

# **Sinon Corporation**

**Financial Statements for the  
Years Ended December 31, 2019 and 2018 and  
Independent Auditors' Report**

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Sinon Corporation

### Opinion

We have audited the accompanying financial statements of Sinon Corporation (the "Company"), which comprise the balance sheets as of December 31, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

We conducted our audit of the financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020 and auditing standards generally accepted in the Republic of China. We conducted our audit of the financial statements for the year ended December 31, 2018 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in the Company's financial statements for the year ended December 31, 2019 are stated as follows.

### Recognition of revenue

For related accounting policies and detailed information on revenue recognition, refer to Notes 4 and 18 to the financial statements. The Company's operating revenue mainly comes from the sale of crop protection agents. Aside from supplying its department of crop protection, its main source of operating income comes from export sales. Thus, any changes in international trade of crop protection agents can significantly affect the Company's major operating income and such revenue is significant to the financial statements; therefore, we identified the recognition of revenue as a key audit matter.

The audit procedures that we performed in respect of revenue recognition included the following:

1. We assessed the appropriateness of the design of the relevant operating procedures for revenue recognition from export sales and tested the Company's operating effectiveness of the relevant controls for the year.
2. We understood and analyzed the changes in export sales transactions with customers and performed substantive procedures by sample-testing the customers' export subsidiary ledger, checking the sales receipts and shipping records to confirm the validity of the sales revenue.

### Impairment assessment of trade receivables

For related accounting policies and detailed information on revenue recognition, refer to Notes 4, 5 and 8 to the financial statements.

The impairment assessment of trade receivables is based on the management's consideration of possible recoverability and for known issues with a yet-unrecovered state.

Such impairment assessment involved management's subjective judgment, and the balance of the Company's trade receivables is significant; therefore, we identified the impairment of trade receivables as a key audit matter.

The audit procedures that we performed in respect of trade receivables included the following:

1. We understood management's policies on the allowance for impairment and assessed the relevant operations for the year.
2. We tested the correctness and completeness of the aging of trade receivables and reviewed the allowance for impairment to confirm the appropriateness of the accounting estimates.

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Ting-Chien Su and Done-Yuin Tseng.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 20, 2020

Notice to Readers

*The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent 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. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.*

# SINON CORPORATION

## BALANCE SHEETS

DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash (Notes 4 and 6)	\$ 496,063	4	\$ 299,031	3
Notes receivable (Notes 4 and 8)	25,880	-	35,422	-
Trade receivables (Notes 4, 5, 8, 18 and 24)	766,394	6	1,038,214	8
Receivables from related parties (Notes 18 and 24)	1,134,268	10	1,320,964	11
Other receivables (Notes 4 and 24)	59,966	1	36,944	-
Inventories (Notes 4 and 9)	1,232,074	10	1,338,744	11
Prepayments (Note 24)	184,698	2	128,788	1
Other current assets	4,685	-	4,462	-
Total current assets	<u>3,904,028</u>	<u>33</u>	<u>4,202,569</u>	<u>34</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	23,253	-	23,253	-
Investments accounted for using the equity method (Notes 4 and 10)	3,024,199	26	3,018,614	25
Property, plant and equipment (Notes 4, 11, 24 and 25)	4,566,295	38	4,769,221	39
Right-of-use assets (Note 12)	15,613	-	-	-
Deferred tax assets (Notes 4 and 20)	50,996	1	41,014	-
Prepayments for equipment	12,226	-	17,848	-
Refundable deposits (Note 25)	23,383	-	32,396	-
Other non-current assets (Note 13)	282,985	2	283,592	2
Total non-current assets	<u>7,998,950</u>	<u>67</u>	<u>8,185,938</u>	<u>66</u>
<b>TOTAL</b>	<u>\$ 11,902,978</u>	<u>100</u>	<u>\$ 12,388,507</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 14 and 25)	\$ 857,529	7	\$ 1,069,109	9
Short-term bills payable (Note 14)	20,000	-	-	-
Contract liabilities - current (Notes 4 and 18)	4,312	-	18,561	-
Notes payable	7,000	-	3,990	-
Trade payables	670,895	6	781,359	6
Trade payables to related parties (Note 24)	12,343	-	44,924	-
Current tax liabilities (Note 4 and 20)	73,752	1	107,570	1
Other payables (Note 15)	730,842	6	744,819	6
Lease liabilities - current (Note 12)	8,399	-	-	-
Current portion of long-term borrowings (Notes 14 and 25)	682,203	6	218,042	2
Other current liabilities (Note 24)	10,375	-	10,663	-
Total current liabilities	<u>3,077,650</u>	<u>26</u>	<u>2,999,037</u>	<u>24</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Notes 14 and 25)	1,065,000	9	1,747,203	14
Lease liabilities - non-current (Note 12)	7,366	-	-	-
Deferred tax liabilities (Notes 4 and 20)	247,816	2	243,020	2
Net defined benefit liabilities - non-current (Notes 4 and 16)	253,566	2	240,210	2
Guarantee deposits	74,523	1	72,107	-
Investments accounted for using the equity method - credit balance (Notes 4 and 10)	134,647	1	73,038	1
Other non-current liabilities	12,981	-	12,818	-
Total non-current liabilities	<u>1,795,899</u>	<u>15</u>	<u>2,388,396</u>	<u>19</u>
Total liabilities	<u>4,873,549</u>	<u>41</u>	<u>5,387,433</u>	<u>43</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>				
Ordinary shares	4,204,926	35	4,204,926	34
Capital surplus	450,289	4	450,275	4
Retained earnings				
Legal reserve	762,674	6	689,979	5
Special reserve	291,972	3	248,574	2
Unappropriated earnings	1,654,740	14	1,699,292	14
Other equity	(335,172)	(3)	(291,972)	(2)
Total equity	<u>7,029,429</u>	<u>59</u>	<u>7,001,074</u>	<u>57</u>
<b>TOTAL</b>	<u>\$ 11,902,978</u>	<u>100</u>	<u>\$ 12,388,507</u>	<u>100</u>

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

# SINON CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 18 and 24)	\$ 8,216,128	100	\$ 9,091,555	100
OPERATING COSTS (Notes 9, 19 and 24)	<u>6,275,741</u>	<u>76</u>	<u>6,994,547</u>	<u>77</u>
GROSS PROFIT	1,940,387	24	2,097,008	23
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES (Note 4)	<u>38,713</u>	<u>-</u>	<u>(19,229)</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>1,979,100</u>	<u>24</u>	<u>2,077,779</u>	<u>23</u>
OPERATING EXPENSES (Notes 19 and 24)				
Selling and marketing expenses	1,006,944	12	1,173,335	13
General and administrative expenses	160,352	2	149,194	2
Research and development expenses	<u>104,967</u>	<u>1</u>	<u>112,822</u>	<u>1</u>
Total operating expenses	<u>1,272,263</u>	<u>15</u>	<u>1,435,351</u>	<u>16</u>
PROFIT FROM OPERATIONS	<u>706,837</u>	<u>9</u>	<u>642,428</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 19 and 24)	60,373	1	56,117	1
Other gains and losses (Note 19)	(25,238)	-	102,509	1
Finance costs (Note 19)	(43,295)	(1)	(56,246)	(1)
Share of profit of subsidiaries and associates (Notes 4 and 10)	<u>92,585</u>	<u>1</u>	<u>104,542</u>	<u>1</u>
Total non-operating expenses	<u>84,425</u>	<u>1</u>	<u>206,922</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	791,262	10	849,350	9
INCOME TAX EXPENSE (Notes 4 and 20)	<u>116,407</u>	<u>2</u>	<u>122,393</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>674,855</u>	<u>8</u>	<u>726,957</u>	<u>8</u>

(Continued)

# SINON CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (7,953)	-	\$ 23,951	-
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	(379)	-	4,441	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>1,590</u>	<u>-</u>	<u>(4,580)</u>	<u>-</u>
	<u>(6,742)</u>	<u>-</u>	<u>23,812</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(44,877)	-	(43,287)	-
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	<u>1,677</u>	<u>-</u>	<u>(112)</u>	<u>-</u>
	<u>(43,200)</u>	<u>-</u>	<u>(43,399)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(49,942)</u>	<u>-</u>	<u>(19,587)</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 624,913</u>	<u>8</u>	<u>\$ 707,370</u>	<u>8</u>
<b>EARNINGS PER SHARE (Note 21)</b>				
Basic	<u>\$ 1.60</u>		<u>\$ 1.74</u>	
Diluted	<u>\$ 1.60</u>		<u>\$ 1.73</u>	

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

(Concluded)

**SINON CORPORATION**

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars)**

	Ordinary Shares (Note 17)	Capital Surplus (Note 17)	Retained Earnings (Note 17)			Other Equity (Notes 4 and 17)			Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2018	\$ 4,149,934	\$ 433,832	\$ 632,175	\$ 203,887	\$ 1,466,515	\$ (253,277)	\$ 4,704	\$ -	\$ 6,637,770
Effect of retrospective application and retrospective restatement	-	-	-	-	5,721	-	(4,704)	4,704	5,721
BALANCE AT JANUARY 1, 2018 AS RESTATED	4,149,934	433,832	632,175	203,887	1,472,236	(253,277)	-	4,704	6,643,491
Appropriation of 2017 earnings									
Legal reserve	-	-	57,804	-	(57,804)	-	-	-	-
Special reserve	-	-	-	44,687	(44,687)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(421,222)	-	-	-	(421,222)
Other changes in capital surplus	-	15	-	-	-	-	-	-	15
Net profit for the year ended December 31, 2018	-	-	-	-	726,957	-	-	-	726,957
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	23,812	(43,287)	-	(112)	(19,587)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	750,769	(43,287)	-	(112)	707,370
Convertible bonds converted to ordinary shares	54,992	16,428	-	-	-	-	-	-	71,420
BALANCE AT DECEMBER 31, 2018	4,204,926	450,275	689,979	248,574	1,699,292	(296,564)	-	4,592	7,001,074
Effect of retrospective application and retrospective restatement	-	-	-	-	(49,932)	-	-	-	(49,932)
BALANCE AT JANUARY 1, 2019 AS RESTATED	4,204,926	450,275	689,979	248,574	1,649,360	(296,564)	-	4,592	6,951,142
Appropriation of 2018 earnings									
Legal reserve	-	-	72,695	-	(72,695)	-	-	-	-
Special reserve	-	-	-	43,398	(43,398)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(546,640)	-	-	-	(546,640)
Other changes in capital surplus	-	14	-	-	-	-	-	-	14
Net profit for the year ended December 31, 2019	-	-	-	-	674,855	-	-	-	674,855
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	(6,742)	(44,877)	-	1,677	(49,942)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	668,113	(44,877)	-	1,677	624,913
BALANCE AT DECEMBER 31, 2019	\$ 4,204,926	\$ 450,289	\$ 762,674	\$ 291,972	\$ 1,654,740	\$ (341,441)	\$ -	\$ 6,269	\$ 7,029,429

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

# SINON CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 791,262	\$ 849,350
Adjustments for:		
Depreciation expenses	383,131	436,603
Expected credit loss reversed on trade receivables	(28,254)	(3,938)
Net loss on fair value changes of financial assets designated at fair value through profit or loss	-	1,938
Financial costs	43,295	56,246
Interest income	(3,082)	(1,795)
Dividend income	(388)	(1,163)
Share of profit of subsidiaries and associates	(92,585)	(104,542)
Gain on disposal of property, plant and equipment	(424)	(63,393)
Write-downs of inventories	6,142	1,597
Impairment loss recognized on non-financial assets	-	2,600
Unrealized loss (gain) on transactions with subsidiaries and associates	(38,713)	19,228
Net loss (gain) on unrealized foreign currency exchange	28,345	(11,429)
Net gains on modification of leasing arrangement	(56)	-
Changes in operating assets and liabilities		
Notes receivable	9,542	3,159
Trade receivables	450,026	(388,003)
Other receivables	(23,022)	14,185
Inventories	100,528	(189,141)
Prepayments	(55,910)	31,496
Other current assets	(223)	527
Contract liabilities	(14,249)	(11,544)
Notes payable	3,010	(13,653)
Trade payables	(138,859)	71,608
Other payables	(13,182)	37,461
Other current liabilities	(288)	(1,734)
Net defined benefit liabilities	5,403	(40,882)
Cash generated from operations	1,411,449	694,781
Interest received	3,082	1,795
Dividends received	94,301	81,938
Interest paid	(46,103)	(52,805)
Income tax paid	(153,821)	(115,944)
Net cash generated from operating activities	<u>1,308,908</u>	<u>609,765</u>

(Continued)

# SINON CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from return of capital from investments accounted for using the equity method	\$ -	\$ 500,010
Payments for property, plant and equipment	(127,688)	(159,633)
Proceeds from disposal of property, plant and equipment	1,932	15,695
Decrease (increase) in refundable deposits	9,013	(14,554)
Decrease in other non-current assets	607	1,026
Increase in prepayments for equipment	<u>(38,134)</u>	<u>(17,203)</u>
Net cash generated from (used in) investing activities	<u>(154,270)</u>	<u>325,341</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from (repayments of) short-term borrowings	(207,366)	74,096
Repayments of short-term bills payable	20,000	(200,000)
Repayments of bonds payable	-	(9,500)
Proceeds from long-term borrowings	120,000	1,250,000
Repayments of long-term borrowings	(338,042)	(1,723,042)
Proceeds from guarantee deposits received	2,416	13,991
Repayment of the principal portion of lease liabilities	(8,151)	-
Increase in non-current liabilities	163	1,336
Dividends paid to owners of the Company	<u>(546,626)</u>	<u>(421,207)</u>
Net cash used in financing activities	<u>(957,606)</u>	<u>(1,014,326)</u>
NET INCREASE (DECREASE) IN CASH	197,032	(79,220)
CASH AT THE BEGINNING OF THE YEAR	<u>299,031</u>	<u>378,251</u>
CASH AT THE END OF THE YEAR	<u>\$ 496,063</u>	<u>\$ 299,031</u>

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

(Concluded)

# SINON CORPORATION AND SUBSIDIARIES

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

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### 1. GENERAL INFORMATION

Sinon Corporation (the “Company”) was incorporated in November 1963. It mainly manufactures and sells various chemicals and fertilizer.

The Company’s shares have been listed on the Taiwan Stock Exchange (“TWSE”) since December 14, 1989.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 20, 2020.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

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

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

#### IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

#### Definition of a lease

The Company elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

#### The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases on the company balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the company statements of comprehensive income, the Company presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the Company statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities.

Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the company statements of cash flows. Leased assets and finance lease payables were recognized on the company balance sheets for contracts classified as finance leases.

The Company elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments the Company applies IAS 36 to all right-of-use assets.

The Company also applies the following practical expedients:

- 1) The Company applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Company accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- 3) The Company excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- 4) The Company uses hindsight, such as in determining lease terms, to measure lease liabilities.

For leases previously classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 are determined as at the carrying amounts of the respective leased assets and finance lease payables on December 31, 2018.

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 3.211%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 32,430
Less: Recognition exemption for short-term leases	(20,979)
Less: Recognition exemption for leases of low-value assets	<u>(1)</u>
Undiscounted amounts on January 1, 2019	<u>\$ 11,450</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	<u>\$ 11,450</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 10,057</u>

#### The Company as lessor

The Company does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	<b>As Originally Stated on January 1, 2019</b>	<b>Adjustments Arising from Initial Application</b>	<b>Restated on January 1, 2019</b>
Investments accounted for using the equity method	\$ 2,980,160	\$ (49,829)	\$ 2,930,331
Right-of-use assets	<u>-</u>	<u>9,954</u>	<u>9,954</u>
Total effect on assets	<u>\$ 2,980,160</u>	<u>\$ (39,875)</u>	<u>\$ 2,940,285</u>
Lease liabilities - current	<u>\$ -</u>	<u>\$ 10,057</u>	<u>\$ 10,057</u>
Total effect on liabilities	<u>\$ -</u>	<u>\$ 10,057</u>	<u>\$ 10,057</u>
Retained earnings	<u>\$ 2,637,845</u>	<u>\$ (49,932)</u>	<u>\$ 2,587,913</u>
Total effect on equity	<u>\$ 2,637,845</u>	<u>\$ (49,932)</u>	<u>\$ 2,587,913</u>

- b. The IFRSs endorsed by the FSC for application starting from 2020

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

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

Note 2: The Company shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

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

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

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

Note: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

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

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

a. Statement of compliance

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

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

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

When preparing the company financial statements, the Company used the equity method to account for its investments in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the company financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the company basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries and associates, the share of other comprehensive income of subsidiaries and associates and the related equity items, as appropriate, in these parent company only financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

d. Foreign currencies

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

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

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

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

For the purpose of presenting financial statements, the functional currencies of the Company and its foreign operations (including subsidiaries, associates in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollars, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is included in the calculation of equity transactions but is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

e. Inventories

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

f. Investments accounted for using the equity method

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

1) Investments in subsidiaries

A subsidiary is an entity (including a structured entity) that is controlled by the Company.

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

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

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

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

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

Profits or losses resulting from downstream transactions are eliminated in full only in the company financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the company financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

## 2) Investment in associates

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

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

When the Company subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Company's shares of equity of associates. If the Company's ownership interest is reduced due to the additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate and a joint venture. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and the joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and the joint venture. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate and joint venture on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Company continues to apply the equity method and does not remeasure the retained interest.

When an entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's financial statements only to the extent that interests in the associate are not related to the Company.

g. Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

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

h. Impairment of tangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

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

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

i. Financial instruments

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

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

Financial assets

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

## 1) Measurement categories

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

### a) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 23.

### b) Financial assets at amortized cost

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

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

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

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

- i. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and
- ii. Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i. Significant financial difficulty of the issuer or the borrower;
- ii. Breach of contract, such as a default;
- iii. It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv. The disappearance of an active market for that financial asset because of financial difficulties.

## 2) Impairment of financial assets

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

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

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

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

- a) Internal or external information show that the debtor is unlikely to pay its creditors.
- b) When a financial asset is more than 90 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

## 3) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

## Financial liabilities

### 1) Subsequent measurement

Except for the financial liabilities classified as at FVTPL, all the financial liabilities are measured at amortized cost using the effective interest method.

The financial liabilities classified as at FVTPL are held for trading, with any gain or loss arising on remeasurement recognized in profit or loss.

### 2) Derecognition of financial liabilities

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

j. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

k. Revenue recognition

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

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

Sales of goods are recognized as revenue when the goods are delivered to the customer's specific location because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivable is recognized concurrently. The transaction price received is recognized as a contract liability until the goods have been controlled by the customer.

The Company does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

l. Leases

2019

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

1) The Company as lessor

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

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis.

2) The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the company balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the company balance sheets.

## 2018

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

### 1) The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

### 2) The Company as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rents is recognized as expenses in the period in which they are incurred.

## m. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

## n. Employee benefits

### 1) Short-term employee benefits

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

### 2) Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

o. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

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

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carry forward to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

### 3) Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

### Key Sources of Estimation Uncertainty

#### Estimated impairment of financial assets

The provision for impairment of trade receivables, investments in debt instruments, and financial guarantee contracts is based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 8. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

## 6. CASH

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Cash on hand	\$ 2,556	\$ 4,588
Checking accounts and demand deposits	<u>493,507</u>	<u>294,443</u>
	<u>\$ 496,063</u>	<u>\$ 299,031</u>

## 7. FINANCIAL INSTRUMENTS AT FVTPL

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Financial assets at FVTPL - non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic unlisted shares	<u>\$ 23,253</u>	<u>\$ 23,253</u>

## 8. NOTES RECEIVABLE AND TRADE RECEIVABLES

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ 25,880	\$ 35,422
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 768,187	\$ 1,068,261
Less: Allowance for impairment loss	<u>(1,793)</u>	<u>(30,047)</u>
	<u>\$ 766,394</u>	<u>\$ 1,038,214</u>

### a. Notes receivable

In determining the recoverability of the notes receivable, the Company considered any change in the credit quality of the notes receivable since the date credit was initially granted to the end of the reporting period. The Company continuously accessed and monitored the reference to past default experience of its counterparties and the analysis of their current financial position to assess if the credit risk increase after the initial recognition.

### b. Trade receivables

The Company determines the credit period of sales of goods based on the counterparty's credit rating, location and transaction terms. No interest was charged on trade receivables. When determining the recoverability of trade receivable, the Company considers any change in the receivables from the original credit date to the credit quality of the balance sheet. Allowance for impairment loss was recognized against trade receivables based on the estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. For accounts receivables that are past due 150 days without collaterals or guarantees, the Company recognized loss allowance at full amount. In this regard, the management believes the Company's credit risk was significantly reduced.

For some trade receivables balances that were past due at the end of the reporting period, the Company did not recognize an allowance for impairment loss because there was no significant change in credit quality and the amounts were still considered recoverable. The Company did not hold any collateral or other credit enhancements for these balances.

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

The aging of receivables was as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Not past due	\$ 721,971	\$ 1,038,214
Past due		
1-90 days	45,387	-
91-180 days	-	-
More than 180 days	<u>829</u>	<u>30,047</u>
	<u>\$ 768,187</u>	<u>\$ 1,068,261</u>

The above aging schedule was based on the past due date.

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ 30,047	\$ 35,526
Less: Net remeasurement of loss allowance	(28,254)	(3,938)
Less: Amounts written off	<u>-</u>	<u>(1,541)</u>
Balance at December 31	<u>\$ 1,793</u>	<u>\$ 30,047</u>

## 9. INVENTORIES

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Merchandise	\$ 131,294	\$ 260,701
Finished goods	295,289	271,488
Work in progress	336,412	266,641
Raw materials and supplies	457,607	526,113
Inventory in transit	<u>11,472</u>	<u>13,801</u>
	<u>\$ 1,232,074</u>	<u>\$ 1,338,744</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 was \$6,275,741 thousand and \$6,994,547 thousand, respectively.

The cost of goods sold included inventory write-downs of \$6,142 thousand and \$1,597 thousand.

## 10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31				Remark
	2019		2018		
	Carrying Amount	% of Ownership	Carrying Amount	% of Ownership	
<u>Investment in subsidiaries - unlisted companies</u>					
Sinon Cayman Corporation ("Sinon Cayman")	\$ 1,454,713	100	\$ 1,466,601	100	
Yumei Yen Co., Ltd. ("Yumei Yen")	482,669	100	470,075	100	
Hsing Wei Corporation ("Hsing Wei")	436,427	100	409,438	100	
Taiwan Fresh Supermarket Co., Ltd. ("TFS")	334,540	88	360,651	88	
Syntai Chemicals Ltd. ("Syntai Chemicals")	275,651	100	273,451	100	
Sinon Eu GmbH ("Sinon Germany")	1,195	100	1,088	100	1)
Sinon Trading Co., Ltd. ("Sinon Trading")	914	100	810	100	1)
Sinon USA, Inc. ("Sinon USA")	582	100	651	100	
Pt Sinon Indonesia ("Sinon Indonesia")	45	100	698	100	1)
Sinon (Thailand) Co., Ltd. ("Sinon Thailand")	(6,651)	100	(8,027)	100	1) 2)
Sinon Do Brazil Ltda. ("Sinon Brazil")	(58,251)	100	(34,374)	100	
Sinon Australia Pty Limited ("Sinon Australia")	<u>(69,745)</u>	100	<u>(30,637)</u>	100	
	2,852,063		2,910,425		
<u>Investment in associates - unlisted companies</u>					
Knowledge & Service Information Co., Ltd. ("K&S")	<u>37,489</u>	49	<u>35,151</u>	49	
	2,889,552		2,945,576		
Add: Investments accounted for using the equity method -credit balance	<u>134,647</u>		<u>73,038</u>		
	<u>\$ 3,024,199</u>		<u>\$ 3,018,614</u>		

- 1) The financial statement of insignificant subsidiaries had not been audited. However, the Company believes that had those companies' financial statements been audited, any adjustments would have no material effect on the Company's financial statements.
- 2) Due to certain restrictions to foreign investors in Thailand, 51% of the shares of Sinon Thailand are held by the local investors. However, the Company has effective control over Sinon Thailand.

See Table 6 for the nature of activities, principal place of business and country of incorporation of the associates.

The summarized financial information in respect of the Company's associates is set out below:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Total assets	<u>\$ 126,312</u>	<u>\$ 125,423</u>
Total liabilities	<u>\$ 49,487</u>	<u>\$ 53,389</u>
	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Revenue	<u>\$ 110,213</u>	<u>\$ 123,722</u>
Profit for the year	<u>\$ 8,833</u>	<u>\$ 8,104</u>
Other comprehensive income	<u>\$ 3,158</u>	<u>\$ (338)</u>

## 11. PROPERTY, PLANT AND EQUIPMENT

	<b>December 31, 2019</b>
Assets used by the Company	\$ 4,490,999
Assets leased under operating leases	<u>75,296</u>
	<u>\$ 4,566,295</u>

### a. Assets used by the Company - 2019

	<b>For the Year Ended December 31, 2019</b>						
	<b>Beginning Balance</b>	<b>Adjustments on Initial Application of IFRS 16</b>	<b>Beginning Balance (Restated)</b>	<b>Additions</b>	<b>Disposals</b>	<b>Reclassified Amount</b>	<b>Ending Balance</b>
<u>Cost</u>							
Land	\$ 2,900,929	\$ (40,164)	\$ 2,860,765	\$ 406	\$ -	\$ 607	\$ 2,861,778
Buildings	1,086,617	(65,835)	1,020,782	402	(5,300)	4,634	1,020,518
Machinery and equipment	2,281,938	-	2,281,938	28,680	(40,007)	65,824	2,336,435
Transportation equipment	35,875	-	35,875	1,361	(895)	-	36,341
Leasehold improvements	24,864	-	24,864	-	-	-	24,864
Other equipment	1,463,773	-	1,463,773	36,737	(144,745)	38,930	1,394,695
Property under construction	130,872	-	130,872	62,115	-	(66,239)	126,748
	<u>7,924,868</u>	<u>\$ (105,999)</u>	<u>7,818,869</u>	<u>\$ 129,701</u>	<u>\$ (190,947)</u>	<u>\$ 43,756</u>	<u>7,801,379</u>
<u>Accumulated depreciation</u>							
Buildings	433,115	\$ (29,525)	403,590	\$ 40,267	\$ (5,300)	\$ -	438,557
Machinery and equipment	1,644,566	-	1,644,566	192,768	(39,760)	-	1,797,574
Transportation equipment	27,353	-	27,353	3,110	(895)	-	29,568
Leasehold improvements	24,864	-	24,864	-	-	-	24,864
Other equipment	1,023,149	-	1,023,149	137,552	(143,484)	-	1,017,217
	<u>3,153,047</u>	<u>\$ (29,525)</u>	<u>3,123,522</u>	<u>\$ 373,697</u>	<u>\$ (189,439)</u>	<u>\$ -</u>	<u>3,307,780</u>
<u>Accumulated impairment</u>							
Buildings	2,600	\$ -	2,600	\$ -	\$ -	\$ -	2,600
	<u>\$ 4,769,221</u>		<u>\$ 4,692,747</u>				<u>\$ 4,490,999</u>

The above items of property, plant and equipment used by the Company are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main buildings	7-61 years
Mechanical and electrical facilities	8-21 years
Others	5-56 years
Machinery and equipment	3-18 years
Transportation equipment	4-8 years
Leasehold improvements	2-7 years
Other equipment	3-25 years

The amount of property, plant and equipment pledged as collateral for bank borrowings are set out in Note 25.

b. Assets leased under operating leases - 2019

	Beginning Balance	Adjustments on Initial Application of IFRS 16	Beginning Balance (Restated)	Additions	Disposals	Ending Balance
<u>Cost</u>						
Land	\$ -	\$ 40,164	\$ 40,164	\$ -	\$ -	\$ 40,164
Buildings	-	65,835	65,835	-	-	65,835
	-	<u>\$ 105,999</u>	<u>\$ 105,999</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105,999</u>
<u>Accumulated depreciation</u>						
Buildings	-	<u>\$ 29,525</u>	<u>29,525</u>	<u>\$ 1,178</u>	<u>\$ -</u>	<u>30,703</u>
	-		<u>\$ 76,474</u>			<u>30,703</u>
	<u>\$ -</u>					<u>\$ 75,296</u>

Operating leases relate to lease of land and buildings with lease terms between 2019 and 2022. All operating lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating lease payments was as follows:

	<b>December 31, 2019</b>
Year 1	\$ 2,077
Year 2	1,849
Year 3	<u>135</u>
	<u>\$ 4,061</u>

c. 2018

	<b>For the Year Ended December 31, 2018</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Reclassified and Other</b>	<b>Ending Balance</b>
<u>Cost</u>					
Land	\$ 2,909,997	\$ -	\$ (9,068)	\$ -	\$ 2,900,929
Buildings	1,008,101	4,303	(9,783)	83,996	1,086,617
Machinery and equipment	2,250,597	24,998	(53,934)	60,277	2,281,938
Transportation equipment	34,125	2,212	(747)	285	35,875
Leasehold improvements	24,864	-	-	-	24,864
Other equipment	1,508,831	28,529	(110,720)	37,133	1,463,773
Property under construction	187,739	99,591	-	(156,458)	130,872
	<u>7,924,254</u>	<u>\$ 159,633</u>	<u>\$ (184,252)</u>	<u>\$ 25,233</u>	<u>7,924,868</u>
<u>Accumulated depreciation</u>					
Buildings	399,956	\$ 41,006	\$ (7,847)	\$ -	433,115
Machinery and equipment	1,498,372	200,118	(53,924)	-	1,644,566
Transportation equipment	24,989	3,111	(747)	-	27,353
Leasehold improvements	24,864	-	-	-	24,864
Other equipment	941,335	192,368	(110,554)	-	1,023,149
	<u>2,889,516</u>	<u>\$ 436,603</u>	<u>\$ (173,072)</u>	<u>\$ -</u>	<u>3,153,047</u>
<u>Accumulated impairment</u>					
Buildings	-	\$ 2,600	-	-	2,600
	<u>\$ 5,034,738</u>				<u>\$ 4,769,221</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

<b>Buildings</b>	
Main buildings	7-61 years
Mechanical and electrical facilities	8-21 years
Others	5-56 years
Machinery and equipment	3-18 years
Transportation equipment	4-8 years
Leasehold improvements	2-7 years
Other equipment	3-25 years

Refer to Note 25 for the carrying amount of property, plant and equipment pledged by the Company to secure borrowings/general banking facilities granted to the Company.

## 12. LEASE ARRANGEMENTS

### a. Right-of-use assets - 2019

	<b>December 31, 2019</b>
<u>Carrying amounts</u>	
Land	\$ 10,078
Buildings	371
Transportation equipment	<u>5,164</u>
	<u>\$ 15,613</u>
	<b>For the Year Ended December 31, 2019</b>
Additions to right-of-use assets	<u>\$ 15,240</u>
Depreciation charge for right-of-use assets	
Land	\$ 4,202
Buildings	463
Transportation equipment	<u>3,591</u>
	<u>\$ 8,256</u>

### b. Lease liabilities - 2019

	<b>December 31, 2019</b>
<u>Carrying amounts</u>	
Current	<u>\$ 8,399</u>
Non-current	<u>\$ 7,366</u>

Range of discount rate for lease liabilities was as follows:

	<b>December 31, 2019</b>
Land	3.21%
Buildings	3.21%
Transportation equipment	3.21%

### c. Other lease information

Lease arrangements under operating leases for leasing out investment properties and freehold property, plant and equipment are set out in Notes 11.

2019

	<b>For the Year Ended December 31, 2019</b>
Expenses relating to short-term leases	\$ 25,490
Expenses relating to low-value asset leases	\$ 8
Expenses relating to variable lease payments not included in measurement of lease liabilities	\$ 839
Total cash outflow for leases	\$ (34,960)

The Company leases certain buildings and transportation equipment which qualify as short-term leases and certain other equipment which qualify as low-value asset leases. The Company has elected to apply the recognition exemption and, thus, did not recognize right-of-use assets and lease liabilities for these leases.

2018

The future minimum lease payments of non-cancellable operating leases are as follows:

	<b>December 31, 2018</b>
Not later than 1 year	\$ 17,329
Later than 1 year and not later than 5 years	15,101
	<u>\$ 32,430</u>

The lease payments and sublease payments recognized in profit or loss were as follows:

	<b>For the Year Ended December 31, 2018</b>
Minimum lease payments	<u>\$ 33,267</u>

**13. NON-CURRENT ASSETS - OTHER**

Land is restricted to agricultural use, is registered in the name of another person. However, the Company retains control over the land. The land being used as roads was also reclassified as other assets.

## 14. BORROWINGS

### a. Short-term borrowings

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Loans for purchasing raw material	\$ 84,527	\$ 17,580
Secured borrowings	-	368,928
Unsecured borrowings	773,002	660,000
Export billing loans	<u>-</u>	<u>22,601</u>
	<u>\$ 857,529</u>	<u>\$ 1,069,109</u>
 <u>Interest (%)</u>		
Loans for purchasing raw material	2.60-3.24	3.30-4.23
Secured borrowings	-	1.36-3.75
Unsecured borrowings	0.73-1.26	0.73-1.26
Export billing loans	-	2.81-3.02

### b. Short-term bills payable

Short-term bills payable were commercial paper due within one year. These instruments were issued with a range of annual interest rates of 0.990% in 2019.

### c. Long-term borrowings

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Secured borrowings	\$ -	\$ 300,000
Unsecured borrowings	<u>1,747,203</u>	<u>1,665,245</u>
	1,747,203	1,965,245
Less: Current portion	<u>(682,203)</u>	<u>(218,042)</u>
Long-term borrowings	<u>\$ 1,065,000</u>	<u>\$ 1,747,203</u>
 <u>Interest rate (%)</u>		
Secured borrowings	-	1.30
Unsecured borrowings	1.30-1.55	1.36-1.57

## 15. OTHER PAYABLES

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Accrued salary and bonus	\$ 322,047	\$ 296,898
Bonus for employees and remuneration of directors and supervisors	50,506	59,992
Others	<u>358,289</u>	<u>387,929</u>
	<u>\$ 730,842</u>	<u>\$ 744,819</u>

## 16. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

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

### b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Present value of defined benefit obligation	\$ 588,592	\$ 580,308
Fair value of plan assets	<u>(335,026)</u>	<u>(340,098)</u>
Net defined benefit liabilities	<u>\$ 253,566</u>	<u>\$ 240,210</u>

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Balance at January 1, 2018	<u>\$ 630,905</u>	<u>\$ (325,862)</u>	<u>\$ 305,043</u>
Service cost			
Current service cost	9,074	-	9,074
Past service cost and loss (gain) on settlements	<u>6,221</u>	<u>(3,195)</u>	<u>3,026</u>
Recognized in profit or loss	<u>15,295</u>	<u>(3,195)</u>	<u>12,100</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(10,638)	(10,638)
Actuarial loss - changes in demographic assumptions	194	-	194
Actuarial gain - experience adjustments	<u>(13,507)</u>	<u>-</u>	<u>(13,507)</u>
Recognized in other comprehensive income	<u>(13,313)</u>	<u>(10,638)</u>	<u>(23,951)</u>

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Contributions from the employer	\$ -	\$ (51,623)	\$ (51,623)
Benefits paid	<u>(52,579)</u>	<u>51,220</u>	<u>(1,359)</u>
	<u>(52,579)</u>	<u>(403)</u>	<u>(52,982)</u>
Balance at December 31, 2018	<u>580,308</u>	<u>(340,098)</u>	<u>240,210</u>
Service cost			
Current service cost	7,471	-	7,471
Past service cost and loss (gain) on settlements	<u>5,733</u>	<u>(3,355)</u>	<u>2,378</u>
Recognized in profit or loss	<u>13,204</u>	<u>(3,355)</u>	<u>9,849</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(12,259)	(12,259)
Actuarial loss - changes in demographic assumptions	184	-	184
Actuarial loss - experience adjustments	4,593	-	4,593
Actuarial loss - changes in financial assumptions	<u>15,435</u>	<u>-</u>	<u>15,435</u>
Recognized in other comprehensive income	<u>20,212</u>	<u>(12,259)</u>	<u>7,953</u>
Contributions from the employer	-	(4,271)	(4,271)
Benefits paid	<u>(25,132)</u>	<u>24,957</u>	<u>(175)</u>
	<u>(25,132)</u>	<u>20,686</u>	<u>(4,446)</u>
Balance at December 31, 2019	<u>\$ 588,592</u>	<u>\$ (335,026)</u>	<u>\$ 253,566</u> (Concluded)

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rate(s)	0.75%	1%
Expected rate(s) of salary increase	3%	3%
Turnover rates(s)	0.46%	0.46%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rate(s)		
0.25% increase	<u>\$ (15,443)</u>	<u>\$ (15,890)</u>
0.25% decrease	<u>\$ 16,023</u>	<u>\$ 16,522</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 15,628</u>	<u>\$ 16,155</u>
0.25% decrease	<u>\$ (15,147)</u>	<u>\$ (15,634)</u>
Turnover rate		
10% increase	<u>\$ (84)</u>	<u>\$ (136)</u>
10% decrease	<u>\$ 85</u>	<u>\$ 136</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
The expected contributions to the plan for the next year	<u>\$ 4,634</u>	<u>\$ 4,641</u>
The average duration of the defined benefit obligation	10 years	11 years

## 17. EQUITY

### a. Ordinary shares

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Number of shares authorized (in thousands)	<u>500,000</u>	<u>500,000</u>
Shares authorized	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>420,492</u>	<u>420,492</u>
Convertible bonds (in thousands)	<u>-</u>	<u>5,499</u>
Shares issued	<u>\$ 4,204,926</u>	<u>\$ 4,204,926</u>

A holder of issued ordinary share with par value of NT\$10 is entitled to vote and receive dividends.

b. Capital surplus

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u>		
Arising from conversion of bonds	\$ 394,097	\$ 394,097
Arising from treasury share transactions	51,819	51,819
Arising from the difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	3,430	3,430
<u>May only be used to offset a deficit</u>		
Others	<u>943</u>	<u>929</u>
	<u>\$ 450,289</u>	<u>\$ 450,275</u>

c. Retained earnings and dividend policy

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

The Articles also provide that, in line with the Company's continuing growth, cash dividends payable may not be lower than 30% of the total dividends distributed. If total dividends to be distributed are under NT\$100,000 thousand, the limitation can be waived.

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

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

The appropriation of earnings and dividends per share for 2018 and 2017 as approved in the shareholders' meetings in June 2019 and 2018, respectively, was as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Legal reserve	\$ 72,695	\$ 57,804		
Special reserve	43,398	44,687		
Cash dividends	546,640	421,222	\$ 1.3	\$ 1

The appropriation of earnings and dividends per share for 2019 was proposed by the Company's board of directors in March 2020. The appropriation and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 61,818	
Special reserve	43,200	
Cash dividends	546,640	\$ 1.3

The appropriation of earnings for 2019 is subject to resolution in the shareholders' meeting to be held in June 2020.

## 18. REVENUE

	<b><u>For the Year Ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
Revenue from contracts with customers		
Revenue from sale of goods	<u>\$ 8,216,128</u>	<u>\$ 9,091,555</u>

### a. Contract balances

	<b><u>December 31</u></b>	
	<b>2019</b>	<b>2018</b>
Trade receivables (Note 8)	<u>\$ 1,900,662</u>	<u>\$ 2,359,178</u>
Contract liabilities - current		
Sale of goods	<u>\$ 4,312</u>	<u>\$ 18,561</u>

The changes in the contract liability balances primarily result from the timing difference between the Company's performance and the customer's payment.

### b. Disaggregation of revenue

	<b><u>For the Year Ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
Corp protection	\$ 7,758,095	\$ 8,663,180
Others	<u>458,033</u>	<u>428,375</u>
	<u>\$ 8,216,128</u>	<u>\$ 9,091,555</u>

## 19. COMPREHENSIVE INCOME FOR THE YEAR

### a. Other income

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Rental income	\$ 39,054	\$ 37,584
Interest income	3,082	1,795
Dividends	388	1,163
Others	<u>17,849</u>	<u>15,575</u>
	<u>\$ 60,373</u>	<u>\$ 56,117</u>

### b. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Gain on disposal of property, plant and equipment	\$ 424	\$ 63,393
Net foreign exchange gain (loss)	(14,260)	49,655
Valuation loss on financial assets at fair value through profit or loss	-	(1,938)
Impairment loss	-	(2,600)
Others	<u>(11,402)</u>	<u>(6,001)</u>
	<u>\$ (25,238)</u>	<u>\$ 102,509</u>

### c. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Interest on bank loans	\$ 41,388	\$ 54,108
Interest on convertible bonds	-	466
Interest on lease liabilities	472	-
Other finance costs	<u>1,435</u>	<u>1,672</u>
	<u>\$ 43,295</u>	<u>\$ 56,246</u>

Information about capitalized interest was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Capitalized interest	\$ 2,013	\$ 2,524
Capitalization rate	1.4392%	1.656%

d. Depreciation

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
An analysis of depreciation by function		
Operating costs	\$ 314,795	\$ 337,869
Operating expenses	<u>68,336</u>	<u>98,734</u>
	<u>\$ 383,131</u>	<u>\$ 436,603</u>

e. Employee benefits expense

	<b>Operating Costs</b>	<b>Operating Expenses</b>	<b>Total</b>
<u>For the year ended December 31, 2019</u>			
Salary and wages	\$ 283,725	\$ 648,146	\$ 931,871
Labor and health insurance costs	27,629	58,877	86,506
Post-employment benefits			
Defined contribution plans	11,138	21,170	32,308
Defined benefit plans	3,382	6,467	9,849
Remuneration of directors	-	47,730	47,730
Other employee benefits	7,141	24,985	32,126
<u>For the year ended December 31, 2018</u>			
Salary and wages	283,719	671,720	955,439
Labor and health insurance costs	27,083	56,691	83,774
Post-employment benefits			
Defined contribution plans	11,026	20,199	31,225
Defined benefit plans	3,464	8,636	12,100
Remuneration of directors	-	51,513	51,513
Other employee benefits	7,157	24,699	31,856

For the years ended December 31, 2019 and 2018, the Company had average 1,379 and 1,383 employees, respectively, which included 7 and 6 non-employee directors, respectively. Average labor cost for the years ended December 31, 2019 and 2018 was 796 thousand and 809 thousand, respectively, average salary and bonus were 679 thousand and 694 thousand, respectively. The average salary and bonus decreased by 2% year over year.

f. Employees' compensation and remuneration of directors

The Company accrued employees' compensation and remuneration of directors at the rates of 1% and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2019 and 2018, which have been approved by the Company's board of directors in March 2020 and 2019, respectively, were as follows:

	<b>For the Year Ended December 31</b>			
	<b>2019</b>		<b>2018</b>	
<b>Cash</b>	<b>Accrual Rate</b>	<b>Amount</b>	<b>Accrual Rate</b>	<b>Amount</b>
Employees' compensation	1%	\$ 8,418	1%	\$ 9,036
Remuneration of directors	5%	42,088	5%	45,178

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2018 and 2017.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 20. INCOME TAXES

- a. Major components of income tax expense recognized in profit or loss

	<u>For the Year Ended December 31</u>	
	2019	2018
Current tax		
In respect of the current year	\$ 129,313	\$ 119,820
Income tax on unappropriated earnings	-	1,187
Adjustments for prior years	(9,310)	10,310
Deferred tax		
In respect of the current year	(3,596)	(9,135)
Adjustments to deferred tax attributable to changes in tax rates and laws	-	211
	<u>          -</u>	<u>          211</u>
Income tax expense recognized in profit or loss	<u>\$ 116,407</u>	<u>\$ 122,393</u>

A reconciliation of accounting profit and income tax expense is as follows:

	<u>For the Year Ended December 31</u>	
	2019	2018
Income tax expense calculated at the statutory rate	\$ 158,252	\$ 169,870
Nondeductible expenses in determining taxable income	89	318
Tax-exempt income	(35,875)	(85,149)
Income tax on unappropriated earnings	-	1,187
Unrecognized loss deductible temporary differences	3,251	25,646
Effect of tax rate changes	-	211
Adjustments for prior years' tax	<u>(9,310)</u>	<u>10,310</u>
Income tax expense recognized in profit or loss	<u>\$ 116,407</u>	<u>\$ 122,393</u>

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

In July 2019, the President of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. The Company has already deducted the amount of capital expenditure from the unappropriated earnings in 2018 that was reinvested when calculating the tax on unappropriated earnings for the year ended December 31, 2019.

As the status of the 2020 appropriation of earnings is uncertain, the potential income tax consequences of the 2019 unappropriated earnings are not reliably determinable.

b. Deferred tax assets and liabilities

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

For the year ended December 31, 2019

<b>Deferred Tax Assets</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
Temporary differences				
Provisions for inventory write-downs	\$ 10,903	\$ 1,229	\$ -	\$ 12,132
Unrealized gross profit	10,644	(7,598)	-	3,046
Defined benefit obligation	17,182	10,438	1,590	29,210
Unrealized exchange loss	-	5,669	-	5,669
Others	<u>2,285</u>	<u>(1,346)</u>	<u>-</u>	<u>939</u>
	<u>\$ 41,014</u>	<u>\$ 8,392</u>	<u>\$ 1,590</u>	<u>\$ 50,996</u>
<b>Deferred Tax Liabilities</b>				
Temporary differences				
Land appreciation tax	\$ 203,497	\$ -	\$ -	\$ 203,497
Foreign investment income	37,093	7,226	-	44,319
Others	<u>2,430</u>	<u>(2,430)</u>	<u>-</u>	<u>-</u>
	<u>\$ 243,020</u>	<u>\$ 4,796</u>	<u>\$ -</u>	<u>\$ 247,816</u>

For the year ended December 31, 2018

<b>Deferred Tax Assets</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
Temporary differences				
Provisions for inventory write-downs	\$ 8,996	\$ 1,907	\$ -	\$ 10,903
Unrealized gross profit	5,901	4,743	-	10,644
Defined benefit obligation	20,743	1,019	(4,580)	17,182
Others	<u>9,223</u>	<u>(6,938)</u>	<u>-</u>	<u>2,285</u>
	<u>\$ 44,863</u>	<u>\$ 731</u>	<u>\$ (4,580)</u>	<u>\$ 41,014</u>

For the year ended December 31, 2018

<b>Deferred Tax Liabilities</b>	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
Temporary differences				
Land appreciation tax	\$ 205,637	\$ (2,140)	\$ -	\$ 203,497
Foreign investment income	45,445	(8,352)	-	37,093
Others	<u>131</u>	<u>2,299</u>	<u>-</u>	<u>2,430</u>
	<u>\$ 251,213</u>	<u>\$ (8,193)</u>	<u>\$ -</u>	<u>\$ 243,020</u>

- c. Deductible temporary differences which no deferred tax assets have been recognized in the balance sheets

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Deductible temporary differences	<u>\$ 169,446</u>	<u>\$ 162,367</u>

- d. Income tax examinations

The tax returns of the Company through 2017 have been assessed by the tax authorities.

## 21. EARNINGS PER SHARE

	<b>Amounts (Numerator)</b>	<b>Number of Shares (Denominator) (In Thousands)</b>	<b>EPS (NT\$)</b>
<u>For the year ended December 31, 2019</u>			
Basic EPS			
Net income available to ordinary shareholders of the parent	\$ 674,855	420,492	<u>\$ 1.60</u>
Effect of potentially dilutive ordinary shares			
Employees' compensation	<u>-</u>	<u>558</u>	
Diluted EPS			
Net income available to ordinary shareholders of the parent (including effect of potentially dilutive ordinary shares)	<u>\$ 674,855</u>	<u>421,050</u>	<u>\$ 1.60</u>

	<b>Amounts (Numerator)</b>	<b>Number of Shares Denominator (In Thousands)</b>	<b>EPS (NT\$)</b>
<u>For the year ended December 31, 2018</u>			
<b>Basic EPS</b>			
Net income available to ordinary shareholders of the parent	\$ 726,957	418,731	<u>\$ 1.74</u>
Effect of potentially dilutive ordinary shares			
Employees' compensation	-	636	
Convertible bonds	<u>373</u>	<u>-</u>	
<b>Diluted EPS</b>			
Net income available to ordinary shareholders of the parent (including effect of potentially dilutive ordinary shares)	<u>\$ 727,330</u>	<u>419,367</u>	<u>\$ 1.73</u>

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

## 22. CAPITAL MANAGEMENT

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

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

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

## 23. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments measured at fair value on recurring basis

1) Fair value hierarchy

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>December 31, 2019</u>				
Financial assets measured at cost				
Shares not listed in the ROC	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,253</u>	<u>\$ 23,253</u>

	Level 1	Level 2	Level 3	Total
<u>December 31, 2018</u>				
Financial assets measured at cost				
Shares not listed in the ROC	\$ _____ -	\$ _____ -	\$ 23,253	\$ 23,253

There were no transfers between Level 1 and Level 2 in 2019 and 2018.

2) Reconciliation of Level 3 fair value measurements of financial instruments

The fair values of unlisted equity securities in the ROC were determined using the income approach. In this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees.

b. Categories of financial instruments

	<u>December 31</u>	
	2019	2018
<u>Financial assets</u>		
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	\$ 23,253	\$ 23,253
Financial assets at amortized cost (1)	2,505,954	2,762,971
<u>Financial liabilities</u>		
Financial liabilities measured at amortized cost (2)	4,120,335	4,681,553

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

2) The balances include financial liabilities measured at amortized cost, which comprise short-term and long-term borrowings, short-term bills payable, notes payable, trade payables (include related parties), other payables and guarantee deposits received.

d. Financial risk management objectives and policies

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

The Company sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Company's policies approved by the Company's board of directors. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis.

1) Market risk

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

There had been no change to the Company's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

Several subsidiaries of the Company had foreign currency sales and purchases, which expose the Company to foreign currency risk.

The carrying amounts of the Company's foreign currency-denominated monetary assets and monetary liabilities at the end of the reporting period are listed in Note 27.

Sensitivity analysis

For a 1% weakening of U.S. dollars against the functional currency, there would be opposite impact on pre-tax profit as follows:

Functional Currency	For the Year Ended December 31	
	2019	2018
NTD	\$ 13,404	\$ 13,418

This was mainly attributable to the exposure of outstanding receivables and payables denominated in USD, which were not hedged at the end of the reporting period. The above table details the Company's sensitivity to a 1% increase and decrease in U.S. dollars against the relevant functional currencies. The sensitivity rate of 1% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

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

b) Interest rate risk

The Company is exposed to interest rate risk because entities in the Company deposit and borrow funds at both fixed and floating interest rates.

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

	December 31	
	2019	2018
Fair value interest rate risk		
Financial assets	\$ 45,846	\$ 53,759
Financial liabilities	649,597	559,701
Cash flow interest rate risk		
Financial assets	447,661	240,684
Financial liabilities	1,990,900	2,474,653

## Sensitivity analysis

For financial assets and liabilities, assuming all other variables were held constant, a hypothetical increase in interest rates of 25 basis point (0.25%) would have resulted in an increase in the interest expense before tax by approximately \$4,722 thousand and \$6,181 thousand for the years ended December 31, 2019 and 2018, respectively. A sensitivity rate of 0.25% increase or decrease was used when reporting interest rate risk internally to the directors and represents the directors' assessment of the reasonably possible change in interest rates.

### 2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of counterparties to discharge an obligation and financial guarantees provided by the Company could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The company uses publicly available financial information and its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

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

The Company did transactions with a large number of unrelated customers and, thus, no concentration of credit risk was observed.

Ongoing credit evaluation is performed on the financial condition of trade receivables and, where appropriate, credit guarantee insurance cover is purchased.

The Company's concentration of credit risk by geographical location was in Brazil, which accounted for 51% and 47% of the total trade receivable as of December 31, 2019 and 2018, respectively.

### 3) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities and continuously monitoring forecasted and actual cash flows as well as matching the maturity profiles of financial assets and liabilities. As of December 31, 2019 and 2018, the Company had available unutilized short-term bank loan facilities in the amounts of \$3,345,980 thousand and \$3,075,860 thousand, respectively.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table was drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

<b>Non-derivative Financial Liabilities</b>	<b>Less Than 3 Months</b>	<b>3 Months to 1 Year</b>	<b>1+Year</b>
<u>December 31, 2019</u>			
Non-interest bearing liabilities	\$ 1,421,080	\$ -	\$ -
Lease liabilities	3,926	4,804	7,510
Variable interest rate liabilities	421,393	604,508	965,000
Fixed interest rate liabilities	<u>135,076</u>	<u>398,756</u>	<u>100,000</u>
	<u>\$ 1,981,475</u>	<u>\$ 1,008,068</u>	<u>\$ 1,072,510</u>
<u>December 31, 2018</u>			
Non-interest bearing liabilities	\$ 1,575,092	\$ -	\$ -
Variable interest rate liabilities	574,084	453,366	1,447,203
Fixed interest rate liabilities	<u>254,894</u>	<u>4,807</u>	<u>300,000</u>
	<u>\$ 2,404,070</u>	<u>\$ 458,173</u>	<u>\$ 1,747,203</u>

Additional information about the maturity analysis for lease liabilities:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5-10 Years</b>	<b>10+ Years</b>
Lease liabilities	<u>\$ 8,730</u>	<u>\$ 7,510</u>	<u>\$ -</u>	<u>\$ -</u>

## 24. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in the other notes, details of transactions between the Corporation and other related parties are disclosed below.

### a. Related party names and categories

<u>Related Party Names</u>	<u>Related Party Categories</u>
TFS	Subsidiary
Feng Nien Corporation ("Feng Nien")	Subsidiary
Weightstone Vineyard Estate & Winery Co., Ltd. ("Weightstone")	Subsidiary
Syntai Chemicals	Subsidiary
Hsing Wei	Subsidiary
Sinon Trading	Subsidiary
Yumei Yen	Subsidiary

(Continued)

<u>Related Party Names</u>	<u>Related Party Categories</u>
Taiwan Agriculture and Food Health Testing Co., Ltd. ("TAFHT")	Associate
K&S	Associate
Sinon Brazil	Subsidiary
Sinon Australia	Subsidiary
Sinon Thailand	Subsidiary
Sinon USA	Subsidiary
Zhongshan Sinon Daily Products Co., Ltd. ("Sinon Zhongshan")	Subsidiary
Sinon Chemical (China) Co., Ltd. ("Sinon China")	Subsidiary
Poise Packing Co., Ltd. ("Poise Packing")	Subsidiary
Sinon Chemical (Nantong) Co. Ltd. ("Sinon Nantong")	Subsidiary

(Concluded)

b. Sales

<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Subsidiaries		
Sinon Brazil	\$ 730,665	\$ 1,170,145
Others	<u>258,769</u>	<u>122,890</u>
	<u>\$ 989,434</u>	<u>\$ 1,293,035</u>

There was no material difference in sales prices and terms between related and third parties. The general credit term was T/T 180 to 270 days.

c. Purchases of goods

<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Subsidiaries		
Sinon China	\$ 500,203	\$ 1,426,506
Others	<u>103,543</u>	<u>61,965</u>
	<u>\$ 603,746</u>	<u>\$ 1,488,471</u>

There was no significant difference between related and third parties.

The term on purchases of goods was 30-60 days after the transaction date.

d. Receivables from related parties (excluding loans to related parties)

<b>Related Party Category/Name</b>	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Subsidiaries		
Sinon Brazil	\$ 967,324	\$ 1,123,709
Sinon Australia	99,403	97,536
Others	<u>67,541</u>	<u>99,719</u>
	<u>\$ 1,134,268</u>	<u>\$ 1,320,964</u>

e. Payables to related parties (excluding loans from related parties)

<b>Related Party Categories</b>	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Subsidiaries	\$ 12,081	\$ 44,292
Associates	<u>262</u>	<u>632</u>
	<u>\$ 12,343</u>	<u>\$ 44,924</u>

f. Prepayments

<b>Related Party Categories</b>	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Associates	\$ 336	\$ 168
Subsidiaries	<u>-</u>	<u>5</u>
	<u>\$ 336</u>	<u>\$ 173</u>

g. Acquisitions of property, plant and equipment

<b>Related Party Categories</b>	<b>Purchase Price</b>	
	<b>For the Year Ended December 31</b>	
	<b>2019</b>	
Associates	<u>\$ 595</u>	<u>\$ 8,481</u>

h. Disposals of property, plant and equipment

<b>Related Party Categories</b>	<b>Proceeds</b>		<b>Gain (Loss) on Disposal</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Subsidiaries	<u>\$ -</u>	<u>\$ 1,936</u>	<u>\$ -</u>	<u>\$ -</u>

i. Endorsements and guarantees

Endorsements and guarantees provided by the Company

	<b>Related Party Categories</b>	<b>December 31</b>	
		<b>2019</b>	<b>2018</b>
	Subsidiaries	<u>\$ 87,307</u>	<u>\$ 586,409</u>
j. Others			
		<b>For the Year Ended December 31</b>	
		<b>2019</b>	<b>2018</b>
1) Manufacturing and operating expenses			
	Subsidiaries	\$ 91,008	\$ 31,551
	Associates	<u>6,293</u>	<u>4,109</u>
		<u>\$ 97,301</u>	<u>\$ 35,660</u>
2) Rental income			
	Subsidiaries	\$ 34,315	\$ 33,512
	Associates	<u>1,703</u>	<u>2,323</u>
		<u>\$ 36,018</u>	<u>\$ 35,835</u>
		<b>December 31</b>	
		<b>2019</b>	<b>2018</b>
3) Other receivables			
	Subsidiaries	\$ 5,686	\$ 7,779
	Associates	<u>189</u>	<u>844</u>
		<u>\$ 5,875</u>	<u>\$ 8,623</u>
		<b>For the Year Ended December 31</b>	
		<b>2019</b>	<b>2018</b>
4) Other income			
	Subsidiaries	\$ 5,363	\$ 2,565
	Associates	<u>-</u>	<u>55</u>
		<u>\$ 5,363</u>	<u>\$ 2,620</u>

k. Compensation of key management personnel

The Compensation to directors and other key management personnel were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Short-term employee benefits	\$ 17,595	\$ 22,206
Post-employment benefits	<u>249</u>	<u>303</u>
	<u>\$ 17,844</u>	<u>\$ 22,509</u>

The compensation to directors and other key management personnel were determined by the compensation committee having regard to the performance of individuals and market trends.

## 25. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for securing commercial paper, performance guarantees, letters of credit and bank borrowings:

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Property, plant and equipment	\$ -	\$ 670,884
Trade receivables	-	391,529
Refundable deposits	<u>13,800</u>	<u>13,800</u>
	<u>\$ 13,800</u>	<u>\$ 1,076,213</u>

## 26. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of December 31, 2019 and 2018 were as follows:

### a. Significant commitments

As of December 31, 2019 and 2018, unused letters of credit for purchases of raw materials and machinery and equipment amounted to \$24,590 thousand and \$23,413 thousand, respectively.

### b. Unrecognized commitments

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Acquisition of property, plant and equipment	<u>\$ -</u>	<u>\$ 7,115</u>

## 27. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Company and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	<u>December 31, 2019</u>			<u>December 31, 2018</u>		
	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>						
Monetary items						
USD (USD/NTD)	\$ 62,830	30.1060	\$ 1,891,575	\$ 70,353	30.7330	\$ 2,162,168
AUD (AUD/NTD)	5,291	21.1123	111,703	4,873	21.6406	105,461
GBP (GBP/NTD)	878	39.8230	34,977	2,662	39.1706	102,713
JPY (JPY/NTD)	272,321	0.2770	75,433	388,404	0.2803	108,870

(Continued)

	December 31, 2019			December 31, 2018		
	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Investments accounted for using the equity method						
USD (USD/NTD)	\$ 48,339	30.1060	\$ 1,455,295	\$ 47,742	30.7330	\$ 1,467,252
BRL (BRL/NTD)	-	-	-	1,948	7.9489	15,488
<u>Financial liabilities</u>						
Monetary items						
USD (USD/NTD)	18,308	30.1060	551,193	26,693	30.7330	820,363
JPY (JPY/NTD)	15,942	0.2770	4,416	44,000	0.2803	12,333
Investments accounted for using the equity method						
BRL (BRL/NTD)	5,918	7.4915	44,335	-	-	-
						(Concluded)

The significant realized and unrealized foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2019		2018	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
USD	30.1060 (USD:NTD)	\$ (15,760)	30.1886 (USD:NTD)	\$ 36,710

## 28. SEPARATELY DISCLOSED ITEMS

### a. Information about significant transactions and investees

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

- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5
  - 9) Trading in derivative instruments: Note 7
  - 10) Information on investees: Table 6
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 7
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: Table 4
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Table 4
    - c) The amount of property transactions and the amount of the resultant gains or losses: None
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Table 2
    - e) The highest balance of the period, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: Table 1
    - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: None

## SINON CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO RELATED PARTIES  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars and Renminbi)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Range of Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 1)	Financing Company's Total Financing Amount Limits (Note 2)
													Item	Value		
1	Sinon China	Sinon Zhongshan	Other receivables	Yes	\$ 18,389 (RMB 4,000)	\$ 17,284 (RMB 4,000)	\$ 17,284 (RMB 4,000)	6	Short-term financing	\$ -	Operation	\$ -	-	\$ -	\$ 248,446 (RMB 57,497)	\$ 496,892 (RMB 114,995)
		Poise Packing	Other receivables	Yes	55,166 (RMB 12,000)	51,852 (RMB 12,000)	21,605 (RMB 5,000)	5	Short-term financing	-	Operation	-	-	-	248,446 (RMB 57,497)	496,892 (RMB 114,995)
		Sinon Nantong	Other receivables	Yes	91,944 (RMB 20,000)	- (RMB -)	- (RMB -)	-	Short-term financing	-	Operation	-	-	-	248,446 (RMB 57,497)	496,892 (RMB 114,995)

Note 1: The financing amount of the Company should not exceed 10% of the Company's shareholders' equity; that of subsidiaries should not exceed 50% of the subsidiaries' shareholders' equity.

Note 2: The financing amount of the Company should not exceed 20% of the Company's shareholders' equity; that of subsidiaries should not exceed 100% of the subsidiaries' shareholders' equity.

## SINON CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

No.	Endorser/Guarantor	Endorsed/Guaranteed Party		Limits on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Nature of Relationship (Note 1)										
0	Sinon Corporation	Sinon China Yumei Yen	2. 1.	(Note 2) (Note 2)	\$ 347,732 508,600	\$ 331,166 500,530	\$ 87,307 -	None None	4.71 7.12	\$ 2,811,772 2,811,772	Yes Yes	No No	Yes No

Note 1: The relationship between guarantor and guaranteed party:

1. Subsidiary which is directly held over 50% of the issued share capital.
2. Companies that directly or indirectly hold more than 50% of the issued share capital.

Note 2: Domestic subsidiary is based on 20% of issued capital of the guarantor; overseas subsidiary is based on 30% of issued capital of the guarantor; total guarantee is based on 40% of issued capital of guarantor.

**SINON CORPORATION AND SUBSIDIARIES**

**MARKETABLE SECURITIES HELD**

**DECEMBER 31, 2019**

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

Holding Company	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2012				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Market Value or Net Asset Value	
Sinon Corporation	<u>Ordinary shares</u> TGCC	The Corporation is the director of TGCC	Financial assets measured at FVTPL - non-current	1,937,792	\$ 23,253	9.9	\$ 23,253	

**SINON CORPORATION AND SUBSIDIARIES**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

Purchaser or Seller	Related Party	Nature of the Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment/Collection Terms	Unit Price	Collection Terms	Ending Balance	% of Total	
Sinon Corporation	Sinon China	Subsidiary	Purchase	\$ 500,203	13	30-60 days after the transaction date	\$ -	-	\$ (820)	-	
	Syntai Chemicals	Subsidiary	Purchase	100,368	3	30-60 days after the transaction date	-	-	(10,243)	(1)	
	Sinon Brazil	Subsidiary	Sale	(730,665)	(9)	T/T 180-270 days after the transaction date	-	-	967,324	51	

**SINON CORPORATION AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF PAID-IN CAPITAL**

**DECEMBER 31, 2019**

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

Company Name	Related Party	Nature of the Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Doubtful Accounts
					Amount	Action Taken		
Sinon Corporation	Sinon Brazil	Subsidiary	\$ 967,324	0.70	\$ -	-	\$ 13,656	\$ -

## SINON CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars and U.S. Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note)	Note
				December 31, 2019	December 31, 2018	Number of Shares	Percentage of Ownership (%)	Carrying Amount			
Sinon Corporation	Sinon Cayman Yumei Yen	British Cayman Islands Taichung, ROC	Holding company	\$ 1,394,195	\$ 1,394,195	44,280,000	100	\$ 1,454,713	\$ 35,979	\$ 35,979	Subsidiary
			Houseware, catering services and retail of agricultural products	400,167	400,167	20,030,000	100	482,669	70,974	71,402	Subsidiary
	Sinon Brazil	Alegre, Brazil	Manufacture and import and export of medical and chemical products	510,379	510,379	32,316,471	100	(58,251)	(61,681)	(61,681)	Subsidiary
	Syntai Chemicals	Taichung, ROC	Pharmaceuticals	269,095	269,095	33,000,000	100	275,625	10,368	10,368	Subsidiary
	Hsing Wei	Taichung, ROC	Manufacture and sale of cement	25,609	25,609	33,000,000	100	436,427	29,642	30,210	Subsidiary
	TFS	Taichung, ROC	Supermarket	264,793	264,793	26,379,500	88	334,540	42,708	44,014	Subsidiary
	K&S	Taichung, ROC	Design and sale of software	18,086	18,086	1,951,900	49	37,489	8,833	4,310	Investments accounted for using the equity method
	Sinon Australia	Sydney, Australia	Import and export of chemical products	174,548	174,548	6,100,000	100	(69,745)	(40,528)	(40,528)	Subsidiary
	Sinon Thailand	Bangkok, Thailand	Import and export of chemical products	17,109	17,109	20,000	100	(6,651)	(1,003)	(1,003)	Subsidiary
	Sinon Indonesia	Jakarta, Indonesia	Import and export of chemical products	106,555	106,555	3,500,000	100	45	(686)	(686)	Subsidiary
	Sinon USA	California, USA	Import and export of chemical products	1,689	1,689	50,000	100	582	(57)	(57)	Subsidiary
	Sinon Germany	Hamburger, Germany	Import and export of chemical products	1,049	1,049	25,000	100	1,195	153	153	Subsidiary
	Sinon Trading	Taichung, ROC	Trading	1,001	1,001	100,000	100	914	104	104	Subsidiary
TFS	Feng Nien	Taichung, ROC	Supermarket	47,271	47,271	1,420,000	100	24,639	6,085	6,085	Indirectly owned subsidiary
Feng Nien	Weightstone	Taichung, ROC	Food and special crops; Retail sale of tobacco and alcoholic drinks	30,000	30,000	1,200,000	100	31,903	834	834	Indirectly owned subsidiary
Yumei Yen	TAFHT	Taichung, ROC	Inspection of environment and medication	-	304	-	-	-	(308)	(93)	Investments accounted for using the equity method
Sinon Cayman	Sinon Hong Kong	Wanchai, Hong Kong	Holding company	1,178,975 (US\$ 37,980)	1,167,239 (US\$ 37,980)	-	100	1,372,414 (US\$ 45,554)	36,081 (US\$ 1,167)	36,081 (US\$ 1,167)	Indirectly owned subsidiary
K&S	K3 Systems Sdn. Bhd.	Malaysia	Software design and information security maintenance	2,856	2,856	337,500	45	4,241	1,178	530	Investments accounted for using the equity method

Note: The equity-method investees' financial statements, which were used to determine the carrying amount of the Company's investments, have been audited, except those of Sinon Indonesia, Sinon Thailand, Sinon Germany, Sinon Trading, Feng Nien, Weightstone, K3 Systems Sdn. Bhd. and TAFHT. The Company believes that, had those companies' financial statements been audited, any adjustments would have no material effect on the Company's financial statements.

**SINON CORPORATION AND SUBSIDIARIES**

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2019**  
(In Thousands of New Taiwan Dollars, U.S. Dollars and Renminbi)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of December 31, 2019	Accumulated Repatriation of Investment Income as of December 31, 2019
					Outward	Inward						
Sinon Zhongshan	Manufacture and sale of grocery, pesticide and plastics	\$ 113,083 (US\$ 3,700) (Note 2)	The investment was made through a subsidiary incorporated in a third area which in turn makes direct investments in companies in mainland China	\$ 25,364 (US\$ 700) (Note 2)	\$ -	\$ -	\$ 25,364 (US\$ 700) (Note 2)	\$ (23,449)	100% (Note 3)	\$ (23,449)	\$ (15,365)	\$ -
Sinon China	Manufacture and sale of various chemicals	271,113 (US\$ 8,000)	The investment was made through a subsidiary incorporated in a third area which in turn makes direct investments in companies in mainland China	271,113 (US\$ 8,000)	-	-	271,113 (US\$ 8,000)	117,507	100%	117,057	497,347	-
Poise Packing	Import and export of plastic products	50,426 (RMB 11,000)	The investment was made by the subsidiary located in mainland China directly	-	-	-	-	16,251	100%	16,251	65,630	-
Sinon Nantong	Manufacture and sale of various chemicals	1,216,938 (RMB 255,000)	The investment was made through a subsidiary incorporated in a third area which in turn makes direct investments in companies in mainland China	923,714 (US\$ 29,980)	-	-	923,714 (US\$ 29,980)	(62,664)	100%	(62,664)	889,478	-
Synjia Zhongshan (Note 2)	Manufacture and sale of grocery, pesticide and plastics	- (US\$ -)	The investment was made through a subsidiary incorporated in a third area which in turn makes direct investments in companies in mainland China	79,990 (US\$ 2,700)	-	-	79,990 (US\$ 2,700)	5,138	-	5,138	-	-

Investor Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limited on the Amount of Investment Stipulated by Investment Commission, MOEA
The Company	\$ 1,300,181	US\$ 41,380	No limit (Note 4)

Note 1: The Company recognized its investment gain (loss) based on the audited financial statements as of and for the year ended December 31, 2019.

Note 2: Synjia Zhongshan was merged with Sinon Zhongshan in September 2019. Refer to Note 10.

Note 3: The ownership of Sinon Cayman and Sinon China was 92% and 8%, respectively.

Note 4: According to the "Regulations for Screening of Application to Engage in Technical Cooperation in Mainland China" issued by the Investment Commission of the Ministry of Economic Affairs on August 29, 2008, there is no limit on the investment in mainland China since Sinon Corporation acquired the approval from the Industrial Development Bureau the establishment of the Company's operating headquarters in Taiwan.

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**SINON CORPORATION****STATEMENT OF CASH****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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<b>Item</b>	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Amount</b>
Cash in banks			
Checking accounts			\$ 45,846
Demand deposits			98,712
Foreign currency deposits			
AUD	96	21.1123	2,028
USD	10,293	30.1060	309,883
JPY	78,050	0.2770	21,620
GBP	43	39.8230	1,717
EUR	39	33.7527	1,311
CNY	2,867	4.3210	<u>12,390</u>
			493,507
Cash on hand			<u>2,556</u>
			<u>\$ 496,063</u>

**SINON CORPORATION**

**STATEMENT OF NOTES RECEIVABLE**

**DECEMBER 31, 2019**

**(In Thousands of New Taiwan Dollars)**

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<b>Client Name</b>	<b>Amount</b>
Non-related parties	
IBL Pharmaceutical Co., Ltd.	\$ 3,773
Nice Enterprise Co., Ltd.	2,124
Fulon Chemical Industrial Co., Ltd.	1,675
Iwantchem Co., Ltd.	1,674
Shen Hsinan Tang Co., Ltd.	1,629
HongHeng Industrial Co., Ltd.	1,440
Chia Yi Chemical Industry Co., Ltd.	1,372
Lvlin Biotech Co., Ltd.	1,324
Others (Note)	<u>10,869</u>
	<u>\$ 25,880</u>

Note: The amount from each individual client included in others does not exceed 5% of the account balance.

**SINON CORPORATION****STATEMENT OF TRADE RECEIVABLES****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

---

<b>Client Name</b>	<b>Amount</b>
Non-related parties	
ADAMA BRASIL S/A	\$ 59,017
SDS Biotech k.k.	38,842
Bayer Health Care	49,177
DUPONT DO BRASIL S.A.	63,295
KAKEN PHAMACEUTICAL Co., Ltd.	47,210
EI DU PONT DE NEMOURS AND COMPANY	43,955
Others (Note)	<u>466,691</u>
	768,187
Less: Allowance for impairment loss	<u>(1,793)</u>
	<u>\$ 766,394</u>

Note: The amount from each individual client included in others does not exceed 5% of the account balance.

**SINON CORPORATION**

**STATEMENT OF INVENTORIES**

**DECEMBER 31, 2019**

**(In Thousands of New Taiwan Dollars)**

---

<b>Item</b>	<b>Amount</b>	
	<b>Cost</b>	<b>Market Price (Note 1)</b>
Merchandise	\$ 131,294	\$ 194,063
Finished goods	295,289	556,691
Work in process	336,412	431,237
Raw materials and supplies	457,607	504,460
Inventory in transit	<u>11,472</u>	<u>11,472</u>
	<u>\$ 1,232,074</u>	<u>\$ 1,697,923</u>

Note 1: Net realizable value is used in the valuation of inventories.

Note 2: Inventories have not been provided as a collateral.

**SINON CORPORATION**

**STATEMENT OF PREPAYMENTS**

**DECEMBER 31, 2019**

**(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Prepayment for purchases	\$ 153,204
Prepaid expenses	<u>31,494</u>
	<u>\$ 184,698</u>

## SINON CORPORATION

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)

Investees	Balance, January 1, 2019			Additions in Investments		Decrease in Investments (Note 1)		Share of Profit (Loss) of Subsidiaries and Associates	Exchange Differences on Translating the Financial Statements of Foreign Operations	Others (Note 2)	Realized (Unrealized) Gain on Sale	Balance, December 31, 2019			Net Assets Value
	Shares	Ownership %	Amount	Shares	Amount	Shares	Amount					Shares	Ownership %	Amount	
Investment in subsidiaries															
Sinon Cayman	44,280,000	100	\$ 1,466,601	-	\$ -	-	\$ -	\$ 35,979	\$ (47,867)	\$ -	\$ -	44,280,000	100	\$ 1,454,713	\$ 1,454,713
Yumei Yen	20,030,000	100	470,075	-	-	-	58,739	71,402	-	(69)	-	20,030,000	100	482,669	482,241
Hsing Wei	13,800,000	100	409,438	19,200,000	-	-	2,396	30,210	-	(825)	-	33,000,000	100	436,427	435,859
TFS	26,379,500	88	360,651	-	-	-	21,104	44,014	-	(49,021)	-	26,379,500	88	334,540	344,329
Syntai Chemicals	33,000,000	100	273,451	-	-	-	8,161	10,368	-	(33)	-	33,000,000	100	275,625	378,886
Sinon Germany	25,000	100	1,088	-	-	-	-	153	(45)	(1)	-	25,000	100	1,195	1,195
Sinon Trading	100,000	100	810	-	-	-	-	104	-	-	-	100,000	100	914	914
Sinon USA	50,000	100	651	-	-	-	-	(57)	(12)	-	-	50,000	100	582	582
Sinon Indonesia	3,500,000	100	698	-	-	-	-	(686)	33	-	-	3,500,000	100	45	45
Sinon Thailand	20,000	100	(8,027)	-	-	-	-	(1,003)	(283)	(105)	2,767	20,000	100	(6,651)	(5,338)
Sinon Brazil	32,316,471	100	(34,374)	-	-	-	-	(61,681)	1,858	-	35,946	32,316,471	100	(58,251)	(44,335)
Sinon Australia	6,100,000	100	(30,637)	-	-	-	-	(40,528)	1,462	(42)	-	6,100,000	100	(69,745)	(69,745)
			2,910,425				90,400	88,275	(44,854)	(50,096)	38,713			2,852,063	2,979,346
Investment in associates															
K&S	1,951,900	49	35,151	-	-	-	3,513	4,310	(23)	1,564	-	1,951,900	49	37,489	37,489
			2,945,576				93,913	92,585	(44,877)	(48,532)	38,713			2,889,552	3,016,835
Add: Investments accounted for using the equity method-credit balance			73,038				-	-	-	61,609	-			134,647	-
			<u>\$ 3,018,614</u>		<u>\$ -</u>		<u>\$ 93,913</u>	<u>\$ 92,585</u>	<u>\$ (44,877)</u>	<u>\$ 13,077</u>	<u>\$ 38,713</u>			<u>\$ 3,024,199</u>	<u>\$ 3,016,835</u>

Note 1: The reasons for the decrease in investments are due to the investee's return of capital to its shareholders, the Company received cash dividends and disposal of interests in subsidiary.

Note 2: The Company recognized the investee's retrospective application and retrospective restatement, unrealized gain and loss on financial assets, and the remeasurement of the defined benefit plans based on the share of equity of investees attributable to the Company.

**SINON CORPORATION**

**STATEMENT OF TRADE PAYABLES**

**DECEMBER 31, 2019**

**(In Thousands of New Taiwan Dollars)**

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<b>Vendor Name</b>	<b>Amount</b>
Non-related parties	
NANJING RED SUN CO., LTD.	\$ 47,747
SDS BIOTECH K.K.	62,620
ANHUI DONGZHI GUANGXIN AGROCHEMICAL CO., LTD.	46,534
Others (Note)	<u>513,994</u>
	<u>\$ 670,895</u>

Note: The amount to each individual vendor in others does not exceed 5% of the account balance.

## SINON CORPORATION

STATEMENT OF LONG-TERM BORROWINGS  
DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)

Borrowing Types and Banks	Maturity Date	Repayment Method	Interest Rates (%)	Total
Unsecured borrowings				
KGI Commercial Bank	2019.08-2020.08	Starting from August 2019, interest is paid once a month, monthly interest rate is based on TAIBOR+0.85%, principal is paid in full upon maturity.	(Note)	\$ 300,000
Mizuho Bank	2017.11-2020.11	From November 2017 to May 2018, monthly interest rate is based on TAIBOR+0.7%; From May 2018 to November 2020, interest rate will be a fixed rate of 1.55%, principal is paid in full upon maturity.	(Note)	300,000
HSBC Bank	2018.08-2021.08	Starting from August 2018, interest is paid once a month, interest rate is based on COST+1% and is subject to daily changes, interest can be repaid in full prior to maturity, borrowings can be used as revolving credit prior to maturity.	(Note)	150,000
Mega International Commercial Bank	2018.09-2021.08	Starting from September 2018, interest is paid on the 25 <sup>th</sup> day of each month, interest rate is flexible, the order will be changed every 180 days, borrowings can be used as revolving credit.	(Note)	250,000
Hua Nan Commercial Bank	2018.09-2023.09	Starting from September 2018, interest is paid once a month, interest rate is deposit interest rate index+0.37, the order does not require to be changed, average amortization principal amount of NT\$15 million will be paid off quarterly.	(Note)	225,000
O-Bank	2013.08-2020.03	Starting from August 2013, each month is one period and there are 44 periods in total, interest and principal will be amortized on average and will be paid on each period.	(Note)	6,818
	2014.06-2020.06	Starting from June 2017, principal will be paid with quarterly, with 13 periods in total, interest is calculated monthly.	(Note)	15,385
	2019.10-2021.06	Starting from October 2019, interest is paid once a month, monthly interest rate is based on TAIBOR+0.75%, principal is paid in full upon maturity.	(Note)	100,000
Yuanta Commercial Bank	2019.01-2021.12	Starting from January 2019, interest is paid once a month, interest rate is deposit interest rate index+0.93%, the order can be changed every month or quarterly, interest can be repaid in full prior to maturity.	(Note)	100,000
Taishin International Bank	2018.08-2020.08	Starting from August 2018, interest is paid once a month, interest is negotiated every term, the order can be changed every month or quarterly, interest can be repaid prior to maturity, borrowing cannot be used as revolving credit prior to the maturity date.	(Note)	<u>300,000</u>
				<u>\$ 1,747,203</u>

Note: The annual interest rate is between 1.30% and 1.55%.

**SINON CORPORATION**

**STATEMENT OF OPERATING REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Corp protection	\$ 7,974,942
Other	<u>459,422</u>
Gross sales	8,434,364
Less: Sales returns	(6,269)
Sales discounts and allowances	<u>(211,967)</u>
Net sales	<u>\$ 8,216,128</u>

## SINON CORPORATION

STATEMENT OF OPERATING COSTS  
 FOR THE YEAR ENDED DECEMBER 31, 2019  
 (In Thousands of New Taiwan Dollars)

Item	Amount
Raw material and supplies, beginning of year	\$ 562,728
Raw material and supplies purchased	2,965,027
Raw material and supplies, end of year	(497,459)
Sale of raw material and supplies	(172,034)
Other adjustments	<u>(38,922)</u>
Raw material and supplies used	\$ 2,819,340
Direct labor	234,583
Manufacturing expenses	<u>940,282</u>
Manufacturing cost	3,994,205
Work in process, beginning of year	286,230
Work in process purchased	1,508
Inter-department transfer in	7,694
Work in process, end of year	(356,152)
Other adjustments	<u>33,424</u>
Cost of finished goods	3,966,909
Finished goods, beginning of year	272,641
Finished goods purchased	668
Finished goods, end of year	(297,617)
Inter-department transfer out	(7,694)
Other adjustments	<u>(5,027)</u>
Cost of finished goods	3,929,880
Merchandise, beginning of year	271,662
Merchandise purchased	785,692
Merchandise, end of year	(141,506)
Other adjustments	<u>1,251,837</u>
Cost of merchandise	6,097,565
Add: Sales of raw material and supplies	172,034
Write-downs of inventories	<u>6,142</u>
Cost of operating costs	<u>\$ 6,275,741</u>

**SINON CORPORATION****STATEMENT OF OPERATING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Selling and Marketing Expenses</b>	<b>General and Administrative Expenses</b>	<b>Research and Development Expenses</b>	<b>Total</b>
Payroll and annual bonus	\$ 602,699	\$ 69,648	\$ 51,167	\$ 723,514
Advertisement	30,646	57	-	30,703
Shipping expense	100,811	-	5	100,816
Travel expense	44,325	2,137	797	47,259
Insurance expense	64,304	4,537	6,731	75,572
Fuels/oils expense	44,267	322	191	44,780
Depreciation expense	15,513	36,155	16,668	68,336
Rent expense	18,340	841	213	19,394
Others	<u>86,039</u>	<u>46,655</u>	<u>29,195</u>	<u>161,889</u>
Total	<u>\$ 1,006,944</u>	<u>\$ 160,352</u>	<u>\$ 104,967</u>	<u>\$ 1,272,263</u>