

# **Pan Asia Chemical Corporation**

## **Financial Statements for the Years Ended December 31, 2020 and 2019 and Independent Auditors' Report**

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For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

## Independent Auditor's Audit Report

To Pan Asia Chemical Corporation:

### **Audit opinions**

We have audited the accompanying balance sheet of Pan Asia Chemical Corporation as of December 31, 2020 and 2019, and the related statement of income, statement of changes in shareholders equity, statement of cash flows, and Note of the financial statements (including major accounting policy) for the years then ended.

According to our certified public accountant opinions, the aforementioned financial statements have been prepared for all material aspects in accordance with the International Financial Reporting Standards (IFRS), International Accounting Standards Board (IASB), interpretation and interpretation public announcement promulgated by and validated under Regulations Governing the Preparation of Financial Reports by Securities Issuers and acknowledged by the Financial Supervisory Commission, adequate enough to fairly express the financial conditions of Pan Asia Chemical Corporation as of December 31, 2020 and 2019 and financial performance and cash flow status of Pan Asia Chemical Corporation during January 1–December 31, 2020 and 2019.

### **The basis for opinions**

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial statements by Certified Public Accountants and generally accepted auditing standards. Our responsibilities under those standards are further described in the responsibilities of auditors for the audit of the financial statements. We are independent of Pan Asia Chemical Corporation in accordance with the Code of Ethics for certified public accountants in the part relevant to the audit of the financial statements of Pan Asia Chemical Corporation, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believed that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key audit matter**

Key audit matters are those matter that, in our professional judgment, were of most significant in our audit of the financial statements of Pan Asia Chemical Corporation in 2020. These matters were addressed in the content 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 those matters.

Key audit procedures of the financial statements of Pan Asia Chemical Corporation in 2020 included:

#### Recognition of sales revenues of specific targets.

Pan Asia Chemical Corporation's primarily engages in such business as manufacturing and processing of various non-ionic surfactants, trading and import and export business, which could be divided into two parts: Ethylene oxide derivative products and esterified products. Under the Auditing Standards Bulletin prevalent in Taiwan, the revenue is recognized as having a risk of fraud. Accordingly, the sales revenues received from application sales targets are deemed an issue for key audit. On revenue recognition accounting policy and department revenue and operating result, please refer to Notes 4 and 34 of Notes to Financial Statements for more details.

Pursuant to the consideration of Pan Asia Chemical Corporation's industrial characteristics and primary operating conditions in recent years, we, the certified public accountant, perform the following procedures to respond to potential audit risks:

1. Looking into, evaluating and testing the effectiveness of the design and implementation of the internal control system related to revenue recognition.
2. We obtained the sales revenue details of the specific sales objects in the year 2020, and sample audited the original purchase orders, shipping orders, invoices and other related documents of the subject transactions, and further checked with the entered amounts to confirm the authenticity of the revenues.
3. Sampling inspection of the circumstances of sales returns and discounts and the collection after the periods to confirm the reasonableness of revenue recognition.

### **Responsibilities of Management and Those in Charge with Governance of the Financial Statements**

The management is supposed to assume the responsibility to prepare and maintain financial statements that are rationally expressed in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), explanation and explanatory announcement acknowledged and promulgated by the Financial Supervisory Commission with effort to maintain the necessary internal control system to assure that the financial statements are free of existence of fraudulent or erroneous material expression.

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

Those in charge of governance (including the Auditing Committee) are responsible for overseeing the reporting process of Pan Asia Chemical Corporation.

### **Auditor's 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 auditor's report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the accounting principles generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. If fraud or errors are considered materials, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the accounting principles generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also perform the following works:

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 risks, and obtain 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 internal control effective in Pan Asia Chemical Corporation.
3. Evaluate the appropriateness of accounting policies used and the reasonability of accounting estimates and related disclosures made by the management.
4. Conclude the appropriateness of the use of the going concern basis of accounting by the management, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Pan Asia Chemical Corporation and its ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause Pan Asia Chemical Corporation to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the statements, including related notes, whether the statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

From the matters communicated with those in charge of governance, we determine those matters that were of most significance in the audit of the financial statements of Pan Asia Chemical Corporation of 2020 and are therefore the key audit matters. We describe these matters in our auditor's 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 communications.

**Deloitte & Touche**

Hsu Wen-Ya, CPA

CPA Su-Huan Yu

Securities and Futures Commission Approval  
No.

Securities and Futures Commission Approval No.  
Tai-Tsai-Cheng (VI) No. 0920123784

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March 15, 2021

Pan Asia Chemical Corporation  
Balance Sheets  
December 31, 2020 and 2019

Unit: NTD thousand

Code	Assets	December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
	<b>Current assets</b>				
1100	Cash and cash equivalents (Note 4, 6 and 26)	\$ 632,489	7	\$ 436,294	6
1110	Financial assets through profit and/or loss with measuring for the fair value-current (Note 4, 7 and 26)	62,072	1	47,587	1
1150	Notes receivable (Note 4 and 10)	17,096	-	26,603	-
1170	Accounts receivable (Note 4, 10 and 26)	199,850	2	165,725	2
1200	Other receivable (Note 4, 10 and 26)	6,085	-	10,381	-
1220	Current income tax asset (Notes 4 and 24)	-	-	270	-
1310	Inventory (Note 4 and 11)	115,840	2	197,846	3
1410	Prepayments	17,191	-	17,017	-
1470	Other current assets (Note 12 and 27)	14,999	-	1,500	-
11XX	Total current assets	<u>1,065,622</u>	<u>12</u>	<u>903,223</u>	<u>12</u>
	<b>Non-Current assets</b>				
1517	Financial assets at fair value through other comprehensive income-non-current (Note 4, 8, 9, 26 and 27)	3,300,544	38	2,540,531	34
1550	Investment by equity method (Note 4, 13 and 26)	3,260,307	38	2,966,035	40
1600	Real estates, plant and equipment - net (Notes 4, 14 and 327)	988,193	12	1,060,372	14
1755	Right-of-use assets (Note 4 and 15)	8,519	-	14,474	-
1780	Intangible assets – net (Note 4 and 16)	55	-	190	-
1840	Deferred income tax assets – net (Notes 4 and 24)	6,102	-	13,371	-
1900	Other assets (Note 4 and 17)	26,938	-	26,906	-
15XX	Total non-current assets	<u>7,590,658</u>	<u>88</u>	<u>6,621,879</u>	<u>88</u>
1XXX	Total assets	<u>\$ 8,656,280</u>	<u>100</u>	<u>\$ 7,525,102</u>	<u>100</u>
	<b>Liabilities and equity</b>				
	<b>Current liabilities</b>				
2100	Short-term loans (Note 18)	\$ 980,000	11	\$ 650,000	9
2110	Short-term bills payable (Note 18)	400,000	5	400,000	5
2170	Accounts payable	37,840	-	56,613	1
2180	Accounts payable - related parties (Note 26)	93,043	1	166,020	2
2200	Other payables (Note 49 and 26)	48,898	1	56,598	1
2230	Current income tax liability (Notes 4 and 24)	39	-	2,689	-
2280	Lease liabilities – current (Note 4, 15 and 26)	5,710	-	5,883	-
2320	Long-term liability due in one year or one business cycle (Note 18 and 27)	579,000	7	629,000	8
2399	Other current liabilities	20,501	-	16,817	-
21XX	Total of current liabilities	<u>2,165,031</u>	<u>25</u>	<u>1,983,620</u>	<u>26</u>
	<b>Non-current liabilities</b>				
2540	Long-term loans (Note 18 and 27)	791,000	9	905,000	12
2570	Deferred tax liabilities (Note 4 and 24)	40,896	1	40,896	1
2580	Lease liabilities – non-current (Note 4, 15 and 26)	2,883	-	8,593	-
2640	Defined benefit liabilities (Note 4 and 20)	20,726	-	19,141	-
2645	Deposits received (Note 29)	2,000	-	2,000	-
25XX	Total non-current liability	<u>857,505</u>	<u>10</u>	<u>975,630</u>	<u>13</u>
2XXX	Total liabilities	<u>3,022,536</u>	<u>35</u>	<u>2,959,250</u>	<u>39</u>
	<b>Equity (Note 4, 8 and 21)</b>				
3110	Common stock capital	3,023,284	35	2,865,672	38
3200	Capital surplus	872,725	10	872,725	12
	Retained earnings				
3310	Legal reserve	218,640	3	189,610	2
3320	Special reserve	168,568	2	123,164	2
3350	Undistributed earnings	701,144	8	683,248	9
	Other equity				
3410	Exchange differences from the translation of financial statements of foreign operations	( 6,739 )	-	( 5,340 )	-
3420	Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss	656,122	7	( 163,227 )	( 2 )
3XXX	Total equity	<u>5,633,744</u>	<u>65</u>	<u>4,565,852</u>	<u>61</u>
	<b>Total Liabilities and Equity</b>	<u>\$ 8,656,280</u>	<u>100</u>	<u>\$ 7,525,102</u>	<u>100</u>

The notes attached shall constitute an integral part of this financial statement.

Chairman: Kuei-Hsien Wang

Manager: Jeh-Yi Wang

Accounting Head: Wen Yu-Tao

Pan Asia Chemical Corporation  
statement of comprehensive income  
January 1 to December 31, 2020 and 2020  
Unit: NTD thousands, except Earnings Per Share (NTD)

Code		2020		2019	
		Amount	%	Amount	%
4000	Operating income (Note 4, 22 and 26)	\$ 1,457,681	100	\$ 1,711,425	100
5000	Operating expenses (Note 11, 20, 23 and 26)	<u>1,312,156</u>	<u>90</u>	<u>1,562,597</u>	<u>91</u>
5900	Gross profit	<u>145,525</u>	<u>10</u>	<u>148,828</u>	<u>9</u>
	Operating expenses (Note 11, 23 and 26)				
6100	Marketing expenses	51,294	3	52,523	3
6200	Administration expenses	52,126	4	46,526	3
6450	Expected credit impairment loss (Note 4 and 10)	<u>259</u>	<u>-</u>	<u>1,388</u>	<u>-</u>
6000	Total operating expenses	<u>103,679</u>	<u>7</u>	<u>100,437</u>	<u>6</u>
6900	Net Operating Income	<u>41,846</u>	<u>3</u>	<u>48,391</u>	<u>3</u>
	Non-operating revenues and expenses				
7050	Financial cost (Note 23 and 26)	( 36,178 )	( 3 )	( 36,626 )	( 2 )
7060	Shareholding in the affiliated companies and joint ventures under the equity method (Note 4 and 13)	230,860	16	246,038	14
7100	Interest revenue	8,707	1	9,256	-
7130	Dividend income (Note 48)	642	-	25,087	1
7010	Other income (Note 23, 26 and 29)	16,165	1	10,377	1
7235	The profit in financial assets at fair value through profit and loss	14,485	1	1,587	-
7590	Miscellaneous income	( 80 )	-	( 330 )	-
7610	Losses from disposal of property or equipment	( 284 )	-	-	-
7630	Foreign exchange gain (loss) - net	( 19,861 )	( 1 )	( 5,880 )	-
7000	Total non-operating revenues and expenses	<u>214,456</u>	<u>15</u>	<u>249,509</u>	<u>14</u>
7900	Income before tax from continuing operations	256,302	18	297,900	17
7950	Income tax expenses (Note 4 and 24)	( 8,371 )	( 1 )	( 7,606 )	-
8200	Net income	<u>247,931</u>	<u>17</u>	<u>290,294</u>	<u>17</u>
	Other comprehensive income (Note 4, 13, 20and 24)				
8310	The items that are not re-classified as profit or loss				
8311	Reevaluation of determined benefit plan	( 2,320 )	-	6,676	-
8316	Unrealized valuation gains or losses of equity instruments investments in financial assets measured at FVTOCI	847,664	58	( 330,446 )	( 19 )
8320	The proportion of other comprehensive incomes from associates, and equity joint-ventures accounted for under the equity method - not reclassified as profit and loss	13,159	1	9,720	1
8349	Incomes tax related to titles not subject to reclassification	464	-	( 1,335 )	-
	Items that may be re-classified subsequently under profit or loss				
8367	Unrealized valuation gain and loss of debt instruments investments in financial assets measured at FVTOCI	4,052	-	-	-
8370	The share of other comprehensive investment in affiliated enterprise(s) and joint venture recognized using the equity method-items likely to be reclassified to profits and losses	<u>13,320</u>	<u>1</u>	( 443 )	-
8300	Current period other comprehensive income (post-tax profit or loss)	<u>876,339</u>	<u>60</u>	( 315,828 )	( 18 )
8500	Current period other comprehensive income (Gross)	<u>\$ 1,124,270</u>	<u>77</u>	( \$ 25,534 )	( 1 )
	Earnings per share (Note 25)				
	Business units in continuing operation				
9710	Basic	<u>\$ 0.82</u>		<u>\$ 0.96</u>	
9810	Diluted	<u>\$ 0.82</u>		<u>\$ 0.96</u>	

The notes attached shall constitute an integral part of this financial statement.

Chairman: Kuei-Hsien Wang

Manager: Jeh-Yi Wang

Accounting Head: Wen Yu-Tao

Pan Asia Chemical Corporation  
Statement of changes in equity  
January 1 to December 31, 2020 and 2020

Unit: NTD thousand

Code		Capital stock		Retained earnings				Other equity			Total equity
		Common stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Exchange differences from the translation of financial statements of foreign operations	Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss			
A1	Balance as of January 1, 2019	\$ 2,678,198	\$ 872,725	\$ 164,898	\$ 123,164	\$ 629,302	( \$ 2,018 )	\$ 151,899			\$ 4,618,168
B1	The 2018 appropriation and distribution of earnings	-	-	24,712	-	( 24,712 )	-	-			-
B5	Legal reserve appropriated	-	-	-	-	( 26,782 )	-	-			( 26,782 )
B9	Cash dividends	187,474	-	-	-	( 187,474 )	-	-			-
D1	Stock dividends	-	-	-	-	-	-	-			-
D1	108 Profit	-	-	-	-	290,294	-	-			290,294
D3	Other comprehensive net income in 2019	-	-	-	-	2,520	( 3,322 )	( 315,126 )			( 315,828 )
D5	Total comprehensive profit and loss in 2019	-	-	-	-	292,914	( 3,322 )	( 315,126 )			( 25,534 )
Z1	Balance as of December 31, 2019	2,865,672	872,725	189,610	123,164	683,248	( 5,340 )	( 163,227 )			4,565,852
B1	The 2019 appropriation and distribution of earnings	-	-	29,030	-	( 29,030 )	-	-			-
B3	Legal reserve appropriated	-	-	-	-	( 45,404 )	-	-			-
B5	Special reserve appropriated	-	-	-	45,404	( 45,404 )	-	-			-
B9	Cash dividends	-	-	-	-	( 42,984 )	-	-			( 42,984 )
B9	Stock dividends	157,612	-	-	-	( 157,612 )	-	-			-
D1	109 Profit	-	-	-	-	247,931	-	-			247,931
D3	Other comprehensive profit and loss after tax in 2020	-	-	-	-	( 1,944 )	( 1,399 )	879,682			876,339
D5	Total comprehensive profit and loss in 2020	-	-	-	-	245,987	( 1,399 )	879,682			1,124,270
C7	Changes of the associates and joint ventures recognized under the Equity Method (Note 15)	-	-	-	-	-	-	-			-
Q1	Disposal of equity instrument investments measured at fair value through other comprehensive income:	-	-	-	-	-	-	( 375 )			( 375 )
Z1	Balance as of December 31, 2020	\$ 3,023,284	\$ 872,725	\$ 218,640	\$ 168,568	\$ 701,144	( \$ 6,739 )	( 59,958 )			\$ 5,633,744

The notes attached shall constitute an integral part of this financial statement.  
Manager: Jeh-Yi Wang

Chairman: Kuei-Hsien Wang

Accounting Head: Wen Yu-Tao

Pan Asia Chemical Corporation  
Statement of Cash Flows  
January 1 to December 31, 2020 and 2020

Unit: NTD thousand  
2019

Code		2020	2019
<b>Cash flow from operating activities</b>			
A10000	Current year net profit before taxation	\$ 256,302	\$ 297,900
A20010	Profits and loss		
A20100	Depreciation expenses	80,757	78,874
A20200	Amortization expenses	135	135
A20300	Expected credit impairment loss	259	1,388
A20400	Net benefit of financial assets measured at fair value through profit and loss	( 14,485 )	( 1,587 )
A20900	Financial costs	36,178	36,626
A21200	Interest revenue	( 8,707 )	( 9,256 )
A21300	Dividend income	( 642 )	( 25,087 )
A22300	Shareholding in profit or loss of affiliated company and joint ventures under the equity method	( 230,860 )	( 246,038 )
A22500	Loss on disposal and scrapping of property, plant and equipment	284	-
A23200	Gains from disposal of investment accounted for using equity method	( 258 )	-
A30000	Net change in operating assets and liabilities		
A31150	Accounts receivable	( 20,581 )	( 41,505 )
A31200	Inventory	82,006	4,537
A31230	Prepayments	( 174 )	( 5,548 )
A32150	Payables	( 99,410 )	85,914
A32230	Other current liabilities	3,684	9,895
A32240	Net determined benefit liability	( 735 )	( 10,465 )
A33000	Cash generated from operating activities	83,753	175,783
A33100	Interest received	8,707	9,256
A33200	Dividends received	60,133	81,637
A33300	Interest payment	( 36,218 )	( 36,981 )
A33500	Income tax payment	( 3,018 )	( 918 )
AAAA	Net cash inflow from operating activities	<u>113,357</u>	<u>228,777</u>
<b>Cash flow from investing activities</b>			
B00010	Acquisition of financial assets at fair value through other comprehensive profit or loss	( 5,562 )	( 198,012 )
B00100	Acquisition of financial assets measured by fair value through income	-	( 46,000 )
B00020	Disposal of financial assets at fair value through other comprehensive profit or loss	95,945	-
B00030	De-capitalization refunded monies of financial assets at fair value through other comprehensive profit or loss (decrease)	1,320	-
B01800	Acquisition of investment under the equity method	( 109,560 )	-
B02700	Purchase of property, plant, and equipment	( 2,907 )	( 11,776 )
B06500	Increase in other current assets	( 13,499 )	-
B03700	Increase in refundable deposits	( 32 )	( 1,952 )
BBBB	Net cash outflow from investing activities	<u>( 34,295 )</u>	<u>( 257,740 )</u>
<b>Cash flow from financing activities</b>			
C00100	Increase (decrease) in short-term loans	330,000	( 930,000 )
C00500	Increase in short-term notes payable	-	100,000
C01600	Proceeds from long-term loan	150,000	1,700,000
C01700	Re-payments of long-term borrowings	( 314,000 )	( 718,000 )
C04020	Repayment of rental principal	( 5,883 )	( 3,020 )
C04500	Cash dividend released	( 42,984 )	( 26,782 )
CCCC	Net cash inflow from financing activities	<u>117,133</u>	<u>122,198</u>
EEEE	Amounts of increase in cash & cash equivalents	196,195	93,235
E00100	Balance of cash and cash equivalents, beginning of period	<u>436,294</u>	<u>343,059</u>
E00200	Balance of cash and cash equivalent, end of period	<u>\$ 632,489</u>	<u>\$ 436,294</u>

The notes attached shall constitute an integral part of this financial statement.

Chairman: Kuei-Hsien Wang

Manager: Jeh-Yi Wang

Accounting Head: Wen Yu-Tao

# Individual financial statement and notes.

January 1 to December 31, 2020 and 2020  
(In Thousands of New Taiwan Dollars, Unless Otherwise Noted)

## 1. Company Profile

Pan Asia Chemical Corporation (hereinafter referred to as the Company) was incorporated on April 6, 1982 and was officially approved for listing in over-the-counter exchanges on May 20, 1998. The Company primarily engages in such business as manufacturing and processing, trading and import and export trade business for a variety of non-ionic surfactants.

The Company's ultimate parent company and ultimate controller is China Man-Made Fiber Corporation Co., Ltd., which held 44% of the Company's common shares as of December 31, 2020 and 2019.

This financial report is presented using the Company's functional currency.

## 2. Financial reporting date and procedures

The financial statements were approved for publication by the board of directors on March 15, 2021.

## 3. Application of new and revised standards and interpretation

- (1) The Company has applied the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC) Interpretations (abbreviated collectively as "IFRSs") endorsed and published by the Financial Supervisory Commission (abbreviated as "the FSC" in the following context) for the first time.

In addition to the descriptions below, the IFRSs to which the amendment is applicable and recognized and promulgated to take effect by the Financial Supervisory Commission, R.O.C. (Taiwan) will not cause major changes in the company's accounting policy.

Amendments to IAS 1 and IAS 8 "Definition of Materiality"

The company had not adopted such amendment until January 1, 2020 while the Company shifted to "capable of being reasonably expected to affect users" as the threshold of materiality, adjusting the disclosure of financial statement and deleting insignificant information that may possibly obscure material information.

- (2) Applicable FSC-approved IFRSs as of 2021

The new / amended / revised standards or interpretation	Effective Date per IASB
The IFRS 4 amended "Extension of temporary exemption applicable for IFRS 9" shall be effective	Beginning the date of release.
IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 amended "Change in interest rate indicators-second stage."	Effective beginning the annual reporting period commenced after January 1, 2021.
IFRS 16 amended "COVID-19 related rental reductions."	Effective beginning the annual reporting period commenced after June 1, 2020.

IFRS 16 amended "COVID-19 related rental reductions."

The company has selected practical expedients to which the amendment is applicable for to conduct a directly COVID-19 related rental negotiation with the lessor. See Note 4 for related accounting policies. Before this amendment shall be applicable, the company shall determine whether the above-mentioned rental negotiation is applicable for rental modification related provisions.

The amendment shall be applicable to the company beginning January 1, 2020. Since the above-mentioned negotiation only affected 2020. The retrospective application of the revision shall not affect the retained earnings on January 1, 2020.

- (3) The IFRSs released by the IASB but not yet approved and announcement effective by the Financial Supervisory Commission

The new / amended / revised standards or interpretation	IASB publication effective date (Note 1)
"2018 – 2020 annual improvement"	January 1, 2022 (Note 2)
IFRS 3 amended "Updated index of conceptual framework."	January 1, 2022 (Note 3)



Amendment to IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and Investment in Associates".	Undefined
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendment to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
IAS 1 amended "Disclosure of accounting policies."	January 1, 2023 (Note 6)
IAS 8 amended "Definition of accounting estimations."	January 1, 2023 (Note 7)
IAS 16 amended "Real estate and plants and equipment: reaching the price before the scheduled use status."	January 1, 2022 (Note 4)
IAS 37 amended "Onerous contracts-cost for contract fulfillment."	January 1, 2022 (Note 5)
Note 1: Unless otherwise specified, the aforementioned newly corrected/amended standards or interpretations come to effect during the annual reporting period starting after respective dates.	
Note 2: An amendment of IFRS 9 is applicable to the exchange or clause modification of financial liabilities in the annual reporting period beginning after January 1, 2022; an amendment to IAS 41 "Agriculture" is applicable to the annual reporting period beginning after January 1, 2022 focusing on the fair value measurement. An amendment to IFRS 1 "adopting IFRSs for the first time" is applicable retrospectively to the annual reporting period beginning after January 1, 2022.	
Note 3: This amendment applies to business merger of which the acquisition date starts after January 1, 2022 during the annual reporting period.	
Note 4: The factory, real estate and equipment that are required to reach the necessary location and state of the management's expected operation mode after January 1, 2021 are subject to this amendment.	
Note 5: This amendment applies to contracts that have not been fulfilled for all obligations as of January 1, 2022.	
Note 6: The applicability of this amendment is postponed during the annual reporting period beginning after January 1, 2023.	
Note 7: 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.	
1. IAS 1 amended "Disclosure of accounting policies."	

The said amendment expressly stipulates that the Company should determine the significant accounting policy information that should be disclosed based on the definition of materiality. If the accounting policy information can be reasonably expected to affect the main users of financial statements for general purpose who use the said financial statements as the basis for making decisions. Amendment and Clarification:

- The accounting policy information related to non-significant transactions, other issues or circumstances is attributed as non-significant and the Company is not required to disclose such information.
- The Company may judge and determine that the relevant accounting policy information is significant as a result of the attribute of the transaction, other issues or circumstances even if the amount is not significant.
- All accounting policy information not related to major transactions, other matters, or situations is considered major.

In addition, the amendment also cites examples to explain if the accounting policy information is related to major transactions or others matters or situations and that the following situations occur, the said information may be considered major:

- (1) The Company changed its accounting policy during the reporting period where such change resulted in a significant change in the financial statement information;
- (2) The Company selects its own applicable accounting policy from the provided options allowed by the standard;
- (3) Amidst the inadequate specific standards, the Company has established accounting policies in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors";

- (4) The Company discloses relevant accounting policies where it shall adopt significant judgments or assumptions to determine; or
  - (5) involves complex accounting disposal regulations and financial statement users' dependence on information on the said information to understand major transactions, or other matters or situations.
2. IAS 8 amended "Definition of accounting estimations."

The said amendment expressly specifies that the accounting estimate refers to the monetary amount affected by measurement uncertainty amidst the financial statements. Where the Company is subject to the accounting policies, it might possibly be required to measure financial statement items with monetary amounts that cannot be directly observed and must be estimated instead. Accordingly, it is necessary to use measurement techniques and input values to establish accounting estimates to accomplish such purpose. Where the impact of changes in measurement technology or input values on accounting estimates is not a correction toward a preceding error, these changes are attributed to changes in accounting estimates.

The Company continues to assess the effect of the revision of other IFRSs on the financial position and performance as of the date this report was approved and released. Information on related influence will be disclosed on completion of the assessment.

#### 4. Summary of important accounting policies

##### (1) Compliance Statement

This financial statement is prepared in accordance with "Regulation Governing the Preparation of Financial Reports by Securities Issuers" and IFRSs approved and announced effective by FSC.

##### (2) Basis of preparation

Except for a financial instrument measured at the fair value and such net confirmed welfare liabilities recognized at the fair value of planned assets deducted with the present value of confirmed welfare obligations, this financial statement is prepared on a historical cost basis.

The evaluation of fair value could be classified into Level 1 to Level 3 by the observable intensity and importance of related input value:

1. Level 1 input value: refers to the quotation of the same asset or liability in an active market as of the evaluation (before adjustment).
2. Level 2 input: Referred to as those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
3. Level 3 input value: the unobservable input value of asset or liability.

##### (3) Current and non-current assets and liabilities

Current assets including:

1. Assets held mainly for trading purpose;
2. Assets expected to be realized within 12 months after the balance sheet date; and
3. Cash and cash equivalents (not including those that are limited to exchange or repay liabilities exceeding 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held for trading purposes;
2. The liabilities to be liquidated upon due within 12 months after the balance sheet date (those with long-term refinancing or payment term rearrangement completed from the balance sheet date to the financial reports approved and published date are also classified as current liabilities), and
3. Liabilities with the repayment deadline that cannot be unconditionally deferred to at least 12 months after the balance sheet date. Where the liabilities might be paid off at the discretion of the other party through the tools of the issuance equity, the classification would remain unaffected.

For those that are not current assets or liabilities above are classified as non-current assets or liabilities.

##### (4) Foreign Currency

Where the Company prepares financial statement, the transactions in currencies other than the Company's functional currency (foreign currency) shall be converted into functional currency records based on the exchange rate quoted on the transaction day.

Foreign currency monetary items are translated at the closing rate on each balance sheet date. The exchange differences arising from the settlement of monetary items or translating monetary items are recognized in the current profit or loss.

The foreign non-currency items measured at fair value are translated in accordance with the exchange rate on the fair value determination date and the exchange difference is booked as current profit or loss. However, for the changes in fair value recognized in the other comprehensive profit or loss, the exchange difference is recognized in the other comprehensive profit or loss.

The foreign non-currency items measured at historical cost are translated in accordance with the exchange rate on the transaction date without the need for a translation again.

(5) Inventory

Inventories include raw materials, supplies, work-in-progress, products contracted to be processed, finished goods and products. Inventory is valued in accordance with the lower of cost or net cash value. When comparing cost and net cash value, except for the homogeneous inventories, it is based on the itemized lower of cost or net cash value. Net realizable value refers to the estimated sale price under normal circumstances net of the estimated cost needed to complete the project and the estimated expenses needed to complete the sale. The cost of inventory is calculated using the weighted average method.

(6) Investments in the affiliated company

The term "affiliated enterprise" as set forth herein denotes a company that has significant influence upon the Company but is not a subsidiary.

The Company adopts equity method for investment in associates.

Under the equity method, investments in the affiliated companies were originally recognized at cost; the book value after the acquisition date fluctuates along with the distribution of profit or loss from the affiliated company and other comprehensive profit or loss. In addition, the changes in the equity of affiliates shall be recognized in proportion to the proportion of shareholding.

When associates issue new shares, if the Company fails to subscribe stock share proportionally to their shareholding, resulting in changes in shareholding ratio and thus causing changes in net equity investment, the increase or decrease amount should be adjusted to the additional paid-in capital – recognizing changes in net equity of associates under the equity method and investment under equity method. If the Consolidated Company' did not subscribe to the new shares *pro rata* to the shareholding percentages and led to a decrease of the shareholding percentages subscribed to or obtained from the associate, nevertheless, the amount of other comprehensive income so recognized was reclassified *pro rata* to the decrease ratio in the associate. The accounting management was on the grounds same as the grounds the associate must comply with if it directly disposed assets or liabilities. If the aforementioned adjustment must be debited into capital reserve where the balance of capital reserve yielded by the investment in equity method, the difference was debited as retained earnings.

In the event that the Company's shares of loss in the associates equal to or exceed its equity in the associates (including the book value of investment in the associates in equity method and other long-term interest of the Consolidated Company' in the investment composition of the associates), the Company' discontinued recognition of the further losses. The Company' recognized extra losses and liabilities only in the event of occurrence of legal obligations, presumed obligations or within the scope that the Consolidated Company' had made payment on behalf of the associate.

Upon evaluation of an impairment, the Company deems the overall book value of an investment (including goodwill) as a single asset to compare the recoverable amount with the book amount. Meanwhile, it conducts an impairment test. The recognized impairment loss is not allocated to the component of the any assets in the investment book amount. Any reversal of the impairment loss can be recognized within the range of the recoverable amount of the subsequently increased investment.

The Company ceases to adopt an equity method on the day while its investment is no longer an affiliated company and its retained equity in the original affiliated company and the original

joint venture is measured at the fair value. That fair value and the disposal price and the book value of the investment on the day when the equity method ceases to be adopted. Such difference is counted into the current profit and loss. Besides, all relevant amounts relevant to the associates recognized in other comprehensive income were managed on the accounting grounds same as the grounds which it should comply with if the associates directly disposed the relevant assets or liabilities.

(7) Property, plant and equipment

Real property, plant and equipment are recognized as costs, and they will be measured by the amount after the costs less the amount of accumulated depreciation and accumulated impairment losses afterwards.

Except for self-owned land, the property, plant, and equipment are depreciated by significant parts over their useful lives on a straight-line basis. If the lease period is shorter than the durable period of an asset, the depreciation should be appropriated according to the lease period. The Company shall review the estimation of life span, residual value and depreciation method at least once a year and extend the effect of changes in applicable accounting policy.

In the case of delisting real estate, plants, and equipment, the difference between the net disposal price and the book value of the asset is recognized in profit or loss.

(8) Intangible assets

1. Acquired separately

The intangible asset with limited useful life acquired separately was originally measured at cost and subsequently measured at cost, net of accumulated amortization and accumulated impairment losses. Intangible assets shall be subject to amortization under the straight-line method during its life span, and the estimation of life span, residual value and depreciation method shall be subject to review at least once a year and extend the effect of changes in applicable accounting policy. Intangible asset with indefinite useful lives is measured at cost net of accumulated impairment losses.

2. Derecognition

In removing intangible assets, the difference between the net proceeds of disposition and the book value shall be recognized as income.

(9) The impairment of real estate, plants and equipment, right-of-use assts, and intangible assets (except goodwill)

The company evaluates whether there are any signs of impairment in real estate, plants and equipment, right-of-use assets and intangible assets (other than goodwill) on every balance sheet date. If there is any indication of impairment occurring, the recoverable amount of the asset should be estimated. If the recoverable amount of an individual asset cannot be estimated, the Company is to estimate the recoverable amount of the respective cash-generating unit. If the community assets can be amortized to the cash-generating units on a reasonable and consistent basis, it is allocated to individual cash-generating unit or it is allocated to the smallest cash-generating cluster on a reasonable and consistent basis.

The intangible asset with indefinite useful lives and not yet available for use should be tested for impairment at least annually or should be tested when there is an indication of impairment.

The recoverable amount is the fair value net of cost or the value in use whichever is higher. When the recoverable amount of an individual asset or cash-generating unit is less than its book amount, the book amount of the asset or cash-generating unit should be reduced to its recoverable amount. The impairment loss is recognized in the profit or loss.

The inventory, real estate, plant, equipment and such intangible assets recognized in a customer contract are first recognized in accordance with the inventory impairment regulations and the aforementioned regulations are recognized as impairment. The book value of the related assets is entered based on the contract cost. The amount after deducting the directly related costs is recognized as an impairment loss and the book amount of the contract cost-related assets is included in the cash-generating unit to perform the impairment assessment in the cash-generating unit.

When the impairment loss is reversed subsequently, the carrying amount of the assets, cash-generating units or relevant assets of contract cost will increase to the revised recoverable amount, while the carrying amount after increase does not exceed the carrying amount of the assets, cash-

generating units or relevant assets of contract costs that would have been at the date of reversal had the impairment loss not been recognized previously (excluding amortization or depreciation). The reversed impairment loss is recognized in the profit or loss.

(10) Financial instruments

Financial assets and liabilities will only be recognized in balance sheet when the Company becomes a party in a contract of the tool.

For the initial recognition of the financial assets and financial liabilities, if the financial assets or financial liabilities are not measured at fair value through profit or loss, it is measured at fair value plus transaction cost that is directly attributable to the acquisition or issuance of financial assets or financial liabilities. The transaction cost directly attributable to the acquisition or issuance of financial assets or financial liabilities that are measured at fair value through profit or loss is immediately recognized in the profit or loss.

1. Financial Assets

The customary transaction of financial assets is recognized and de-recognized in accordance with the trade date accounting.

(1) Classification of measurement

The assets held by the Company are such types of financial assets measured at fair value through profit and loss, financial assets measured at amortized cost, debt instrument investment measured at fair value through other comprehensive gains and losses and fair value through other comprehensive gains and losses as the investment in equity instruments to be measured.

A. Financial assets at fair value through profit and loss

Financial assets at fair value through income statements included financial assets at fair value through income statements and financial assets designated at fair value through income in statements. Financial assets mandatory at fair value through profit or loss include equity instrument investments not designated at fair value through other comprehensive income, and liability instrument investments not qualified for classifying as measured at amortized cost or at fair value through other comprehensive income.

Such financial assets measured at fair value through profit and loss are measured at fair value where their remeasured benefits or losses are recognized into profit and loss. Please refer to Note 30 for the determination of fair value.

B. Financial assets on the basis of cost after amortization

If the financial assets of the Company met both of the following conditions, classify as financial assets on the basis of cost after amortization:

- a. Financial assets held under particular mode of operation and the purpose of holding is for the collection of cash flow from contracts; and
- b. Cash flow generated on particular dates deriving from the contracts and the cash flow is wholly for the payment of principal and interest accrued from the outstanding amount of the principal.

The financial assets measured at the post-amortization cost (including cash and cash equivalents, notes receivable at post-amortization cost, accounts receivable, other receivables, restricted assets and deposited guarantee bond margin) are recognized at initial recognition. After that, they would be measured by the total book amount determined by the effective interest method minus the post-amortization cost of any impairment loss, and any foreign currency exchange gains and losses which would be recognized in the profit and loss.

Interest income will be the product of effective interest rate and total book value of financial assets except under the following two conditions:

- a. The interest income of financial assets procured or initiated under credit impairment will be the product of the effective interest rate after credit adjustment and the cost of financial assets after amortization.
- b. Financial asset that has subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

Cash equivalents are time deposits within 3 months from the date of acquisition, with high liquidity, can be converted into cash with marginal risk on the change in value, and are used for the fulfillment of short-term commitment in cash settlement.

- C. Debt instrument investments measured at fair value through other comprehensive income

If the investment of debt instruments by the Company met both the two conditions below, classify as financial instruments at fair value through comprehensive income:

- a. Financial assets held under the particular mode of operation and the purpose of holding being for collection of cash flow from contracts; and
- b. Cash flow generated on particular dates deriving from the contacts and the cash flow is wholly for the payment of principal and interest accrued from the outstanding amount of the principal.

Other investment of debt instruments at fair value through comprehensive income should be measured at fair value. Changes in the book value shall be recognized as income under the calculation of interest income under the effective interest rate method, and exchange gain and loss and impairment or reversal benefits shall be recognized as income. Other changes shall be recognized as other comprehensive income and reclassified as income at the disposition of investment.

- D. Equity instrument investments measured at fair value through other comprehensive income

The Company may make an irrevocable choice at the time of initial recognition for designating the investment of equity instruments not available-for-sale and not recognized by the consolidated acquirer under corporate acquisition or with consideration at fair value through other comprehensive income for measurement.

The investment of equity instruments at fair value through other comprehensive income is measured at fair value. Subsequent changes in fair value will be recognized as other comprehensive income and accumulated into other equity. In the disposition of assets, accumulated gains or loss shall be directly transferred to retained earnings without classification as income.

The dividend of the investment of equity instruments at fair value through other comprehensive income shall be recognized as income when the right of the Company in the collection of dividends is ascertained, unless the dividend is obviously representing the recovery of the cost of investment in part.

- (2) Impairment of financial assets

The Company assesses financial assets (including bills receivable and accounts receivable) measured at post-amortization cost based on expected credit losses on each and every balance sheet date and, meanwhile, invests in liability instruments that are measured at fair value through other comprehensive gains and losses.

Notes receivable and receivable accounts shall be recognized for provisions for loss on the basis of anticipated credit loss within the perpetuity of the assets. Other financial assets shall be evaluated for any significant increase of risk from the day of initial recognition. If none is found, recognize for provision for anticipated credit loss along a period of 12 months. If it is, recognize for provision of anticipated credit risk within the perpetuity of the assets.

Anticipated credit loss is the weighted average loss of credit on the basis of the weight of the risk of default. Anticipated credit loss in a period of 12 months means the expected loss of credit from the financial instruments within 12 months due to default. Anticipated credit loss with the perpetuity of the financial instruments means the expected loss of credit from the financial instruments within the perpetuity of these financial instruments.

All impairment of financial assets is recognized through the reduction of the book value of the provisioned account. However, the provision for loss of investment of debt

instruments at fair value through comprehensive income shall be recognized as other comprehensive income without the reduction of its book value.

(3) The de-recognition of financial assets

The Company's financial assets are de-recognized only when the contractual rights from the cash flows of a financial asset becomes invalid, or when the financial assets are transferred and almost all the risks and rewards of the asset ownership have been transferred to other enterprises.

Derecognition of financial asset measured at amortized costs in its entirety, the difference between the asset's carrying amount and the consideration received is recognized in profit or loss. When particular debt instruments measured at fair value through comprehensive income is entirely removed, the total sum of any other accumulated gains or loss of the difference between book value and consideration recognized as other comprehensive income shall be recognized as income. When particular equity instruments measured at fair value through comprehensive income are entirely removed, the accumulated gains of loss shall be directly transferred to retained earnings without being classified as income.

2. Financial Liabilities

(1) Subsequent measurement

All financial liabilities of the Company have been measured at the post-amortization cost using the effective interest method.

(2) De-recognition of financial liabilities

When de-recognizing financial liabilities, the difference between the book amount and the consideration paid (including any transferred non-cash assets or assumed liabilities) is recognized as profit or loss.

(11) Recognition of revenues

The Company, after identifying the performance obligations, had the transaction price amortized to each performance obligation and recognized as income when the performance obligations were fulfilled.

In an event where several contracts sign with a same customer (or related parties of that customer) at almost a same time, where these contracts are negotiated in a same package for a single business purpose, the Company would deal with them in a single contract.

Contracts of which the time interval between the transfer of goods or services and the consideration is less than one year shall not have its major financial components, such as transaction price, adjusted.

1. Revenue through sale of products

The commodity sales revenue comes from the sales of non-ionic surfactant products. While the product arrives at the location designated by a customer, that customer is already entitled to set the price and use of the product and is primarily obliged for resale and assume the risk of staleness and obsolescence, the Company just recognizes revenue and receivable at that point in time.

2. Labor revenue

The labor service income comes from the provision of processing services and the related income is recognized at the very moment when the labor service is provided.

(12) Leases

The Company assesses whether or not the arrangement is (or includes) a lease arrangement on the agreement date

1. The Company is the lessor

When the lease term is to have all risks and returns attached to the ownership of assets transferred to the lessee, it is classified as a financing lease. All other leases are classified as operating leases.

Lease payments for operating leases upon deduction of lease incentives are recognized as income on a straight-line basis in relevant lease periods. Initial direct costs generated in the acquisition of operating leases are added to the underlying asset carrying amount and recognized as expenses on a straight-line basis in lease periods.

2. The Company is the lessee.

Except for recognizing low-value asset leases applying to exemption and lease payments for short-term leases being recognized as an expense on a straight-line basis over the lease term, other leases will be recognized as right-of-use assets and lease liabilities at lease commencement date.

The right-of-use asset is measured at cost (including the amount equal to the lease liability at its initial recognition, lease payments made before the commencement of the lease less any lease incentives received, any initial direct costs incurred by the lessee, and an estimate of costs to be incurred by the restoring the underlying asset to the condition required) less any depreciation and any accumulated impairment losses. Additionally, the cost is subsequently adjusted for any remeasurement of the lease liability. Right-of-use assets are separately expressed on the balance sheet.

The right-of-use assets were depreciated on a straight-line basis over the period from the commencement date of the lease to expiration of its useful life or expiration of the lease term, whichever date is earlier.

The lease liability was originally measured at the present value of the lease payment (as a fixed payment). If the implied interest rate of the lease is easily determined, the lease payments will be discounted to their present value using that interest rate. If such interest rate is not easily determined, the incremental borrowing rate will be used.

Subsequently, the lease liabilities are measured at amortised cost using effective interest method and the interest expenses are amortized over the lease term. Lease liabilities are separately expressed on the balance sheet.

(13) Governmental subsidies

The government subsidies shall only be recognized, provided that it can be reasonably convicted the company will comply with the supplementary terms for government subsidies and that the subsidies can be received.

If the government subsidies are used for compensating expenses or losses that have already incurred, or if the purpose is to provide the company with immediate financial support and if there are no related costs in the future, they shall be recognized as profit or loss during the collection period.

(14) Employee benefits

1. Short-term employee benefits

Liabilities relating to short-term employee benefits are measured by the non-discounted amount of the expected payment in exchange for employee services.

2. Retirement benefits

Under the defined contribution pension plan, the pension amount appropriated during the service years of the employees is recognized as an expense.

The determined cost of benefit for determined benefit retirement plan (including the cost of service, net interest, and reevaluation) is based on the actuary of projected unit method. The net interests of the service cost (including the service cost for the current period) and net defined benefit liability (asset) are recognized as employee benefit expenses when they occur. The value of second measurement (including the profits and loss under actuary and the return on assets of the plan net or interest) shall be recognized as other comprehensive incomes and as retained earnings, if realized. No reclassification as profits and loss in subsequent periods.

Net defined benefit liability (asset) is the appropriation deficit (surplus) of the defined benefit pension plan. Net determined benefit asset shall not exceed the refund of the appropriated fund or decrease the present value of appropriation of fund in the future.

(15) Income tax

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

1. Income tax expenses in the current period

The Company determines the current term income (loss) in accordance with the laws and regulations prevalent in the jurisdiction of the income tax declaration, and counts the payable (recoverable) income tax accordingly.

Additional income tax on unappropriated earnings is calculated in accordance with the provisions of the Income Tax Act of the Republic of China, to be recognized in the year of the shareholder resolution meeting.



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

2. Deferred tax

The deferred income tax was counted based on the temporary difference between the book value of assets and liabilities in the financial statements and the taxation based to calculate the taxable income.

Deferred tax liabilities are generally recognized in accordance with all taxable temporary differences. Deferred tax assets are recognized when there are likely to have taxable income available for deductible temporary difference or loss credit.

The book amount of deferred income tax asset must be reviewed at each balance sheet date. The book amount of those that no longer have any sufficient taxable income to recover all or part of the asset, should be adjusted down. Those that are not originally recognized as deferred income tax assets should also be reexamined at each balance sheet date. The book amount of those that are likely to generate taxable income in the future for the recovery of all or part of its assets should be adjusted up.

Deferred income tax assets and liabilities are measured in accordance with the expected liability liquidation or the tax rate in the period when the asset is realized. The tax rate is based on the tax rate and tax laws that are legislated or substantively legislated at the balance sheet date. The measurement of deferred income tax liabilities and assets reflects the tax effect resulting from the book amount of the assets and liabilities expected to be recovered or liquidated at the balance sheet date.

3. Current & 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.

5. Major sources leading to major accounting judgments and uncertainties in estimate

When adopting accounting policy, the management of the Company shall make related judgments, estimations, and assumptions for information that cannot be easily retrieved from other sources based on historical experiences and other relevant factors. Actual results may differ from the estimates.

The company shall take the economic impacts arising from the COVID-19 pandemic into major accounting estimation consideration. The management level shall continue to examine the estimations and basic assumptions. If the amendment affects only the current estimates, it is recognized in the current period. If the amendment of accounting estimates affects both current and future periods, it is recognized in the respective current and future periods.

6. Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand	\$ 140	\$ 140
Demand deposits	385,897	295,666
Check deposits	246,452	140,488
	<u>\$ 632,489</u>	<u>\$ 436,294</u>

7. Financial assets at fair value through profit and loss

	December 31, 2020	December 31, 2019
<u>Financial assets - current</u>		
Measured at fair value through income under compulsion		
Non-derivative financial assets		
Beneficial certificates	<u>\$ 62,072</u>	<u>\$ 47,587</u>

8. Financial assets at fair value through other comprehensive profit or loss

	December 31, 2020	December 31, 2019
<u>Non-current</u>		
Equity investment	\$ 3,096,492	\$ 2,340,531
Debt instrument	<u>204,052</u>	<u>200,000</u>

	\$ <u>3,300,544</u>	\$ <u>2,540,531</u>
(1) Equity investment	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Non-current</u>		
Domestic investment		
Listed stocks and emerging stock		
China Man-Made Fiber Corporation's common shares	\$ 2,816,160	\$ 2,086,976
TSEC Corporation's common shares	-	11,623
JMicon Technology Corporation common shares	-	8,030
Taiwan Tea Corp. common shares	211,220	194,110
Unlisted/OTC		
Common stock of TWSE	22,792	20,112
China Man-Made Fiber Corporation's common shares	<u>46,320</u>	<u>19,680</u>
	\$ <u>3,096,492</u>	\$ <u>2,340,531</u>

The Company invests in the common stocks of the aforementioned companies amidst its medium and long-term strategic purposes and expects to earn profits through long-term investments. The management of the Company holds that the short-term fluctuation in the fair value of these investments shall be recognized as income or loss and is not congruent with the aforementioned long-term investment plan, therefore they chose to designate these investments as financial assets at fair value through other comprehensive income.

During the year 2020, the Company adjusted its investment position and sold all the common shares held in TSEC Corporation and Zhiwei Technology Company in full at fair value of NT\$95,945,000. The other related interests – unrealized appraisal gains and losses of financial assets measured at fair value through other comprehensive gains and losses in an amount of NT\$59,958,000 was transferred into retained earnings.

The Company recognized dividend income in amounts of NT\$642 thousand and NT\$25,087 thousand in the years 2020 and 2019 respectively, both of which were related to the investments still held as of December 31, 2019 in 2020.

For more information on pledge of equity instrument investments measured at fair value through other comprehensive gains and losses, please refer to Note 27.

(2) Debt instrument	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Non-current</u>		
Domestic investment		
Bank debentures of Taichung Commercial Bank	\$ <u>204,052</u>	\$ <u>200,000</u>

In December 2017, the Company purchased non-cumulative secondary financial bonds issued by Taichung Commercial Bank with no maturity date at the book interest rate of one-year fixed time savings interest rate quoted by Chunghwa Post Co., Ltd. with additional point margin of 3.08%.

#### 9. Credit risk management for investment in debt instruments

The company has invested of debt instruments are classified as financial assets measured by fair value under other general loss or gain.

<u>December 31, 2020</u>	<u>December 31, 2019</u>
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Total Book Value	\$ 200,000	\$ 200,000
Loss allowance	<u>-</u>	<u>-</u>
Cost after amortization	200,000	200,000
Fair value adjustment	<u>4,052</u>	<u>-</u>
	<u>\$ 204,052</u>	<u>\$ 200,000</u>

The company has adopted of policy for merely investing in debt instruments with an investment grade or higher (inclusive) and with loss assessment being low in credit risk. The company would continue to follow up on external assessment information, through which to monitor the credit risk fluctuations on its invested debt instruments, and also monitors the bond yield ratio curve and creditors' critical information among other information, to assess whether the debt instruments' credit risk has apparently increased following the initial recognition.

The company takes into consideration of outside assessment entities-supplied various levels of history default loss ratios, debtors' current financial standing and the industries' future forecasts, to measure the debt instrument investment's 12-month expectant credit loss or expectant credit loss during the sustaining period.

The current credit risk evaluation approach of the Company and the total carrying amount of debt instrument investments with various credit ratings are shown as below:

Credit rating	Definition	Basis for recognizing expected credit losses	Expected credit loss rate	Total book value of December 31, 2020
Normal	The debtors' credit risk is low and also has sufficient capability to pay off contractual cash flows.	Anticipated credit loss in 12 months	0%-0.5%	<u>\$ 200,000</u>

  

Credit rating	Definition	Basis for recognizing expected credit losses	Expected credit loss rate	Total book value of December 31, 2019
Normal	The debtors' credit risk is low and also has sufficient capability to pay off contractual cash flows.	Anticipated credit loss in 12 months	0%-0.5%	<u>\$ 200,000</u>

10. Notes receivable, accounts receivable and other receivables

	December 31, 2020	December 31, 2019
<u>Notes receivable</u>		
Measured on the basis of cost after amortization		
Notes receivable's total book value amount	\$ 17,096	\$ 26,603
Less: Allowance for losses	<u>-</u>	<u>-</u>
	<u>\$ 17,096</u>	<u>\$ 26,603</u>
<u>Accounts receivable</u>		
Measured on the basis of cost after amortization		
Accounts receivable – nonrelated parties' total book value amount	\$ 202,102	\$ 167,718
Less: Allowance for losses	( <u>2,252</u> )	( <u>1,993</u> )
	<u>\$ 199,850</u>	<u>\$ 165,725</u>
<u>Other receivables</u>		
Receivable tax refund	\$ 5,021	\$ 8,478
Other receivable - related parties	1,012	1,852
Others	<u>51</u>	<u>51</u>
	<u>\$ 6,085</u>	<u>\$ 10,381</u>

(1) Accounts receivable and notes receivable

The Company's average credit long period for commodity sales has been 30–60 days. The policy adopted by the Company is to only trade with reputable counterparties. Whenever deemed necessary, the Company would discontinue shipments or obtain adequate guarantees beforehand to minimize the potential risk of financial losses in case of defaults. The Company tried to use other publicly available financial information and mutual transaction records to rate its key accounts, to continually oversee potential credit risk and the credit rating of the counterparties to disperse the total transaction amounts to customers proving well qualified in credit ratings.

Before accepting a new customer, the Company would conduct comprehensive evaluation into the potential customers credit quality through a sound internal credit rating system and set sound customers credit limit. Here at the Company, the customer credit limit and rating are reviewed once or twice a year. Among the data, the accounts receivable that are neither overdue nor impaired were classified as the best credit rating on the grounds of the rating results of the external credit rating system adopted by the company.

The Company adopts the simplified method in IFRS 9 to recognize the allowance for loss of the accounts receivable according to the expected credit losses of the given duration. The expected estimated credit loss during the specified duration was based on the customer's previous default records and current financial status, the industrial economic situation as well as prospective outlook of the entire industry. As indicated by the Company's historical experience in credit loss, the loss patterns among varied customer bases show no significant difference at all. In the preparation matrix, therefore, the customer bases were not further classified. Instead, we fixed the anticipated rate of credit loss only based on the number of days overdue in the accounts receivable.

Whenever the evidence indicates that a transaction counterparty is facing serious financial difficulties where the Company could not reasonably expect the recoverable amount, for example, where a counterparty is in liquidation while the Company directly wrote off the relevant accounts receivable, but would still continually pursue recourse activities and the Company would then recover the amount due to recourse. The amount so recovered through the recourse effort would be recognized in profit and loss.

The Company adopts the preparation matrix to measure the allowance loss for notes and accounts receivable as follows:

December 31, 2020

	Not overdue	Overdue 1 to 60 days	Total
Expected credit loss rate	0%~1.03%	0%~2%	-
Total Book Value	\$ 204,791	\$ 14,407	\$ 219,198
Allowance for loss (expected credit loss of the given duration)	( <u>2,104</u> )	( <u>148</u> )	( <u>2,252</u> )
Cost after amortization	<u>\$ 202,687</u>	<u>\$ 14,259</u>	<u>\$ 216,946</u>

December 31, 2019

	Not overdue	Overdue 1 to 60 days	Total
Expected credit loss rate	0%~1.03%	0%~2%	-
Total Book Value	\$ 194,321	\$ -	\$ 194,321
Allowance for loss (expected credit loss of the given duration)	( <u>1,993</u> )	-	( <u>1,993</u> )
Cost after amortization	<u>\$ 192,328</u>	<u>\$ -</u>	<u>\$ 192,328</u>

The information of the changes in the notes receivable and the allowance loss of accounts is as follows:

	2020	2019
Balance - beginning	\$ 1,993	\$ 605

Add: Impairment loss appropriated in current period	259	1,388
Balance - ending	<u>\$ 2,252</u>	<u>\$ 1,993</u>

11. Inventory

	December 31, 2020	December 31, 2019
Raw materials	\$ 18,865	\$ 33,291
Supplies	4,031	2,967
Finished goods	<u>92,944</u>	<u>161,588</u>
	<u>\$ 115,840</u>	<u>\$ 197,846</u>

- (1) The Company's allowance for inventory depreciation losses as of December 31, 2020 and 2019 amounted to NT\$15,893 thousands and NT\$7,768 thousand, respectively.
- (2) Here at the Company, the inventory-related cost of goods sold in the year 2020 and the year 2019 amounted to NT\$1,312, 156 thousand and NT\$1,562,597 thousand, respectively. The cost of goods sold including downtime losses amounted to NT\$86,722 thousand and NT\$45,711 thousand, respectively. The gains deriving from restoration out of the dropping inventory came to NT\$11,875 thousand and NT\$9000 thousand, respectively. The amount to write off the loss of inventory amidst falling price as a result of scrapped inventory came to NT\$0 and NT\$3,902 thousand respectively.

12. Other current assets

	December 31, 2020	December 31, 2019
Restricted assets- Current	<u>\$ 14,999</u>	<u>\$ 1,500</u>

The restricted assets – current was provided by the Company as the customs clearance operation price of the Tariff Bureau and as the reserve accounts of bank accounts. Please refer to Note 27 for more details.

13. Investment under the equity method

The balance the company investing in affiliated enterprises is as follows:

	December 31, 2020	December 31, 2019
A major affiliated company		
Taichung Commercial Bank	\$ 3,232,947	\$ 2,940,018
Individual non-dominant associates		
Taichung Securities Investment Trust Co., Ltd.	13,323	12,800
Melasse	<u>14,037</u>	<u>13,217</u>
	<u>\$ 3,260,307</u>	<u>\$ 2,966,035</u>

The Company's ownership interest and percentage of voting rights in affiliated companies on the balance sheet date as enumerated below:

	December 31, 2020	December 31, 2019
Taichung Commercial Bank	6%	6%
Taichung Securities Investment Trust Co., Ltd.	3%	3%
Melasse	50%	50%

The Company participated in the capital increase through cash injection of Taichung Commercial Bank in the year 2020. In that event, the Company invested 10,742 thousand shares to newly increase the cost amounting to NT\$109,560 thousand. Where the Company did not subscribe to the capital increase pro rata to shareholding ratio, the shareholding rate changed. The Company was supposed to adjust to decrease the capital reserve—where the variable amount as the affiliated enterprise equity recognized in equity method left no balance at all. The Company, therefore, adjusted to reduce the

retained earnings NT\$13,136 thousand instead. Meanwhile, the Company converted the previously recognized other comprehensive profit and/or loss, the part of reduction pro rata to retained earnings and current net profits instead. Accordingly, in the year 2020, the retained earnings and disposal of investment benefits increased by NT\$117 thousand and NT\$258 thousand respectively.

The Company held up to 50% of the shares and voting rights of Mélasse Company. Where other shareholders controlled the composition of that company's board of directors, nevertheless, the Company only has a significant influence over that company and that company was deemed as an affiliate of the Company.

(1) A major affiliated company

The level 1 fair value information of related companies in the open market is as enumerated below:

Company name	December 31, 2020	December 31, 2019
Taichung Commercial Bank	\$ 2,541,673	\$ 2,549,593
Assets	\$ 736,770,021	\$ 682,688,922
Liabilities	( 679,448,268 )	( 631,379,716 )
Equity	\$ 57,321,753	\$ 51,309,206
The company's shareholding ratio	6%	6%
The interests entitled to the Company	\$ 3,232,947	\$ 2,940,018
	2020	2019
Net revenue	\$ 11,643,742	\$ 12,095,628
Net income	\$ 4,025,533	\$ 4,319,883
Other comprehensive profit or loss	448,863	152,812
Total comprehensive income	\$ 4,474,396	\$ 4,472,695

(2) Individual non-dominant associates

The information of individual non-significant affiliated companies is summarized as follows:

	2020	2019
Share of the Company		
The net profit (loss) of the business units in continued business operation in the present term	\$ 555	( \$ 1,478 )
Other comprehensive profit or loss	788	520
Total comprehensive income	\$ 1,343	( \$ 958 )

For those investments using the equity method where the Company was entitled to the shares in the profit and loss and other comprehensive profit and loss, except the case in Jehmifang Company which was calculated on the basis of financial statement that has not been audited by the certified public accountant, all the rest had been calculated on the basis of financial statement having been duly audited by certified public accountants. The Company's management, nevertheless, held the opinion that since the financial statement of the aforementioned investee has not been duly audited by the certified public accountants, the said facts would not have a significant impact.

14. Property, plant and equipment

	December 31, 2020	December 31, 2019
Self use	\$ 984,478	\$ 1,056,657
Operating lease rental	3,715	3,715
	\$ 988,193	\$ 1,060,372

(1) For use by the Company itself

	Proprietary land	House and Building	Machine and Equipment	Transportation and communication equipment	Other equipment	Construction in process and prepayment for machinery purchase	Total
<u>Cost</u>							
Balance as of January 1, 2020	\$242,530	\$269,098	\$ 1,275,880	\$ 13,899	\$239,370	\$ -	\$ 2,040,777
Increase in current period	-	-	1,777	-	1,130	-	2,907
Decrease in current period	-	-	( 911 )	( 1,076 )	( 315 )	-	( 2,302 )
Balance as of December 31, 2020	<u>242,530</u>	<u>269,098</u>	<u>1,276,746</u>	<u>12,823</u>	<u>240,185</u>	<u>-</u>	<u>2,041,382</u>
<u>Accumulated depreciation</u>							
Balance as of January 1, 2020	-	( 82,517 )	( 617,403 )	( 12,018 )	( 140,148 )	-	( 852,086 )
Increase in current period	-	( 7,372 )	( 56,695 )	( 610 )	( 10,125 )	-	( 74,802 )
Decrease in current period	-	-	628	1,075	315	-	2,018
Balance as of December 31, 2020	-	( 89,889 )	( 673,470 )	( 11,553 )	( 149,958 )	-	( 924,870 )
<u>Accumulated impairment</u>							
Balance as of January 1, 2020	-	( 4,216 )	( 99,453 )	( 82 )	( 28,283 )	-	( 132,034 )
Increase in current period	-	-	-	-	-	-	-
Balance as of December 31, 2020	-	( 4,216 )	( 99,453 )	( 82 )	( 28,283 )	-	( 132,034 )
Net amount as of December 31, 2020	<u>\$242,530</u>	<u>\$174,993</u>	<u>\$503,823</u>	<u>\$ 1,188</u>	<u>\$61,944</u>	<u>\$ -</u>	<u>\$ 984,478</u>
<u>Cost</u>							
Balance as of January 1, 2019	\$246,245	\$266,298	\$ 1,268,117	\$ 13,899	\$238,157	\$ -	\$ 2,032,716
Increase in current period	-	2,800	5,843	-	1,213	1,920	11,776
Recognized as the assets of Operating lease rental	( 3,715 )	-	-	-	-	-	( 3,715 )
Reclassification	-	-	1,920	-	-	( 1,920 )	-
Balance as of December 31, 2019	<u>242,530</u>	<u>269,098</u>	<u>1,275,880</u>	<u>13,899</u>	<u>239,370</u>	<u>-</u>	<u>2,040,777</u>
<u>Accumulated depreciation</u>							
Balance as of January 1, 2019	-	( 75,378 )	( 560,600 )	( 10,877 )	( 129,442 )	-	( 776,297 )
Increase in current period	-	( 7,139 )	( 56,803 )	( 1,141 )	( 10,706 )	-	( 75,789 )
Balance as of December 31, 2019	-	( 82,517 )	( 617,403 )	( 12,018 )	( 140,148 )	-	( 852,086 )
<u>Accumulated impairment</u>							
Balance as of January 1, 2019	-	( 4,216 )	( 99,453 )	( 82 )	( 28,283 )	-	( 132,034 )
Increase in current period	-	-	-	-	-	-	-
Balance as of December 31, 2019	-	( 4,216 )	( 99,453 )	( 82 )	( 28,283 )	-	( 132,034 )
Net amount - December 31, 2019	<u>\$242,530</u>	<u>\$182,365</u>	<u>\$559,024</u>	<u>\$ 1,799</u>	<u>\$70,939</u>	<u>\$ -</u>	<u>\$ 1,056,657</u>

Depreciation expenses is appropriated in accordance with the straight line method and the years of useful life illustrated below:

House and Building	20 to 55 years
Machine and Equipment	3 to 25 years
Transportation and communication equipment	6 to 10 years
Other equipment	
Offices & computer equipment	3 to 10 years
Civil engineering	15 to 20 years

As the amount set for collateral to secure the real estate, plant and equipment which have been within the Company's own use. Please refer to Note 27 for more details.

(2) Operating lease rental

Land belonging to the Company are leased out as operating leases for a period of 1~5 years. The lessee has no preferential purchase option with regard to the asset when the lease period ends.

Total receivable lease payments for operating leases are as follows:

	December 31, 2020	December 31, 2019
First year	\$ 310	\$ 310
Second year	22	268
Third year	-	22
	<u>\$ 332</u>	<u>\$ 600</u>

As the amount set for collateral to secure the real estate, plant and equipment which have been leased for business operation. Please refer to Note 27 for more details.

15. Lease Agreements

(1) Right-of-use assets

	December 31, 2020	December 31, 2019
Carrying amount of the right-of-use asset		
Buildings	\$ 5,649	\$ 8,473
Transportation Equipment	<u>2,870</u>	<u>6,001</u>
	<u>\$ 8,519</u>	<u>\$ 14,474</u>
	2020	2019
Addition of right-of-use assets	<u>\$ -</u>	<u>\$ 6,262</u>
Depreciation expense of the right-of-use asset		
Buildings	\$ 2,824	\$ 2,824
Transportation Equipment	<u>3,131</u>	<u>261</u>
	<u>\$ 5,955</u>	<u>\$ 3,085</u>

(2) Lease liabilities

	December 31, 2020	December 31, 2019
Carrying amount of the lease liabilities		
Current	<u>\$ 5,710</u>	<u>\$ 5,883</u>
Non-current	<u>\$ 2,883</u>	<u>\$ 8,593</u>

The range of discount rates for lease liabilities is as follows:

	December 31, 2020	December 31, 2019
Buildings	1.385%	1.385%
Transportation Equipment	1.650%	1.650%

(3) Main lease activities and provisions

The Company has leased transportation equipment for business operation used, for the leasehold period of two years. The lease agreement does not stipulate renewal of the lease or purchase options at the time of expiry of the lease.

The Company has leased buildings for business operation used, for the leasehold period of two years. Upon termination or expiry of a leasehold period, the Company was not entitled to preferential procurement for the leased land and buildings. The leasehold terms further provide that unless agreed upon by the lessor, the Company shall not have the leasehold arts sublet or transferred either in whole or in part.

(4) Other lease-related information

Regarding the agreements whereunder the Company leased out its own real property, plants and equipment for business operation, please refer to Note 14.

	2020	2019
Short-term lease expense	<u>\$ 11,924</u>	<u>\$ 11,753</u>



	2020	2019
Low-value asset lease expense	\$ 36	\$ 39
Total cash (outflow) of leases	( \$ 18,010 )	( \$ 14,955 )

The Company chose to apply the recognition exemption to such land eligible for short-term leases and certain office equipment leases that qualify for low-value asset leases where the Company does not recognize related right-of-use assets and lease liabilities for these leases.

16. Intangible asset

Changes in computer software are as follows:

	2020	2019
Balance - beginning	\$ 190	\$ 325
Amortization in the current period	( 135 )	( 135 )
Balance - ending	\$ 55	\$ 190

17. Other assets

	December 31, 2020	December 31, 2019
Refundable deposit	\$ 26,938	\$ 26,906

The term “security deposits paid and refundable” as set forth herein denotes such guarantee bond for leasehold of flight and transaction equipment leased for commercial purposes.

18. Borrowing

(1) Short-term borrowings

	December 31, 2020	December 31, 2019
<u>Unsecured loans</u>		
Credit loan	\$ 980,000	\$ 650,000

The interest rates of short-term range were within 1.15%–1.20% and 1.33%–1.41% as of December 31, 2020 and 2019 respectively.

(2) Short-term notes payable

	December 31, 2020	December 31, 2019
Payable commercial paper	\$ 400,000	\$ 400,000
Interest Rate	0.67%~0.96%	0.82%~1.12%

(3) Long-term borrowings

	December 31, 2020	December 31, 2019
<u>Secured loans</u>		
Secured loan	\$ 745,000	\$ 879,000
<u>Unsecured loans</u>		
Credit loan	625,000	655,000
Less: Amount due in one year	( 579,000 )	( 629,000 )
Long-term borrowings	\$ 791,000	\$ 905,000

- For the secured loan with Taiwan Cooperative Bank in an amount of NT\$700,000 thousand with the loan period from February 24, 2015 until February 24, 2020, the Company provided the land and buildings of and Kaohsiung Plant as collateral; starting from the first appropriation date of the Loan on February 24, 2015, the Company would repay the loan in 60 installments on a monthly basis, in an amount of NT\$8,000 thousand per installment from the 1st to 59th installments with the balance to be repaid in the 60th installment in full, with interest payable on a monthly basis, at the rate of that Bank's time savings index interest rate with additional point margin of 0.61% per annum. As of August 23, 2019, the Company had repaid the loan in full ahead of schedule. The interest rate at the last installment was approximately 1.70%.

2. For the secured loan with Taiwan Cooperative Bank in an amount of NT\$700,000 thousand with the loan period from August 23, 2019 until August 23, 2024, the Company provided the land and buildings of its Kaohsiung Plant as collateral; starting from the first appropriation date of the Loan on August 23, 2019, the Company would repay the loan in 20 installments with an installment in every three months, in an amount of NT\$24,000 thousand per installment from the 1st to 19th installments with the balance to be repaid in the 20th installment in full, with interest payable on a monthly basis, at the rate of that Bank's time savings index interest rate with additional point margin of 0.61% per annum. As of December 31, 2020, the Company had repaid the loan up to NT\$192,000 thousand principal in accumulation.
3. For the secured loan with Union Bank of Taiwan in an amount of NT\$250,000 thousand for the loan period of November 19, 2015–November 19, 2020, the Company provided stocks of China Man-Made Fiber Corporation held by the Company as collateral. The Company would repay NT\$25,000 thousand per installment starting from the date of appropriation on November 19, 2015, with interest payable on a monthly basis, at the interest rate of the time deposit interest rate for 90-day short-term loan in the secondary market with additional point margin of 0.72% per annum. The Company already repaid the balance of the loan in full ahead of schedule in April 2019 while it newly increased a secured loan amounting to NT\$250,000 thousand for a loan period of April 12, 2019–April 12, 2024 for which the Company provided the stocks of China Man-Made Fiber Corporation held by the Company as collateral. Starting from the initial appropriation date on April 12, 2019, the Company would repay NT\$25,000 thousand per installment, with one installment in every six months, with interest payable on a monthly basis at the interest rate of the time deposit interest rate for 90-day short-term loan in the secondary market with additional point margin of 0.72% per annum. As of December 31, 2020, the interest rate was approximately 1.39% per annum. As of December 31, 2020, the Company has repaid the principal up to NT\$135,000 thousand in accumulation.
4. For the credit loan with Bank of Pan Shin in an amount of NT\$100,000 thousand for the loan period of May 25, 2020–May 25, 2023, the Company would repay NT\$10,000 thousand per installment with one installment in every six months with the balance to be repaid in full upon maturity. The interest would be paid on a monthly basis based on the monthly benchmark interest rate for time savings in that Bank with additional point margin of 0.57% per annum. As of December 31, 2020, the interest rate was approximately 1.36% per annum. As December 31, 2020, the Company had repaid principal up to NT\$10,000 thousand in accumulation.
5. For the NT\$150,000 thousand secured loan with Jih Sun International Bank, where the Company replaced the loan contract ahead of schedule, the period of the credit loan was rescheduled into October 15, 2020–October 15, 2022, for which the Company provided stocks of China Man-Made Fiber Corporation held by the Company as collateral. The Company would repay the principal upon maturity with interest payable on a monthly basis, with the interest rate to be negotiated on a case-by-case basis. As of December 31, 2020, the interest rate was approximately 1.28% per annum. As of December 31, 2020, the Company had repaid the principal up to NT\$28,000 thousand in accumulation.
6. For the NT\$600,000 thousand credit loan with Business Bank of Taiwan, the loan period was originally from the original November 8, 2019–November 9, 2020 and was extended in November 2020 until November 9, 2021. From the initial appropriation date on November 8, 2019, the Company would repay on a monthly basis, at NT\$5,000 thousand per installment and would repay the balance in a lump-sum in full upon maturity, and would pay interest on a monthly basis, at the interest rate based on that Bank's monthly benchmark interest rate with additional point margin 0.41% per annum. As of December 31, 2020, the interest rate was approximately 1.25%. As of December 31, 2020, the Company had repaid the principal up to NT\$65,000 thousand in accumulation.
7. For collateral of the aforementioned long-term loans, please refer to Note 27 for more details.

19. Other payables

	December 31, 2020	December 31, 2019
Payable salary & bonus	\$ 19,530	\$ 22,102

	December 31, 2020	December 31, 2019
Remuneration to employees and remuneration to directors and supervisors payable.	6,394	6,416
Transportation charges payable	5,296	5,227
Inventory for supplies payable	3,800	5,987
Water, electricity and team bills payable.	3,427	4,037
Payable tax	2,145	1,087
Payable labor fee	1,500	1,000
Other payables	6,806	10,742
	<u>\$ 48,898</u>	<u>\$ 56,598</u>

20. Post-employment benefit plan

	December 31, 2020	December 31, 2019
Net determined benefit liability	<u>\$ 20,726</u>	<u>\$ 19,141</u>

(1) Defined contribution plan

The pension system of the “Labor Pension Act” that is applicable to the Company is a defined contribution pension plan subject to government management with an amount equivalent to 6% of the monthly salary appropriated and contributed to the personal account with the Bureau of Labor Insurance.

(2) Defined benefit plan

The Company’s pension system under the “Labor Standards Act” of the R.O.C. is a defined benefit pension plan. Pension payment is calculated in accordance with the years of service and the average salary six months prior to the authorized retirement date. The company has a pension appropriated for an amount equivalent to 2% of the monthly salary and the proceeds are deposited in the designated account with Taiwan Bank in the name of the Labor Pension Reserve Commission. If the account balance before yearend is expected to be insufficient for paying the retiring employees of the year, the amount of difference should be appropriated in a lump sum before the end of March in the following year. The special account has been commissioned to the Bureau of Labor Fund of the Ministry of Labor Affairs for management. The Company contained in the financial statements exercises no influence on the right of the bureau in its investment management strategy.

The amount of defined benefit plan listed in balance sheet is listed as follows:

	December 31, 2020	December 31, 2019
Present value of the defined benefit obligations	\$ 58,431	\$ 57,895
The fair value of plan assets	( <u>37,705</u> )	( <u>38,754</u> )
Net determined benefit liability	<u>\$ 20,726</u>	<u>\$ 19,141</u>

Change in net determined benefit liability is shown below

	Present value of the defined benefit obligations	The fair value of plan assets	Net determined benefit liability
January 1, 2019	<u>\$ 67,280</u>	( <u>\$ 30,998</u> )	<u>\$ 36,282</u>
Service cost			
Current service cost	596	-	596
Interest expenses (revenues)	<u>526</u>	( <u>192</u> )	<u>334</u>
Recognized in the profit or loss	<u>1,122</u>	( <u>192</u> )	<u>930</u>
Reevaluation			
Return on plan assets	-	( 1,301 )	( 1,301 )
Actuarial loss – change in the assumption of the census	294	-	294
Actuarial loss – change in financial assumptions	1,467	-	1,467

Actuarial gain – experience adjustments	( <u>7,136</u> )	_____ -	( <u>7,136</u> )
Recognized in the other comprehensive profit of loss	( <u>5,375</u> )	( <u>1,301</u> )	( <u>6,676</u> )
Employer appropriation	-	( 11,395 )	( 11,395 )
Planned asset payment	( <u>5,132</u> )	<u>5,132</u>	-
December 31, 2019	<u>57,895</u>	( <u>38,754</u> )	<u>19,141</u>
Service cost			
Current service cost	391	-	391
Interest expenses (revenues)	<u>463</u>	( <u>356</u> )	<u>107</u>
Recognized in the profit or loss	<u>854</u>	( <u>356</u> )	<u>498</u>
Reevaluation			
Return on plan assets	-	( 1,150 )	( 1,150 )
Actuarial loss – change in the assumption of the census	413	-	413
Actuarial loss – change in financial assumptions	2,067	-	2,067
Actuarial loss – adjustment through experience	<u>990</u>	_____ -	<u>990</u>
Recognized in the other comprehensive profit of loss	<u>3,470</u>	( <u>1,150</u> )	<u>2,320</u>
Employer appropriation	-	( 1,233 )	( 1,233 )
Planned asset payment	( <u>3,788</u> )	<u>3,788</u>	-
December 31, 2020	<u>\$ 58,431</u>	( <u>\$ 37,705</u> )	<u>\$ 20,726</u>

The recognized loss of determined benefit plans by function is summarized below:

	2020	2019
Operating cost	\$ 378	\$ 694
Operating expenses	<u>120</u>	<u>236</u>
	<u>\$ 498</u>	<u>\$ 930</u>

The pension fund system of the company contained in the financial statements is exposed to the following risks due to the “Labor Standards Act”:

1. Investment risk: The Bureau of Labor Fund of the Ministry of Labor Affairs uses the labor pension fund for investment in domestic and foreign equity securities and debt securities, and as bank deposits through proprietary trade or commissioned third parties. However, the amount attributable to the planned asset of the Company contained in the financial statements shall not fall below the interest rate offered by the banks in the regions or countries of investment for 2-year time deposit as return.
2. Interest risk: the decline of the interest rate for government/corporate bonds will cause an increase in the present value of determined benefit obligation. However, the ROI of the debt of the planned assets will also increase accordingly. The effect of the two on net determined benefit liability is mutually offsetting.
3. Salary risk: the calculation of the present value of determined benefit obligation is based on the salaries of the members in the plan of the future. As such, an increase of the salaries of the members of the plan is bound to increase the present value of determined benefit obligation. The determined benefit obligation of the company contained in the financial statements is based on the actuarial calculation of the actuary and the major assumption as of the evaluation day is shown below:

	December 31, 2020	December 31, 2019
Discount rate	0.35%	0.80%
The expected rate of increase in salaries	2.75%	2.75%

In case of reasonable and possible change in the major actuarial assumptions, and other assumptions remained unchanged, the amount of increase (decrease) in the present value of determined benefit obligation will be:

	December 31, 2020	December 31, 2019
Discount rate		
Increase by 0.25%	( \$ 1,172 )	( \$ 1,151 )
Decrease by 0.25%	\$ 1,209	\$ 1,188
The expected rate of increase in salaries		
Increase by 0.25%	\$ 1,146	\$ 1,131
Decrease by 0.25%	( \$ 1,118 )	( \$ 1,102 )

Actuarial assumptions may be inter-related. The possibility of change in specific assumption is not high. The aforementioned sensitivity analysis may not be able to reflect the actual change in the present value of determined benefit obligation.

	December 31, 2020	December 31, 2019
Amount projected for appropriation in 1 year	\$ 1,240	\$ 1,395
Average maturity of determined benefit obligation	9 years	9 years

## 21. Equity

	December 31, 2020	December 31, 2019
Common stock capital	\$ 3,023,284	\$ 2,865,672
Capital surplus	872,725	872,725
Retained earnings	1,088,352	996,022
Other equity	649,383	( 168,567 )
	<u>\$ 5,633,744</u>	<u>\$ 4,565,852</u>

### (1) Paid-in capital

	December 31, 2020	December 31, 2019
Authorized number of shares (thousand shares)	<u>480,000</u>	<u>480,000</u>
Authorized capital	\$ 4,800,000	\$ 4,800,000
Number of shares issued with fully paid-in capital (thousand shares)	<u>302,328</u>	<u>286,567</u>
Outstanding capital	\$ 3,023,284	\$ 2,865,672

Common stock shares issued at NTD 10 Par and each share is entitled to one voting right and dividends.

As resolved in the Company's shareholders' meeting convened on June 5, 2019, the NT\$187,474 thousand unappropriated retained earnings would be converted into capital increase into 18,747 thousand shares at NT\$10 par value, in common shares in all events. As of December 31, 2019, therefore, the Company's paid-in capital increased into NT\$2,865,672 thousand, divided into 286,567 thousand shares at NT\$10 per value, in common shares in all events.

As resolved in the Company's shareholders' meeting convened on June 2, 2020, the NT\$157,612 thousand unappropriated retained earnings would be converted into capital increase into 15,761 thousand shares at NT\$10 par value, in common shares in all events. As of December 31, 2020, therefore, the Company's paid-in capital increased into NT\$3,023,284 thousand divided into 302,328 thousand shares at NT\$10 per value, in common shares in all events.

### (2) Capital surplus

	December 31, 2020	December 31, 2019
Shares issued in excess of par value	\$ 835,369	\$ 835,369
Treasury stock transactions	<u>37,356</u>	<u>37,356</u>
	<u>\$ 872,725</u>	<u>\$ 872,725</u>

Of the total capital reserve, the amount of premium of the outstanding shares in excess of par value (including the issuance of common shares in excess of the par value, treasury stock transactions and the portion of the donation) may be used to make up for loss. Where the Company leaves no loss at all, such portion may be used to either distribute in cash or to appropriate into share capital. The amount to be appropriated into share capital, nevertheless, shall not exceed the specified ratio. For more details regarding the Company's policy to allocate remuneration to employees and remuneration to directors and supervisors as set forth under the Articles of Incorporation, please refer Note 23(V)5, the remuneration to employees and remuneration to directors and supervisors.

### (3) Retained earnings and Dividend Policy

According to the Articles of Incorporation, the policy for the distribution of earnings stated that if there is a surplus after account settlement of the fiscal year, the company shall pay applicable taxes and cover loss carried forward, followed by the allocation of 10% of the remainder as legal reserve, and appropriate for special reserve or reverse special reserve. If there is still a balance, it will be pooled up with the undistributed earnings carried forward from previous years for distribution as shareholder dividend under a proposal prepared by the Board subject to the final approval of the General Meeting of Shareholders. For more details regarding the Company's policy to allocate remuneration to employees and remuneration to directors and supervisors as set forth under the Articles of Incorporation, please refer Note 23(5) the remuneration to employees and remuneration to directors and supervisors.

The Company holds a dividend policy taking into account factors such as the overall circumstances, industry growth characteristics and future capital needs and further taking into account shareholder interests, balanced dividends and long-term financial planning, and the like. Within the scope available for distribution every year, the stock dividend to be allotted shall not significantly dilute the Company's profitability. Under such circumstances, the stock dividends to be allocated shall not exceed 95% of the total cash and stock dividends to be granted within the current year.

The legal reserve shall be amortized until the time point where its balance is up to the Company's total paid-in capital. The legal reserve may be applied to make up loss. If there is no loss, the amount of legal reserve in excess of the paid-in capital by 25% could be allocated as capital stock and paid out as cash dividend.

Exactly in accordance with Letter Jin-Guan-Zheng-Fa-Zi No. 1010012865, Letter Jin-Guan-Zheng-Fa-Zi No. 1010047490, Letter Jin-Guan-Zheng-Fa-Zi 1030006415 and after adopting International Financial Reporting Standards (IFRS), the Q&A on the applicable questions of the special surplus reserve, the Company amortized and rotated the special reserve.

The Company held General Shareholders Meetings on June 2, 2020 and June 5, 2019, which adopted resolutions with regard to the 2019 and 2018 surplus distribution proposals as follows:

	2019	2018
Legal reserve	\$ 29,030	\$ 24,712
Special reserve	\$ 45,404	\$ -
Cash dividends	\$ 42,984	\$ 26,782
Stock dividends	\$ 157,612	\$ 187,474
Cash dividends per share (NT\$)	\$ 0.15	\$ 0.1
Stock dividend per share (NT\$)	\$ 0.55	\$ 0.7

The Company had resolved in the board meeting the earnings distribution of 2020 on March 15, 2021 as follows:

	2020
Legal reserve	\$ 29,292

Special reserve	( \$ 45,404 )
Cash dividends	\$ 45,349
Stock dividends	\$ 256,979
Cash dividends per share (NT\$)	\$ 0.15
Stock dividend per share (NT\$)	\$ 0.85

The proposal for the distribution of earnings in 2020 is pending on the resolution of the General Meeting of shareholders scheduled to be held in 2021.

(4) Special reserve

	2020	2019
Balance - beginning	\$ 123,164	\$ 123,164
Amortization for other equity items	45,404	-
Balance - ending	\$ 168,568	\$ 123,164

(5) Other equity

1. Exchange differences from the translation of financial statements of foreign operations

	2020	2019
Balance - beginning	( \$ 5,340 )	( \$ 2,018 )
The portion of the conversion difference between the affiliated companies/jointly controlled entities that adopt the equity method	( 1,399 )	( 3,322 )
Balance - ending	( \$ 6,739 )	( \$ 5,340 )

2. Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss

	2020	2019
Balance - beginning	( \$ 163,227 )	\$ 151,899
Accrued in current year		
Unrealized gain or loss		
Equity instruments	847,664	( 330,446 )
Debt instruments	4,052	-
The shares of profit and/or loss at equity method over the associates	27,966	15,320
Reclassification adjustment		
The affiliated companies that adopt equity method for disposal	( 375 )	-
The accumulated gain/loss from the disposition of equity instruments will be transferred to retained earnings.	( 59,958 )	-
Balance - ending	\$ 656,122	( \$ 163,227 )

22. Revenue

	2020	2019
Sales revenue	\$ 1,400,481	\$ 1,635,887
Labor revenue	57,200	75,538
	\$ 1,457,681	\$ 1,711,425

Description of customer contracts

(1) Commodity sales revenue

The Company's product sales revenues primarily come from the sales of non-ionic surfactant products which have been sold at a fixed prices as agreed upon in the contracts. The Company recognizes revenues at the timepoints upon satisfying the customer's performance obligations and the timepoints when the performance obligations are satisfied while the customers obtain the transfer of control over the promised assets.

(2) Labor revenue

The Company renders labor services for product processing. After processing services are completed, the revenues are recognized while the customers' performance obligations are satisfied.

23. Business units in continuing operation income

Income from continuing operations department includes the following items

(1) Other income

	2020	2019
Remuneration to directors/supervisors	\$ 8,206	\$ 7,650
Subsidy granted by the Executive Yuan (the Cabinet) (Note 29)	6,109	-
Revenues to the directors and supervisors as business travel allowances	420	840
Gain on disposal of investments (Note 13)	258	-
Others	1,172	1,887
Total	<u>\$ 16,165</u>	<u>\$ 10,377</u>

(2) Financial costs

	2020	2019
Interest from bank borrowings	\$ 36,010	\$ 36,483
Interest on lease liabilities	168	143
Total	<u>\$ 36,178</u>	<u>\$ 36,626</u>

(3) Depreciation, and amortization expenses

	2020	2019
Property, plant and equipment	\$ 74,802	\$ 75,789
Right-of-use assets	5,955	3,085
Intangible assets	135	135
Total	<u>\$ 80,892</u>	<u>\$ 79,009</u>
Consolidation of depreciation expenses based on functions		
Operating cost	\$ 74,796	\$ 75,732
Operating expenses	5,961	3,142
	<u>\$ 80,757</u>	<u>\$ 78,874</u>
Consolidation of amortization expenses based on functions		
Operating cost	\$ 55	\$ 55
Operating expenses	80	80
	<u>\$ 135</u>	<u>\$ 135</u>

(4) Employee benefits expenses

	2020	2019
Retirement benefits (Note 20)		



Defined contribution pension plan	\$ 3,449	\$ 3,375
Defined benefit plan	498	930
Short-term employee benefits		
Salary & wage	83,865	87,456
Labor insurance and national health insurance	7,841	7,638
Other employee benefits	<u>3,976</u>	<u>4,643</u>
Total employee benefits expenses	\$ <u>99,629</u>	\$ <u>104,042</u>
Consolidation based on functions		
Operating cost	\$ 74,232	\$ 72,885
Operating expenses	<u>25,397</u>	<u>31,157</u>
	\$ <u>99,629</u>	\$ <u>104,042</u>

(5) Remuneration to employees, Directors and Supervisors

According to the Articles of Incorporation, the Company appropriated 1% to 5% and no more than 0.3% of the earnings before taxation before the deduction of remuneration to the employees, Directors and Supervisors of the same year. The Company's profit sharing bonus to employees and compensation to directors for 2020 and 2019, respectively, had been approved by the Board of Directors of the Company held on March 15, 2021 and March 16, 2020, respectively.

Estimate on ratio

	<u>2020</u>	<u>2019</u>
Remuneration to employees	1%	1%
Remuneration to directors/supervisors	0.3%	0.3%

Amount

	<u>2020</u>	<u>2019</u>
Remuneration to employees	\$ <u>2,597</u>	\$ <u>3,018</u>
Remuneration to directors/supervisors	\$ <u>779</u>	\$ <u>905</u>

If there are still changes in the amount specified in the financial statement after announcement, proceed to the accounting of change and adjusted for booking in the next fiscal year.

On the remuneration to employees and remuneration to directors and supervisors for the year 2019 and the year 2018, the decisions resolved by the board of directors on March 16, 2020 and March 18, 2019 as follows:

	<u>2019</u>	<u>2018</u>
	<u>Cash</u>	<u>Cash</u>
Remuneration to employees	\$ <u>3,018</u>	\$ <u>2,492</u>
Remuneration to directors/supervisors	\$ <u>905</u>	\$ <u>748</u>

The actual amount for remuneration to employees, Directors and Supervisors in 2019 and 2018 did not vary from the amount recognized in the financial statements of 2019 and 2018.

For further information on the appropriation of remuneration to the employees and Directors and Supervisors by the Board of Taichung Commercial Bank in 2021 and 2020, visit the "MOPS" website of Taiwan Stock Exchange Corporation.

24. Continuing department income tax

(1) Main components of income tax expense (profit) recognized in profit or loss

	2020	2019
Income tax expenses in the current period		
Additional levy on undistributed earnings	\$ 894	\$ 3,607
Prior years adjustment	( 256 )	-
	<u>638</u>	<u>3,607</u>
Deferred tax		
Accrued in current year	5,428	3,999
Prior years adjustment	<u>2,305</u>	<u>-</u>
	<u>7,733</u>	<u>3,999</u>
Income tax expense recognized in the profit or loss	<u>\$ 8,371</u>	<u>\$ 7,606</u>

Adjustment of accounting income and income tax expense are as follows:

	2020	2019
Income before tax from continuing operations	<u>\$ 256,302</u>	<u>\$ 297,900</u>
Income tax expense of net income before tax at the statutory tax rate	\$ 51,260	\$ 59,580
Non-taxable income	( 47,573 )	( 55,818 )
Additional levy on undistributed earnings	894	3,607
Non-deductible expenses and losses for tax purposes	302	402
Unrecognized deductible temporary differences	1,439	( 165 )
Income tax expense of prior years adjusted in the current year	( 256 )	-
The income expenses deferred in the previous year(s) were adjusted in the present fiscal year	<u>2,305</u>	<u>-</u>
Income tax expense recognized in the profit or loss	<u>\$ 8,371</u>	<u>\$ 7,606</u>

(2) The income tax (interest) recognized into other comprehensive profit and/or loss

	2020	2019
<u>Deferred tax</u>		
Accrued in current year		
Reevaluation of determined benefit plan	( \$ 464 )	\$ 1,335

(3) Current income tax asset and liability

	December 31, 2020	December 31, 2019
Current income tax asset		
Tax refund receivable	\$ -	\$ 270
Current Tax Liability		
Payable income tax	<u>\$ 39</u>	<u>\$ 2,689</u>

(4) Deferred income tax assets and liabilities

Changes in the deferred income tax assets and liabilities are as follows:

2020

	Balance, beginning of year	Recognized in the profit or loss	Recognized in the other comprehensive profit or loss	Balance, end of year
<u>Deferred income tax assets</u>				
Temporary difference				
Defined benefit pension plans	\$ 3,828	( \$ 147 )	\$ 464	\$ 4,145
Loss credit	3,346	( 2,302 )	-	1,044
Others	<u>6,197</u>	<u>( 5,284 )</u>	<u>-</u>	<u>913</u>

	Balance, beginning of year	Recognized in the profit or loss	Recognized in the other comprehensiv e profit of loss	Balance, end of year
	<u>\$ 13,371</u>	<u>( \$ 7,733)</u>	<u>\$ 464</u>	<u>\$ 6,102</u>
<u>Deferred tax liabilities</u>				
Temporary difference				
Allowance for land increment value tax	<u>\$ 40,896</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,896</u>
<u>2019</u>				
	Balance, beginning of year	Recognized in the profit or loss	Recognized in the other comprehensiv e profit of loss	Balance, end of year
<u>Deferred income tax assets</u>				
Temporary difference				
Defined benefit pension plans	\$ 7,256	( \$ 2,093)	( \$ 1,335)	\$ 3,828
Loss credit	3,346	-	-	3,346
Others	<u>8,103</u>	<u>( 1,906)</u>	<u>-</u>	<u>6,197</u>
	<u>\$ 18,705</u>	<u>( \$ 3,999)</u>	<u>( \$ 1,335)</u>	<u>\$ 13,371</u>
<u>Deferred tax liabilities</u>				
Temporary difference				
Allowance for land increment value tax	<u>\$ 40,896</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,896</u>

(5) Unused losses credit related information

Loss deduction as at December 31, 2020:

Uncredited balance	Last year of credit
<u>\$ 5,221</u>	<u>111</u>

(6) Income tax audit

The Company's filings of profit-seeking enterprise business income tax returns had been certified by the tax authority up till 2018.

25. Earnings per share

	2020	Unit: NTD per share 2019
Basic earnings per share	<u>\$ 0.82</u>	<u>\$ 0.96</u>
Diluted earnings per share	<u>\$ 0.82</u>	<u>\$ 0.96</u>

When calculating earnings per share, the impact of the stock dividend had been retroactively adjusted. The payment date of bonus shares is on September 2, 2020. Due to retrospective adjustment, the 2018 basic and diluted earnings per share changes are as follows:

	Cum-dividend	Unit: NTD per share Ex-dividend
Basic earnings per share	<u>\$ 1.01</u>	<u>\$ 0.96</u>
Diluted earnings per share	<u>\$ 1.01</u>	<u>\$ 0.96</u>

The earnings and weighted average common stock shares used in calculating the earnings per share are as follows:

<u>Net income</u>	2020	2019
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Net profit attributable to the company	\$ 247,931	\$ 290,294
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Quantity

	2020	Unit: Thousand Shares 2019
Weighted average common stock shares used to calculate basic earnings per share	302,328	302,328
Effect of dilutive potential common stock:		
Employee bonus	261	360
Weighted average common stock shares used to calculate diluted earnings per share	302,589	302,688

If the Company may choose to have the employee compensation distributed via a stock or cash dividend, calculate the diluted earnings per share, assuming that the bonus to employees is with a stock dividend distributed, with the weighted average number of shares outstanding included when the potential common stock has a diluted effect. When diluted EPS is calculated in the next year resolves the number of share distribution for employee compensation, the dilution effect is also considered for such potential common shares.

26. Related Party Transactions

Name	Affiliation
China Man-Made Fiber Corporation	The parent company
Sheng Jen Knitted Textiles Co., Ltd. and China Man-Made Fiber Investment Co., Ltd.	The management
Lung-Teng Chen, Kuo-Fu Hsiao and Kuo-Ming Chang (Note)	Independent Director of the Bank
Kuei-Hsien Wang, Hung-Yang Wu, Jeh-Yi Wang and Kuei-Fong Wang	The Company's chairman & director
Pan Asia Chemical Corporation (statutory representative Wang Kui-Hsien)	Director of China Man-Made Fiber Corporation
Melasse	The Company's affiliated enterprise adopting equity method
Taichung Securities Investment Trust Co., Ltd.	The Company's affiliated enterprise adopting equity method
Taichung Commercial Bank	The Company's affiliated enterprise adopting equity method
Taichung Commercial Bank Securities Co., Ltd.	Substantial related party
Taichung Bank Insurance Agency Co., Ltd.	Substantial related party
Taichung Commercial Bank Lease Enterprise	Substantial related party
TCCBL Co., Ltd.	Substantial related party
Taichung Commercial Bank Leasing (Suzhou) Ltd.	Substantial related party
Taichung Bank Venture Capital Co., Ltd.	Substantial related party
Deh Hsing Investment Co., Ltd.	Substantial related party
Chou Chin Industrial Co., Ltd.	Substantial related party
Chou Chang Corporation	Substantial related party
GREENWORLD FOOD CO., LTD.	Substantial related party
EUREKA INVESTMENT COMPANY LIMITED	Substantial related party
Pan-Feng Industry	Substantial related party

Name	Affiliation
Xiang-Feng Development	Substantial related party
Reliance Consolidated Securities Co., Ltd.	Substantial related party
Formosa Imperial Wineseller Corp.	Substantial related party
Da Fa Investment Company	Substantial related party
Tai Yi Investment	Substantial related party
Tou-Ming Industry	Substantial related party
Jin-Bang-Ge Industry	Substantial related party
IOLITE COMPANY LIMITED	Substantial related party
Hammock (Hong Kong) Company Limited	Substantial related party
Hebei Hanoshi Contact Lens Co., Ltd.	Substantial related party

Note: On June 12, 2020 while the directors of Session 14 were reelected while the original independent directors got tenure of office expiring, the newly elected independent directors were Cheng Lung-Ten, Hsiao Kuo-Fu and Chang Kuo-Ming.

Summarization of important transactions between the Bank and stakeholders:

(1) Sales of goods

	2020	2019
China Man-Made Fiber Corporation	\$ 3,424	\$ 4,050

The terms of transaction while the Company sells products to affiliated enterprises and terms of payment thereof are not significantly differing as compared with ordinary customers.

(2) Purchase of goods

	2020	2019
China Man-Made Fiber Corporation	\$ 601,055	\$ 792,320

In terms of transaction conditions where the Company purchases from its affiliated enterprises, except certain purchase cases without the similar types available for a comparison, all conditions are not significantly differing, with payment terms ranging from 30 to 60 days.

In addition, in an attempt to secure successful acquisition of the key raw materials, the Company signed an ethylene oxide purchase contract with China Man-Made Fiber Corporation. The key contents thereof are as enumerated below:

1. Contract period: From July 1, 2015 to June 30, 2021
2. Volume provided: Provided exactly according to the predetermined demand quantity proposed by the Company. China Man-Made Fiber Corporation has, nevertheless, been able to adjust the predetermined supply quantity as the actual circumstances of production might justify
3. Purchasing price: to be settled based on the pricing method agreed by both parties.

(3) Other income

	2020	2019
Taichung Commercial Bank	\$ 8,626	\$ 8,490
China Man-Made Fiber Corporation	360	300
Melasse	389	1,210
	\$ 9,375	\$ 10,000

The company's 2020 and 2019 other income from Taichung Commercial Bank pertains to the company serving as Taichung Commercial Bank's institutional director has received of director/auditor remuneration and director/auditor attendance travel expense income.

During the year 2020 and the year 2019, the other revenues received from China Man-Made Fiber Corporation and Mélasse Company were primarily revenues as service fees for provisions of workforce and other odd revenues.

## (4) Bank deposits and interest revenue

Name	2020		2019	
	Balance - ending	Interest revenue	Balance - ending	Interest revenue
Taichung Commercial Bank	\$ 113,890	\$ 8,288	\$ 38,487	\$ 8,293

The interest income received by the Company from Taichung Commercial Bank was primarily interest income as a result of deposits and investment in bonds. For more details regarding information of investment in bonds into Taichung Commercial Bank, please refer to Note /.

## (5) Receivables from related parties

Other receivables

	December 31, 2020	December 31, 2019
Taichung Commercial Bank	\$ 613	\$ 613
Melasse	361	1,200
China Man-Made Fiber Corporation	38	39
	<u>\$ 1,012</u>	<u>\$ 1,852</u>

The other receivables from Taichung Commercial Bank were interest receivable as a result of investment in bonds.

## (6) Accounts payable to related parties

Accounts payable

	December 31, 2020	December 31, 2019
China Man-Made Fiber Corporation	\$ 93,043	\$ 166,020

Other payables

	December 31, 2020	December 31, 2019
China Man-Made Fiber Corporation	\$ 3,631	\$ 4,241

## (7) Other business expenses

	2020	2019
China Man-Made Fiber Corporation	\$ 1,800	\$ 1,543
GREENWORLD FOOD CO., LTD.	37	71
Melasse	29	11
	<u>\$ 1,866</u>	<u>\$ 1,625</u>

The aforementioned amounts represent the fees for services rendered to China Man-Made Fiber Corporation and other business expenses received from Mélasse Company and Greenworld Food Co., Ltd.

## (8) Operating cost

	2020	2019
China Man-Made Fiber Corporation	\$ 2,056	\$ 2,067

The aforementioned operating costs represent the expenditures as waste treatment fee and air pollutant disposal fee.

## (9) Other transactions

The transaction amounts paid by the Company for purchases electricity, steam and pure water from China Man-Made Fiber Corporation were as enumerated below

	2020	2019
Electricity	\$ 21,904	\$ 24,944
Steam	7,851	16,568
Gas	1,646	3,012
Pure water	50	65
	<u>\$ 31,451</u>	<u>\$ 44,589</u>

(10) Lease agreements

Account titles in book	Type and Name of related party	2020	2019
Lease liabilities	China Man-Made Fiber Corporation	<u>\$ 5,727</u>	<u>\$ 8,531</u>

Name	2020	2019
<u>Interest expenses</u>		
China Man-Made Fiber Corporation	<u>\$ 97</u>	<u>\$ 136</u>

<u>Rent expense</u>		
China Man-Made Fiber Corporation	<u>\$ 286</u>	<u>\$ 286</u>

The rental was negotiated and agreed based on the rental prevailing in the neighborhood, and payable per month.

(11) Financial assets acquired

2019

Type and Name of related party	Account titles in book	Number of transaction units	Transaction object	Prices of acquisitions
Taichung Securities Investment Trust Co., Ltd.	Financial assets at fair value through profit and loss	743 thousand units	Reliance Taiwan Main Stream Small & Medium Cap Fund	\$ 16,000
	"	1,319 thousand units	TAROBO Robts Quant Chinese Fd.	15,000
	"	420 thousand units	The RSIT First Digital Fund	<u>15,000</u>
				<u>\$ 46,000</u>
Deh Hsing Investment Co., Ltd.	Financial assets at fair value through other comprehensive profit or loss	9,000 thousand shares	Taiwan Tea Corp. common shares	<u>\$ 150,064</u>

In 2019 as resolved by the board of directors, the Company purchased of 9,000 thousand common shares of Taiwan Agriculture and Forestry Corporation from its related party De Xing Investment Co., Ltd. Further on September 23, 2019 through the open market stock exchange post-acquisition trading method, the Company obtained the common shares at a transaction price of NT\$16.65 per share. The transaction price including handling charge NT\$214 thousand, totaled NT\$150,064 thousand.

(12) Rewards to management

The 2020 and 2019 total remuneration to directors and the other management are as follows:

	2020	2019
Short-term employee benefits	\$ 7,957	\$ 8,047
Retirement benefits	561	189
	<u>\$ 8,518</u>	<u>\$ 8,236</u>

The salaries and remunerations to directors and other key management were determined by the Salary Committee in accordance with the personal performances and trends in the markets:

(13) Other related party transaction

In December 2020, the Company participated in the cash capital increase of Taichung Commercial Bank and, as a result, increased the investment amount by NT\$109,560 thousand. Where in the cash capital increase, the Company did not subscribe pro rata to shareholding ratio, the shareholding ratio came down from 5.73% to 5.64%.

27. Pledged assets

The assets as enumerated below had been provided to serve as collateral:

	December 31, 2020	December 31, 2019
TAROBO Restricted assets – bank deposits (Pledged time deposit certificates)	\$ 1,500	\$ 1,500
TAROBO Restricted assets – bank deposits (Indemnifier)	13,499	-
Investment into common shares	873,083	647,017
Property, plant and equipment		
Land	246,245	246,245
House and Building	105,793	108,740
	<u>\$ 1,240,120</u>	<u>\$ 1,003,502</u>

28. Significant undertakings or contingencies

As of December 31, 2020 and 2019, the credit accounts had been opened by the Company with credit lines having not been used are as enumerated below:

	December 31, 2020	December 31, 2019
USD	\$ 1,286	\$ 409

29. Other matters

- (1) The Company's distributor pledged its time deposit certificate in an amount of NT\$2,000 thousand to the Company and further provided performance bond letter of guarantee in an amount of NT\$2,000 thousand issued by a bank to function as performance bond.
- (2) The Company was drastically affected by the global pandemic of coronavirus (COVID-19). The pandemic outbreak led to the shrinking market demand. Furthermore, as a result of the suspension from business operation during the annual overhaul from February to May 2020, the Company's operating revenues significantly plummeted from April to May 2020. As the pandemic slowed and restrictive policies were relaxed, the Company expects that business operation would restore to a normal manner. The Company has adopted the acts as enumerated below in response to the pandemic spread.

1. Adjustment of operating strategies:

In response to the pandemic impact, the Company strictly controls its inventory. It purchases raw materials accurately based on strategic order requirements as a means to minimize safety stock. Furthermore, it accurately arranges production based on the actual number of orders placed by customers or agents to minimize inventory of finished products. As of December 31, 2020, the Company's sales orders already gradually recovered.



Meanwhile amidst the sound pandemic control domestically, the domestic business trips and visits were not subject to restriction for the time being. Beyond the national borders, nevertheless, the pandemic threat remained austere. The Company, therefore, continually suspended business trips and customer visits abroad and visited overseas customers by means of phone calls and video system instead.

As of December 31, 2020, the Company's sales orders already gradually recovered. The business operation was back to stability and normal manner. As appraised by the Company, our business toward the real estate, plant and equipment showed no signs of impairment.

2. Bailout measures from the government:

The Company applied to the government for salary and working capital subsidies on May 30, 2020. After the review process, the Company was approved by the Industrial Bureau of the Ministry of Economic Affairs on June 17, 2020 a subsidy in an amount of NT\$6,149 thousand approximately. As of December 31, 2020, the Company had received NT\$6,109 thousand subsidies which were entered into account as non-operating income and other income under expenditures.

30. Financial instruments

(1) Fair value information- Financial instruments that are not measured at fair value

The management of the Company believes that the carrying amount of financial assets and liabilities not measured by fair values approaches their fair values.

(2) Information on fair value – financial instruments at fair value on repetition.

1. Information on levels of fair value of financial instruments

December 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit and loss</u>				
Beneficiary certificates of funds	\$ 62,072	\$ -	\$ -	\$ 62,072
<u>Financial assets at fair value through other comprehensive profit or loss</u>				
Equity investment				
- Listed stocks – domestic and emerging stock	3,027,380	-	-	3,027,380
- Domestic non-listed (OTC) stocks	-	-	69,112	69,112
Debt instrument				
- Domestic financial deb	-	204,052	-	204,052
Total	<u>\$3,089,452</u>	<u>\$ 204,052</u>	<u>\$ 69,112</u>	<u>\$3,362,616</u>

December 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit and loss</u>				
Beneficiary certificates of funds	\$ 47,587	\$ -	\$ -	\$ 47,587
<u>Financial assets at fair value through other comprehensive profit or loss</u>				
Equity investment				
- Listed stocks – domestic and emerging stock	2,300,739	-	-	2,300,739
- Domestic non-listed (OTC) stocks	-	-	39,792	39,792
Debt instrument				
- Domestic financial deb	-	200,000	-	200,000
Total	<u>\$ 2,348,326</u>	<u>\$ 200,000</u>	<u>\$ 39,792</u>	<u>\$ 2,588,118</u>

In 2020 and 2019, there was no transfer of fair values measures in Level I and Level II.

2. Financial instruments are adjusted according to Level 3 fair value.

2020

Financial assets at fair value through other  
comprehensive profit or loss

Financial Assets	Equity instruments	Debt instruments	Total
Balance, beginning of year	\$ 39,792	\$ -	\$ 39,792
Recognized in the other comprehensive income (Unrealized valuation gain or loss on financial assets at fair value through other comprehensive profit or loss)	29,320	-	29,320
Balance, end of year	<u>\$ 69,112</u>	<u>\$ -</u>	<u>\$ 69,112</u>

### 2019

Financial Assets	Equity instruments	Debt instruments	Total
Balance, beginning of year	\$ 43,949	\$ -	\$ 43,949
Recognized in the other comprehensive income (Unrealized valuation gain or loss on financial assets at fair value through other comprehensive profit or loss)	( 4,157 )	-	( 4,157 )
Balance, end of year	<u>\$ 39,792</u>	<u>\$ -</u>	<u>\$ 39,792</u>

### 3. Techniques and input value for measurement of Level 3 fair value

Categories of financial instruments	Evaluation techniques and input values
Investment equity not listed at TWSE (TPEx)	Asset approach: The Company referred to the net asset value measured by an independent external agency at fair value to evaluate the fair value of the investment target. Market approach: The Company evaluated the fair value of the investment target with reference to the recent operating activities of the investment target or the market transaction price and market conditions toward the similar targets.

### 4. The measurement of Level 3 fair value is the sensitivity analysis of the reasonable substituted assumption of fair value

The Company's fair value measurement of financial instruments proves reasonable and such third-level fair value measurement does not use a self-built evaluation model. In turn, there was no need to perform a sensitivity analysis toward the possible alternative assumptions.

### (3) Categories of financial instruments

	December 31, 2020	December 31, 2019
<u>Financial Assets</u>		
Measured at fair values through profit and/or loss		
Measured at fair value through income under compulsion	\$ 62,072	\$ 47,587
Financial assets on the basis of cost after amortization (Note 1)	892,435	658,931
Financial assets at fair value through other comprehensive profit or loss		
Equity investment	3,096,492	2,340,531
Debt instrument	204,052	200,000
<u>Financial Liabilities</u>		
Based on cost after amortization (Note 2)	2,931,781	2,865,231

Note 1: The balance includes cash and cash equivalents, notes receivable, accounts receivable, other receivables (excluding tax refunds receivable), restricted assets – current (other current assets listed in the account) and security deposits paid and refundable (entered as other assets in account) as well as other financial assets measured at post-amortization cost.

Note 2: The balance includes short-term loans, short-term bills payable, accounts payable (including related parties), other payables, long-term loans (including amounts due within one year) and deposits, and the like which are measured at post-amortization cost financial liabilities.

### (4) Financial risk management objectives and strategies

The Company's major financial instruments include investment into equity and liability instruments, notes receivable, accounts receivable, accounts payable (including related parties), other payables and loans. The Company's financial management department renders a variety of services on business with coordination to enter operation into domestic and international financial markets. Through the efforts to supervise and manage the financial risks related to the Company's operations, the Company would analyze the internal risk report of risk insurance according to the degree and breadth of the risk. These risks include market risk (including exchange rate risk, interest rate risk and other price risk), credit risk and liquidity risk.

# 1. Market risk

The company's operating activities subjecting the company to shoulder key financial risks being the foreign exchange rate fluctuation risk, interest rate fluctuation risk and equity securities pricing fluctuation risk.

## (1) Exchange rate risk

The Company is engaged in sales and purchase transactions denominated in foreign currencies. Accordingly, the Company is exposed to exchange rate related risks. Approximately 61% of the Company's sales are denominated in functional currencies and approximately 15% of the cost amount is denominated in functional currencies. The company's exchange rate exposure management is within the permitted scope of the policies and with the use of forward foreign exchange contract to manage risk.

For the carrying amount of monetary assets and monetary liabilities denominated in non-functional currencies of the Company as of the balance sheet date, please refer to Note 32 for more details.

### Sensitivity analysis

The Company is primarily affected by fluctuations in the exchange rate of the U.S. dollar currency.

The following table details the sensitivity analysis of the Company about the fact when the exchange rate of New Taiwan dollars (functional currency) to the relevant foreign currency with either increase or decrease by 3%. The 3% sensitivity rate is used for the Branch's reporting exchange rate risk to management; also, it is management's reasonable estimation of the possible fluctuation in exchange rates.

The sensitivity analysis includes only the outstanding foreign currency monetary items; also, the translation at yearend is adjusted with the change in exchange rate by 3%. The positive figures in the below table indicate that when various relevant currencies devaluating at 3%, which will affect the pretax net earnings' amount; when NTD appreciating by 3% to various relevant currencies, its impact to the pretax net earnings will be at the same amount but in a negative figure.

	The impact of the U.S. dollar	
	2020	2019
Profit and loss	\$ 11,916	\$ 9,743

## (2) Interest rate risk

The Company is exposed to interest rate risks due to funds borrowed at floating interest.

The carrying amount of financial assets and liabilities of the Company under interest rate exposure on balance sheet date is as follows:

	December 31, 2020	December 31, 2019
With fair value interest rate risk		
- Financial Liabilities	\$ 400,000	\$ 400,000
Contain cash flow interest rate risk		
- Financial Assets	205,552	201,500
- Financial Liabilities	2,350,000	2,184,000

The cash flow risk of interest rate changes is a liability with floating interest rate. Accordingly, where changes in market interest rates will cause the effective interest rate

of short-term and long-term borrowings to change, the future cash flows will fluctuate in response.

#### Sensitivity analysis

The following sensitivity analyses are based on the interest rate risk exposure of the non-derivative instruments on the balance sheet date. For liabilities with floating rate, it is analyzed by assuming the liabilities on the balance sheet date are outstanding throughout the reporting period. The fluctuation rate used on the interest rate in company internal report to key management level is at the interest rate plus or minus 100 base points, which also represents company management's assessment on rational probable fluctuation range on the interest rate.

Where interest rates increase/decrease by 100 base points and where all other variables remain unchanged, the Company's pre-tax net profit during the year 2020–2019 will decrease/increase by NT\$21,444 thousand and NT\$19,825 thousand.

#### (3) Other price oriented risks.

The Company generates equity price risk insurance as a result of its investment in equity securities. The said equity investment is not held for trading but is a strategic investment instead. The Company has not actively traded such investments. The Company's equity price risk is primarily concentrated on the equity instruments of the petrochemical industry on the transaction in Taiwan area.

#### Sensitivity analysis

The below listed sensitivity analysis has been sought by equity pricing exposure on the balance sheet date.

Where the equity price increases/decreases by 15%, the Company's pre-tax profit and loss during the year 2020–2019 would increase/decrease NT\$9,311 thousand and NT\$7,138 thousand as a result of changes in the fair value of financial assets measured at fair value through profit and loss. During the year 2020–2019, other comprehensive profit and loss before tax would increase/decrease by NT\$464,474 thousand and NT\$351,080 thousand as a result of changes in equity instruments measured at fair value.

Compared to the preceding year, the Company's sensitivity to the above-mentioned securities equity investments has not changed significantly.

#### 2. Credit risk

The term "credit risk" as set forth here incurred by the transaction counterparty's default in the obligations under a contract. As of the balance sheet date, the Company's maximum credit risk exposure of financial loss due to the counterparty's failure in fulfilling contractual obligations is mainly derived from the book value of the financial assets recognized on the balance sheet.

To mitigate the credit risk, the company management has assigned designated personnel responsible for determining the line of credit cap, loan approval and adopting other adequate monitoring procedure, through which to ascertain that adequate action has been taken on recalling overdue receivables. In addition, the Company will review the recoverable amount of receivables on each balance sheet date to ensure that appropriate impairment loss has been appropriated for the uncollectible receivables. Under the circumstance, the Company's management believes that the Company's credit risk is significantly reduced.

The company continues to assess the financial condition of the customers of accounts receivable.

The Company does expose to any major credit risk against any single transaction counterparty or any group of counterparties with similar characteristics in any single transaction. Whenever a counterparty is a related company to each other, the Company defines it as a transaction counterparty with similar characteristics.

#### 3. Liquidity risk

The Company manages and maintains adequate cash and cash equivalents to uphold the Company's business operation and to abate the impact from cash flow fluctuations. The Company's management monitors the use of banking facilities and ensures the compliance of loan agreement.

Bank loan is a main source of liquidity to the company. Please refer to Note (2) “introduction of financing quota” for the Company’s unused financial quota as of December 31, 2020 and 2019.

(1) Table of liquidity and potential interest rate risk of non-derivative financial liabilities

Non-derivative financial liabilities remaining contract maturity analysis is prepared in accordance with the consolidated company’s undiscounted cash flow of financial liabilities on the possible earliest repayment date upon request. The following table shows the earliest times that the Company may be demanded to make immediate repayment of bank loans, without considering the likelihood of such demands. Maturity analysis of other non-derivative financial liabilities is prepared based on the agreed repayment date.

<u>December 31, 2020</u>						
	<u>0 ~ 30 days</u>	<u>31 ~ 90 days</u>	<u>91 ~ 180 days</u>	<u>181 days to 1 year</u>	<u>Over 1 year</u>	<u>Total</u>
<u>Non-derivative financial liabilities</u>						
Shot-term borrowings	\$430,000	\$250,000	\$ -	\$300,000	\$ -	\$ 980,000
Short-term notes payable	200,000	100,000	100,000	-	-	400,000
Long-term borrowings	5,000	10,000	25,000	539,000	791,000	1,370,000
Accounts payable	25,214	104,899	770	-	-	130,883
Other payables	39,595	7,641	1,662	-	-	48,898
Lease liabilities	504	1,008	1,513	2,763	2,902	8,690
Deposits received	-	-	-	-	2,000	2,000
	<u>\$700,313</u>	<u>\$473,548</u>	<u>\$128,945</u>	<u>\$841,763</u>	<u>\$795,902</u>	<u>\$2,940,471</u>

<u>December 31, 2019</u>						
	<u>0 ~ 30 days</u>	<u>31 ~ 90 days</u>	<u>91 ~ 180 days</u>	<u>181 days to 1 year</u>	<u>Over 1 year</u>	<u>Total</u>
<u>Non-derivative financial liabilities</u>						
Shot-term borrowings	\$ 200,000	\$ 100,000	\$ -	\$ 350,000	\$ -	\$ 650,000
Short-term notes payable	200,000	100,000	100,000	-	-	400,000
Long-term borrowings	5,000	10,000	15,000	599,000	905,000	1,534,000
Accounts payable	95,437	126,274	922	-	-	222,633
Other payables	43,548	10,103	2,947	-	-	56,598
Lease liabilities	490	975	1,467	2,951	8,593	14,476
Deposits received	-	-	-	-	2,000	2,000
	<u>\$ 544,475</u>	<u>\$ 347,352</u>	<u>\$ 120,336</u>	<u>\$ 951,951</u>	<u>\$ 915,593</u>	<u>\$2,879,707</u>

(2) Financing amount

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Unsecured bank overdraft limit (subject to review anew on an annual basis)		
- The loan quota used	\$ 2,042,247	\$ 1,718,322
- The loan quota not yet used	332,753	686,678
	<u>\$ 2,375,000</u>	<u>\$ 2,405,000</u>

Secured bank overdraft line		
- The loan quota used	\$ 745,000	\$ 879,000
- The loan quota not yet used	28,000	50,000
	<u>\$ 773,000</u>	<u>\$ 929,000</u>

31. Capital risk management

Under the premise of capital management for assuring sustainable operation, the Company seeks to maximize return to shareholders through the optimization of debts and equity balance. There are no change to the company's overall strategy.

The Company's capital structure is composed of the net liabilities of the Company (i.e. the loans minus cash and equivalent cash) and equity (i.e. share capital, capital reserve, retained earnings and other equity items).

The Company's management reviews the capital structure yearly, and the reviews include taking into consideration the cost of capital and the risks associated with each class of capital. The Company based on the suggestions of management has the overall capital structure balanced by paying dividends, issuing new shares, buying back shares and issuing new debts or paying back old debts.

32. Information on foreign currency financial assets and liabilities subject to significant impact

The information about foreign currency financial assets and liabilities rendering material effect on the Company:

December 31, 2020

	<u>Foreign Currency</u>	<u>Foreign Exchange Rate</u>	<u>NTD</u>
<u>Foreign currency assets</u>			
<u>Monetary Items</u>			
USD	\$ 13,946	28.48	\$ 397,182

December 31, 2019

	<u>Foreign Currency</u>	<u>Foreign Exchange Rate</u>	<u>NTD</u>
<u>Foreign currency assets</u>			
<u>Monetary Items</u>			
USD	\$ 10,833	29.98	\$ 324,773

The Company is primarily subject to the foreign currency exchange rate risk in U.S. dollars. The following information is presented in the functional currency of each entity possessing foreign currency. The disclosed exchange rate refers to the exchange rate of such functional currency converting into the presentation currency. Those realized and unrealized foreign currency exchange gains and losses subject to significant impact are as enumerated below:

	<u>2020</u>		<u>2019</u>	
<u>Foreign Currency</u>	<u>Foreign Exchange Rate</u>	<u>Net exchange loss</u>	<u>Foreign Exchange Rate</u>	<u>Net exchange loss</u>
USD	28.48 (USD: NTD)	( \$ 19,861 )	29.98 (USD: NTD)	( \$ 5,880 )

33. Disclosures

(1) Material transactions and (2) transfer investment information:

1. Loans to others: None.
2. Endorsements/guarantees to others: None.

### 3. Marketable securities held – end of year

Unit: Thousand shares Currency unit: NTD Thousand

Holder of Securities	Type and Name of Securities	Affiliation with Securities Issuer	Account Title	Ending			Market Value	Remark
				Quantity	Book Value	Shareholding %		
Pan Asia Chemical Corporation	<u>Beneficiary certificates of funds</u>							
	<u>Reliance Taiwan Main Stream Small &amp; Medium Cap Fund</u>	Affiliated enterprises	Financial assets at fair value through profit or loss- current	743	\$ 20,986		\$ 20,986	
	<u>TAROBO Robts Quant Chinese Fd.</u>	"	"	1,319	21,862		21,862	
	<u>The RSIT First Digital Fund</u>	"	"	420	19,224		19,224	
					\$ 62,072		\$ 62,072	
	<u>Shares traded on the Taiwan Stock Exchange or OTC exchange</u>							
	<u>China Man-Made Fiber Corporation</u>	The parent company	The financial assets measured for the fair values through other comprehensive income- non-current	251,443	\$ 2,816,160	16	\$ 2,816,160	77,954 thousand shares pledged
	<u>Taiwan Tea Corporation</u>	N/A	"	11,800	211,220	1	211,220	
	<u>Non listed (OTC) domestic stock</u>							
	<u>TWSE</u>	N/A	"	275	22,792	-	22,792	
	<u>Chung Chien Investment Co., Ltd.</u>	A company controlled by CHINA MAN-MADE FIBER CORPORATION	"	12,000	46,320	18	46,320	
	<u>Chung Shing Textile Co., Ltd.</u>	N/A	"	120	-	-	-	
	<u>Domestic bond</u>							
	<u>Taichung Commercial Bank financial bonds</u>	Affiliated enterprises	"	20	204,052	-	204,052	
					\$ 3,300,544		\$ 3,300,544	

- Cumulative amount of the same marketable securities purchased or sold reaching NT\$300 million or more than 20% of the Paid-in shares capital: None.
- Acquisition amount of real estate reaching NT\$300 million or more than 20% of the Paid-in shares capital: None.
- Disposal of real estate reaching NT\$300 million or more than 20% of the Paid-in shares capital: None.
- Amount on purchase from and sale to related parties reaching 100 million NTD or more than 20% of the Paid-in capital.

Unit: NTD thousand

Purchaser/ Seller	Trading Counterpart	Affiliation	Status				Distinctive terms and conditions of trade and the reasons		Receivable (payable) accounts/notes		Remark
			Purchase (sale)	Amount	Percentage in total purchase (sale) amount %	Duration	Unit Price	Duration	Balance	Percentage in total receivable (payable) accounts/notes %	
Pan Asia Chemical Corporation	China Man-Made Fiber Corporation	The parent company	Purchase	\$ 601,055	60%	30 ~ 60 days	Other than some purchases without similar types available for a comparison, there are no major differences when compared with ordinary manufacturers.	30~180 days for the general transactions	(\$ 93,043)	(71%)	

- Accounts receivable-related party reaching NT\$100 million or more than 20% of the Paid-in capital: None.
- Transactions in engaging in derivative financial instruments: None.
- Other information: Amount of the business relationship and major transactions between parent company and subsidiaries and among subsidiaries: None.

# 11. Information about the investee's name, location...

Unit: NTD thousand

Investor	Investor	Location	Major Business Lines	Initial Investment Amount		Equity Ownership by the Company			Current period net gain (loss) of the investee	Investment gain (loss) recognized in current period	Remark
				Current period-ending	Previous period-ending	Quantity	Percentage %	Book Value			
Pan Asia Chemical Corporation	Taichung Commercial Bank	Taichung City	Banking business	\$ 1,457,394	\$ 1,347,834	\$ 234,256	6%	\$ 3,232,947	\$ 4,025,533	\$ 230,305	
	Taichung Securities Investment Trust Co., Ltd.	Taipei City	Securities investment trust business	15,738	15,738	979	3%	13,323	( 8,453 )	( 265 )	
	Melasse	Taipei City	Cleaning products manufacturing	14,500	14,500	1,450	50%	14,037	1,641	820	
Taichung Commercial Bank	Taichung Commercial Bank Lease Enterprise	Taichung City	Leasing industry	1,800,000	1,800,000	196,463	100%	1,931,004	27,868	27,868	
	Taichung Bank Insurance Agency Co., Ltd.	Taichung City	Insurance agency	6,000	6,000	128,600	100%	1,831,053	256,747	256,747	
	Taichung Commercial Bank Securities Co., Ltd.	Taichung City	Securities business	1,500,000	1,500,000	140,429	100%	1,514,812	128,246	128,246	
	Taichung Securities Investment Trust Co., Ltd.	Taipei City	Securities investment trust business	120,000	120,000	12,000	38%	163,148	( 8,453 )	( 3,294 )	
Taichung Commercial Bank Lease Enterprise	TCCBL Co., Ltd.	British Virgin Islands	Financing, leasing and investments.	893,373	893,373	30,000	100%	781,046	( 3,996 )	( 3,996 )	
TCCBL Co., Ltd.	Taichung Commercial Bank Leasing (Suzhou) Ltd.	Suzhou	Financing Leasing and investments	893,373	893,373	-	100%	736,562	8,726	8,726	
Taichung Commercial Bank Consolidated Securities Co., Ltd.	Taichung Bank Venture Capital Co., Ltd.	Taipei City	Venture Investment	210,000	-	21,000	100%	214,732	4,732	4,732	

## (3) Information about investment in Mainland China

Unit: NTD thousand

Investee	Major Business Lines	Paid-in capital	Mode of investment	Amount remitted from Taiwan in accumulation at beginning of the present term	Investment Remittance or Regain during the current period		Amount remitted from Taiwan in accumulation at ending of the present term	Current period net gain (loss) of the investee	The Company's Direct or Indirect Investment Holding Ratio %	Investment loss recognized in current period (Note 1)	Book Value of Investment at the End of the Period	Investment return already remitted back as of the present term
					Remittance	Regain						
Taichung Commercial Bank Leasing (Suzhou) Ltd.	Financing Leasing and investments	\$893,373 (CNY186,329 thousand)	Investment in Mainland China via a company in existence in a third country/territory	\$893,373 (CNY186,329 thousand)	\$ -	\$ -	\$893,373 (CNY186,329 thousand)	\$ 8,726 (CNY2,045 thousand)	5.64%	\$ 492 (CNY115 thousand)	\$41,542 (CNY9,623 thousand)	\$-

Amount accumulated, remitted from Taiwan for investment in Mainland China at the end of the current term	Investment Amount Approved by Investment Commission of MOEA	Mainland China Investment Ceiling as Regulated by Investment Commission of MOEA (Note 2)
\$ 893,373	\$ 893,373	\$ 1,158,602

Note 1: The investment gain (loss) recognized based on the financial statement audited and certified by an independent external auditor.

Note 2: The ceiling calculated by the applicant, Taichung Commercial Bank Lease Enterprise, according to the "Regulations Governing the Review of Investment or Technical Cooperation in Mainland China" of Investment Commission, MOEA.

Note 3: The foreign currency, if any, has been translated into NTD (CNY1=NTD4.32, CNY1=NTD4.27) at the foreign exchange rate-ending and average foreign exchange rate prevailing on the date of the financial statement.



(3) Information about investment 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. (Schedule 4)
2. With Mainland China, major transactions, and other prices, payment conditions, unrealized gains and losses that happened directly or indirectly through the third region by the investment company.
  - (1) Input amounts, percentages, balance, & percentages of relevant payable at end of the term: None.
  - (2) Sales amount and percentage thereof and the ending balance and percentage of related receivables: None.
  - (3) Amount of property transaction and amount of the profit and/or loss so incurred: None.
  - (4) Balance and purposes of endorsements/guarantees or collateral provided at end of the term: None.
  - (5) The highest balance of fund financing balance at end of the term, range of interest rates and total amount of interest in the current term: None.
  - (6) Other transactions having significant effect upon profit and/or loss or financial standing of the current term, e.g., provision or acceptance of services: None.

(4) Information of key shareholders: The names of the shareholders holding a shareholding ratio up to 5% or more, the amount and proportion of their shareholding.

Name of Principle shareholder	Stock	
	Shareholding (shares)	Shareholding
CHINA MAN-MADE FIBER CORPORATION	134,240,504	44.40%
Sheng Jen Knitted Textiles Co., Ltd.	18,748,469	6.20%
Chung Chien Investment Co., Ltd.	15,491,507	5.12%

34. Segment information

Departmental information is intended to be provided to major operating decision makers to allocate resources and evaluate departmental performance in a prudential manner. It focuses on the types of products or services delivered or provided. In the Company, the departments that should be reported are as enumerated below:

(1) Revenues and operating results of segments

Revenues and operating results of the company's continuing units are analyzed in accordance with segments to be reported, which are summarized as follows:

	Department income		Gain (loss) from operation	
	2020	2019	2020	2019
Department of Chemical Industry — EOD Plant	\$ 1,240,511	\$ 1,434,684	\$ 70,399	\$ 62,322
Department of Chemical Industry — Esterification Plant	217,170	276,741	( 29,208)	( 21,391)
Other Depts.	-	-	215,111	256,969
Total from continuing operations	<u>\$ 1,457,681</u>	<u>\$ 1,711,425</u>	<u>\$ 256,302</u>	<u>\$ 297,900</u>

Revenues reported above are generated from transactions with external customers. There were no inter-departmental sales generated on 2020 and 2019.

The term department profits refers to profits earned by each department, which does not include income tax expenses. The measured figures are provided for main decision makers to allocate resources to segments and evaluate the performance of each segment.

(2) Departmental total assets

Segment assets	December 31, 2020	December 31, 2019
Chemical Industry—		
EOD Plant	\$ 592,438	\$ 660,128
Chemical Industry—		
Esterification Plant	358,361	397,691
Others	<u>7,705,481</u>	<u>6,467,283</u>
Total segment assets	<u>\$ 8,656,280</u>	<u>\$ 7,525,102</u>

(3) Information of key customers

During the year 2020–2019, the sales revenues came to NT\$1,457,681 thousand and NT\$1,711,425 thousand; of which, NT\$255,138 thousand and NT\$202,443 thousand respectively came from the Company's top customer. During the year 2020–2019, there was no other income from a single customer that accounts for more than 10% of the Company's total income.