017	2016	2015	Variance for the most recent two years (%)	Ending on March 31, 2020	Remark
	Year	Financial analysis for the most recent five years (Note 1)							
Financial structure(%)	Ratio of liabilities to assets	49.53	53.68	54.02	49.37	46.26	-7.73%	46.81	
	Ratio of long-term capital to property, plant and equipment	187.96	171.96	165.65	189.30	191.07	9.30%	191.95	
Solvency %	Current ratio	140.67	139.68	138.89	145.17	160.80	0.71%	144.23	
	Quick ratio	95.43	91.86	94.18	101.50	114.89	3.89%	92.92	
	Interest coverage ratio	10.67	3.84	7.56	9.89	8.42	177.86%	11.92	A
Operational ability	Receivables turnover (counts)	3.01	3.42	3.40	3.17	2.73	-11.99%	2.18	
	Average cash collection days	121.26	106.72	107.35	115.14	133.69	13.62%	167.43	
	Inventory turnover (counts)	3.90	4.74	4.59	4.43	4.20	-17.72%	2.34	
	Payables turnover (counts)	8.05	8.46	7.92	8.29	7.45	-4.85%	5.71	
	Average inventory turnover days	93.58	77.00	79.52	82.39	86.90	21.53%	155.98	
	Property, plant and equipment turnover (counts)	3.67	3.98	3.80	3.7	4.14	-7.79%	2.5	
	Total assets turnover (counts)	1.07	1.21	1.12	1.08	1.07	-11.57%	0.74	
Profitability	Return on assets (%)	4.49	0.84	2.58	3.02	4.47	434.52%	4.2	A
	Return on equity (%)	8.27	0.74	4.41	5.04	8.19	1017.57%	7.67	A
	Income before tax/paid-in capital (%)	17.61	5.44	10.70	11.67	18.14	223.71%	13.41	A
	Net profit margin (%)	3.71	0.28	1.88	2.43	3.56	1225.00%	5.24	A
	Earnings per share (NT$)	1.19	0.10	0.63	0.74	1.25	1090.00%	0.33	A
Cash flow	Cash flow ratio (%)	30.79	2.74	-1.75	20.48	44.03	1023.72%	5.54	B
	Cash flow adequacy ratio (%)	183.24	103.60	99.28	170.24	114.05	76.87%	133.13	B
	Cash reinvestment ratio (%)	12.86	-0.34	-2.69	6.36	16.76	-3882.35%	2.21	B
Leverage	Operating leverage	2.28	4.15	3.06	2.32	2.14	-45.06%	2.85	C
	Financial leverage	1.09	1.34	1.16	1.07	1.14	-18.66%	1.11	

Please explain the reasons for changes in each financial ratio by more than 20% during the most recent two years:

A. Sales volume and volume reduced by competition in the market, but due to the reduction of sales of low gross margin products at the same time, the reduction in costs was greater than the decrease in revenue, and then gross margin and net profit also grew simultaneously.

B. Main lying attributable to a significant increase in net cash inflows from operating activity due to a rise in profits in 108..

C. Main result of increased operating profit due to 108 year profit increase..

Note 1: The financial information adopted IFRSs.

Note 2: The formula about the financial analysis:

1. Financial structure

(1) Ratio of assets to liabilities=Total liabilities/Total assets.

(2) Ratio of long-term capital to property, plant and equipment=(Total equity+Noncurrent liabilities)/Property, plant and equipment, net.

2. Solvency
   (1) Current ratio=Current assets/Current liabilities.
   (2) Quick ratio=(Current assets-Inventory-Prepaid expenses)/Current liabilities.
   (3) Interest coverage ratio=Income tax and income before interest expenses/Current interest expenses.
3. Operational ability
   (1) Receivables (including accounts receivable and notes receivable resulting from operation) turnover = Net sales/Balance of average accounts receivable (including accounts receivable and notes receivable resulting from operation).
   (2) Average cash collection days=365/Receivables turnover.
   (3) Inventory turnover=Cost of goods sold/Average inventory.
   (4) Payables (including accounts payable and notes payable resulting from operation) turnover = Net sales/Balance of average accounts payable (including accounts payable and notes payable resulting from operation).
   (5) Average inventory turnover days=365/Inventory turnover.
   (6) Property, plant and equipment turnover=Net sales/Average property, plant and equipment, net.
   (7) Total assets turnover=Net sales/Average total assets.
4. Profitability
   (1) Return on assets=[Profit or loss after tax+Interest expenses × (1- tax rate)]/Average total assets.
   (2) Return on equity=Profit or loss after tax+Average total equity.
   (3) Net profit margin=Profit or loss after tax/Net sales.
   (4) Earnings per share=(Income attributed to the owner of parent company-Preferred stock dividend)/Weighted average number of outstanding shares. (Note 3)
5. Cash flow
   (1) Cash flow ratio =Net cash flow from operating activities/Current liabilities.
   (2) Net cash flow adequacy ratio=Net cash flow from operating activities during the most recent five years/(Capital expenses+Increase in inventory+Cash dividends) during the most recent five years.
   (3) Cash reinvestment ratio=(Net cash flow from operating activities-Cash dividends)/(Gross property, plant and equipment+Long-term investments+Other noncurrent assets+working capital). (Note 4)
6. Leverage:
   (1) Operating leverage=(Net operating revenues-Variable operating costs and expenses)/Operating profit (Note 5)
   (2) Financial leverage=Operating profit/(Operating profit-Interest expenses).

Note 3: When calculating the earnings per share referred to in the preceding paragraph, please note that:
1. The weighted average number of common shares shall apply, instead of the number of outstanding shares at the end of the year.
2. In the case of capital increase or treasury stock transactions, the calculation shall take the period of circulation into account when calculating the weighted average number of outstanding shares.
3. In the case of recapitalization from earnings or recapitalization from capital surplus, the calculation of earnings per share for the previous year and for a half of year shall make adjustment retroactively subject to the proportion of capital increase, irrelevant with the issuance period for the capital increase.
4. If the preferred stock refers to non-convertible cumulative preferred stock, the stock dividend for the current year (whether allocated or not) shall be deducted from the income after tax or add the loss after tax. If the preferred stock is not cumulative one, the preferred stock dividend shall be deducted from the income after tax, if any. Notwithstanding, no adjustment is required, in the case of loss.

Note 4: Cash flow analyses shall take the following factors into account:
1. Net cash flow from operating activities refers to net cash inflow from operating activities as stated in the Statement of Cash Flow.
2. Capital expenditure refers to the amount of annual cash outflow spent on capital investments.
3. The increase in inventory is included only when the balance at the ending is more than that at beginning. If the inventory decreases at the end of the year, it shall be calculated as “zero”.
4. Cash Dividends include the dividends in cash paid to holders of common shares and preferred shares.
5. Gross property, plant and equipment refers to the amount before deducting accumulated depreciation.

Note 5: The issuer is required to classify operating costs and expenses between fixed and variable portions. Any estimate or subjective judgment used in the classification needs to be reasonable and consistent.

(II) Financial analysis - Entity financial statements under IFRSs

Analysis items		2019	2018	2017	2016	2015	Variance for the most recent two years (%)	Remark
Year		Financial analysis for the most recent five years (Note 1)						
Financial structure(%)	Ratio of liabilities to assets	40.08	42.53	44.27	36.20	31.95	-5.76%	
	Ratio of long-term capital to property, plant and equipment	255.82	232.52	227.33	294.49	305.15	10.02%	
Solvency %	Current ratio	70.20	85.03	91.92	92.97	109.72	-17.44%	
	Quick ratio	40.37	51.49	56.55	53.73	68.37	-21.60%	
	Interest coverage ratio	18.55	2.59	9.48	16.84	26.09	616.22%	A
Operational ability	Receivables turnover (counts)	3.70	3.89	3.99	4.10	3.88	-4.91%	
	Average cash collection days	98.64	93.83	91.47	89.02	94.07	5.13%	
	Inventory turnover (counts)	3.81	4.66	4.58	4.49	4.60	-18.24%	
	Payables turnover (counts)	6.02	6.20	5.52	5.97	6.72	-2.90%	
	Average inventory turnover days	95.80	78.32	79.69	81.29	79.35	22.32%	
	Property, plant and equipment turnover (counts)	2.23	2.57	2.84	2.85	3.02	-13.23%	
	Total assets turnover (counts)	0.57	0.69	0.71	0.66	0.68	-17.39%	
Profitability	Return on assets (%)	5.13	0.71	2.91	3.51	5.83	622.54%	A
	Return on equity (%)	8.27	0.74	4.41	5.04	8.67	1017.57%	A
	Income before tax/paid-in capital (%)	14.56	1.46	7.02	7.94	13.64	897.26%	A
	Net profit margin (%)	8.40	0.60	3.68	5.02	8.27	1300.00%	A
	Earnings per share (NT$)	1.19	0.10	0.63	0.74	1.25	1090%	A
Cash flow	Cash flow ratio (%)	19.45	8.54	-4.23	9.40	34.35	127.75%	B
	Cash flow adequacy ratio (%)	111.00	63.64	41.21	74.61	81.22	74.42%	B
	Cash reinvestment ratio (%)	6.61	1.16	-3.93	-1.32	6.98	469.83%	B
Leverage	Operating leverage	3.63	-5.45	5.11	4.05	2.69	-166.61%	C
	Financial leverage	1.20	0.66	1.42	1.16	1.11	81.82%	C

Please explain the reasons for changes in each financial ratio by more than 20% during the most recent two years:

A. Sales volume and volume reduced by competition in the market, but due to the reduction of sales of low gross margin products at the same time, the reduction in costs was greater than the decrease in revenue, and then gross margin and net profit also grew simultaneously.

B. Main lying attributable to a significant increase in net cash inflows from operating activity due to a rise in profits in 108..

C. Main result of increased operating profit due to 108 year profit increase.

Note 1: The financial information adopted IFRSs.

Note 2: The formula about the financial analysis:

1. Financial structure
   (1) Ratio of assets to liabilities=Total liabilities/Total assets.
   (2) Ratio of long-term capital to property, plant and equipment=(Total equity+Noncurrent liabilities)/Property, plant and equipment, net.

2. Solvency
   (1) Current ratio=Current assets/Current liabilities.
   (2) Quick ratio=(Current assets-Inventory-Prepaid expenses)/Current liabilities.
   (3) Interest coverage ratio=Income tax and income before interest expenses/Current interest expenses.
3. Operational ability
   (1) Receivables (including accounts receivable and notes receivable resulting from operation) turnover = Net sales/Balance of average accounts receivable (including accounts receivable and notes receivable resulting from operation).
   (2) Average cash collection days=365/Receivables turnover.
   (3) Inventory turnover=Cost of goods sold/Average inventory.
   (4) Payables (including accounts payable and notes payable resulting from operation) turnover = Net sales/Balance of average accounts payable (including accounts payable and notes payable resulting from operation).
   (5) Average inventory turnover days=365/Inventory turnover.
   (6) Property, plant and equipment turnover=Net sales/Average property, plant and equipment, net.
   (7) Total assets turnover=Net sales/Average total assets.
4. Profitability
   (1) Return on assets=[Profit or loss after tax+Interest expenses × (1- tax rate)]/Average total assets.
   (2) Return on equity=Profit or loss after tax+Average total equity.
   (3) Net profit margin=Profit or loss after tax/Net sales.
   (4) Earnings per share=(Income attributed to the owner of parent company-Preferred stock dividend)/Weighted average number of outstanding shares. (Note 3)
5. Cash flow
   (1) Cash flow ratio =Net cash flow from operating activities/Current liabilities.
   (2) Net cash flow adequacy ratio=Net cash flow from operating activities during the most recent five years/(Capital expenses+Increase in inventory+Cash dividends) during the most recent five years.
   (3) Cash reinvestment ratio=(Net cash flow from operating activities-Cash dividends)/(Gross property, plant and equipment+Long-term investments+Other noncurrent assets+working capital). (Note 4)
6. Leverage:
   (1) Operating leverage=(Net operating revenues-Variable operating costs and expenses)/Operating profit (Note 5)
   (2) Financial leverage=Operating profit/(Operating profit-Interest expenses).

Note 3: When calculating the earnings per share referred to in the preceding paragraph, please note that:
1. The weighted average number of common shares shall apply, instead of the number of outstanding shares at the end of the year.
2. In the case of capital increase or treasury stock transactions, the calculation shall take the period of circulation into account when calculating the weighted average number of outstanding shares.
3. In the case of recapitalization from earnings or recapitalization from capital surplus, the calculation of earnings per share for the previous year and for a half of year shall make adjustment retroactively subject to the proportion of capital increase, irrelevant with the issuance period for the capital increase.
4. If the preferred stock refers to non-convertible cumulative preferred stock, the stock dividend for the current year (whether allocated or not) shall be deducted from the income after tax or add the loss after tax. If the preferred stock is not cumulative one, the preferred stock dividend shall be deducted from the income after tax, if any. Notwithstanding, no adjustment is required, in the case of loss.

Note 4: Cash flow analyses shall take the following factors into account:
1. Net cash flow from operating activities refers to net cash inflow from operating activities as stated in the Statement of Cash Flow.
2. Capital expenditure refers to the amount of annual cash outflow spent on capital investments.
3. The increase in inventory is included only when the balance at the ending is more than that at beginning. If the inventory decreases at the end of the year, it shall be calculated as “zero”.
4. Cash Dividends include the dividends in cash paid to holders of common shares and preferred shares.
5. Gross property, plant and equipment refers to the amount before deducting accumulated depreciation.

Note 5: The issuer is required to classify operating costs and expenses between fixed and variable portions. Any estimate or subjective judgment used in the classification needs to be reasonable and consistent.

EVERMORE CHEMICAL INDUSTRY CO, LTD

Supervisor's Review Report

The Company’s individual financial statement and consolidated financial statements prepared and submitted by the Board of Directors for 2019 have been audited, and determined as sufficient to appropriately reflect the Company’s financial position, business results and cash follows by the accountants from Deloitte Touche Tohmatsu Limited, *i.e.* Jiang Shujing and Wu Lidong. The Audit Report together with the Business Report and earning distribution plan are determined as qualified after review by supervisors. Reports have been submitted in accordance with the provisions of Article 219 of the Taiwan’s Company Act.

Best Regards

General Shareholders’ Meeting of EVERMORE CHEMICAL INDUSTRY CO, LTD for 2020

Supervisor: Liu Ve- Tung

Supervisor: Lu Hui Pin

Supervisor: Su I- Hsiu

March 19, 2020, Taiwan

IV. Latest financial statements：please refer pages 95 to 153.

V. Latest entity financial statements audited and certified by CPAs：please refer pages 154 to 204.

VI. Any financing problems encountered by the Company or its affiliates during the most recent year and until the date of publication of the annual report, which might affect the Company's financial status:

No financing problems have been encountered by the Company or its affiliates during the most recent year and until the date of publication of the annual report.

Seven. Review and analysis of financial status and financial performance, and risk management issues

I. Financial status

The main reasons for any material change in the Company's consolidated assets, liabilities, or shareholders' equity during the most recent two years, and the effect thereof, and the measures to be taken in response if the effect is of material significance:

Unit: NTD thousand

Item \ Year	2019	2018	Variance		Analysis on changes
			Amount	%	
Current assets	1,866,309	2,028,103	-161,794	-7.98%	
Property, plant and equipment	821,195	890,423	-69,228	-7.77%	
Other assets	215,579	64,585	150,994	233.79%	(1)
Total assets	2,903,083	2,983,111	-80,028	-2.68%	
Current liabilities	1,326,672	1,451,871	-125,199	-8.62%	
Noncurrent liabilities	111,261	149,584	-38,323	-25.62%	(2)
Total liabilities	1,437,933	1,601,455	-163,522	-10.21%	
Capital	993,880	993,880	-	-	
Capital surplus	98,017	98,017	-	-	
Retained earnings	394,863	291,928	102,935	35.26%	(3)
Other equity	-21,610	-2,169	-19,441	896.31%	(4)
Treasury stock	-	-	-	-	
Non-controlling equity	-	-	-	-	
Total equity	1,465,150	1,381,656	83,494	6.04%	

1. Notes to cause of changes by more than 20%:
   (1) A result of the increase in prepayment for Investment.
   (2) Increased deferred income tax liabilities due to increased profits of foreign subsidiaries.
   (3) Due to increased profits in the current period.
   (4) A result of the foreign exchange rate resulting in the Increased loss of exchange differences on translation of foreign financial statements.

2. Effect: No significant effect was produced, as it was a normal condition.

3. Measures to be taken in response: N/A.

II. Financial performance

(I) The main reasons for any material change in consolidated operating revenues, operating income, and income before tax during the most recent two years, and sales volume forecast and the basis thereof, and the effect upon the Company's business and finance, as well as the measures to be taken in response:

Unit: NTD thousand

Item / Year	2019	2018	Increase (decrease)	Change (%)	Analysis on changes
Operating revenue, net	$3,174,698	$3,675,769	-501,071	-13.63%	
Operating costs	(2,526,539)	(3,233,202)	706,663	-21.86%	(1)
Gross profit	648,159	442,567	205,592	46.45%	(1)
Operating expenses	(447,675)	(368,665)	-79,010	21.43%	(2)
Operating profit	200,484	73,902	126,582	171.28%	(1)
Non-operating revenue and expenditure	(25,423)	(19,737)	-5,686	28.81%	(3)
Net profits before tax	175,061	54,165	120,896	223.20%	(1)
Less: Income tax expenses	(57,218)	(43,798)	-13,420	30.64%	(1)
Net income	117,843	10,367	107,476	1036.71%	(1)
Other comprehensive income	19,441	7,885	11,556	146.56%	(3)
Total comprehensive income	$98,402	$18,252	80,150	439.13%	(1)
Net income attributed to the owner of parent company	$117,843	$10,367	107,476	1036.71%	
Comprehensive income attributed to the owner of parent company	$98,402	$18,252	80,150	439.13%	

Notes to cause of changes by more than 20%:

(1) Sales volume and volume decreased due to competition in the market, but as the sales of low gross margin products were reduced at the same time, the cost reduction was greater than the decrease in revenue, and the further growth of gross profit and net profit was also synchronized.

(2) Long payment period for customers, resulting in an increase in expected credit impairment losses.

(3) A result of the changes in foreign currency exchange loss and foreign exchange rate resulting in the Increased loss of exchange differences on translation of foreign financial statements.

(II) Sales volume forecast and the basis thereof, and the effect upon the Company's business and finance, as well as the measures to be taken in response:
Please refer to One. Letter to Shareholders herein.

III. Cash flow

(I) Analysis on consolidated cash flow for the most recent two years:

Item / Year	2019	2018	Increase (decrease) (%)
Cash flow ratio (%)	30.79%	2.74%	1023.72%

Year Item	2019	2018	Increase (decrease) (%)
Cash flow adequacy ratio (%)	183.24%	103.60%	76.87%
Cash reinvestment ratio (%)	12.86%	-0.34%	-3882.35%
Notes to increase/decrease (%): Cash flow ratio, cash flow tolerance ratio and cash reinvestment ratio were all better than last year, mainly due to the better profit situation in 108 years, improved efficiency of asset utilization, and a significant increase in net cash inflow from operating activities.			

(II) Corrective measures to be taken in response to illiquidity: Continue to adjust the business policy and maintain specific profitability.

(III) Analysis on liquidity for the coming year (2020)

Unit: NTD thousand

Balance of cash, beginning (1)	Projected net cash flow from operating activities for the year (2)	Projected cash inflow (outflow) of the year (3)	Projected cash balance (deficit) (1)+(2)-(3)	Corrective measures against insufficient cash position	
				Investment plan	Wealth management plan
322,636	331,248	(333,831)	320,053	–	–
Analysis on changes of cash flow for the coming year: Maintain the stable operation, reduce inventory and upgrade receivables turnover to generate cash inflow from operating activities; continue to invest in Equipment investment, equity acquisition, etc., thereby generating cash outflow.					

IV. Material capital expenditures in the latest year and impacts on business and finance

The Company added new equipment and renovated old equipment in order to invest in new products and, therefore, continued to spend the capital expenditure. Notwithstanding, the source of expenditure was own capital and bank loans and no material impact was caused to its business and finance.

V. The investment policy for the most recent year, major causes for profits or losses thereof, rectifications, and investment plans in the next year

1. Investment policy: The Company takes the market and availability of raw materials into account and adopts the investment policy based on its entire business plan.
2. For the profit or loss on investment, please see the overview of business for various affiliates in Eight. Special Disclosures herein. In 2019, by the market competition affected by the decline in sales volume and volume, but due to the simultaneous reduction of low gross margin productsales, the cost reduction is greater than the reduction in revenue, profit increased. In the future, the Group will continue to allocate its resources effectively to maintain the entire business performance and stable growth & profit.
3. Investment plans in the next year：Acquisition of Vietnamese companies by equity acquisition, investment totaling about US$9,400, has paid 30% of the price of US$2,820, and is expected to pay the remaining 70% of the price in 109 for US$6,580.

VI. Analysis and assessment on risk issues

(I) Impacts of interest rate/foreign exchange rate fluctuation and inflation to the Company's earnings during the most recent year and until the date of publication of the annual report, and future responsive measures:

1. Interest rate fluctuation: The interest expenditure was NT$18,090 thousand, i.e. 0.57% of the operating revenue, net for this year, Slightly reduced than that in 2018. It is expected that the interest rate might escalate sluggishly or remain the same in the next year, and the interest expenditure is estimated to Slightly reduced. The Company will seek low-interest rate capital and arrange the repayment of loans at the same time, in order to cut the interest expenditure.
2. Foreign exchange rate fluctuation: The net exchange loss was NT$11,297 thousand this year, primarily a result of the fluctuation in exchange of RMB to USD and NTD to USD. For the time being, the fluctuation in exchange of NTD to USD and RMB to USD remains volatility than last year. It is expected that the exchange income will not expand continuously. The Company estimates the foreign currency revenue and expenditure, net for natural hedging effect and reconciles the purchase of raw materials and export value denominated in foreign currency. The actual effect is considered under control.
3. Inflation: The Company's market segment was categorized into domestic marketing and export. In 2019, the inflation or deflation on the domestic marketing and export rendered no significant effect on the Company's operations. The Company maintained fair interactive relationship with suppliers, and adjusted its operating strategies subject to the degree of inflation or deflation to mitigate the adverse effect produced on the Company therefor.

In conclusion, the Company will pay attention to the possible movement of interest rates, foreign exchange rates and inflation from time to time, and take any hedging measures whenever it is necessary, so as to mitigate the adverse impact to the Company.

(II) Policies on high-risk and highly leveraged investments, loans to third parties, endorsements/guarantees, and derivatives trading during the most recent year and until the date of publication of the annual report, main causes of profit or loss incurred and future responsive measures:
The Company managed its finance in a conservative manner and never engaged in any high-risk or highly leveraged investments and derivatives trading. Meanwhile, the Company complied with the competent authority's requirements when loaning to others or making endorsements/guarantees.

(III) Future R&D plans and expected R&D expenditure:

1. For the Company's future R&D plans, please see the technology identified in the descriptions of business and overview of R&D in Five. Overview of Operations herein.
2. The Company expects to invest the R&D expenses equivalent to 2.41% of the operating revenue.

(IV) Impact on the Company's business and finance due to changes in domestic or foreign policies and laws, and responsive measures:
The Company's operations complied with the related policies and laws, and no impact was produced on the Company's business and finance.

(V) Impact on the Company's business and finance due to technological or industrial changes, and responsive measures:
No impact has produced on the Company's business and finance due to technological or industrial changes during the most recent year.

(VI) Impact on crisis management in the event of a change in corporate identity, and responsive measures:
The Company upheld the management philosophy emphasizing ethical management and profession. No impact has produced on the Company's crisis management due to a change in corporate identity during the most recent year.

(VII) Expected benefits and possible risks of merger and acquisition, and responsive measures: None.

(VIII) Expected benefits and possible risks of facilities expansion, and responsive measures: None.

(IX) Risks and responsive measures associated with concentrated sales or purchases:

1. Purchase: The sources of the Company's raw materials were primarily international leading manufacturers. Meanwhile, the Company worked with multiple excellent vendors to assure the quality of raw materials and supplies and mitigate the risk over supply shortage or disruption at the same time.
2. Sale: The Company dispersed its sales and, therefore, there was no likelihood of concentrated sales.

(X) Impact and risk on the Company due to major transfer or conversion of equity by directors, supervisors, or shareholders with more than 10% ownership interest, and responsive measures:
There was no sign showing that the major transfer or conversion of equity by shareholders would cause any impact to the Company.

(XI) Impact and risks on the Company due to a change of the right of management: None.

(XII) Major litigations and non-contentious cases: Please describe the major litigations or administrative litigations involving the Company or any director, supervisor, President, person-in-charge or major shareholder with more than 10% ownership interest of the Company, whether concluded or pending judgment, that are likely to pose significant impact on shareholders' equity or security prices of the Company, and also disclose the facts in dispute, the amount involved, the date the litigation started, the key parties involved, and progress until the publication date of the annual report: None.

(XIII) Other material risks and responsive measures: None.

VII. Other important notes: None.

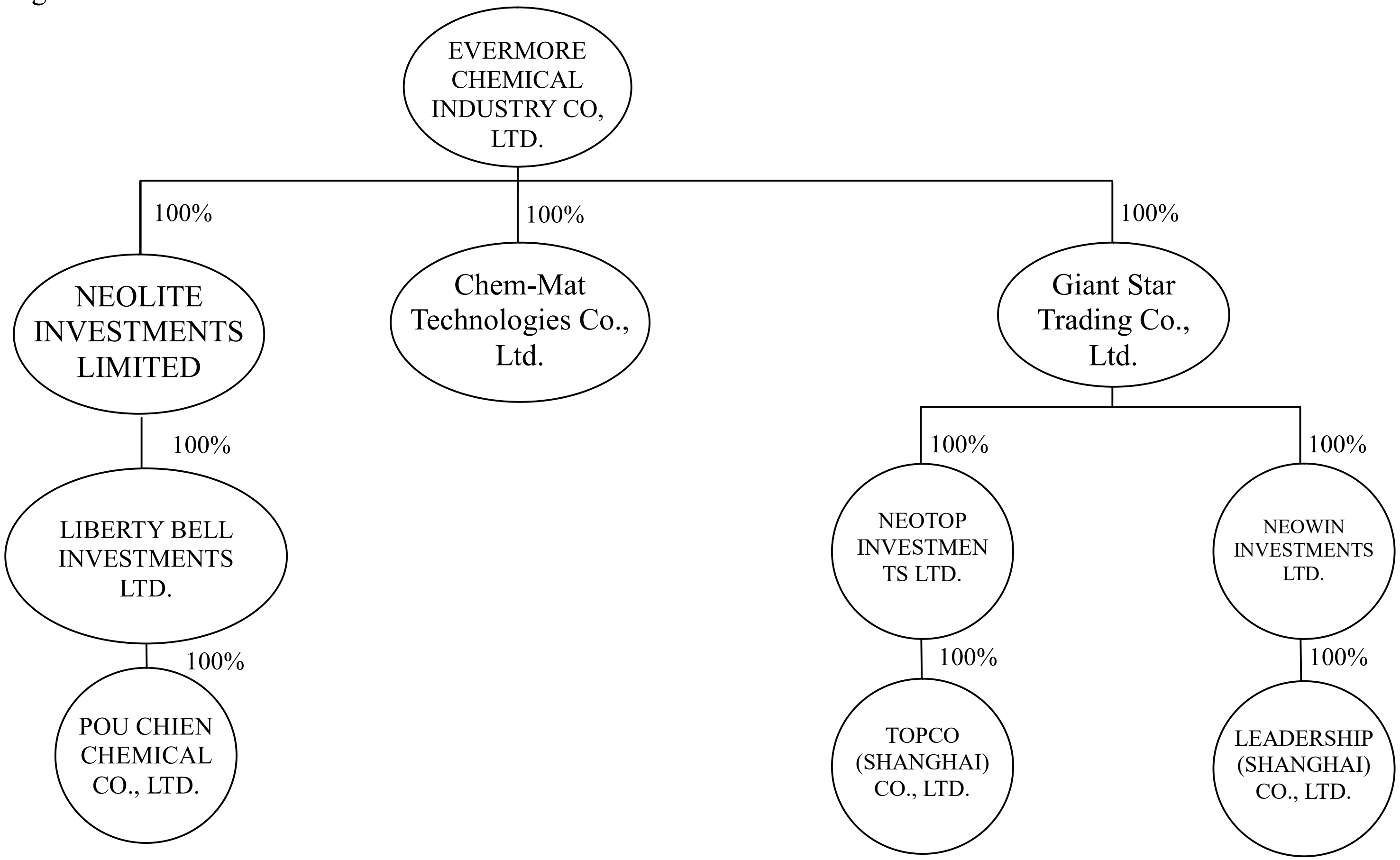
Eight. Special Disclosures

I. Information on Affiliates

(I) Profiles of affiliates

December 31, 2019

(1) Organizational chart of affiliates



(2) Basic information on affiliates

December 31, 2019

Unit: NTD Thousand/Foreign Currency $

Name of Affiliated Enterprise	Date of Incorporation	Address	Paid-in capital	Scope of business/production
EVERMORE CHEMICAL INDUSTRY CO, LTD	May 15, 1989	No.7, Gongye S. 2nd Rd., Nantou City	NTD993,880	PU resin manufacturing
Giant Star Trading Co., Ltd.	May 3, 1983	8F-3,No. 540, Sec.3, Taiwan Blvd., Taichung City	NTD126,000	Chemical materials trading
Chem-Mat Technologies Co., Ltd. and	May 8, 2007	No. 7, Nangang 3rd Rd., Nantou City	NTD72,000	Coating, paints and industrial catalyst wholesale
NEOLITE INVESTMENTS LTD.	May 29, 1997	British Virgin Islands	NTD413,902	Financial investment and international trading
LIBERTY BELL (POU CHIEN CHEMICAL CO., LTD.)	January 28, 2000	British Virgin Islands	USD21,000,000	PU resin manufacturing
NEOTOP INVESTMENTS LTD.	August 14, 2013	Offshore Chambers P.O. Box 217, Apia, Samoa	USD2,000,000	Financial investment and international trading
NEOWIN INVESTMENTS LTD.	November 21, 2016	Offshore Chambers P.O. Box 217, Apia, Samoa	USD505,000	Financial investment and international trading
TOPCO (SHANGHAI) CO., LTD.	September 12, 2005	Room 603, No. 999, Zhongshan West Road, Changning Dist., Shanghai City, China	USD1,000,000	Chemicals wholesale
LEADERSHIP (SHANGHAI) CO., LTD.	April 25, 2017	Room 602, No. 999, Zhongshan West Road, Changning Dist., Shanghai City, China	USD500,000	Chemicals wholesale

(3) Information on directors, supervisors and president of the Company's affiliates

December 31, 2019 Unit: Shares

Name of Affiliated Enterprise	Job title	Name or Representative	Shares held	
			Quantity of shares	Shareholding
EVERMORE CHEMICAL INDUSTRY CO, LTD.	Chairman of Board	Ho Wen Chieh	6,973,532	7.02%
	Director	Aica Kogyo Company, Limited - Representative: Tohdoh Satoshi	49,793,388	50.10%
	Director	Aica Kogyo Company, Limited - Representative: Omura Nobuyuki		
	Director	Aica Kogyo Company, Limited - Representative: Ebihara Kenji		
	Director	Pou Chien Enterprise Co.,Ltd. - Representative: Tsai Nai Yong	3,352,771	3.37%
	Independent director	Chen Chao Hwei	0	0%
	Independent director	Higashiyama Mikio	0	0%
	Supervisor	Liu Ve-Tung	2,255,412	2.27%
	Supervisor	Lu Hui Pin	2,196,193	2.21%
	Supervisor	Su I-Hsiu	0	0%
	President	Huang Chng Tze	93	0%
NEOLITE INVESTMENTS LTD.	Director	EVERMORE CHEMICAL INDUSTRY CO, LTD.	NTD413,902 thousand	100%
LIBERTY BELL (POU CHIEN CHEMICAL CO., LTD.)	Director	NEOLITE INVESTMENTS LTD. Corporate representative: Huang Chng Tze	21,000,000	100%

Name of Affiliated Enterprise	Job title	Name or Representative	Shares held	
			Quantity of shares	Capital contribution (%)
Giant Star Trading Co., Ltd.	Chairman of Board	EVERMORE CHEMICAL INDUSTRY CO, LTD. - Corporate representative: Ho Wen Chieh	NTD126,000 thousand	100%
	Director	EVERMORE CHEMICAL INDUSTRY CO, LTD. - Corporate representative: Huang Chng Tze		
	Director	EVERMORE CHEMICAL INDUSTRY CO, LTD. - Corporate representative: Yao Chi Wei		
	Supervisor	EVERMORE CHEMICAL INDUSTRY CO, LTD. - Corporate representative: Wu Pao Hua		
NEOTOP INVESTMENTS LTD.	Director	Giant Star Trading Co., Ltd. - Corporate representative: Ho Wen Chieh	2,000,000	100%
NEOWIN INVESTMENTS LTD.	Director	Giant Star Trading Co., Ltd. - Corporate representative: Ho Wen Chieh	505,000	100%
TOPCO (SHANGHAI) CO., LTD.	Executive Director	NEOTOP INVESTMENTS LTD. - Corporate Representative: Huang Chng Tze	1,000,000	100%
	Supervisor	NEOTOP INVESTMENTS LTD. - Corporate Representative: Hou Chen Su		
LEADERSHIP (SHANGHAI) CO., LTD.	Executive Director	NEOWIN INVESTMENTS LTD. - Corporate Representative: Huang Chng Tze	500,000	100%
	Supervisor	NEOWIN INVESTMENTS LTD. - Corporate Representative: Hou Chen Su		
Chem-Mat Technologies Co., Ltd. and	Chairman of Board	EVERMORE CHEMICAL INDUSTRY CO, LTD. - Corporate representative: Ho Wen Chieh	7,199,000	100%
	Director Director	EVERMORE CHEMICAL INDUSTRY CO, LTD. - Corporate representative: Wu Hsin Yu EVERMORE CHEMICAL INDUSTRY CO, LTD. - Corporate representative: Huang Chng Tze		
	Supervisor	Hou Chen Su	0	0%

(II) Operating profile of affiliated companies

Unit: NTD thousand

Name of Affiliated Enterprise	Capital	Total assets	Total liabilities	Net worth	Operating Revenue (Net)	Operating Profits	Current income (After tax)	Earnings per share (NT$) (After tax)
NEOLITE INVESTMENTS LTD.	413,902	755,822	53,629	702,193	138,403	(22,891)	86,977	-
LIBERTY BELL (POU CHIEN CHEMICAL CO., LTD.)	673,073	1,302,689	737,688	565,001	2,530,691	135,896	109,533	-
Chem-Mat Technologies Co., Ltd. and	72,000	192,933	66,384	126,549	93,601	573	(1,342)	-
Giant Star Trading Co., Ltd.	126,000	254,145	37,017	217,128	97,088	5,537	19,564	-
NEOTOP INVESTMENTS LTD.	58,800	167,420	-	167,420	-	(35)	26,048	-
NEOWIN INVESTMENTS LTD.	15,553	5,892	-	5,892	-	(46)	(5,080)	-
TOPCO (SHANGHAI) CO., LTD.	38,922	193,185	25,814	167,371	195,271	33,968	26,084	-
LEADERSHIP (SHANGHAI) CO., LTD.	15,400	45,198	39,358	5,840	68,246	(3,711)	(5,034)	-

Note 1: Foreign currency should be translated into NTD. The assets and liabilities are translated based on the foreign exchange rate-ending, NTD:USD=29.98:1 and NTD:NCY=4.305:1, and the income was translated based on the quarterly average foreign exchange rate.

(III) Affiliation Report

Statement of Affiliation Report

It is hereby declared that the Company's Affiliation Report for 2019 (from January 1, 2019 to December 31, 2019) was prepared pursuant to the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises", and there were no significant inconsistencies between the information given above and the supplementary information disclosed in the notes to financial statements for the above period.

Hereby declared by

Company Name:
EVERMORE CHEMICAL INDUSTRY CO, LTD

Responsible person:
Ho Wen Chieh

March 19, 2020

Qin-Zhong No. 10900498 on March 19, 2020

Addressee: EVERMORE CHEMICAL INDUSTRY CO, LTD.

Subject: Comments on the information given in your 2019 Affiliation Report free from any significant inconsistencies.

Remark:

You declared that your Affiliation Report for 2019 on March 19, 2020 (from January 1, 2019 to December 31, 2019) was prepared pursuant to the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” on March 21, 2019, and there were no significant inconsistencies between the information given above and the supplementary information disclosed in the notes to financial statements for the above period.

We have compared the Affiliation Report prepared by you pursuant to the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" with the notes to your financial statements 2019 and found that there were no significant inconsistencies in said declaration.

Deloitee Taiwan

Chiang Shu Ching, CPA

Wu Li Tung, CPA

FSC’s approval letter under
Jin-Guan-Zhen-Shen-Zi No. 1000028068

Securities and Futures Bureau’s approval letter
under Tai-Cai-Zhen-6-Zi No. 0920123784

1. Relationship between the controlling company and its subordinates

Unit: Shares; %

Name of Controlling Company	Cause of Control	Shareholding and pledges by the controlling company			Directors, supervisors or managerial officers representing the controlling company	
		Shares held	Shareholding	Quantity of pledged shares	Job title	Name
AICA Kogyo Company, Limited (AICA)	Holding 50.1% of the equity in the Company.	49,793,388	50.1%	None.	Director Director Director	Dodo So Ebihara Kenji Omura Nobuyuki

2. Transactions between the controlling company and its subordinates
The transactions between the Company and its controlling company, AICA, are stated as following:
(1) Purchase/sale:

Unit: NTD thousand; %

Transactions with the controlling company				Trading terms and conditions with the controlling company		General trading terms and conditions		Variance Cause	Accounts/notes receivable (payable)		Overdue accounts receivable			Remark
Purchase (sale)	Amount	As percentage of total operating costs (sales)	Gross profit	Unit price (NT$)	Duration of facility	Unit price (NT$)	Duration of facility		Balance	As percentage of total accounts / notes receivable (payable)	Amount	Resolution	Allowance for bad debt	
Sales	$88,348	6.30%	$31,348	-	T/T 60 days	-	T/T in advance - T/T 120 days	-	$ 3,580	1.14%	-	-	-	-
Purchase	2,629	0.22%	-	-	OA 69 days	-	OA 30~90 days	-	-	-	-	-	-	-

(2) Property transaction: None.
(3) Capital financing: None.
(4) Assets leasing: None.
(5) Other important transactions: None.
3. Endorsement/guarantee between the controlling company and its subordinates: None.
4. Matters that materially affect finance and business: None.

II. Private placement of securities during the most recent year and up to the date of publication of the annual report: None.

III. Holding or disposition of shares in the company by the company's subsidiaries during the most recent and up to the date of publication of the annual report: None.

IV. Other supplementary disclosures: None.

Nine. Any matters which might materially affect shareholders' equity or the price of the Company's securities during the most recent year and up to the date of publication of the annual report: None.

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

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

We hereby declare the above statement,

Evermore Chemical Industry Co., Ltd.

Chairman: Wen-Chieh Ho

2020 March 19

INDEPENDENT AUDITORS' REPORT

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

Audit Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Key audit matters for the Group's 2019 consolidated financial statements are stated as follows:

<u>Impairment Assessment of Trade Receivables</u>

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

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

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

<u>Valuation of Inventories</u>

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

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

1. We understood and tested whether management managed the inventory of normal and stagnant goods under appropriate control.
2. We obtained assessment data related to the low inventory cost and net realizable value prepared by the management, extracted the estimated selling price information to the most recent sales record, and assessed the basis and reasonableness of the management's estimated net realizable value.
3. We reviewed the inventory status and assessed the appropriateness of depreciation losses for obsolete or defective goods in inventory carried out at the end of the year.

Other Matters

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

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

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

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

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

Auditors’ Responsibilities for the Audit of Consolidated Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 2019 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte Taiwan

CPA Shu-Ching Chiang	CPA Li-Tung Wu
Approval reference of the Financial Supervisory Commission Jin-Guan-Zheng-Shen-1000028068	Approval reference of the Securities and Futures Bureau Tai-Tsai-Cheng (VI) No. 0920123784

March 19, 2020

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2019 and 2018

Unit: Thousands New Taiwan Dollars

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

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

Chairman: Wen-Chieh Ho　　Manager: Chng-Tze Huang　　Chief Accountant: Hsiang-Li Chen

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Year ended December 31, 2019 and 2018

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

		2019		2018	
Code		Amount	%	Amount	%
4000	Operating revenue (Notes 4 and 26)	$ 3,174,698	100	$ 3,675,769	100
5000	Operating costs (Notes 8, 21, 26)	2,526,539	79	3,233,202	88
5900	GROSS PROFIT	648,159	21	442,567	12
	Operating expenses (Note 21)				
6100	Selling and marketing expenses	160,863	5	164,254	5
6200	General and administrative expenses	155,832	5	115,013	3
6300	Research and development expenses	78,645	2	74,124	2
6450	Expected credit loss (Notes 4 and 7)	52,335	2	15,274	-
6000	Total operating expenses	447,675	14	368,665	10
6900	PROFIT FROM OPERATIONS	200,484	7	73,902	2
	NON-OPERATING INCOME AND EXPENSES				
7060	Share of loss of associates (Note 4)	(1,089)	-	(3,338)	-
7100	Interest income	1,099	-	1,215	-
7190	Other income (Note 26)	5,381	-	10,095	-
7210	Gains from disposal of property, plant, and equipment (Note 4)	113	-	48	-
7230	Foreign currency exchange losses (Note 21)	(11,297)	-	(6,883)	-
7510	Interest fees	(18,090)	(1)	(19,057)	(1)
7590	Miscellaneous expenses (Note 21)	(1,540)	-	(1,817)	-
7000	Total non-operating income and expenses	(25,423)	(1)	(19,737)	(1)

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Code		2019 Amount	2019 %	2018 Amount	2018 %
7900	PROFIT BEFORE INCOME TAX	$ 175,061	6	$ 54,165	1
7950	Income tax expense (Notes 4 and 22)	57,218	2	43,798	1
8200	NET PROFIT FOR THE YEAR	117,843	4	10,367	-
	OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translating the financial statements of foreign operations	(23,018)	(1)	10,611	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 22)	3,577	-	(2,726)	-
8300	Other comprehensive income (loss) for the year, net income tax	(19,441)	(1)	7,885	-
8500	TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 98,402	3	$ 18,252	-
	Earnings per share (Note 23)				
9750	Basic	$ 1.19		$ 0.10	
9850	Diluted	$ 1.18		$ 0.10	

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

Chairman: Wen-Chieh Ho Manager: Chng-Tze Huang Chief Accountant: Hsiang-Li Chen

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended December 31, 2019 and 2018

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

		EQUITY						
				Retained earnings (Note 20)				
Code		Ordinary Shares	Capital Surplus (Note 20)	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange differences on translating the financial statements of foreign operations	Total Equity
A1	Balance on January 1, 2018	$ 993,880	$ 98,017	$ 195,534	$ -	$ 135,721	($ 10,054)	$ 1,413,098
	Appropriation of 2017 earnings							
B1	Legal reserve	-	-	6,270	-	(6,270)	-	-
B3	Special reserve	-	-	-	10,054	(10,054)	-	-
B5	Cash dividends distributed by the Company - NT$ 0.5 per share	-	-	-	-	(49,694)	-	(49,694)
D1	Net profit for the year ended December 31, 2018	-	-	-	-	10,367	-	10,367
D3	Other comprehensive income for the year ended December 31, 2018, net of income tax	-	-	-	-	-	7,885	7,885
D5	Total comprehensive income for the year ended December 31, 2018	-	-	-	-	10,367	7,885	18,252
Z1	BALANCE ON DECEMBER 31, 2018	993,880	98,017	201,804	10,054	80,070	(2,169)	1,381,656
	Distribution of 2018 consolidated net income:							
B1	Legal reserve	-	-	1,037	-	(1,037)	-	-
B5	Cash dividend – NT$0.15 per share	-	-	-	-	(14,908)	-	(14,908)
B17	Reversal of special reserve	-	-	-	(7,885)	7,885	-	-
D1	2019 net income	-	-	-	-	117,843	-	117,843
D3	2019 other comprehensive profit and loss after tax	-	-	-	-	-	(19,441)	(19,441)
D5	2019 total current comprehensive profit and loss	-	-	-	-	117,843	(19,441)	98,402
Z1	Balance on December 31, 2019	$ 993,880	$ 98,017	$ 202,841	$ 2,169	$ 189,853	($ 21,610)	$ 1,465,150

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

Chairman: Wen-Chieh Ho　　Manager: Chng-Tze Huang　　Chief Accountant: Hsiang-Li Chen

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOW

For the year ended December 31, 2019 and 2018

Unit: Thousands New Taiwan Dollars

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

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Code		2019	2018
	CASH FLOW FROM INVESTING ACTIVITIES		
B02000	Increase in prepayments for investments	($ 87,561)	$ -
B02700	Payments for property, plant, and equipment	(23,690)	(19,705)
B02800	Proceeds from disposal of property, plant, and equipment	313	48
B03700	Increase in refundable deposits	(8,805)	(264)
B03800	Decrease in refundable deposits	24	54
B04500	Payments for intangible assets	(714)	(1,244)
B07100	Increase in prepayments for equipment	(60,090)	(28,530)
BBBB	Net cash used in investing activities	(180,523)	(49,641)
	CASH FLOW FROM FINANCING ACTIVITIES		
C00100	Proceeds from short-term borrowings	5,412,650	4,421,898
C00200	Repayments of short-term borrowings	(5,477,488)	(4,438,813)
C00500	Net decrease in short-term notes and bills payable	(108)	(19,932)
C01700	Repayments of long-term borrowings	(34,664)	(34,664)
C04500	Dividends paid to owners of the Company	(14,908)	(49,694)
CCCC	Net cash flow used in financing activities	(114,518)	(121,205)
DDDD	EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	(27,658)	19,926
EEEE	NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	85,811	(111,046)
E00100	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	236,825	347,871
E00200	CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 322,636	$ 236,825

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

Chairman: Wen-Chieh Ho　　Manager: Chng-Tze Huang　　Chief Accountant: Hsiang-Li Chen

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019 and 2018

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

I. GENERAL INFORMATION

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

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

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

II. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

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

IFRS 16 “Leases”

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

Lease definitions

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

1. The Group as lessee

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

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

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

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

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

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

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

Note 1: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

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

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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

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

New IFRSs	Effective date of IASB announcement (Note)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendment to IAS1 "Classification of Liabilities as Current or Non-Current"	January 1, 2022

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

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

IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(I) Statement of compliance

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

(II) Basis of preparation

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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

(IV) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the

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

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

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

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

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

(V) Foreign currencies

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

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

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

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

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

(VI) Inventories

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

(VII) Investments in associates

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

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

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

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

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

(VIII) Property, plant, and equipment

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

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

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

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

(IX) Investment properties

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

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

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

(X) Intangible assets

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

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

(XI) Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to the individual cash-generating units; otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

(XII) Financial instruments

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

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

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

Financial assets

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

1. Measurement Category

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

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

   (1) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flow; and

   (2) The contractual terms of the financial asset give rise on specified dates to cash flow that are solely payments of principal and interest on the principal amount outstanding.

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

   Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

   (1) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial asset; and

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

amortized cost from the reporting period following the impairment.

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

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

2. Impairment of financial assets

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

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

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

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

(1) Internal or external information indicates that debt settlement is no longer possible for the debtor.

(2) Past due more than 90 days, unless there is reasonable evidence as the

appropriate reason for the delay.

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

3. Derecognition of financial assets

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

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

Financial liabilities

1. Subsequent measurement

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

2. Derecognition of financial liabilities

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

(XIII) Provisions

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

(XIV) Revenue recognition

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

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

(XV) Leasing

2019

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

The Group as lessee

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

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

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

2018

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

The consolidated company is the lessee

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

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

(XVI) Employee benefits

1. Short-term employee benefits

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

2. Retirement benefits

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

(XVII) Taxation

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

1. Current income tax

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

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

2. Deferred tax

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

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

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

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

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

3. Current and deferred income taxes

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

V. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Major sources of estimation and assumption uncertainty

(I) Provision for impairment of financial assets

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

(II) Write-down of inventories

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

VI. CASH AND CASH EQUIVALENTS

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

VII. NOTES RECEIVABLE AND TRADE RECEIVABL

	December 31, 2019	December 31, 2018
Notes receivable		
Notes receivable - operating	$ 120,754	$ 136,458
Less: Allowance for impairment loss	-	-
	$ 120,754	$ 136,458
Trade receivables - unrelated parties		
Amortized cost		
Total book value	$ 788,356	$ 850,254
Less: Allowance for impairment loss	(77,578)	(50,746)
	$ 710,778	$ 799,508
Trade receivables - related parties		
Amortized cost		
Total book value	$ 101,048	$ 110,359
Less: Allowance for impairment loss	(36,005)	(17,473)
	$ 65,043	$ 92,886

(I) Notes receivable

The aging of notes receivable was as follows:

	December 31, 2019	December 31, 2018
Not past due	$ 120,754	$ 136,458
Past due	-	-
Total	$ 120,754	$ 136,458

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

(II) Trade receivables

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. Accordingly, the consolidated company's management believes that the consolidated company's credit risk is significantly reduced.

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

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

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

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

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

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

VIII. Inventories

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

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

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

IX. OTHER FINANCIAL ASSETS - CURRENT

The time deposits with original maturities over 3 months from the date of acquisition. For pledged assets information, refer to Note 27.

X. SUBSIDIARIES

Subsidiary included in the consolidated financial statements:

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

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

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

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

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

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

(I) Investments in associates

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

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

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

(II) Prepayment of investments

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

XII. Property, plant, and equipment

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

2018						
Cost						
Land	$ 392,315	$ -	$ -	$ -	$ -	$ 392,315
Buildings	557,118	2,822	-	3,641	6,197	569,778
Machinery and equipment	1,047,304	12,782	(1,613)	6,455	10,020	1,074,948
Transportation equipment	17,676	2,484	-	-	64	20,224
Other equipment	209,685	2,796	(102)	137	1,165	213,681
Total cost	2,224,098	$ 20,884	($ 1,715)	$ 10,233	$ 17,446	2,270,946
Accumulated depreciation						
Buildings	292,862	$ 31,010	$ -	$ -	$ 5,587	329,459
Machinery and equipment	827,610	48,670	(1,613)	-	8,712	883,379
Transportation equipment	14,629	960	-	-	66	15,655
Other equipment	134,835	16,530	(102)	-	767	152,030
Total accumulated depreciation	1,269,936	$ 97,170	($ 1,715)	$ -	$ 15,132	1,380,523
	$ 954,162					$ 890,423

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

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

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

XIII. Lease arrangements

(I) Right-of-use assets - 2019

	December 31, 2019
Book value of right-of-use assets	
Land	$ 17,473

	2019
Depreciation expenses of right-of-use assets	
Land	$ 770

(II) Major leasing activities and terms

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

XIV. Net investment assets

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

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

Buildings	
Main buildings	25 years

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

XV. PREPAYMENTS FOR LEASE

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

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

XVI. Loans

(I) Short-term bank borrowings

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

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

(II) Short-term bills payable

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

Outstanding short-term bills payable were as follows:

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest rate per annum (%)
December 31, 2019				
Mega Bills Finance Co., Ltd.	$ 70,000	$ 80	$ 69,920	0.93
International Bills Finance Corporation	60,000	53	59,947	1.04
	$ 130,000	$ 133	$ 129,867	

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest rate per annum (%)
December 31, 2018				
Mega Bills Finance Co., Ltd.	$ 70,000	$ 13	$ 69,987	0.84
International Bills Finance Corporation	60,000	12	59,988	1.04
	$ 130,000	$ 25	$ 129,975	

(III) Long-term bank borrowings

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

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

XVII. Other payables

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

XVIII. Provisions - current

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

XIX. Retirement benefit plans

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

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

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

XX. Equity

(I) Capital surplus

	December 31, 2019	December 31, 2018
Issuance of common shares	$ 70,860	$ 70,860
Treasury share transactions	27,157	27,157
	$ 98,017	$ 98,017

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

(II) Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. Please refer to Note 21 (2) for the employee and director remuneration policy of the Company's Articles of Incorporation.

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

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

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

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

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

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

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

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

XXI. Net income

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

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

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

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

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors and supervisors at rates of 3% to 5% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The 2019 and 2018 employees' compensation and remuneration of directors and supervisors have been set in March 9, 2020 and March 21, 2019 respectively by resolution of the board of directors:

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

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

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

For information on remuneration for employees, directors, and supervisors by resolutions of the Company's 2020 and 2019 board of directors, please visit the MOPS on Taiwan Stock Exchange.

(III) Net loss from foreign exchange

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

XXII. Income tax

(I) Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	2019	2018
Current income tax		
In respect of the current year	$ 42,033	$ 34,308
Income tax on unappropriated earnings	1,255	1,400
Adjustments for prior years	887	(1,807)
	44,175	33,901
Deferred tax		
In respect of the current year	12,684	208
Effect of tax change	-	7,882
Adjustments for prior years	359	1,807
	13,043	9,897
Income tax expense recognized in profit or loss	$ 57,218	$ 43,798

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

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

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

The Group adopts the revised Individual Income Tax Act of the Republic of China in 2018 to adjust the prescribed tax rate applicable to the profit-seeking enterprise from 17% to 20%. The amendment also stipulated that the prescribed tax rate applicable to the unappropriated earnings for 2018 was trimmed from 10% to 5%. The tax rate applicable to subsidiaries in China is 25%, while the tax generated in other regions are calculated based on the tax rate applicable to each region.

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

(II) Deferred tax assets and liabilities

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

2019	Balance at Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance at end of period
Deferred tax assets				
Temporary differences				
Inventory write-downs	$ 3,552	($ 49)	$ -	$ 3,503
Exchange differences on translating the financial statements of foreign operations	2,308	-	1,937	4,245
Investment accounted for using the equity method	897	218	-	1,115
Allowance for losses	429	3,949	-	4,378
Others	3,361	1,420	-	4,781
	10,547	5,538	1,937	18,022
Tax losses	1,280	568	-	1,848
	$ 11,827	$ 6,106	$ 1,937	$ 19,870
Deferred tax liabilities				
Temporary differences				
Investment accounted for using the equity method	$ 40,690	$ 17,396	$ -	$ 58,086

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

(III) Information about unused loss carryforwards

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

Unused Amount	Expiry Year
$ 6,400	117
2,839	118

(IV) Income tax assessments

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

XXIII. Earnings per share

	Net profit Attributable to Owners of the Company	Number of Shares (In Thousands)	Earnings Per Shares (NT$)
2019			
Basic earnings per share			

Net profit Attributable to Owners of the Company	$ 117,843	99,388	$ 1.19
Effect of potentially dilutive ordinary shares:			
Employees' compensation	-	454	
Diluted earnings per share			
Profit for the period attributable to owners of the Company plus effect of potentially dilutive ordinary shares	$ 117,843	99,842	$ 1.18
2018			
Basic earnings per share			
Net profit Attributable to Owners of the Company	$ 10,367	99,388	$ 0.10
Effect of potentially dilutive ordinary shares:			
Employees' compensation	-	108	
Diluted earnings per share			
Profit for the period attributable to owners of the Company plus effect of potentially dilutive ordinary shares	$ 10,367	99,496	$ 0.10

If the Company offered to settle the compensation or bonuses paid to employees in cash or shares, the Company assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares should is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

XXIV. Capital risk management

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

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

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

XXV. Financial instruments

(I) Fair value of financial instruments

1. Financial instruments carried at fair value

The following table provides an analysis of financial instruments that are measured at fair value subsequent to initial recognition. The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable as follows:

(1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

(2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(3) Level 3 inputs are unobservable inputs for the asset or liability

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

2. Financial instruments not carried at fair value

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

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

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

equal to the fair value.

(II) Categories of financial instruments

	December 31, 2019	December 31, 2018
Financial assets		
Financial assets at amortized cost (Note 1)	$ 1,241,876	$ 1,288,361
Financial liabilities		
Financial liabilities at amortized cost (Note 2)	1,317,725	1,511,648

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

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

(III) Financial risk management objectives and policies

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

1. Market risk

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

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

(1) Foreign currency risk

The Groups have foreign currency sales and purchases, which exposed the Group to foreign currency risk.

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

Sensitivity analysis

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

Currency	2019	2018
NTD:USD	$ 3,142	$ 2,547
RMB:USD	3,277	3,276
NTD:RMB	533	386

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

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

(2) Interest rate risk

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

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

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

Sensitivity analysis

For the consolidated financial assets and liabilities with floating interest rates, assuming that other conditions remain unchanged, a change in 0.25% interest rate has led to 2019 and 2018 net profit before tax to change by NT$890 thousand and NT$1,047 thousand, respectively.

2. Credit risk

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

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

3. Liquidity risk

The Group has built an appropriate liquidity risk management framework for the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining banking facilities, obtaining the loan commitment, and continuously monitoring forecasted and actual cash flow as well as the maturity profiles of financial assets and liabilities. As of December 31, 2019 and 2018, the Group's unused bank financing facilities are NT$845,748 thousand and NT$394,503 thousand respectively.

Liquidity and interest rate risk tables

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

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

Non-derivative financial liabilities	Less Than 1 Year	More than 1 Year
December 31, 2019		
Non-interest bearing liabilities	$ 391,206	$ -
Variable interest rate liabilities	650,092	27,602
Fixed interest rate liabilities	248,394	-
	$ 1,289,692	$ 27,602

Non-derivative financial liabilities	Less Than 1 Year	More than 1 Year
December 31, 2018		
Non-interest bearing liabilities	$ 482,483	$ -
Variable interest rate liabilities	555,706	82,085
Fixed interest rate liabilities	390,880	-
	$ 1,429,069	$ 82,085

XXVI. TRANSACTIONS WITH RELATED PARTIES

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

(I) Related party name and category

Related Party Name	Related Party Category
AICA	The Company’s parent
PT. PT. AICA INDRIA (PT. AICA)	Fellow subsidiary
Aica Singapore Pte Ltd. (AICA SINGAPORE)	Fellow subsidiary
Dynea (Shanghai) Co., Ltd.（Dynea）	Fellow subsidiary
Pou Chen Corporation and its subsidiaries	Others (affiliated company of the Company’s legal director) (Note)
Yue Yuen Industrial (Holdings) Limited and its subsidiaries	Others (affiliated company of the Company’s legal director) (Note)
TOPWELL	Associate

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

(II) Sales of goods

Line Item	Related Party Category/Name	2019	2018
Sales	Others	$ 110,232	$ 109,489
	Associate	87,710	103,284
	Parent entity	88,348	9,895
	Fellow subsidiary	3,971	617
		$ 290,261	$ 223,285
Other revenue	Parent entity	$ 270	$ 318

The sales transactions of the Group to related parties are quoted based on the differences between the products and the acceptance of the market, and the credit period is from 60 days to 180 days.

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

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

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

Line Item	Related Party Category/Name	December 31, 2019	December 31, 2018
Net trade receivables	Associate		
	TOPWELL	$ 54,587	$ 68,877
	Others	6,876	16,871
	Parent entity	3,580	7,138
		$ 65,043	$ 92,886

The outstanding trade receivables from related parties are unsecured.

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

Line Item	Related Party Category/Name	December 31, 2019	December 31, 2018
Trade payables	Parent entity	$ 1,485	$ 2,456

Other payables	Parent entity	$ 2,551	$ -
	Others	206	252
		$ 2,757	$ 252

(III) Payables to related parties

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

	2019	2018
Short-term employee benefits	$ 14,825	$ 8,009
Retirement benefits	195	195
	$ 15,020	$ 8,204

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

XXVII. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	December 31, 2019	December 31, 2018
Property, plant, and equipment	$ 225,653	$ 265,672
Other financial assets - current	1,586	1,570
	$ 227,239	$ 267,242

XXVIII. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

XXIX. THE FOREIGN ASSETS AND LIABILITIES WITH SIGNIFICANT IMPACT

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

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

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

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

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

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

XXX. SEPARATELY DISCLOSED ITEMS

(I) Information about significant transactions and investees:

1. Financing provided to others. (Table 1)
2. Endorsements/guarantees provided. (Table 2)
3. Marketable securities held at the end of the period. (None)
4. Marketable securities acquired and disposed of at costs or prices at least $300 million or 20% of the paid-in capital. (None)
5. Acquisition of individual real estate at costs of at least $300 million or 20% of the paid-in capital. (None)
6. Disposal of individual real estate at prices of at least $300 million or 20% of

the paid-in capital. (None)

7. Total purchases from or sales to related parties amounting to at least $100 million or 20% of the paid-in capital. (Table 3)
8. Accounts receivable from related parties for an amount exceeding NT$100 million or 20% of paid-in capital. (Table 4)
9. Trading in derivative instruments. (None)
10. Other: Business relationships and significant transactions and amount between parent company and subsidiaries and among subsidiaries. (Table 5)
11. Invested Company Information. (Table 6)

(III) Investments in Mainland China

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

XXXI. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Group's segment information is disclosed as follows:

(I) Segment revenues and results

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

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

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

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

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

(II) Segment total assets and liabilities

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

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

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

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

(III) Revenue from major products

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

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

(IV) Geographical information

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

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

(V) Information about major customers

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

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS

Year ended December 31, 2019

TABLE 1

Unit: Thousands of New Taiwan Dollars or Foreign Currencies)

No.	Lender	Borrower (Note 1)	Financial Statement Account	Related party	Highest Balance for the Period	Balance at end of period (Note 2)	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
0	The Company	LIBERTY BELL	Other receivables	Yes	$ 124,240 (USD 4,000)	$ -	$ -	(Note 3)	Necessary for short-term financing	$ -	Operating capital	$ -	—	$ -	$ 146,515 (Note 4)	$ 586,060 (Note 4)	
1	NEOLITE	LIBERTY BELL	Other receivables	Yes	94,800 (USD 3,000)	89,940 (USD 3,000)	47,968 (USD 1,600)	(Note 3)	Necessary for short-term financing	-	Operating capital	-	—	-	351,097 (Note 5)	351,097 (Note 5)	
		The Company	Other receivables	Yes	63,200 (USD 2,000)	-	-	(Note 3)	Necessary for short-term financing	-	Operating capital	-	—	-	351,097 (Note 5)	351,097 (Note 5)	
2	TOPCO	LEADERSHIP SHANGHAI	Other receivables	Yes	9,042 (CNY 2,000)	8,610 (CNY 2,000)	8,610 (CNY 2,000)	(Note 3)	Necessary for short-term financing	-	Operating capital	-	—	-	16,737 (Note 6)	66,948 (Note 6)	

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

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

Note 3: Interest rate according to bank loan contract.

Note 4: The loan and limit and total limit of individual funds are limited to the sum of 10% of the Company’s net worth and the monthly average transaction value over the previous year, or 40% of the Company's net worth.

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

Note 6: The loan and limit and total limit of individual funds are limited to the sum of 10% of the net worth of TOPCO (SHANGHAI) CO., LTD and the monthly average transaction value over the previous year, or 40% of the net worth of TOPCO (SHANGHAI) CO., LTD.

Evermore Chemical Industry Co., Ltd. and Subsidiaries

ENDORSEMENTS/GUARANTEES PROVIDED

Year ended December 31, 2019

TABLE 2

Unit: Thousands of New Taiwan Dollars or Foreign Currencies)

No.	Endorser/ Guarantor	Endorsee/ Guarantee		Limited endorsements/ guarantees for any single entity	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Company name	Relationship											
0	The Company	LIBERTY BELL	Refer to Note 10 of consolidated financial statements	$ 732,575 (Note)	$ 474,000 (USD 15,000)	$ 449,700 (USD 15,000)	$ 179,730 (USD 5,995)	$ -	30.69%	$ 1,025,605 (Note)	Y	—	—	

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

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

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

Year ended December 31, 2019

TABLE 3

Unit: Thousands New Taiwan Dollars

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Company	NEOLITE	(Note 1)	Sale	($ 138,049)	(10)	T/T 90-180 days	Note 3	—	$ 37,718	12	
LIBERTY BELL	POU CHIEN	(Note 1)	Sale	(245,996)	(25)	T/T 90 days	Note 3	—	4,758	2	
POU CHIEN	LIBERTY BELL	(Note 1)	Sale	(743,916)	(49)	T/T 30 days	Note 3	—	343,452	62	

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

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

Note 3: The price of sales transactions with related parties is quoted based on product differentiation and market condition.

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

Accounts receivable from related parties for an amount exceeding NT$100 million or 20% of paid-in capital

December 31, 2019

TABLE 4

Unit: Thousands of New Taiwan Dollars or Foreign Currencies)

The company booked in the receivables	Counterparty (Note 2)	Relationship	Receivables from related party	Turnover rate	Overdue Receivables from related parties		Receivables amount collected from related parties subsequently	Allowance for bad debts
					Amount	Process		
POU CHIEN	LIBERTY BELL	(Note 1)	Trade receivables $ 343,452	2.17	$ 273,334	Improved collection work	$ 106,393	$ -

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

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

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

TABLE 5

Unit: Thousands of New Taiwan Dollars or Foreign Currencies)

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

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

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

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES

Year ended December 31, 2019

TABLE 6

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

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

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

Note 2: Not applicable.

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

Investments in Mainland China

Year ended December 31, 2019

Table 7

Unit: Thousands of New Taiwan Dollars or Foreign Currencies)

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

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

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

Note2: Including investment in equipment and expertise, but not including the surplus of investment in China's investment business, and reinvestment of investment in the third region.

Note3: The financial statements of the investee were audited by the ROC parent company's CPA during the same period.

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

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

INDEPENDENT AUDITORS' REPORT

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

Audit Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Key audit matters for the Group's 2019 individual financial statements are stated as follows:

Impairment Assessment of Trade Receivables

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

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

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

Valuation of Inventories

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

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 2019 individual financial statements and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte Taiwan

CPA Shu-Ching Chiang	CPA Li-Tung Wu
Approval reference of the Financial Supervisory Commission Jin-Guan-Zheng-Shen-1000028068	Approval reference of the Securities and Futures Bureau Tai-Tsai-Cheng (VI) No. 0920123784

March 19, 2020

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

Unit: Thousands New Taiwan Dollars

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

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

Chairman: Wen-Chieh Ho | Manager: Chng-Tze Huang | Chief Accountant: Hsiang-Li Chen

EVERMORE CHEMICAL INDUSTRY CO., LTD.

STATEMENTS OF COMPREHENSIVE INCOME

Year ended December 31, 2019 and 2018

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

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

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

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

Chairman: Wen-Chieh Ho Manager: Chng-Tze Huang Chief Accountant: Hsiang-Li Chen

EVERMORE CHEMICAL INDUSTRY CO., LTD.

STATEMENTS OF CHANGES IN EQUITY

For the year ended December 31, 2019 and 2018

(In Thousands of New Taiwan Dollars,

Except Dividends Per Share

Code		Ordinary Shares	Capital Surplus (Note 17)	Retained Earnings (Note 17) Legal Reserve	Retained Earnings (Note 17) Special Reserve	Retained Earnings (Note 17) Unappropriated Earnings (Note 19)	Exchange differences on translating the financial statements of foreign operations	Total Equity
A1	Balance on January 1, 2018	$ 993,880	$ 98,017	$ 195,534	$ -	$ 135,721	($ 10,054)	$ 1,413,098
	Appropriation of 2017 earnings							
B1	Legal reserve	-	-	6,270	-	(6,270)	-	-
B3	Special reserve	-	-	-	10,054	(10,054)	-	-
B5	Cash dividends distributed by the Company - NT$ 0.5 per share	-	-	-	-	(49,694)	-	(49,694)
D1	Net profit for the year ended December 31, 2018	-	-	-	-	10,367	-	10,367
D3	Other comprehensive income for the year ended December 31, 2018, net of income tax	-	-	-	-	-	7,885	7,885
D5	Total comprehensive income for the year ended December 31, 2018	-	-	-	-	10,367	7,885	18,252
Z1	BALANCE ON DECEMBER 31, 2018	993,880	98,017	201,804	10,054	80,070	(2,169)	1,381,656
	Distribution of 2018 consolidated net income:							
B1	Legal reserve	-	-	1,037	-	(1,037)	-	-
B5	Cash dividend – NT$0.15 per share	-	-	-	-	(14,908)	-	(14,908)
B17	Reversal of special reserve	-	-	-	(7,885)	7,885	-	-
D1	2019 net income	-	-	-	-	117,843	-	117,843
D3	2019 other comprehensive profit and loss after tax	-	-	-	-	-	(19,441)	(19,441)
D5	2019 total current comprehensive profit and loss	-	-	-	-	117,843	(19,441)	98,402
Z1	Balance on December 31, 2019	$ 993,880	$ 98,017	$ 202,841	$ 2,169	$ 189,853	($ 21,610)	$ 1,465,150

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

Chairman: Wen-Chieh Ho Manager: Chng-Tze Huang Chief Accountant: Hsiang-Li Chen

EVERMORE CHEMICAL INDUSTRY CO., LTD.

INDIVIDUAL CASH FLOW STATEMENT

For the year ended December 31, 2019 and 2018

Unit: Thousands New Taiwan Dollars

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

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

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

Chairman: Wen-Chieh Ho Manager: Chng-Tze Huang Chief Accountant: Hsiang-Li Chen

EVERMORE CHEMICAL INDUSTRY CO., LTD.
INDIVIDUAL FINANCIAL STATEMENT NOTES
For the year ended December 31, 2019 and 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

I. GENERAL INFORMATION

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

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

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

II. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

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

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

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

Note 1: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

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

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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

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

New IFRSs	Effective date of IASB announcement (Note)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendment to IAS1 “Classification of Liabilities as Current or Non-Current”	January 1, 2022

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

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

IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(I) Statement of compliance

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

(II) Basis of preparation

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

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

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

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

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

Current assets include:

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

Current liabilities include:

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

defer settlement for at least 12 months after the reporting period.

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

(IV) Foreign currencies

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

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

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

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

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

(V) Inventories

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

(VI) Investment accounted for using the equity method

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

1. Investments in subsidiaries

   Subsidiary is an entity that is controlled by the Company.

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

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

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

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

2. Investments in associates

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

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

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

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

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

(VII) Property, plant, and equipment

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

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

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

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

(VIII) Investment properties

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

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

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

(IX) Intangible assets

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

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

(X) Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to the individual cash-generating units; otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

(XI) Financial instruments

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

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

<u>Financial assets</u>

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

1. Measurement Category

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

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

(1) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flow; and

(2) The contractual terms of the financial asset give rise on specified dates to cash flow that are solely payments of principal and interest on the principal amount outstanding.

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

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

(1) Purchased or originated credit-impaired financial asset, for which interest

income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial asset; and

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

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

2. Impairment of financial assets

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

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

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

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

(1) Internal or external information indicates that debt settlement is no longer possible for the debtor.

(2) Past due more than 90 days, unless there is reasonable evidence as the

appropriate reason for the delay.

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

3. Derecognition of financial assets

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

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

Financial liabilities

1. Subsequent measurement

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

2. Derecognition of financial liabilities

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

(XII) Provisions

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

(XIII) Revenue recognition

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

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

(XIV) Employee benefits

1. Short-term employee benefits

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

2. Retirement benefits

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

(XV) Taxation

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

1. Current income tax

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

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

2. Deferred tax

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

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

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

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

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

3. Current and deferred income taxes

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

V. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Major sources of estimation and assumption uncertainty

(I) Provision for impairment of financial assets

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

(II) Write-down of inventories

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

VI. Cash

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

VII. NOTES RECEIVABLE AND TRADE RECEIVABL

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

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

(I) Notes receivable

The aging of notes receivable was as follows:

	December 31, 2019	December 31, 2018
Not past due	$ 76,797	$ 70,215
Past due	-	-
Total	$ 76,797	$ 70,215

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

(II) Trade receivables

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

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

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

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

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

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

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

VIII. INVENTORIES

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

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

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

IX. OTHER FINANCIAL ASSETS - CURRENT

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

X. Equity-accounted investments and prepayment of investments

Equity-accounted investments are listed as follows:

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

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

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

(I) Investments in subsidiaries

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

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

(II) Investments in associates

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

(III) Prepayment of investments

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

XI. PROPERTY, PLANT, AND EQUIPMENT

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

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

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

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

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

XII. NET AMOUNT FOR INVESTMENT PROPERTIES

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

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

Buildings	
Main buildings	25 years

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

XIII. Loans

(I) Short-term bank borrowings

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

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

(II) Short-term bills payable

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

Outstanding short-term bills payable were as follows:

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

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

(III) Long-term bank borrowings

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

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

XIV. OTHER PAYABLES

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

XV. PROVISIONS - CURRENT

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

XVI. RETIREMENT BENEFIT PLANS

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

XVII. Equity

(I) Capital surplus

	December 31, 2019	December 31, 2018
Issuance of common shares	$ 70,860	$ 70,860
Treasury share transactions	27,157	27,157
	$ 98,017	$ 98,017

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

(II) Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to Note 18-b.

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

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

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

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

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

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

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

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

XVIII. NET PROFIT

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

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

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

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

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

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

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

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

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

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

For information on remuneration for employees, directors, and supervisors by resolutions of the Company's 2020 and 2019 board of directors, please visit the MOPS on Taiwan Stock Exchange.

(III) Foreign currency exchange net gains (loss)

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

XIX. Income tax

(I) Income tax recognized in profit or loss

Major components of income tax expense are as follows:

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

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

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

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

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

(II) Deferred tax assets and liabilities

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

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

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

(III) Income tax assessments

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

XX. EARNINGS PER SHARE

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

If the Company offered to settle the compensation or bonuses paid to employees in cash or shares, the Company assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares should is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

XXI. CAPITAL MANAGEMENT

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

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

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

XXII. FINANCIAL INSTRUMENTS

(I) Fair value of financial instruments

1. Financial instruments carried at fair value

   The following table provides an analysis of financial instruments that are measured at fair value subsequent to initial recognition. The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable as follows:

   (1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

   (2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

   (3) Level 3 inputs are unobservable inputs for the asset or liability

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

2. Financial instruments not carried at fair value

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

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

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

(II) Categories of financial instruments

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

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

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

(III) Financial risk management objectives and policies

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

1. Market risk

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

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

(1) Foreign currency risk

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

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

Sensitivity analysis

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

Currency	2019	2018
USD	$ 1,357	$ 718

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

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

(2) Interest rate risk

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

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

Sensitivity analysis

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

2. Credit risk

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

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

3. Liquidity risk

The Company has built an appropriate liquidity risk management framework for the Company's short, medium, and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining banking facilities, obtaining the loan commitment, and continuously monitoring forecasted and actual cash flow as well as the maturity profiles of financial assets and liabilities. As of December 31, 2019 and 2018, the Company's unused bank financing facilities are NT$579,929 thousand and NT$286,030 thousand respectively.

Liquidity and interest rate risk tables

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

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

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

XXIII. TRANSACTIONS WITH RELATED PARTIES

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

(I) Related party name and category

Related Party Name	Related Party Category
AICA	The Company's parent
PT. PT. AICA INDRIA (PT. AICA)	Fellow subsidiary
Aica Singapore Pte Ltd. (AICA SINGAPORE)	Fellow subsidiary
Dynea (Shanghai) Co, Ltd.（Dynea）	Fellow subsidiary
Pou Chen Corporation and its subsidiaries	Others (affiliated company of the Company's legal director) (Note)
Yue Yuen Industrial (Holdings) Limited and its subsidiaries	Others (affiliated company of the Company's legal director) (Note)

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

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

(II) Sales of goods

Line Item	Related Party Category/Name	2019	2018
Sales	Subsidiary		
	NEOLITE	$ 138,049	$ 189,291
	POU CHIEN	99,712	198,804
	Others	43,572	40,657
	Parent entity	88,348	9,869
	Associate	15,196	18
	Fellow subsidiary	3,971	617
	Others	700	1,064
		$ 389,548	$ 440,320

Line Item	Related Party Category/Name	2019	2018
Purchases of goods	Subsidiary	$ 13,145	$ 7,440
	Parent entity	2,629	1,890
		$ 15,774	$ 9,330
Other revenue	Subsidiary		
	GIANT STAR	$ 336	$ 336
	Parent entity	270	318
		$ 606	$ 654

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

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

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

The outstanding trade receivables from related parties are unsecured.

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

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

Line Item	Related Party Category/Name	December 31, 2019	December 31, 2018
Other payables	Parent entity	$ 2,551	$ -

(III) Loans from related parties

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

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

(IV) Endorsements and guarantees

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

(V) Payables to related parties

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

	2019	2018
Short-term employee benefits	$ 14,825	$ 7,628
Retirement benefits	195	195
	$ 15,020	$ 7,823

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

XXIV. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

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

XXV. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

XXVI. THE FOREIGN ASSETS AND LIABILITIES WITH SIGNIFICANT IMPACT

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

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

December 31, 2018

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

The significant unrealized foreign exchange losses were as follows:

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

XXVII. SEPARATELY DISCLOSED ITEMS

(I) Information about significant transactions and investees:

1. Financing provided to others. (Table 1)
2. Endorsements/guarantees provided. (Table 2)
3. Marketable securities held at the end of the period. (None)
4. Marketable securities acquired and disposed of at costs or prices at least $300 million or 20% of the paid-in capital. (None)
5. Acquisition of individual real estate at costs of at least $300 million or 20% of the paid-in capital. (None)
6. Disposal of individual real estate at prices of at least $300 million or 20% of the paid-in capital. (None)
7. Total purchases from or sales to related parties amounting to at least $100 million or 20% of the paid-in capital. (Table 3)
8. Accounts receivable from related parties for an amount exceeding NT$100 million or 20% of paid-in capital. (Table 4)
9. Trading in derivative instruments. (None)
10. Information on investees. (Table 5)

(III) Investments in Mainland China

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

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

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS

Year ended December 31, 2019

TABLE 1

Unit: Thousands of New Taiwan Dollars or Foreign Currencies)

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

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

Note 2: Interest rate according to bank loan contract.

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

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

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

Evermore Chemical Industry Co., Ltd. and Subsidiaries

ENDORSEMENTS/GUARANTEES PROVIDED

Year ended December 31, 2019

TABLE 2

Unit: Thousands of New Taiwan Dollars or Foreign Currencies)

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

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

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

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

Year ended December 31, 2019

TABLE 3

Unit: Thousands New Taiwan Dollars

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

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

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

Accounts receivable from related parties for an amount exceeding NT$100 million or 20% of paid-in capital

December 31, 2019

TABLE 4

Unit: Thousands of New Taiwan Dollars or Foreign Currencies)

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

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES

Year ended December 31, 2019

TABLE 5

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

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

Note: Not applicable.

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

Investments in Mainland China

Year ended December 31, 2019

TABLE 6

Unit: Thousands of New Taiwan Dollars or Foreign Currencies)

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

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

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

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

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

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

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

日勝化工股份有限公司

EVERMORE CHEMICAL INDUSTRY CO., LTD.