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

2020 ANNUAL REPORT



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<http://www.twemc.com/>

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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 2020

(I) Results of Business Plans

The Company's consolidated net revenue for 2020 is NTD 2,363,415 thousand. Consolidated net profit after tax was NTD 74,010 thousand and consolidated basic earnings per share after tax was NTD 0.74 per share; please refer to the table below.

Revenues in 2020 were lower than that in 2019. Due to the rapid and severe outbreak of COVID-19 in early 2020, many governments busied themselves with pandemic prevention measures and this forced some countries to implement border controls. This in turn led to stagnation of economic activity. Overall sales volumes fell, accompanied by a downward trend in sales prices as well. After the downturn in the first three quarters, the prices of some major raw materials bounced back in the fourth quarter, which affected gross profit. Meanwhile, in respect to non-industry expenditures, forecasts were adjusted for the Thailand business to reflect the impact of the COVID-19 pandemic, and a loss of goodwill was included. In terms of overall results, this year's gross profit decreased by 29.46% compared to 2019. Net profit before and after tax decreased by 55.68% compared with 2019.

Business performance:

Unit: NTD thousand

Item	2020	2019	Growth Rate
Operating Revenue	2,363,415	3,174,698	-25.55%
Operating Profits	137,490	200,484	-31.42%
Profit Before Income Tax	77,584	175,061	-55.68%

(II) Budget Implementation

The Company has not disclosed the financial forecasts for the year of 2020.

(III) Financial Revenue and Expenditure

As of December 31, 2020, total assets were NTD 3,055,063, total liabilities were NTD 1,570,519, debt ratio was 51%, and current ratio was 137.38%.

(IV) Analysis of Profitability

Item	2020	2019
Return on assets (%)	2.79	4.49
Return on equity (%)	5.01	8.27
Income before tax/paid-in capital (%)	7.80	17.61
Net profit margin (%)	3.13	3.71
Earnings per share (NT\$)	0.74	1.19

(V) Status of Research and Development

1. R & D expenses spent in this year:

Item	2020
Amount (NT\$ 1,000)	70,287
Proportion to operating revenue (%)	2.97%

2. The technologies or products developed successfully:

- A. ECO solvent-free flexible packaging with medium temperature cooking polyurethane adhesive
- B. Polyester thermoplastic polyurethane for extrusion tubes with high heat resistance and stability

- C.High valuable, anti-yellowing and low free monomer crosslinking agent
- D.ECO solvent-free high moisture permeability polyurethane hot melt adhesive for textile
- E.Highly compatible fast-curing crosslinking agent
- F.ECO polyurethane pre-polymer for hydrolysis-resistant casters
- G.High stability UV curing epoxy acrylate oligomer material
- H.Thermoplastic polyurethane materials for food conveyor belts

II. Summary of Annual Business Plan for 2021

(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.
- 7.In order to strengthen the competitive advantage in the UV hardening coatings market, investment is planned in the second half of the year in the production and sales of UV paper glazing coatings and functional oligomers. This will be done in order to further expand the Group's integration and synergy in UV, and to increase the Group's business scale.

(II) Expected Sales Volume and Its Basis

Unit: MT

Type of Products	PU resin	PE resin	Other products
Quantity	25,217	3,726	2,140

The above-mentioned expected quantities are based on the annual sales in 2020, with reference to the estimate of the overall economic situation for 2021.

(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 effects persist 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. We will thus strive to achieve this year's operating budget.

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 the society. We wish all the shareholders good health and good luck!

Chairman: Ho Wen-Chieh

Manager: Huang Chang-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 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 Pau 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.
- (17) Purchased 100% equity of U-BEST VIETNAM POLYMER INDUSTRY COMPANY LIMITED in April 2020.
- (18) Purchased 100% equity of Success Investments Limited in July 2020 and indirectly held 100% equity of VIETNAM SUM YAD TECHNOLOGY LIMITED.
- (19) In July 2020, purchased 52% of the shares of other shareholders of TOP WELL ELASTIC TECHNOLOGY CO., LTD. in Thailand, increasing the shareholding to 100%.

3. Reorganization: None.

4. Major transfer or conversion of equity by directors, supervisors, or shareholders with more than 10% ownership interest: NA.

5. Any change in managerial control: None.

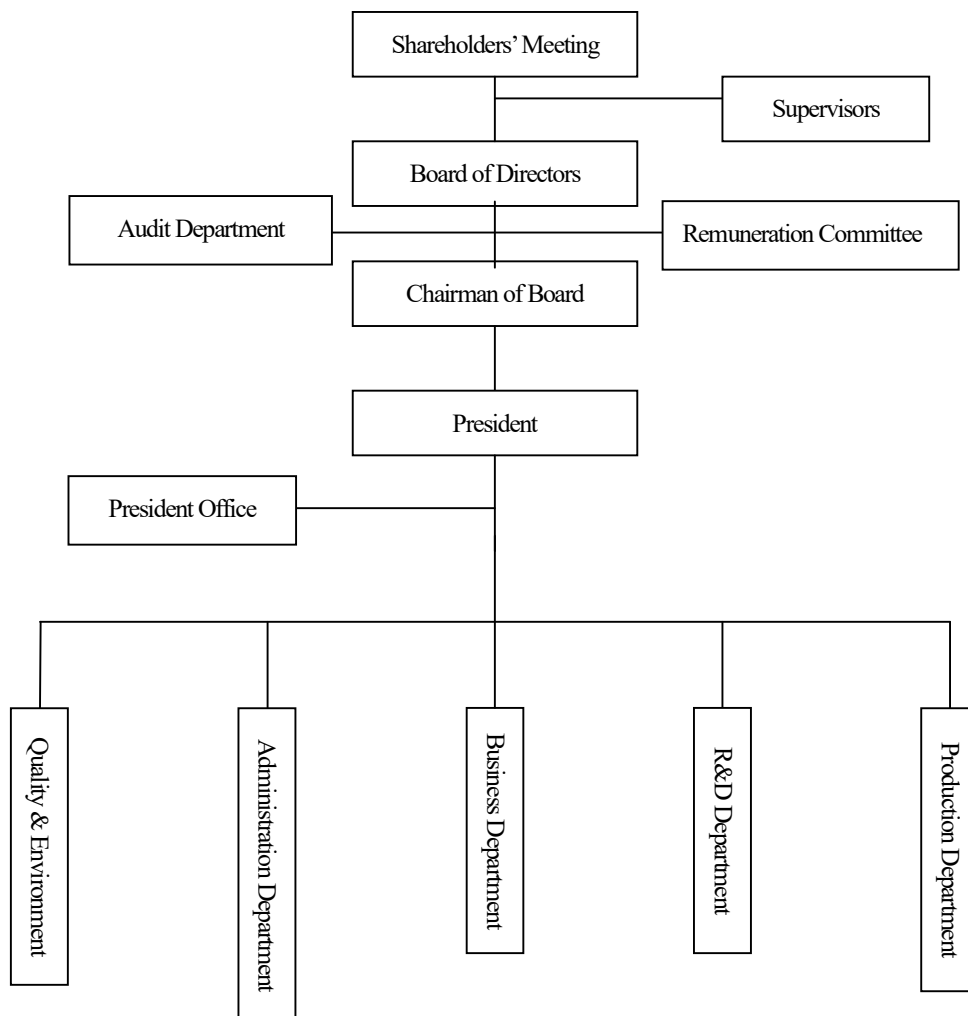
6. Any material change in operating methods or type of business: None.

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
<2> President Office

Responsible for auditing and evaluating the status and operation of the internal control system by department.

Responsible for the Group's business strategy, business integration of various companies and project supervision.

<3> Quality & Environment Center
<4> Administration Department

Responsible for the Company's environmental protection, safety and health operations.

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
<6> R&D Department

Responsible for marketing development and credit investigation, product sale and after-sale services.

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 departments and branch units:

1. Information about directors and supervisors (1)

May 1, 2021

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 (note 1)
							Number of Shares	% of shareholding	Number of Shares	% of shareholding	Number of Shares	% of shareholding	Number of Shares				Job title	Name	Relationship	
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	1,523,657	1.53	0	0.00	Bachelor Jye Hwa Chemical Industrial Co., Ltd. Sales manager	The Company's Chairman Chairman of Board of Chem-Mat Technologies Co., Ltd. and Giant Star Trading Co., Ltd.	Nil	Nil	Nil	Nil
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	-	-	Nil	Nil	Nil	Nil
Representative of Aica Kogyo Company, Limited	Japan	Ichikawa Toyoke	Male	2020.04.30	1.17	2020.04.30	0	0.00	0	0.00	0	0.00	0	0.00	Bachelor The Tokai Bank, Ltd. (now known as MUFG Bank)	Executive Director of Aica Industries Co., Ltd., Director of Overseas Planning, Director of Aica Asia Pacific Holding Pte. Ltd.	Nil	Nil	Nil	Nil
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	Bachelor Mitsui & Co., Ltd.	Managing Director of AICA Industry Co., Ltd. Director of Nishitokyo Chemix Co., Ltd.	Nil	Nil	Nil	Nil
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	Bachelor Leader of 1st Adhesive Development Team of Aica Kogyo Company, Limited, Chief of Electronic Materials Section, Development Dept. of the electronic company, Chief R&D Center Officer	Note 2	Nil	Nil	Nil	Nil
Corporate director	the R.O.C.	Pau 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	-	-	Nil	Nil	Nil	Nil
Corporate representative of Pau Chien 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 high school Vice President, Global Supply Chain Administration of Pou Chen Group	Note 3	Nil	Nil	Nil	Nil

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 (note 1)
							Number of Shares	% of shareholding	Number of Shares	% of shareholding	Number of Shares	% of shareholding	Number of Shares				Job title	Name	Relationship	
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	Master Director/President of Taiwan Region and President of Asia-Pacific Region of INVISTA (TAIWAN) LIMITED, and President of Asia-Pacific Region of DUPONT TAIWAN LIMITED	Chairman of Ya Fu Enterprise Co., Ltd. and Ya Fu Energy Storage Co., Ltd.	Nil	Nil	Nil	Nil
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 Ye -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, nationality, 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: Managing Director, AICA Kogyo Company Limited; Director, Aica Asia Pacific Holding Pte. Ltd. Director, AICA INDRIA; Director, PT Aica Mugi Indonesia.

Note 3: Chairperson, Global Supply Chain Administration of Pou Chen Group.;ue Yuen Industrial (Group) Co., Ltd.; Executive Director, Qili Industry (Group) Co., Ltd.; Chang Yang Vietnam Plastic Co., Ltd., Dah-Chen Shoe Materials Ltd., PT. Ever Tech Plastic, Dah Sheng Vietnam Co., Ltd., PT. DahSheng, PT. Chairperson, Limao Novatex; Director, subsidiary of Yue Yuen Industrial (Group) Co., Ltd., Evermore Chemical Industry Co., Ltd., Nan Pao Resins Chemical Co., Ltd., Chang Yang Material Corp., Limao Digital Printing Co., Ltd., Zhongshan Baoshun Paper Products Co., Ltd., Zhongshan Huaqing Foam Products Co., Ltd., Jiangxi Huaqing Foam Co., Ltd., Yangxin Zhangyuan Shoes Co., Ltd., Dongguan Yuguan Paper Products Co., Ltd., Bigfoot Limited, Cohen Enterprises Inc., Enthroned Group Limited, Great Skill Industrial Limited, High Shine Investments Limited, Just Lucky Investments Limited, Max Chance Inudtrial Limited, Natural Options Limited, Ontime Ventures 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., Ltd., Brilliant Ocean Limited, Upsize Limited, Rise Bloom International Limited, Prosperlink Limited, Tay

Ninh Kuo Yuen Ltd., Prosper Day Limited, Infochamp Limited, Raidant Lion Limited, Mega Sky International Limited, Time Swift Investments Limited, Perpetual Prosperity Printing Technology Co., Ltd, Limao International Holdings Co., Ltd., Everlasting Profitable International Co., Ltd., Sonic Zone Limited, Absolute Goodness International Co., Ltd., Jingxuan Limited, Radiant Ally Holdings Limited, Ever Brave Developments Limited, Prime Glorious Limited, and Prime Excellent Limited.

Table 1: Major shareholders of corporate shareholders

May 1, 2021

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)	10.33%
	2.Custody Bank of Japan, Ltd (Trust Account)	6.36%
	3.Business Connections Shareholding Association of Aica Kogyo Company, Ltd.	3.49%
	4.THE BANK OF NEW YORK MELLON(INTERNATIONAL) 131800	2.74%
	5.Employee Shareholding Association of Aica Kogyo Company, Ltd.	2.40%
	6.Custody Bank of Japan, Ltd (Trust Account No.9)	2.37%
	7.Custody Bank of Japan, Ltd. (Trust Account No.4)	2.06%
	8.SUMITOMO LIFE INSURANCE COMPANY	2.02%
	9.MUFG Bank, Ltd.	1.99%
	10.Dai Nippon Printing Co., Ltd.	1.98%
Pau Chien Enterprise Co., Ltd.	Pau 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

May 1, 2021

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%
Custody Bank of Japan, Ltd (Trust Account)	1.Sumitomo Mitsui Trust Holdings, Inc.	33.3%
	2.Mizuho Financial Group, Inc.	27.0%
	3.Resona Bank, Limited	16.7%
	4.The Dai-ichi Life Insurance Company, Limited	8.0%
	5.Asahi Mutual Life Insurance Company	5.0%
	6.Meiji Yasuda Life Insurance Company	4.5%
	7.Japan Post Insurance Co.,Ltd.	3.5%
	8.Fukoku Mutual Life Insurance Company	2.0%
Business Connections Shareholding Association of Aica Kogyo Company, Ltd.	Cannot be accessed due to practical restrictions.	-
THE BANK OF NEW YORK MELLON(INTERNATIONAL) 131800	Cannot be accessed due to practical restrictions.	-
Employee Shareholding Association of Aica Kogyo Company, Ltd.	Cannot be accessed due to practical restrictions.	-
Custody Bank of Japan, Ltd (Trust Account No.9)	Cannot be accessed due to practical restrictions.	-
Custody Bank of Japan, Ltd. (Trust Account No.4)	Cannot be accessed due to practical restrictions.	-
SUMITOMO LIFE INSURANCE COMPANY	Cannot be accessed due to practical restrictions.	-
MUFG Bank, Ltd.	1.The Master Trust Bank of Japan, Ltd. (Trust Account)	8.3%
	2.Custody Bank of Japan, Ltd. (Trust Account)	5.6%
	3.SSBTC CLIENT OMNIBUS ACCOUNT	2.3%
	4.Custody Bank of Japan, Ltd (Trust Account No.5)	2.2%
	5.GOVERNMENT OF NORWAY	1.7%
	6.JP MORGAN CHASE BANK 385781	1.6%
	7.Custody Bank of Japan, Ltd (Trust Account No.9)	1.4%
	8.THE BANK OF NEW YORK MELLON AS DEPOSITARY BANK FOR DR HOLDERS	1.4%
	9.The Master Trust Bank of Japan, Ltd.(Trust Account)	1.4%

Name of Juristic Person	Major Shareholders of Juristic Person	
	Name of Shareholder	Shareholding
Dai Nippon Printing Co., Ltd.	10.STATE STREET BANK WEST CLIENT - TREATY 505234	1.3%
	1.The Master Trust Bank of Japan, Ltd. (Trust Account)	11.9%
	2.Custody Bank of Japan, Ltd (Trust Account)	5.7%
	3.The Dai-ichi Life Insurance Company, Limited	3.3%
	4.Employee Shareholding Association of Dai Nippon Printing Co., Ltd.	2.8%
	5.Mizuho Bank, Ltd.	2.0%
	6.Custody Bank of Japan, Ltd (Trust Account No.5)	1.9%
	7.Custody Bank of Japan, Ltd (Trust Account No.7)	1.9%
	8.Nippon Life Insurance Company	1.7%
	9.JP MORGAN CHASE BANK 385781	1.7%
	10.State Street Bank West Client-Treaty 505234	1.3%
Pau 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)

May 1, 2021

Qualifications	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	
Name																
Ho Wen-Chieh			✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Aica Kogyo Company, Limited Representative: Ichikawa Toyooka			✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓		0
Aica Kogyo Company, Limited Representative: Omura Nobuyuki			✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓		0
Aica Kogyo Company, Limited Representative: Ebihara Kenji			✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓		0
Pau 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 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) 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.

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

May 1, 2021

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	the R.O.C.	Huang Chang-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	the 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	the 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	the 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	the 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, 2020 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	Cash	Stock	Cash	Stock	The Company	Companies included into the financial statement	
Chairman	Ho Wen-Chieh	0	0	0	0	1,040,434	1,040,434	1,770,000	1,775,000	3.7973%	3.8041%	2,426,855	2,426,855	0	0	139,679	0	139,679	0	7.2651%	7.2718%	0
Director	Aica Kogyo Company, Limited																					
	Representative: Tohdoh Satoshi (Note 4)																					
	Representative: Ichikawa Toyoake (Note 4)																					
	Representative: Omura Nobuyuki																					
Director	Pau 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.																						
4. On April 30, 2020, Tohdoh Satoshi stepped down and was replaced by Ichikawa Toyoake.																						

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, Pau Chien Enterprise Co., Ltd., Tsai Nai-Yung, AICA Kogyo Company Limited; Tohdoh Satoshi, Ichikawa Toyoake, Omura Nobuyuki, Ebihara Kenji, Chen Chao-Hwei, Mikio Higashiyama	Ho Wen-Chieh, Pau Chien Enterprise Co., Ltd., Tsai Nai-Yung, AICA Kogyo Company Limited; Tohdoh Satoshi, Ichikawa Toyoake, Omura Nobuyuki, Ebihara Kenji, Chen Chao-Hwei, Mikio Higashiyama	Pau Chien Enterprise Co., Ltd., Tsai Nai-Yung, AICA Kogyo Company Limited; Tohdoh Satoshi, Ichikawa Toyoake, Omura Nobuyuki, Ebihara Kenji, Chen Chao-Hwei, Mikio Higashiyama	Pau Chien Enterprise Co., Ltd., Tsai Nai-Yung, AICA Kogyo Company Limited; Tohdoh Satoshi, Ichikawa Toyoake, Omura Nobuyuki, Ebihara Kenji, Chen Chao-Hwei, Mikio Higashiyama
1,000,000 (inclusive) - 2,000,000 (exclusive)				
2,000,000 (inclusive) - 3,500,000 (exclusive)			Ho Wen-Chieh	Ho Wen-Chieh
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	10	10	10	10

2. Remuneration to supervisors

December 31, 2020 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	408,292	408,292	1,560,000	1,560,000	2.6595%	2.6595%	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, 2020 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 Chang-Tze	3,624,480	3,624,480	0	0	1,436,794	1,441,794	274,679	0	274,679	0	7.2097%	7.2164%	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 Chang-Tze, Lee Ching-Song	Huang Chang-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

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

December 31, 2020 Unit: NT\$

	Job title	Name	Stock (projected amount)	Cash (projected amount)	Total	As percentage of income after tax (%)
Manager	President	Huang Chang-Tze	0	590,346	590,346	0.7976%
	Group Vice President	Lee Ching-Song				
	Assistant	Wang Shih-Chieh				
	Financial	Wu Pao-Hua				
	Assistant	Liu Shih-Wei				
	Accounting	Chen Hsiang-Li				

5. 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:

Job title \ Item	2020		2019	
	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement
Director	3.80%	3.80%	3.38%	3.38%
Supervisor	2.66%	2.66%	2.09%	2.09%
President and Vice President	7.21%	7.22%	4.72%	4.72%

B. The Company's remuneration of directors and supervisors over two years includes a fixed amount as well as remuneration calculated based on 2% of profits before the deduction of remuneration. Remuneration in 2020 was lower than that in 2019 mainly due to lower pre-tax net profit in 2020 versus 2019.

C. The actual amount of remuneration for the President and vice presidents in 2020 was slightly lower than in 2019. The

proportion of net profit after tax in 2020 was higher than in 2019, mainly due to the lower net profit before tax in 2020 compared with 2019.

(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. Remuneration of directors and supervisors: Handled in accordance with the Company's Remuneration and Performance Evaluation Measures for Directors, Supervisors, and Functional Committees. It is divided into monthly fixed remunerations and remunerations provided in accordance with the regulations. In accordance with the Articles of Incorporation, it is allocated according to the degree of contribution and calculated based on the ratio of the number of board meetings to the total number of attendances, and with reference to the value of business participation and contribution. After the remuneration is reviewed by the Remuneration Committee, it is submitted to the Board of Directors for approval. Business performance and the pros and cons of future risks affect the payment of remuneration.
- 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. The salary and remuneration policies are disclosed together under net profit items in the notes to the parent company only financial statements.

IV. Status of corporate governance

(I) Operations of Board of Directors

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

The Board of Directors met 7 times in 2020 (A) and the directors and supervisors attended the meetings 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	2	0	100%	Re-elected on June 26, 2018 Left office 2020/04/30
Corporate director (Representative of Aica Kogyo Company, Limited)	Ichikawa Toyoake	5	0	100%	Took office 2020/04/30
Corporate director (Representative of Aica Kogyo Company, Limited)	Omura Nobuyuki	7	0	100%	Elected upon the re-election on June 26, 2018
Corporate director (Representative of Aica Kogyo Company, Limited)	Ebihara Kenji	7	0	100%	Re-elected on June 26, 2018
Corporate director (Representative of Pau Chien Enterprise Co., Ltd.)	Tsai Nai-Yung	6	1	86%	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	6	0	86%	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
2020/01/21	First meeting of 2020	Motion for loaning of fund to the Company by the subsidiary, NEOLITE INVESTMENTS LTD	No comments.	N/A.
2020/03/19	Second meeting of 2020	Liberty Bell Investments LTD. endorsement guarantee renewal.	No comments.	N/A.
2020/05/12	Third meeting of 2020	Amendments to Internal Control System and Internal Audit Implementation Rules Loan of funds to U-Best Vietnam Polymer Industry Company Limited	No comments.	N/A.
2020/08/07	Sixth meeting of 2020	Amendments to the Implementation Rules for Internal Control and Internal Auditing of Property, Plant, and Equipment Recycling	No comments.	N/A.
2020/11/10	Seventh meeting of 2020	Amendments to Management of Financial Statement Preparation Process and to Internal Audit Implementation Rules Guarantee/endorsement for TOP WELL ELASTIC TECHNOLOGY CO., 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:

If topics of a Board of Directors meeting involves proposals in which directors have an interest, such directors with associated interests should recuse themselves from discussion of the proposal.

The Company's Board of Directors discussed the 2019 year-end bonus distribution plan for managers on January 21, 2020. On August 7, 2020, it discussed employee remunerations for 2019. These meetings did not discuss individual remuneration for specific stakeholders, and so no individual stakeholder was required to recuse.

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 2020, 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	2020/01/01-2020/12/31	Overall board,	Internal self-evaluation of the board of directors,	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 directors	Board member self-evaluation	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 2020 (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	6	86%	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 set forth its Corporate Governance Best-Practice Principles and disclosed them on the Company website.	No deviation.
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?		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.	(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) Whether the Company controls the list of major shareholders and the controlling parties of such shareholders?	V		(II) The changes in shares held by insiders are reported on a monthly basis (or from time to time, if necessary).	
(III) Whether the Company establishes or implements some risk control and firewall mechanisms between the Company and its affiliate?	V		(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.	(II) No deviation. The monthly report on changes in shares held by

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?			<p>Various operations are carried out in a just and reasonable manner pursuant to existing norms in written form.</p> <p>(IV) Company insiders are prohibited from using undisclosed information on the market to buy or sell securities, based on the Company's Ethical Corporate Management Best Practice Principles; the Code of Ethical Conduct for Directors, Supervisors, and Managers; procedures for handling important internal information by directors, supervisors, managers, employees and actual controllers; confidentiality requirements for confidential and commercially sensitive information obtained in the course of business; and yearly education and promotion of relevant laws and regulations.</p>	<p>insiders serves as the basis for follow-up.</p> <p>(III) No deviation.</p> <p>(IV) No deviation.</p>
<p>III. Composition and duties of Board of Directors</p> <p>(I) Whether the Board of Directors has diversified policies regulated and implemented substantively according to the composition of the members?</p> <p>(II) Whether the Company, in addition to establishing the Remuneration Committee</p>	V	V	<p>(I) The composition of the Board of Directors shall be handled and implemented in accordance with the Company's Articles of Incorporation, as detailed in pages 6-7 and 11 of the annual report.</p> <p>(II) Except the Remuneration Committee established by the Company pursuant to laws, the Company</p>	<p>(I) No deviation.</p> <p>(II) Not yet established any other functional committees.</p> <p>(III) No deviation.</p>

Scope of Assessment	Status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary	
<p>and Audit Committee pursuant to laws, is willing to establish any other functional committees voluntarily?</p> <p>(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?</p> <p>(IV) Whether the Company assesses the independence of the CPAs periodically?</p>	<p>V</p> <p>V</p>		<p>has not yet established any other functional committees so far.</p> <p>(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.</p> <p>(IV) The Company regularly evaluates the independence and competency of CPAs based on its annual evaluation form, and this was submitted to the Board of Directors on 2020/03/19.</p>	(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.

Scope of Assessment	Status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary	
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 a special area for stakeholders on the Company website that provides stakeholders with a contact window and contact information. 2. In addition, a physical employee suggestion box has been set up on the Company's premises to allow staff members to offer comments or complaints. (II) The Company responds to the stakeholders regarding their concerns adequately via said communication channel. Details are given in the Company's Corporate Social Responsibility report in Chapter 4, "Products and Services."	No deviation.
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?	V		(I) The Company has set up a website in both Chinese and English to disclose the Company's financial business and corporate governance information at any time. Company's website: http://www.twemc.com	(I) No deviation. (II) No deviation.

Scope of Assessment	Status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary	
<p>(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.)?</p> <p>(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?</p>	V		<p>(II) There are dedicated individuals responsible for the collection of relevant information, the disclosure of major company matters, and implementing the spokesperson system.</p> <p>(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.</p>	(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 Company's corporate governance practices (including but not limited to, employee rights, employee care, investor relations, supplier relations, stakeholders' interests, continuing education of	V		(I) Employee rights: The Company has established the regulations governing 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	No deviation.

Scope of Assessment	Status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary	
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)?			<p>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. In October 2020, OHSAS18001 was revised to the ISO45001 international standard for management systems of occupational health and safety (2018 edition)</p> <p>(II) (II)Employee care, investor relations, supplier relations and stakeholders' interests: The Company establishes the two-way communication channel and values related personnel’s right.</p> <p>(III) 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.</p> <p>Training hours in 2020: Directors had a total of 9</p>	

Scope of Assessment	Status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary	
			<p>hours and independent directors had a total of 3 hours.</p> <p>(IV) 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.</p> <p>(V) The situation where the company purchases liability insurance for directors and supervisors: Liability insurance has been purchased for directors, supervisors and important staff.</p>	
<p>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:</p> <p>(一) Explanation of the results of the 7th Corporate Governance Evaluation: After the annual evaluation results are announced, the company will review the projects that have not yet reached the evaluation standards, and adjust and improve them gradually, and gradually implement them.</p> <p>(二) Those who have not yet improved put forward priority strengthening items and measures: the items that have not scored will be improved one by one according to the degree of difficulty.</p>				

(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			Compliance of independence (Note 1)										Number of positions as a Remuneration Committee member in other public listed companies	Note
		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		
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: Members 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 Paragraph 1 or 2 of Article 27 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.					

(3) Discussions and resolutions of the Remuneration Committee in 2020:

Remuneration Committee Date	Term	Proposal content	Resolution result	The Company's handling of the opinions of the Remuneration Committee
2020/1/21	The 5th session of the 4th term	Motion for allocation of 2019 year-end bonus to managerial officers	Passed unanimously	None; submitted to the Company's Board of Directors for resolution
2020/03/19	The 6th session of the 4th term	Amended "Organization Regulations of Remuneration Committee." Motion for allocation of 2019 remuneration to employees and directors/supervisors.	Passed unanimously	None; submitted to the Company's Board of Directors for resolution
2020/08/07	The 7th session of the 4th term	2019 director and supervisor remuneration distributions. Managers' allotment of employee compensation in 2019.	Passed unanimously	None; submitted to the Company's Board of Directors for resolution

(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	
I. 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.
II. 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	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	
			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."	
<p>III. Environmental issues</p> <p>(I) Does the company establish an appropriate environmental management system according to its industry characteristics?</p> <p>(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?</p>	<p>V</p> <p>V</p>		<p>(I) The company has passed ISO 14001 certification, as it has 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."</p> <p>(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</p>	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	
(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?	V		<p>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."</p> <p>(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 and Services" and Chapter 5 "Sustainable Environment."</p>	
(IV) Does the company count greenhouse gas emissions, water consumption and the volume of total waste in the past two years, and formulate policies for energy	V		<p>(IV) As detailed in the Company's Corporate Social Responsibility Report, Chapter 4 "Products and</p>	

Scope of Assessment	Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary	
saving and carbon reduction, greenhouse gas reduction, water management or other waste management?			Services” and Chapter 5 “Sustainable Environment.”	
IV. Social issues				
(I) Whether the Company establishes the related management policies and procedures in accordance with the relevant laws and international human rights conventions?	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.	Satisfy the spirit upheld by the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies.
(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?	V		(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.	

Scope of Assessment	Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary	
(III) Whether the Company provides its employees with a safe and healthy work environment, and regularly implements employee safety and health education measures?	V		(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 Chapter 6 of the company's corporate social responsibility report on corporate commitment and social participation.	
(IV) Does the company establish an effective career development training program for employees?	V		(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) 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	V		(V) The company has operated in accordance with relevant regulations and international standards, and has set up a special area for stakeholders	

Scope of Assessment	Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary	
<p>relevant consumer protection policies and appeal procedures?</p> <p>(VI) Whether the company has formulated 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?</p>	V		<p>on the company website, providing contact windows and contact methods for interested parties and for customers to provide comments or appeals.</p> <p>(VI) In accordance with ISO 9001 supplier management procedures and schedules of supplier evaluation, the Company regularly scores and evaluates suppliers and third-party suppliers. This is detailed in the Company's corporate social responsibility report in the section on identification and management of major themes of stakeholders and in Chapter 4, "Products and Services."</p>	
<p>V. Whether 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?</p> <p>Did the preliminary report obtain the confidence or assurance opinion of the third-party verification unit?</p>	V	V	<p>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.</p> <p>2. The company's corporate social responsibility report has not obtained the confidence or assurance opinions of the third-party verification unit.</p>	Satisfy the spirit upheld by the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies.
VI. If the company has its own corporate social responsibility code based on the "Corporate Social Responsibility Best Practice Principles for				

Scope of Assessment	Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary	
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.				
VII. 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. In addition, a total of four individuals participated in industry-university cooperation in 2020. 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 July 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				

Scope of Assessment	Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary	
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".				

(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?	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.	No deviation.
(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	V		(II) The Company stipulates the prevention of dishonesty in Article 6 of the " Ethical Corporate Management Best Practice Principles" and sets out operating	

Scope of assessment	Status			Deviation from Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary	
<p>formulated a plan to prevent dishonesty, and cover at a minimum the preventive measures for various acts under Paragraph 2 of Article 7 of “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?”</p> <p>(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?</p>	V		<p>procedures, behavior guidelines, disciplinary penalties and appeal systems, and covers at a minimum the preventive measures for various acts under Paragraph 2 of Article 7 of “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.”</p> <p>(III) The Company has established its Procedures for Ethical Management and Guidelines for Conduct. under which the operating procedures, behavioral guidelines, punishments, and appeals systems for violations are clearly established and implemented. Furthermore, it regularly reviews the state of interest in the disclosure plan prior to amendments and standardizes the scope of defense.</p>	
<p>II. Implementation of ethical management</p> <p>(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?</p> <p>(II) Has the company set up a special unit under the board of directors to promote corporate ethical</p>	V		<p>(I) The Company will assess the trading counterpart’s ethical management record, and expressly state the ethical management best-practice principles to be followed.</p> <p>(II) The Company’s “ethical corporate management best-practice principles”</p>	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	
<p>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?</p> <p>(III) Whether the Company defines any policy against conflict of interest, provides adequate channel thereof, and fulfills the same precisely?</p>	V		<p>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.</p> <p>(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 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</p>	

Scope of assessment	Status			Deviation from Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary	
<p>(IV) Whether the company has established an effective accounting system for the implementation of 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?</p> <p>(V) Whether the Company organizes internal/external education training program for ethical management periodically?</p>	V		<p>self-disciplined, and prohibited from backing up each other inadequately.</p> <p>(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.</p> <p>(V) The Company will organize internal/external education training program for ethical management periodically, and promote the program from time to time.</p>	
<p>III. Status of the Company's whistleblowing system</p> <p>(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?</p>	V		<p>(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 pursuant to the relevant</p>	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?	V		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) Whether the Company adopts any measures to prevent the whistleblowers from being abused after the whistleblowing?	V		(III) The Company has established the "Operating Procedure for Whistleblowing Channels and Protection of Whistleblowers" 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:				

Scope of assessment	Status			Deviation from Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary	
The Company's “ethical corporate management” has been passed at the directors' meeting. The Company upholds the practical management philosophy for “Simplicity & Firmness, Research & Innovation, Sustainability and Profit Sharing” pursuing constant 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.				
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.				

(VII) If the Company has established the Corporate Governance Best Practice Principles and the related regulations, it should disclose how to inquire about such principles: For the Company's governance code and related governance regulations, please check the Company's 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.

EVERMORE CHEMICAL INDUSTRY CO.,LTD.

Tel: 886-49-2263551

No. 7, Gongye S. 2nd Rd., Nantou City, Nantou County 540, Taiwan (R.O.C.)

Fax: 886-49-2253912

EVERMORE CHEMICAL INDUSTRY CO., LTD.

Statement of Declaration on Internal Control System

Date: March 16, 2021

For the Company's Internal Control System of 2020, 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, 2020 (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 16, 2021. 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 Chang-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 2020 and as of the date of publication of the annual report, the minutes of shareholders' meetings:

Date		Contents	Resolutions	Status
2020/06/15 Annual General Meeting of Shareholders	Proposals	1. Adoption of the 2019 Business Report and Financial Statements.	Passed unanimously.	-
		2. Adoption of earning distribution plan in 2019.	Passed unanimously.	A cash dividend of NTD 64,602,200 yuan was distributed on 2020/7/24.
	Discussions	1. Amendments to "Articles of Association."	Passed unanimously.	Implemented in accordance with the amended Articles of Incorporation.
		2. Amended "Rules of Procedure for Shareholders' Meetings."	Passed unanimously.	Implemented in accordance with the amended operating procedure.
	Other Matters	1. Removed prohibition on directors' competition.	Passed unanimously.	-

2. Important board resolutions in 2020 and as of the date of publication of the annual report:

Date	Contents	Resolution
2020/01/21	<ol style="list-style-type: none"> 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. 3. Budget revision for 2020. 4. Motion for allocation of 2019 year-end bonus to managerial officers. 	Passed unanimously
2020/03/19	<ol style="list-style-type: none"> 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
2020/5/12	<ol style="list-style-type: none"> 1. Amendments to Internal Control System and Internal Audit Implementation Rules 2. Loan of funds to U-Best Vietnam Polymer Industry Company Limited. 3. Increase in shareholding of TOP WELL ELASTIC TECHNOLOGY CO., LTD. 4. Mega Commercial Bank loan contract renewal. 5. Bank of Taiwan loan contract renewal. 6. E.Sun Bank short-term loan contract renewal. 7. Removed prohibition on directors' competition. 	Passed unanimously
2020/6/11	<ol style="list-style-type: none"> 1. Change of venue for 2020 Annual General Shareholders' Meeting. 	Passed unanimously
2020/6/15	<ol style="list-style-type: none"> 1. 2019 surplus distribution plan, setting the reference date and payment date. 2. Appointment of directors, supervisors and general managers of 	Passed unanimously

Date	Contents	Resolution
	Vietnamese subsidiaries.	
2020/8/7	<ol style="list-style-type: none"> 1. Chang Hwa Bank loan contract renewal. 2. Amendments to the Implementation Rules for Internal Control and Internal Auditing of Property, Plant, and Equipment Recycling. 3. Allocation of the Company's director and supervisor compensation distribution for 2019. 4. Managers' distribution of employee compensation for 2019. 	Passed unanimously
2020/11/10	<ol style="list-style-type: none"> 1. Amendments to Management of Financial Statement Preparation Process and to Internal Audit Implementation Rules 2. 2021 Internal Audit Plan 3. Changes of directors and legal representatives of subsidiaries. 4. Capital increase of TOP WELL ELASTIC TECHNOLOGY CO., LTD. 5. Guarantee/endorsement for TOP WELL ELASTIC TECHNOLOGY CO., LTD. 6. Addition of a new TPU production line. 7. Budget for 2021 	Passed unanimously
2021/01/29	<ol style="list-style-type: none"> 1. Purchase of a factory in Dayuan Industrial Zone, Taoyuan City. 2. Financing case of Taipei Fubon Bank. 3. Subsidiary NEOLITE INVESTMENTS LTD. loan of funds to the Company. 4. The Company's 2020 year-end manager bonuses. 	Passed unanimously
2021/03/16	<ol style="list-style-type: none"> 1. Liberty Bell Investments LTD. endorsement guarantee renewal. 2. Proposed the Company's 2020 internal control system statement in accordance with the law. 3. Assessment of the independence and competency of the Company's appointed CPAs. 4. Proposal for the Company's organizational system adjustment. 5. Financing case of Mitsubishi UFJ Bank. 6. Allocation of the Company's remuneration of employees and remuneration of directors for 2020. 7. Review of parent company-only financial statements and consolidated financial statements for 2020. 8. 2020 profit distribution. 9. Amendment of some provisions of the Company's Articles of Incorporation. 10. Amendment some provisions of the Rules of Procedure for Shareholders Meetings. 11. Amendment of some provisions of Operating Procedures for Fund Loans and Endorsement Guarantees 12. Amendment of some provisions of Procedures for the Acquisition 	Passed unanimously

Date	Contents	Resolution
	or Disposal of Assets. 13. Amendment of Procedures for Election of Directors and Supervisors 14. Discharge of new directors and their representatives of the Company from non-competition restrictions. 15. Convening of 2021 Annual General Meeting of Shareholders.	

(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.: No such situation.

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	Ting-Chien Su	Wu Li Tung	2020/01/01-2020/12/31	

Currency Unit: NTD thousand

Fee Items		Audit Fees	Non-Audit Fees	Total
Range of Amount				
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) Whether non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto: None.

(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 2nd Board meeting in 2020.

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 in the 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 CPAs not 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		

Evaluation date: March 19, 2020

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	2020		2021 through May 1	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman	Ho Wen-Chieh	30,000	0	0	0
Director	Aica Kogyo Company, Limited	0	0	0	0
	Representative: Tohdoh Satoshi (Left office on 2020/4/30)	0	0	0	0
	Representative: Ichikawa Toyoake (Assumed office 2020/4/30)	0	0	0	0
	Representative: Omura Nobuyuki	0	0	0	0
	Representative: Ebihara Kenji	0	0	0	0
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
Supervisor	Liu Ve -Tung	0	0	0	0
Supervisor	Lu Hui-Pin	0	0	0	0
Supervisor	Su I-Hsiu	0	0	0	0
President	Huang Chang-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	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:

May 1, 2021

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: Omura Nobuyuki Representative: Ebihara Kenji Representative: Ichikawa Toyoaki	49,793,388	50.10%	0	0	0	0	None	-	-
Ho Wen Chieh	7,003,532	7.05%	1,523,657	1.53%	0	0	None	-	-
Ho Chi Lin	4,215,000	4.24%	0	0	0	0	Ho Wen Chieh	Child	-
Ho Han Jen	4,215,000	4.24%	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	-	-
Liu Ve- Tung	2,255,412	2.27%	88,574	0.09%	0	0	None	-	-
Pou Chien Technology Co., Ltd. Chairman: Wu, Hui-Chi	2,239,750	2.25%	0	0	0	0	Yue Dean Technology Co., LTD.	The chairman is the same person	-
Lu Hui Pin	2,196,193	2.21%	2,647	0.00%	0	0	None	-	-
Yue Dean Technology Co.,LTD. Chairman: Wu, Hui-Chi	1,786,760	1.80%	0	0	0	0	Pou Chien Technology Co., Ltd.	The chairman is the same person	-
Li Cui zhu	1,523,657	1.53%	7,003,532	7.05%	0	0	Ho Wen Chieh	spouse	-

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	Cancellation of treasury shares Capital reduction	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	Cancellation of treasury shares Capital reduction	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 shares	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

May 1, 2021

Quantity/Shareholders' Structure	Government agencies	Financial institutions	Other juristic persons	Individuals	Foreign institutions and foreigners	Total
Number of persons	1	1	11	2,718	16	2,747
Shares held	126	1,182,829	7,777,168	40,429,133	49,998,744	99,388,000
Shareholding (%)	0	1.19	7.82	40.69	50.30	100.00

(III) Distribution of equity

May 1, 2021

Shareholding category	Number of shareholders	Shares held	Shareholding
1 ~ 999	1,385	168,559	0.17
1,000 ~ 5,000	943	1,939,599	1.95
5,001 ~ 10,000	157	1,234,537	1.24
10,001 ~ 15,000	77	988,088	0.99
15,001 ~ 20,000	28	527,797	0.53
20,001 ~ 30,000	51	1,272,943	1.28
30,001 ~ 40,000	12	407,992	0.41
40,001 ~ 50,000	16	750,382	0.76
50,001 ~ 100,000	35	2,477,790	2.49
100,001 ~ 200,000	20	2,754,613	2.77
200,001 ~ 400,000	5	1,267,721	1.28
400,001 ~ 600,000	2	993,806	1.00
600,001 ~ 800,000	2	1,328,083	1.34
800,001 ~ 1,000,000	1	992,120	1.00
More than 1,000,001	13	82,283,970	82.79
Total	2,747	99,388,000	100.00

Note: The Company didn't offer preferred stock.

(IV) List of major shareholders

Shareholders who account for more than 5% or the top ten shareholders May 1, 2021

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	4,215,000	4.24%
Ho Han Jen	4,215,000	4.24%
Pou Chien Enterprise Co., Ltd.	3,352,771	3.37%
Liu Ve- Tung	2,255,412	2.27%
Pou Chien Technology Co., Ltd.	2,239,750	2.25%
Lu Hui Pin	2,196,193	2.21%
Yue Dean Technology Co., LTD.	1,786,760	1.80%
Li Cui zhu	1,523,657	1.53%

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

<div>Year</div> <div>Item</div>			2019	2020	Ending on March 31, 2021 (Note 8)
Share price (Note 1)	Highest		18.20	17.90	17.20
	Lowest		14.60	15.00	16.00
	Average		16.46	16.82	16.60
Net worth per share (Note 2)	Before distribution		14.74	14.94	14.90
	After distribution		14.09	14.44 (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)		1.19	0.74	0.02
Stock dividend per share	Cash dividend		0.65	0.5 (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)		13.60	22.84	N/A.
	P/D ratio (Note 6)		24.89	33.80	N/A.
	Cash dividend yield(Note 7)		4.02%	2.96	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: If 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	0.5	Unappropriated earnings
Total	0.5	*

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 2020 remuneration plan passed by the Board of Directors on March 16, 2021, proposed allocation of employee remuneration is NTD 3,621,816 and remuneration of directors and supervisors is NTD 1,448,726; furthermore, these amounts are planned to be paid in cash in full.

- (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 2019:

Unit: NT\$

Item	Initial motion for allocation passed by the Board meeting	Actual allocation	Variance
Employees' compensation	7,782,850	7,782,850	0
Remuneration to directors/supervisors	3,113,140	1,648,983	1,464,157

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 2020.

(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 and Additive Manufacturing; Manufacture of Plastic Sheets, Pipes and Tubes; Other Chemical Materials Manufacturing; Other Chemical Products Manufacturing; Wholesale of Industrial Catalyst; Wholesale of Chemical Feedstock; Wholesale of Other Chemical Products; International Trade; All business items that are not prohibited or restricted by law, except those that are subject to special approval.

2. Relative weight of each business line:

Type of product	% of consolidated operating revenue
PU resin	75%
Polyester polyol	8%
Other products	17%
Total	100%

3. Current products of the Company:

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

4. New products planned for development:

The Company plans to develop the following new products:

A. Sports industry:

- i. Polyurethane midsole material for sports shoes with high physical properties and hydrolysis resistance.
- ii. Low density and high rebound polyurethane midsole material.
- iii. Supercritical nitrogen foaming thermoplastic polyurethane material for shoes.
- iv. Thermoplastic polyurethane for polyether calendered leather.
- v. Polyurethane coating for fluorine-free water-repellent treatment textiles.

B. Construction industry:

- i. High-strength environmentally friendly solvent-free polyurethane hot-melt adhesive for woodworking special-shaped coating.
- ii. Polyurethane hot-melt adhesive for woodworking edge banding with high initial viscosity and environmentally friendly solvent-free woodworking.
- iii. Environmentally friendly solvent-free polyurethane hot-melt adhesive with high operability for woodworking flat sticking.
- iv. Environmentally friendly solvent-free single-component foaming adhesive for woodworking.
- v. High weather resistance, environmentally friendly, solvent-free laminated polyurethane adhesive for structures.

C. Automotive industry:

- i. Reactive hot melt adhesive for car lamp housings.
- ii. Low-free bridging agent for high-physical non-yellowing automotive refinishing paint.

D. Green materials:

- i. Polyester plasticizer for PVC with high value and migration resistance.
- ii. Thermoplastic polyurethane for polyether extrusion pipes.
- iii. Polyurethane coating for new carbon source textiles using carbon dioxide as a raw material.
- iv. Polyurethane coating of bio-materials for textiles.
- v. Bio-material polyurethane insoles.
- vi. Use of recycled PET to produce recycled polyurethane midsole materials.
- vii. Bio-material shock-absorbing protective gear made of polyurethane foam.

(II) Overview of the industry:

1. Overall economic environment in 2020:

Overall global market demand had stabilized significantly in early January 2020, with international oil prices steady at USD 60-70 early in that month. However, the global economy and consumer behavior were severely impacted after the announced closure of Wuhan, China on January 23 and subsequent worldwide spread of the COVID-19 pandemic. The world gradually entered a state of lockdown on city and country levels, with border controls blocking the movement of people on the supply side and supply and transportation of raw materials stagnating. On the demand side, the temporary closure of all physical retail businesses caused consumption to plummet and the unemployment rate to rise sharply, putting economic conditions into the doldrums on a massive scale. As a result, there was been a huge increase in global oil inventories, and oil prices fell sharply in terms of April 21 WTI futures. Even with the peculiar phenomenon of negative oil prices, OPEC nonetheless decided to reduce production at the same time to maintain a suitable oil price level. The scale of the recession marked the biggest such downturn since the financial crisis, with first quarter US GDP declining 5.0%; meanwhile, mainland China's GDP declined by 6.8%, reflecting the first such negative growth in history. Japan's GDP fell 2.2% in the first quarter, while that of the European Union slid 3.1%. COVID-19 had an even bigger impact in the second quarter, and recessions worsened in major economies around the world. The magnitude of the recession surpassed the extent of the financial tsunami, and it set the largest economic downturn since the worldwide Great Depression of the 1930s. The United States failed to properly contain the pandemic in the second quarter of 2020, causing a substantial spread of the virus and leading GDP to plummet 31.7%, the biggest decline in American history. Elsewhere, China's strict anti-COVID protocols allowed

domestic activity to gradually recover with GDP growing 3.2%. Japan's domestic demand and exports were been severely impacted by the pandemic, with second quarter GDP growth falling 27.8% in the sharpest drop since World War II. In the third quarter of 2020, global border controls and increased relief policies allowed the economic performance of various economies to show signs of recovery. The world's major pharmaceutical companies also gave gradual indication that development of a COVID-19 vaccine was forthcoming. The world thus began anticipating an end to the pandemic. However, negative factors emerged for economic growth in the fourth quarter of 2020 as cold weather gripped the northern hemisphere and questions lingered over a possible second wave of the pandemic's spread. In addition, global economic stagnation in the first three quarters of 2020 combined with a gradual restart of operations in the third quarter caused problems of port congestion and a shortage of shipping containers globally in the fourth quarter. Moreover, this period was still in a lockdown phase due to the fact that openings did not occur worldwide, thus causing raw materials and transportation costs to rise. Both factors led to the COVID-19 storm that was seen in the fourth quarter. Nonetheless, vaccines have gradually emerged and vaccinations have also begun worldwide, and it is expected that the global economy will improve in 2021.

2. Related industries in 2020:

PU upstream raw materials:

Affected by COVID-19 from the first quarter to the second quarter of 2020, overall terminal market demand experienced a sharp freeze. The supply of raw materials exceeded demand, and all major raw materials exhibited low prices. At the beginning of the third quarter and the fourth quarter, proper epidemic controls in some countries allowed work to gradually resume. However, due to the lack of containers for sea transportation, raw materials began to rise. Among them, the price of TDI soared due to equipment abnormalities among European manufacturers. The resulting increase was 30% higher than the low of 2020.

Downstream segment of the industry:

Under the influence of Covid-19 in 2020, no PU downstream related industries were spared. This encompassed shoe-making, textile-related businesses, wood coatings, and other products related to people's livelihoods; demand for products shrank sharply, as did the assembly and processing of finished products. Factories even used measures such as layoffs or unpaid leave to survive this wave of the pandemic. Although many countries resumed work one after another in the fourth quarter of 2020 and orders gradually returned, the Taiwan dollar continued to appreciate and shipping costs increased significantly. As a result, exporters were unable to accept orders, so that the apparent recovery at the end of 2020 was nonetheless insufficient.

3. Looking forward to 2021, COVID-19 is still the most important factor affecting the global economy.

With the advent of relevant vaccines and active vaccination, a strong economic rebound can be expected. Taiwan's export-oriented economy may encounter a hidden crisis within the 2021 economic recovery, however, given the continuous appreciation of the Taiwan dollar, the US-China trade war, continued political tensions and freezing of exchanges across the Taiwan Strait, political and economic conditions within ASEAN, and so on. In addition, several major chemical industrial accidents in recent years mean that in 2021, the enforcement of China's environmental protection policies will definitely become more stringent. In addition to maintaining continuous product development and sales in response to environmental protection needs in 2020, at the same time we aim to break through existing difficulties and limitations to produce and sell differentiated products and niche products. Achieving brilliant digital results in 2021 will be an important key and the basis for our transformation. Given changes in the economic structure of the Asian region, past reliance on mainland China is clearly set to undergo a shift. The Southeast Asian region should be more active with the launch of Taiwan's New Southbound Policy, and Vietnam in particular has become a country with high GDP growth.

Evermore will invest more resources in Vietnam, Thailand, Indonesia, India, and other countries from 2021 onwards to obtain greater efficiency and output.

Based on the growing success of AICA Group's investment at the beginning of 2018, mutual cooperation has gradually allowed both sides to reap comprehensive benefits within the Group. Evermore's PU and curing agent products complement AICA's portfolio of related adhesives in woodworking, flooring, industry, and automobiles, and these have been gradually introduced into the markets of Japan, South Korea, Mainland China and Indonesia. In 2021, we will further expand and continue to invest resources as we aim at comprehensive market and product development for the Group. This will be aimed at optimizing our product items and gradually expanding market sales.

In 2021, we will continue to increase our focus on green products that meet the needs of environmental protection policies. In doing so, we will continuously cooperate with customers to modify solvents and reduce the amounts of formulas in response to the needs of environmental protection policies. After results are obtained, their scope will continue to expand. We will also continue to focus on solvent reduction, increasing solvent-free PU resins, water-based PU resins, environmentally friendly TPU plastic pellets, UV light curing products, solvent-free PU film, and so on as we seek to improve quality and markets, expand use, and promote sales.

(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	2020	110 年度 1-3 月
Consolidated R&D expenses (NTD thousand)	70,287	16,572
% of consolidated operating revenue (%)	2.97%	2.43%

2. The technologies or products developed successfully:

- A. ECO solvent-free flexible packaging with medium temperature cooking polyurethane adhesive
- B. Polyester thermoplastic polyurethane for extrusion tubes with high heat resistance and stability
- C. High valuable, anti-yellowing and low free monomer crosslinking agent
- D. ECO solvent-free high moisture permeability polyurethane hot melt adhesive for textile
- E. Highly compatible fast-curing crosslinking agent
- F. ECO polyurethane pre-polymer for hydrolysis-resistant casters
- G. High stability UV curing epoxy acrylate oligomer material
- H. Thermoplastic polyurethane materials for food conveyor belts

(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:

Take advantage of Evermore's long-term R&D energy, technology accumulation, and production capacity, and actively cooperate with downstream end customers strategically; strengthen the development and sales of products that meet market needs; follow the requirements of downstream end customers and national environmental protection policies for rapid integration and adjustment, attaining mutually beneficial relationships.

Gradually develop OEM and ODM foundry business to increase production utilization rate; achieve a significant increase in per capita output value and cost control; create advantages to expand local market share to increase operating profit.

Continue to develop environmentally friendly solvent-based, water-based and solvent-free high-value and 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:

The emergence of curing agent products in competing factories in China has resulted in a sharp decline in the past competitiveness of distributors to sell to the Chinese market based on low prices. Distribution and sales channels will be sorted out, and direct sales will be increased to maintain profitability. In addition, we will intensify efforts to sell non-yellowing curing agents and move to blue ocean markets to increase profits. Sales markets are gradually being opened up and developed through integration with AICA's channels. Markets such as Vietnam, Thailand, Indonesia, India, Japan and South Korea will gradually adjust their sales regions to avoid the risk of relying only on China's single market.

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 grasp the brand's current gradual re-emphasis on the timing of the use of PU in sports shoes, deepening cooperation with well-known first-line brands such as Nike, Adidas and Puma. We aim to obtain orders for products that enhance the functionality of PU and cooperate with shoe factories' process automation and refinement measures. At the same time, we will make every effort to introduce PU polyether insoles and functional polyether system materials with high rebound characteristics in the promotion and sales of the brand.

Combine the core technology of solvent-free two-component PU systems with the technical capabilities of two-component solvent-based polyurethane; invest in the development and application of the flexible packaging multilayer film and coating laminating market; break through traditional solvent-based synthetic resin's dependence on solvents, and develop and sell products in an environmentally friendly and solvent-free direction.

D.TPU:

Remain deeply rooted in the Taiwan market, and grasp key customers while deeply cultivating the needs of direct users; and strategically cooperate with customers to develop and sell niche TPU to increase sales and profits. In addition to injection molding and tube TPU products, develop polyether hydrolysis-resistant TPU to increase product sales items and operate in multiple directions.

E.UV:

Intensify sales efforts in sales areas such as Taiwan, China, Vietnam, and Thailand. For the Japanese market, first aim at AICA's internal needs for its own self-use, and then use AICA to expand sales channels and increase the proportion of unique and niche products in sales to increase Group profits; for example, methacrylate series products, high refractive index products, light-curing oligomers, and so on.

F.PU reactive hot melt adhesive:

Green products are in line with environmental protection requirements, and PU reactive hot melt adhesives are being promoted in the textile laminating industry. Under the effect of increasing product sales and the comprehensive benefits of cooperation with AICA, PU reactive hot melt adhesives are gradually being introduced into woodworking, flooring and other applications. This is being sold in the Japan, South Korea, and Southeast Asian markets.

G. Use AICA Group's existing channels to cooperate with each other; use existing niche and high-tech products to develop new markets; expand the Company's product sales in various countries and regions outside Taiwan to increase profitability.

2. Long-term plan:

We will continue to respond to future market needs as we take polyurethane chemistry and other related basic chemical reactions as our core focus while adjusting product structure and the corresponding application scopes. The Group is developing two major areas of PU series products and coatings business, and at the same time stepping into construction, electronic 3C, automotive, and other industrial applications. Furthermore, we will continue to take root in Taiwan as we regard it as the Group's R&D center linking industry, government, education, research, and so on. We will continuously introduce high-end technologies and work hand in hand with strategic partners to improve the environmental protection process and sell environmentally friendly products in line with the trend of the future; and we hope to become a sustainable supplier of the green industry value chain.

A. We will deeply cultivate our cooperation with AICA and improve overall efficiency to obtain the Group's best interests.

B. In line with market trends, we have achieved a leading position in developing low-pollution and environmentally friendly process products, green carbon reduction and biomass products, etc.

C. We will continue to improve the production process, strengthen chemical safety, and fulfill corporate social responsibilities.

D. Deeply cultivate sales and development of markets in Southeast Asia such as Vietnam, Thailand, Indonesia, India, and in Northeast Asia such as Japan and South Korea.

E. Adjust based on existing products, and develop 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. Take advantage of environmentally friendly solvent-free PU system technology to develop and sell a variety of important customized products.

H. Take PU core technology as a starting point to enter the fields of electronics, construction, and automobiles in the industry to adjust and sell products. .

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				
Territory \ Amount	2019		2020	
	Sales value	%	Sales value	%
Domestic	873,643	27%	789,209	33%
China	1,297,818	41%	942,820	40%
Others	1,003,237	32%	631,386	27%
Total	3,174,698	100%	2,363,415	100%

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

(1) Market share:

The Company's products are diversified and can be applied to a variety of different industries, covering a large number of downstream industries and a wide range of areas. Due to the continuous evolution of the industry through downstream markets, our PUR products have a market share of approximately 25% in Taiwan. We constitute the main manufacturer of CLA products in Taiwan, and our products are competitive; our market share here is about 50%-55%, which is a relatively large proportion. In PUS products we are currently the only system factory company in Taiwan, so we have become the only supplier. TPU products are produced in Taiwan by many suppliers and are environmentally friendly materials. The development of the industry is also relatively active. But because the company has relatively high R&D energy and raw material cost advantages, the company's overall market share is also about 20%. As for UV curing products, the Company's development started slowly. The original market mainly included Eternal Materials, DSM Coating Resins, Qualipoly Chemical, and other manufacturers, and we joined South Korea's MIWON, KPC, and others to actively enter the market at a low price. It is estimated that the current 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. In the post-epidemic era, however, overall supply and demand have not yet been able to find balance in the short term. The global industrial chain presents an imbalance between supply and demand, and the phenomenon of frequent and large fluctuations in upstream raw material prices continues. Significant growth in transportation costs has also seriously affected downstream finished product quotations, profitability and willingness to accept 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. In the post-2021 epidemic era, market products will still present mainstream characteristics of environmental protection and functional requirements in the future. Presenting a trend of positive growth, the general price of red ocean products has gradually fallen to large manufacturers such as those in China. Evermore thus will focus on high-value blue ocean products.

3. Competitive niche

- (1). Integration of key raw materials is high, turnover of raw materials is fast, and the scale is larger than others in the same industry, which increases our purchasing advantages.
- (2). We have long-term experience in production and sales and have established good partnerships with customers; customer satisfaction is high.
- (3). The development of green and environmentally friendly products, such as solvent-free products and UV curable products, will bring a significant increase in product sales.
- (4). Continuous resources are being introduced into the R&D team to deepen R&D energy, which can respond to the changing development needs of the industrial environment.
- (5). We have experience in OEM production with major international factories; professional technology, production and management, and effective cost control improve competitiveness.
- (6). The products are diversified enough to satisfy and serve the different needs from customers and different applications.
- (7). Japan's AICA technology introduction and mutual cooperation will strengthen product competitiveness.

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

(1) Positive factors:

- A. Product development is diversified and complete compared with industry peers, downstream industries are widely distributed and meet the basic needs of people's livelihoods, and operational risk is low.
- B. The proportion of revenues from green environmental protection products has gradually increased, and this has gradually created significant value for revenue and profit.
- C. TPU products are diversified, product quality is stable and recognized by valuable customers, and production capacity can continue to be fully loaded and sold.
- D. Extension of reinvested business have created higher profit contributions, from traditional chemical industry markets connected to people's livelihoods to the high-end precision coating technology application field and further expanding to the optoelectronic 3C industry.
- E. With the comprehensive benefits of AICA, we are promoting new products and new markets.

(2) Negative factors:

- A. Issues concerning the China-US trade war and cross-Strait crises:

In the post COVID-19 pandemic era, anti-globalization sentiment is increasing steadily and there are still many uncertainties in the later stages of the China-US trade war. In addition, conditions and the relationship across the two sides of the Taiwan Strait have dropped to a freezing point, which has substantially affected Taiwan's already deep challenges in foreign trade. Tariff barriers imposed by various countries on Taiwan have also weakened the capabilities and profitability in overseas sales.

Countermeasures: We will make effective use of China's production capacity as we turn to exports in addition to localized services and sales; use China's advantages in tariffs to increase the profitability of products sold in ASEAN countries. On the other hand, localized production, supply and service have strengthened the spirit of localization (Local for Local) following the establishment of factories in Thailand and Vietnam. We will thus operate in the Southeast Asian market more quickly and directly. At the same time, we will vigorously develop the markets of countries that have trade agreements with Taiwan to reduce the impact. Furthermore, we are committed to R&D

differentiation, developing high-end products, and continuing to grow and operate continuously.

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

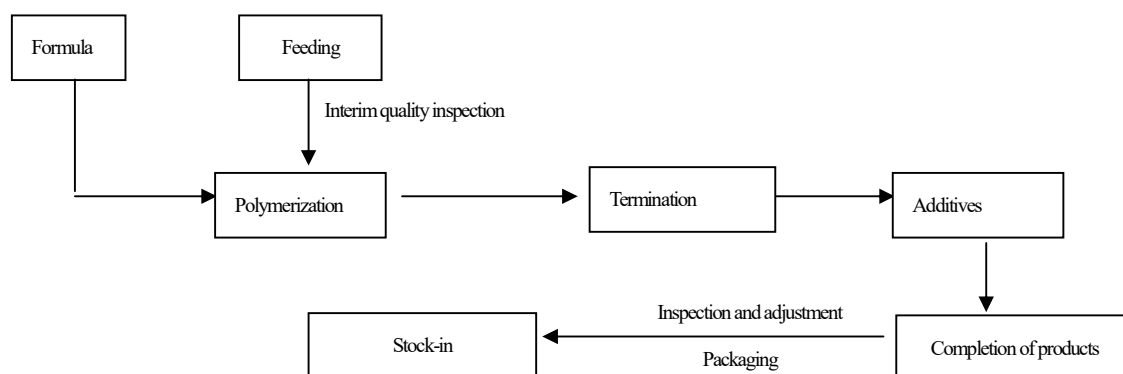
We mainly use raw materials such as AA, MDI, TDI, etc., because Taiwan has no production suppliers, all relying on overseas imports, and the overall market size of Taiwan can no longer be increased or have a cluster effect. The strength of suppliers to pay attention to the market is weakened, and the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

Countermeasures: Strengthen the operation of Group procurement to increase associated bargaining power. At the same time, develop a situation where upstream and downstream strategies are aligned together and deepen the establishment of mutual partnerships to obtain favorable conditions.

(II) Uses and production processes of main products

PU resin produced by the Company is mainly supplied to synthetic leather, erlang leather, real leather; waterproof processing of various textiles, coatings, inks, and adhesives for shoes and other industries; polyester polyols are mainly supplied for industrial use such as PU synthetic resin and TPU; shoe foaming system materials are mainly supplied to OEM manufacturers of well-known brands such as Nike and Adidas; and TPU is mainly supplied for industrial use and shoe material 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 or more of the Company's total procurement for the most recent two years:

Unit: Thousands New Taiwan Dollars

	2019				2020				Ending until Q1 of 2021			
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 annual net procurement amount (%)	Relationship with the issuer
	Supplier N	245,887	12	Nil	Supplier N	170,078	11	Nil	Supplier N	62,499	12	Nil
	Others	1,845,446	88	Nil	Others	1,404,538	89	Nil	Others	475,135	88	Nil
	Net procurement	2,091,333	100		Net procurement	1,574,616	100		Net procurement	537,634	100	

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

Unit: Thousands New Taiwan Dollars

	2019				2020				Ending until Q1 of 2021			
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 annual net sales amount (%)	Relationship with the issuer
	Client A	406,500	13	Nil	Others	2,363,415	100	Nil	Others	681,553	100	Nil
	Others	2,768,198	87	Nil								
	Net sales	3,174,698	100		Net sales	2,363,415	100		Net sales	681,553	100	

Note: The Company's sales amounts and ratios vary with the changes in the market share of major customers. No revenue from a single customer reached more than 10% of combined revenue in 2020 and in the first quarter of 2021.

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

Unit: Tons/NTD thousand

Production value Main products	Year	2019			2020		
		Capacity	Volume	Value	Capacity	Volume	Value
PU resin		-	32,628	2,073,627	-	26,517	1,508,775
Polyester polyol		-	7,441	327,313	-	7,271	268,785
Other products		-	308	64,576	-	353	72,881
Total		65,868	40,377	2,465,516	70,868	34,141	1,850,441

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

Sales volume and value Main products	Year	2019				2020			
		Domestic marketing		Export		Domestic marketing		Export	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
PU resin		8,522	697,334	21,834	1,739,461	7,458	591,561	17,759	1,189,480
Polyester polyol		627	41,570	2,759	149,225	1,052	59,947	2,674	118,070
Other products		388	133,737	2,255	413,371	487	132,660	1,653	271,697
Total		9,537	872,641	26,848	2,302,057	8,997	784,168	22,086	1,579,247

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		2019	2020	From the current year through March 31, 2021
Number of employees	General staff	193	227	227
	Direct staff	117	129	130
	Total	310	356	357
Average age		39.17	40.05	40.34
Average years of service		8.54	9.02	9.11

Year		2019	2020	From the current year through March 31, 2021
Academic background percentage	PhD	2%	2%	2%
	Master	11%	10%	10%
	College	42%	41%	41%
	High school	27%	28%	28%
	Below high school	18%	19%	19%

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. In the most recent year and as of the printing date of the annual report, losses suffered by the Company due to environmental pollution: No such situation.
2. Due to changes in trends, regulations are becoming stricter. We are striving to meet environmental protection requirements to achieve sustainable operations and corporate responsibility, and have a number of items of pollution prevention equipment, as described below:

2.1. Liquid jet 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." For incinerator equipment using natural gas as an environmentally friendly fuel, approximately NTD 1 million will be spent in 2020.

2.2 Wastewater 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. In 2020, maintenance and consumables cost approximately NTD 2.7 million.

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. In 2020, maintenance and consumables cost approximately NTD 600,000.

3. In accordance with the Air Pollution Control Act, the fixed pollution source operation permit/air pollution

fee and equipment component testing, etc. inspection fee and maintenance costs will be about NTD 500,000 in 2020.

4. Continuous improvement of environmental impact and social responsibility for pollution reduction and waste reduction:

In announcements of regulatory changes related to environmental protection and occupational safety, we regularly review and implement improvements to achieve compliance. Furthermore, we are developing and researching green products to increase the proportion of their sales, taking the initiative to take action, promote and strengthen the efforts to achieve the company's responsibility for environmental sustainability.

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 2020:

Number of person	Hours	Expenses incurred
943 person-times	3,873 hours	864 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) In past year and up to the date of publication of the annual report, any losses suffered due to labor disputes (including labor inspection results that violate the Labor Standards Act, sanction date, sanction code, regulatory provisions that were violated, details of the regulatory violation, and sanction details) and disclosure of current and future estimated amounts and possible countermeasures:

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	2020.10~2025.10	Long-term loan	Per the contract
Long-term loan	Mega Bank	201703~2022.03	Long-term loan	Per the contract
Long-term loan	Mega Bank	2020.05~2025.05	Long-term loan	Per the contract
Long-term loan	CHB	2020.09~2025.12	Long-term loan	Per the contract
Long-term loan	CHB	2020.09~2025.09	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, 2021 Financial information (Audited by the CPAs)
		2020	2019	2018	2017	2016	
Current assets		1,781,332	1,866,309	2,028,103	2,074,044	1,918,087	1,816,017
Property, plant and equipment		982,514	821,195	890,423	954,162	794,673	991,420
Intangible assets		2,639	3,255	4,247	4,710	2,558	50,690
Other assets		288,578	212,324	60,338	41,013	110,312	335,975
Total assets		3,055,063	2,903,083	2,983,111	3,073,929	2,825,630	3,194,102
Current liabilities	Before distribution	1,296,655	1,326,672	1,451,871	1,493,270	1,321,263	1,459,168
	After distribution	Note 2	1,391,274	1, 466, 779	1,542,964	1,370,957	N/A.
Noncurrent liabilities		273,864	111,261	149,584	167,561	73,860	254,011
Total liabilities	Before distribution	1,570,519	1,437,933	1,601,455	1,660,831	1,395,123	1,713,179
	After distribution	Note 2	1,502,535	1,616,363	1,710,525	1,444,817	N/A.
Equity attributed to the owner of parent company		1,484,544	1,465,150	1,381,656	1,413,098	1,430,507	1,480,923
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	404,271	394,863	291,928	331,255	318,246	406,408
	After distribution	Note 2	330,261	277,020	281,561	268,552	N/A.
Other equity		(11,624)	(21,610)	(2,169)	(10,054)	20,364	(17,382)
Treasury stock		-	-	-	-	-	-
Non-controlling equity		-	-	-	-	-	-
Total equity	Before distribution	1,484,544	1,465,150	1,381,656	1,413,098	1,430,507	1,480,923
	After distribution	Note 2	1,400,548	1,366,748	1,363,404	1,380,813	N/A.

Note 1: The financial information adopted IFRSs.

Note 2: The motion for 2020 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, 2021 Financial information (Audited by the CPAs)
	2020	2019	2018	2017	2016	
Operating Revenue	2,363,415	3,174,698	3,675,769	3,325,124	3,007,333	682,553
Gross profit	457,229	648,159	442,567	466,076	549,782	98,813
Operating income	137,490	200,484	73,902	112,011	178,783	7,700
Non-operating revenue and expenditure	(59,906)	(25,423)	(19,737)	(5,612)	(62,713)	(3,666)
Net profits before tax	77,584	175,061	54,165	106,399	116,070	4,034
Income from continuing operations before income tax	74,010	117,843	10,367	62,703	73,232	2,137
Loss from discontinued operations	-	-	-	-	-	-
Net profit (loss)	74,010	117,843	10,367	62,703	73,232	2,137
Other comprehensive income (net after tax)	8,911	(19,441)	7,885	(30,418)	(13,500)	(5,758)
Total comprehensive income	82,921	98,402	18,252	32,285	59,732	(3,621)
Net income attributed to the owner of parent company	74,010	117,843	10,367	62,703	73,232	2,137
Net income attributed to the non-controlling equity	-	-	-	-	-	-
Total comprehensive income attributed to the owner of parent company	82,921	98,402	18,252	32,285	59,732	(3,621)
Total comprehensive income attributed to the non-controlling equity	-	-	-	-	-	-
Earnings per share	0.74	1.19	0.10	0.63	0.74	-

Note 1: The financial information adopted IFRSs.

(III) Condensed entity balance sheet

Unit: NTD thousand

Year		Financial information for the past five years (Note 1)				
		2020	2019	2018	2017	2016
Current assets		745,009	628,041	762,835	894,683	696,876
Property, plant and equipment		685,823	606,200	648,268	687,383	506,886
Intangible assets		606	766	1,283	1,377	1,943
Other assets		1,336,610	1,210,448	992,072	952,416	1,036,544
Total assets		2,768,048	2,445,455	2,404,458	2,535,859	2,242,249
Current liabilities	Before distribution	1,031,751	894,617	897,102	973,231	749,498
	After distribution	Note 2	959,219	912,010	1,022,925	799,192
Noncurrent liabilities		251,753	85,688	125,700	149,530	62,244
Total liabilities	Before distribution	1,283,504	980,305	1,022,802	1,122,761	811,742
	After distribution	Note 2	1,044,907	1,037,710	1,172,455	861,436
Equity attributed to the owner of parent company		1,484,544	1,465,150	1,381,656	1,413,098	1,430,507
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	404,271	394,863	291,928	331,255	318,246
	After distribution	Note 2	330,261	277,020	281,561	268,552
Other equity		(11,624)	(21,610)	(2,169)	(10,054)	20,364
Treasury stock		-	-	-	-	-
Non-controlling equity		-	-	-	-	-
Total equity	Before distribution	1,484,544	1,465,150	1,381,656	1,413,098	1,430,507
	After distribution	Note 2	1,400,548	1,366,748	1,363,404	1,380,813

Note 1: The financial information adopted IFRSs.

Note 2: The motion for 2020 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)				
	2020	2019	2018	2017	2016
Operating Revenue	1,219,612	1,401,543	1,722,183	1,701,576	1,457,822
Gross profit	217,729	230,638	117,321	172,961	184,649
Operating income	60,109	48,324	(18,191)	27,620	35,640
Non-operating revenue and expenditure	7,256	96,438	32,751	42,165	43,288
Net profits before tax	67,365	144,762	14,560	69,785	78,928
Income from continuing operations before income tax	74,010	117,843	10,367	62,703	73,232
Loss from discontinued operations	-	-	-	-	-
Net profit (loss)	74,010	117,843	10,367	62,703	73,232
Other comprehensive income (net after tax)	8,911	(19,441)	7,885	(30,418)	(13,500)
Total comprehensive income	82,921	98,402	18,252	32,285	59,732
Net income attributed to the owner of parent company	74,010	117,843	10,367	62,703	73,232
Net income attributed to the non-controlling equity	-	-	-	-	-
Total comprehensive income attributed to the owner of parent company	82,921	98,402	18,252	32,285	59,732
Total comprehensive income attributed to the non-controlling equity	-	-	-	-	-
Earnings per share	0.74	1.19	0.10	0.63	0.74

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
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
2020	Deloitte Taiwan	Ting-Chien Su and Wu Li Tung	Unqualified opinion

II. Financial analysis for the past five years:

(I) Financial analysis - consolidated financial statements

Analysis items \ Year		Financial analysis for the most recent five years (Note 1)					Variance for the most recent two years (%)	Ending on March 31, 2021	Remark
		2020	2019	2018	2017	2016			
Financial structure(%)	Ratio of liabilities to assets	51.40	49.53	53.68	54.02	49.37	3.78%	53.64	
	Ratio of long-term capital to property, plant and equipment	178.97	187.96	171.96	165.65	189.30	-4.78%	174.99	
Solvency %	Current ratio	137.37	140.67	139.68	138.89	145.17	-2.35%	124.46	
	Quick ratio	89.37	95.43	91.86	94.18	101.50	-6.35%	80.34	
	Interest coverage ratio	7.64	10.67	3.84	7.56	9.89	-28.40%	2.32	A
Operational ability	Receivables turnover (counts)	2.59	3.01	3.42	3.40	3.17	-13.95%	3.16	
	Average cash collection days	140.92	121.26	106.72	107.35	115.14	16.21%	115.52	
	Inventory turnover (counts)	2.88	3.90	4.74	4.59	4.43	-26.15%	3.5	A
	Payables turnover (counts)	7.21	8.05	8.46	7.92	8.29	-10.43%	8.17	
	Average inventory turnover days	126.73	93.58	77.00	79.52	82.39	35.42%	104.19	A
	Property, plant and equipment turnover (counts)	2.62	3.67	3.98	3.80	3.7	-28.61%	3.00	A
	Total assets turnover (counts)	0.79	1.07	1.21	1.12	1.08	-26.17%	0.91	A
Profitability	Return on assets (%)	2.79	4.49	0.84	2.58	3.02	-37.86%	0.61	A
	Return on equity (%)	5.01	8.27	0.74	4.41	5.04	-39.42%	0.58	A
	Income before tax/paid-in capital (%)	7.80	17.61	5.44	10.70	11.67	-55.71%	1.62	A
	Net profit margin (%)	3.13	3.71	0.28	1.88	2.43	-15.63%	0.31	
	Earnings per share (NT\$)	0.74	1.19	0.10	0.63	0.74	-37.82%	0.02	A
Cash flow	Cash flow ratio (%)	24.61	30.79	2.74	-1.75	20.48	-20.07%	1.38	B
	Cash flow adequacy ratio (%)	144.45	183.24	103.60	99.28	170.24	-12.94%	137.70	B
	Cash reinvestment ratio (%)	7.96	12.86	-0.34	-2.69	6.36	-38.10%	1.35	B
Leverage	Operating leverage	2.85	2.28	4.15	3.06	2.32	25.00%	9.04	C
	Financial leverage	1.09	1.09	1.34	1.16	1.07	0.00%	1.66	

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

- Affected by the COVID-19 epidemic, sales volume and sales have decreased significantly, freight and epidemic prevention and other related expenses have increased, and costs have also increased due to the lack of economies of scale, resulting in a decrease in gross profit and net profit.
- The main reason was the decrease in net cash inflow from operating activities due to the decrease in profit due to the impact of the COVID-19 epidemic in 109.
- Affected by the COVID-19 epidemic, sales volume has dropped significantly, and fixed costs have increased in proportion to total operating costs and expenses.

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 \times (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		Year	Financial analysis for the most recent five years (Note 1)					Variance for the most recent two years (%)	Remark
			2020	2019	2018	2017	2016		
Financial structure(%)	Ratio of liabilities to assets		46.36	40.08	42.53	44.27	36.20	15.67%	
	Ratio of long-term capital to property, plant and equipment		253.16	255.82	232.52	227.33	294.49	-1.04%	
Solvency %	Current ratio		72.20	70.20	85.03	91.92	92.97	2.85%	
	Quick ratio		47.25	40.37	51.49	56.55	53.73	17.04%	
	Interest coverage ratio		8.81	18.55	2.59	9.48	16.84	-52.51%	A
Operational ability	Receivables turnover (counts)		3.46	3.70	3.89	3.99	4.10	-6.49%	
	Average cash collection days		105.49	98.64	93.83	91.47	89.02	6.94%	
	Inventory turnover (counts)		3.56	3.81	4.66	4.58	4.49	-6.56%	
	Payables turnover (counts)		5.85	6.02	6.20	5.52	5.97	-2.82%	
	Average inventory turnover days		102.52	95.80	78.32	79.69	81.29	7.01%	
	Property, plant and equipment turnover (counts)		1.88	2.23	2.57	2.84	2.85	-15.70%	
	Total assets turnover (counts)		0.46	0.57	0.69	0.71	0.66	-19.30%	
Profitability	Return on assets (%)		3.10	5.13	0.71	2.91	3.51	-39.57%	A
	Return on equity (%)		5.01	8.27	0.74	4.41	5.04	-39.42%	A
	Income before tax/paid-in capital (%)		6.77	14.56	1.46	7.02	7.94	-53.50%	A
	Net profit margin (%)		6.06	8.40	0.60	3.68	5.02	-27.86%	A
	Earnings per share (NT\$)		0.74	1.19	0.10	0.63	0.74	-37.82%	A
Cash flow	Cash flow ratio (%)		12.38	19.45	8.54	-4.23	9.40	-36.35%	B
	Cash flow adequacy ratio (%)		77.96	111.00	63.64	41.21	74.61	-29.77%	B
	Cash reinvestment ratio (%)		2.39	6.61	1.16	-3.93	-1.32	-63.84%	B
Leverage	Operating leverage		3.20	3.63	-5.45	5.11	4.05	-11.85%	
	Financial leverage		1.16	1.20	0.66	1.42	1.16	-3.33%	
<p>Please explain the reasons for changes in each financial ratio by more than 20% during the most recent two years:</p> <p>A. The profit of overseas subsidiaries was significantly reduced due to the impact of the COVID-19 epidemic, and the profits of the recognized subsidiaries were also significantly reduced.</p> <p>B. Mainly due to the slower collection of payments due to the COVID-19 epidemic, which resulted in a decrease in net cash inflow from operating activities.</p>									

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.

III. Supervisors' review report on latest financial statements

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 2020 have been audited, and determined as sufficient to appropriately reflect the Company's financial position, business results and cash flows 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 2021

Supervisor: Liu Ve- Tung

Supervisor: Lu Hui Pin

Supervisor: Su I- Hsiu

March 22, 2021, Taiwan

IV. Latest financial statements : please refer pages 104 to 161.

V. Latest entity financial statements audited and certified by CPAs : please refer pages 162 to 213.

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	2020	2019	Variance		Analysis on changes
			Amount	%	
Current assets	1,781,332	1,866,309	-84,977	-4.55%	
Property, plant and equipment	982,514	821,195	161,319	19.64%	
Other assets	291,217	215,579	75,638	35.09%	(1)
Total assets	3,055,063	2,903,083	151,980	5.24%	
Current liabilities	1,296,655	1,326,672	-30,017	-2.26%	
Noncurrent liabilities	273,864	111,261	162,603	146.15%	(2)
Total liabilities	1,570,519	1,437,933	132,586	9.22%	
Capital	993,880	993,880	-	-	
Capital surplus	98,017	98,017	-	-	
Retained earnings	404,271	394,863	9,408	2.38%	
Other equity	-11,624	-21,610	9,986	-46.21%	(3)
Treasury stock	-	-	-	-	
Non-controlling equity	-	-	-	-	
Total equity	1,484,544	1,465,150	19,394	1.32%	
<p>1. Notes to cause of changes by more than 20%:</p> <p>(1) Due to the increase in other assets such as right-of-use assets due to the purchase of a subsidiary.</p> <p>(2) Long-term bank borrowings increased due to the purchase of a subsidiary.</p> <p>(3) Affected by the exchange rate, the loss of the conversion difference in the conversion of the financial statements of foreign operating institutions has been reduced.</p> <p>2. Effect: No significant effect was produced, as it was a normal condition.</p> <p>3. Measures to be taken in response: N/A.</p>					

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	2020	2019	Increase (decrease)	Change (%)	Analysis on changes
Operating revenue, net		\$2,363,415	\$3,174,698	-811,283	-25.55%	(1)
Operating costs		(1,906,186)	(2,526,539)	620,353	-24.55%	(1)
Gross profit		457,229	648,159	-190,930	-29.46%	(1)
Operating expenses		(319,739)	(447,675)	127,936	-28.58%	(1)
Operating profit		137,490	200,484	-62,994	-31.42%	(1)
Non-operating revenue and expenditure		(59,906)	(25,423)	-34,483	135.64%	(2)
Net profits before tax		77,584	175,061	-97,477	-55.68%	(1)
Less: Income tax expenses		(3,574)	(57,218)	53,644	-93.75%	(1)
Net income		74,010	117,843	-43,833	-37.20%	(1)
Other comprehensive income		8,911	19,441	28,352	-145.84%	(3)
Total comprehensive income		\$82,921	\$98,402	-15,481	-15.73%	
Net income attributed to the owner of parent company		\$74,010	\$117,843	-43,833	-37.20%	
Comprehensive income attributed to the owner of parent company		\$82,921	\$98,402	-15,481	-15.73%	

Notes to cause of changes by more than 20%:

- (1) Affected by the COVID-19 epidemic, sales volume and value have decreased, and costs and expenses have also decreased. As the decrease in sales is higher than the decrease in costs and expenses, gross profit and net profit have also decreased simultaneously.
- (2) Affected by exchange rate fluctuations, resulting in an increase in net foreign currency exchange losses.
- (3) Affected by exchange rate fluctuations, the conversion difference in the conversion of the financial statements of the foreign operating agency has been reduced, resulting in other comprehensive gains and losses that benefit from the conversion difference in the conversion of the financial statements of the foreign operating agency.

- (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:

Year Item	2020	2019	Increase (decrease) (%)
Cash flow ratio (%)	24.61%	30.79%	-20.07%
Cash flow adequacy ratio (%)	144.45%	183.24%	-21.17%
Cash reinvestment ratio (%)	7.96%	12.86%	-38.10%
Notes to increase/decrease (%): The cash flow ratio, cash flow permissible ratio and cash reinvestment ratio all decreased compared with last year, mainly due to the decrease in net cash inflow from operating activities due to the decrease in profits due to the impact of the COVID-19 epidemic in 109.			

(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 (2021)

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
306,389	200,535	(210,931)	295,993	—	—
Analysis on changes of cash flow for the coming year: Maintain stable operations, reduce inventory, and increase the turnover rate of accounts receivable to generate cash inflows from operating activities; cash outflows are generated due to continuous investment in equipment, purchases of real estate, factories, etc.					

IV. Material capital expenditures in the latest year and impacts on business and finance The Company added new equipment and renovated old equipment, purchase real estate, factory buildings 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

- 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.
- For the profit or loss of reinvestment, please refer to the operating overview of the related companies in the special records. In 109, due to the impact of the COVID-19 epidemic, the sales volume and value decreased, and the cost and expenses also decreased, because the decrease in sales was higher than the cost. , Costs are reduced, and gross profit and net profit are also declining simultaneously. In the future, the group will continue to allocate resources effectively to maintain overall operating performance and stable growth and profit.
- Investment plans in the next year : The total transaction amount was NT\$356,488 thousand for the purchase of land and its above-ground buildings in the North Port Section of Dayuan District, Taoyuan City for production and operation.

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: This year's interest expense is NT\$11,673 thousand dollar, accounting for 0.49% of the entire year's net revenue. The interest expense is slightly lower than that in 2019. It is expected that the interest rate in the next year may be flat, and the interest expense is expected to rise slightly due to the increase in the loan amount. In addition to looking for funds with low interest rates, on the other hand, arrange to repay loans with higher interest rates to reduce the amount of interest expenses.
 2. Foreign exchange rate fluctuation: This year's net exchange loss was 29,099 thousand , which was mainly affected by the fluctuations of the RMB against the U.S. dollar and the New Taiwan dollar against the U.S. dollar. The current fluctuations of the New Taiwan dollar against the U.S. dollar and the RMB against the U.S. dollar are relatively small compared with last year. The conversion gains and losses are not expected to continue to expand. The company estimates the net position of foreign currency revenues and expenditures for natural hedging. The purchase of raw materials denominated in foreign currencies and the amount of foreign sales are mutually adjusted. The actual impact is still within control.
 3. Inflation: The Company's market segment was categorized into domestic marketing and export. In 2020, 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 2.29% 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.

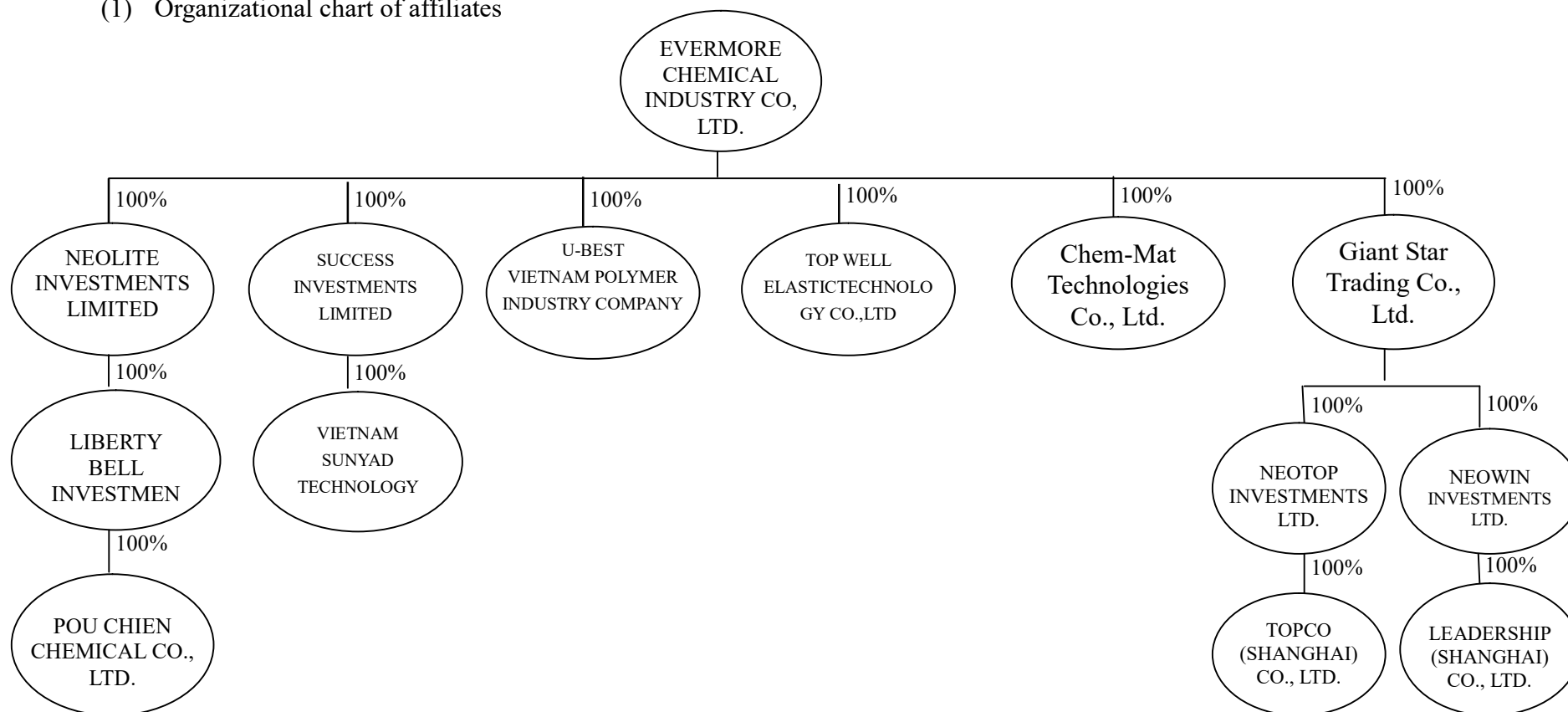
Eight. Special Disclosures

I. Information on Affiliates

(I) Profiles of affiliates

December 31, 2020

(1) Organizational chart of affiliates



(2) Basic information on affiliates
December 31, 2020

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 INVESTMENTS LTD.	March 31, 1998	British Virgin Islands	USD21,000,000	Financial investment and international trading
POU CHIEN CHEMICAL CO., LTD.	January 28, 2000	NO.1, YUYUAN 2TH ROAD, YUYUAN IND. HUANGJIANG TOWN DONGGUAN CITY GD. CHINA	USD16,000,000	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
U-BEST VIETNAM POLYMER INDUSTRY COMPANY LIMITED	March 07, 2004	319B Street, Nhon Trach 5 Industrial Park, Hiep Phuoc Commune, Nhon Trach District, Dong Nai Province, Vietnam	USD2,164,160	PU resin and adhesive production and sales

Name of Affiliated Enterprise	Date of Incorporation	Address	Paid-in capital	Scope of business/production
SUCCESS INVESTMENTS LTD.	November 18, 2002	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa.	USD4,000,000	Financial investment and international trading
VIETNAM SUNYAD TECHNOLOGY LIMITED	January 22, 2003	Tran Phu Street, Nhon Trach 5 Industrial Park, Hiep Phuoc Commune, Nhon Trach District, Dong Nai Province, Vietnam	USD7,140,000	Manufacturing and sales of PU synthetic leather products
TOPWELL ELASTIC TECHNOLOGY CO., LTD.	February 20, 2001	3110, moo 10, Soi 32, Baling (Sukhumvit 107) Road, Samrongnua Sub-district, Muang District, Samutprakran, Thailand	THB80,000,000	PU resin trading

(3) Information on directors, supervisors and president of the Company's affiliates
December 31, 2020

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	7,003,532	7.05%
	Director	Aica Kogyo Company, Limited - Representative: Ichikawa Toyoaki	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%

Name of Affiliated Enterprise	Job title	Name or Representative	Shares held	
			Quantity of shares	Shareholding
NEOLITE INVESTMENTS LTD. LIBERTY BELL INVESTMENTS LTD. POU CHIEN CHEMICAL CO., LTD. Giant Star Trading Co., Ltd.	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%
	Director	EVERMORE CHEMICAL INDUSTRY CO, LTD.	NTD413,902 thousand	100%
	Director	NEOLITE INVESTMENTS LTD. Corporate representative: Huang Chng Tze	21,000,000	100%
	Executive Director	LIBERTY BELL INVESTMENTS LTD. Corporate representative: Wu Pao Hua	16,000,000	100%
	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		
NEOTOP INVESTMENTS LTD. NEOWIN INVESTMENTS LTD. TOPCO (SHANGHAI) CO., LTD.	Director	EVERMORE CHEMICAL INDUSTRY CO, LTD. - Corporate representative: Yao Chi Wei		
	Supervisor	EVERMORE CHEMICAL INDUSTRY CO, LTD. - Corporate representative: Wu Pao Hua		
	Director	Giant Star Trading Co., Ltd. - Corporate representative: Ho Wen Chieh	2,000,000	100%
	Director	Giant Star Trading Co., Ltd. - Corporate representative: Ho Wen Chieh	505,000	100%
	Executive Director	NEOTOP INVESTMENTS LTD. - Corporate Representative: Yao Chi Wei	1,000,000	100%
	Supervisor	NEOTOP INVESTMENTS LTD. - Corporate Representative: Hou Chen Su		

Name of Affiliated Enterprise	Job title	Name or Representative	Shares held	
			Quantity of shares	Shareholding
LEADERSHIP (SHANGHAI) CO., LTD.	Executive Director	NEOWIN INVESTMENTS LTD. - Corporate Representative: Yao Chi Wei	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	EVERMORE CHEMICAL INDUSTRY CO, LTD. - Corporate representative: Wu Hsin Yu		
	Director	EVERMORE CHEMICAL INDUSTRY CO, LTD. - Corporate representative: Huang Chng Tze		
	Supervisor	Hou Chen Su	0	0%
U-BEST VIETNAM POLYMER INDUSTRY COMPANY LIMITED	Director	EVERMORE CHEMICAL INDUSTRY CO, LTD. - Corporate representative: Huang Chng Tze	2,164,160	100%
	Director	EVERMORE CHEMICAL INDUSTRY CO, LTD. - Corporate representative: Lee Ching Song		
	Director	EVERMORE CHEMICAL INDUSTRY CO, LTD. - Corporate representative: Hsu Fu Cheng		
	Supervisor	EVERMORE CHEMICAL INDUSTRY CO, LTD. - Corporate representative: Wu Pao Hua		
SUCCESS INVESTMENTS LTD.	Director	EVERMORE CHEMICAL INDUSTRY CO, LTD.	4,000,000	100%
VIETNAM SUNYAD TECHNOLOGY LIMITED	Director	SUCCESS INVESTMENTS LTD. Corporate representative: Huang Chng Tze	7,140,000	100%

Name of Affiliated Enterprise	Job title	Name or Representative	Shares held	
			Quantity of shares	Shareholding
TOPWELL ELASTIC TECHNOLOGY CO., LTD.	Director	EVERMORE CHEMICAL INDUSTRY CO, LTD.-Corporate representative: Huang Chng Tze	800,000	100%
	Director	EVERMORE CHEMICAL INDUSTRY CO, LTD.-Corporate representative: Lee Ching Song		
	Director	EVERMORE CHEMICAL INDUSTRY CO, LTD.-Corporate representative:Shih Chun An		

(II) Operating profile of affiliated companies

Unit: NTD thousand

Name of Affiliated Enterprise	Capital	Total assets	Total liabilities	Net worth	Operating Revenue	Operating Profits	Current income	Earnings per share (NT\$)
					(Net)		(After tax)	(After tax)
NEOLITE INVESTMENTS LTD.	413,902	654,459	18,503	635,956	60,404	35,617	33,548	-
LIBERTY BELL INVESTMENTS LTD.	673,073	888,384	304,762	583,622	424,757	4,773	(814)	-
POU CHIEN CHEMICAL CO., LTD.	512,818	800,433	127,773	672,660	917,038	25,950	(157,482)	-
Chem-Mat Technologies Co., Ltd. and	72,000	186,709	48,217	138,492	114,701	13,590	11,943	-
Giant Star Trading Co., Ltd.	126,000	238,331	31,494	206,837	70,369	1,875	4,370	-
NEOTOP INVESTMENTS LTD.	58,800	150,986	-	150,986	-	-	2,610	-
NEOWIN INVESTMENTS LTD.	15,553	6,804	-	6,804	-	-	806	-
TOPCO (SHANGHAI) CO., LTD.	38,922	157,504	6,585	150,919	111,098	2,419	2,592	-
LEADERSHIP (SHANGHAI) CO., LTD.	15,400	46,230	39,475	6,754	67,603	707	808	-
U-BEST VIETNAM POLYMER INDUSTRY COMPANY LIMITED	44,172	106,512	51,018	55,494	48,940	4,473	3,999	-
SUCCESS INVESTMENTS LTD.	118,360	33,282	-	33,282	-	(3,256)	(3,255)	-
VIETNAM SUNYAD TECHNOLOGY LIMITED	211,273	38,963	5,681	33,282	-	(3,256)	(3,255)	-

Name of Affiliated Enterprise	Capital	Total assets	Total liabilities	Net worth	Operating Revenue	Operating Profits	Current income	Earnings per share (NT\$)
					(Net)		(After tax)	(After tax)
TOPWELL ELASTIC TECHNOLOGY CO., LTD.	76,679	85,342	69,846	15,496	48,202	1,930	1,890	-

Note 1: Foreign currency should be translated into NTD. The assets and liabilities are translated based on the foreign exchange rate-ending, NTD:USD=28.48:1 、NTD:CNY=4.377:1、NTD:THB =0.9556:1、NTD:VND=0.001234:1 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 2020 (from January 1, 2020 to December 31, 2020) 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 22, 2021

Qin-Zhong No. 11000467 on March 22, 2021

Addressee: EVERMORE CHEMICAL INDUSTRY CO, LTD.

Subject: Comments on the information given in your 2020 Affiliation Report free from any significant inconsistencies.

Remark:

You declared that your Affiliation Report for 2020 on March 22, 2021 (from January 1, 2020 to December 31, 2020) was prepared pursuant to the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" on March 22, 2021, 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 2020 and found that there were no significant inconsistencies in said declaration.

Deloitte Taiwan
Su Ding jian, CPA

Wu Li Tung, CPA

FSC's approval letter under
Jin-Guan-Zhen-Shen-Zi No. 1070323246

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	Ichikawa Toyoaki 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	\$ 83,426	6.84%	\$ 29,086	\$ -	T/T 60 天	\$ -	T/T in advance-T/T 120 天	—	\$ 6,181	1.87%	\$ -	—	\$ -	—
Purchase	234	0.02%	-	-	月結 69 天	-	月結 30-90 天	—	91	0.05%	-	—	-	—

(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 2020 (from January 1 to December 31, 2020), in accordance with “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” if the companies required to be included in the consolidated financial statements of affiliates under these Criteria are all the same as companies required to be included in the consolidated financial statements of the parent and subsidiary companies as provided in IFRS 10, and if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it is not necessary to prepare separate consolidated financial statements for affiliates.

We hereby declare the above statement,

Evermore Chemical Industry Co., Ltd.

Chairman: Wen-Chieh Ho

March 22, 2021

INDEPENDENT AUDITORS' REPORT

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

Audit Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Authenticity of revenue recognition for specific customers

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

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

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

Other Matters

Evermore Chemical Industry Co., Ltd. has prepared parent company only financial statements for 2020 and 2019, and the audit reports with unqualified opinions that we have issued are on file for reference.

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

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

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

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

Auditors' Responsibilities for the Audit of Consolidated Financial Statements

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

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

- 1 Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion,

forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

From the matters communicated with the governance unit, we have determined key audit matters of Evermore Group's 2020 consolidated financial statements. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte Taiwan
CPA Ting-Chien Su

CPA Li-Tung Wu

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

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

March 27, 2021

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2020 and 2019

Unit: NT\$ thousand

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

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

Chairman: Ho Wen-Chieh

Manager: Huang Chng-Tze

Chief Accountant: Chen Hsiang-Li

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

January 1 through December 31, 2020 and 2019

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

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

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

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

Chairman: Ho Wen-Chieh

Manager: Huang Chng-Tze

Chief Accountant: Chen Hsiang-Li

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
January 1 to December 31, 2020 and 2019

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

		EQUITY						
Code		Share capital from common stock (Note XXI)	Capital Surplus (Note XXI)	Retained earnings (Note XXI)			Exchange differences on translation of foreign financial statements	Total Equity
				Statutory reserve	Special Reserve	Unappropriated Earnings		
A1	Balance on January 1, 2019	\$ 993,880	\$ 98,017	\$ 201,804	\$ 10,054	\$ 80,070	(\$ 2,169)	\$ 1,381,656
	Distribution of 2018 consolidated net income:							
B1	Statutory reserves	-	-	1,037	-	(1,037)	-	-
B5	Shareholder cash dividend - NTD 0.15 per share	-	-	-	-	(14,908)	-	(14,908)
B17	Reversal of special reserve	-	-	-	(7,885)	7,885	-	-
D1	2019 net income	-	-	-	-	117,843	-	117,843
D3	2019 other comprehensive profit and loss after tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	(<u>19,441</u>)	(<u>19,441</u>)
D5	2019 total current comprehensive profit and loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>117,843</u>	(<u>19,441</u>)	<u>98,402</u>
Z1	Balance on December 31, 2019	993,880	98,017	202,841	2,169	189,853	(21,610)	1,465,150
	Earnings allocation and distribution for 2019							
B1	Statutory reserves	-	-	11,784	-	(11,784)	-	-
B3	Special reserve	-	-	-	19,441	(19,441)	-	-
B5	Shareholder cash dividend - NTD 0.65 per share	-	-	-	-	(64,602)	-	(64,602)
D1	2020 net profit	-	-	-	-	74,010	-	74,010
D3	Other comprehensive profit and loss after tax for 2020	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,911</u>	<u>8,911</u>
D5	Total comprehensive income for 2020	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,010</u>	<u>8,911</u>	<u>82,921</u>
M3	Proceeds from investments accounted for using equity method	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,075</u>	<u>1,075</u>
Z1	Balance on December 31, 2020	<u>\$ 993,880</u>	<u>\$ 98,017</u>	<u>\$ 214,625</u>	<u>\$ 21,610</u>	<u>\$ 168,036</u>	(<u>\$ 11,624</u>)	<u>\$ 1,484,544</u>

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

Chairman: Ho Wen-Chieh

Manager: Huang Chng-Tze

Chief Accountant: Chen Hsiang-Li

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOW

January 1 to December 31, 2020 and 2019

Unit: NT\$ thousand

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

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

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

Chairman: Ho Wen-Chieh

Manager: Huang Chng-Tze

Chief Accountant: Chen Hsiang-Li

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

January 1 to December 31, 2020 and 2019

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

I. GENERAL INFORMATION

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

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

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

II. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(I) Statement of compliance

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

(II) Basis of preparation

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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

(IV) Basis of consolidation

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

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

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

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

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

(V) Business mergers

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

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

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

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

(VI) Foreign currencies

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

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

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are recognized in profit or loss for the

year except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

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

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

(VII) Inventories

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

(VIII) Investment related companies

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

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

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

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

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

(IX) Property, plant and equipment

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

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

Depreciation of property, plant, and equipment is recognized using the straight-line method. Each

significant part is depreciated separately. The estimated useful lives, residual values, and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

(X) Investment properties

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

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

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

(XI) Goodwill

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

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

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

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

(XII) Intangible assets

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

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

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

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

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

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

(XIV) Financial instruments

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

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

Financial assets

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

1 Measurement Category

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

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

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

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

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

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

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

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

2 Impairment of financial assets

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

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

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

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

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

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

3 Derecognition of financial assets

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

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

Financial liabilities

1 Subsequent measurement

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

2 Derecognition of financial liabilities

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

(XV) Provisions

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

(XVI) Revenue recognition

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

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

(XVII) Leasing

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

The Group as lessee

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

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

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

(XVIII) Government subsidies

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

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

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

(XIX) Employee benefits

1 Short-term employee benefits

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

2 Retirement benefits

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

(XX) Taxation

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

1 Current income tax

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

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

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

2 Deferred tax

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

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

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

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

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

3 Current and deferred income taxes

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

loss or directly included in the equity.

V. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Group has taken into consideration the economic impact caused by the COVID-19 pandemic in respect to significant accounting estimates, and management will continue to review estimates and basic assumptions. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Major sources of estimation and assumption uncertainty

(I) Provision for impairment of financial assets

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

(II) Write-down of inventories

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

(III) Goodwill impairment estimates

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

VI. Cash and cash equivalents

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

VII. Financial assets measured at amortized cost - current

	December 31, 2020	December 31, 2019
Restricted bank deposits	\$ 52,418	\$ -

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

VIII. Notes receivable and accounts receivable

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

(I) Notes receivable

The aging of notes receivable was as follows:

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

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

(II) Accounts receivable

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

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

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

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

	Not Past Due	Less than 30 Days	31 to 90 Days	Over 91 Days	Total
<u>December 31, 2020</u>					
Expected credit loss rate	0%-1%	0%-20%	5%-50%	100%	
Total book value	\$ 588,681	\$ 17,154	\$ 6,824	\$ 82,308	\$ 694,967
Allowance for loss (Expected credit loss during the period)	(6,126)	(2,239)	(1,864)	(82,308)	(92,537)
Amortized cost	<u>\$ 582,555</u>	<u>\$ 14,915</u>	<u>\$ 4,960</u>	<u>\$ -</u>	<u>\$ 602,430</u>
<u>December 31, 2019</u>					
Expected credit loss rate	0%-1%	0%-20%	5%-50%	100%	
Total book value	\$ 748,357	\$ 18,672	\$ 33,890	\$ 88,485	\$ 889,404
Allowance for loss (Expected credit loss during the period)	(9,526)	(2,111)	(13,461)	(88,485)	(113,583)
Amortized cost	<u>\$ 738,831</u>	<u>\$ 16,561</u>	<u>\$ 20,429</u>	<u>\$ -</u>	<u>\$ 775,821</u>

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

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

IX. Inventories

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

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

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

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

X. Other financial assets - current

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

XI. Subsidiaries

Subsidiary included in the consolidated financial statements:

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

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

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

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

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

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

(I) Investment related companies

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

Note: Refer to Note XI.

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

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

(II) Prepayment of investments

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

XIII. Property, plant and equipment

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

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

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

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

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

XIV. Lease agreements

(I) Right-of-use assets

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

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

(II) Major leasing activities and terms

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

XV. Net amount of investment real estate

<u>2020</u>	<u>Balance at Beginning of Year</u>	<u>Additions</u>	<u>Balance at End of Year</u>
Cost			
Land	\$ 1,007	\$ -	\$ 1,007
Buildings	<u>3,513</u>	<u>-</u>	<u>3,513</u>
Total cost	4,520	<u>\$ -</u>	4,520
Accumulated depreciation			
Buildings	<u>3,277</u>	<u>\$ 149</u>	<u>3,426</u>
	<u>\$ 1,243</u>		<u>\$ 1,094</u>
<u>2019</u>			
Cost			
Land	\$ 1,007	\$ -	\$ 1,007
Buildings	<u>3,513</u>	<u>-</u>	<u>3,513</u>
Total cost	4,520	<u>\$ -</u>	4,520
Accumulated depreciation			
Buildings	<u>3,127</u>	<u>\$ 150</u>	<u>3,277</u>
	<u>\$ 1,393</u>		<u>\$ 1,243</u>

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

Buildings	
Main building	25 years

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

XVI. Goodwill

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

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

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

XVII. Loans

(I) Short-term bank borrowings

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

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

(II) Short-term bills payable

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

Outstanding short-term bills payable were as follows:

<u>Promissory Institution</u>	<u>Nominal Amount</u>	<u>Discount Amount</u>	<u>Carrying Amount</u>	<u>Interest rate range (%)</u>
<u>December 31, 2020</u>				
Mega Bills Finance Co., Ltd.	\$ 70,000	\$ 57	\$ 69,943	0.83
International Bills Finance Corporation	<u>60,000</u>	<u>88</u>	<u>59,912</u>	0.94
	<u>\$ 130,000</u>	<u>\$ 145</u>	<u>\$ 129,855</u>	
<u>December 31, 2019</u>				
Mega Bills Finance Co., Ltd.	\$ 70,000	\$ 80	\$ 69,920	0.93
International Bills Finance Corporation	<u>60,000</u>	<u>53</u>	<u>59,947</u>	1.04
	<u>\$ 130,000</u>	<u>\$ 133</u>	<u>\$ 129,867</u>	

(III) Long-term bank borrowings

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

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

XVIII. Other payables

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

XIX. Provisions - Current

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

XX. Retirement benefit plans

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

Subsidiaries in China participate in social insurance schemes managed and coordinated by local

government agencies. The plan is a system of determining the payment, and paying the pension insurance premium to the government in exchange for managing the social insurance plan, which is included in the current expense when the offer is made.

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

XXI. Equity

(I) Share capital from common stock

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

(II) Capital surplus

	December 31, 2020	December 31, 2019
Issuance of common shares	<u>\$ 70,860</u>	<u>\$ 70,860</u>
Treasury share transactions	<u>27,157</u>	<u>27,157</u>
	<u>\$ 98,017</u>	<u>\$ 98,017</u>

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

(III) Retained earnings and dividends policy

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

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

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

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

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

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

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

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

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

XXII. Net income

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

Type	Operating Costs	Operating Expenses	Total
<u>2020</u>			
Salary	\$ 79,933	\$ 123,051	\$ 202,984
Health and labor insurance	5,432	6,995	12,427
Retirement benefits			
Defined contribution plans	2,599	4,857	7,456
Other employee benefits	5,392	10,934	16,326
Depreciation expense	68,404	35,428	103,832
Amortization expense	10	966	976
<u>2019</u>			
Salary	82,077	131,757	213,834
Health and labor insurance	5,349	6,377	11,726
Retirement benefits			
Defined contribution plans	2,416	11,387	13,803
Other employee benefits	6,147	5,866	12,013
Depreciation expense	70,617	28,958	99,575
Amortization expense	127	1,579	1,706

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

According to the Articles of Incorporation of the Company, the Company accrued employees'

compensation and remuneration of directors and supervisors at rates of 3% to 5% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The remuneration of employees and the remuneration of directors and supervisors estimated for 2020 and 2019 was resolved by the Board of Directors in 2021 and in March 2020 as follows:

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

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

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

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

(III) Net loss from foreign exchange

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

XXIII. Income taxes

(I) Income tax recognized in profit or loss

Major components of income tax expense are as follows:

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

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

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

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

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

(II) Deferred tax assets and liabilities

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

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

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

(III) Income tax assessments

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

XXIV. Earnings per share

	Net profit Attributable to Owners of the Company	Number of Shares (In Thousands)	Earnings per share (NTD)
<u>2020</u>			
Basic earnings per share			
Net profit Attributable to Owners of the Company	\$ 74,010	99,388	<u>\$ 0.74</u>
Effect of potentially dilutive ordinary shares:			
Employees' compensation	<u>-</u>	<u>317</u>	
Diluted earnings per share			
Profit for the period attributable to owners of the Company plus effect of potentially dilutive ordinary shares	<u>\$ 74,010</u>	<u>99,705</u>	<u>\$ 0.74</u>
<u>2019</u>			
Basic earnings per share			
Net profit Attributable to Owners of the Company	\$ 117,843	99,388	<u>\$ 1.19</u>
Effect of potentially dilutive ordinary shares:			
Employees' compensation	<u>-</u>	<u>454</u>	
Diluted earnings per share			
Profit for the period attributable to owners of the Company plus effect of potentially dilutive ordinary shares	<u>\$ 117,843</u>	<u>99,842</u>	<u>\$ 1.18</u>

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

XXV. Business mergers

(I) Acquisition of subsidiaries

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

(II) Consolidated transferred:

	TOPWELL	SUCCESS	U-BEST
Cash	\$ 9,537	\$ 155,250	\$ 132,314

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

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

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

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

(IV) Goodwill arising from acquisitions

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

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

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

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

(V) Net cash outflow from acquisition of subsidiaries

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

(VI) The impact of business mergers on business results

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

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

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

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

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

value recognized in the financial statements before the acquisition.

XXVI. Capital risk management

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

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

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

XXVII. Financial instruments

(I) Fair value of financial instruments

1 Financial instruments carried at fair value

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

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

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

2 Financial instruments not carried at fair value

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

- (1) The fair value of short-term financial instruments is estimated by their book value on the balance sheet for the carrying amount at the end of reporting period because the maturity date is close to the reporting date or the payment price is similar to the carrying amount. The book value should be a reasonable basis for the estimated fair value. This method is applied to cash and cash equivalents, financial assets measured at amortized cost-current, notes and accounts receivable, other receivables, other financial assets, refundable deposits-time deposits, short-term bank loans, short term notes and bills payable and refundable deposits.
- (2) The fair value of long-term borrowings (including current portion) is determined using the discounted value of future cash flow. If the Company's long-term borrowings rate is

a floating rate, the book value is equal to the fair value.

(II) Categories of financial instruments

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets at amortized cost (Note 1)	\$ 1,105,547	\$ 1,241,876
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 2)	1,464,716	1,317,725

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

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

(III) Financial risk management objectives and policies

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

1 Market risk

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

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

(1) Foreign currency risk

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

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

Sensitivity analysis

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

weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on post-tax profit and the balances below would be negative.

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

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

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

(2) Interest rate risk

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

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

Sensitivity analysis

For financial assets and liabilities of the Group with floating interest rates, when interest rates change by 0.25%, and other conditions remain unchanged, the Group's net profit before tax for 2020 and 2019 would change by NT\$1,551 thousand and NT\$890 thousand, respectively.

2 Credit risk

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

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

3 Liquidity risk

The Group has built an appropriate liquidity risk management framework for the Group's short, medium and long-term funding and liquidity management requirements. The Group

manages liquidity risk by maintaining banking facilities, obtaining the loan commitment, and continuously monitoring forecasted and actual cash flow as well as the maturity profiles of financial assets and liabilities. As of December 31, 2020 and 2019, the Group's unused bank financing lines were NT\$928,449 thousand and NT\$845,748 thousand respectively.

Liquidity and interest rate risk tables

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

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

Non-derivative financial liabilities	Less Than 1 Year	More than 1 Year
<u>December 31, 2020</u>		
Non-interest bearing liabilities	\$ 413,660	\$ -
Variable interest rate liabilities	670,927	207,117
Fixed interest rate liabilities	<u>172,575</u>	<u>-</u>
	<u>\$ 1,257,162</u>	<u>\$ 207,117</u>
<u>December 31, 2019</u>		
Non-interest bearing liabilities	\$ 391,206	\$ -
Variable interest rate liabilities	650,092	27,602
Fixed interest rate liabilities	<u>248,394</u>	<u>-</u>
	<u>\$ 1,289,692</u>	<u>\$ 27,602</u>

XXVIII. Related party transactions

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

(I) Related party name and category

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

(II) Sales of goods

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

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

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

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

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

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

The outstanding trade receivables from related parties are unsecured.

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

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

(III) Payables to related parties

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

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

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

XXIX. Pledged assets

The following assets were provided as collateral for bank borrowings:

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

XXX. Significant commitments and contingencies

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

XXXI. Subsequent material events

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

XXXII. Other matters

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

XXXIII. Exchange rate information for foreign currency assets and liabilities

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

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

The Group is mainly exposed to the USD and CNY. The following information was aggregated by the functional currencies of the Group, and the exchange rates between respective functional currencies and the presentation currency were disclosed. The significant realized and unrealized foreign exchange gain (losses) were as follows:

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

XXXIV. Other disclosures

- (I) Information about significant transactions and investees:
- 1 Financing provided to others. (Table 1)
 - 2 Endorsements/guarantees provided. (Table 2)
 - 3 Marketable securities held at the end of the period. (None)
 - 4 Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: (None)
 - 5 Acquisition of individual real estate at costs of at least \$300 million or 20% of the paid-in capital. (None)
 - 6 Disposal of individual real estate at prices of at least \$300 million or 20% of the paid-in capital. (None)
 - 7 Total purchases from or sales to related parties amounting to at least \$100 million or 20% of the paid-in capital. (Table 3)
 - 8 Accounts receivable from related parties for an amount exceeding NT\$100 million or 20% of paid-in capital. (Table 4)
 - 9 Trading in derivative instruments. (None)
 - 10 Other: Business relationships and significant transactions and amount between parent company and subsidiaries and among subsidiaries. (Table 5)
 - 11 Invested Company Information. (Table 6)
- (III) Investments in Mainland China
- 1 Invested company's name, business operations, paid-in capital, investment method, capital inward or outward, shareholding ratio, investment gains and losses, investment year end book value, investment income and loss inward, and investment limits in Mainland China. (Table 7)
 - 2 Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - (1) Purchase amount and percentage and the related payables ending balance and percentage. (Table 3 and 5)
 - (2) Sale amount and percentage and the related receivables ending balance and percentage. (Table 3 and 5)
 - (3) The amount of property transactions and the amount of the resultant gains or losses. (None)
 - (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (None)

- (5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (Table 1)
 - (6) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services. (None)
- (IV) Information on principal shareholders: The names, amounts, and proportions of shares of shareholders with a shareholding ratio of 5% or more: see (Table 8).

XXXV. Department information

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

(I) Segment revenues and results

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

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

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

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

(II) Segment total assets and liabilities

	December 31, 2020	December 31, 2019
Segment assets		
Domestic operations	\$ 1,582,185	\$ 1,561,837
Asia operations	1,428,272	1,319,012
Unallocated assets	<u>44,606</u>	<u>22,234</u>
Consolidated total assets	<u>\$ 3,055,063</u>	<u>\$ 2,903,083</u>
Segment liabilities		
Domestic operations	\$ 1,264,696	\$ 988,353
Asia operations	239,513	366,352
Unallocated liabilities	<u>66,310</u>	<u>83,228</u>
Consolidated total liabilities	<u>\$ 1,570,519</u>	<u>\$ 1,437,933</u>

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

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

(III) Revenue from major products

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

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

(IV) Geographical information

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

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

(V) Information about major customers

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

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS

January 1 to December 31, 2020

TABLE 1

Unit: Thousands of New Taiwan Dollars or Foreign Currencies)

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

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

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

Note 3: Interest rate according to bank loan contract.

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

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

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

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

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

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

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

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

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES
 TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 January 1 to December 31, 2020

TABLE 3 Unit: NT\$ thousand

Buyer	Name of transaction counterparty (Note 2)	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
POU CHIEN Company	LIBERTY BELL	(Note I)	(Sales)	(\$ 298,647)	(33)	T/T 30 days	Note 3	—	\$ 217,453	51	
LIBERTY BELL	POU CHIEN Company	(Note I)	(Sales)	(103,699)	(24)	T/T 90 days	Note 3	—	24,421	15	

Note I: Refer to Note XI of the consolidated financial statements.

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

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

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES
Accounts receivable from related parties for an amount exceeding NT\$100 million or 20% of paid-in capital
December 31, 2020

TABLE 4

Unit: NT\$ thousand

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

Note 1: Refer to Note XI of the consolidated financial statements.

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

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
January 1 to December 31, 2020

TABLE 5

Unit: Thousands of New Taiwan Dollars or Foreign Currencies)

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

(Continued on the next page)

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

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

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

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES
INFORMATION ON INVESTEEES
January 1 to December 31, 2020

TABLE 6

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

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

Note: Not applicable.

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

Investments in Mainland China

January 1 to December 31, 2020

Table 7

Unit: Thousands of New Taiwan Dollars or Foreign Currencies)

INFORMATION ON INVESTMENTS IN MAINLAND CHINA	Main business items	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019(Note 2)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018
					Outward	Inward						
POU CHIEN Company	Production and sales of PU resin	\$ 518,956 CNY 120,789	(Note 1)	\$ 244,425 USD 7,576	\$ -	\$ -	\$ 244,425 USD 7,576	(\$ 157,482) (CNY 36,739)	100%	(\$ 157,482) (CNY 36,739)	\$ 672,660 CNY 153,680	\$ -
TOPCO	Wholesale of chemical products	32,399 CNY 8,053	(Note 1)	26,450 USD 820	-	-	26,450 USD 820	2,592 CNY 616	100%	2,592 CNY 616	150,919 CNY 34,480	101,620 CNY 21,911
LEADERSHIP SHANGHAI	Wholesale of chemical products	15,400 CNY 3,474	(Note 1)	15,400 USD 500	-	-	15,400 USD 500	808 (CNY 186)	100%	808 (CNY 186)	6,754 CNY 1,543	-

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

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

Note2: Including investment in equipment and expertise, but not including the surplus of investment in China's investment business, and reinvestment of investment in the third region.

Note3: The financial statements of the investee were audited by the ROC parent company's CPA during the same period.

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

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

Evermore Chemical Industry Co., Ltd.

Information on principal shareholders

December 31, 2020

Table 8

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

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

INDEPENDENT AUDITORS' REPORT

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

Audit Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Authenticity of revenue recognition for specific customers

The main source of revenue of Evermore Chemical Industry Co., Ltd. is the sales of resins, and the sales locations are mainly located in markets such as Asia. Operating revenue in 2020 decreased compared to the previous year, but the operating revenue of some customers grew compared to the previous year. There is a significant risk to the authenticity of their revenue, because the authenticity of revenue recognition for specific customers is listed as a

key audit matter. For accounting policies related to revenue recognition, please refer to Note IV of the parent company only financial statements.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Deloitte Taiwan
CPA Ting-Chien Su

CPA Li-Tung Wu

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

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

March 22, 2021

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

Unit: NT\$ thousand

Code	ASSETS	December31, 2020		December 31, 2019	
		Amount	%	Amount	%
	CURRENT ASSETS				
1100	Cash (Notes IV and VI)	\$ 49,458	2	\$ 29,949	1
1136	Financial assets measured at amortized cost - current (Notes IV and VII)	52,418	2	-	-
1150	Notes receivable (Notes IV, VIII, and XXIV)	64,562	2	76,797	3
1170	Accounts receivable due from non-related parties (Notes IV and VIII)	164,420	6	165,503	7
1180	Accounts receivable due from related parties (Notes IV, VIII, and XXIV)	101,744	4	72,509	3
1200	Other receivables, net (Note XXIV)	32,746	1	7,390	1
1220	Highest balance of financing to other parties during the period (Note IV and XX)	-	-	2,249	-
1300	Inventories (Notes IV and IX)	257,473	9	266,821	11
1476	Other current financial assets (Notes IV, X, and XXV)	15,740	1	1,586	-
1479	Other current assets	<u>6,448</u>	<u>-</u>	<u>5,237</u>	<u>-</u>
11XX	Total current assets	<u>745,009</u>	<u>27</u>	<u>628,041</u>	<u>26</u>
	NON-CURRENT ASSETS				
1550	Investment accounted for using the equity method (Notes IV and XI)	1,283,493	46	1,038,705	42
1600	Property, plant and equipment (Notes IV, XII, and XXV)	685,823	25	606,200	25
1760	Investment real estate (Notes IV and XIII)	1,094	-	1,243	-
1801	Computer software (Note IV)	606	-	766	-
1840	Deferred tax assets (Notes IV and XX)	22,236	1	11,111	-
1915	Prepayments for equipment	29,658	1	71,580	3
1920	Refundable deposits	129	-	248	-
1960	Prepayments for investments (Note XI)	<u>-</u>	<u>-</u>	<u>87,561</u>	<u>4</u>
15XX	Total non-current assets	<u>2,023,039</u>	<u>73</u>	<u>1,817,414</u>	<u>74</u>
1XXX	TOTAL	<u>\$ 2,768,048</u>	<u>100</u>	<u>\$ 2,445,455</u>	<u>100</u>
	LIABILITIES AND EQUITY				
	CURRENT LIABILITIES				
2100	Short-term bank loans (Notes XIV and XXV)	\$ 560,965	20	\$ 468,715	19
2110	Short term notes and bills payable (Note XIV)	129,855	5	129,867	5
2150	Notes payable (Note XXIV)	73,095	3	70,815	3
2170	Accounts payable (Note XXIV)	2021,497	4	88,045	4
2200	Other payables (Notes XV and XXIV)	63,434	2	63,138	3
2230	Current tax liabilities (Notes IV and XX)	24,120	1	13,608	1
2250	Provisions - Current (Notes IV and XVI)	1,077	-	1,077	-
2322	Long-term bank loans due within one year (Notes XIV and XXV)	64,000	2	54,483	2
2399	Other current liabilities- Other	<u>4,708</u>	<u>-</u>	<u>4,869</u>	<u>-</u>
21XX	Total current liabilities	<u>1,031,751</u>	<u>37</u>	<u>894,617</u>	<u>37</u>
	NON-CURRENT LIABILITIES				
2541	Long-term bank loans (Notes XIV and XXV)	207,117	7	27,602	1
2570	Deferred tax liabilities (Notes IV and XX)	<u>44,636</u>	<u>2</u>	<u>58,086</u>	<u>2</u>
25XX	Total non-current liabilities	<u>251,753</u>	<u>9</u>	<u>85,688</u>	<u>3</u>
2XXX	Total liabilities	<u>1,283,504</u>	<u>46</u>	<u>980,305</u>	<u>40</u>
	EQUITY				
3110	Share capital from common stock	993,880	36	993,880	41
3200	Capital surplus	98,017	3	98,017	4
	Retained earnings				
3310	Statutory reserves	214,625	8	202,841	8
3320	Special reserve	21,610	1	2,169	-
3350	Unappropriated earnings	168,036	6	189,853	8
3400	Other equity	(<u>11,624</u>)	<u>-</u>	(<u>21,610</u>)	(<u>1</u>)
3XXX	Total equity	<u>1,484,544</u>	<u>54</u>	<u>1,465,150</u>	<u>60</u>
	TOTAL	<u>\$ 2,768,048</u>	<u>100</u>	<u>\$ 2,445,455</u>	<u>100</u>

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

Chairman: Ho Wen-Chieh

Manager: Huang Chng-Tze

Chief Accountant: Chen Hsiang-Li

Evermore Chemical Industry Co., Ltd.
STATEMENTS OF COMPREHENSIVE INCOME

January 1 through December 31, 2020 and 2019

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

Code		2020		2019	
		Amount	%	Amount	%
4000	Operating revenue, net (Notes IV and XXIV)	\$ 1,219,612	100	\$ 1,401,543	100
5000	Operating costs (Notes XI, XIX and XXIV)	<u>1,001,883</u>	<u>82</u>	<u>1,170,905</u>	<u>84</u>
5900	GROSS PROFIT	217,729	18	230,638	16
5910	UNREALIZED GROSS PROFIT ON SALES TO SUBSIDIARIES	(5,223)	-	(5,451)	-
5920	REALIZED GROSS PROFIT ON SALES TO SUBSIDIARIES	<u>5,451</u>	<u>-</u>	<u>3,804</u>	<u>-</u>
5950	REALIZED GROSS PROFIT	<u>217,957</u>	<u>18</u>	<u>228,991</u>	<u>16</u>
	Operating expenses (Note XIX)				
6100	Selling and marketing expenses	48,011	4	50,779	4
6200	Management expenses	60,496	5	62,786	4
6300	Research and development expenses	46,191	4	46,112	3
6450	Expected credit loss (Notes IV and VIII)	<u>3,150</u>	<u>-</u>	<u>20,990</u>	<u>2</u>
6000	Total operating expenses	<u>157,848</u>	<u>13</u>	<u>180,667</u>	<u>13</u>
6900	PROFIT FROM OPERATIONS	<u>60,109</u>	<u>5</u>	<u>48,324</u>	<u>3</u>
	NON-OPERATING INCOME AND EXPENSES				
7070	Share of profits and losses of subsidiaries and affiliates using the equity method (Note IV)	6,577	-	102,825	7
7100	Interest income (Note XXIV)	291	-	207	-
7190	Other revenue: (Note XXIV)	24,468	2	2,967	-
7510	Interest expense (Note XXIV)	(8,621)	(1)	(8,246)	-

(Continued on the next page)

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Code		2020		2019	
		Amount	%	Amount	%
7590	Type of expenditure	(\$ 570)	-	(\$ 661)	-
7630	Net loss from foreign exchange	(14,889)	(1)	(654)	-
7000	Total non-operating income and expenses	7,256	-	96,438	7
7900	PROFIT BEFORE INCOME TAX	67,365	5	144,762	10
7950	Income tax expense (gain) (Notes IV and XX)	(6,645)	(1)	26,919	2
8200	NET PROFIT FOR THE YEAR	74,010	6	117,843	8
	OTHER COMPREHENSIVE INCOME (LOSS) (Note IV)				
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of foreign financial statements	10,977	1	(23,018)	(1)
8399	Income tax related to items that may be reclassified to profit or loss (Note XX)	(2,066)	-	3,577	-
8300	Other comprehensive income (loss) for the year, net income tax	8,911	1	(19,441)	(1)
8500	TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 82,921	7	\$ 98,402	7
	Earnings per share (Note XXI)				
9710	Basic	\$ 0.74		\$ 1.19	
9810	Diluted	\$ 0.74		\$ 1.18	

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

Chairman: Ho Wen-Chieh

Manager: Huang Chng-Tze

Chief Accountant: Chen Hsiang-Li

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

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

Code		Ordinary Shares	Capital Surplus	Retained earnings (Note XVIII)			Exchange differences on translation of foreign financial statements	Total Equity
		(Note XVIII)	(Note XVIII)	Statutory reserve	Special Reserve	Unappropriated Earnings		
A1	Balance on January 1, 2019	\$ 993,880	\$ 98,017	\$ 201,804	\$ 10,054	\$ 80,070	(\$ 2,169)	\$ 1,381,656
	Distribution of 2018 consolidated net income:							
B1	Statutory reserves	-	-	1,037	-	(1,037)	-	-
B5	Shareholder cash dividend - NTD 0.15 per share	-	-	-	-	(14,908)	-	(14,908)
B17	Reversal of special reserve	-	-	-	(7,885)	7,885	-	-
D1	2019 net income	-	-	-	-	117,843	-	117,843
D3	2019 other comprehensive profit and loss after tax	-	-	-	-	-	(19,441)	(19,441)
D5	2019 total current comprehensive profit and loss	-	-	-	-	117,843	(19,441)	98,402
Z1	Balance on December 31, 2020	993,880	98,017	202,841	2,169	189,853	(21,610)	1,465,150
	Earnings allocation and distribution for 2019							
B1	Statutory reserves	-	-	11,784	-	(11,784)	-	-
B3	Special reserve	-	-	-	19,441	(19,441)	-	-
B5	Shareholder cash dividend - NTD 0.65 per share	-	-	-	-	(64,602)	-	(64,602)
D1	2020 net profit	-	-	-	-	74,010	-	74,010
D3	Other comprehensive profit and loss after tax for 2020	-	-	-	-	-	8,911	8,911
D5	Total comprehensive income for 2020	-	-	-	-	74,010	8,911	82,921
M3	Proceeds from investments accounted for using equity method	-	-	-	-	-	1,075	1,075
Z1	Balance on December 31, 2020	<u>\$ 993,880</u>	<u>\$ 98,017</u>	<u>\$ 214,625</u>	<u>\$ 21,610</u>	<u>\$ 168,036</u>	(<u>\$ 11,624</u>)	<u>\$ 1,484,544</u>

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

Chairman: Ho Wen-Chieh

Manager: Huang Chng-Tze

Chief Accountant: Chen Hsiang-Li

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

Unit: NT\$ thousand

Code		2020	2019
	CASH FLOW FROM OPERATING ACTIVITIES		
A10000	Income before tax	\$ 67,365	\$ 144,762
A20000	Adjustments for:		
A20100	Depreciation expense	59,292	59,292
A20200	Amortization expense	520	1,231
A20300	Expected credit loss	3,150	20,990
A20900	Interest fees	8,621	8,246
A21200	Interest income	(291)	(207)
A22300	Share of profits and losses of subsidiaries and affiliates using the equity method	(6,577)	(102,825)
A22500	Loss (gain) on disposal of property, plant, and equipment	(128)	6
A23100	Gain on disposal of investments	(6,090)	-
A23700	(Reversal of) impairment loss on non-financial assets	4,091	(11,667)
A23900	Unrealized (realized) profit from subsidiaries	(228)	1,647
A24100	Foreign exchange losses (gains)	5,483	(258)
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	12,235	(6,582)
A31150	Accounts receivable	(35,479)	75,422
A31180	Other receivables	761	2,727
A31200	Inventories	5,257	45,720
A31240	Other current assets	(1,211)	(2,125)
A32130	Notes payable	2,280	(8,951)
A32150	Accounts payable	22,935	(61,543)
A32180	Other payables	1,536	15,259
A32200	Provisions	-	269
A32230	Other current liabilities	(161)	1,424
A33000	Cash generated from operations	143,361	182,837
A33100	Interest received	290	191
A33300	Interest paid	(8,587)	(8,255)
A33500	Income tax paid	(7,235)	(712)
AAAA	Net cash flow from operating activities	<u>127,829</u>	<u>174,061</u>

(Continued on the next page)

(Continued from the previous page)

Code		2020	2019
CASH FLOW FROM INVESTING ACTIVITIES			
B00040	Increase in financial assets measured at amortised cost	(\$ 53,429)	\$ -
B01800	Investments acquired and accounted for using equity method	(267,880)	-
B02000	Increase in prepayments for investments	-	(87,561)
B02700	Payments for property, plant, and equipment	(33,716)	(9,649)
B02800	Proceeds from disposal of property, plant, and equipment	313	104
B03800	Decrease in refundable deposits	119	-
B04400	Decrease (increase) in other receivables from related parties	(27,012)	8,265
B04500	Payments for intangible assets	(360)	(714)
B06500	Increase in other financial assets	(14,154)	-
B07100	Increase in prepayments for equipment	(62,409)	(55,922)
B07600	Dividends received from subsidiaries	<u>135,600</u>	<u>-</u>
BBBB	Net cash used in investing activities	(<u>322,928</u>)	(<u>145,477</u>)
CASH FLOW FROM FINANCING ACTIVITIES			
C00100	Proceeds from short-term borrowings	4,481,600	2,285,900
C00200	Repayments of short-term borrowings	(4,389,293)	(2,207,494)
C00600	Net decrease in short-term notes and bills payable	(12)	(108)
C01600	Proceeds from long-term borrowings	270,000	-
C01700	Repayments of long-term borrowings	(80,968)	(34,664)
C03800	Decrease in other payables - related parties	(2,117)	(56,015)
C04500	Dividends paid to owners of the Company	(<u>64,602</u>)	(<u>14,908</u>)
CCCC	Net cash generated from (used in) financing activities	<u>214,608</u>	(<u>27,289</u>)
EEEE	Net increase in cash for the year	19,509	1,295
E00100	CASH AT THE BEGINNING OF THE YEAR	<u>29,949</u>	<u>28,654</u>
E00200	CASH AT THE END OF THE YEAR	<u>\$ 49,458</u>	<u>\$ 29,949</u>

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

Chairman: Ho Wen-Chieh

Manager: Huang Chng-Tze

Chief Accountant: Chen Hsiang-Li

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

January 1 to December 31, 2020 and 2019

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

I. GENERAL INFORMATION

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

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

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

II. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(I) Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(II) Basis of preparation

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

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

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

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

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

Current assets include:

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

Current liabilities including:

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

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

(IV) Foreign currencies

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

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

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

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

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

(V) Inventories

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

(VI) Investment accounted for using the equity method

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

1 Investments in subsidiaries

Subsidiary is an entity that is controlled by the Company.

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

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

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

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

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

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

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

2 Investment related companies

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

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

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

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

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

(VII) Property, plant and equipment

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

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

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

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

(VIII) Investment properties

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

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

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

(IX) Intangible assets

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

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

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

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

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

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

(XI) Financial instruments

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

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

Financial assets

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

1 Measurement Category

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

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

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

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

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

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

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

2 Impairment of financial assets

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

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

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

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

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

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

3 Derecognition of financial assets

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

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

Financial liabilities

1 Subsequent measurement

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

2 Derecognition of financial liabilities

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

(XII) Provisions

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

(XIII) Revenue recognition

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

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

(XIV) Government subsidies

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

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

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

(XV) Employee benefits

1 Short-term employee benefits

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

2 Retirement benefits

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

(XVI) Taxation

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

1 Current income tax

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

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

2 Deferred tax

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

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

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

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

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

3 Current and deferred income taxes

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

V. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Company has taken into consideration the economic impact caused by the COVID-19 pandemic in respect to significant accounting estimates, and management will continue to review estimates and basic assumptions. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Major sources of estimation and assumption uncertainty

(I) Provision for impairment of financial assets

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

(II) Write-down of inventories

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

(III) Impairment of goodwill included in investment subsidiaries

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

VI. Cash

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

VII. Financial assets measured at amortized cost - current

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

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

VIII. Notes receivable and accounts receivable

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

(I) Notes receivable

The aging of notes receivable was as follows:

	December 31, 2020	December 31, 2019
Not past due	\$ 64,562	\$ 76,797
Past due	<u>-</u>	<u>-</u>
Total	<u>\$ 64,562</u>	<u>\$ 76,797</u>

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

(II) Accounts receivable

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

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

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

The Company's allowance for losses in account receivable is as follows:

	Not Past Due	Less than 30 Days	31 to 90 Days	Over 91 Days	Total
<u>December 31, 2020</u>					
Expected credit loss rate	0%-1%	10%	20%-50%	100%	
Total book value	\$ 259,544	\$ 4,676	\$ 6,064	\$ 25,643	\$ 295,927
Allowance for loss (Expected credit loss during the period)	(<u>620</u>)	(<u>468</u>)	(<u>3,032</u>)	(<u>25,643</u>)	(<u>29,763</u>)
Amortized cost	<u>\$ 258,924</u>	<u>\$ 4,208</u>	<u>\$ 3,032</u>	<u>\$ -</u>	<u>\$ 266,164</u>
<u>December 31, 2019</u>					
Expected credit loss rate	0%-1%	10%	20%-50%	100%	
Total book value	\$ 232,537	\$ 15	\$ 12,339	\$ 19,734	\$ 264,625
Allowance for loss (Expected credit loss during the period)	(<u>708</u>)	(<u>2</u>)	(<u>6,169</u>)	(<u>19,734</u>)	(<u>26,613</u>)
Amortized cost	<u>\$ 231,829</u>	<u>\$ 13</u>	<u>\$ 6,170</u>	<u>\$ -</u>	<u>\$ 238,012</u>

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

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

IX. Inventories

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

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

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

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

X. Other financial assets - current

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

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

Equity-accounted investments are listed as follows:

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

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

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

(I) Investments in subsidiaries

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

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

(II) Investment related companies

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

(III) Prepayment of investments

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

12. PROPERTY, PLANT AND EQUIPMENT

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

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

Buildings	
Main building	25-50 years
Additional project	2-50 years
Machinery and equipment	2-12 years
Transportation equipment	5 years
Other equipment	
Office equipment	2-8 years
Landscape gardening	15 years
Others	2-15 years

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

XIII. INVESTMENT PROPERTIES, NET

<u>2020</u>	<u>Balance at Beginning of Year</u>	<u>Additions</u>	<u>Balance at End of Year</u>
Cost			
Land	\$ 1,007	\$ -	\$ 1,007
Buildings	<u>3,513</u>	<u>-</u>	<u>3,513</u>
Total cost	4,520	<u>\$ -</u>	4,520
Accumulated depreciation			
Buildings	<u>3,277</u>	<u>\$ 149</u>	<u>3,426</u>
	<u>\$ 1,243</u>		<u>\$ 1,094</u>
<u>2019</u>			
Cost			
Land	\$ 1,007	\$ -	\$ 1,007
Buildings	<u>3,513</u>	<u>-</u>	<u>3,513</u>
Total cost	4,520	<u>\$ -</u>	4,520
Accumulated depreciation			
Buildings	<u>3,127</u>	<u>\$ 150</u>	<u>3,277</u>
	<u>\$ 1,393</u>		<u>\$ 1,243</u>

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

Buildings	
Main building	25 years

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

XIV. Loans

(I) Short-term bank borrowings

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

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

(II) Short-term bills payable

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

Outstanding short-term bills payable were as follows:

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest rate range (%)
<u>December 31, 2020</u>				
Mega Bills Finance Co., Ltd.	\$ 70,000	\$ 57	\$ 69,943	0.83
International Bills Finance Corporation	<u>60,000</u>	<u>88</u>	<u>59,912</u>	0.94
	<u>\$ 130,000</u>	<u>\$ 145</u>	<u>\$ 129,855</u>	
<u>December 31, 2019</u>				
Mega Bills Finance Co., Ltd.	\$ 70,000	\$ 80	\$ 69,920	0.93
International Bills Finance Corporation	<u>60,000</u>	<u>53</u>	<u>59,947</u>	1.04
	<u>\$ 130,000</u>	<u>\$ 133</u>	<u>\$ 129,867</u>	

(III) Long-term bank borrowings

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

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

XV. Other payables

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

XVI. Provisions - Current

The provision for sales returns and rebates is based on historical experience, management's judgments and other known reasons to estimate the product returns and rebates that may occur in the year.

The provision is recognized as a reduction of sales in the year of the related goods sold.

XVII. Retirement benefit plans

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

XVIII. Equity

(I) Share capital from common stock

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

(II) Capital surplus

	December 31, 2020	December 31, 2019
Issuance of common shares	\$ 70,860	\$ 70,860
Treasury share transactions	<u>27,157</u>	<u>27,157</u>
	<u>\$ 98,017</u>	<u>\$ 98,017</u>

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

(III) Retained earnings and dividends policy

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

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

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

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

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

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

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

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

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

XIX. Net profit

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

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

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

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

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

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

Remuneration policy

1 Remuneration policy for directors and supervisors

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

2 Policies for employees and managers

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

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

According to the Articles of Incorporation of the Company, the Company accrued employees'

compensation and remuneration of directors and supervisors at rates of 3% to 5% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The remuneration of employees and the remuneration of directors and supervisors estimated for 2020 and 2019 was resolved by the Board of Directors in 2021 and in March 2020 as follows:

	2020	2019
Employees' compensation (5%)	\$ 3,622	\$ 7,783
Remuneration of directors and supervisors (2%)	1,449	3,113

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

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

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

XX. Income taxes

(I) Income tax recognized in profit or loss

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

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

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

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

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

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

(II) Deferred tax assets and liabilities

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

2020	Balance at Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance at End of Year
<u>Deferred tax assets</u>				
Temporary differences				
Inventory write-downs	\$ 1,926	\$ 1,049	\$ -	\$ 2,975
Investment accounted for using the equity method	1,115	7,026	-	8,141
Allowance for losses	4,640	592	-	5,232
Exchange differences on translating the financial statements of foreign operations	823	-	1,392	2,215
Others	2,607	1,066	-	3,673
	<u>\$ 11,111</u>	<u>\$ 9,733</u>	<u>\$ 1,392</u>	<u>\$ 22,236</u>

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

(III) Income tax assessments

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

XXI. Earnings per share

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

	Net profit Attributable to Owners of the Company	Number of Shares (In Thousands)	Earnings per share (NTD)
<u>2019</u>			
Basic earnings per share			
Net profit Attributable to Owners of the Company	\$ 117,843	99,388	<u>\$ 1.19</u>
Effect of potentially dilutive ordinary shares:			
Employees' compensation	<u>-</u>	<u>454</u>	
Diluted earnings per share			
Profit for the period attributable to owners of the Company plus effect of potentially dilutive ordinary shares	<u>\$ 117,843</u>	<u>99,842</u>	<u>\$ 1.18</u>

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

XXII、Capital risk management:

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

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

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

XXIII. Financial instruments

(I) Fair value of financial instruments

1 Financial instruments carried at fair value

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

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

derived from prices); and

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

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

2 Financial instruments not carried at fair value

- (1) The fair value of short-term financial instruments is estimated by their book value on the balance sheet for the carrying amount at the end of reporting period because the maturity date is close to the reporting date or the payment price is similar to the carrying amount. The book value should be a reasonable basis for the estimated fair value. This method is applied to cash, notes and accounts receivable, other receivables, other financial assets, refundable deposits-time deposits, short-term bank loans, short term notes and bills payable and refundable deposits.
- (2) The fair value of long-term borrowings (including current portion) is determined using the discounted value of future cash flow. If the Company's long-term borrowings rate is a floating rate, the book value is equal to the fair value.

(II) Categories of financial instruments

	December 31, 2020	December 31, 2019
<u>Financial assets</u>		
Financial assets at amortized cost (Note 1)	\$ 481,217	\$ 353,982
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 2)	1,208,963	902,665

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

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

(III) Financial risk management objectives and policies

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

1 Market risk

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

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

(1) Foreign currency risk

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

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

Sensitivity analysis

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

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

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

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

(2) Interest rate risk

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

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

Sensitivity analysis

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

2 Credit risk

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

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

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

3 Liquidity risk

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

Schedule of liquidity and interest rate risk

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

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

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

XXIV. Related party transactions

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

(I) Related party name and category

<u>Name of related party</u>	<u>Related Party Category</u>
AICA	The Company's parent
PT. PT. AICA INDRIA (PT. AICA)	Fellow subsidiary
Aica Singapore Pte Ltd. (AICA SINGAPORE)	Fellow subsidiary
Dynea (Shanghai) Co, Ltd. (Dynea)	Fellow subsidiary
Pou Chen Corporation and its subsidiaries	Other related parties (affiliated companies of the company's corporate directors)
Yue Yuen Industrial (Holdings) Limited and its subsidiaries	Other related parties (affiliated companies of the company's corporate directors)
TOPWELL	Related enterprise (subsidiary since July 2020)
NEOLITE	Subsidiary
CHEM-MAT	Subsidiary
Giant Star Trading Co.	Subsidiary

(Continued on the next page)

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

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

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

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

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

The outstanding trade receivables from related parties are unsecured.

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

Accounts	Related Party Category/Name	December 31, 2020	December 31, 2019
Notes payable	Subsidiary	<u>\$ -</u>	<u>\$ 17</u>
Accounts payable	Subsidiary		
	LIBERTY BELL	\$ 1,900	\$ 1,385
	Giant Star Trading Co.	400	2,336
	CHEM-MAT	5	210
	Parent company	<u>91</u>	<u>-</u>
		<u>\$ 2,396</u>	<u>\$ 3,931</u>
Other payables	Subsidiary		
	TOPWELL	\$ 526	\$ -
	Others	8	-
	Parent company	<u>44</u>	<u>2,551</u>
		<u>\$ 578</u>	<u>\$ 2,551</u>

(III) Loans to related parties

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

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

(IV) Loans from related parties

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

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

(V) Endorsements and guarantees

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

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

(VI) Payables to related parties

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

	2020	2019
Short-term employee benefits	\$ 12,681	\$ 14,825
Retirement benefits	195	195
	<u>\$ 12,876</u>	<u>\$ 15,020</u>

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

XXV. Pledged assets

The following assets were provided as collateral for bank borrowings:

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

XXVI. Significant commitments and contingencies

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

XXVII. Subsequent material events

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

XXVIII. Other Matters

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

XXIX. THE FOREIGN ASSETS AND LIABILITIES WITH SIGNIFICANT IMPACT

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

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

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

The significant unrealized foreign exchange losses were as follows:

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

XXX. SEPARATELY DISCLOSED ITEMS

- (I) Information about significant transactions and investees:
- 1 Financing provided to others. (Table 1)
 - 2 Endorsements/guarantees provided. (Table 2)
 - 3 Status of securities held at the end of the year: (None)
 - 4 Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: (None)
 - 5 Acquisition of individual real estate at costs of at least \$300 million or 20% of the paid-in capital. (None)
 - 6 Disposal of individual real estate at prices of at least \$300 million or 20% of the paid-in capital. (None)
 - 7 Total purchases from or sales to related parties amounting to at least \$100 million or 20% of the paid-in capital. (Table 3)
 - 8 Accounts receivable from related parties for an amount exceeding NT\$100 million or 20% of paid-in capital. (Table 4)
 - 9 Trading in derivative instruments. (None)
 - 10 Information on investees. (Table 5)
- (III) Investments in Mainland China
- 1 Invested company's name, business operations, paid-in capital, investment method, capital inward or outward, shareholding ratio, investment gains and losses, investment yearend book value, investment income and loss inward, and investment limits in Mainland China. (Table 6)
 - 2 Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - (1) Purchase amount and percentage and the related payables ending balance and percentage. (Table 3)
 - (2) Sale amount and percentage and the related receivables ending balance and percentage. (Table 3)

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

Evermore Chemical Industry Co., Ltd.
FINANCING PROVIDED TO OTHERS
January 1 to December 31, 2020

TABLE 1

Unit: Thousands of New Taiwan Dollars or Foreign Currencies)

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

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

Note 2: Interest rate according to bank loan contract.

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

Note 4: The limit of lent funds for individual counterparties and the total limit shall be respectively be the sum of 10% of TOPCO's net value and the monthly average transaction volume within the most recent year and 40% of TOPCO's net value.

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

Note 6: The limit of lent funds for individual counterparties and the total limit shall be respectively be the sum of 10% of U-BEST's net value and the monthly average transaction volume within the most recent year and 20% of U-BEST's net value.

EVERMORE CHEMICAL INDUSTRY CO, LTD
ENDORSEMENTS/GUARANTEES PROVIDED
January 1 to December 31, 2020

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

Number	Endorser/Guarantor	Endorsee/Guarantee		Limited endorsements/guarantees limits (Note)	Maximum Amount Endorsed/Guaranteed During the Period	Outstanding Endorsement/Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/Guaranteed by Collateral	The ratio of the accumulated endorsement guarantee amount to the net value of the financial report for the period	Endorsement guarantee maximum limit (Note)	Endorsement/Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/Guarantee Given on Behalf of Companies in Mainland China	Note
		Company name	Relationship											
0	The Company	LIBERTY BELL	Sub-subsidiaries	\$ 742,272	\$ 453,900	\$ 427,200	\$ 46,930	\$ -	28.78%	\$ 1,039,181	Y	—	—	
1	The Company	TOPWELL	Subsidiary	742,272	(USD 15,000) 14,405 (USD 500)	(USD 15,000) 14,240 (USD 500)	(USD 1,648) 14,240 (USD 500)	-	0.96%	1,039,181	Y	—	—	

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

Evermore Chemical Industry Co., Ltd.
TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
January 1 to December 31, 2020

TABLE 3Unit: NT\$ thousand

Buyer	Name of transaction counterparty (Note 2)	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
POU CHIEN Company	LIBERTY BELL	Parent company	(Sales)	(\$ 298,647)	(33)	T/T 30 days	Note	—	\$ 217,453	51	
LIBERTY BELL	POU CHIEN Company	Subsidiary	(Sales)	(103,699)	(24)	T/T 90 days	Note	—	24,427	15	

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

Evermore Chemical Industry Co., Ltd.
Accounts receivable from related parties for an amount exceeding NT\$100 million or 20% of paid-in capital
December 31, 2020

TABLE 4 Unit: NT\$ thousand

The company booked in the receivables	Counterparty	Relationship	Receivables from related party	Turnover rate	Overdue Receivables from related parties		Receivables amount collected from related parties subsequently	Allowance for bad debt
					Amount	Process		
POU CHIEN Company	LIBERTY BELL	Parent company	Accounts receivable \$ 217,453	1.06	\$ 179,332	Improved collection work	\$ 65,548	\$ -

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

TABLE 5

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

Investor	Investee company name	Location	Main business items	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)
				End of this year	End of last year	Number of Shares	%	Carrying Amount		
The Company	NEOLITE	British Virgin Islands	Financial investment and international trade	\$ 413,902	\$ 413,902	13,059	100	\$ 631,473	\$ 33,548	\$ 33,548
	Giant Star Trading Co.	Taichung City	Trading of chemical raw materials	97,367	97,367	12,600	100	206,831	4,370	4,370
	CHEM-MAT	Nantou County	Wholesale of coating, pigments, and industrial catalyst	111,484	111,484	7,199	100	132,071	11,943	8,748
	U-BEST	Vietnam	Production and sales of PU resin and adhesives	132,314	-	-	100	128,395	3,999	1,128
	TOPWELL	Thailand	Synthetic resin trading business	76,201	8,326	8,000	100	40,727	1,890	(35,673)
	SUCCESS	Samoa	Financial investment and international trade	155,250	-	4,000	100	143,996	(3,255)	(5,544)
Giant Star Trading Co.	NEOTOP	Samoa	Financial investment and international trade	58,800	58,800	-	100	150,986	2,610	(Note)
	NEOWIN	Samoa	Financial investment and international trade	15,553	15,553	-	100	6,804	806	(Note)
NEOLITE	LIBERTY BELL	British Virgin Islands	Financial investment and international trade	563,243	563,243	21,000	100	583,622	(814)	(Note)
SUCCESS	SUNYAD	Vietnam	Manufacturing and sales of PU synthetic leather products	USD 18,126	USD 18,126	-	100	33,282	(USD 29)	(Note)
				155,250	-	-	100		(3,255)	

Note: Not applicable.

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

TABLE 6

Unit: Thousands of New Taiwan Dollars or Foreign Currencies)

INFORMATION ON INVESTMENTS IN MAINLAND CHINA	Main business items	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Investment amounts remitted or recovered this year		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019(Note 2)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018
					Outward	Inward						
POU CHIEN Company	Production and sales of PU resin	\$ 518,956 CNY 120,789	(Note 1)	\$ 244,425 USD 7,576	\$ -	\$ -	\$ 244,425 USD 7,576	(\$ 157,482) (CNY 36,739)	100%	(\$ 157,482) (CNY 36,739)	\$ 672,660 CNY 153,680	\$ -
TOPCO	Wholesale of chemical products	32,399 CNY 8,053	(Note 1)	26,450 USD 820	-	-	26,450 USD 820	2,592 CNY 616	100%	2,592 CNY 616	150,919 CNY 34,480	101,620 CNY 21,911
LEADERSHIP SHANGHAI	Wholesale of chemical products	15,400 CNY 3,474	(Note 1)	15,400 USD 500	-	-	15,400 USD 500	808 (CNY 186)	100%	808 (CNY 186)	6,754 CNY 1,543	-

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

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

Note2: Including investment in equipment and expertise, but not including the surplus of investment in China's investment business, and reinvestment of investment in the third region.

Note3: The financial statements of the investee were audited by the ROC parent company's CPA during the same period.

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

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

Evermore Chemical Industry Co., Ltd.

Information on principal shareholders

December 31, 2020

Table 7

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

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



日勝化工股份有限公司
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