

Stock Code : 1735



**日勝化工股份有限公司**

**EVERMORE CHEMICAL INDUSTRY CO., LTD.**

# **ANNUAL REPORT 2021**

The date of publication: May 12, 2022

search website : <http://mops.twse.com.tw>  
<http://www.twemc.com/>

**I. The Company's Spokesman**

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

**Deputy Spokesman**

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

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

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

Tel. No.: (049)2255356-7

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

Tel. No.: (049)2255356-7

**III. Shares Administration Agency**

Name: KGI Securities, Stock Administration Dept.

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

Tel. No.: (02)23892999

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

**IV. CPAs certifying the latest annual financial statements**

CPAs: Tai, Hsin Wei and Su Ding Jian

Firm Name: Deloitte Taiwan

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

Tel. No.: (04)37059988

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

**V. Name of any exchanges where the Company's securities are traded offshore, and the method by which to access information on said offshore securities: None.****VI. The Company's website: <http://www.twemc.com/>**

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# One. Letter to Shareholders

## I. Operating Results for 2021

### (I) Results of Business Plans

The Company's consolidated net revenue for 2021 is NTD3,201,106 thousand. Consolidated net profit after tax was NTD10,057 thousand and consolidated basic earnings per share after tax was NTD0.1 per share. Please refer to the table below.

The COVID-19 epidemic spreading in 2020 resulted in the poor overall operating revenue. In 2021, the persisting epidemic causes the overall economic activities to become unstable. The rising crude oil price and shortage of containers caused the price of raw materials and supplies to keep rising. In 2021, despite the increase in sale volume and in selling price, it was still impossible to reflect the level of increase in the price of raw materials and supplies. Besides, due to the impact posed by the epidemic, certain customers suspended work and, therefore, delayed their payment of goods. The Company had to provide the allowance for bad debt pursuant to its accounting policy, thus causing the Company's operating expenses to increase. In terms of overall results, the gross profit in 2021 decreased by 5.26% compared to 2020. Net profit after tax decreased by 86.41% compared to 2020.

Operating Performance:

Unit: NTD Thousand

Item	2021	2020	Growth Rate
Operating Revenue	3,201,106	2,363,415	35.4%
Operating Profits	31,289	137,490	-77.2%
Net profits before tax	6,408	77,584	-91.7%

### (II) Budget Implementation

The Company has not disclosed the financial forecasts for the year of 2021.

### (III) Financial Revenue and Expenditure

As of December 31, 2021, total assets were NTD3,716,818 thousand, total liabilities were NTD2,284,600 thousand, debt ratio was 61%, and current ratio was 114.7%.

### (IV) Analysis of Profitability

Item	2021	2020
Return on assets (%)	0.69	2.79
Return on equity (%)	0.68	5.01
Income before tax/paid-in capital (%)	0.64	7.8
Net profit margin (%)	0.31	3.13
Earnings per share (NT\$)	0.10	0.74

### (V) Status of Research and Development

#### 1. R & D expenses spent in this year:

Item	2021
Amount (NT\$ 1,000)	70,427
Proportion to operating revenue (%)	2.20%

#### 2. The technologies or products developed successfully:

##### 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. Thermoplastic polyurethane for polyether calendered leather.
- iv. 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. Environmentally friendly solvent-free polyurethane hot-melt adhesive with high operability for woodworking flat sticking.
- iii. Environmentally friendly solvent-free single-component foaming adhesive for woodworking.
- iv. High weather resistance, environmentally friendly, solvent-free laminated polyurethane adhesive for structures.

C. 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.

D. High-value added materials:

- i. PU cross-linking agent for laser label transfer ink
- ii. High-functioning special polyester polyol
- iii. High-intensity boiling and steam-resistant solvent-based adhesive for flexible packaging

## II. Summary of Annual Business Plan for 2022

### (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. Strengthen the competitive advantage in the UV hardening coatings market and continue the investment in the production and sales of UV paper glazing coatings and functional oligomers, in order to further expand the Group's integration and synergy in UV and 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	37,036	5,903	2,465

The above-mentioned expected quantities are based on the annual sales in 2021, with reference to the estimate of the overall economic situation for 2022.

## (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, in 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; in response to the heightening environment protection awareness of each country driven by the environmental changes which limits the development of chemical industry, 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.

At the beginning of 2022, certain countries or territories continue suffering from the impact posed by COVID-10. Therefore, enterprises' operations remain unstable and there is still difficulty in mobilization. Besides, the outbreak of Russia-Ukraine War at the end of February is very likely to affect the economic development too. Given this, 2022 is still a year full of challenges. The Company uses its best effort to coordinate various factories' production capacity to mitigate the impact and achieve the business budget this year.

Thank all of you for attending the meeting today. Wish you good health and good luck!

Chairman: Ho Wen Chieh

Manager: Huang Chng Tze

Accounting Manager: Chen Hsiang Li

## Two. Company Profile

### I. Company Profile

(I) Date of Incorporation: May 15, 1989

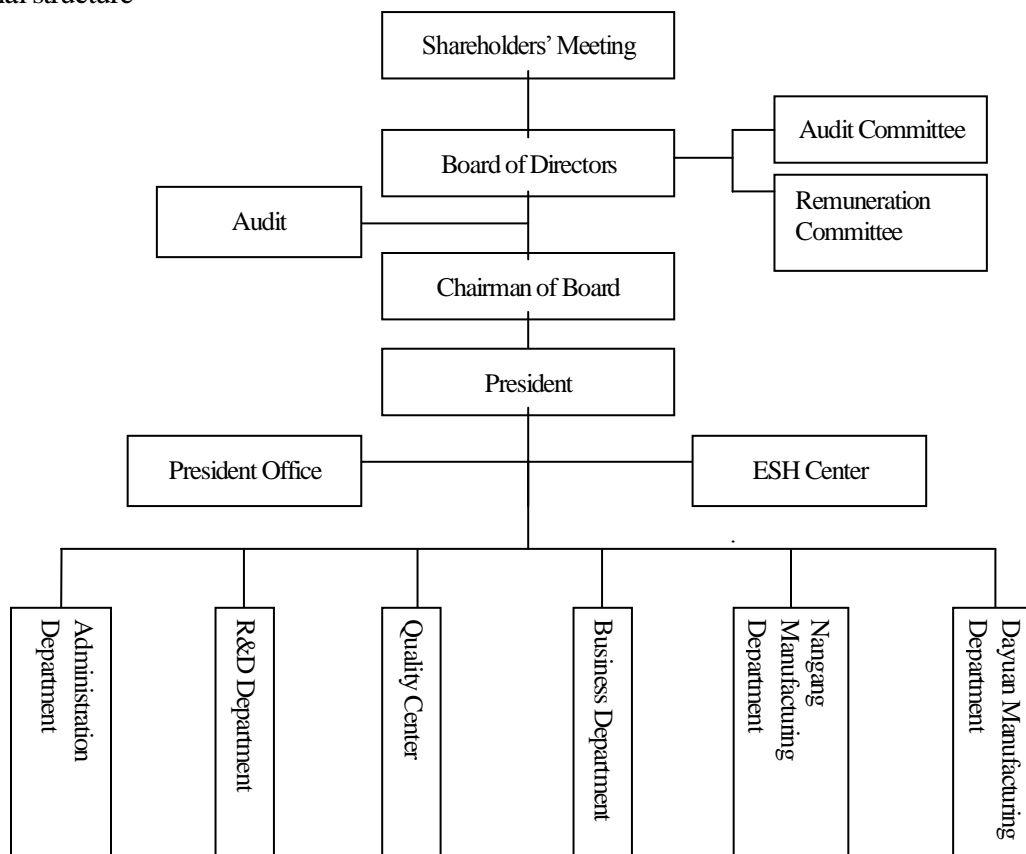
(II) Corporate Milestones:

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 Pou Chien Shoe Materials Co., Ltd. in cash in 2008, and the equity in said company held by the Company remained 51%.
  - (3) The Company acquired 100% of the equity in Giant Star Trading Co., Ltd. in 2009.
  - (4) The Company disposed of the equity in the subsidiary, Jinjiang Defu Resin Co., Ltd., held by it in 2009.
  - (5) The Company owned Wenzhou Detai Resin Co., Ltd. wholly upon the capital increase in 2010.
  - (6) Upon capital increase in Chem-Mat Technologies Co., Ltd., the Company didn't subscribe for shares in proportion to its shareholding, as a result, the Company's shareholding declined until 47.92% in 2010.
  - (7) The Company increased in capital in Giant Star Trading Co., Ltd. in 2012.
  - (8) The Company disposed of the whole equity in the subsidiary, Wenzhou Detai Resin Co., Ltd., in 2012.
  - (9) The Company wholly owned Liberty Bell Investments LTD. upon cash capital increase in 2013.
  - (10) The Company increased capital in Giant Star Trading Co., Ltd. and recapitalized the undistributed earnings.
  - (11) The Company acquired 52.08% of the equity in Chem-Mat Technologies Co., Ltd. from the other shareholders in 2014 and, therefore, wholly owned said company.
  - (12) The Company's subsidiary, Neolite Investments Limited, sold the whole equity held by it in its three subsidiaries in Jiangsu Province, China in 2015.
  - (13) The Company acquired 48% of the equity in TOP WELL ELASTIC TECHNOLOGY CO., LTD. in Thailand upon participating in the capital increase in 2016.
  - (14) The Company founded LEADERSHIP (SHANGHAI) CO., LTD. in April 2017.
  - (15) The Company recapitalized the earnings from Giant Star Trading Co., Ltd., NT\$26 million, in July 2017.
  - (16) Giant Star Trading Co., Ltd. was reformed into a company limited by shares in April 2018.
  - (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%.
  - (20) In August 2021, established the Company's Dayuan Factory upon acquisition of the real property.
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

<1> Audit Department

<2> President Office

<3> ESH Center

<4> Administration  
Department

<5> R&D Department

<6> Quality Center

<7> Business Department

<8> Nangang Manufacturing  
Department

<9> Dayuan Manufacturing  
Department

##### Tasks

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.

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.

Responsible for R&D of the Company's new products, and research, improvement and service of product technologies.

Responsible for setting the Company's product quality target and inspecting imported and exported goods.

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

Responsible for production of the Company's products, purchase of raw materials and supplies, stock-in, production process and engineering affairs.

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 (I)

April 30, 2022

Job title	Nationality or place of registration	Name	Gender/Age	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	Shareholding %	Number of Shares	Shareholding %	Number of Shares	Shareholding %	Number of Shares				Job title	Name	Relationship	
Chairman	R.O.C.	Ho Wen Chieh	Male	August 10, 2021	3	April 24, 1989	7,003,532	7.05	7,003,532	7.05	1,557,657	1.57	0	0.00	Bachelor Jye Hwa Chemical Industrial Co., Ltd. Sales manager	The Company's Chairman of Board Chairman of CHEM-MAT TECHNOLOGIES CO., LTD. and Giant Star Trading Co., Ltd.	None.	None.	None.	None.
			71-80																	
Director	R.O.C.	Huang Chng Tze	Male	August 10, 2021	3	August 10, 2021	93	0.00	93	0.00	5,000	0.01	0	0.00	Master Research Fellow of ITRI Material & Chemical Research Laboratories; Deputy Assistant Vice President of Pou Chen Corporation	President of EVERMORE CHEMICAL INDUSTRY CO, LTD. Director of Chem-Mat Technologies Co., Ltd. Director of Giant Star Trading Co., Ltd.	None.	None.	None.	None.
			61-70																	
Corporate director	Japan	Aica Kogyo Company, Limited	-	August 10, 2021	3	March 7, 2018	49,793,388	50.10	49,793,388	50.10	0	0.00	0	0.00	-	-	None.	None.	None.	None.
Representative of Aica Kogyo Company, Limited	Japan	Sawada Kenzo	Male	April 18, 2022	2.33	April 18, 2022	0	0.00	0	0.00	0	0.00	0	0.00	Bachelor Aica Kogyo Company, Limited	Director of Overseas Planning Department, Aica Kogyo Company, Limited; Director of Kunshan AICA Kogyo Co., Ltd.; Director of Shenyang AICA-HOPE Kogyo Co., Ltd.	None.	None.	None.	None.
			41-50																	
Representative of Aica Kogyo Company, Limited	Japan	Omura Nobuyuki	Male	August 10, 2021	3	June 26, 2018	0	0.00	0	0.00	0	0.00	0	0.00	Bachelor Mitsui & Co., Ltd.	Managing Director of Aica Kogyo Company, Limited Director of NISHI TOKYO CHEMIX Corporation	None.	None.	None.	None.
			51-60																	

Job title	Nationality or place of registration	Name	Gender/Age	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	Shareholding %	Number of Shares	Shareholding %	Number of Shares	Shareholding %	Number of Shares				Job title	Name	Relationship	
Representative of Aica Kogyo Company, Limited	Japan	Mori Yosuke	Male	April 18, 2022	2.33	April 18, 2022	0	0.00	0	0.00	0	0.00	0	0.00	Bachelor Aica Kogyo Company, Limited	General Manager of Finance, Aica Kogyo Company Limited; Supervisor of NISHI TOKYO CHEMIX Corporation, Altech Co., Ltd. and SOGO Service Co., Ltd.	None.	None.	None.	None.
			51-60																	
Corporate director	R.O.C.	Yue Dean Technology Co., LTD.	-	August 10, 2021	3	August 10, 2021	1,786,760	1.80	1,786,760	1.80	0	0.00	0	0.00	-	-	None.	None.	None.	None.
Yue Dean Technology Co., LTD. Corporate representative	R.O.C.	Tsai Nai Yung	Male	August 10, 2021	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 2	None.	None.	None.	None.
			61-70																	
Independent director	Japan	Higashiyama Mikio	Male	August 10, 2021	3	June 26, 2018	0	0.00	0	0.00	0	0.00	0	0.00	Bachelor Chairman of Board of MITSUI & CO. (Taiwan), LTD.	None.	None.	None.	None.	None.
			61-70																	
Independent director	R.O.C.	Chueh Liang-Wu	Male	August 10, 2021	3	August 10, 2021	0	0.00	0	0.00	0	0.00	0	0.00	Master Financial Manager of Maxedge Electronics Corp.; Financial Manager of Powerchip Semiconductor Corp.; Director of Finance of Rexchip Electronics Corporation; Director of Finance and Chief Internal Auditor, Taiwan Region of Micron Memory Taiwan Co., Ltd.	None.	None.	None.	None.	None.
			51-60																	

Job title	Nationality or place of registration	Name	Gender/Age	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	Shareholding %	Number of Shares	Shareholding %	Number of Shares	Shareholding %	Number of Shares				Job title	Name	Relationship	
Independent director	R.O.C.	Chen Chun-Cheng	Male 41-50	August 10, 2021	3	August 10, 2021	0	0.00	0	0.00	0	0.00	0	0.00	Master Attorney-at-Law of Tongli Law Firm; Attorney-at-Law of Chascord Law Firm; Attorney-at-Law of Victor Group International Attorneys At Law	Attorney-at-Law of Kuroda Law Office	None.	None.	None.	None.

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

Note 2: Non-executive director of Prosperous Industrial (Holdings) Limited; Chairman of Chang Yang Vietnam Plastic Co., Ltd., Dah-Chen Shoe Materials Ltd. and Dah Sheng Vietnam Co., Ltd.; Director of 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., Dongguan Yuguang Paper Products Co., Ltd., Dongguan Yuyuan Mold Co., Ltd., Cohen Enterprises Inc, Great Skill Industrial Limited, High Shine Investments Limited, Just Lucky Investments Limited, Kuo Yuen Industrial Vietnam Ltd., Max Chance Industrial Limited, Natural Options Limited, Pou Ming Paper Products Manufacturing Company Limited, Top Units Developments Limited, Twinways Investments Limited, 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, Prime Excellent Limited, Active Creation Co., Ltd. and Treasure Lane Global Limited; Commissioner of the subsidiary of Yue Yuen Industrial (Group) Co., Ltd., PT. Ever Tech Plastic, PT. DahSheng, PT. Limao Novatex.

Table 1: Major shareholders of corporate shareholders

April 30, 2022

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)	17.89%
	2.Custody Bank of Japan, Ltd (Trust Account)	6.04%
	3.Business Connections Shareholding Association of Aica Kogyo Company, Ltd.	3.52%
	4.THE BANK OF NEW YORK MELLON(INTERNATIONAL) 131800	2.75%
	5.Employee Shareholding Association of Aica Kogyo Company, Ltd.	2.42%
	6. SUMITOMO LIFE INSURANCE COMPANY	2.02%
	7. MUFG Bank, Ltd.	1.99%
	8. Dai Nippon Printing Co., Ltd.	1.98%
	9. Custody Bank of Japan, Ltd. (Trust Account No.4)	1.93%
	10. Denka Company Limited	1.88%
Yue Dean Technology Co., LTD.	Great Pacific Investments Ltd.	100%

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

April 30, 2022

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%

Name of Juristic Person	Major Shareholders of Juristic Person	
	Name of Shareholder	Shareholding
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.	-
SUMITOMO LIFE INSURANCE COMPANY	Cannot be accessed due to practical restrictions.	-
MUFG Bank, Ltd.	1. The Master Trust Bank of Japan, Ltd. (Trust Account)	14.0%
	2. Custody Bank of Japan, Ltd. (Trust Account)	5.4%
	3. SSBTC CLIENT OMNIBUS ACCOUNT	2.4%
	4. STATE STREET BANK WESTCLIENT - TREATY 505234	1.6%
	5. THE BANK OF NEW YORK MELLON AS DEPOSITARY BANK FOR DR HOLDERS	1.6%
	6. The Master Trust Bank of Japan, Ltd.	1.4%
	7. JP MORGAN CHASE BANK 385781	1.3%
	8. Toyota Motor Corporation	1.2%
	9. Nippon Life Insurance Company	1.1%
	10. SMBC Nikko Securities Inc.	1.0%
Dai Nippon Printing Co., Ltd.	1. The Master Trust Bank of Japan, Ltd. (Trust Account)	11.8%
	2. Custody Bank of Japan, Ltd (Trust Account)	4.9%
	3. The Dai-ichi Life Insurance Company, Limited	3.3%
	4. Employee Shareholding Association of Dai Nippon Printing Co., Ltd.	2.8%
	5. Custody Bank of Japan, Ltd (Trust Account No.7)	2.1%
	6. Mizuho Bank, Ltd.	2.0%
	7. Nippon Life Insurance Company	1.7%
	8. State Street Bank West Client-Treaty 505234	1.5%
	9. GOVERNMENT OF NORWAY	1.3%
	10. Custody Bank of Japan, Ltd (Trust Account No.5)	1.3%
Custody Bank of Japan, Ltd. (Trust Account No.4)	Cannot be accessed due to practical restrictions.	-
Denka Company Limited	Cannot be accessed due to practical restrictions.	-
Great Pacific Investments Ltd.	Pou Hing Industrial Co., Ltd.	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 (II)

I. Disclosure of information about directors' and supervisors' professional qualifications and independent directors' independence: April 30, 2022

Qualifications Name	Professional Qualifications and Experience	Independence	Number of positions as an Independent Director in other public listed companies
Ho Wen Chieh	<p>1. R.O.C. national; male; appointed for the first time in April 1989; the Company's current Chairman.</p> <p>2. Bachelor, Tamkang University Department of Chemistry; a former manager of JYE HWA CHEMICAL INDUSTRIAL CO., LTD.; the Company's founder, experienced in the industry which the Company is engaged in, with work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company.</p> <p>3. Is not a person satisfying the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act.</p>	--	0
Huang Chng Tze	<p>1. R.O.C. national; male; appointed for the first time in August 2021; the Company's current President.</p> <p>2. Master of Chemical Engineering, National Tsing Hua University; a former research fellow of ITRI Material &amp; Chemical Research Laboratories, and former Deputy Assistant Vice President of Pou Chen Corporation; engaged in the chemical engineering industry for more than three decades and experienced in the industry which the Company is engaged in, with work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company.</p> <p>3. Is not a person satisfying the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act.</p>	--	0
Aica Kogyo Company, Limited Representative: Sawada Kenzo	<p>1. a Japanese national; male, appointed for the first time in April 2022; current Director of Overseas Planning Department, Aica Kogyo Company, Limited.</p> <p>2. Bachelor, Aichi Institute of Technology Department of Applied Science; recruited by Aica Kogyo Company, Limited in 2012, experienced in development of functional materials, synergy cases management and overseas planning for sale and quality control of chemical products for many years, with work experience in the area of commerce, or otherwise necessary for the business of the Company.</p> <p>3. Is not a person satisfying the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act.</p>	--	0
Aica Kogyo Company, Limited Representative: Omura Nobuyuki	<p>1. a Japanese national; male, appointed for the first time in June 2018; current Managing Director of Aica Kogyo Company, Limited.</p> <p>2. Bachelor, The University of Tokyo Department of Economics; a former employee of Mitsui &amp; Co., Ltd.; recruited by Aica Kogyo Company, Limited in 2009, engaged in chemical engineering and construction materials industries for many years, with work experience in the area of commerce, law, finance or accounting, or otherwise necessary for the business of the Company.</p> <p>3. Is not a person satisfying the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act.</p>	--	0

Aica Kogyo Company, Limited Representative: Mori Yosuke	<p>1. a Japanese national; male, appointed for the first time in April 2022; current General Manager of Finance, Aica Kogyo Company, Limited.</p> <p>2. Bachelor, Aichi Gakuin University Department of Economics: Recruited by Aica Kogyo Company, Limited in 2015, assuming the positions including overall planning, board of directors management and general manager of finance, with work experience in the area of commerce, law, finance or accounting, or otherwise necessary for the business of the Company.</p> <p>2. Is not a person satisfying the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act.</p>	--	0
Yue Dean Technology Co., LTD. Representative: Tsai Nai Yung	<p>1. R.O.C. national; male; appointed for the first time in June 2018; current Vice President of Pou Chen Corporation.</p> <p>2. Lukang Junior High School graduate, having worked in Pou Chen Corporation for many years and well experienced in the footwear industry, with literacy in the field of commerce, law, finance or accounting, or otherwise necessary for the business of the Company.</p> <p>3. Is not a person satisfying the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act.</p>	--	0
Higashiyama Mikio (Independent director)	<p>1. a Japanese national; male; appointed for the first time in June 2018.</p> <p>2. Bachelor, Keio University Faculty of Business and Commerce: former Chairman and President of MITSUI &amp; CO. (Taiwan), LTD., having served in MITSUI &amp; CO. for 36 years, with work experience in the field of commerce, law, finance and accounting, or otherwise necessary for the business of the Company.</p> <p>2. Is not a person satisfying the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act.</p>	<p>He/she or his/her spouse or relative with the second degree of kinship:</p> <p>1. Is not a director, supervisor or employee of the Company or any of its affiliates;</p> <p>2. Does not hold any of the Company's shares;</p> <p>3. Is not a director, supervisor or employee of any company engaged in specific relationship with the Company;</p> <p>4. Has not provided any commercial, legal, financial, accounting or other professional services to the Company or any of its affiliates in the most recent two years.</p>	0
Chueh Liang-Wu (Independent director)	<p>1. R.O.C. national; male; appointed for the first time in August 2021.</p> <p>2. MBA, California State University: former Director of Finance and Chief Internal Auditor, Taiwan Region of Micron Memory Taiwan Co., Ltd.; Director of Finance of Rexchip Electronics Corporation and Financial Manager of Powerchip Semiconductor Corp.; having engaged in finance-related work for about two decades, with work experience in the field of commerce, law, finance or accounting, or otherwise necessary for the business of the Company.</p> <p>3. Is not a person satisfying the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act.</p>	<p>He/she or his/her spouse or relative with the second degree of kinship:</p> <p>1. Is not a director, supervisor or employee of the Company or any of its affiliates;</p> <p>2. Does not hold any of the Company's shares;</p> <p>3. Is not a director, supervisor or employee of any company engaged in specific relationship with the Company;</p> <p>4. Has not provided any commercial, legal, financial, accounting or other professional services to the Company or any of its affiliates in the most recent two years.</p>	0
Chen Chun-Cheng (Independent director)	<p>1. R.O.C. national; male; appointed for the first time in August 2021; current attorney-at-law of Kuroda Law Office</p> <p>2. Master of Laws, Soochow University: Having worked as attorney-at-law in Tongli Law Firm, Chascord Law Firm and Victor Group International Attorneys At Law for more than one decade, with work experience in law or otherwise necessary for the business of the Company.</p> <p>3. Is not a person satisfying the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act.</p>	<p>He/she or his/her spouse or relative with the second degree of kinship:</p> <p>1. Is not a director, supervisor or employee of the Company or any of its affiliates;</p> <p>2. Does not hold any of the Company's shares;</p> <p>3. Is not a director, supervisor or employee of any company engaged in specific relationship with the Company;</p> <p>4. Has not provided any commercial, legal, financial, accounting or other professional services to the Company or any of its affiliates in the most recent two years.</p>	0

## II. Diversity and independence of the Board of Directors:

### (I) Diversity of the Board of Directors:

According to the Company's "Corporate Governance Best Practice Principles," the Board of Directors shall direct the Company's business strategies, supervise the management, exercise its powers pursuant to laws, and be responsible to the Company and shareholders. In consideration of said job duties, the composition of the Board members shall take into account the aspects including the Company's operational framework, business development orientation and future development trends. Diversified consideration shall be given to the gender, nationality, age, culture, professional knowledge and skills (e.g. law, accounting, industry, finance, marketing or technology) and industrial experience of the directors.

The Company's development strategies focus on the products per se and development of technology. The business development must be supported by the professional knowledge, skills and experience covering leadership and management, industrial experience, R&D and innovation, finance and law. Generally, the Board members shall hold these abilities, and at least one director shall be specialized in one specific profession or background.

Based on the diversity policy, all of the Company's directors are workers with the experience in working for multinational companies locally and in Japan, who have engaged in the related industries for many years. The diversity policy implementation results are stated as following:

Name	Age (Note 1)	Professional background				Ability to execute business				
		Commerce	Law	Finance & accounting	Chemical engineering	Leadership and management	Industrial experience	R&D and innovation	Analysis of finance and accounting	Law and practice
Ho Wen Chieh	3				✓	✓	✓	✓	✓	
Huang Chng Tze	2				✓	✓	✓	✓	✓	
Sawada Kenzo	1				✓	✓	✓	✓		
Omura Nobuyuki	2	✓				✓	✓		✓	
Mori Yosuke	2	✓		✓		✓	✓			
Tsai Nai Yung	3					✓	✓		✓	
Higashiyama Mikio	3	✓				✓	✓		✓	
Chueh Liang-Wu	2			✓			✓		✓	
Chen Chun-Cheng	1		✓				✓			✓

Note 1: 1 (41~50 years old); 2 (51~60 years old); 3 (61~70 years old)

### (II) Independence of the Board of Directors:

The Company has a total of 9 directors, without appointing any supervisor, including 3 independent directors, i.e. 33.33% of the whole directors. None of the directors is a spouse or relative within the second degree of kinship with each other. No violation of Paragraph 3 and Paragraph 4, Article 26-3 of the Securities and Exchange Act has been found. Therefore, the Board of Directors is considered functioning well independently.

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

April 30, 2022

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			Remark (Note 1)
					Number of Shares	Shareholding %	Number of Shares	Shareholding %	Number of Shares	Shareholding %			Job title	Name	Relationship	
President	R.O.C.	Huang Chng Tze	Male	July 1, 2016	93	0.00	5,000	0.01	0	0.00	Master Research Fellow of ITRI Material & Chemical Research Laboratories; Deputy Assistant Vice President of Pou Chen Corporation	Director of Chem-Mat Technologies Co., Ltd. Director of Giant Star Trading Co., Ltd.	None.	None.	None.	None.
Group Vice President	R.O.C.	Lee Ching Song	Male	April 1, 2019	0	0.00	0	0.00	0	0.00	Bachelor EVERMORE CHEMICAL INDUSTRY CO, LTD Sales Office Supervisor	None.	None.	None.	None.	None.
Business Department Assistant Vice President	R.O.C.	Wang Shih Chieh	Male	April 1, 2019	0	0.00	3,040	0.00	0	0.00	PhD EVERMORE CHEMICAL INDUSTRY CO, LTD Head of Research & Development	None.	None.	None.	None.	None.
Administration Department Assistant Vice President	R.O.C.	Wu Pao Hua	Male	December 1, 2017	25,000	0.03	0	0.00	0	0.00	Bachelor EVERMORE CHEMICAL INDUSTRY CO, LTD Head of Administration	Supervisor of Giant Star Trading Co., Ltd.	None.	None.	None.	None.
R&D Department Assistant Vice President	R.O.C.	Liu Shih Wei	Male	April 1, 2019	0	0.00	0	0.00	0	0.00	PhD EVERMORE CHEMICAL INDUSTRY CO, LTD Head of Research & Development	None.	None.	None.	None.	None.

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, 2021

Unit: NT\$

Job title	Name	Remuneration to directors								Sum of A, B, C, and D as percentage of income after tax		Remuneration from concurrently servings as employees								Sum of A, B, C, D, E, F and G as percentage of income after tax		Remuneration from investees other than subsidiaries
		Remuneration (A)		Pension upon retirement (B)		Remuneration to directors (C)		Professional practice expenses (D)				Wages, bonuses, and special allowances, etc. (E)		Pension upon retirement (F)		Remuneration to employees (G)						
		The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement			
Chairman	Ho Wen Chieh	0	0	0	0	66,824	66,824	2,264,516	2,264,516	2,331,340 / 23.1813%	2,331,340 / 23.1813%	4,550,387	4,550,387	0	0	9,947	0	9,947	0	6,891,674 / 68.5261%	6,891,674 / 68.5261%	0
Director	Huang Chng-Tze (Note 5)																					
Director	Aica Kogyo Company, Limited																					
	representative: Ichikawa Toyoake																					
	Representative: Omura Nobuyuki																					
Director	Representative: Ebihara Kenji																					
	Baojian Enterprise Co., Ltd. (Note 4)																					
	Representative: Tsai Nai Yung (Note 4)																					
Director	Yue Dean Technology Co., LTD. (Note 5)																					
	Representative: Tsai Nai Yung (Note 5)																					
Independent director	Higashiyama Mikio																					
Independent director	Chen Chao-Hwei (Note 4)																					
Independent director	Chen Chun-Cheng (Note 5)																					
Independent director	Chueh Liang-Wu (Note 5)																					

- 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. According to the Company's "Regulations Governing Remuneration to and Performance Evaluation on Directors and Functional Committee Members," the remuneration is divided into fixed amounts and the amount allocated according to the Articles of Association is distributed subject 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 by the independent director to the number of attendances by all independent directors.
- 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.
- Proposed employee compensation amount.
- Discharged upon the re-election on August 10, 2021.
- New elected upon the re-election on August 10, 2021; three additional independent directors elected and supervisor seats canceled upon the re-election.
- The remuneration to directors (C) is imputed amount.

### Breakdown of Remuneration

Breakdown of remuneration paid to directors of the Company	Name of Director			
	A+B+C+D		A+B+C+D+E+F+G	
	The Company	Companies included into the financial statement H	The Company	Companies included into the financial statement I
Less than NT\$1,000,000	Ho Wen-Chieh, Huang Chng-Tze, Baojian Enterprise Co., Ltd., Tsai Nai-Yung, Yue Dean Technology Co., LTD., Aica Kogyo Company, Limited; Ichikawa Toyoake, Omura Nobuyuki, Ebihara Kenji, Chen Chao-Hwei, Mikio Higashiyama, Chen Chun-Cheng, Chueh Liang-Wu	Ho Wen-Chieh, Huang Chng-Tze, Baojian Enterprise Co., Ltd., Tsai Nai-Yung, Yue Dean Technology Co., LTD., AICA Kogyo Company Limited; Ichikawa Toyoake, Omura Nobuyuki, Ebihara Kenji, Chen Chao-Hwei, Mikio Higashiyama, Chen Chun-Cheng, Chueh Liang-Wu	Baojian Enterprise Co., Ltd., Tsai Nai-Yung, Yue Dean Technology Co., LTD., Aica Kogyo Company, Limited; Ichikawa Toyoake, Omura Nobuyuki, Ebihara Kenji, Chen Chao-Hwei, Mikio Higashiyama, Chen Chun-Cheng, Chueh Liang-Wu	Baojian Enterprise Co., Ltd., Tsai Nai-Yung, Yue Dean Technology Co., LTD., AICA Kogyo Company Limited; Ichikawa Toyoake, Omura Nobuyuki, Ebihara Kenji, Chen Chao-Hwei, Mikio Higashiyama, Chen Chun-Cheng, Chueh Liang-Wu
1,000,000 (inclusive) - 2,000,000 (exclusive)				
2,000,000 (inclusive) - 3,500,000 (exclusive)			Ho Wen-Chieh, Huang Chng-Tze	Ho Wen-Chieh, Huang Chng-Tze
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	12	12	12	12

1. Remuneration to supervisors

December 31, 2021

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	14,237	14,237	947,742	947,742	961979 / 9.5653%	961979 / 9.5653%	0
Supervisor	Lu Hui-Pin									
Supervisor	Su I Hsiu									

1. The remuneration (B) is imputed amount.

## 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, 2021

Unit: NT\$

Job title	Name	Salary (A)		Pension upon retirement (B)		Bonuses and special allowance, et al.		Remuneration to employees (D)				Sum of A, B, C, and D as percentage of income after tax		Remuneration from investees other than subsidiaries
		The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement	The Company		Companies included into the financial statement		The Company	Companies included into the financial statement	
								Cash	Stock	Cash	Stock			
President	Huang Chng Tze	3,624,480	3,624,480	0	0	686,404	686,404	10,600	10,600	0	0	42,969% 4,321,484	42,969% 4,321,484	0
Group Vice President	Lee Ching Song													

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

2. Proposed employee compensation amount.

### Breakdown of Remuneration

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



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

December 31, 2021 Unit: NT\$						
	Job title	Name	Stock (projected amount)	Cash (projected amount)	Total	As percentage of income after tax (%)
Managerial officers	President	Huang Chng Tze	0	23,353	23,353	0.2322%
	Group Vice President	Lee Ching Song				
	Assistant Vice President	Wang Shih Chieh				
	Financial Manager	Wu Pao Hua				
	Assistant Vice President	Liu Shih Wei				
	Accounting Manager	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:

Item	2021		2020	
	The Company	Companies included into the financial statement	The Company	Companies included into the financial statement
Job title				
Director	68.53%	68.53%	3.80%	3.80%
Supervisor	9.56%	9.56%	2.66%	2.66%
President and Vice President	42.97%	42.97%	7.21%	7.22%

B. The Company's remuneration to directors/supervisors for the latest two years consists of fixed amount and remuneration to directors/supervisors equivalent to 2% of the income before deduction of the remuneration. The percentage of 2021 remuneration to the income after tax in the parent company only or individual financial statements is higher than that for

2020, primarily as a result of the net profit before tax in 2021 lower than that in 2020. The analysis on amount focuses on the fixed compensation and employee compensation received by them. The remuneration to directors equivalent to 2% of the income before deduction of the remuneration is low due to the low net profit before tax.

C. The actual amount of remuneration for the President and vice presidents in 2021 was slightly lower than in 2020. The proportion of income after tax in 2021 was higher than in 2020, mainly due to the lower net profit before tax in 2021 compared with 2020.

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

A. The policies, standards, and packages by which the compensation was paid to directors/supervisors are decided in accordance with the Company's "Regulations Governing Remuneration to and Performance Evaluation on Directors and Functional Committee Members." For the time being, the compensation consists of monthly fixed transportation allowances, and the remuneration equivalent to 2% of the income before deduction of the remuneration according to the articles of incorporation. Where the director assumes the role of employee concurrently, the method by which remuneration to managers is evaluated shall apply separately. The directors' performance evaluation indicators consist of business, governance and financial results. The evaluation covers profitability, compliance with laws when exercising the Board of Directors' powers loyally, provision of fine-quality decision making suggestions and participation in the Board of Directors. Relevant performance evaluation and reasonableness of remuneration have been reviewed and approved by Remuneration Committee and Board of Directors.

B. The salaries of President and Vice President are governed by the Company's Regulations Governing Salary Management, consisting of fixed and variable amount. The variable amount refers to the bonus allocated subject to the annual business results and the remuneration equivalent to 5% of the income before deduction of the remuneration according to the articles of incorporation. The variable salary is paid according to the Regulations Governing Salary Management. The performance evaluation covers achievement of annual budget, department performance and personal performance, work skill performance, operations management and strategic development. The variable salary and remuneration shall be reported to the Board of Directors for approval upon review by the Remuneration Committee.

#### IV. Status of corporate governance

##### (I) Operations of Board of Directors

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

The Board held 6 (A) meetings in 2021. The attendance of directors/supervisors is summarized 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	6	0	100%	Re-elected on August 10, 2021
Director	Huang Chng Tze	2	0	100%	New elected on August 10, 2021
Corporate director (Representative of Aica Kogyo Company, Limited)	Ichikawa Toyoake	6	0	100%	Re-elected on August 10, 2021
Corporate director (Representative of Aica Kogyo Company, Limited)	Omura Nobuyuki	6	0	100%	Re-elected on August 10, 2021
Corporate director (Representative of Aica Kogyo Company, Limited)	Ebihara Kenji	6	0	100%	Re-elected on August 10, 2021
Corporate director (Representative of Baojian Enterprise Co., Ltd.)	Tsai Nai Yung	3	1	75%	Discharged on August 10, 2021
Corporate director (Representative of Yue Dean Technology Co., LTD.)	Tsai Nai Yung	2	0	100%	New elected on August 10, 2021
Independent director	Chen Chao-Hwei	4	0	100%	Discharged on August 10, 2021
Independent director	Higashiyama Mikio	6	0	100%	Re-elected on August 10, 2021
Independent director	Chueh Liang-Wu	2	0	100%	New elected on August 10, 2021
Independent director	Chen Chun-Cheng	2	0	100%	New elected on August 10, 2021
Supervisor	Liu Ve -Tung	2	0	50%	Discharged on August 10, 2021
Supervisor	Lu Hui-Pin	4	0	100%	Discharged on August 10, 2021
Supervisor	Su I Hsiu	4	0	100%	Discharged on August 10, 2021

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
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2021/01/29	1st in 2021	Purchase of a factory in Dayuan Industrial Zone, Taoyuan City. Motion for loaning of fund to the Company by the subsidiary, NEOLITE INVESTMENTS LTD	No comments.	N/A.
2021/03/16	2nd in 2021	Liberty Bell Investments LTD. endorsement guarantee renewal. Amendment of some provisions of Operating Procedures for Fund Loans and Endorsement Guarantees Amendment of some provisions of Procedures for the Acquisition or Disposal of Assets.	No comments.	N/A.
2021/05/11	3rd in 2021	Loan of funds to U-Best Vietnam Polymer Industry Company Limited Amendments to Internal Control System and Internal Audit Implementation Rules	No comments.	N/A.
2021/11/09	6th in 2021	Guarantee/endorsement for contract renewal by TOP WELL ELASTIC TECHNOLOGY CO., LTD. Amendments to the “Management Cycle” and internal audit implementation rules.	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.

Motion for allocation of 2020 year-end bonus to managerial officers discussed by the Board of Directors on January 29, 2021.

Motion for 2020 distribution of earnings to directors/supervisors discussed by the Board of Directors on November 9, 2021.

Motion for 2020 distribution of remuneration to employees discussed by the Board of Directors on November 9, 2021.

No discussion about specific remuneration to individual stakeholders was done at said meetings; therefore, no individual stakeholder needed to recuse himself/herself.

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:

1. In order to well found the Company’s corporate governance and strengthen the functions of the Board, two independent directors were assigned to participate in the operations of the Board. In 2021, the independent directors were present at each of the Board meetings in person to participate in the decision making about the Company’s finance, business and important business plan.

2. The Company had the Board of Directors approve the appointment of the chief corporate governance officer on June 29, 2021, in order to help the Board of Directors perform its job duties and improve the Board of Directors’ performance.

(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	January 1, 2021 to December 31, 2021	the Board	Chairman and independent directors - Board of Directors Performance Self-Assessment Questionnaire	1. Degree of participation in the Company's operation, 2. Quality of the Board of Directors’ decision making, 3. Composition and structure of the Board of Directors, 4. Election and continuing education of directors, 5. Internal control.

		Individual directors	Board members - Board Members Performance (Self or Peer) Assessment Questionnaire	<ol style="list-style-type: none"> <li>1. Alignment with the Company's goals and mission,</li> <li>2. Awareness toward directors' responsibilities and duties,</li> <li>3. Degree of participation in the Company's operation,</li> <li>4. Management of internal relations and communication,</li> <li>5. Expertise and continuing education of directors,</li> <li>6. Internal control.</li> </ol>
		Remuneration Committee	Member - Functional Committee Performance Self-Assessment Questionnaire	<ol style="list-style-type: none"> <li>1. Degree of participation in the Company's operation,</li> <li>2. Awareness toward functional committees' responsibilities and duties,</li> <li>3. Upgrading the quality of functional committees' decision making;</li> <li>4. Composition of functional committees and election of the committee members,</li> <li>5. Internal control.</li> </ol>
<p>I. The performance self-evaluation results in 2021: (Bad, poor, moderate, good, excellent)</p> <ol style="list-style-type: none"> <li>1. Summarization of the Board of Directors performance self-assessment results: Good.</li> <li>2. Summarization of the Board members performance self-assessment results: Good.</li> <li>3. Summarization of the Remuneration Committee members performance self-assessment results: Good.</li> </ol> <p>II. The evaluation results will be used as a reference for individual directors' remuneration and nomination renewal.</p>				

(3) Chief corporate governance officer:

A. Job authority:

1. Convention of board meetings and shareholders' meetings under laws;
2. Preparation of board meeting and shareholders' meeting minutes;
3. Helping directors with assumption of office and continuing education;
4. Providing directors with the information needed to perform their duties;
5. Helping directors comply with laws;
6. Any other matters defined by the Articles of Incorporation or contract.

B. Information about the chief corporate governance officer:

Name	Gender	Date of onboard	Concurrent job
Wu Pao Hua	Male	June 29, 2021	Served by the Financial Manager concurrently

C. Continuing education status in 2021:

The chief corporate governance officer was appointed for the first time in June 2021. According to the relevant requirements, he shall attend the continuing education courses for 18 hours within the first year since his assumption of the office. His continuing education status is specified as following. The 18-hour continuing education courses are scheduled to be completed within one year.

Organizer	Name of Course	Course Hours
Securities & Futures Institute	2021 Insider Trading Prevention Presentation Conference	3

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

1. Operations of Audit Committee: The Company established the Audit Committee on August 10, 2021. The Committee performs its job duties in accordance with the Articles of Association for Audit Committee.

## Information about operations of Remuneration Committee

The Audit Committee held 2 (A) meetings in 2021. The attendance of independent directors is summarized as follows:

Job title	Name	Count of actual presence (B)	Count of presence by proxy	Actual in presence rate (%) 【B/A】	Remark
Independent director	Chen Chun-Cheng	2	0	100%	Elected on August 10, 2021
Independent director	Chueh Liang-Wu	2	0	100%	Elected on August 10, 2021
Independent director	Higashiyama Mikio	2	0	100%	Elected on August 10, 2021

Other items to be stated:

I. For the Audit Committee meetings that meet any of the following descriptions, state the date, session, contents of motions, independent directors' dissenting opinions, qualified opinions or important suggestions, Audit Committee meeting resolution, and how the Company has responded to the Audit Committee's opinions.

(I) Conditions described in Article 14-5 of the Securities and Exchange Act:

Date of Audit Committee Meeting	Term	Contents of Motion	Independent Directors' Dissenting Opinions, Qualified Opinions or Important Suggestions	Audit Committee Meeting Resolution	How the Company Has Responded to the Audit Committee's opinions
November 8, 2021	2021 2nd	1. Presentation of the Company's financial statements for Q3 2021. 2. Amendments to the "Management Cycle" and internal audit implementation rules. 3. 2022 internal audit plan. 4. Overdue accounts receivable not re-stated as the loaning of fund.	None.	No objection. Passed unanimously.	N/A.

(II) Other than those described above, any resolutions unapproved by the Audit Committee but passed by more than two-thirds of directors: None.

II. For independent directors' recusal from motions which involves conflict of interest, the names of independent directors, contents of the motions, reasons of the recusal for conflict of interest, and participation in voting must be disclosed: None.

III. Communication between independent directors and chief internal auditor/external auditors (e.g. discussions concerning the Company's financial and business affairs, the method of communication used, and the outcome):

1. The Company's Audit Committee consists of all independent directors and meets at least once per quarter, or at any time whenever it is necessary.
2. Communication between the chief internal auditor and Audit Committee:
  - (1) The audit report prepared per the audit plan on a monthly basis is submitted to each independent via email or in person for review by the end of next month, and also reported at the Audit Committee meeting. The independent directors who have any question may communicate with the chief internal auditor in person or via phone or email.
  - (2) Report the internal audit operations to Audit Committee periodically on a quarterly basis.
  - (3) Communicate and respond from time to time via phone or email or in person.

(4) Any special case shall be reported to the Audit Committee members immediately.

(5) The communication matters between the independent directors and chief internal auditor in 2021 are stated as following:

Date	Method	Counterpart	Communication matters	Outcome
At the end of each month and Board of Directors	Reported via email, or verbally via phone	All directors (including independent directors), audit	Monthly audit report	The independent directors raise questions about the audit report. Then, the chief internal auditor shall respond to the questions, so that the independent directors may have full knowledge of the situation.
November 8, 2021	Report at Audit Committee meeting verbally	All independent directors, internal chief auditor	Amendments to the "Management Cycle" and internal audit implementation rules.	The chief internal auditor shall provide explanation, so that the independent directors may have full knowledge of the situation. The motion shall be passed by the Audit Committee and presented to the Board of Directors meeting for resolution.
November 8, 2021	Report at Audit Committee meeting verbally	All independent directors, internal chief auditor	2022 internal audit plan	The chief internal auditor shall provide explanation, so that the independent directors may have full knowledge of the situation. The motion shall be passed by the Audit Committee and presented to the Board of Directors meeting for resolution.

### 3. Communication between the CPA and Audit Committee:

- (1) The Company's external auditors shall convene the communication meeting independently with the Audit Committee at least once per year, and provide explanation and communicate with the Audit Committee sufficiently in order to deal with the communication matters required by related laws. The attendees at the meeting exclude the ordinary directors and management.
- (2) The Audit Committee shall convene a meeting to discuss the external auditors' audit on the current financial statements and audit results at the end of the audit, and shall discuss and communicate the audit results, major issues and key audit matters at the meeting thoroughly.
- (3) Discussion via multiple communication channels (e.g. phone, email or in person) is advised. If there is any major opinion to be exchanged, a meeting may be arranged subject to the circumstances.
- (4) The communication matters between the independent directors and external auditors in 2021 are stated as following:

Date	Method	Counterpart	Communication matters	Outcome
November 8, 2021	Tangible/virtual communication meeting	All independent directors and the CPAs (exclusive the ordinary directors and management)	The audit results about financial statements for Q3 2021, and scope, method and strategy of audit on the 2021 report, important accounting policies, estimation, significant events or transactions, key audit matters and audit schedule planning.	The CPAs provide explanation about the related issues. Audit Committee will ask the CPAs for answers to its questions to enable the independent directors to have full knowledge of the situation.
November 8, 2021	Report at Audit Committee meeting	All independent directors, the CPAs and accounting	Explanation about the financial statements for Q3 2021	The CPAs remind the key points of the financial report. Audit

		manager		Committee will ask the CPAs or the Company's accounting manager for answers to its questions. The financial statements for Q3 2021 is submitted to the Board of Directors for resolution after being passed by the Audit Committee.
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IV. Annual work focus of the Audit Committee:

1. Adoption of or amendments to the internal control system in accordance with Article 14-1 of the Securities and Exchange Act.
2. Evaluation on the validity of the internal control system.
3. According to Article 36-1 of the Securities and Exchange Act, stipulating or amending the handling procedures of major financial business activities of acquiring or disposing of assets, derivative commodity transactions, loaning of funds to others, and endorsing or providing guarantees for others.
4. A matter bearing on the personal interest of a director.
5. A material asset or derivatives transaction.
6. A material monetary loan, endorsement, or provision of guarantee.
7. Raising, issuing, or private placement of equity-type securities.
8. Appointment or dismissal of the external auditor, or remuneration to the external auditor.
9. Appointment and removal of the head of finance, accounting or internal audit.
10. Annual financial report signed or sealed by the Chairman, general manager and accounting manager.
11. Other material matters required by the Company or the competent authority.



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

**Status of participation in Board meetings by the supervisors**

The Board held 6 (A) meetings in 2021. The attendance thereto is summarized as follows:

Job title	Name	Count of actual in attendance (B)	Actual in attendance rate (%) 【B/A】	Remark
Supervisor	Liu Ve -Tung	2	50%	Discharged upon the re-election on August 10, 2021.
Supervisor	Lu Hui-Pin	4	100%	Discharged upon the re-election on August 10, 2021.
Supervisor	Su I Hsiu	4	100%	Discharged upon the re-election on August 10, 2021.

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 of Board. 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. Does the Company establish 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		V		
(I) Does the Company define some internal operating procedure to deal with suggestions, questions, disputes and legal actions from shareholders, and implemented the procedure?			(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. Scheduled to adopt the internal operating procedure in 2022.
(II) Does the Company control 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).	(II) No deviation. The monthly report on changes in shares held by insiders serves as the basis for follow-up.
(III) Does the Company establish or implement 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. Various operations are carried out in a just and reasonable manner pursuant to existing norms in written form.	(III) No deviation.
(IV) Does the Company establish internal policies that prevent insiders from trading securities based on non-public information?	V		(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,	(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	
			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.	
III. Composition and duties of Board of Directors				
(I) Does the Board of Directors have a diversity policy and management goals, and implement the same precisely?		V	(I) The composition of the Board of Directors shall be handled and implemented in accordance with the Company's Articles of Incorporation, as detailed on pages 7-8 and 12-13 of the annual report.	(I) No deviation.
(II) Is the Company, in addition to establishing the Remuneration Committee and Audit Committee pursuant to laws, willing to establish any other functional committees voluntarily?	V		(II) Except the Remuneration Committee established by the Company pursuant to laws, the Company has not yet established any other functional committees so far.	(II) Not yet established any other functional committees.
(III) Does the Company formulate 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?	V		(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 2021. In the future, it will be used as a reference for individual directors' remuneration and nomination renewal.	(III) No deviation.
(IV) Does the Company assess the independence of the CPAs periodically?	V		(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 Marcy 16, 2021.	(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. Does the TWSE / TPEX Listed Company 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 Company's Financial Dept., Administration Division serves as the corporate governance unit concurrently. The Administration Division head is appointed by the Board of Directors to serve as the Chief Corporate Governance Officer, who shall perform the job duties, including but not limited to, providing directors with the information needed to perform their duties, helping directors comply with laws, convening shareholders' meetings, board meetings and committee meetings under laws, and helping promote and strengthen the corporate governance. The Chief Corporate Governance Officer was appointed for the first time in 2021, who has attended the continuing education courses for 3 hours so far.	No deviation.
V. Does the Company establish 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 respond to the stakeholders regarding their concerns over corporate social responsibilities?	V		(I) Communication channel with stakeholders: 1. The Company has set up the Stakeholder Section on the the Company's website to provide the stakeholders with the contact person and contact No. 2. Meanwhile, the Company also set up the tangible "employees' opinion mailbox" available for the employees to provide opinion or file complaints. (II) The Company responds to the stakeholders regarding their concerns adequately via said communication channel. Please refer to the Company's ESG report for details.	No deviation.
VI. Does the Company commission 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.

Scope of Assessment	Status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary	
<p>VII. Information disclosure</p> <p>(I) Does the Company establish a website that discloses financial, business, and corporate governance-related information?</p> <p>(II) Are there 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) Does the Company announce and declare its annual financial report within two months after the end of the fiscal year, and announce 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>	<p>V</p> <p>V</p>	<p>V</p>	<p>(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: <a href="http://www.twemc.com">http://www.twemc.com</a></p> <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>	<p>(I) No deviation.</p> <p>(II) No deviation.</p> <p>(III) Announce before the time limit for the evaluation project has not been met.</p>
<p>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 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>	<p>V</p>		<p>1. 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 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'</p>	<p>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>suggestions and claims for work, and practices ISO45001 (2018 version) international occupational safety and health management to raise the awareness toward safety.</p> <p>2. 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>3. Continuing education of directors/supervisors: The Company propagates the channels and messages about continuing education of directors/supervisors from time to time, and discloses the status of continuing education on MOPS. Training hours in 2021: Directors had a total of 9 hours.</p> <p>4. Implementation of risk management policies and risk measurements, and implementation of customer policy: Strict implementation of the same pursuant to the Company's internal control system may mitigate the risk effectively.</p> <p>5. 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>(I) Notes to the result of the Corporate Governance Evaluation of 8th Term: The Company will check the operations which fail to satisfy the evaluation standards upon announcement of the evaluation result each year to correct the deficiencies successively. For the time being, most of the deficiencies result from the disclosed contents that fail to satisfy the evaluation requirements. The Company will correct them precisely step by step.</p> <p>(II) Propose enhancement measures for any issues that are yet to be rectified: To improve the items which didn't win any scores one by one subject to the level of difficulty.</p>				

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

1. Information about Remuneration Committee members

Position	Qualifications Name	Professional Qualifications and Experience	Independence	Number of positions as a Remuneration Committee member in other public listed companies	Remark
Independent director (Convener)	Chueh Liang-Wu	Please refer to the attachment "I. Disclosure of information about directors' and supervisors' professional qualifications and independent directors' independence" on Page 12-13.	Please refer to the attachment "I. Disclosure of information about directors' and supervisors' professional qualifications and independent directors' independence" on Page 12-13.	None.	Appointed (new elected) on August 10, 2021
Independent director	Higashiyama Mikio	Please refer to the attachment "I. Disclosure of information about directors' and supervisors' professional qualifications and independent directors' independence" on Page 12-13.	Please refer to the attachment "I. Disclosure of information about directors' and supervisors' professional qualifications and independent directors' independence" on Page 12-13.	None.	Appointed (re-elected) on August 10, 2018
Independent director	Chen Chun-Cheng	Please refer to the attachment "I. Disclosure of information about directors' and supervisors' professional qualifications and independent directors' independence" on Page 12-13.	Please refer to the attachment "I. Disclosure of information about directors' and supervisors' professional qualifications and independent directors' independence" on Page 12-13.	None.	Appointed (new elected) on August 10, 2021

## 2. Operations of Remuneration Committee

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

(2) Term of office: From August 10, 2021 to June 25, 2024; the Committee has held 4(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)	Remark
Convener	Chueh Liang-Wu	2	0	100	New elected on August 10, 2021
Member	Chen Chun-Cheng	2	0	100	New elected on August 10, 2021
Member	Higashiyama Mikio	4	0	100	Reelected on August 2021 (the convener of the previous term)
Member	Chen Chao-Hwei	2	0	100	Discharged on August 10, 2021
Member	Tao Hung Wen	2	0	100	Discharged on August 10, 2021
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 2021:

Remuneration Committee Date	Term	Proposal content	Resolution result	The Company's handling of the opinions of the Remuneration Committee
2021/01/29	The 8th session of the 4th term	Motion for allocation of 2020 year-end bonus to managerial officers.	Passed unanimously.	None; submitted to the Company's Board of Directors for resolution
2021/03/16	The 9th session of the 4th term	Motion for allocation of 2020 remuneration to employees and directors/supervisors.	Passed unanimously.	None; submitted to the Company's Board of Directors for resolution
2021/08/10	The 1st session of the 5th term	Election of the convener and meeting chair	Independent Director Chueh Liang-Wu was elected as the chair and convener of the meeting.	None.
2021/11/08	The 2nd session of the 5th term	Amendments to certain provisions of the "Articles of Association for Remuneration Committee" Motion for allocation of 2020 remuneration to directors/supervisors Motion for allocation of 2020 employee remuneration to managerial officers	Passed unanimously.	None; submitted to the Company's Board of Directors for resolution



(V) Status of sustainable development, and deviation from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof:

Item	Status (Note 1)			Deviation from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary	
I. Does the Company implement a governance framework that supports sustainable development, and designate a unit that specializes (or is involved) in the promotion of sustainable development? Is the unit empowered by the Board of Directors and run by senior management, and how does the Board supervise progress?	V		<p>1. Promote the sustainable development governance framework: Please refer to the Company's sustainability report.</p> <p>2. Execution by the Company's organizations:</p> <p>(1) The name of the unit that specializes (or is involved) in the promotion of sustainable development, when to set up the unit and authorization by the Board of Directors: The Company established the functional CSR Committee in 2015, which might be renamed subject to the functions. The Board of Directors also granted the authorization thereto officially.</p> <p>(2) Composition and operations of the unit members, and execution status: The Company's CSR Committee serves as the cross-departmental communication platform vertically integrating and horizontally linking resources effectively, and includes the corporate social responsibility into the Company's business strategies, functions based on the "P-D-C-A" (Plan-Do-Check-Act) management model with respect to the risk assessment and project management on the ESG issues, and strictly complies with various laws and regulations to perform the social responsibility.</p> <p>(3) How frequent the unit reports to the Board of Directors: The CSR has not yet reported any related affairs to the Board of Directors in 2021, but will plan to report to the Board of Directors at least once per year.</p> <p>3. How does the Board supervise the sustainable development progress: The management need to propose the Company's management policy, strategies and goals and review policies to the Board of Directors. The Board of Directors has to judge the possibility about the success of these strategies and also review the progress of the strategies, and shall urge the management team to make adjustment if necessary.</p>	The Company will continue to promote the sustainable development-related business, including name change and enhancement of the frequency of communication with the Board of Directors.
II. Does the Company conduct the risk assessment on the environment, society and corporate governance issue concerning the Company's operations in accordance with the materiality principle, and adopt related risk management	V		<p>1. Boundary of risk assessment: The boundary of risk assessment refers to the Company primarily.</p> <p>2. Risk assessment standards, process, results and risk management policies or strategies about identification of material ESG issues: The CSR Committee proceeds with the analysis based on the</p>	No deviation.

Item	Status (Note 1)			Deviation from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary	
policies or strategies? (Note 2)			materiality principle on the sustainability report, and also communicate with internal and external stakeholders, and check domestic and foreign research report, literature and integrate various department's evaluation information to assess the ESG issues of materiality, sets forth the management policy which may identify, measure, supervise and control risks effectively and adopts specific action programs to mitigate the effects posed by related risks.	
III. Environmental issues				
(I) Does the company establish an appropriate environmental management system according to its industry characteristics?	V		For the environmental protection issues, the Company promoted the environment management system in accordance with ISO 14001 in 2000, and received the environmental management system certification. Meanwhile, it revised the version of ISO14001:2015 in 2017 and received the relevant certificate effective until November 2, 2023.	No deviation.
(II) Is the Company committed to improving the efficiency of the use of energy, and using recycled materials with low impact on environmental load?	V		1. Research and develop green products, and use the PU shoe material made of CO2 carbon sources and biomass material, namely the renewable materials with low impact on the environmental load. 2. According to the energy acts, the average annual power saving rate per user shall reach 1% or more. According to the report on CONSERVATION.AUDIT.TECHNOLOGY.INFORMATION.SERVICE, the power saving rate was 1.29% in 2020 and 1.11% in 2021.	No deviation.
(III) Does the Company assess the potential risks and opportunities of climate change for the Company now and in the future, and take related measures?	V		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. Please refer to the Company's ESG report for details. In order to deal with the climate change, the CSR Committee inspected the energy consumption and carbon emission step by step, and adopted related energy-conservation and carbon-reduction policies to further evaluate the development of new products based on raw materials or technologies with low carbon emission.	No deviation.
(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 GHG reduction, water management or other waste management?	V		1. The following refer to the statistic data, intensity (e.g. calculated based on the products, services or turnover per unit) and data coverage of all of the Company's factories in the most recent two years: (1) GHG: Replace motors of ice water machine and for cooling	No deviation.

Item	Status (Note 1)			Deviation from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary	
			<p>water, and adjust air compressor pressure and the temperature of the ice water machine, and use LED lamps instead. The power saved was estimated as 135,000 degrees, and the carbon reduced as 51.7 tons in 2020. The power saved was estimated as 103,000 degrees, and the carbon reduced as 67.8 tons in 2021.</p> <p>(2) Water consumption: Practice the water-saving policy.</p> <p>(3) Waste: Promote garbage classification; the recycling of PE class waste achieved 510kg from October to December 2021. By the same token, the Company expects to recycle 2 tons in 2022, in order to reduce the output of waste plastic mixtures.</p> <p>2. For the GHG emission reduction, water consumption reduction or other waste management policies, please refer to the Company's ESG report for details.</p> <p>3. Information certification status (remaining effective by the date of publication of the annual report) and scope thereof: Please refer to the Company's ESG report for details.</p>	
IV. Social issues				
(I) Does the Company establish the related management policies and procedures in accordance with the relevant laws and international human rights conventions?	V		<p>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.</p> <p>The subsidiaries in the mainland China maintain insurance for their employees and established labor unions in accordance with the local social insurance requirements.</p>	No deviation.
(II) Does the Company formulate and implement reasonable employee welfare measures (including salary, vacation and other benefits, etc.), and appropriately reflect business performance or results in employee compensation?	V		<p>1. Employee welfare measures: The Company handles the employee remuneration, workplace diversification and equality, leave, allowances, cash gifts and subsidies, etc. in accordance with labor-related laws and regulations. All of the employees' interests and rights are protected legally. Please refer to the Company's ESG report for details.</p> <p>2. How business performance or results are appropriately reflected in employee remuneration policy, and implementation thereof: According to the Company's Regulations Governing Salary Management, the salary consists of fixed and variable amount. The variable amount refers to the bonus allocated subject to the annual business results and the remuneration equivalent to 5% of the income before deduction of the remuneration according to the articles of incorporation. The variable salary is paid according to the Regulations Governing Salary Management. The performance evaluation covers achievement of annual budget,</p>	No deviation.

Item	Status (Note 1)			Deviation from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary	
			department performance and personal performance, work skill performance, operations management and strategic development.	
(III) Does the Company provide its employees with a safe and healthy work environment, and regularly implement employee safety and health education measures?	V		<ol style="list-style-type: none"> <li>1. The Company values employees' health, and organizes the employee health checkup based on the requirements superior than those defined in the Occupational Safety and Health Act each year. According to the inspection results analysis, the dedicated personnel (together with the healthcare professionals at the factory premises) execute the control banding strictly, arrange the interview and guidance about health, and follow up and control any abnormalities.</li> <li>2. Perform the general physical health checkup or special physical health checkup on new employees in accordance with the Labor Health Protection Rules. An employee may apply for the special physical health checkup fees after being hired.</li> <li>3. Arrange the special health checkup each year, implement the operating environment monitoring periodically to ensure the convenient and safe working environment for employees.</li> <li>4. Follow the four major management plans for prevention of the "musculoskeletal disorders induced by repetitive operations," "ailments induced by exceptional workload, such as working shifts, working at night, and long working hours" and "wrongful physical or mental harm caused by the actions of others during the execution of job duties" under the Occupational Safety and Health Act and for "Maternity Health Protection";</li> <li>5. Perform inspections, convene meetings, set themes and objectives, and improve the working environment via the 6S team.</li> <li>6. Organize the employee hiking activities and establish the sports club.</li> <li>7. Establish the occupational safety and health management unit dedicated to preparing, planning, supervising and promoting safety and health management operations, and performing the safety and health education and training program on employees which may organized in turn subject to the time schedule adjustable by the production unit working under the shift system, in addition to the fire drill organized once per six months, in order to improve the employees' awareness toward safety. Please refer to the Company's ESG report for details.</li> </ol>	No deviation.
(IV) Does the Company establish an effective career development training program for employees?	V		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	No deviation.

Item	Status (Note 1)			Deviation from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary	
			training every year according to the training needs of various departments. Please refer to the Company's ESG report for details.	
(V) Regarding the issues, such as customer health and safety, customer privacy, marketing and labeling of products and services, does the Company comply with relevant regulations and international standards, and formulates relevant consumer protection or customer interest policies and appeal procedures?	V		The Company has operated in accordance with relevant regulations and international standards, and has set up a special area for stakeholders on the company website, providing contact windows and contact methods for interested parties and for customers to provide comments or appeals. For details, please refer to the Company's ESG report.	No deviation.
(VI) Does the Company formulate 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?	V		The Company's supplier management procedures and supplier evaluation form are based on ISO 9001, to regularly score and evaluate suppliers and third-party suppliers. Please refer to the Company's ESG report.	No deviation.
V. Does the Company refer to the internationally-prepared reporting standards or guidelines, preparation of ESG reports and other reports that disclose the Company's non-financial information? Does the preliminary report obtain the confidence or assurance opinion of the third-party verification unit?	V		1. The Company follows the Global Reporting Initiative Standards (GRI Standards) as core options for information disclosure in preparation of its ESG report. 2. The Company's ESG report has obtained the confidence or assurance opinion of the third-party verification unit. For the name of the verification unit, scope or items of the verification and standards adopted by it, please refer to the ESG report scheduled to be issued by September 30.	No deviation.
<p>VI. If the Company has its own sustainable development best practice principles based on the "Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies," please describe its current practices and any deviations thereof from the Best-Practice Principles:</p> <p>The Company adopted its "Corporate Social Responsibility Best-Practice Principles" in March 2020, and renamed it as "Sustainable Development Best-Practice Principles" in 2022, and amended the provisions thereof in reference to the "Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies," in order to practice the corporate sustainable development objectives step by step.</p>				
<p>VII. Other important information to facilitate understanding of sustainable development operations:</p> <ol style="list-style-type: none"> <li>1. The Company upholds the spirits for Simplicity &amp; Firmness, Research &amp; 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.</li> <li>2. The Company has donated the sponsorship for carnivals to Taiwan Fund for Children and Families and participated in the bazaar physically since 2009. Since this year, the Company has also participated in the activity for raising of Lunar Year dishes organized by Huashan Social Welfare Foundation, in order to feed back to the society through participation in the public welfare activities. Additionally, a total of 1 individual participated in industry-academia cooperation in 2021.</li> <li>3. The Company's plant uses its best efforts to protect the environment to achieve the sustainability and fulfill the corporate social responsibility. The multiple advanced pollution prevention equipment owned by the plant is stated as following: Please refer to the ESG report.</li> </ol> <p>A. Liquid-injected incinerator: The particulate matter emission control standard values applicable to such equipment are 50mg/Nm<sup>3</sup> (new pollution sources) and 100 mg/Nm<sup>3</sup> (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</p>				

Item	Status (Note 1)			Deviation from Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary	
<p>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<sup>3</sup> (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 &lt;30 mg/Nm<sup>3</sup>.</p> <p>B. Waste water treatment equipment: Store, manage and treat the esterified water D-1505 waste (sewage) water and cooling waste water generated in the process of the production of the "polyester polyol", and domestic waste water in the form of ultra-high, high and low-concentration COD waterbody. The waste water treatment equipment invested by the plant is engaged in discharging the organic matters contained in the waste water treated and decomposed by the two-step biological treatment process in the equalization basin upon mixing into the sewage sewer of the industrial park. The discharged water quality upon the treatment satisfies the industrial park’s emission standard (COD&lt;640mg/L).</p> <p>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”.</p>				

(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) Does the Company formulate 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. Amendments to the Principles must be approved by the board of directors, and the Board of Directors and senior management are committed 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 formulated a plan to prevent dishonesty, and cover at a minimum the preventive measures for various acts under Article 7, Paragraph 2 of "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?"	V		(II) The Company stipulates the prevention of dishonesty in Article 6 of the " Ethical Corporate Management Best Practice Principles" and sets out operating procedures, behavior guidelines, disciplinary penalties and appeal systems, and covers at a minimum the preventive measures for various acts under Article 7, Paragraph 2 of "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies."	
(III) Does the company specify the operating procedures, behavior guidelines, disciplinary penalties and grievance	V		(III) The Company has established its Procedures for Ethical Management and Guidelines for Conduct.	

Scope of assessment	Status			Deviation from Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary	
system in the plan to prevent dishonesty, and implement it, and regularly review and revise the pre-disclosure plan?			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.	
II. Implementation of ethical management				
(I) Does the Company assess a trading counterpart's ethical management record, and expressly state the ethical management clause in the contract to be signed with the trading counterpart?	V		(I) The Company will assess the trading counterpart's ethical management record, and expressly state the ethical management best-practice principles to be followed.	No deviation.
(II) Has the company set up a special unit under the board of directors to promote corporate ethical management, and regularly reports (at least once a year) to the board of directors on its ethical management policies and plans to prevent dishonesty and supervision and implementation?	V		(II) The Company's "ethical corporate management best-practice principles" provide that the Board of Director shall designate a unit dedicated to establishing, supervising and implementing the ethical corporate management policy and preventive program, if necessary, and to reporting the status thereof to the Board of Directors periodically. For the time being, the unit is acted by Administration Department.	
(III) Does the Company define any policy against conflict of interest, provides adequate channel thereof, and fulfills the same precisely?	V		(III) The Company's directors 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 self-disciplined, and prohibited from backing up each other inadequately.	
(IV) Does the company establish 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	V		(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.	

Scope of assessment	Status			Deviation from Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Summary	
audit? (V) Does the Company organize internal/external education training program for ethical management periodically?	V		(V) The Company will organize internal/external education training program for ethical management periodically, and promote the program from time to time.	
III. Status of the Company's whistleblowing system (I) Does the Company define a specific whistleblowing and reward system, and establish some convenient whistleblowing channel, and assign competent dedicated personnel to deal with the situation?  (II) Has the company established standard operating procedures for accepting complaints, follow-up measures to be taken after the investigation is completed, and relevant confidentiality mechanisms?  (III) Does the Company adopt any measures to prevent the whistleblowers from being abused after the whistleblowing?	V  V  V		(I) The whistleblower may feed the violation of the ethical management principles back to Administration Department in writing. Administration Department shall keep the whistleblower's identity and contents of the whistleblowing case in confidence. The Company disciplines the personnel acting against the ethical management principles pursuant to the relevant personnel regulations. If the personnel disagree with the discipline, they may file an appeal based on the facts. (II) The Company's "ethical corporate management best-practice principles" and "guidelines of ethical conduct" have defined the standard operating procedure for investigation into the whistleblowing cases and related nondisclosure mechanism. (III) The Company has established the "Operating Procedure for Whistleblowing Channels and Protection of Whistleblowers" to define the procedure for investigation into the whistleblowing cases and related nondisclosure mechanism.	No deviation.
IV. Enhancing Information Disclosure Does the company, on its website and on the market observation post system, disclose the content and promotion effectiveness of its Ethical Corporate Management Best Practice Principles	V		The Company's ethical corporate management best-practice principles are disclosed on the Company's website and the MOPS.	No deviation.
V. If the Company has established its own ethical corporate management best-practice principles in accordance with the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies," please describe its current practices and any deviations from the Best-Practice Principles: The Company's "Ethical Corporate Management Best-Practice Principles" 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 Best-Practice Principles 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.

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

Tel: 886-49-2263551

Fax: 886-49-2253912

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### EVERMORE CHEMICAL INDUSTRY CO., LTD.

#### Statement of Declaration on Internal Control System

Date: March 15, 2022

The following declaration had been made based on the 2021 self-assessment of the Company's internal control system:

- 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, a self-monitor mechanism is installed in the internal control system of the Company. The Company will make corrections once the deficiencies are identified.
- 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. In accordance with the assessment result referred to in the preceding paragraph, the Company believes that the design and implementation of our internal control system (including monitoring and management on subsidiaries) as of December 31, 2021, including the achievement rate of effectiveness and efficiency of operations and reliability, timeliness, transparency, and regulatory compliance of reporting, as well as the compliance with applicable laws, regulations, and bylaws, are effective and may reasonably ensure the achievement of aforementioned goals.
- 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. The Statement was passed unanimously without objection by all 9 Directors present at the Board meeting dated March 15, 2022.

EVERMORE CHEMICAL INDUSTRY CO., LTD.

Chairman of Board: Ho Wen Chieh (seal/signature)

General Manager: Huang Chng Tze (seal/signature)

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

(X) If, in the most recent year and as of the date of publication of the annual report, the Company and its internal personnel have been disciplined according to law, or the Company has disciplined its internal personnel for violating the provisions of the Internal Control System, the contents 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. Shareholders' meeting minutes available in 2021 and until the date of publication of the annual report:

Date		Contents	Resolutions	Status
Annual General Meeting on August 10, 2021.	Matters to be Ratified	1. Ratification of the 2020 business report and financial statements.	Passed unanimously.	-
		2. Ratification of the 2020 earnings distribution plan.	Passed unanimously.	Already allocated the cash dividend totaling NT\$49,694,000 on August 31, 2021.
	Matters to be Discussed	1. Amendments to some provisions of the Company's Articles of Incorporation.	Passed unanimously.	Implemented in accordance with the amended Articles of Incorporation.
		2. Amendment some provisions of the "Rules of Procedure for Shareholders' Meetings."	Passed unanimously.	Already implemented per the amended Rules.
		3. Amendments to certain provisions of the "Operating Procedure for Loaning of Funds and Making of Endorsements/Guarantees."	Passed unanimously.	Implemented in accordance with the amended operating procedure.
		4. Amendments to some provisions of the "Procedures for Acquisition or Disposal of Assets."	Passed unanimously.	Already implemented in accordance with the amended procedures.
		5. Amendments to some provisions of the "Regulations for Election of Directors and Supervisors."	Passed unanimously.	Already implemented in accordance with the amended regulations.
	Elections	1. The Company re-elected all 9 directors (including 3 independent directors).	Passed unanimously.	Already done.
	Miscellaneous	1. Discharge of the Company's new directors and their representatives from non-competition restrictions.	Passed unanimously.	-

2. Important Board resolutions in 2021 and up to the date of publication of the annual report:

Date	Contents	Resolution
January, 29, 2021	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.
March 16, 2021	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.	Passed unanimously.

Date	Contents	Resolution
	9. Amendments to some provisions of the Company's Articles of Incorporation. 10. Amendments to some provisions of the Rules of Procedure for Shareholders Meetings. 11. Amendments to some provisions of Operating Procedures for Fund Loans and Endorsement Guarantees 12. Amendments to some provisions of Procedures for the Acquisition or Disposal of Assets. 13. Amendments to Procedures for Election of Directors and Supervisors 14. Discharge of the Company's new directors and their representatives from non-competition restrictions. 15. Convening of 2021 Annual General Meeting of Shareholders.	
May 11, 2021	1. Motion for review on qualifications of candidates for director. 2. Discharge of the Company's new directors and their representatives from non-competition restrictions. 3. Change of the legal representative of the subsidiary, Dongguan Pou Chien Shoe Materials Co., Ltd. 4. Financing case of Chang Hwa Bank. 5. Loan of funds to U-Best Vietnam Polymer Industry Company Limited. 6. Adoption of the "Articles of Association for Audit Committee." 7. Amendments to the "Internal Control System" and "Internal Audit Implementation Rules."	Passed unanimously.
June 29, 2021	1. Change of the date of the annual general meeting 2021. 2. Earlier publication of the ex-dividend date and payment date for the 2020 earnings distribution plan. 3. E.Sun Bank short-term loan contract renewal. 4. Appointment of the chief corporate governance officer.	Passed unanimously.
August 10, 2021	1. Motion for election of the Chairman of Board. 2. Motion for establishment of the Audit Committee. 3. Motion for appointment of Remuneration Committee members.	Passed unanimously.
November 9, 2021	1. Guarantee/endorsement for contract renewal by TOP WELL ELASTIC TECHNOLOGY CO., LTD. 2. Appointment of the investees' directors/supervisors. 3. The organizational system adjustment. 4. Authorization of the Chairman of Board to renew the bank loan and promissory note. 5. Amendments to some provisions of the "Rules of Procedure for Board of Directors Meetings." 6. Amendments to some provisions of the "Rules Governing Functions of Independent Directors." 7. Amendments to some provisions of the "Code of Ethical Conduct for Directors/Supervisors and Managers." 8. Amendments to some provisions of the "Remuneration and Performance Evaluation Measures for Directors, Supervisors, and Functional Committees." 9. Amendments to some provision of the "Board of Directors Self-Evaluation or Peer Evaluation Method." 10. Amendments to some provisions of the "Operating Procedure for the Handling of Internal Important Information" 11. Amendments to some provisions of the "Operating Procedure for Whistleblowing Channels and Protection of Whistleblowers." 12. Amendments to some provisions of the "Operating Procedure for Halt and Resumption Applications." 13. Amendments to some provisions of the "Ethical Corporate Management Best-Practice Principles." 14. Amendments to some provisions of the "Procedures for Ethical Management and Guidelines for Conduct." 15. Amendments to some provisions of the "Corporate Governance Best-Practice Principles." 16. Amendments to the "Management Cycle" and internal audit implementation rules.	Passed unanimously.

Date	Contents	Resolution
	17. 2022 internal audit plan. 18. Overdue accounts receivable not re-stated as the loaning of fund. 19. Amendments to certain provisions of the "Articles of Association for Remuneration Committee." 20. Allocation of 2020 remuneration to directors/supervisors 21. Allocation of 2020 employee remuneration to managerial officers	
January 25, 2022	1. Appointment of the directors of the subsidiary, LEADERSHIP. 2. 2022 budget. 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. Allocation of 2021 year-end bonus to managerial officers.	Passed unanimously.
March 15, 2022	1. Presentation of the Company's 2021 Statement of Declaration on Internal Control System. 2. Making of endorsements/guarantees for POU CHIEN CHEMICAL CO., LTD. 3. Allocation of 2021 remuneration to employees and directors. 4. Review on 2021 parent company only financial statements and consolidated financial statements. 5. 2021 earnings distribution. 6. Amendments to some provisions of the "Articles of Incorporation." 7. Amendments to some provisions of the "Procedure for Acquisition or Disposal of Assets." 8. Convention of 2022 annual general meeting.	Passed unanimously.

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

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

Summarization of resignation or dismissal of the Company's related personnel on April 30, 2022

Job title	Name	Date of onboard	Date of discharge	Cause of resignation or discharge
Chief corporate governance officer	Wu Pao Hua	June 29, 2021	-	New elected

V. Information about External Auditor's Professional Fee:

### Information about External Auditor's Professional Fee

Currency Unit: NTD thousand

Name of CPA Firm	Name of CPA	Audit Period	Audit Fees	Non-Audit Fees (Note)	Total	Remark
Deloitte Taiwan	Ting-Chien Su	January 1, 2021-December 31, 2021	3,350 thousand	250 thousand	3,600 thousand	Adjust the Company's external auditors due to the internal job transfer.
	Wu Li Tung	January 1, 2021-September 30, 2021				
	Tai Hsin Wei	January 1, 2021-December 31 2021				

Note: The non-auditing fees refer to those for tax certification.

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

- (II) The audit fees decreased by more than 10% compared with the previous year: None.

- (III) The assessment report on independence of the external auditor certifying the Company's financial statements:  
According to the Company's "Regulations Governing Assessment on Independence and Competence of External Auditors," 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 2021.

Item No.	Scope of Assessment	Yes	No	Remark
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.	Does the audit service team satisfy 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.	Is the review or audit report completed within the agreed time limit?	V		
10.	Does the audit report guarantee specific accuracy?	V		
11.	Does the CPAs pose positive suggestions against the Company's management system and internal control audit, and are the same recorded?	V		
12.	Do the CPAs provide the Company with the information about update and amendments to laws & regulations and relevant training courses voluntarily?	V		
13.	Do the CPAs help the Company communicate and coordinate with the competent authority?	V		

Date of Assessment: March 16, 2021

Evaluation result: ☒ In line with ☐ In line with the independence and suitability of accountants

## VI. Information about Replacement of CPAs

### (I) About the former CPA

Date of replacement	Q4 2021		
Cause and Remarks	Due to the internal job transfer within Deloitte Taiwan, the Company has adjusted its external auditors from Ting-Chien Su and Wu Li Tung to Tai Hsin Wei and Ting-Chien Su since Q4 2021.		
To specify whether the client or CPA terminates or rejects the appointment	Principal	CPA	Client
	Status x		
	Terminate the appointment voluntarily	V	
	No longer accept (continue) the appointment		
Issuance of the audit report other than the audit report containing unqualified opinions in the most recent two years, and cause thereof	None.		
Disagree with the Company?	Yes		Accounting principles or practices
			Disclosure of financial report
			Scope or steps of audit
			Any others?
	None.	V	
	Description		
Other disclosures (To be disclosed under the subparagraphs 6.1(4)~(7) of Article 10 of the Regulations Governing Information to be Published in Annual Reports of Public Companies.)	None.		

### (II) About the succeeding CPA

Name of CPA Firm	Deloitte Taiwan
Name of CPA	Tai Hsin Wei, CPA and Ting-Chien Su, CPA
Date of appointment	Passed by the Board of Directors in January 2022
Consultation about the accounting treatment of or application of accounting principles to a specific transaction or the type of audit opinion that might be rendered prior to the formal engagement, and the consultation result.	None; N/A.
Written opinion from the succeeding CPA regarding the matters disagreed by the former CPA	None; N/A.

(III) The former CPA's response to the items referred to in the subparagraphs 6(1) and (2)3 of Article 10 of the Regulations Governing Information to be Published in Annual Reports of Public Companies: N/A.

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	2021		Ended on April 30, 2022	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman	Ho Wen Chieh	0	0	0	0
Director	Aica Kogyo Company, Limited	0	0	0	0
	Representative: Omura Nobuyuki	0	0	0	0
	Representative: Ichikawa Toyoake (Discharged on April 18, 2022)	0	0	0	0
	Representative: Ebihara Kenji (Discharged on April 18, 2022)	0	0	0	0
	Representative: Sawada Kenzo (Elected on April 18, 2022)	0	0	0	0
	Representative: Mori Yosuke (Elected on April 18, 2022)	0	0	0	0
Director	Baojian Enterprise Co., Ltd. (discharged on August 10, 2021)	0	0	0	0
	Representative: Tsai Nai-yung	0	0	0	0
Director	Yue Dean Technology Co., LTD. (discharged on August 10, 2021)	0	0	0	0
	Representative: Tsai Nai-yung	0	0	0	0
Independent director	Chen Chao-Hwei (New elected on August 10, 2021)	0	0	0	0
Independent director	Higashiyama Mikio	0	0	0	0
Independent director	Chueh Liang-Wu (New elected on August 10, 2021)	0	0	0	0
Independent director	Chen Chun-Chen (New elected on August 10, 2021)	0	0	0	0
Supervisor	Liu Ve -Tung (New elected on August 10, 2021)	0	0	0	0
Supervisor	Lu Hui-Pin (New elected on August 10, 2021)	0	0	0	0
Supervisor	Su I-Hsiu (New elected on August 10, 2021)	0	0	0	0
Director/ President	Huang Chng Tze	0	0	0	0
Group Vice President	Lee Ching Song	0	0	0	0
Assistant Vice President	Wang Shih Chieh	0	0	0	0
Financial Manager	Wu Pao Hua	0	0	0	0
Accounting Manager	Chen Hsiang Li	0	0	0	0
Assistant Vice President	Liu Shih Wei	0	0	0	0

Note: 1. Stock transfer information: None.

2. Equity pledge information: None.



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

April 30, 2022

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 or spousal relationship or relations within second degree of kinship, among top ten shareholders, including their names or designations, and relationships		Remark
	Number of Shares	Shareholding %	Number of Shares	Shareholding %	Number of Shares	Shareholding %	Designation (or name)	Relationship	
Aica Kogyo Company, Limited - Representative: Omura Nobuyuki Representative: Sawada Kenzo Representative: Mori Yosuke	49,793,388	50.10%	0	0	0	0	None.	-	-
Ho Wen Chieh	7,003,532	7.05%	1,557,657	1.57%	0	0	Li Tsui Chu	Spouse	-
Ho Chi Lin	4,500,000	4.53%	0	0	0	0	Ho Wen Chieh	Child	-
Ho Han Jen	4,500,000	4.53%	3,000	0	0	0	Ho Wen Chieh	Child	-
Baojian Enterprise Co., Ltd. Chairman: Ho Ming-Kun	3,352,771	3.37%	0	0	0	0	None.	-	-
Liu Wei Tung	2,255,412	2.27%	88,574	0.09%	0	0	None.	-	-
Lu Hui Pin	2,196,193	2.21%	2,647	0.00%	0	0	None.	-	-
Pou Chien Technology Co., Ltd. Chairman: Chen Yu-Chun	2,181,750	2.20%	0	0	0	0	Yue Dean Technology Co., LTD.	Same as the Chairman of Board	-
Yue Dean Technology Co., LTD. Chairman: Chen Yu-Chun	1,786,760	1.80%	0	0	0	0	Pou Chien Technology Co., Ltd.	Same as the Chairman of Board	-
Li Tsui Chu	1,557,657	1.57%	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		Remark					
		Quantity of shares	Amount	Quantity of shares	Amount	Capital share Source	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	None.	-	Initial capital at the time of incorporation	6,000,000	None.
October 2006	NT\$13.25	120,000,000	1,200,000,000	89,700,000	897,000,000	Cash capital increase by private placement	None.	October 18, 2006	Jing-Shou-Shang-Zi No. 09501234720	100,000,000	None.
August 2008	NT\$10	120,000,000	1,200,000,000	93,288,000	932,880,000	Recapitalized from earnings	None.	August 20, 2008	Jing-Shou-Shang-Zi No. 09701207050	35,880,000	None.
November 2011	NT\$10	120,000,000	1,200,000,000	91,788,000	917,880,000	Cancellation of treasury shares Capital decrease	None.	November 24, 2011	Jing-Shou-Shang-Zi No. 10001268740	-15,000,000	None.
March 2013	NT\$13.87	120,000,000	1,200,000,000	102,388,000	1,023,880,000	Cash capital increase	None.	March 13, 2013	Jing-Shou-Shang-Zi No. 10201045750	106,000,000	None.
February 2015	NT\$10	120,000,000	1,200,000,000	99,388,000	993,880,000	Cancellation of treasury shares Capital decrease	None.	November 24, 2011	Jing-Shou-Shang-Zi No. 10001268740	-30,000,000	None.

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

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

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

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

## (II) Shareholders' structure

April 30, 2022

Quantity/ Shareholders' Structure	Government agencies	Financial institutions	Other juristic persons	Individuals	Foreign institutions and foreigners	Total
Number of persons	1	1	11	2,555	16	2,584
Shares held	126	1,398,829	7,744,168	40,283,133	49,961,744	99,388,000
Shareholding (%)	0	1.41	7.79	40.54	50.26	100.00

## (III) Distribution of equity

April 30, 2022

Shareholding category	Number of shareholders	Shares held	Shareholding
1 ~ 999	1,407	166,247	0.17
1,000 ~ 5,000	805	1,646,792	1.66
5,001 ~ 10,000	139	1,080,675	1.09
10,001 ~ 15,000	60	761,405	0.77
15,001 ~ 20,000	25	463,797	0.47
20,001 ~ 30,000	50	1,232,576	1.24
30,001 ~ 40,000	13	449,392	0.45
40,001 ~ 50,000	11	518,382	0.52
50,001 ~ 100,000	31	2,239,790	2.25
100,001 ~ 200,000	19	2,557,794	2.57
200,001 ~ 400,000	5	1,267,721	1.28
400,001 ~ 600,000	2	993,806	1.00
600,001 ~ 800,000	3	1,969,083	1.98
800,001 ~ 1,000,000	1	994,570	1.00
More than 1,000,001	13	83,045,970	83.55
Total	2,584	99,388,000	100

Note: The Company didn't offer preferred stock.

## (IV) List of major shareholders

Shareholders with a stake of 5 percent or greater

April 30, 2022

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	4,500,000	4.53%
Ho Han Jen	4,500,000	4.53%
Baojian Enterprise Co., Ltd.	3,352,771	3.37%
Liu Wei Tung	2,255,412	2.27%
Lu Hui Pin	2,196,193	2.21%
Pou Chien Technology Co., Ltd.	2,181,750	2.20%
Yue Dean Technology Co., LTD.	1,786,760	1.80%
Li Tsui-Chu	1,557,657	1.57%

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

Item \ Year		2020	2021	Ending on March 31, 2022 (Note 8)
Share price (Note 1)	Highest	17.90	20.45	18.55
	Lowest	15.00	16.00	17.55
	Average	16.82	18.53	18.15
Net worth per share (Note 2)	Before distribution	14.94	14.41	14.60
	After distribution	14.44	14.41 (Note 9)	Undistributed
Earnings per share	Weighted average shares (thousand shares)	99,388	99,388	99,388
	Earnings per share (before adjustment/after adjustment) (Note 3)	0.74	0.10	0.08
Stock dividend per share	Cash dividend	0.50	0 (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 (Note 5)		22.84	177.60
	P/D ratio (Note 6)		33.80	N/A.
	Cash dividend yield (Note 7)		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 Board of Directors meeting, or 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 to be specified 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: No stock dividends are distributable.

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

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

(VIII) Remuneration to employees, directors and supervisors

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

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

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

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

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

(B) The basis for calculating the number of shares to be distributed as the remuneration to employees:

The operating costs or operating expenses for the current year were stated based on the closing price applicable on the date preceding to the date of resolution made by the shareholders' meeting and by taking the ex-right and ex-dividend factors into account.

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

3. Allocation of remuneration passed by the Board meeting:

(A) According to the motion for allocation of 2021 remuneration passed by the Board meeting on March 15, 2022, the remuneration to employees should be NT\$202,663 thousand and the remuneration to directors NT\$81,064 thousand, both to be allocated in cash. There is no difference between the amount resolved by the Board of Directors and the amount estimated in the year the expense was recognized.

(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 2020:

Unit: NT\$

Item	Initial motion for allocation passed by the Board meeting	Actual allocation	Variance
Remuneration to employees	3,621,816	3,621,816	0
Remuneration to directors/supervisors	1,448,726	754,910	693,816

(B) If there is a discrepancy between the remuneration of the recognized employees, directors and supervisors, please specify 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 2021.

(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 Synthetic Leather, Cloth, 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 synthetic resin	78%
PE resin	8%
Other products	14%
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.                            |
|   | L. PU foam system material for shoe materials           |
| C. PU resin for split leather.                            | M. Food packaging composite film adhesive               |
| D. Polyester polyol                                       | N. reactive PU hot melt adhesive                        |
| E. TDI Based - Low Free Monomer Type cross-linking agent. | O. Light curing monomer, oligomer and system products   |
| F. Adhesive for shoes.                                    | P. Solvent-free PU system membrane and sheet materials. |
| G. PU resin for printing ink.                             | Q. Polymer polyester plasticizer                        |
| H. TPU plastic pellets                                    | R. Other foundry products.                              |
| I. Waterproof and moisture PU resin.                      |   |

##### 4. New products planned for development:

The Company plans to develop the following new products:

##### A. Sports industry:

- i. Thermoplastic polyurethane materials for golf products
- ii. Supercritical nitrogen foaming thermoplastic polyurethane material for shoes.
- iii. Polyurethane midsole materials for sports shoes developed based on raw materials derived by carbon capture technology
- iv. Polyurethane insole materials for footwear developed based on raw materials derived by carbon capture technology
- v. Polyurethane materials for waterproof and moisture-permeable membrane prepared by electrospinning technology

##### B. Construction industry:

- i. Polyurethane hot-melt adhesive for woodworking edge banding with high initial viscosity and environmentally friendly solvent-free woodworking.
- ii. Glass fiber reinforced resin surface treatment agent for construction work

- iii. Floor waterproof coatings with low toxicity and low hazard to health
- iv. Ultra-low TVOC-grade polyurethane hot melt adhesive for woodworking
- v. High weather-resistant structural adhesives and sealants
- C. Automotive industry:
  - i. Low-free bridging agent for high-physical non-yellowing automotive refinishing paint.
  - ii. Polyurethane reactive hot melt adhesive for adhesion of car lamp housing
- D. Green materials:
  - i. Water-based polyurethane ink for footwear
  - ii. High solid content water-based polyurethane
  - iii. Wet polyurethane materials developed based on raw materials derived by carbon capture technology
  - iv. Polyurethane coating materials for textiles renewed by recycling of the PET raw materials
  - v. Reactive hot melt adhesive for bonding of waterproof and breathable textiles renewed by recycling of the PET raw materials
  - vi. Thermoplastic polyurethane materials for injection molding renewed by recycling of the PET raw materials
  - vii. Eco-friendly polyurethane biomass binding agent for wooden walkways
- E. High-value added materials:
  - i. High function moisture-curing coatings for polyurethane glasses frame
  - ii. Thermoplastic polyurethane extrusion pipe with high-temperature dimensional stability
  - iii. Bridging agent for semiconductor-grade electronic tape
  - iv. Light curing oligomer resin for electronic materials
  - v. High purity light curing acrylate monomer
  - vi. Special light curing acrylate monomer

## (II) Overview of the industry:

### 1. Overall economic situation for 2021:

IMF forecast that the global economic growth rate would be 5.9% in 2021, which appears to recover to the same level as that before the epidemic, compared to 2020. Notwithstanding, the economic performance still varied depending on various countries, primarily as a result of the uneven vaccine allocation, epidemic control policies, and the economic bailout and stimulus policies and scales promoted by various countries' government. In 2021, the three main variants, Alpha, Delta and Omicron, have successively ravaged all over the world. Given the high vaccination rate, developed countries chose to co-exist with the virus and, therefore, relaxed the epidemic prevention restrictions, in order to control the epidemic to prevent it from worsening and also attend to the economic recovery at the same time. The five ASEAN countries' economic recovery performance was affected adversely upon outbreak of the pandemic caused by the invasion of virus when they were suffering the pandemic fatigue.

The economic growth rate in the USA was 5.74% in 2021, primarily benefited from the low base period in 2020, the best performance since 1984. The unemployment rate has declined until 3.9% in December 2021, under the full employment level, i.e. 4%. Notwithstanding, what we saw was the shortage of labor causing the short supply and the increase in average hourly pay by YoY 4.9%. In December 2021, the inflation was 5.9% in the USA, the new record since 1981, primarily as a result of the range of increase in energy price attaining 29.9%, and 4.9% even the core inflation of energy and foods was excluded. Given this, the temporary inflation is not likely to happen, but the long-term inflation may arise. Looking forward to 2022, the GDP growth rate is estimated to be 4.0% in the USA. In order to suppress the inflation, Fed is likely to accelerate the interest escalation and shrink the balance sheet and, therefore, poses impact to the economic recovery outlook.

The economic growth rate was 5.3% in Eurozone in 2021. Though various countries were recovering step by step amid the impact posed by the epidemic and EU activated the investment by the Recovery Fund in 2020, the negative impacts, such as global shortage of wafer, significant



increase in energy price and port congestion, caused the manufacturing industries' recovery pace to become sluggish in Q4 of 2021. Looking forward to 2022, the economic growth rate is expected to be 4.0%. The consumption power might be recovering step by step following the weakening Omicron epidemic. As driven by the short supply, the manufacturing industry will proceed to expand its production capacity and investment. Notwithstanding, at the beginning of 2022, the production capacity will still be limited by the negative factors, such as port congestion, that suppress the economic growth force.

The economic growth rate became sluggish quarter by quarter in China in 2021, from 18.3% in Q1 to 4.0% in Q4, which reflected the recovery of the base period and also the impact posed by Chinese government's regulatory policies on real property and large-scale high-tech industry to the economy and investor confidence in the industry. The recurring epidemic and aggressive dynamic zero policy adopted by Chinese government caused the consumption power recovery to decline. Meanwhile, the limited electricity and production policies adopted in multiple territories of China, and the global port congestion problem, as of August 2021 resulted in the sluggish economic recovery in 2H of the year. Generally, it is expected that China's real property policy will be fine-tuned in 2022. Notwithstanding, the real property investment will still stay weak. Besides, the dynamic zero policy disbenefits the consumption performance, and the investment in manufacturing industry is withdrawn step by step, Chinese government will have to deal with the triple pressures produced by short supply, supply shock and expected weakness. Therefore, it is expected to adjust its monetary and fiscal policies step by step lest its economic recovery should become sluggish significantly in 2022.

The successive recovery trend in 2H of 2020 is generally continuing in emerging Asian countries, primarily benefited from the demand recovery in the USA and Europe and booming product export performance. Notwithstanding, due to the recurring epidemic and the epidemic prevention policies varying depending on countries, the economic performance also varies depending on countries. Among the other things, South Korea, Singapore and Vietnam deliver the better performance. Among them, the economic growth rate in Vietnam was 5.6% in 1H of 2021. Notwithstanding, considering that the epidemic became severer locally in Q3, the major cities, such as Ho Chi Minh and Hanoi, have successively adopted the lockdown policy and thereby caused the economic growth to become sluggish. Fortunately, due to the increasing vaccination rate in Q4 and relaxing of the epidemic prevention policy, its economic growth rate in Q4 returned back to positive figures.

Looking forward to 2022, the global economic growth rate is estimated as 4.4%. In 2022, the Omicron virus is still spreading rapidly all over the world. The world is facing the challenge from another wave of epidemic. As a result, the problems, such as shortage of labor, unstable supply chain and increasing inflation pressure, persist and, therefore, the global economic performance is still affected adversely. Notwithstanding, given the improving inspection capacity and increasing vaccination coverage that resulted in the significant decline in the severe cases and death rate, none of the leading countries is likely to reactivate the strict epidemic prevention policy easily and the global economy is expected to keep recovering.

## 2. Related industries in 2021:

### PU upstream raw materials:

The outbreak of Texas ice storm in February 2021 caused the power outages of 9.72 million families. Suddenly, the PU upstream raw material price soared and there was a shortage of materials. As a result, it posed a considerable impact to the supply chain in the PU-related industry, and the supply recovered step by step only after Q2; however, the price of raw materials didn't return to the same. Meanwhile, the Suez Canal obstruction arising in March 2021 also posed another impact to the supply of raw materials. The upstream raw materials for polyurethane has suffered the impact posed by the two major events in Q1 of 2021 and the entire supply and demand became very unstable accordingly. Despite the downstream demand recovery, the earnings were still affected adversely, as it

was not easy to have the price generated therefor passed on to the downstream dealers.

In 2021, the demand was still recovering, but the port congestion was persisting and transportation expenses for raw materials kept increasing, thus causing the increase in the price of raw materials continuously and disbenefiting the downstream dealers.

At the end of Q3 2021, Chinese government adopted the energy consumption and intensity dual control system, and the limited electricity and production policy applied in various territories of China. As a result, the price of PU raw materials soared again, which the downstream user end could not bear.

Generally, in terms of the PU upstream raw materials in 2021, a new record has been attained in the most recent year. The high cost is expected to remain in 2022. Therefore, the Company may earn earnings only by continuously passing the cost on to the selling price.

Downstream segment of the industry:

In 2021, various countries have been recovering from the epidemic of 2020 step by step, and so was the demand. Notwithstanding, the increasing raw material price and freight, and recurring shortage of labor, due to the epidemic, the physical demand was not so eager as it was expected. Besides, as affected by the dual control system and real property policy adopted by China, the downstream segment of the PU industry failed to recover to the prosperity seen before the epidemic.

3. Looking forward to 2022, Covid-19, the Protectionism adopted by various countries, high-inflation era and so on are all the primary factors critical to the global economy. Given the appearance of related vaccines and active vaccination practices, it is still expectable that the economy will continue to bottom up. Taiwan is an economy engaged in export sale primarily and relying on import of bulk raw materials. After the economic recovery in 2021, the high crude oil price and shipping expenses in 2022 will be the potential crisis to Taiwan. Meanwhile, the carbon-reduction issue becomes an important policy which cannot be ignored in 2022. In response to the demand for environmental protection and energy conservation, the Company continues to develop and sell the correspondent products and also uses the best effort to break through the existing difficulties and limitations to produce and sell differentiated and niche-type products. To achieve important results in 2022 will be the important key and also basis for transformation. Given the continuing changes in the economic structure of the Asian region, past reliance on mainland China is clearly set to undergo a shift to the South East Asia region. The South East Asian region should be more active with the launch of Taiwan's New Southbound Policy. Evermore will invest more resources in Vietnam, Thailand, Indonesia and other countries from 2022 onwards to obtain greater efficiency and output.

Since AICA Group invested in Evermore at the beginning of 2018, some remarkable effect has been generated through both parties' thorough cooperation. The PU, reactive hot melt adhesive, light curing resin and curing agent products manufactured by Evermore complemented the AICA Group's sales in the fields including woodworking, flooring, industry and automobile and have also been introduced into the markets including Japan, Korea, China and Indonesia. In 2022, it will expand its investment more precisely and specifically to aim at the development and sale of the Blue Ocean products based on which the Group achieved the synergy, in order to expand the Group's profit.

In 2022, we will continue to increase our focus on green products that meet the needs of environmental protection and energy-conservation and carbon-reduction policies. In doing so, we will continuously cooperate with customers to adjust the solvents and reduce the amounts of formulas in response to the customers' needs to respond to the policies. After results are obtained, their scope will continue to expand. We will also continue to focus on increasing solvent-free PU resins, water-based PU resins, eco-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	2021	January~March 2022
Consolidated R&D expenses (NTD thousand_	70,427	17,025
% of consolidated operating revenue (%)	2.20%	2.13%

By upholding the management philosophy for research and innovation, the Company continues to invest in the R&D resources, and takes into account the environmental protection and carbon reduction in the product development and process design..

2. The technologies or products developed successfully:

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. Thermoplastic polyurethane for polyether calendered leather.
- iv. 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. Environmentally friendly solvent-free polyurethane hot-melt adhesive with high operability for woodworking flat sticking.
- iii. Environmentally friendly solvent-free single-component foaming adhesive for woodworking.
- iv. High weather resistance, environmentally friendly, solvent-free laminated polyurethane adhesive for structures.

C. 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.

D. High-value added materials:

- i. PU cross-linking agent for laser label transfer ink
  - ii. High-functioning special polyester polyol
- High-intensity boiling and steam-resistant solvent-based adhesive for flexible packaging

(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 developed R&D energy, technology innovation, and production capacity, and actively cooperate with downstream end customers thoroughly; provide the development and sales of products that meet market needs; follow the requirements of end customers and national environmental protection policies for rapid integration and adjustment,

attaining mutually beneficial and sustainable relationships.

We will continue to develop OEM and ODM business and improve production utilization rate to achieve an increase in per capita output value and cost control, in order to improve operating profitability.

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

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

**B.CLA:**

In consideration of the successively emerging competitors from China, who engaged in production locally and sold goods at low price, the Company's competitiveness in sale of curing agent products to the market of China via the channel service providers has gone accordingly. Therefore, the Company will re-arrange its sale strategy to increase the direct sales and shift the sale territories, in order to maintain the room for seeking profit. Meanwhile, the Company will focus on the sale of non-yellowing type curing agent and turn to launch into the Blue Ocean market to increase its profit. Sales markets are gradually being opened up and developed through integration with the channels of AICA and Evermore, such as Vietnam, Thailand, Indonesia, India, Japan and Korea. The Company will adjust the sales regions to avoid the risk of relying only on one single market.

**C.PUS:**

The Company will increase its involvement in, and know well about, the brands. For the time being, the Company is re-checking the generation of PU applied to sport shoes, and uses the best effort to deepen the cooperation with the top brands, such as Nike and Adidas, improve the performance PU, and the correspondent products in response to footwear manufacturers' streamlined processing procedure, in order to secure stable and sustainable orders. Meanwhile, the Company not only focuses on the footwear field but also develops and sells polyester polyol in the hard foam PU market to diversify the products and engage in multi-industry sales.

**D.TPU:**

Remain deeply rooted in the Taiwan end-user 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. Further, improve the market share of TPU for tube materials in Taiwan, and develop the TUP products for calendaring and sale thereof to increase the sale volume; 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:**

Strengthen the sales force in the territories including Taiwan, China, Japan, Vietnam and Thailand; continue to satisfy AICA's needs per its need for own use and develop the sales channels via AICA step by step in the market of Japan. Increase sales. Meanwhile, start the production and sale of UV system materials and develop the sales in the OPV market.

**F.PU reactive hot melt adhesive:**

Manufacture green products and satisfy the environmental protection requirements, and expand the sales of the PU reactive hot melt adhesive and textile lamination industry to raise the earnings. Meanwhile, with the comprehensive benefits of cooperation with AICA, we will introduce PU reactive hot melt adhesive into sheet bonding work for sale in Japan and Korea.

**2. Long-term plan:**

In order to deal with the climate changes and increasing demand for green products, environmental protection and carbon reduction, by focusing on the core competence in polyurethane-related basic chemical reactions and timely adjusting the product formulas and structure to deal with the correspondent applications, the Group will orient its development toward

the two major domains including PU series synthetic resin products and coating business, and launch into the industries including construction, 3C, medical equipment and in-vehicle step by step. By increasing its involvement in Taiwan and identifying Taiwan as the Group's R&D center, the Company links with the industry, government, academia and research sectors to keep introducing high-end technologies and cooperate with its partners strategically to deepen the cooperation, proceed to improve the eco-friendly process and sale of eco-friendly products, and become a sustainable supplier in the green industry chain.

A. Also deepen the cooperation with AICA to maximize the Group's interest.

B. Develop the eco-friendly process, biomass and carbon-reduction products in line with the international trend and in order to secure the leading position.

C. Workers' safety is the first priority. We will continue to improve the production process and fulfill corporate social responsibilities.

D. Expand the sales and development of the markets including Japan, Korea, Vietnam, Thailand and Indonesia, etc.

E. Adjust existing products, and develop towards differentiated, eco-friendly and high value-added PU synthetic resins.

F. Improve the market share of UV light curing products, and increase the percentage of sales of green and eco-friendly products.

G. Take advantage of solvent-free PU synthetic technology to develop and sell a variety of important customized niche 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 and related products. The Company keeps transforming in response to the industrial environment in the market, and also adjusts its operating structure continuously, 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	2020		2021	
	Sales value	%	Sales value	%
Domestic	789,209	33%	1,119,419	35%
China	942,820	40%	1,275,808	40%
Others	631,386	27%	805,879	25%
Total	2,363,415	100%	3,201,106	100%

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

##### (1) Market share:

The Company's products are diversified and sold in various industries, covering a wide area and many downstream industries. Because PUR products have gone through constant competitions and evolution, the supply and demand thereof is considered balanced for the time being. The market share thereof in Taiwan is about 20%. We are the main domestic manufacturer of CLA products, engaged in producing competitive products. The market share thereof in Taiwan is about 40%, constituting a relatively large proportion. For PUS products, we are currently the only domestic system manufacturer, making us the sole supplier. There are many suppliers of TPU products in Taiwan and they are mostly eco-friendly materials, and the development of the industry is relatively positive. The market share thereof in Taiwan is about 25%. As for the development of UV light curing products, the Company's main suppliers include the manufacturers such as Eternal Chemical, DSM, and Qualipoly Chemical.

Besides, the foreign manufacturers, such as MIWON and KPC, are actively entering the market at low prices. They secure the market share estimated to be about 5%.

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

The PU 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, in 2022, 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 will continue. Significant growth in transportation costs has also seriously affected downstream finished product quotations, profitability and willingness to accept orders. However, as environmental awareness is rising, the demand for eco-friendly 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 2022, Evermore will focus on such Blue Ocean market products.

3. Competitive niche

- (1) Integration of key raw materials is high, and the scale is larger than others in the same industry, which increases our purchasing advantages.
- (2) We have long-term experience in R&D, production and sales and have established good partnerships with customers; customer satisfaction is high.
- (3) The continuous development of green and eco-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 product diversity and applications in different fields might help exemption from any impact posed by negative factors in a single market environment.
- (7) Continuous introduction of AICA technology and mutual cooperation will strengthen product competitiveness.

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

(1) Positive factors:

- A. Products are diversified, and more complete than the industry peers, downstream industries are widely distributed, and operational risk is low.
- B. The percentage of operating revenue from green and eco-friendly products is increasing year by year in line with the international trend.
- C. The sales locations in South East Asia have generated remarkable achievements step by step and disperse the Group's business risk accordingly.
- D. Extension of reinvested business have created higher profit contributions, from traditional chemical engineering connected to people's livelihoods to the high-end precision coating application field and further expanding to the optoelectronic 3C industry.
- E. With the cooperation with AICA, we are promoting new products and new markets.

(2) Negative factors:

A. Rigid business environment in China:

In the era of Covid-19, Chinese government keeps adopting the dynamic zero policy. The lockdown policy, which cannot be predicted, produces massive pressure on procurement, production and sale. Besides, the dual control system adopted in China is also a critical challenge to the chemical engineering industry's survival.

Countermeasures: Develop the local production, supply, sale and service of Thailand and Vietnam

factory premises, strengthen the Local for Local spirit to manage the markets in South East Asia more directly and rapidly, and combine AICA's existing markets in Japan and Korea to shift the production and sale operations in China to other territories step by step. Meanwhile, the Company will use the best effort to research and develop differentiated products and high-end products to maintain its growth and sustainability.

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

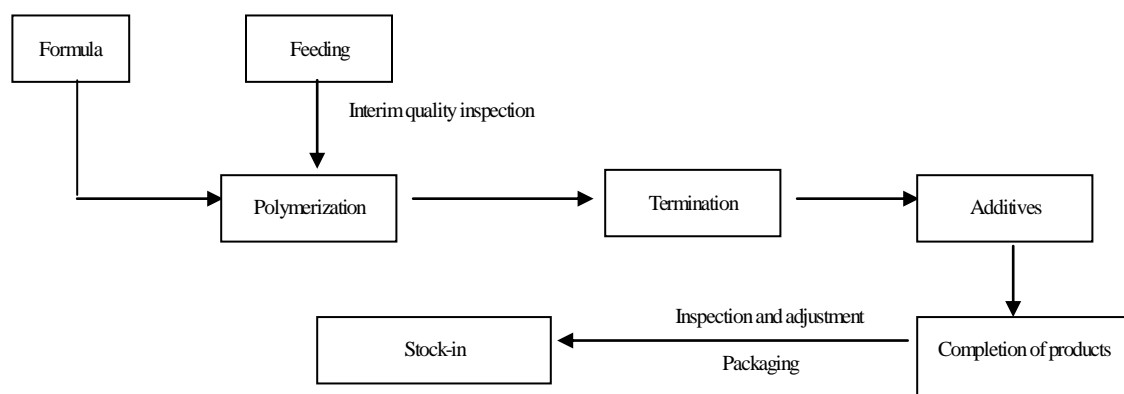
We mainly use raw materials such as AA, MDI, TDI, etc., because Taiwan has no production suppliers, all relying on overseas imports, and the overall market size of Taiwan can no longer be increased or have a cluster effect. The strength of suppliers to pay attention to the market is weakened, and the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

Countermeasures: Strengthen the operation of Group's collective 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: NTD thousand

	2020				2021				Ending until Q1 of 2022			
Item	Name	Amount	To the annual net procurement amount (%)	Relationship with the issuer	Name	Amount	To the annual net procurement amount (%)	Relationship with the issuer	Name	Amount	To the net procurement amount ending until Q1 of the year (%)	Relationship with the issuer
	Supplier N	170,078	11	None.	Others	2,546,677	100	None.	Others	605,528	100	None.
	Others	1,404,538	89	None.								
	Net procurement	1,574,616	100		Net procurement	2,546,677	100		Net procurement	605,528	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: NTD thousand

	2020				2021				Ending until Q1 of 2022			
Item	Name	Amount	To the annual net sales amount (%)	Relationship with the issuer	Name	Amount	To the annual net sales amount (%)	Relationship with the issuer	Name	Amount	To the net sales amount ending until Q1 of the year (%)	Relationship with the issuer
	Others	2,363,415	100	None.	Others	3,201,106	100	None.	Others	800,540	100	None.
	Net sales	2,363,415	100		Net sales		100		Net sales		100	

Note: The Company's sales amount and ratio vary depending on the major customers' market shares. In 2021 and Q1 of 2022, none of the operating revenues from any single customers accounted for more than 10% of the Company's total consolidated operating revenue.



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

Unit: Tons/NTD thousand

Production value Main products	Year	2020			2021		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
PU synthetic resin		-	26,517	1,508,775	-	29,946	2,364,922
PE resin		-	7,271	268,785	-	4,150	261,260
Other products		-	353	72,881	-	139	38,387
Total		70,868	34,141	1,850,441	72,800	34,235	2,664,569

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	2020				2021			
		Domestic marketing		Export		Domestic marketing		Export	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
PU synthetic resin		7,458	591,561	17,759	1,189,480	9,508	908,801	19,568	1,592,926
PE resin		1,052	59,947	2,674	118,070	1,654	107,879	2,375	150,512
Other products		487	132,660	1,653	271,697	384	105,134	1,884	335,854
Total		8,997	784,168	22,086	1,579,247	11,546	1,121,814	23,827	2,079,292

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		2020	2021	Ending on March 31, 2022
Number of employees	General officers	227	259	246
	Direct labors	129	128	128
	Total	356	387	374
Average age		40.05	40.88	40.95
Average service seniority		9.02	8.52	8.77

Year		2020	2021	Ending on March 31, 2022
Academic Background Distribution Ratio	Doctor	2%	2%	2%
	Master	10%	10%	9%
	College/University	41%	48%	50%
	Senior high school	28%	26%	25%
	Below senior high school	19%	14%	14%

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 2021 and as of the printing date of the annual report, losses suffered by the Company due to environmental pollution: None.
2. Other countermeasures: In response to the changes in trends and increasingly strict laws, the Company uses the best effort to satisfy the environmental protection requirements to achieve sustainability and fulfill corporate social responsibility. The Company owns multiple pollution prevention equipment units, e.g. liquid injection incinerators, waste water treatment equipment, and organic waste gas biological filter bed, etc..
  - 2.1 Manage and effectively operate the pollution prevention equipment, and strengthen the treatment capacity of the equipment to make the pollutants in the smoke channel satisfy the environmental protection laws and regulations.
  - 2.2 Promote garbage classification; the recycling of PE class waste achieved 510kg from October to December 2021. By the same token, the Company expects to recycle 2 tons in 2022, in order to reduce the output of waste plastic mixtures.
  - 2.3 Review and promote the energy-conservation and carbon-reduction programs: Replace motors of ice water machine and for cooling water, and adjust air compressor pressure and the temperature of the ice water machine; the power saved estimated as 103,000 degrees, and the carbon reduced as 51.7 tons in 2020.
3. Disclosure of current and future estimated amounts and possible countermeasures, ongoing improvement on the impact posed to environment, and social responsibility for pollution and waste reduction:
  - 3.1 In announcements of regulatory changes related to environmental protection and occupational safety, we regularly review and implement improvements to achieve compliance.
  - 3.2 Develop and research green products and improve the percentage of sales thereof; take the initiative action for promotion and improvement, and construct the Carbon Footprint Verification (CFV), and work with the product supply chain to fulfill the corporate environmental sustainable development responsibilities in carbon reduction and carbon neutrality.
  - 3.3 The 106 lists subject to the existing chemical substance standard registration under the Regulations of New and Existing Chemical Substances Registration, quantity & range and time limit for registration: The standard registration was supposed to be completed by December 31, 2021. Notwithstanding, in order to deal with the practical needs and the impact posed by Covid-19, the date is revised as December 31, 2023. The factory had five raw material and finished goods categories included into the lists, and received the standard registration codes in 2021.

## 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 2021:

Number of person	Hours	Expenses incurred
702 persons	2,999 hours	1,450 thousand

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

For each of the Company's employees who apply the old system, the Company contributes the retirement pension equivalent to 2% of the employee's total monthly salary to the exclusive account maintained at the Bank of Taiwan on a monthly basis.

### 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.

The Company adopted the Ethical Management Best-Practice Principles and Procedures for Ethical Management and Guidelines for Conduct upon approval of the Board of Directors, in order to build the enterprise culture upholding ethical management and also good business operation framework to help the Company's robust development.

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. Cyber Security Management:

(I) Describe the cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management:

1. Cyber security risk management framework:

The Company's information management unit is subordinated to the Administration Division and directed and governed by the Company's president.

2. Cyber security policy: Everybody should be responsible for information security.

3. Concrete management programs:

In order to unify the coordination, planning and promotion of the information security management operations, the Company's information unit is responsible for constructing the information security management framework, including research and evaluation of the information security policy, plan and technical specifications; research, management and protection of the data and information system safety; maintenance of confidentiality of data and audit on safety, etc..

4. Investments in resources for cyber security management:

In addition to the Company's own information unit, the Company also executes the long-term maintenance contracts with external vendors for the maintenance, backup and recovery of the Company's hardware, software and network safety equipment. The related practices include:

- (1) Personnel management and information security education and training.
- (2) Computer system security management.
- (3) Network security management.
- (4) System access control.
- (5) System development and maintenance security management.
- (6) Information asset security management.
- (7) Tangible and environmental security management.
- (8) Business continuity plan management.

(II) List any losses suffered by the company in the most recent fiscal year and up to the date of publication of the annual report due to significant cyber security incidents, the possible impacts therefrom, and countermeasures. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: None.

VII. 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	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, 2022 Financial information (Audited by the CPAs)
		2021	2020	2019	2018	2017	
Current assets		2,074,760	1,781,332	1,866,309	2,028,103	2,074,044	2,203,960
Property, plant and equipment		1,352,143	982,514	821,195	890,423	954,162	1,376,084
Intangible assets		48,703	2,639	3,255	4,247	4,710	49,899
Other assets		241,212	288,578	212,324	60,338	41,013	232,749
Total assets		3,716,818	3,055,063	2,903,083	2,983,111	3,073,929	3,862,692
Current liabilities	Before distribution	1,808,476	1,296,655	1,326,672	1,451,871	1,493,270	1,951,709
	After distribution	Note 2	1,346,349	1,391,274	1,466,779	1,542,964	N/A.
Noncurrent liabilities		476,124	273,864	111,261	149,584	167,561	460,378
Total liabilities	Before distribution	2,284,600	1,570,519	1,437,933	1,601,455	1,660,831	2,412,087
	After distribution	Note 2	1,620,213	1,502,535	1,616,363	1,710,525	N/A.
Equity attributed to the owner of parent company		1,432,218	1,484,580	1,465,150	1,381,656	1,413,098	1,450,605
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	364,634	404,271	394,863	291,928	331,255	356,649
	After distribution	Note 2	354,577	330,261	277,020	281,561	N/A.
Other equity		(24,313)	(11,588)	(21,610)	(2,169)	(10,054)	2,059
Treasury stock		-	-	-	-	-	-
Non-controlling equity		-	-	-	-	-	-
Total equity	Before distribution	1,432,218	1,484,580	1,465,150	1,381,656	1,413,098	1,450,605
	After distribution	Note 2	1,434,886	1,400,548	1,366,748	1,363,404	N/A.

Note 1: The financial information adopted IFRSs.

Note 2: The motion for 2021 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, 2022 Financial information (Audited by the CPAs)
	2021	2020	2019	2018	2017	
Operating Revenue	3,201,106	2,363,415	3,174,698	3,675,769	3,325,124	800,540
Gross profit	433,193	457,229	648,159	442,567	466,076	111,517
Operating income	31,289	137,490	200,484	73,902	112,011	(18,448)
Non-operating revenue and expenditure	(24,881)	(59,906)	(25,423)	(19,737)	(5,612)	8,997
Net profits before tax	6,408	77,584	175,061	54,165	106,399	(9,451)
Income from continuing operations before income tax	10,057	74,010	117,843	10,367	62,703	(7,985)
Loss from discontinued operations	-	-	-	-	-	-
Net profit (loss)	10,057	74,010	117,843	10,367	62,703	(7,985)
Other comprehensive income (net after tax)	(12,725)	8,947	(19,441)	7,885	(30,418)	26,372
Total comprehensive income	(2,668)	82,957	98,402	18,252	32,285	18,387
Net income attributed to the owner of parent company	10,057	74,010	117,843	10,367	62,703	(7,985)
Net income attributed to the non-controlling equity	-	-	-	-	-	-
Total comprehensive income attributed to the owner of parent company	(2,668)	82,957	98,402	18,252	32,285	18,387
Total comprehensive income attributed to the non-controlling equity	-	-	-	-	-	-
Earnings per share	0.10	0.74	1.19	0.10	0.63	(0.08)

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)				
		2021	2020	2019	2018	2017
Current assets		1,071,325	745,009	628,041	762,835	894,683
Property, plant and equipment		1,070,480	685,823	606,200	648,268	687,383
Intangible assets		2,490	606	766	1,283	1,377
Other assets		1,210,299	1,336,610	1,210,448	992,072	952,416
Total assets		3,354,594	2,768,048	2,445,455	2,404,458	2,535,859
Current liabilities	Before distribution	1,462,646	1,031,751	894,617	897,102	973,231
	After distribution	Note 2	1,081,445	959,219	912,010	1,022,925
Noncurrent liabilities		459,730	251,753	85,688	125,700	149,530
Total liabilities	Before distribution	1,922,376	1,283,504	980,305	1,022,802	1,122,761
	After distribution	Note 2	1,333,198	1,044,907	1,037,710	1,172,455
Equity attributed to the owner of parent company		1,432,218	1,484,580	1,465,150	1,381,656	1,413,098
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	364,634	404,271	394,863	291,928	331,255
	After distribution	Note 2	354,577	330,261	277,020	281,561
Other equity		(24,313)	(11,588)	(21,610)	(2,169)	(10,054)
Treasury stock		-	-	-	-	-
Non-controlling equity		-	-	-	-	-
Total equity	Before distribution	1,432,218	1,484,580	1,465,150	1,381,656	1,413,098
	After distribution	註 2	1,434,886	1,400,548	1,366,748	1,363,404

Note 1: The financial information adopted IFRSs.

Note 2: The motion for 2021 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)				
	2021	2020	2019	2018	2017
Operating Revenue	1,660,798	1,219,612	1,401,543	1,722,183	1,701,576
Gross profit	200,434	217,729	230,638	117,321	172,961
Operating income	36,361	60,109	48,324	(18,191)	27,620
Non-operating revenue and expenditure	(32,592)	7,256	96,438	32,751	42,165
Net profits before tax	3,769	67,365	144,762	14,560	69,785
Income from continuing operations before income tax	10,057	74,010	117,843	10,367	62,703
Loss from discontinued operations	-	-	-	-	-
Net profit (loss)	10,057	74,010	117,843	10,367	62,703
Other comprehensive income (net after tax)	(12,725)	8,911	(19,441)	7,885	(30,418)
Total comprehensive income	(2,668)	82,921	98,402	18,252	32,285
Net income attributed to the owner of parent company	10,057	74,010	117,843	10,367	62,703
Net income attributed to the non-controlling equity	-	-	-	-	-
Total comprehensive income attributed to the owner of parent company	(2,668)	82,921	98,402	18,252	32,285
Total comprehensive income attributed to the non-controlling equity	-	-	-	-	-
Earnings per share	0.10	0.74	1.19	0.10	0.63

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
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
2021	Deloitte Taiwan	Tai, Hsin Wei and Ting-Chien Su	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, 2022	Remark
		2021	2020	2019	2018	2017			
Financial structure(%)	Ratio of liabilities to assets	61.46	51.40	49.53	53.68	54.02	19.57	62.45	
	Ratio of long-term capital to property, plant and equipment	141.13	178.97	187.96	171.96	165.65	-21.14	138.87	A
Solvency %	Current ratio	114.72	137.37	140.67	139.68	138.89	-16.49	112.92	
	Quick ratio	70.30	89.37	95.43	91.86	94.18	-21.34	67.53	B
	Interest coverage ratio	1.36	7.64	10.67	3.84	7.56	-82.20	4.54	C
Operational ability	Receivables turnover (counts)	3.38	2.59	3.01	3.42	3.40	30.50	3.39	D
	Average cash collection days	107.98	140.92	121.26	106.72	107.35	-23.37	107.64	D
	Inventory turnover (counts)	3.75	2.88	3.90	4.74	4.59	30.21	3.47	D
	Payables turnover (counts)	8.79	7.21	8.05	8.46	7.92	21.91	7.24	D
	Average inventory turnover days	97.33	126.73	93.58	77.00	79.52	-23.20	105.26	D
	Property, plant and equipment turnover (counts)	2.74	2.62	3.67	3.98	3.80	4.58	2.71	
	Total assets turnover (counts)	0.94	0.79	1.07	1.21	1.12	18.99	0.91	
Profitability	Return on assets (%)	0.70	2.79	4.49	0.84	2.58	-74.91	2.44	C
	Return on equity (%)	0.68	5.01	8.27	0.74	4.41	-86.43	4.57	C
	Income before tax/paid-in capital (%)	0.64	7.80	17.61	5.44	10.70	-91.79	8.42	C
	Net profit margin (%)	0.31	3.13	3.71	0.28	1.88	-90.10	2.09	C
	Earnings per share (NT\$)	0.10	0.74	1.19	0.10	0.63	-86.49	-0.08	C
Cash flow	Cash flow ratio (%)	-13.47	24.61	30.79	2.74	-1.75	-154.73	-0.60	E
	Cash flow adequacy ratio (%)	42.75	144.45	183.24	103.60	99.28	-70.40	45.26	E
	Cash reinvestment ratio (%)	-8.60	7.96	12.86	-0.34	-2.69	-208.04	-0.34	E
Leverage	Operating leverage	8.89	2.85	2.28	4.15	3.06	211.93	6.90	F
	Financial leverage	2.24	1.09	1.09	1.34	1.16	105.50	1.98	F

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

A. Mainly due to the purchase of a new factory, and part of it was paid with its own funds.

B. Raw materials soared, resulting in an increase in inventory costs.

C. Raw materials soared, increasing selling prices and increased sales, but the cost of raw material price increases could not be fully passed on, and the increase in freight and other related expenses resulted in a decrease in gross profit and net profit..

D. The rise in raw materials resulted in a substantial increase in net sales and cost of goods sold.

E. The decrease in profit resulted in a decrease in net cash inflow from operating activities.

F. Decrease in profit and decrease in operating profit.

Note 1: The financial information adopted IFRSs.

Note 2: The formula about the financial analysis:

1. Financial structure

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

- (2) Ratio of long-term capital to property, plant and equipment=(Total equity+Noncurrent liabilities)/Property, plant and equipment, net.
  2. Solvency
    - (1) Current ratio=Current assets/Current liabilities.
    - (2) Quick ratio=(Current assets-Inventory-Prepaid expenses)/Current liabilities.
    - (3) Interest coverage ratio=Income tax and income before interest expenses/Current interest expenses.
  3. Operational ability
    - (1) Receivables (including accounts receivable and notes receivable resulting from operation) turnover = Net sales/Balance of average accounts receivable (including accounts receivable and notes receivable resulting from operation).
    - (2) Average cash collection days=365/Receivables turnover.
    - (3) Inventory turnover=Cost of goods sold/Average inventory.
    - (4) Payables (including accounts payable and notes payable resulting from operation) turnover = Net sales/Balance of average accounts payable (including accounts payable and notes payable resulting from operation).
    - (5) Average inventory turnover days=365/Inventory turnover.
    - (6) Property, plant and equipment turnover=Net sales/Average property, plant and equipment, net.
    - (7) Total assets turnover=Net sales/Average total assets.
  4. Profitability
    - (1) Return on assets=[Profit or loss after tax+Interest expenses × (1- tax rate)]/Average total assets.
    - (2) Return on equity=Profit or loss after tax+Average total equity.
    - (3) Net profit margin=Profit or loss after tax/Net sales.
    - (4) Earnings per share=(Income attributed to the owner of parent company-Preferred stock dividend)/Weighted average number of outstanding shares. (Note 3)
  5. Cash flow
    - (1) Cash flow ratio =Net cash flow from operating activities/Current liabilities.
    - (2) Net cash flow adequacy ratio=Net cash flow from operating activities during the most recent five years/(Capital expenses+Increase in inventory+Cash dividends) during the most recent five years.
    - (3) Cash reinvestment ratio=(Net cash flow from operating activities-Cash dividends)/(Gross property, plant and equipment+Long-term investments+Other noncurrent assets+working capital). (Note 4)
  6. Leverage:
    - (1) Operating leverage=(Net operating revenues-Variable operating costs and expenses)/Operating profit (Note 5)
    - (2) Financial leverage=Operating profit/(Operating profit-Interest expenses).
- Note 3: When calculating the earnings per share referred to in the preceding paragraph, please note that:
1. The weighted average number of common shares shall apply, instead of the number of outstanding shares at the end of the year.
  2. In the case of capital increase or treasury stock transactions, the calculation shall take the period of circulation into account when calculating the weighted average number of outstanding shares.
  3. In the case of recapitalization from earnings or recapitalization from capital surplus, the calculation of earnings per share for the previous year and for a half of year shall make adjustment retroactively subject to the proportion of capital increase, irrelevant with the issuance period for the capital increase.
  4. If the preferred stock refers to non-convertible cumulative preferred stock, the stock dividend for the current year (whether allocated or not) shall be deducted from the income after tax or add the loss after tax. If the preferred stock is not cumulative one, the preferred stock dividend shall be deducted from the income after tax, if any. Notwithstanding, no adjustment is required, in the case of loss.
- Note 4: Cash flow analyses shall take the following factors into account:
1. Net cash flow from operating activities refers to net cash inflow from operating activities as stated in the Statement of Cash Flow.
  2. Capital expenditure refers to the amount of annual cash outflow spent on capital investments.
  3. The increase in inventory is included only when the balance at the ending is more than that at beginning. If the inventory decreases at the end of the year, it shall be calculated as “zero”.
  4. Cash Dividends include the dividends in cash paid to holders of common shares and preferred shares.
  5. Gross property, plant and equipment refers to the amount before deducting accumulated depreciation.
- Note 5: The issuer is required to classify operating costs and expenses between fixed and variable portions. Any estimate or subjective judgment used in the classification needs to be reasonable and consistent.

## (II) Financial analysis - Entity financial statements under IFRSs

Analysis items \ Year		Financial analysis for the most recent five years (Note 1)					Variance for the most recent two years (%)	Remark
		2021	2020	2019	2018	2017		
Financial structure(%)	Ratio of liabilities to assets	57.30	46.36	40.08	42.53	44.27	23.60	A
	Ratio of long-term capital to property, plant and equipment	176.73	253.16	255.82	232.52	227.33	-30.19	A
Solvency %	Current ratio	73.24	72.20	70.20	85.03	91.92	1.44	
	Quick ratio	45.95	47.25	40.37	51.49	56.55	-2.75	
	Interest coverage ratio	1.28	8.81	18.55	2.59	9.48	-85.47	B
Operational ability	Receivables turnover (counts)	3.81	3.46	3.70	3.89	3.99	10.12	
	Average cash collection days	95.80	105.49	98.64	93.83	91.47	-9.19	
	Inventory turnover (counts)	4.22	3.56	3.81	4.66	4.58	18.54	
	Payables turnover (counts)	6.04	5.85	6.02	6.20	5.52	3.25	
	Average inventory turnover days	86.49	102.52	95.80	78.32	79.69	-15.64	
	Property, plant and equipment turnover (counts)	1.89	1.88	2.23	2.57	2.84	0.53	
	Total assets turnover (counts)	0.54	0.46	0.57	0.69	0.71	17.39	
Profitability	Return on assets (%)	0.67	3.10	5.13	0.71	2.91	-78.39	B
	Return on equity (%)	0.68	5.01	8.27	0.74	4.41	-86.43	B
	Income before tax/paid-in capital (%)	0.37	6.77	14.56	1.46	7.02	-94.53	B
	Net profit margin (%)	0.60	6.06	8.40	0.60	3.68	-90.10	B
	Earnings per share (NT\$)	0.10	0.74	1.19	0.10	0.63	-86.49	B
Cash flow	Cash flow ratio (%)	-8.73	12.38	19.45	8.54	-4.23	-170.52	C
	Cash flow adequacy ratio (%)	20.28	77.96	111.00	63.64	41.21	-73.99	C
	Cash reinvestment ratio (%)	-6.27	2.39	6.61	1.16	-3.93	-362.34	C
Leverage	Operating leverage	4.61	3.20	3.63	-5.45	5.11	44.06	D
	Financial leverage	1.56	1.16	1.20	0.66	1.42	34.48	D

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

A. Mainly due to the purchase of a new factory, part of which was paid with its own funds and part of which was borrowed from long-term loans.

B. Raw materials soared, increasing selling prices and increased sales, but the cost of raw material price increases could not be fully passed on, and the increase in freight and other related expenses resulted in a decrease in gross profit and net profit. The profit of overseas subsidiaries was significantly reduced due to the impact of the COVID-19 epidemic, and the benefits of recognized subsidiaries were also significantly reduced.

C. The decrease in profit resulted in a decrease in net cash inflow from operating activities.

D. Operating profit was reduced due to lower profits..

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. Audit Committee Review Report of the Most Recent Annual Financial Report

EVERMORE CHEMICAL INDUSTRY CO, LTD

Audit Committee's Review Report

The Company's parent company only financial statements and consolidated financial statements prepared and submitted by the Board of Directors for 2021 have been audited, and determined as sufficient to appropriately reflect the Company's financial position, business results and cash flow by the accountants from Deloitte Taiwan, i.e. Hsin-Wei Tai and Ting-Chien Su, CPAs. The Audit Report together with the Business Report and earning distribution plan are determined as qualified after review by the Audit Committee. The Committee hereby issue the Report in accordance with the provisions of Article 219 of the Company Act.

Best Regards

2022 General Annual Meeting of EVERMORE CHEMICAL INDUSTRY CO, LTD

Convener of Audit Committee: Chun-Cheng Chen

March 15, 2022

IV. Latest financial statements : please refer pages 98 to164.

V. Latest entity financial statements audited and certified by CPAs : please refer pages 165 to221.

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	2021	2020	Variance		Analysis on changes
			Amount	%	
Current assets	2,074,760	1,781,332	293,428	16.47%	
Property, plant and equipment	1,352,143	982,514	369,629	37.62%	(1)
Other assets	289,915	291,253	-1,338	-0.46%	
Total assets	3,716,818	3,055,099	661,719	21.66%	(1)
Current liabilities	1,808,476	1,296,655	511,821	39.47%	(2)
Noncurrent liabilities	476,124	273,864	202,260	73.85%	(1)
Total liabilities	2,284,600	1,570,519	714,081	45.47%	(2)
Capital	993,880	993,880	-	0.00%	
Capital surplus	98,017	98,017	-	0.00%	
Retained earnings	364,634	404,271	-39,637	-9.80%	
Other equity	-24,313	-11,624	-12,725	109.81%	(3)
Treasury stock	-	-	-	0.00%	
Non-controlling equity	-	-	-	0.00%	
Total equity	1,432,218	1,484,544	-52,362	-3.53%	
<p>1. Notes to cause of changes by more than 20%:</p> <p>(1) This is due to the purchase of a new plant, which was paid for with long-term borrowings.</p> <p>(2) This is due to the increase in raw materials and the increase in the required working capital and borrowings.</p> <p>(3) Affected by the exchange rate, the loss of the exchange difference caused by the translation of the financial statements of foreign operating institutions has increased</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	2021	2020	Increase (decrease)	Change (%)	Analysis on changes
Operating revenue, net		\$3,201,106	\$2,363,415	\$837,691	35.44%	(1)
Operating costs		(2,767,913)	(1,906,186)	\$861,727	45.21%	(1)
Gross profit		433,193	457,229	-\$24,036	-5.26%	
Operating expenses		(401,904)	(319,739)	\$82,165	25.70%	(1)
Operating profit		31,289	137,490	-\$106,201	-77.24%	(1)
Non-operating revenue and expenditure		(24,881)	(59,906)	-\$35,025	-58.47%	(2)
Net profits before tax		6,408	77,584	-\$71,176	-91.74%	(1)
Less: Income tax expenses		3,649	(3,574)	-\$7,223	-202.10%	(1)
Net income		10,057	74,010	-\$63,953	-86.41%	(1)
Other comprehensive income		(12,725)	8,911	-\$21,672	-242.23%	(3)
Total comprehensive income		(\$2,668)	\$82,921	-\$85,625	-103.22%	(1)
Net income attributed to the owner of parent company		\$10,057	\$74,010	-\$63,953	-86.41%	(1)
Comprehensive income attributed to the owner of parent company		(\$2,668)	\$82,921	-\$85,625	-103.22%	(1)

Notes to cause of changes by more than 20%:

- (1) The rising price of raw materials has increased sales, but the cost of raw material price increases cannot be fully passed on, and the increase in freight and other related expenses has resulted in a decrease in gross profit and net profit.
- (2) In 2020, I received subsidies for the epidemic, but in 2021, there was no such situation.
- (3) Affected by changes in exchange rates, the range of exchange differences in the translation of financial statements of foreign operating institutions has increased, resulting in other comprehensive gains and losses.

- (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	2021	2020	Increase (decrease) (%)
Cash flow ratio (%)	-13.47%	24.61%	-154.73%
Cash flow adequacy ratio (%)	42.75%	144.45%	-70.40%
Cash reinvestment ratio (%)	-8.60%	7.96%	-208.04%
Notes to increase/decrease (%): The cash flow ratio, cash flow permissible ratio and cash reinvestment ratio all decreased compared with last year, mainly The main reason is that in 2021, the net cash inflow from operating activities decreased due to the decrease in profit due to the surge in raw materials.			

#### (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 (2022)

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
228, 045	310, 180	(279, 884)	258, 341	—	—
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 arise from repayment of borrowings, continuous investment in equipment, 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 2021, due to the high rise in raw materials, the cost of raw material price increases could not be fully passed on. In addition to the increase in freight and other related expenses, gross profit and net profit decreased. In the future, the Group will continue to make effective allocation of resources to maintain overall operating performance and stable growth. profit.
- Investment plans in the next year : None

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\$17,369 thousand dollar, accounting for 0.54% of the entire year's net revenue. Interest expense increased slightly from 2020. Interest rates are expected to rise slightly in the coming year, 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 16,264 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 larger compared with last year. Estimated increase in exchange benefits. 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.

Estimated increase in exchange benefits

3. Inflation: The Company's market segment was categorized into domestic marketing and export. In 2021, 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 is expected to invest about 2% of its revenue in research and development in 2022..

(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.

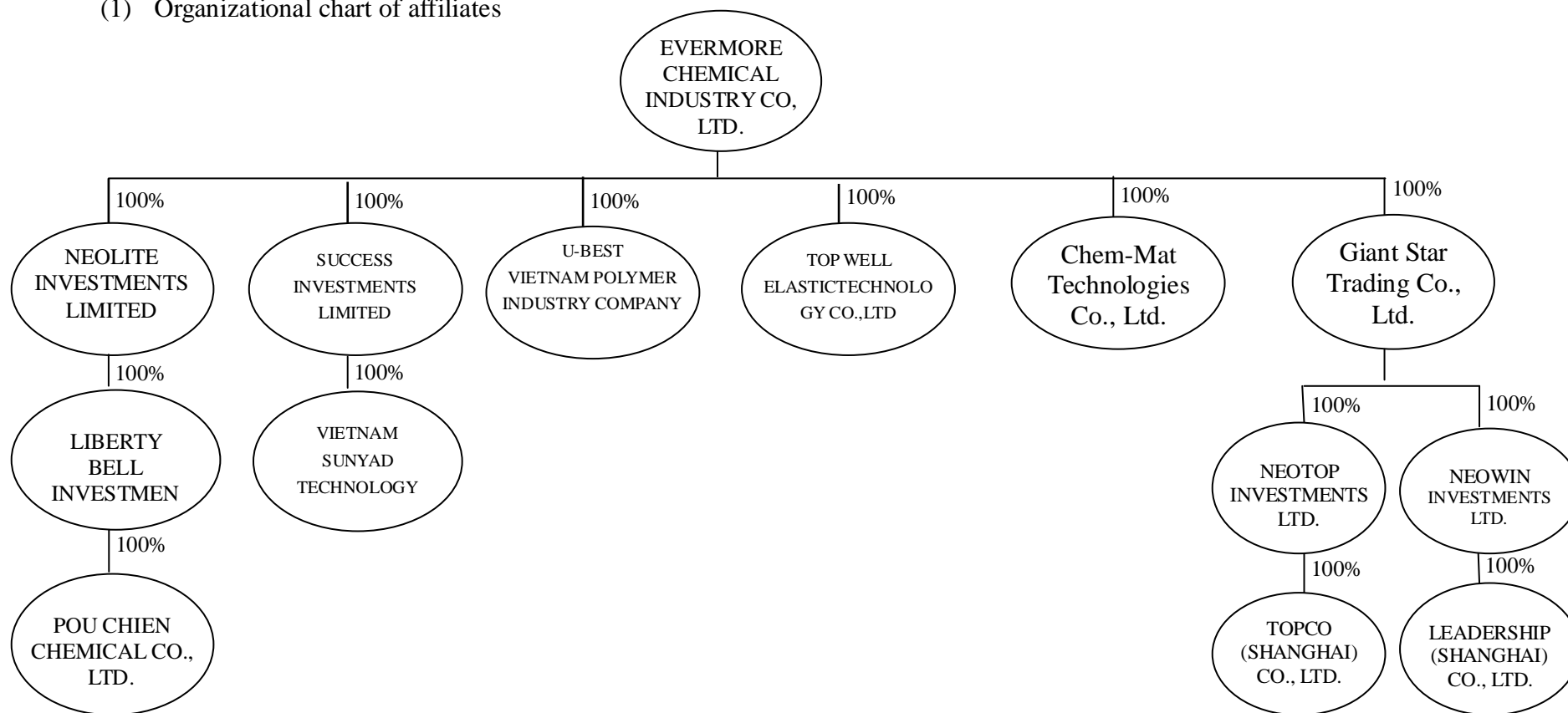
## Eight. Special Disclosures

### I. Information on Affiliates

#### (I) Profiles of affiliates

December 31, 2021

##### (1) Organizational chart of affiliates



## (2) Basic information on affiliates

December 31, 2021

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, 2021	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	Yue Dean Technology Co., LTD. - Representative: Tsai Nai Yong	1,786,760	1.80%
	Director	Huang Chng Tze	93	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. NEOTOP INVESTMENTS LTD. NEOWIN INVESTMENTS LTD. TOPCO (SHANGHAI) CO., LTD.	Independent director	Chen Chun Cheng	0	0%
	Independent director	Higashiyama Mikio	0	0%
	Independent director	Chueh Liang Wu	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		
	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%
TOPWELL ELASTIC TECHNOLOGY CO., LTD.	Director	EVERMORE CHEMICAL INDUSTRY CO, LTD.-Corporate representative: Shih Chun An	800,000	100%

## (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	551,646	4,238	547,408	19,469	(556)	(20,353)	-
LIBERTY BELL INVESTMENTS LTD.	673,073	571,916	15,011	556,905	94,615	13,910	(23,078)	-
POU CHIEN CHEMICAL CO., LTD.	512,818	834,901	279,120	555,781	1,337,993	(25,288)	(111,945)	-
Chem-Mat Technologies Co., Ltd. and	72,000	175,520	43,795	131,725	97,865	4,110	3,982	-
Giant Star Trading Co., Ltd.	126,000	188,086	23,062	165,024	49,740	(1,138)	3,308	-
NEOTOP INVESTMENTS LTD.	58,800	122,156	-	122,156	-	(35)	5,048	-
NEOWIN INVESTMENTS LTD.	15,553	6,835	80	6,755	-	(80)	2	-
TOPCO (SHANGHAI) CO., LTD.	38,922	127,463	5,340	122,123	126,900	4,386	5,083	-
LEADERSHIP (SHANGHAI) CO., LTD.	15,400	28,407	21,620	6,787	41,096	-	84	-
U-BEST VIETNAM POLYMER INDUSTRY COMPANY LIMITED	44,172	88,723	29,123	59,600	114,070	6,555	5,031	-
SUCCESS INVESTMENTS LTD.	118,360	26,225	-	26,225	-	-	(6,196)	-
VIETNAM SUNYAD TECHNOLOGY LIMITED	211,273	32,860	6,635	26,225	-	(5,514)	(6,196)	-
TOPWELL ELASTIC TECHNOLOGY CO., LTD.	76,679	91,383	80,980	10,403	116,039	1,817	(3,753)	-

Note 1: Foreign currency should be translated into NTD. The assets and liabilities are translated based on the foreign exchange rate-ending, NTD:USD=27.68:1 、NTD:CNY=4.344:1、NTD:THB =0.8347:1、NTD:VND=0.001214:1 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 2021 (from January 1, 2021 to December 31, 2021) 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 15, 2022

Qin-Zhong No. 11100487 on March 15, 2022

Addressee: EVERMORE CHEMICAL INDUSTRY CO, LTD.

Subject: Comments on the information given in your 2021 Affiliation Report free from any significant inconsistencies.

Remark:

You declared that your Affiliation Report for 2021 on March 15, 2022 (from January 1, 2021 to December 31, 2021) 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 2021 and found that there were no significant inconsistencies in said declaration.

Deloitte Taiwan  
Tai, Hsin Wei, CPA

Su Ding jian, CPA

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

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

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	Omura Nobuyuki Ebihara Kenji Ichikawa Toyoaki

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	\$99,393	5.98%	\$29,890	\$ -	T/T 60 天	\$ -	T/T in advance-T/T 120 天	—	\$ 8,573	1.79%	\$ -	—	\$ -	—
Purchase	192	0.01%	-	-	Month end 69 days	-	Month end 30-90 days	—	89	0.03%	-	—	-	—

(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

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

Hereby declared by

Evermore Chemical Industry Co., Ltd.

Chairman: Ho Wen-Chieh

March 15, 2022

## **INDEPENDENT AUDITORS' REPORT**

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

### **Audit Opinion**

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

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

### **Basis for Opinion**

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

### **Key Audit Matters**

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



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

Authenticity of revenue recognition for specific customers

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

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

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

**Miscellaneous**

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

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte Taiwan  
Dai Hsin-Wei, CPA

Su Ting-Chien, CPA

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

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

March 15, 2022

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

Unit: NTD thousand

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

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

Chairman: Ho Wen-Chieh

Manager: Huang Chng-Tze

Chief Accountant: Chen Hsiang-Li

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

January 1to December 31, 2021 and 2020

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

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

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

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

Chairman: Ho Wen-Chieh

Manager: Huang Chng-Tze

Chief Accountant: Chen Hsiang-Li

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

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

		EQUITY					Exchange differences on translating the financial statements of foreign operations	Total Equity
Code		Share capital from common stock (Note 19)	Capital Surplus (Note 19)	Retained Earnings (Note 19)				
				Legal Reserve	Special Reserve	Unappropriated Earnings		
A1	Balance on January 1, 2020	\$ 993,880	\$ 98,017	\$ 202,841	\$ 2,169	\$ 189,853	( \$ 21,610)	\$ 1,465,150
	Earnings allocation and distribution for 2019							
B1	Statutory reserves	-	-	11,784	-	( 11,784)	-	-
B3	Special reserve	-	-	-	19,441	( 19,441)	-	-
B5	Shareholder cash dividend - NTD 0.65 per share	-	-	-	-	( 64,602)	-	( 64,602)
D1	2020 net profit (re-prepared and audited)	-	-	-	-	74,010	-	74,010
D3	Other comprehensive income 2020 (re-prepared and audited)	-	-	-	-	-	8,947	8,947
D5	Total comprehensive income 2020 (re-prepared and audited)	-	-	-	-	74,010	8,947	82,957
M3	Proceeds from investments accounted for using equity method	-	-	-	-	-	1,075	1,075
Z1	Balance on December 31, 2020 (re-prepared and audited)	993,880	98,017	214,625	21,610	168,036	( 11,588)	1,484,580
	Earnings allocation and distribution for 2020							
B1	Statutory reserves	-	-	7,401	-	( 7,401)	-	-
B3	Special reserve	-	-	-	( 9,986)	9,986	-	-
B5	Cash dividends distributed by the Company - NT\$ 0.5 per share	-	-	-	-	( 49,694)	-	( 49,694)
D1	2021 net profit	-	-	-	-	10,057	-	10,057
D3	Other comprehensive income after tax for 2021	-	-	-	-	-	( 12,725)	( 12,725)
D5	Total comprehensive income for 2021	-	-	-	-	10,057	( 12,725)	( 2,668)
Z1	Balance on December 31, 2021	<u>\$ 993,880</u>	<u>\$ 98,017</u>	<u>\$ 222,026</u>	<u>\$ 11,624</u>	<u>\$ 130,984</u>	<u>( \$ 24,313)</u>	<u>\$ 1,432,218</u>

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

Chairman: Ho Wen-Chieh

Manager: Huang Chng-Tze

Chief Accountant: Chen Hsiang-Li

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOW

January 1 to December 31, 2021 and 2020

Unit: NTD thousand

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

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

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

I. GENERAL INFORMATION

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

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

The parent company of the Company is AICA Kogyo Company Limited (AICA) of Japan. As of December 31, 2021 and 2020, it held 50.1% of the Company's common stock.

II. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

Note 3: Property, plant and equipment that attain the necessary locations and conditions for the management's expected mode of operation after January 1, 2021 are subject to this amendment.

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

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

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

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	Unresolved
IFRS 17 "Insurance Contracts"	1-Jan-23
Amendments to IFRS 17	1-Jan-23
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9—Comparative Information"	1-Jan-23
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	1-Jan-23
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note II)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note III)
Amendments to IAS 12 "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction"	Sunday, January 1, 2023 (Note 4)

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

Note 2: The application of this amendment will be postponed during the annual reporting period beginning after January 1, 2023.

Note 3: This amendment applies to changes in accounting estimates and changes in accounting policies that occur during the annual reporting period beginning after January 1, 2023.

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

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

#### IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### (I) Statement of compliance

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

##### (II) Basis of preparation

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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

### (IV) Basis of consolidation

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

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

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

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

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

#### (V) Business mergers

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

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

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

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

#### (VI) Foreign currencies

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

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

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

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

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

#### (VII) Inventories

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

#### (VIII) Investment related companies

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

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

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

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

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

(IX) Property, plant and equipment

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

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

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

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

(X) Investment properties

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



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

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

#### (XI) Goodwill

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

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

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

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

#### (XII) Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost minus accumulated amortization. Amortization is recognized on a straight-line basis. The estimated useful life, residual

value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss.

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

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

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

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

(XIV) Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair

value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

#### Financial assets

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

##### 1. Measurement Category

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

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

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

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

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

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

##### 2. Impairment of financial assets

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

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

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

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

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

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

### 3. Derecognition of financial assets

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

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

## Financial liabilities

### 1. Subsequent measurement

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

### 2. Derecognition of financial liabilities

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

## (XV) Revenue recognition

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

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

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

## (XVI) Leasing

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

### The consolidated company is the lessee

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

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

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

(XVII) Borrowing cost

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

(XVIII) Government subsidies

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

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

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

(XIX) Employee benefits

1. Short-term employee benefits

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

2. Retirement benefits

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

(XX) Taxation

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

1. Current income tax

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

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

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

## 2. Deferred tax

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

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

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

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

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

the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred income taxes

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

V. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Major sources of estimation and assumption uncertainty

(I) Provision for impairment of financial assets

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



(II) Write-down of inventories

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

VI. Cash and cash equivalents

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

VII. Financial assets measured at amortized cost - current

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

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

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

# VIII. Notes receivable and accounts receivable

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

## (I) Notes receivable

The aging of notes receivable was as follows:

	<u>March 31, 2021</u>	<u>31-Dec-20</u>
Not past due	\$ 187,325	\$ 117,381
Past due	<u>-</u>	<u>-</u>
Total	<u>\$ 187,325</u>	<u>\$ 117,381</u>

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

## (II) Accounts receivable

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

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

conditions at the reporting date. As the consolidated entity's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the consolidated entity's different customer base.

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

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

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

The accounts receivable already overdue for more than 91 days, NT\$8,547 thousand, on December 31, 2021 have already been collected subsequently.

Therefore, no allowance for loss was provided.

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

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

## IX. Inventories

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

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

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

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

## X. SUBSIDIARIES

Subsidiary included in the consolidated financial statements:

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

LIMITED (SUNYAD)

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

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

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

XI. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

Note: Refer to Note X.

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

## XII. PROPERTY, PLANT AND EQUIPMENT

2021	Balance at Beginning of Year	Additions	Deductions	Reclassification	Effects of Foreign Currency Exchange Differences	Balance at End of Year	
<u>Cost</u>							
Land	\$ 418,995	\$ 315,368	\$ -	\$ -	( \$ 3,375 )	\$ 730,988	
Buildings	737,084	51,989	-	20,306	( 5,939 )	803,440	
Machinery and equipment	1,243,387	19,240	( 29,422 )	( 12,799 )	( 4,134 )	1,216,272	
Transportation equipment	24,220	884	( 298 )	2,538	( 395 )	26,949	
Other equipment	<u>249,065</u>	<u>31,961</u>	<u>( 4,047 )</u>	<u>42,060</u>	<u>( 706 )</u>	<u>318,333</u>	
Total cost	<u>2,672,751</u>	<u>\$ 419,442</u>	<u>( \$ 33,767 )</u>	<u>\$ 52,105</u>	<u>( \$ 14,549 )</u>	<u>3,095,982</u>	
<u>Accumulated depreciation</u>							
Buildings	430,139	\$ 25,965	\$ -	\$ -	( \$ 3,441 )	452,663	
Machinery and equipment	1,055,905	46,618	( 28,890 )	( 27,477 )	( 3,786 )	1,042,370	
Transportation equipment	18,073	2,634	( 179 )	-	( 296 )	20,232	
Other equipment	<u>186,120</u>	<u>19,573</u>	<u>( 3,984 )</u>	<u>27,477</u>	<u>( 612 )</u>	<u>228,574</u>	
Total accumulated depreciation	<u>1,690,237</u>	<u>\$ 94,790</u>	<u>( \$ 33,053 )</u>	<u>\$ -</u>	<u>( \$ 8,135 )</u>	<u>1,743,839</u>	
	<u>\$ 982,514</u>					<u>\$ 1,352,143</u>	
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	<u>215,785</u>	<u>3,834</u>	<u>13,404</u>	<u>( 445 )</u>	<u>15,939</u>	<u>548</u>	<u>249,065</u>
Total cost	<u>2,309,457</u>	<u>\$ 214,558</u>	<u>\$ 48,472</u>	<u>( \$ 10,548 )</u>	<u>\$ 106,210</u>	<u>\$ 4,602</u>	<u>2,672,751</u>
<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	<u>166,801</u>	<u>3,216</u>	<u>16,060</u>	<u>( 405 )</u>	<u>-</u>	<u>448</u>	<u>186,120</u>
Total accumulated depreciation	<u>1,488,262</u>	<u>\$ 106,084</u>	<u>\$ 100,143</u>	<u>( \$ 10,371 )</u>	<u>\$ -</u>	<u>\$ 6,119</u>	<u>1,690,237</u>
	<u>\$ 821,195</u>						<u>\$ 982,514</u>

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

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

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

### XIII. Lease arrangements

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

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

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

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

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

XIV. Net investment assets

2021	Balance at Beginning of Year	Additions	Balance at End of Year
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>3,426</u>	<u>\$ 87</u>	<u>3,513</u>
	<u>\$ 1,094</u>		<u>\$ 1,007</u>
2020			
Cost			
Land	\$ 1,007	\$ -	\$ 1,007
Buildings	<u>3,513</u>	<u>-</u>	<u>3,513</u>
Total cost	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>

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

Buildings	
Main building	25 years

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

XV. Goodwill

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



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

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

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

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

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

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

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

## XVI. Loans

### (I) Short-term bank borrowings

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

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

(II) Short-term bills payable

	<u>March 31, 2021</u>	<u>31-Dec-20</u>
Commercial paper	\$ 130,000	\$ 130,000
Less: Unamortized discounts on bills payable	( <u>74</u> )	( <u>145</u> )
	<u>\$ 129,926</u>	<u>\$ 129,855</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>March 31, 2021</u>				
Mega Bills Finance Co., Ltd.	\$ 70,000	\$ 14	\$ 69,986	0.67
International Bills Finance Corporation	<u>60,000</u>	<u>60</u>	<u>59,940</u>	0.74
	<u>\$ 130,000</u>	<u>\$ 74</u>	<u>\$ 129,926</u>	
<u>31-Dec-20</u>				
Mega Bills Finance Co., Ltd.	\$ 70,000	\$ 57	\$ 69,943	0.83
International Bills Finance Corporation	<u>60,000</u>	<u>88</u>	<u>59,912</u>	0.94
	<u>\$ 130,000</u>	<u>\$ 145</u>	<u>\$ 129,855</u>	

(III) Long-term bank borrowings

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

Rates of interest per annum  
(%)

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

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

XVII. Other payables

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

XVIII. RETIREMENT BENEFIT PLANS

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

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

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

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

## XIX. EQUITY

### (I) Share capital from common stock

	March 31, 2021	31-Dec-20
Authorized shares (thousand shares)	<u>120,000</u>	<u>120,000</u>
Authorized capital stock	<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>
Shares issued and received in full (In Thousands)	<u>99,388</u>	<u>99,388</u>
Issued share capital	<u>\$ 993,880</u>	<u>\$ 993,880</u>

### (II) Capital surplus

	March 31, 2021	31-Dec-20
Issuance of common shares	\$ 70,860	\$ 70,860
Treasury share transactions	<u>27,157</u>	<u>27,157</u>
	<u>\$ 98,017</u>	<u>\$ 98,017</u>

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

### (III) Retained earnings and dividends policy

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

The dividend policy considers the future operating expansion and capital expenditures meet the best capital budget and diluted earnings per share, and the annual allocated surplus accounts for at least 50% of the available surplus.

Distribution of profits may also be made by way of cash dividend provided; however, the ratio of share dividend shall exceed 25% of total distribution.

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

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

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

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

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

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

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

## XX. NET PROFIT

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

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

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

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

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

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

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

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

(III) Net loss from foreign exchange

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

XXI. TAXES

(I) Income tax recognized in profit or loss

Major components of income tax expense are as follows:

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

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

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

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

In July 2019, Taiwan's President promulgated regulations on the management, operation, and taxation of overseas fund repatriation. For newly-added for-profit businesses that applied between August 15, 2019 and August 14, 2020 and between August 15, 2020 and August 14, 2021 repatriated the deposited funds within the approved period, the applicable tax rate would be reduced from 20% to 8% and 10%. The repatriated funds should be deposited in a special foreign exchange deposit account, and the receiving bank would deduct tax when the funds were deposited there. In February and September 2020 and August 2021, NEOLITE gained approval by the National Taxation Bureau of Ministry of Finance to respectively remit US\$2,000 thousand in each instance, thereby enjoying tax concessions of NT\$19,744 thousand altogether.



(II) Deferred tax assets and liabilities

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

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

\$ 83,228    (\$ 20,394)    \$ 3,476    \$ 66,310

(III) Income tax assessments

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

XXII. EARNINGS PER SHARE

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

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

Net income

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

Quantity of shares

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

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

### XXIII. Business mergers

#### (I) Acquisition of subsidiaries

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

#### (II) Consolidated transferred:

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

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

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

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

(IV) Goodwill arising from acquisitions

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

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

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

(V) Net cash outflow from acquisition of subsidiaries

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

XXIV. Cash flow

(I) Non cash transactions

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

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

	2021	2020
Increase in property, plant and equipment	\$ 419,442	\$ 48,472
Net changes in construction contract payables	<u>3,795</u>	( <u>2,809</u> )

	2021	2020
Amount of cash paid	<u>\$ 423,237</u>	<u>\$ 45,663</u>

(II) Changes in liabilities from financing activities

2021

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

2020

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

XXV. Capital risk management

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

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

Key management personnel of the consolidated entity regularly review the capital structure. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, the

number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

## XXVI. Financial instruments

### (I) Fair value of financial instruments

#### 1. Financial instruments carried at fair value

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

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

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

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

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

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

(II) Categories of financial instruments

	<u>March 31, 2021</u>	<u>31-Dec-20</u>
<u>Financial assets</u>		
Financial assets at amortized cost (Note 1)	\$ 1,269,251	\$ 1,105,547
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 2)	2,218,761	1,464,716

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

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

(III) Financial risk management objectives and policies

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

1. Market risk

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

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

(1) Foreign currency risk

The consolidated entity has foreign currency sales and purchases, which exposed the consolidated entity to foreign currency risk.

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

#### Sensitivity analysis

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

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

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

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

#### (2) Interest rate risk

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



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

### Sensitivity analysis

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

## 2. Credit risk

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

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

## 3. Liquidity risk

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

### Liquidity and interest rate risk tables

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

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

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

### XXVII. Related party transactions

Transactions, account balances, income and expense between consolidated entities have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, relationship and transactions of the consolidated entity with other related parties are disclosed below:

(I) Related party name and category

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

(II) Sales of goods

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

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

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

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

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

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

The outstanding trade receivables from related parties are unsecured.

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

Accounts	Related Party Category/Name	March 31, 2021	31-Dec-20
Accounts payable	Parent company	<u>\$ 1,234</u>	<u>\$ 772</u>
Other payables	Other related parties	<u>\$ 182</u>	<u>\$ 204</u>

### (III) Payables to related parties

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

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

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

### XXVIII. Pledged assets

The following assets were provided as collateral for bank borrowings:

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

XXIX. Significant contingent liabilities and unrecognized contract commitments

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

XXX. Miscellaneous

Affected by the global pandemic of COVID-19 and impact posed to Taiwan recently, the consumption of end consumers has decreased and this has also affected supply and marketing in the industrial supply chain. As a result, the consolidated entity's revenue and profit in the second half of the year decreased due to the recurring epidemic. In response to the pandemic's impact, the consolidated entity has been actively negotiating with banks to replenish the Company's working capital. At this stage, the global pandemic has not yet stabilized but governments of all countries have put appropriate responsive policies in place and clients have partially resumed production. The consolidated entity will cooperate with customers to gradually increase production and sales, and control the progress of account collection to ensure normal operations of the consolidated entity.

XXXI. The significant assets and liabilities denominated in foreign currencies

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

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

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

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

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

### XXXII. Other disclosures

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

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

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

(III) Investments in Mainland China

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

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

XXXIII. Department information

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

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

(I) Segment revenues and results

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

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

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

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

(II) Segment total assets and liabilities

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



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

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

(III) Revenue from major products

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

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

(IV) Geographical information

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

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

(V) Information about major customers

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

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS

January 1 to December 31, 2021

Table 1

Unit: Thousands of New Taiwan Dollars or Foreign Currencies)

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

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

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

Note 3: Interest rate according to bank loan contract.

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

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

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

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

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

Table 2

Unit: Thousands of New Taiwan Dollars or Foreign Currencies)

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

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

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

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

January 1 to December 31, 2021

Table 3

Unit: NTD thousand

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

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES  
TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
January 1 to December 31, 2021

Table 4

Unit: NTD thousand

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

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

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

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

January 1 to December 31, 2021

Table 5

Unit: Thousands of New Taiwan Dollars or Foreign Currencies)

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

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

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

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES

January 1 to December 31, 2021

Table 6

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

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

Note: Not applicable.

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

Investments in Mainland China

January 1 to December 31, 2021

Table 7

Unit: Thousands of New Taiwan Dollars or Foreign Currencies)

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

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

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

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

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

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

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



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

Table 8

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

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

## **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. ("the Company") as at December 31, 2021 and 2020, 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 Company as at December 31, 2021 and 2020, 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."

### **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 Company's individual financial statements of the year 2021. 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 Company's 2021 individual financial statements are stated as follows:

### **Authenticity of revenue recognition for specific customers**

The main source of the Company's revenue is the sales of resins, and the sales locations are mainly located in markets such as Asia. Operating revenue in 2021 increased compared to the previous year. The amount of transactions with specific customers were critical to the overall operating revenue. Meanwhile, subject to the epidemic and changes in the economic environment, there was a significant risk to the authenticity of their revenue and, therefore, the authenticity of revenue recognition for specific customers was listed as a key audit matter. For accounting policies related to revenue recognition, please refer to Note IV of 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 Audit Committee, 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 the governance unit, we have determined key audit matters of the Company's 2021 parent company only financial statements. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte Taiwan

Dai Hsin-Wei, CPA

Su Ting-Chien, CPA

Approval reference of the Securities and  
Futures Bureau

Tai-Tsai-Cheng (VI) No. 0930128050

Approval reference of the Financial  
Supervisory Commission

SFB Shenzi No. 1070323246

March 15, 2022

Evermore Chemical Industry Co., Ltd.

BALANCE SHEETS

December 31, 2021 and 2020

Unit: NTD thousand

Code	ASSETS	March 31, 2021		31-Dec-20 (Re-prepared and audited)	
		Amount	%	Amount	%
	<b>CURRENT ASSETS</b>				
1100	Cash (Notes IV and VI)	\$ 80,623	2	\$ 49,458	2
1136	Financial assets measured at amortized cost - current (Notes IV, VII and XXIV)	70,765	2	68,158	3
1150	Notes receivable (Notes IV, VIII, and XXIII)	98,617	3	64,562	2
1170	Accounts receivable due from non-related parties (Notes IV and VIII)	278,906	8	164,420	6
1180	Accounts receivable due from related parties (Notes IV, IV, and XXIII)	100,820	3	101,744	4
1200	Other receivables (Note XXIII )	21,002	1	32,746	1
1220	Current tax assets (Notes IV and XVIII)	2,691	-	-	-
1300	Inventories (Notes IV and IX)	399,112	12	257,473	9
1479	Other current assets	18,789	1	6,448	-
11XX	Total current assets	<u>1,071,325</u>	<u>32</u>	<u>745,009</u>	<u>27</u>
	<b>NON-CURRENT ASSETS</b>				
1550	Investment accounted for using the equity method (Notes IV and X)	1,137,415	34	1,283,529	46
1600	Property, plant, and equipment (Notes IV, XI, and XXIV)	1,070,480	32	685,823	25
1760	Investment real estate (Notes IV and XII)	1,007	-	1,094	-
1801	Computer software (Note IV)	2,490	-	606	-
1840	Deferred tax assets (Notes IV and XVIII)	24,442	1	22,236	1
1915	Prepayments for equipment	46,541	1	29,658	1
1920	Refundable deposits	894	-	129	-
15XX	Total non-current assets	<u>2,283,269</u>	<u>68</u>	<u>2,023,075</u>	<u>73</u>
1XXX	TOTAL	<u>\$ 3,354,594</u>	<u>100</u>	<u>\$ 2,768,084</u>	<u>100</u>
	<b>LIABILITIES AND EQUITY</b>				
	<b>CURRENT LIABILITIES</b>				
2100	Short-term borrowings (Notes XIII and XXIV)	\$ 903,123	27	\$ 560,965	20
2110	Short-term bills payable (Note XIII)	129,926	4	129,855	5
2150	Notes payable	25,843	1	73,095	3
2170	Accounts payable (Note XXIII)	273,643	8	2021,497	4
2200	Other payables (Notes XIV and XXIII)	59,127	2	63,434	2
2230	Current tax liabilities (Notes IV and XVIII)	2,845	-	24,120	1
2322	Long-term borrowings due within one year (Notes XIII and XXIV)	56,500	1	64,000	2
2399	Other current liabilities- Other	11,639	-	5,785	-
21XX	Total current liabilities	<u>1,462,646</u>	<u>43</u>	<u>1,031,751</u>	<u>37</u>
	<b>Noncurrent liabilities</b>				
2541	Long-term borrowings (Notes XIII and XXIV)	430,617	13	207,117	7
2570	Deferred tax liabilities (Notes IV and XVIII)	29,113	1	44,636	2
25XX	Total non-current liabilities	<u>459,730</u>	<u>14</u>	<u>251,753</u>	<u>9</u>
2XXX	Total liabilities	<u>1,922,376</u>	<u>57</u>	<u>1,283,504</u>	<u>46</u>
	<b>EQUITY</b>				
3110	Share capital from common stock	993,880	30	993,880	36
3200	Capital surplus	98,017	3	98,017	3
	Retained earnings				
3310	Statutory reserves	222,026	7	214,625	8
3320	Special reserve	11,624	-	21,610	1
3350	Undistributed earnings	130,984	4	168,036	6
3400	Other equity	( 24,313 )	( 1 )	( 11,588 )	-
3XXX	Total equity	<u>1,432,218</u>	<u>43</u>	<u>1,484,580</u>	<u>54</u>
	<b>TOTAL</b>	<u>\$ 3,354,594</u>	<u>100</u>	<u>\$ 2,768,084</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 1to December 31, 2021 and 2020

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

Code		2021		2020 (Re-prepared and audited)	
		Amount	%	Amount	%
4000	NET SALES REVENUES (Notes IV and XVIII)	\$ 1,660,798	100	\$ 1,219,612	100
5000	Operating costs (Notes IX, XVII and XXIII)	<u>1,460,364</u>	<u>88</u>	<u>1,001,883</u>	<u>82</u>
5900	Gross profit	200,434	12	217,729	18
5910	UNREALIZED GROSS PROFIT ON SALES TO SUBSIDIARIES	( 1,840 )	-	( 5,223 )	-
5920	REALIZED GROSS PROFIT ON SALES TO SUBSIDIARIES	<u>5,223</u>	<u>-</u>	<u>5,451</u>	<u>-</u>
5950	REALIZED GROSS PROFIT	<u>203,817</u>	<u>12</u>	<u>217,957</u>	<u>18</u>
	Operating expenses (Note XVII)				
6100	Selling and marketing expenses	57,154	3	48,011	4
6200	Management expenses	61,955	4	60,496	5
6300	Research and development expenses	46,902	3	46,191	4
6450	Expected credit loss (Notes IV and VIII)	<u>1,445</u>	<u>-</u>	<u>3,150</u>	<u>-</u>
6000	Total operating expenses	<u>167,456</u>	<u>10</u>	<u>157,848</u>	<u>13</u>
6900	Operating profit	<u>36,361</u>	<u>2</u>	<u>60,109</u>	<u>5</u>
	Non-operating revenue and expenditure				
7010	Other income (Note XXIII)	10,464	1	18,214	1
7020	Other gains and losses (Note X)	( 678 )	-	( 25,919 )	( 2 )
7070	Share of profits and losses of subsidiaries and affiliates using the equity method (Note IV)	( 22,996 )	( 1 )	38,180	3

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Code		2021		2020 (Re-prepared and audited)	
		Amount	%	Amount	%
7100	Interest income (Note XXIII)	\$ 364	-	\$ 291	-
7510	Interest fees	( 13,082 )	( 1 )	( 8,621 )	( 1 )
7630	Net loss from foreign exchange	( 6,664 )	( 1 )	( 14,889 )	( 1 )
7000	Total non-operating income and expenses	( 32,592 )	( 2 )	7,256	-
7900	PROFIT BEFORE INCOME TAX	3,769	-	67,365	5
7950	Income tax gain (Notes IV and XVIII)	( 6,288 )	( 1 )	( 6,645 )	( 1 )
8200	Net income	10,057	1	74,010	6
	OTHER COMPREHENSIVE INCOME (LOSS) (Note IV)				
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translating the financial statements of foreign operations	( 15,642 )	( 1 )	11,013	1
8399	Income tax relating to items that may be reclassified subsequently to profit or loss (Note XIX)	2,917	-	( 2,066 )	-
8300	Other comprehensive income (loss) for the year, net income tax	( 12,725 )	( 1 )	8,947	1
8500	Total comprehensive income	( \$ 2,668 )	-	\$ 82,957	7
	Earnings per share (Note XIX)				
9710	Basic	\$ 0.10		\$ 0.74	
9810	Diluted	\$ 0.10		\$ 0.74	

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, 2021 and 2020

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

Code		Ordinary Shares	Capital Surplus	Retained earnings (Note XVI)			Exchange differences on translating the financial statements of foreign operations	Total Equity
		(Note XVI)	(Note XVI)	Statutory reserve	Special Reserve	Unappropriated Earnings		
A1	Balance on January 1, 2020	\$ 993,880	\$ 98,017	\$ 202,841	\$ 2,169	\$ 189,853	(\$ 21,610)	\$ 1,465,150
	Earnings allocation and distribution for 2019							
B1	Statutory reserves	-	-	11,784	-	( 11,784)	-	-
B3	Special reserve	-	-	-	19,441	( 19,441)	-	-
B5	Shareholder cash dividend - NTD 0.65 per share	-	-	-	-	( 64,602)	-	( 64,602)
D1	2020 net profit (re-prepared and audited)	-	-	-	-	74,010	-	74,010
D3	Other comprehensive income 2020 (re-prepared and audited)	-	-	-	-	-	8,947	8,947
D5	Total comprehensive income 2020 (re-prepared and audited)	-	-	-	-	74,010	8,947	82,957
M3	Proceeds from investments accounted for using equity method	-	-	-	-	-	1,075	1,075
Z1	Balance on December 31, 2020 (re-prepared and audited)	993,880	98,017	214,625	21,610	168,036	( 11,588)	1,484,580
	Earnings allocation and distribution for 2020							
B1	Statutory reserves	-	-	7,401	-	( 7,401)	-	-
B3	Special reserve	-	-	-	( 9,986)	9,986	-	-
B5	Cash dividends distributed by the Company - NT\$ 0.5 per share	-	-	-	-	( 49,694)	-	( 49,694)
D1	2021 net profit	-	-	-	-	10,057	-	10,057
D3	Other comprehensive income after tax for 2021	-	-	-	-	-	( 12,725)	( 12,725)
D5	Total comprehensive income for 2021	-	-	-	-	10,057	( 12,725)	( 2,668)
Z1	Balance on December 31, 2021	<u>\$ 993,880</u>	<u>\$ 98,017</u>	<u>\$ 222,026</u>	<u>\$ 11,624</u>	<u>\$ 130,984</u>	<u>( \$ 24,313)</u>	<u>\$ 1,432,218</u>

The 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, 2021 and 2020

Unit: NTD thousand

Code		2021	2020 (Re-prepared and audited)
	CASH FLOW FROM OPERATING ACTIVITIES		
A10000	Income before tax	\$ 3,769	\$ 67,365
A20000	Adjustments for:		
A20100	Depreciation expense	62,976	59,292
A20200	Amortization expense	757	520
A20300	Expected credit loss	1,445	3,150
A20900	Interest fees	13,082	8,621
A21200	Interest income	( 364 )	( 291 )
A22300	Share of profits and losses of subsidiaries and affiliates using the equity method	22,996	( 38,180 )
A22500	Loss (gain) on disposal of property, plant, and equipment	28	( 128 )
A23100	Loss on disposal of investments	-	25,513
A23700	(Reversal of) impairment loss on non-financial assets	( 7,369 )	4,091
A23900	Unrealized (realized) profit from subsidiaries	( 3,383 )	( 228 )
A24100	Foreign exchange losses (gains)	( 2,148 )	5,507
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	( 34,055 )	12,235
A31150	Accounts receivable	( 113,780 )	( 35,479 )
A31180	Other receivables	2,110	( 1,888 )
A31200	Inventories	( 134,270 )	5,257
A31240	Other current assets	( 12,341 )	( 1,211 )
A32130	Notes payable	( 47,252 )	2,280
A32150	Accounts payable	162,953	22,935
A32180	Other payables	( 3,906 )	( 581 )
A32230	Other current liabilities	5,854	( 161 )
A33000	Cash generated from operations	( 82,898 )	138,619
A33100	Interest received	363	290
A33300	Interest paid	( 12,781 )	( 8,587 )
A33500	Income tax paid	( 32,490 )	( 7,235 )
AAAA	Net cash generated from (used in) operating activities	( 127,806 )	123,087

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Code		2021	2020 (Re-prepared and audited)
	CASH FLOW FROM INVESTING ACTIVITIES		
B00040	Increase in financial assets measured at amortized cost	( \$ 79,746 )	( \$ 126,250 )
B00050	Disposal of financial assets measured at amortized cost	77,634	58,643
B01800	Investments acquired and accounted for using equity method	-	( 267,880 )
B02700	Payments for property, plant, and equipment	( 404,504 )	( 33,716 )
B02800	Proceeds from disposal of property, plant, and equipment	25	313
B03700	Increase in refundable deposits	( 825 )	-
B03800	Decrease in refundable deposits	60	119
B04400	Decrease (increase) in other receivables from related parties	10,459	( 24,363 )
B04500	Payments for intangible assets	( 2,641 )	( 360 )
B07100	Increase in prepayments for equipment	( 60,732 )	( 62,409 )
B07600	Dividends received from subsidiaries	110,859	135,600
BBBB	Net cash used in investing activities	( <u>349,411</u> )	( <u>320,303</u> )
	CASH FLOW FROM FINANCING ACTIVITIES		
C00100	Proceeds from short-term borrowings	5,742,005	4,481,600
C00200	Repayments of short-term borrowings	( 5,400,000 )	( 4,389,293 )
C00500	Proceeds (repayments) from short-term bills payable	71	( 12 )
C01600	Proceeds from long-term borrowings	280,000	270,000
C01700	Repayments of long-term borrowings	( 64,000 )	( 80,968 )
C04500	Dividends paid to owners of the Company	( <u>49,694</u> )	( <u>64,602</u> )
CCCC	Net cash inflow from financing activities	<u>508,382</u>	<u>216,725</u>
EEEE	Net increase in cash for the year	31,165	19,509
E00100	CASH AT THE BEGINNING OF THE YEAR	<u>49,458</u>	<u>29,949</u>
E00200	CASH AT THE END OF THE YEAR	<u>\$ 80,623</u>	<u>\$ 49,458</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, 2021 and 2020

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

**I. GENERAL INFORMATION**

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

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

The parent company of the Company is AICA Kogyo Company Limited (AICA) of Japan. As of December 31, 2021 and 2020, it held 50.1% of the Company's common stock.

**II. APPROVAL OF FINANCIAL STATEMENTS**

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

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

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

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

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

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

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

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

Note 3: Property, plant and equipment that attain the necessary locations and conditions for the management's expected mode of operation after January 1, 2021 are subject to this amendment.

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

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

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

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	Unresolved
IFRS 17 "Insurance Contracts"	1-Jan-23
Amendments to IFRS 17	1-Jan-23
Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9—Comparative Information"	1-Jan-23
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	1-Jan-23
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note II)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note III)
Amendments to IAS 12 "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction"	Sunday, January 1, 2023 (Note 4)

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

Note 2: The application of this amendment will be postponed during the annual reporting period beginning after January 1, 2023.

Note 3: This amendment applies to changes in accounting estimates and changes in accounting policies that occur during the annual reporting period beginning after January 1, 2023.

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

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

#### IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### (I) Statement of compliance

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

##### (II) Basis of preparation

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

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

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

The subsidiaries and associates are incorporated in the financial statements under the equity method. To make net profit for the year, other comprehensive

income and equity in the financial statements equal to those attributed to owners of the Company on 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 include:

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

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

(IV) Foreign currencies

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

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

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

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

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

(V) Inventories

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

(VI) Investment accounted for using the equity method

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

1. Investments in subsidiaries

Subsidiary is an entity that is controlled by the Company.

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

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

When the Company'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, right of use assets, investment properties 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.

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

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

To manage the internal credit risk, the 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 consolidated entity transfers a promised good or service to a customer and the date the customer pays for that good or service is one year or less, the consolidated entity does not adjust the promised amount of consideration for the effects of a significant financing component.

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

The consideration already received from customers before the customers take over the products is stated as contract liability.

#### (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 took into account the recent development of COVID-19 epidemic and the potential impact posed by it to the economic environment in Taiwan, when estimating the cash flow, growth rate, discount rate and profitability. The management will review the estimates and underlying assumptions on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### Major sources of estimation and assumption uncertainty

##### (I) Provision for impairment of financial assets

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

##### (II) Write-down of inventories

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

VI. Cash

	March 31, 2021	31-Dec-20
Cash on hand and petty cash	\$ 20	\$ 20
Checking accounts and demand deposits	80,603	49,438
	<u>\$ 80,623</u>	<u>\$ 49,458</u>
<u>Rates of interest per annum (%)</u>		
Demand deposits	0.01-0.05	0.01-0.05

VII. Financial assets measured at amortized cost - current

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

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

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 from the restricted bank demand deposits are limited to approved plans and cannot be used for other purposes.

VIII. Notes receivable and accounts receivable

	March 31, 2021	31-Dec-20
<u>Notes receivable</u>		
Notes receivable - operating	\$ 98,617	\$ 64,562
Less: Loss allowance	-	-
	<u>\$ 98,617</u>	<u>\$ 64,562</u>
<u>Trade receivables - unrelated parties</u>		
Measured by cost after amortization		
Total carrying amount	\$ 310,114	\$ 194,183
Less: Loss allowance	( 31,208 )	( 29,763 )
	<u>\$ 278,906</u>	<u>\$ 164,420</u>
<u>Accounts receivables - related parties</u>		
Measured by cost after amortization		
Total carrying amount	\$ 100,820	\$ 101,744
Less: Loss allowance	-	-
	<u>\$ 100,820</u>	<u>\$ 101,744</u>

(I) Notes receivable

The aging of notes receivable was as follows:

	March 31, 2021	31-Dec-20
Not past due	\$ 98,617	\$ 64,562
Past due	-	-
Total	<u>\$ 98,617</u>	<u>\$ 64,562</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 allowance for loss on accounts receivable measured by the Company are as follows:

	Not Past Due	Less than 30 Days	31 to 90 Days	Over 91 Days	Total
<u>March 31, 2021</u>					
Expected credit loss rate	0%-1%	0%-10%	0%-50%	100%	
Total carrying amount	\$ 352,764	\$ 11,432	\$ 19,688	\$ 27,050	\$ 410,934
Allowance for loss (Expected credit loss during the period)	( <u>2,767</u> )	( <u>233</u> )	( <u>1,158</u> )	( <u>27,050</u> )	( <u>31,208</u> )
Amortized cost	<u>\$ 349,997</u>	<u>\$ 11,199</u>	<u>\$ 18,530</u>	<u>\$ -</u>	<u>\$ 379,726</u>

	Not Past Due	Less than 30 Days	31 to 90 Days	Over 91 Days	Total
<u>31-Dec-20</u>					
Expected credit loss rate	0%-1%	0%-10%	0%-50%	100%	
Total carrying amount	\$ 259,544	\$ 4,676	\$ 6,064	\$ 25,643	\$ 295,927
Allowance for loss (Expected credit loss during the period)	( <u>2,674</u> )	( <u>347</u> )	( <u>1,099</u> )	( <u>25,643</u> )	( <u>29,763</u> )
Amortized cost	<u>\$ 256,870</u>	<u>\$ 4,329</u>	<u>\$ 4,965</u>	<u>\$ -</u>	<u>\$ 266,164</u>

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

	<u>2021</u>	<u>2020</u>
Balance at Beginning of Year	\$ 29,763	\$ 26,613
Provision of impairment loss for the current year	<u>1,445</u>	<u>3,150</u>
Balance at End of Year	<u>\$ 31,208</u>	<u>\$ 29,763</u>

#### IX. Inventories

	<u>March 31, 2021</u>	<u>31-Dec-20</u>
Finished goods	\$ 186,536	\$ 124,366
Merchandise	3,863	2,235
Raw materials and supplies	<u>208,713</u>	<u>130,872</u>
	<u>\$ 399,112</u>	<u>\$ 257,473</u>

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

	<u>2021</u>	<u>2020</u>
Cost of inventories sold	\$ 1,438,537	\$ 973,582
Inventory devaluation (or reversal gains)	( 7,369 )	4,091
Unallocated production overhead	25,858	24,860
Revenue from sale of scraps	( 1,698 )	( 1,128 )
Others	<u>5,036</u>	<u>478</u>
	<u>\$ 1,460,364</u>	<u>\$ 1,001,883</u>

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

## X.INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	March 31, 2021	31-Dec-20 (Re-prepared and audited)
Investments in subsidiaries	<u>\$ 1,137,415</u>	<u>\$ 1,283,529</u>

For the main business items and company registration information of the above-mentioned subsidiaries, please refer to the attached Tables V and VI.

The investments in subsidiaries and associates accounted for using the equity method and the share of profit or loss and other comprehensive income (loss) of those investments were based on the subsidiaries and associates financial statements which have been audited for the same years.

	March 31, 2021		31-Dec-20 (Re-prepared and audited)	
Investee company name	Amount	Share holdin g	Amount	Share holdin g
<u>Unlisted Companies</u>				
NEOLITE INVESTMENTS LIMITED (NEOLITE)	\$ 554,922	100%	\$ 631,473	100%
GIANT STAR TRADING CO., LTD (Giant Star Trading Co.)	165,018	100%	206,831	100%
SUCCESS INVESTMENTS LIMITED ( SUCCESS )	129,473	100%	143,996	100%
U-BEST VIETNAM POLYMER INDUSTRY COMPANY LIMITED ( U-BEST )	128,689	100%	128,395	100%
CHEM-MAT TECHNOLOGIES CO., LTD (CHEM-MAT)	125,229	100%	132,071	100%
TOPWELL ELASTIC TECHNOLOGY CO., LTD. ( TOPWELL )	34,084	100%	40,763	100%
	<u>\$ 1,137,415</u>		<u>\$ 1,283,529</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 SUNYAD; and it acquired 52% of shares in TOPWELL, an affiliated company, in July 2020, and it has been listed as a subsidiary since July 2020. Since the date of acquisition, the investment has no longer been stated as that in affiliated company but

re-measured as fair value. The difference in the fair value and carrying amount of the investment on the date of acquisition was stated as the loss on disposal of investment, NT\$25,513 thousand. For related disclosures, please refer to Note XXIII of the consolidated financial statements.

#### XI. PROPERTY, PLANT, AND EQUIPMENT

2021	Balance at Beginning of Year	Additions	Deductions	Reclassification	Balance at End of Year
<u>Cost</u>					
Land	\$ 345,894	\$ 315,369	\$ -	\$ -	\$ 661,263
Buildings	291,204	47,405	-	18,219	356,828
Machinery and equipment	781,942	15,787	( 22,208)	17,146	792,667
Transportation equipment	11,303	-	-	-	11,303
Other equipment	180,772	25,189	( 2,989)	8,484	211,456
Total cost	<u>1,611,115</u>	<u>\$ 403,750</u>	<u>( \$ 25,197)</u>	<u>\$ 43,849</u>	<u>2,033,517</u>
<u>Accumulated depreciation</u>					
Buildings	140,222	\$ 12,690	\$ -	\$ -	152,912
Machinery and equipment	641,447	35,637	( 22,155)	-	654,929
Transportation equipment	8,814	951	-	-	9,765
Other equipment	134,809	13,611	( 2,989)	-	145,431
Total accumulated depreciation	<u>925,292</u>	<u>\$ 62,889</u>	<u>( \$ 25,144)</u>	<u>\$ -</u>	<u>963,037</u>
	<u>\$ 685,823</u>				<u>\$ 1,070,480</u>
<u>2020</u>					
<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	155,864	9,399	( 90)	15,599	180,772
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	123,078	11,794	( 63)	-	134,809
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>

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

Buildings	
Main building	25 to 50 years
Additional project	2-50 years
Machinery and equipment	2-12 years
Transportation equipment	5 years

Other equipment	
Office equipment	2-8 years
Landscape gardening	15 years
Others	2-20 years

Property, plant, and equipment pledged as collateral for bank borrowings is set out in Note 24.

## XII. NET AMOUNT FOR INVESTMENT PROPERTIES

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

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.

### XIII.BORROWINGS

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

	March 31, 2021	31-Dec-20
Credit loans	\$ 540,000	\$ 320,000
Secured borrowings	337,000	218,000
Letter of credit loans	26,123	22,965
	<u>\$ 903,123</u>	<u>\$ 560,965</u>
<u>Rates of interest per annum (%)</u>		
Credit loans	1.01-1.13	1.05-1.13
Secured borrowings	1.00-1.13	1.13-1.15
Letter of credit loans	1.15-1.39	1.13-1.15

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

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

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

Outstanding short-term bills payable were as follows:

Promissory Institution	Nominal Amount	Discount Amount	Carrying Amount	Interest rate range (%)
<u>March 31, 2021</u>				
Mega Bills Finance Co., Ltd.	\$ 70,000	\$ 14	\$ 69,986	0.67
International Bills Finance Corporation	60,000	60	59,940	0.74
	<u>\$ 130,000</u>	<u>\$ 74</u>	<u>\$ 129,926</u>	
<u>31-Dec-20</u>				
Mega Bills Finance Co., Ltd.	\$ 70,000	\$ 57	\$ 69,943	0.83
International Bills Finance Corporation	60,000	88	59,912	0.94
	<u>\$ 130,000</u>	<u>\$ 145</u>	<u>\$ 129,855</u>	

#### (III) Long-term bank borrowings

	March 31, 2021	31-Dec-20
Credit loans	\$ 280,000	\$ -
Secured borrowings	207,117	271,117
Less: Current portion	( 56,500 )	( 64,000 )
Long-term borrowings	<u>\$ 430,617</u>	<u>\$ 207,117</u>
<u>Rates of interest per annum (%)</u>		
Credit loans	1.05	-



Secured borrowings

1.22-1.26

0.32-1.25

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

#### XIV. OTHER PAYABLES

	March 31, 2021	31-Dec-20
Payable for salaries and bonuses	\$ 27,273	\$ 32,170
Payable for commissions and professional service fees	4,821	4,941
Payable for freight	3,178	2,377
Payable for purchase of equipment	1,637	2,391
Payable for employee's compensation and remuneration of directors and supervisors	333	5,183
Others	21,885	16,372
	<u>\$ 59,127</u>	<u>\$ 63,434</u>

#### XV. 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.

#### XVI. Equity

##### (I) Share capital from common stock

	March 31, 2021	31-Dec-20
Authorized shares (thousand shares)	<u>120,000</u>	<u>120,000</u>
Authorized capital stock	<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>
Shares issued and received in full		
(In Thousands)	<u>99,388</u>	<u>99,388</u>
Issued share capital	<u>\$ 993,880</u>	<u>\$ 993,880</u>

##### (II) Capital surplus

	March 31, 2021	31-Dec-20
Issuance of common shares	\$ 70,860	\$ 70,860
Treasury share transactions	<u>27,157</u>	<u>27,157</u>
	<u>\$ 98,017</u>	<u>\$ 98,017</u>

The capital surplus arising from shares issued in excess of par (including share premium from issuance of ordinary shares and treasury share transactions) and donations may be used to offset a deficit; in addition, when the Company has no

deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year). However, capitalization of this reserve is capped at a certain percentage of the Company's paid-up capital each year.

(III) Retained earnings and dividends policy

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

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

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

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

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

	Appropriation of Earnings		Dividend per share (NTD)	
	2020	2019	2020	2019
Statutory reserves	\$ 7,401	\$ 11,784		
Appropriation (reversal) of special reserve	( 9,986)	19,441		
Cash dividend	49,694	64,602	\$ 0.50	\$ 0.65

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

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

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

## XVII. NET PROFIT

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

Type	Operating Costs	Operating Expenses	Total
<u>2021</u>			
Salary	\$ 71,176	\$ 60,264	\$ 131,440
Health and labor insurance	6,792	5,942	12,734
Retirement benefits			
Defined contribution plans	2,925	2,965	5,890
Remuneration to directors	-	2,331	2,331
Other employee benefits	2,935	4,234	7,169
Depreciation expense	45,410	17,566	62,976
Amortization expense	140	617	757
<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
Remuneration to directors	-	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

The number of employees of the Company in 2021 and 2020 was 184 and 164 respectively. Among them, the number of directors who were not concurrent employees was 6 and 6 respectively, and their calculation basis is the same as that of employee benefits.

The Company's average employee benefits for 2021 and 2020 were NT\$ 888 thousand and NT\$926 thousand, respectively, and average employee salary costs were NT\$743 thousand and NT\$793 thousand, respectively. The average employee salary cost adjustment change witnessed an decrease by 6%.

The remuneration to the Company's supervisors was NT\$962 thousand and NT\$1,968 thousand in 2021 and 2020. The Audit Committee was established in August 2021.

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

	2021	2020
Employees' compensation (5%)	\$ 203	\$ 3,622
Remuneration of directors and supervisors (2%)	81	1,449

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 2020 and 2019 and the amounts recognized in the parent company only financial statements for 2020 and 2019.

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

#### XVIII. Income tax

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

Major components of income tax gain are as follows:

	2021	2020
Current income tax		
In respect of the current year	\$ 3,001	\$ 11,482
Separate taxation on repatriation of overseas funds	5,523	9,481
Undistributed surplus earnings	-	1,101
Adjustments for prior years	-	( 2,068 )
	<u>8,524</u>	<u>19,996</u>
Deferred tax		
In respect of the current year	( 14,812 )	( 26,641 )
Income tax gain recognized in profit or loss	( <u>\$ 6,288</u> )	( <u>\$ 6,645</u> )

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

	2021	2020
Income tax expense calculated at the statutory rate	\$ 754	\$ 13,473
Nondeductible expenses in determining taxable income	95	201
Not recognized income in determining taxable income	( 12,660 )	( 28,833 )
Undistributed surplus earnings	-	1,101
Separate taxation on repatriation of overseas funds	5,523	9,481
Adjustments for prior years' tax	<u>-</u>	( <u>2,068</u> )
Income tax gain recognized in profit or loss	( <u>\$ 6,288</u> )	( <u>\$ 6,645</u> )

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

In July 2019, Taiwan's President promulgated regulations on the management, operation, and taxation of overseas fund repatriation. For newly-added for-profit businesses that applied between August 15, 2019 and August 14, 2020 and between August 15, 2020 and August 14, 2021 repatriated the deposited funds within the approved period, the applicable tax rate would be reduced from 20% to 8% and 10%. The repatriated funds should be deposited in a special foreign exchange deposit account, and the receiving bank would deduct tax when the funds were deposited there. In February and September 2020 and August 2021, NEOLITE gained approval by the National Taxation Bureau of Ministry of Finance to respectively remit US\$2,000 thousand in each instance, thereby enjoying tax concessions of NT\$19,744 thousand altogether.

(II) Deferred tax assets and liabilities

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

2021	Balance at Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensi ve Income	Balance at End of Year
<u>Deferred tax assets</u>				
Temporary differences				
Inventory write-downs	\$ 2,975	(\$ 1,237)	\$ -	\$ 1,738
Investment accounted for using the equity method	8,141	2,461	-	10,602
Allowance for losses	5,232	( 9)	-	5,223
Exchange differences on translating the financial statements of foreign operations	2,215	-	2,189	4,404
Others	3,673	( 1,198)	-	2,475
	<u>\$ 22,236</u>	<u>\$ 17</u>	<u>\$ 2,189</u>	<u>\$ 24,442</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Investment accounted for using the equity method	\$ 41,178	(\$ 14,795)	\$ -	\$ 26,383
Exchange differences on translating the financial statements of foreign operations	3,458	-	( 728)	2,730
	<u>\$ 44,636</u>	<u>(\$ 14,795)</u>	<u>(\$ 728)</u>	<u>\$ 29,113</u>
2020				
<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>
<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>

(III) Income tax assessments

The tax collection authority approved the Profit-seeking Enterprise Income Tax Return case for the Company through 2019.

XIX. Earnings per share

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

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

Net income

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

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

If the Company 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.

## XX. Cash flow

### (I) Non cash transactions

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

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

	2021	2020
Increase in property, plant and equipment	\$ 403,750	\$ 34,620
Net changes in construction contract payables	754	( 904 )
Amount of cash paid	<u>\$ 404,504</u>	<u>\$ 33,716</u>

### (II) Changes in liabilities from financing activities

#### 2021

	January 1, 2021	Cash flow	Non-cash changes		March 31, 2021
			Interest fees/selling expenses	Foreign exchange rate change	
Short-term bank borrowings	\$ 560,965	\$ 342,005	\$ -	\$ 153	\$ 903,123
Short-term bills payable	<u>129,855</u>	<u>-</u>	<u>71</u>	<u>-</u>	<u>129,926</u>
	<u>\$ 690,820</u>	<u>\$ 342,005</u>	<u>\$ 71</u>	<u>\$ 153</u>	<u>\$ 1,033,049</u>

#### 2020

	January 1, 2020	Cash flow	Non-cash changes		31-Dec-20
			Interest fees/selling expenses	Foreign exchange rate change	
Short-term bank borrowings	\$ 468,715	\$ 92,307	\$ -	(\$ 57)	\$ 560,965
Short-term bills payable	<u>129,867</u>	<u>-</u>	<u>( 12 )</u>	<u>-</u>	<u>129,855</u>
	<u>\$ 598,582</u>	<u>\$ 92,307</u>	<u>(\$ 12)</u>	<u>(\$ 57)</u>	<u>\$ 690,820</u>

## XXI. CAPITAL MANAGEMENT

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

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

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

## XXII. FINANCIAL INSTRUMENTS

### (I) Fair value of financial instruments

#### 1. Financial instruments carried at fair value

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

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

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

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

- (1) The fair value of short-term financial instruments is estimated by their carrying amount on the balance sheet for the carrying amount at the end of reporting period because the maturity date is close to the reporting date or the payment price is similar to the carrying amount. The carrying

amount should be a reasonable basis for the estimated fair value. This method is applied to cash, notes and accounts receivable, other receivables, other financial assets, refundable deposits-time deposits, short-term bank loans, short term notes and bills payable and refundable deposits.

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

(II) Categories of financial instruments

	<u>March 31, 2021</u>	<u>31-Dec-20</u>
<u>Financial assets</u>		
Financial assets at amortized cost (Note 1)	\$ 651,627	\$ 481,217
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 2)	1,878,779	1,208,963

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.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 26.

#### Sensitivity analysis

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

Currency	2021	2020
USD	\$ 2,662	\$ 1,796

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:

	March 31, 2021	31-Dec-20
Fair value interest rate risk		
Financial assets	\$ 15,340	\$ 15,740
Financial liabilities	909,926	129,855
Cash flow interest rate risk		
Financial assets	135,814	101,855
Financial liabilities	610,240	832,082

Sensitivity analysis

For the consolidated financial assets and liabilities with floating interest rates, assuming that other conditions remain unchanged, a change in 0.25% interest rate has led to 2021 and 2020 net profit before tax to change by NT\$1,186 thousand and NT\$1,826 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 consolidated entity manages liquidity

risk by maintaining sufficient reserve or banking facilities, obtaining the loan commitment, collecting debts proactively, and continuously monitoring forecast and actual cash flow as well as the maturity profiles of financial assets and liabilities. As of December 31, 2021 and 2020, the Company's unused bank financing lines were NT\$434,757 thousand and NT\$469,715 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>March 31, 2021</u>		
Non-interest bearing liabilities	\$ 358,598	\$ -
Variable interest rate liabilities	459,623	150,617
Fixed interest rate liabilities	<u>629,926</u>	<u>280,000</u>
	<u>\$ 1,448,147</u>	<u>\$ 430,617</u>
<u>31-Dec-20</u>		
Non-interest bearing liabilities	\$ 247,026	\$ -
Variable interest rate liabilities	624,965	207,117
Fixed interest rate liabilities	<u>129,855</u>	<u>-</u>
	<u>\$ 1,001,846</u>	<u>\$ 207,117</u>

**XXIII. TRANSACTIONS WITH RELATED PARTIES**

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

## (I) Related party name and category

Name of related party	Related Party Category
AICA	The Company's parent
PT. PT. AICA INDRIA (PT. AICA)	Fellow subsidiary
AICA NEW ZEALAND Ltd. ( AICA NEW ZEALAND )	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
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	2021	2020
Sales	Subsidiary	\$ 284,967	\$ 232,846
	Parent company	99,393	83,426
	Other related parties	1,132	3,531
	Fellow subsidiary	190	3,395
	Associated enterprise	-	37,648
		<u>\$ 385,682</u>	<u>\$ 360,846</u>
Purchases of goods	Subsidiary	\$ 17,224	\$ 11,838
	Parent company	192	234
		<u>\$ 17,416</u>	<u>\$ 12,072</u>
Other revenue	Parent company	\$ 746	\$ 270
	Subsidiary	393	524
		<u>\$ 1,139</u>	<u>\$ 794</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	March 31, 2021	31-Dec-20
Notes receivable	Subsidiary	\$ 1,249	\$ 1,803
	Other related parties	<u>-</u>	<u>57</u>
		<u>\$ 1,249</u>	<u>\$ 1,860</u>
Accounts receivable	Subsidiary		
	TOPWELL	\$ 44,815	\$ 36,120
	Dongguan Baojian Company	28,619	12,538
	U-BEST	8,182	17,395
	NEOLITE	2,316	12,293
	Others	8,168	16,735
	Parent company	8,573	6,181
	Fellow subsidiary	92	355
	Other related parties	<u>55</u>	<u>127</u>
		<u>\$ 100,820</u>	<u>\$ 101,744</u>
Other receivables	Subsidiary		
	LIBERTY BELL	\$ 398	\$ 4,606
	Others	<u>132</u>	<u>55</u>
		<u>\$ 530</u>	<u>\$ 4,661</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	March 31, 2021	31-Dec-20
Accounts payable	Subsidiary		
		\$ 8,715	\$ 2,305
	Parent company	<u>89</u>	<u>91</u>
		<u>\$ 8,804</u>	<u>\$ 2,396</u>
Other payables	Subsidiary	\$ 964	\$ 534
	Parent company	<u>-</u>	<u>44</u>
		<u>\$ 964</u>	<u>\$ 578</u>

(III) Loans to related parties (stated as other receivables)

Related Party Category/Name	March 31, 2021	31-Dec-20
Subsidiary		
U-BEST	<u>\$ 13,840</u>	<u>\$ 24,208</u>



<u>Related Party Category/Name</u>	<u>2021</u>	<u>2020</u>
<u>Interest income</u>		
Subsidiary		
U-BEST	<u>\$ 240</u>	<u>\$ 163</u>

The Company provided the unsecured loans to related parties at the lending interest rates, 1.5% and 1.25%, in 2021 and 2020. The interests receivable on December 31, 2021 and 2020 were NT\$69 thousand and NT\$160 thousand, respectively.

(IV) Endorsements and guarantees

As of December 31, 2021 and 2020, the Company had provided an endorsement guarantee of US\$15,000 thousand to its subsidiary LIBERTY BELL to guarantee the company's bank facility.

As of December 31, 2021 and 2020, the Company had provided an endorsement guarantee of US\$500 thousand to its subsidiary TOPWELL to guarantee the subsidiary' bank facility.

(V) Payables to related parties

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

	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 9,784	\$ 12,681
Retirement benefits	<u>220</u>	<u>195</u>
	<u>\$ 10,004</u>	<u>\$ 12,876</u>

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

XXIV. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	<u>March 31, 2021</u>	<u>31-Dec-20</u>
Property, plant and equipment	\$ 450,476	\$ 220,888
Financial assets measured at amortized cost - current	<u>15,340</u>	<u>15,740</u>
	<u>\$ 465,816</u>	<u>\$ 236,628</u>

XXV. Significant contingent liabilities and unrecognized contract commitments

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

XXVI. The significant assets and liabilities denominated in foreign currencies

The following information was aggregated by the currencies other than the Company's functional currencies, and the exchange rates between respective functional currencies and the presentation currency were disclosed. The significant assets and liabilities denominated in foreign currencies:

March 31, 2021			
Financial assets	Foreign currency	Exchange Rate	Carrying Amount
<u>Monetary items</u>			
USD	\$ 12,398	27.68 (USD:NTD)	\$ 343,177
Financial liabilities			
<u>Monetary items</u>			
USD	2,781	27.68 (USD:NTD)	76,978
31-Dec-20			
Financial assets	Foreign currency	Exchange Rate	Carrying Amount
<u>Monetary items</u>			
USD	\$ 10,606	28.48 (USD:NTD)	\$ 302,059
Financial liabilities			
<u>Monetary items</u>			
USD	4,299	28.48 (USD:NTD)	122,436

XXVII. SEPARATELY DISCLOSED ITEMS

(I) Information about significant transactions and investees:

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

8. Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital: None.
9. Trading in derivative instruments: None.
10. 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 5.
  - (2) Sale amount and percentage and the related receivables ending balance and percentage: Table 5.
  - (3) The amount of property transactions and the amount of the resultant gains or losses: None.
  - (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None.
  - (5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: Table 1.
  - (6) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services: None.

(IV) Information on principal shareholders: The names, amounts, and proportions of shares of shareholders with a shareholding ratio of 5% or more: Table 7.

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS

January 1 to December 31, 2021

Table 1

Unit: Thousands of New Taiwan Dollars or Foreign Currencies)

Number	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Balance at End of Year (Note I)	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for bad debt	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
0	NEOLITE	The Company	Other receivables	Yes	\$ 57,070 (USD 2,000)	\$ 55,360 (USD 2,000)	\$ -	(Note II)	Necessary for short-term financing	\$ -	Operating capital	\$ -	—	\$ -	\$ 277,977 (Note III)	\$ 277,977 (Note III)	
1	TOPCO (SHANGHAI) CO., LTD.	LEADERSHIP SHANGHAI	Other receivables	Yes	8,816 (CNY 2,000)	-	-	(Note II)	Necessary for short-term financing	-	Operating capital	-	—	-	12,212 (Note IV)	48,849 (Note IV)	
2	The Company	U-BEST	Other receivables	Yes	41,460 (USD 1,500)	13,840 (USD 500)	13,840 (USD 500)	(Note II)	Necessary for short-term financing	-	Operating capital	-	—	-	143,222 (Note V)	572,887 (Note V)	
3	U-BEST	SUNYAD	Other receivables	Yes	6,120 (VND 5,000,000)	6,070 (VND 5,000,000)	6,070 (VND 5,000,000)	(Note II)	Necessary for short-term financing	-	Operating capital	-	—	-	23,840 (Note VI)	23,840 (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 40% of U-BEST's net value and the monthly average transaction volume within the most recent year and 40% of U-BEST's net value.

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

Table 2

Unit: Thousands of New Taiwan Dollars or Foreign Currencies)

Number	Endorser / Guarantor	Endorsee & guaranteed company		Limit on Endorsement / Guarantee Given on Behalf of Each Party (Note)	Maximum Amount Endorsed / Guaranteed During the Period	Outstanding Endorsement / Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed / 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	Sub-subsidiaries	\$ 716,109	\$ 428,025	\$ 415,200	\$ 13,840	\$ -	28.99%	\$ 1,002,553	Y	—	—	
1	The Company	TOPWELL	Subsidiary	716,109	(USD 15,000) 14,268 (USD 500)	(USD 15,000) 13,840 (USD 500)	(USD 500) 13,840 (USD 500)	-	0.97%	1,002,553	Y	—	—	

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

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

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

January 1 to December 31, 2021

Table 3

Unit: NTD thousand

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

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES  
TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
January 1 to December 31, 2021

Table 4

Unit: NTD thousand

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

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

EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES

January 1 to December 31, 2021

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	\$ 554,922	( \$ 20,353 )	( \$ 20,353 )
	Giant Star Trading Co.	Taichung City	Trading of chemical raw materials	97,367	97,367	12,600	100	165,018	3,308	3,308
	CHEM-MAT	Nantou County	Wholesale of coating, pigments, and industrial catalyst	111,484	111,484	7,199	100	125,229	3,982	3,974
	U-BEST	Vietnam	Production and sales of PU resin and adhesives	132,314	132,314	-	100	128,689	5,031	2,385
	TOPWELL	Thailand	Synthetic resin trading business	76,201	76,201	8,000	100	34,084	( 3,753 )	( 1,707 )
	SUCCESS	Samoa	Financial investment and international trade	155,250	155,250	4,000	100	129,473	( 6,196 )	( 10,603 )
Giant Star Trading Co.	NEOTOP	Samoa	Financial investment and international trade	58,800	58,800	-	100	122,156	5,048	(Note)
	NEOWIN	Samoa	Financial investment and international trade	15,553	15,553	-	100	6,755	2	(Note)
NEOLITE	LIBERTY BELL	British Virgin Islands	Financial investment and international trade	563,243	563,243	21,000	100	556,905	( 23,078 )	(Note)
SUCCESS	SUNYAD	Vietnam	Manufacturing and sales of PU synthetic leather products	USD 18,126	USD 18,126	-	100	26,224	( USD 819 )	(Note)
				155,250	155,250	-	100	26,224	( 6,196 )	(Note)
									( USD 221 )	

Note: Not applicable.



EVERMORE CHEMICAL INDUSTRY CO., LTD. AND SUBSIDIARIES

Investments in Mainland China

January 1 to December 31, 2021

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

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

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

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

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

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

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

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