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興農股份有限公司
SINON CORPORATION

2019 Annual Report



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- **Headquarter**

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- **Division**

- (1) Crop Protection Division

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- (2) Chemical Division

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- (3) Plastics Division

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Auditors

Deloitte & Touche Accounting Firm

Auditors: Su, Ting-Chien, Tseng, Done-Yuin

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Overseas Securities Exchange: None.

Corporate Website: www.sinon.com



SINO CORPORATION

Business Concept, Mission & Vision

Business Concept

Delivering Integrity and Equity, Bringing Prosperity and Growth.

Mission

Building solid strengths for our employees and shareholders practicing sincere and honest business values to be returned to the society.

Vision

Establish a balanced and happy work environment.

Ensure that every member can focus on assignment, and provide a promising career path surpassing the peer.

Contribute to strengthen Taiwan for the global arena.

Note :

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 version shall prevail.

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I. Letter to Shareholders

Dear Shareholders,

Looking back to last year, global economy was stable under the support of the monetary easing policies and low interest rate environment adopted by central banks of major economies. However, due to the impact of China-US trade war and Brexit, the economic momentum weakened.

Secondly, crop protection is a highly climate-dependent industry. In recent years, extreme weather events such as abnormal weather, rainstorm, and drought have driven market demand out of predictable patterns. Domestic and foreign regulations governing the management and use of agrochemicals have become more and more strict. Moreover, the agricultural environment in Taiwan is aging year by year.

Despite the changing external environment, the Group's companies are still conscientious and continue to focus on the fields of crop protection, raw material synthesis, distribution, safe food and consumer products. With the joint efforts of the management team and all colleagues, the business continues to grow steadily.

In the crop protection market, we devote for Taiwan's leading brand of agricultural resources. We cultivate the agricultural resources market with a professional team, collaborate with the government's eco-friendly development policy and cooperate with major agricultural companies in the world to provide complete crop protection and nutritional cultivation solutions which guide farmers to produce safe and high-quality agricultural products. For product research and development, we develop high-efficiency biological formulations and environment-friendly cultivation materials, taking into account the cost and profit of farmers, to ensure the domestic agrochemicals brand advantages and market share. For overseas crop protection market, we effectively reduce the climate risks by continuously expanding business over the years. In the meantime, with different demand cycles of crop protection products in the northern and southern hemispheres, there is no obvious off-peak season for capacity allocation which enables stable and average shipments throughout the year.

For supply perspective, although the increasingly stringent environmental regulations in mainland China have resulted in a contraction of supply for two consecutive years and, in turns, the higher costs. Fortunately, we have been deeply rooted in the mainland China market for a long time. By the ingenious arrangements of supply ensuring and agrochemicals licenses collaborations, some of the previous competitors have turned into strategic partners and further changed the Company's market position in India and South America. In Europe, we have been exploring Eastern European market continuously and shipped to Ukraine and Croatia for the first time in 2019. In addition, after years of hard work, the Company shipped to Germany for the first time. Germany is recognized as a hard-to-enter market within the EU. This represents an indicative significance to Sinon.

In general, 2019 was a severe year for the crop protection market. With years of efforts on the supply side and maintenance of agrochemicals licenses, the Company remained its profitability and expanded the market continuously.

For the subsidiaries, Taiwan Fresh Supermarket Co., Ltd. consolidates the resources of the supply centers and farmers in Taiwan, establishes comprehensive control and oversight system throughout the production and sales process of vegetables and fruits and strictly controls the management of date of freshness and pesticide residues; actively develops APP to integrate online and offline technologies, and promotes multiple payment methods; in terms of store expansion, the Company has entered the northern region of Hsinchu and is developing towards Taoyuan, Taipei and New Taipei City, aiming to become a nationwide supermarket chain.

Yumei Biotec Corporation devotes to provide safe, healthy and high-quality household products and food, and focuses on upgrading cultivation technologies in farm business; in vegetable and fruit processing factories, it develops customers for ready-to-eat and cutting products, increasing profits and diversifying products; regarding catering service, it actively adopts various aspects of food safety and quality control; in terms of production and sales of household goods, it develops and promotes natural and safe products to build a secure product chain.

Moving forward, the Company will keep research and develop new technologies, utilize the products and technologies to overcome the difficulties of global warming and product production and sales, and create excellent business results.

The impact of the Company's external competitive environment, regulatory environment, and overall operating environment on the 2019 business performance, 2020 business plan, and future development strategies are summarized respectively as follows:

Operating Performance in 2019

1. Outcome of business plan

(1) Consolidated operating revenue: NT\$17,081 million

It includes:

Crop protection: NT\$10,081 million, accounts for 59%.

Supermarket: NT\$4,462 million, accounts for 26%.

Houseware and catering services: NT\$1,870 million, accounts for 11%.

Others: NT\$668 million, accounts for 4%.

(2) Consolidated gross profit: NT\$4,541 million, accounts for 27% of the revenue.

(3) Consolidated net profit: NT\$885 million, accounts for 5% of the revenue.

(4) Consolidated net profit after taxes: NT\$675 million, accounts for 4% of the revenue.

(5) Individual revenue: NT\$8,216 million

2. Budget implementation

Unit: NT\$ millions

Item	Budget 2019	Actual amount 2019	Reaching rate%
Consolidated operating revenue	18,500	17,081	92%
Net profit after taxes	790	675	85%

3. Financial receipts and expenditures and profitability analysis

Item		2019	2018	Increase (Decrease) \$
Net cash generated from operating activities		NT\$1,742 million	NT\$1,269 million	37
Net cash used in investing activities		NT\$ (335) million	NT\$ (340)million	(1)
Net cash used in financing activities		NT\$ (1,191) million	NT\$ (1,112)million	7
Return on assets (%)		5	5	0
Return on equity (%)		10	11	(9)
Ratio to paid-in capital (%)	Operating profit	21	22	(5)
	Net profit before taxes	20	21	(5)
Profit margin (%)		4	4	0
Earnings per share		NT\$1.6	NT\$1.74	(8)

4. Research and development status

- (1) The Company has completed the trial runs of three kinds of products. It will be introduced in factories in the future.
- (2) The Company has submitted samples of seven kinds of products. All samples have been registered for fulfilling the customers' requirements.
- (3) The Company has completed the process development for six items and improved the manufacturing process for seventeen items to increase the product competitiveness.
- (4) The Company has completed source verification of new suppliers for fifteen items of materials to ensure stable supply for materials and reduce the costs.

Summary of Business Plan of this Year

1. Operating guidelines

- (1) In domestic crop protection market, the Company will keep striving for product agency and OEM production of the world's major manufacturers, following the trend of the world to actively develop safe and low-toxicity prevention materials, and assisting farmers to establish production traceability and produce safe agricultural products through using the combination of pesticides. In terms of fertilizer and cultivation management, the Company will promote the combination of green and safe biological fertilizers and soil-friendly fertilization strengthen the development of organic culture products, controlled release fertilizers and natural plant biostimulants, and establish precise nutrition management and labor-saving cultivation, so as to consolidate the domestic brand advantages and market share.
- (2) It will also provide farmers with crop disease and insect pest solutions, introduce excellent varieties of vegetables and fruits species, and help farmers produce safe and high-quality agricultural products by integrating the crop cultivation management technologies in Sinon Supply Centers throughout Taiwan.
- (3) Establish strategic partnerships with the multinational manufacturers in Europe, U.S. and Japan, to accelerate the licensing process and product deployment, and strive for the distribution rights of the leading brand or patented agrochemicals, so as to enhance market positioning.

2. Sales forecast and the bases

Based on actual sales in 2019 and market demand in 2020, it is estimated that the sales of crop protection products in 2020 will be 86,833 tons.

3. Critical production and marketing policies

- (1) To accommodate with the policies, establish a pesticide sales certificate issuance system. Provide solutions with a complete product line to meet the requirements of farmers, supplemented by various business activities to increase market share. Cooperate with Agriculture and Food Agency to promote the eco-friendly cultivation policies and increase the research team and large farmers market.
- (2) Research, develop and produce intermediate products of high value-added key specialty chemicals and agricultural chemicals, integrate productivity to produce competitive products, so as to satisfy the high-quality and low cost requirements of multinational companies, and

service local customers directly by overseas subsidiaries to enhance business performance.

(3) Plastics business:

- A. In cope with the trends of plastic restrictions environment in various countries, the Company has jointly developed biological packaging materials with downstream customers, and participated in overseas exhibitions to win business opportunities for export.
- B. Procure all-electric energy-saving equipment to reduce the power consumption and the pressure of rising costs
- C. Develop 3.5cc external spring pumps to extend the comprehensive product line.

Future Development Strategies of the Company

1. Aiming for producing safe agricultural products, eco-friendly farming and soil care, utilizing the professional skills of certified agronomists to serve the countryside and provide solutions for crop protection and nutrient cultivation, and taking the establishment of safe agriculture and assured agricultural products as social responsibilities, to become Taiwan's most trusted crop protection science company.
2. Develop new products and increase the overseas registration for key products. Continue to develop and promote the new type of crop protection products such as microorganisms. Through subsidiaries and regional partners, promote the Company's brand name, towards the mission of providing high-quality products and services for farmers and customers all over the world.
3. In addition to collaborate with international manufacturers to increase the product line, the Company will also expand the existing registration for product usage scope to meet farmers' agrochemicals and fertilizers requirements and thereby improve the crop qualities and increase the farmers' income.
4. Develop non-patent agrochemicals and maintain and explore new OEM customers.
5. Undertake the technology from the synthesis laboratory to develop mass production technology and provide the factory with stable and safe process technology. Shorten product development time to maintain the Company's reputation and customer confidence with reasonable production price and quality.
6. Enhance the regional collaboration with international major manufacturers to increase the license registration across regions; register new products in global market and thereby explore new customers and promote overseas market share.
7. Based on agriculture, Sinon Group, in the development of new technologies in the global agricultural economy, aims at sustainable land and environment management, with the concept of innovative biotechnology and green marketing, and guided by chemical synthesis, crop protection, biological fermentation and food safety. From production to sales, the Group provides excellent agricultural ingredients to consumers, and continues to pass on.

Impacts by External Competitive Environment, Regulatory Environment and General Operating Environment

1. Crop protection market

- (1) In addition to maintain the existing customers by increasing farmer services, the Company keeps focus on developing large farmers to expand customer base.
- (2) The Company combines professional cultivation techniques of crop protection and nutrition cultivation to provide solutions with innovative special products to improve the farmers' product value and their profit. The Company also takes into account environmental friendliness and labor-saving management to respond to the needs of consumers and the shortage of agricultural labor.
- (3) The Company shall continue to invest in the registration fee, so as to apply for the registration of new markets, new products and the extension of the usage scope of existing products.
- (4) Governments of various countries are getting stricter on the environmental protection and agrochemicals regulations and the inspection for licenses. Thus, the cost of obtaining licenses is also getting higher. At the same time, many countries are imposing more and more restrictions on the usage of agrochemicals.
- (5) Strengthen the understanding of laws and regulations and political and economic situations of various countries, in prevention of the loss of the Company due to uneasy situations or changes in laws and regulations; Timely update and research the environmental protection regulations, agriculture development and the usage of agrochemicals of various countries, and even cooperates with peer companies to comply with the increasingly strict registration management regulations of countries.

2. Others

- (1) For external competitive environment, due to the rising cost of upstream raw materials and the fierce competition among peers, in order to maintain existing customers, without the price adjustment space in the downstream, the Company will develop towards high value-added products in the future.
- (2) The Company will continue to develop lightweight and decomposable packaging materials which meet the requirements of environmental protection and FDA regulations, to ensure consumer safety and fulfill social responsibilities for energy conservation and carbon reduction.
- (3) Environmental protection laws and regulations in China are getting stricter which increases the cost of raw materials, negative growth in fertilizers and pesticides, as well as lowering purchase prices and land transfer policies have led to the reduced inputs from farmers, weak demand and fierce competition in the industry.
- (4) Global climate change affects the sales of crop protection products directly. The Company will mitigate the impact of climate change by accelerating the pace of global deployment.

Chairman
Horng, Po-Yen



II. Company Profile

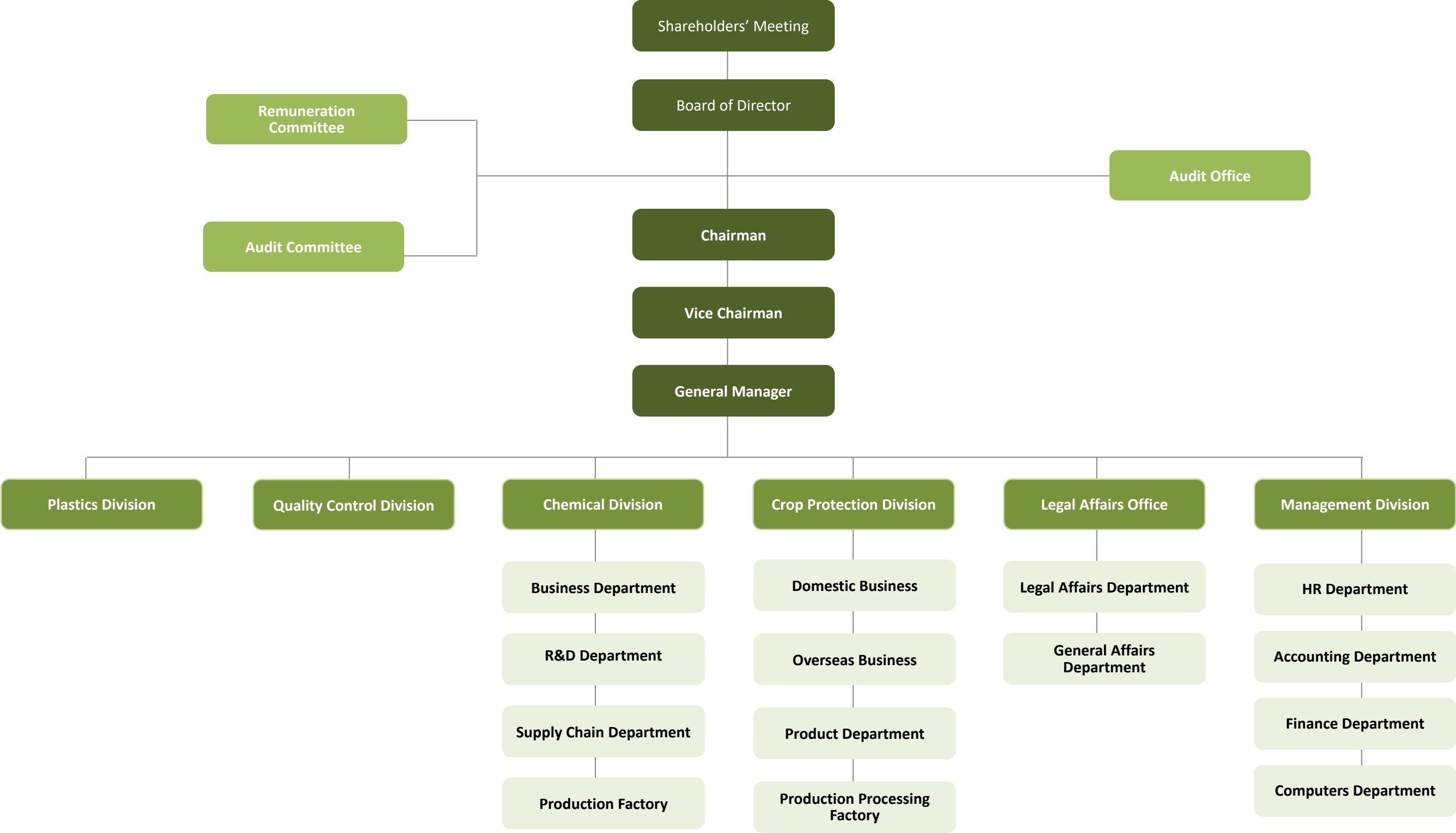
Year	Milestones
Started	1955 Sinon Chemical Factory incorporated
	1959 Sinon Chemical Factory was renamed Sinon Chemical Co., Ltd.
	1960 Sinon Trading Co., Ltd. incorporated
	1962 Established “powder factory”
	1963 Sinon Chemical Co., Ltd. was renamed Sinon Chemical Industry Co., Ltd. (Date of establishment: November 20, 1963)
	1965 Minfeng Chemical Factory Co. Ltd. incorporated
Expansion	1966 Established "technical material factory", "bio-research laboratory", "chemical research laboratory"
	1967 Established “granule factory”, “hydrochloric acid factory”
	1970 Dayuan Industrial Co., Ltd. incorporated
	1971 Fengmei Industrial Co., Ltd incorporated
	1972 Minfeng Chemical Factory Co. Ltd. incorporated
	1974 Production of “Baygon” environmental agents
Growth	1976 Feng Nien Development Co., Ltd. incorporated
	1978 Relocated Headquarters to Sinon Building
	1979 “Sinon Chemical Factory”, “Minfeng Chemical Factory”, “Fengmei Industrial” and “Feng Nien Development” merged into “Sinon Corporation”. Established “plastics factory”
	1981 Established “ food factory ”
	1982 Established Sinon Supply Centers, which allow the farmers to be the direct beneficiaries of the price difference.
	1983 Established Knowledge and Service Information Company.
Transformation	1988 Set up the first supermarket in Caotun Town, Nantou County.
	Mr. Yang, Wen-Ben succeeded as chairman.
	1989 Established “ household product division” Sinon Corporation was listed in the TWSE (Taiwan Stock Exchange).

Year	Milestones
Transformation	1990 Syntai Concrete Co., Ltd. incorporated
	1992 Tong Chia Corporate incorporated
	1993 Established Sinon Life Insurance Co., Ltd. and Hsing Wei Corporation
	1995 Purchased the Sinon Bulls Professional Baseball Team.
Worldwide territories	1998 “Dayuan Industrial” was renamed Feng Nien Corporation Co., Ltd.
	2000 Established Sinon Do Brazil Ltda.
	2001 Established Sinon Chemical (Shanghai) Co., Ltd.
	2002 Established Sinon (Thailand) Co., Ltd.
	2003 Established Sinon USA Inc.
	2004 Established Pt Sinon Indonesia and Sinon Eu GmbH.
Agricultural Technology	2005 Established Sinon Australia Pty Limited.
	2008 Established a supermarket business division as an independent subsidiary, Funcom Supermarket
	2009 Established Synjia Corporation. Established “daily products chemical factory”
	2010 Sinon Chemical (Shanghai) Co., Ltd was renamed as Sinon Chemical (China) Co., Ltd
	2011 Established Zhongshan Synjia Daily Products Co., Ltd.
	2012 Established Sinon Chemical (Nantong) Co., Ltd. and YMY Biotech Co., Ltd.
	Issued the domestic unsecured convertible corporate bonds.
	2013 Established Yumei Yen Inspection Technology Co., Ltd and Yu Ting Plastic Co., Ltd.
	2015 60th anniversary of Sinon Corporation Sinon's commodities business was divested and transferred to Yumei Yen Co., Ltd.
	2016 Mr. Horng, Po-Yen succeeded as chairman.
	2020 Yumei Yen Co., Ltd. was renamed as Yumei Biotec Corporation.

III. Corporate Governance Report

3.1 Organization

3.1.1 Organization Chart



3.1.2 Major Corporate Functions

Department	Functions
Management Division	Including departments of finance, accounting, human resources, computers and others, responsible for resource integration and implementation of planning and management systems, business performance evaluation, information system development and security control of the Group.
Legal Affairs Office	Including departments of legal affairs and general affairs, responsible for various legal affairs processing, trademark patents, contract review and asset management of the Group.
Crop Protection Division	Including departments of production processing, product, and sales. Domestic business is mainly based on the supply centers around Taiwan. Through direct sales, specialty stores, cash transactions and professional management, promote and sell the products such as pesticides, fertilizers, seeds and seedlings, agricultural machinery and materials to farmers. Overseas business is responsible for the sale of pesticides, fertilizers and specialty chemicals in the international markets.
Chemical Division	Including departments of production factories, supply chain and R&D. The Company utilizes its excellent R&D team to develop production processes for new products such as competitive specialty chemicals and key intermediates, and to enhance OEM or ODM process acceptance and R&D capabilities to assist factories improve process conditions and control costs. In addition, it is also responsible for businesses such as industrial safety, environmental engineering and construction, including the establishment of new factories, compliance with environmental regulations, maintenance of factory operations, proper environmental protection, industrial safety, and labor protection. The supply chain department is responsible for integrating the parallel transmission of information among suppliers, manufacturers, and customers in the upstream and downstream of the supply chain, in order to save logistics time, raw material costs, and improve and shorten the delivery time, to minimize the overall cost. For the development of agrochemicals, the Company integrates existing equipment and manpower for effective integration. It implements special process technology capabilities through the inheritance of professional talents and the accumulation of core technologies, to effectively integrate and utilize production resources.
Quality Control Division	The Company has Taiwan's first laboratory set up in accordance with the Good Laboratory Practice (GLP) of the Economic Cooperation Development Organization (OECD), and builds a strong quality assurance team to check the quality, so as to make the products comply with regulations and customer satisfaction, and continue to maintain the completeness of ISO, enhance the image of international quality certification, and strengthen the registrations in the international markets.
Plastics Division	It is responsible for production of plastic packaging materials and provides printing, labeling, hot stamping, etc. It provides practical, high-quality and creative packaging materials to meet customer needs and develop green products.

3.2 Directors, General Managers, Vice General Managers, Assistant vice General Managers and Managers of Each Department and Subsidiary.

3.2.1 Directors

April.25, 2020

Title	Nationality/ Place of Incorporation	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement	
							Shares	%	Shares	%	Shares	%	Shares	%
Chairman	R.O.C	Horng, Po-Yen	Male	June 16, 2017	3	May 11, 1974	7,119,235	1.91%	7,119,235	1.69%	5,038,857	1.20%	—	—
Vice chairman	R.O.C	Chiawen Investment Ltd.	—	June 16, 2017	3	June 15, 2004	4,337,443	1.16%	5,444,443	1.29%	—	—	—	—
Vice chairman Representative	R.O.C	Liao, Lien-Heng	Male	June 16, 2017	3	June 15, 2004	306,919	0.08%	306,919	0.07%	634,932	0.15%	—	—
Director	R.O.C	Guo Wu, Zhun-Zhen (Note 1)	Female	June 16, 2017	3	April 11, 1989	2,624,509	0.70%	2,624,509	0.62%	183,765	0.04%	—	—
Director	R.O.C	Yu, Tse-Jen (Note 2)	Male	June 16, 2017	3	June 28, 2007	98,288	0.03%	98,288	0.02%	—	—	—	—
Director	R.O.C	Yang, Jen-Yo	Male	June 16, 2017	3	Oct. 9, 2014	2,100,892	0.56%	2,100,892	0.50%	—	—	—	—
Director	R.O.C	Yunsung Investment Ltd.	—	June 16, 2017	3	June 16, 2017	7,028,000	1.88%	32,788,000	7.80%	—	—	—	—
Director Representative	R.O.C	Liu, Yun-Sung	Male	June 16, 2017	3	June 16, 2017	503,189	0.13%	503,189	0.12%	11,000	0.00%	-	-
Independent Director	R.O.C	Chi, Chih-Yi	Male	June 16, 2017	3	June 21, 2013	—	—	—	—	—	—	—	—
Independent Director	R.O.C	Hsu, Jun-Ming	Male	June 16, 2017	3	June 21, 2013	—	—	—	—	—	—	—	—
Independent Director	R.O.C	Uang, Biing-Jiun	Male	June 16, 2017	3	June 18, 2015	—	—	—	—	—	—	—	—

Note 1: Directorship was discontinued from May 19, 1992 to May 28, 1998 due to the re-election of the shareholders general meeting.

Note 2: Directorship was discontinued from Oct 9, 2014 to June 15, 2017 due to the re-election of the shareholders general meeting.

Title	Name	Primary Experience (Education)	Current Positions at the Company or Other Companies	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship		
				Title	Name	Relation
Chairman	Horng, Po-Yen	Bachelor's Degree	- Chairman / Taiwan Fresh Supermarket Co., Ltd. - Chairman / Syntai Chemicals Ltd. - Chairman / Hsing Wei Corporation - Chairman / Yumei Biotec Corporation - Chairman / Sinon Trading Co., Ltd. - Chairman / Knowledge & Service Information Co., Ltd. - Director / Sinon Cayman Corporation - Legal representative / Sinon Hong Kong Co., Ltd. - Legal representative / Sinon Chemical (China) Co., Ltd. - Legal representative / Sinon Chemical (Nantong) Co., Ltd. - Director / Zhongshan Sinon Daily Products Co., Ltd. - Director / Sinon Australia Pty Limited - Director / PT. Sinon Indonesia - Director / Sinon(Thailand) o., Ltd - Director / Sinon Eu GmbH	—	—	—
Vice chairman	Chiawen Investment Ltd.	—	Vice chairman / Sinon Corporation	—	—	—
Vice chairman Representative	Liao, Lien-Heng	Bachelor's Degree	- Director / Taiwan Fresh Supermarket Co., Ltd. - Director / Yumei Biotec Corporation - Director / Sinon Trading Co., Ltd. - Director / Elon Electronics Corp. - Independent Director / Sweeten Real Estate Development Co., Ltd	—	—	—
Director	Guo Wu, Zhun-Zhen	Associate Degree	- Director / Taiwan Fresh Supermarket Co., Ltd. - Director / Yumei Biotec Corporation	—	—	—
Director	Yu, Tse-Jen	Associate Degree	- Director / Taiwan Fresh Supermarket Co., Ltd. - Director / Yumei Biotec Corporation - Director / Sinon Chemical (China) Co., Ltd. - Director / Sinon Chemical (Nantong) Co., Ltd.	—	—	—
Director	Yang, Jen-Yo	Master's Degree	- Director / Taiwan Fresh Supermarket Co., Ltd. - Director / Yumei Biotec Corporation - Director / Taichung Golf & Country Club	—	—	—
Director	Yunsung Investment Ltd.	—	Sinon Corporation / Director	—	—	—
Director Representative	Liu, Yun-Sung	Associate Degree	- Director / Taiwan Fresh Supermarket Co., Ltd. - Director / Yumei Biotec Corporation	—	—	—
Independent Director	Chi, Chih-Yi	Ph.D.	- Independent Director / Nova Technology Corp. - Independent Director / Gourmet Master Co. Ltd.	—	—	—
Independent Director	Hsu, Jun-Ming	Ph.D.	- Independent Director / Horizon Securities Co. Ltd. - Independent Director / Zeng Hsing Industrial Co. Ltd.	—	—	—
Independent Director	Uang, Bing-Jiun	Ph.D.	—	—	—	—

Note 1: Yumei Yen Co., Ltd. has been renamed to Yumei Biotec Corporation on May 12, 2020.

Major Shareholders of the Institutional Shareholders

Name of Institutional Shareholders	Major shareholders of institutional shareholders
ChiaWen Investment Ltd.	Lan, Qing-E (25%)
YunSung Investment Ltd.	Liu, Yun-Sung (10%)

Professional Qualifications and Independence Analysis of Directors

Name	Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note1)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Horng, Po-Yen			✓	✓					✓	✓	✓	✓	✓	✓	✓	✓	—
ChiaWen Investment Ltd. Liao, Lien-Heng			✓	✓			✓	✓		✓	✓	✓	✓	✓	✓		1
Guo Wu, Zhun-Zhen			✓	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Yu, Tse-Jen			✓	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Yang, Jen-Yo			✓				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
YunSung Investment Ltd. Liu, Yun-Sung			✓				✓	✓		✓	✓	✓	✓	✓	✓		—
Chi, Chih-Yi	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Hsu, Jun-Ming	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Uang, Biing-Jiun	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—

Note1: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

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

(2) Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

(6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company. Not apply to independent

- directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- (7) If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- (8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company.
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
- (11) Not been a person of any conditions defined in Article 30 of the Company Law.
- (12) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

Note2: Please refer to page 8 for concurrent serving situation

3.2.2 General Managers, Vice General Managers, Assistant General Managers and Managers of Each Department and Subsidiary

April.25, 2020

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Primary Experience (Education)	Current Positions at the Company or Other Companies	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
General Manager	R.O.C	Yen, Tsu-Fang	Male	July 1, 2018	95,247	0.02%	185,859	0.04%	—	—	Bachelor's Degree	- Supervisor / Taiwan Fresh Supermarket Co., Ltd. - Supervisor / Yumei Biotec Corporation - Director / Sinon Chemical (China) Co., Ltd. - Director / Sinon Chemical (Nantong) Co., Ltd. - Director / Sinon USA, Inc.	—	—	—
Vice General Manager	R.O.C	Yu, Kuei-Ju	Male	July 1, 2018	198,000	0.05%	—	—	—	—	Master's Degree	- Supervisor / Taiwan Fresh Supermarket Co., Ltd. - Supervisor / Yumei Biotec Corporation - Director / Knowledge & Service Information Co., Ltd.	—	—	—
Assistant General Manager	R.O.C	Lin, Chin-Shan	Male	Jan. 1, 2003	176,463	0.04%	628	0.00%	—	—	Master's Degree	—	—	—	—
Assistant General Manager	R.O.C	Li, Chien-Min	Male	Sep. 1, 2008	123,419	0.03%	—	—	—	—	Master's Degree	- Legal representative / Poise Packing Co., LTD./ - Legal representative / Zhongshan Sinon Daily Products Co., Ltd.	—	—	—
Assistant General Manager	R.O.C	Wang, Chi-Chou	Male	Aug.2, 2011	98,596	0.02%	—	—	—	—	Associate degree	—	—	—	—
Assistant General Manager	R.O.C	Tsai, Chih-Yung	Male	Jan. 1, 2018	100,000	0.02%	—	—	—	—	Bachelor's Degree	—	—	—	—
Assistant General Manager	R.O.C	Shih, Neng-Chun	Male	Jan. 1, 2019	50,000	0.01%	108,000	0.03%	—	—	Master's Degree	—	—	—	—
Assistant General Manager	R.O.C	Chen, Chien-Hsing	Male	Jan. 1, 2020	—	—	—	—	—	—	Ph.D.	—	—	—	—
Assistant General Manager	R.O.C	Feng, Tao-An	Male	Jan. 1, 2020	—	—	10,000	0.00%	—	—	Bachelor's Degree	—	—	—	—

Note: Yumei Yen Co., Ltd. has been renamed to Yumei Biotec Corporation on May 12, 2020.

3.2.3 Remuneration Paid to Directors, General Managers, and Vice General Managers in the Latest Fiscal Year

Remuneration of Directors

December 31, 2019/ Unit: NT\$ thousands

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Severance Pay (B)		Directors Compensation(C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)						
		The company	From All Consolidated Entities	The company	From All Consolidated Entities	The company	From All Consolidated Entities	The company	From All Consolidated Entities	The company	From All Consolidated Entities	The company	From All Consolidated Entities	The company	From All Consolidated Entities	The company		From All Consolidated Entities		The company	From All Consolidated Entities	
																Cash	Stock	Cash	Stock			
chairman	Horng, Po-Yen	1,620	1,620	—	—	39,088	39,088	3,676	3,676	6.58	6.58	2,632	2,632	141	141	—	—	—	—	6.99	6.99	70
Vice chairman	ChiaWen Investment Ltd. Representative Liao, Lien-Heng																					
Director	Guo Wu, Zhun-Zhen																					
Director	Yu, Tse-Jen																					
Director	Yang, Jen-Yo																					
Director	YunSung Investment Ltd. Representative Liu, Yun-Sung																					
Independent Director	Chi ,Chih-Yi	240	240	—	—	3,000	3,000	106	106	0.50	0.50	—	—	—	—	—	—	—	—	0.50	0.50	—
Independent Director	Hsu, Jun-Ming																					
Independent Director	Uang, Biing-Jiun																					

- Please describe the policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration: In addition to reference to the performance evaluation of the board of directors and functional committees, the remuneration policy, standards, and packages of the independent directors are reviewed by the Remuneration Committee, based on their business involvement, contribution and peer levels, and determined by the Board of Directors,.
- In addition to the above remuneration, director remuneration shall be disclosed as follows when received from companies included in the consolidated financial statements in the most recent year to compensate directors for their services, such as being independent contractors: Not applicable

Note 1: The Company's standalone net profit after taxes in 2019 is around NT\$ 674,855,000.

Range of Remuneration

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	From All Consolidated Entities	The company	From All Consolidated Entities
Under NT\$1,000,000				
NT\$ 1,000,000 ~ NT\$ 1,999,999	Chi ,Chih-Yi / Hsu, Jun-Ming / Uang, Biing-Jiun	Chi ,Chih-Yi / Hsu, Jun-Ming / Uang, Biing-Jiun	Chi ,Chih-Yi / Hsu, Jun-Ming / Uang, Biing-Jiun	Chi ,Chih-Yi / Hsu, Jun-Ming / Uang, Biing-Jiun
NT\$ 2,000,000 ~ NT\$ 3,499,999				
NT\$ 3,500,000 ~ NT\$ 4,999,999	Guo Wu, Zhun-Zhen / Yang, Jen-Yo / Liu, Yun-Sung	Guo Wu, Zhun-Zhen / Yang, Jen-Yo / Liu, Yun-Sung	Guo Wu, Zhun-Zhen	Guo Wu, Zhun-Zhen
NT\$ 5,000,000 ~ NT\$ 9,999,999	Liao, Lien-Heng / Yu, Tse-Jen	Liao, Lien-Heng / Yu, Tse-Jen	Liao, Lien-Heng / Yu, Tse-Jen / Yang, Jen-Yo / Liu, Yun-Sung	Liao, Lien-Heng / Yu, Tse-Jen / Yang, Jen-Yo / Liu, Yun-Sung
NT\$ 10,000,000 ~ NT\$ 14,999,999	Horng, Po-Yen	Horng, Po-Yen	Horng, Po-Yen	Horng, Po-Yen
NT\$ 15,000,000 ~ NT\$ 29,999,999				
NT\$ 30,000,000 ~ NT\$ 49,999,999				
NT\$ 50,000,000 ~ NT\$ 99,999,999				
Over NT\$ 100,000,000				
Total	9	9	9	9

Remuneration of the General Managers and Vice General managers

December 31, 2019 / Unit: NT\$ thousands

Title	Name	Salary (A)		Severance Pay (B)		Bonuses and Allowances (C)		Employee Compensation (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation Paid to the President and Vice Presidents from an Invested Company Other than the Company's Subsidiary
		The company	From All Consolidated Entities	The company	From All Consolidated Entities	The company	From All Consolidated Entities	The company		From All Consolidated Entities		The company	From All Consolidated Entities	
								Cash	Stock	Cash	Stock			
General Manager	Yen, Tsu-Fang	2,892	2,892	108	108	9,617	9,617	—	—	—	—	1.87	1.87	—
Vice General Manager	Yu, Kuei-Ju							—	—	—	—			

Note 1: The Company's standalone net profit after taxes in 2019 is around NT\$ 674,855,000.

Range of Remuneration

Range of Remuneration	Name of General Managers and Vice General Managers	
	The company	From All Consolidated Entities
Under NT\$1,000,000		
NT\$ 1,000,000 ~ NT\$ 1,999,999		
NT\$ 2,000,000 ~ NT\$ 3,499,999	Yu, Kuei-Ju	Yu, Kuei-Ju
NT\$ 3,500,000 ~ NT\$ 4,999,999		
NT\$ 5,000,000 ~ NT\$ 9,999,999	Yen, Tsu-Fang	Yen, Tsu-Fang
NT\$ 10,000,000 ~ NT\$ 14,999,999		
NT\$ 15,000,000 ~ NT\$ 29,999,999		
NT\$ 30,000,000 ~ NT\$ 49,999,999		
NT\$ 50,000,000 ~ NT\$ 99,999,999		
Over NT\$ 100,000,000		
Total	2	2

Note 1: A company that has posted consecutive after-tax losses for the most recent two continuous years shall disclose the remuneration paid to individual directors: Not applicable.

Note 2: A company that has had an insufficient director shareholding percentage for 3 consecutive months shall disclose the remuneration paid to individual directors: Not applicable.

Note 3: A company that has had an average ratio of share pledging by directors or supervisors in excess of 50 percent in any 3 months during the most recent fiscal year shall disclose the remuneration paid to each individual director having a ratio of pledged shares in excess of 50 percent for each such month: Not applicable.

Note 4: If the total amount of remuneration received by all of the directors and supervisors in their capacity as directors or supervisors of all of the companies listed in the financial reports exceeds 2 percent of the net income after tax, and the remuneration received by any individual director or supervisor exceeds NT\$15 million, the company shall disclose the remuneration paid to that individual director: Not applicable.

Note 5: A company is ranked in the lowest tier in the corporate governance evaluation for the most recent fiscal year, or the Corporate Governance Evaluation Committee has resolved that the company shall be excluded from evaluation, shall disclose the remuneration paid to individual directors: Not applicable.

Note 6: A company with average annual salary of the full-time non-supervisory employees less than NT\$500,000 shall disclose remuneration paid to individual directors: Not applicable.

Employee Profit Sharing Granted to the Executive Officers

December 31, 2019

Executive Officers	Title	Name	Employee Compensation- in Stock (Fair Market Value)	Employee Compensation- in Cash	Total	Ratio of Total Amount to Net Income (%)
	General Manager	Yen, Tsu-Fang	—	—	—	—
	Vice General Manager	Yu, Kuei-Ju				
	Assistant General Manager	Lin, Chin-Shan				
	Assistant General Manager	Li , Chien-Min				
	Assistant General Manager	Wang, Chi-Chou				
	Assistant General Manager	Tsai, Chih-Yung				
	Assistant General Manager	Shih, Neng-Chun				
	Chief Corporate Governance Officer	Chiang, Pei-Shan				

3.2.4 Separately Compare and Describe Total Remuneration, as a Percentage of Net Income Stated in the Standalone Financial Statements, as Paid by this Company and by Each other Company Included in the Consolidated Financial Statements During the Past 2 fiscal years to Directors, General Manager, and Vice General Manager, and Analyze and Describe Remuneration Policies, Standards, and Packages, the Procedure for Determining Remuneration, and its Linkage to Operating Performance and Future Risk Exposure.

Title	2019		2018		Explanation
	Ratio of Total Compensation to Net Income (%)		Ratio of Total Compensation to Net Income (%)		
	The company	From All Consolidated Entities	The company	From All Consolidated Entities	
Directors	7.48	7.48	8.37	8.55	In 2019, profit before income tax declined, therefore remunerations reduced relatively, which is reasonable.
General Managers and Vice General Managers	1.87	1.87	2.11	2.11	

1. In accordance with the Articles of Association, if there is a net profit at the end of each fiscal year, 1% of the profit shall be allocated as employees' compensation and may be allocated 5% or less for the remuneration to directors. Remunerations should be reviewed by Remuneration Committee and approved by the Board of Directors meeting before appropriation, and reported to the shareholders meeting.
2. The Company's remuneration policies to Directors and managerial officers are mainly based on their business involvement, contribution and peer levels. The relevant remuneration standards, policies and packages are reviewed and approved by the Remuneration Committee. Remuneration to directors also take in to account their annual performance evaluation result, which includes the director's involvement in the Company's operation, grasp of the Company's goals and tasks and their recognition of directors' responsibilities. Remuneration to managerial officers shall be approved in accordance with HR management regulations and welfare rules. In addition, quarterly evaluates their contribution value, such as the achievement of the business plan and the growth situation, as the basis for the consideration of the remuneration. Each of these remuneration payments should have limited future risk to the Company's business performance.

3.3 Corporate Governance Implementation

3.3.1 Board of Directors

A total of 4 (A) meetings of the Board of Directors were held in 2019. The attendance of directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Chairman	Horng, Po-Yen	4	—	100	
Vice Chairman	ChiaWen Investment Ltd. Representative :Liao, Lien-Heng	4	—	100	
Director	Guo Wu, Zhun-Zhen	4	—	100	
Director	Yu, Tse-Jen	4	—	100	
Director	Yang, Jen-Yo	4	—	100	
Director	YunSung Investment Ltd. Representative :Liu, Yun-Sung	4	—	100	
Independent director	Chi, Chih-Yi	4	—	100	
Independent director	Hsu, Jun-Ming	4	—	100	
Independent director	Uang, Biing-Jiun	3	—	75	

Other Mentionable Items

- If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:
 - Matters referred to in Article 14-3 of the Securities and Exchange Act: The Company has established an Audit Committee pursuant to Article 14-5 rather than Article 14-3 of Securities and Exchange Act.
 - Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors: None.

- If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:

Date and term of the meeting	The 15th Board The 2nd meeting of 2020 (May 6, 2020)
Name of Director	Horng, Po-Yen ChiaWen Investment Ltd. Representative :Liao, Lien-Heng Guo Wu, Zhun-Zhen Yu, Tse-Jen Yang, Jen-Yo YunSung Investment Ltd. Representative :Liu, Yun-Sung Uang, Biing-Jiun
Content of motion	The nomination of candidates of the Company's directors (including independent directors) of the 16th Board.
Reason for recusal	The motion involves with interest of the party
Participation of the resolution	Actively recuse the discussion and resolution of the motion.

3. The evaluation cycle, period, scope and method and content of evaluation for self-evaluation (or peer evaluation) of the Board of Directors:

Evaluation cycle	Once a year.																				
Evaluation period	January 1 ~ December 31, 2019																				
Scope of evaluation	Performance evaluations of Board of Directors, individual Directors and functional committees																				
Evaluation method	Internal self-evaluation																				
Evaluation items	1.The performance of the board of directors																				
	<table><tr><th>Evaluation items</th><th colspan="2">Average score</th></tr><tr><td>Participation in the operation of the company</td><td colspan="2">19</td></tr><tr><td>Improvement of the quality of the board of directors' decision making</td><td colspan="2">27</td></tr><tr><td>Composition and structure of the board of directors</td><td colspan="2">18</td></tr><tr><td>Election and continuing education of the directors</td><td colspan="2">9</td></tr><tr><td>Internal control</td><td colspan="2">19</td></tr></table>			Evaluation items	Average score		Participation in the operation of the company	19		Improvement of the quality of the board of directors' decision making	27		Composition and structure of the board of directors	18		Election and continuing education of the directors	9		Internal control	19	
	Evaluation items	Average score																			
	Participation in the operation of the company	19																			
	Improvement of the quality of the board of directors' decision making	27																			
	Composition and structure of the board of directors	18																			
	Election and continuing education of the directors	9																			
	Internal control	19																			
	2.The performance of the board members																				
	<table><tr><th>Evaluation items</th><th colspan="2">Average score</th></tr><tr><td>Alignment of the goals and missions of the company & Awareness of the duties of a director</td><td colspan="2">37</td></tr><tr><td>Participation in the operation of the company</td><td colspan="2">37</td></tr><tr><td>The director's professionalism and continuing education</td><td colspan="2">9</td></tr><tr><td>Internal control</td><td colspan="2">10</td></tr></table>			Evaluation items	Average score		Alignment of the goals and missions of the company & Awareness of the duties of a director	37		Participation in the operation of the company	37		The director's professionalism and continuing education	9		Internal control	10				
	Evaluation items	Average score																			
	Alignment of the goals and missions of the company & Awareness of the duties of a director	37																			
	Participation in the operation of the company	37																			
	The director's professionalism and continuing education	9																			
	Internal control	10																			
	3.The performance of functional committees																				
	<table><tr><th>Evaluation items</th><th>Remuneration Committee Average score</th><th>Remuneration Committee Average score</th></tr><tr><td>Participation in the operation of the company</td><td>10</td><td>10</td></tr><tr><td>Awareness of the duties of the functional committee</td><td>30</td><td>28</td></tr><tr><td>Improvement of quality of decisions made by the functional committee</td><td>39</td><td>37</td></tr><tr><td>Makeup of the functional committee and election of its members</td><td>10</td><td>9</td></tr><tr><td>Internal control</td><td>10</td><td>9</td></tr></table>			Evaluation items	Remuneration Committee Average score	Remuneration Committee Average score	Participation in the operation of the company	10	10	Awareness of the duties of the functional committee	30	28	Improvement of quality of decisions made by the functional committee	39	37	Makeup of the functional committee and election of its members	10	9	Internal control	10	9
	Evaluation items	Remuneration Committee Average score	Remuneration Committee Average score																		
	Participation in the operation of the company	10	10																		
	Awareness of the duties of the functional committee	30	28																		
	Improvement of quality of decisions made by the functional committee	39	37																		
	Makeup of the functional committee and election of its members	10	9																		
	Internal control	10	9																		
	The average scores of internal self-evaluation of the Board of Directors, individual directors and functional committees in 2019 all reached 90 points (out of 100 points). The overall performance was good. The results have been submitted to the functional committees and Board of Directors on March 20, 2020.																				

4. Measures taken to strengthen the functionality of the board:

(1) The Company has formulated the performance evaluation methods for the Board, continues to insure Directors' liability insurance, and regularly notifies Directors of various training information, to strengthen Board functions.

(2) Directors' education:

Title	Name	Training hours	Study period		Sponsoring Organization	Course
			From	To		
Chairman	Horng, Po-Yen	6	Oct.29 ,2019	Oct.29 ,2019	Accounting Research and Development Foundation	Impacts of the Labor Incident Act on enterprises and legal compliance practices
Vice Chairman	ChiaWen Investment Ltd. Representative :Liao, Lien-Heng	3	Aug.16 ,2019	Aug.16 ,2019	Securities and Futures Institute	Seminar of legal compliance for insider equity trading
		3	Nov.8 ,2019	Nov.8 ,2019	Securities and Futures Institute	Conference for prevention of insider trading
Director	Guo Wu, Zhun-Zhen	6	Nov.19 ,2019	Nov.19 ,2019	The Institute of Internal Auditors	How the chief auditor assists the Board of Directors and its advisory services
Director	Yu, Tse-Jen	3	Aug.16 ,2019	Aug.16 ,2019	Securities and Futures Institute	Seminar of legal compliance for insider equity trading
		3	Nov.8 ,2019	Nov.8 ,2019	Securities and Futures Institute	Conference for prevention of insider trading
Director	Yang, Jen-Yo	3	Aug.16 ,2019	Aug.16 ,2019	Securities and Futures Institute	Seminar of legal compliance for insider equity trading
		3	Nov.21 ,2019	Nov.21 ,2019	Taiwan Stock Exchange Corporation	Conference for effectively exerting Directors' functions.
Director	YunSung Investment Ltd. Representative :Liu, Yun-Sung	3	Jul.26 ,2019	Jul.26 ,2019	Securities and Futures Institute	Seminar of legal compliance for insider equity trading
		3	Nov.8 ,2019	Nov.8 ,2019	Securities and Futures Institute	Conference for prevention of insider trading
Independent director	Chi, Chih-Yi	3	Aug.16 ,2019	Aug.16 ,2019	Securities and Futures Institute	Seminar of legal compliance for insider equity trading
		3	Nov.8 ,2019	Nov.8 ,2019	Securities and Futures Institute	Conference for prevention of insider trading
Independent director	Hsu, Jun-Ming	3	Jun.20 ,2019	Jun.20 ,2019	Taiwan Securities Association	Directors, supervisors, and accounting managers' stock transfer and tax planning practices
		3	Sept.11 ,2019	Sept.11 ,2019	Taiwan Securities Association	Money Laundering Control Act and case study
Independent director	Uang, Biing-Jiun	3	Aug.2, 2019	Aug.2, 2019	Securities and Futures Institute	Seminar of legal compliance for insider equity trading
		3	Sept.4 ,2019	Sept.4 ,2019	UBS	Corporate governance/ corporate sustainability certification lecture

3.3.2 Audit Committee

A total of 4 (A) Audit Committee meetings were held in 2019. The attendance of the independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Independent director	Chi, Chih-Yi	4	—	100	
Independent director	Hsu, Jun-Ming	4	—	100	
Independent director	Uang, Biing-Jiun	4	—	100	

Meeting agenda includes reviewing the financial reports, evaluating the effectiveness of the internal control system, reviewing the execution status of internal audit, evaluating the independence of CPAs, revising the Audit Committee charter, reviewing the annual audit plan, and reviewing the amendments of internal regulations.

- **Review financial reports**

The board of directors has prepared the Company's 2019 business report, financial statements (including the consolidated financial statements), and a discussion proposal for allocation of profits. The financial statements (including the consolidated financial statements) have been audited and certified by certified public accountants, Su, Ting-Chien and Tseng, Done-Yuin, at the CPA firm of Deloitte & Touche, and the review report was issued accordingly. The above business report, financial statements (including the consolidated financial statements) and discussion proposal for allocation of profits have been reviewed and determined to be accurate by the audit committee. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report; please make an approval for it.

- **Evaluating the effectiveness of internal control system**

Divides the internal control system into five constituent elements, in accordance with the effectiveness criteria of the internal control system stipulated in "Regulations Governing Establishment of Internal Control Systems by Public Companies": 1. control environment, 2. risk assessment, 3. control activities, 4. information and communications and 5. monitoring activities. According to the self-evaluation result of internal control system of each departments and the execution of annual audit plan by audit unit, the design and implementation of the Company's internal control system are both effective, and a statement of the internal control system has been prepared and approved by the Audit Committee.

- **Reviewing the amendment of internal regulations**

To coordinate with laws and regulations, submit the amendments of internal regulations to Audit Committee for discussion. Regulations to be amended in 2019 are: "Procedures for the Acquisition or Disposal of Assets", "Procedures for Making of Endorsement and Guarantee", "Procedures for Loaning Funds to Others", "Corporate Governance Best-Practice Principles", "Audit Committee Charter", "Ethical Corporate Management Best Practice Principles", and the "Whistle-blowing System".

Other Mentionable Items

1. If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified:

(1) Matters referred to in Article 14-5 of the Securities and Exchange Act:

Date and term of the meeting	Important proposals and resolutions	The Company's handling of the opinions of Audit Committee
The 2nd Audit Committee The 1st meeting of 2019 (March 22,2019)	(1)Approved the Company's 2018 financial statements (2)Approved the amendment of the Company's "Procedures for the Acquisition or Disposal of Assets" (3)Approved the amendment of the Company's "Procedures for Making of Endorsement and Guarantee" (4)Approved the amendment of the Company's "Procedures for Loaning Funds to Others" (5)Approved the Company's 2018 evaluation of the effectiveness of internal control system and the statement of internal control system	Submitted to the Board of Directors meeting for discussion and resolved by all Directors presented
The 2nd Audit Committee The 2nd meeting of 2019 (May 10,2019)	(1)Approved the Company's 2018 business report and surplus earnings distribution	Submitted to the Board of Directors meeting for discussion and resolved by all Directors presented

Date and term of the meeting	Important proposals and resolutions	The Company's handling of the opinions of Audit Committee
The 2nd Audit Committee The 3rd meeting of 2019 (August 9,2019)	(1)Approved the consolidated financial statements of Sinon and its subsidiaries in Q2 of 2019	Submitted the financial statements to the Board of Directors meeting and reported to the competent authority.
The 2nd Audit Committee The 1st meeting of 2020 (March 20,2020)	(1)Approved the Company's 2019 business report and financial statements (2)Approved the proposal of 2019 surplus earnings distribution for the Company (3)Approved the Company's 2019 evaluation of the effectiveness of internal control system and the statement of internal control system	Submitted to the Board of Directors meeting for discussion and resolved by all Directors presented

(2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: None.

2. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None.

3. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the material items, methods and results of audits of corporate finance or operations, etc.)

(1)Communication with chief internal auditor: chief internal auditor submits the audit report at a monthly basis to report the audit results to independent directors; Audit Committee and Boards of Directors meeting are convened quarterly to communicate the execution status of internal audit.

(2)Communication with CPAs: The Certified Public Accountants report to the Audit Committee about the audit or recheck findings and suggestions every year.

(3)Summary of communications between Independent Directors and chief internal auditors:

Meeting date	Communication focus	Suggestions and results
March 22,2019 Audit Committee	(1) Report for the execution status of the audit plan of 2018	Noticed without objections.
	(2) Discussions for the 2018 evaluation of the effectiveness of internal control system and the statement of internal control system	No objections. Submitted to Board of Directors for discussion, resolved by all presented Directors and reported to the competent authorities.
May 10,2019 Audit Committee	(1) Report for the execution status of the audit plan of Q1, 2019	Noticed without objections.
August 9,2019 Audit Committee	(1) Report for the execution status of the audit plan of Q2, 2019	Noticed without objections.
November 6,2019 Audit Committee	(1) Report for the execution status of the audit plan of Q3, 2019	Noticed without objections.
	(2) Discussion of 2020 audit plan	No objections. Submitted to Board of Directors for discussion, resolved by all presented Directors and reported to the competent authorities.
March 20,2020 Audit Committee	(1) Report for the execution status of the audit plan of Q4, 2019	Noticed without objections.
	(2) Discussions for the 2019 effectiveness review of internal control system and statement of internal control.	No objections. Submitted to Board of Directors for discussion, resolved by all presented Directors and reported to the competent authorities.
May 6,2020 Audit Committee	(1) Report for the execution status of the audit plan of Q1, 2020	Noticed without objections.

(4)Summary of communications between Independent Directors and CPAs:

Meeting date	Communication focus	Suggestions and results
March 22,2019 Audit Committee	(1) Report the key audit matters of 2018 (2) Discuss the 2018 financial statements	No objections. Submitted the financial statements to Board of Directors for discussion, resolved by all presented Directors and reported to the competent authorities.
August 9,2019 Audit Committee	(1) Discuss the consolidated financial statements of Sinon and its subsidiaries in Q2 of 2019	No objection, submitted to the Board of Directors, and report to the competent authorities.
November 6,2019 Audit Committee	(1) Communicated with the CPAs regarding the 2019 audit planning matters	Noticed without objections.
March 20,2020 Audit Committee	(1) Report the key audit matters in 2019 (2) Discuss 2019 financial statements	No objections. Submitted the financial statements to Board of Directors for discussion, resolved by all presented Directors and reported to the competent authorities.

3.3.3 Corporate Governance Implementation Status and Deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	✓		Formulated the Corporate Governance Best-Practice Principles with reference to the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”, and disclosed in the Company's website (www.sinon.com.tw).	No difference
2. Shareholding structure & shareholders’ rights (1)Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	✓		In addition to appoint a stock agency to deal with relevant affairs, the Company also established a complete spokesperson system to handle the related questions and suggestions of shareholders.	No difference
(2)Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓		Fully master and understand the structure of major shareholders through the stock agency, ensure the stability of ownership by establishing a good interactive relationship with the Board of Directors, and regularly report the changes in the shareholdings of Directors and managerial officers. The Company will get the list of ultimate controller from the companies when needed.	No difference
(3)Does the company establish and execute the risk management and firewall system within its conglomerate structure?	✓		The operation, business and finance of the Company and its affiliates are clearly divided and operated independently. The Company assigns personnel to participate in the business operation and provide information to the managements for decision-making; and formulates operations for supervising and managing its subsidiaries to implement the risk control mechanism for subsidiaries	No difference
(4)Does the company establish internal rules against insiders trading with undisclosed information?	✓		The Company has established the “Operating Procedures for Dealing with Internal Material Information and Management of the Prevention of Insider Trading”, and disclosed it on the Company's website, to prohibit insiders from leveraging unpublished information to buy and sell securities in the market. The Company arranges training courses for insiders every year. Explains the laws and regulations to new insiders within one week after they take office, and provides legal compliance information for insiders for reference each month.	No difference
3. Composition and Responsibilities of the Board of Directors (1)Does the Board develop and implement a diversified policy for the composition of its members?	✓		The Company handles in accordance with the “Articles of Association”, “Procedures for Election of Directors” and “Corporate Governance Best-Practice Principles”. (1) Structure of the Board: it is stipulated in the “Articles of Association” that the Board shall have 9 directors, adopt the candidate nomination system, and the directors shall be elected from among the nominees listed in the roster of director candidates by shareholders meeting. Among the directors, there should be no less than 3 independent director members, and no less than one-fifth of the director seats shall be held by independent directors; all independent directors shall form the Audit Committee to assist the Board of Directors in making decisions (2) Composition of Board members: in consideration of the Company's operation and development requirements, it has formulated the diversity policy of the Board members in	No difference

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			accordance with the “Corporate Governance Best-Practice Principles”, and is handled according to gender, age, professional background knowledge and industrial experience. The Management target: at least set up one seat of female director; directors concurrently serving as company officers not exceed one-third of the total number of the board members; a spousal relationship or a familial relationship within the second degree of kinship may not exist two; at least two independent directors have not served for three consecutive terms or more. (3) The Company sets up 9 seats of directors. One of which is female and 3 of them are independent directors. All of directors do not serve as company officers and have a spousal relationship or a familial relationship within the second degree of kinship. All of independent directors have not served for three consecutive terms or more. In terms of professional background and skills, including financial accounting, chemical engineering, and business management, etc., the directors are capable of leadership decision-making ability, rich in industry related knowledge and experience, and have taken in to consideration of and implemented the concept of diversification (Note 1).	
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?		✓	The Company has established Remuneration and Audit Committee in accordance with the law. No other functional committee has been set up yet and will be set up depending on the actual business needs.	No other functional committee has been set up
(3) Does the company establish a standard to measure the performance of the Board and implement it annually, and are performance evaluation results submitted to the Board of Directors and referenced when determining the remuneration of individual directors and nominations for reelection?	✓		1. In order to strengthen corporate governance and improve the functions of the Board, the “Board of Directors Performance Evaluation Rules” was resolved by the Board on November 6, 2019. The Company will periodically evaluate performance of the Board, individual directors and functional committees every year. The performance evaluation results are not only provide for improving the operation of the Board and functional committees, but also serve as a reference for the election or nomination of directors; and use the results of individual directors' performance evaluation as a reference for determining their respective remuneration. 2. The Company adopted internal self-assessment for 2019 Board of Directors' performance evaluation. The Corporate Governance Team sent a questionnaire to each director and functional committee member at the end of the year. Directors evaluate the overall operation of the Board, functional committee members evaluate the overall operation of the committee, and directors evaluate their own involvement in business. The Corporate Governance Team collected the questionnaires, analyzed the results of the self-assessment and submitted them to the Chairman and the Chief Corporate Governance Officer. The average scores of internal self-evaluation of the Board of Directors, individual directors and functional committees in 2019 all reached 90 points (out of 100 points). The overall performance was good. The results have been submitted to the functional committees and Board of Directors on March 20, 2020.	No difference

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(4)Does the company regularly evaluate the independence of CPAs?	✓		The management division regularly evaluates the independence of auditing CPAs and acquires the independence statement from the CPAs. The result of 2019 evaluation has been reported to the Audit Committee and the Board meeting on March 20, 2020 (please refer to page 43). The independence of CPAs shall be undoubted.	No difference
4. Does the company appoint a suitable number of competent personnel and a supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors with compliance, handling work related to meetings of the board of directors and the shareholders' meetings, and producing minutes of board meetings and shareholders' meetings)?	✓		1. The Company has resolved by the Board meeting on March 22 2019 to set up a Chief Corporate Governance Officer, to be in charge of corporate governance affairs. The Chief Corporate Governance Officer has been in a managerial position for more than three years in a public company in handling stock affairs whose main jobs and responsibilities include: (1) Supervising and handling matters relating to Board meetings and shareholders meetings according to laws, and producing minutes of Board meetings and shareholders meetings. (2) Assisting directors’ on-boarding and continuous education. (3) Providing information required for business execution by directors. (4) Assisting directors with legal compliance. (5) Other matters set out in the articles or corporation or contracts 2. Business executions: 2019: (1) The meetings held and the information provided: A. The Company convened four Board meetings in 2019. Meeting notice and data have been mailed out at least 7days in advance. Where there were any interest conflicts, the directors were reminded in advance to avoid the interests. Meeting minutes were sent out within 20 days of the meeting. B. Better than the statutory time limit, handbook of shareholder meetings was announced 30 days before the shareholders meeting, and the annual report was announced 14 days before the shareholders meeting. Voting rights were exercised by electronic voting, and the resolutions were reported at the same day after the shareholders meeting. C. Improve the information disclosure in English, voluntarily prepare the shareholders meeting notice and handbook, mid-term financial statements and annual financial statements in English, (2) Cooperate with the amendment of laws and regulations, develop and formulate board performance evaluation methods, and provide the latest laws and regulations to directors; maintain smooth communication between directors and business executives, and assist directors in handling affairs. (3) Assist directors’ continuous education: promote training information to directors and arrange the training hours for the directors. All directors have completed the training hours. (4) Information reporting: review the Chinese/English material information to ensure the compliance and correctness of the content, and publish the information on Market	No difference

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			Observation Post System (MOPS) or corporate website by regulation. (5) In 2019, chief corporate governance officer has taken training courses for 18 hours which complies with the regulations for the training hours for the newly-on-board chief corporate governance officer (note 2). 2020(as of print day of the annual report) (1) The meetings held and the information provided: A. In 2020, as of the print day of the annual report, the Company has convened two Board meetings. Meeting notice and data have been mailed out at least seven days in advance. Meeting minutes were sent out within 20 days of the meeting. B. Handle shareholders meeting related matters in accordance with regulations, and announce the meeting notice, handbook, and annual report in both Chinese and English within the statutory deadlines. (2) To comply with laws and regulations, plan to amend the Company's "Corporate Governance Best-Practice Principles" and "Board of Directors Meeting Rules". (3) Improve the completeness of information disclosure: A. Review the Chinese/English material information to ensure the compliance and correctness of the content, and publish the information on Market Observation Post System (MOPS) or corporate website by regulation. B. Handle two investor conferences to enhance information transparency.	
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	✓		The Company sets up stakeholders section on the corporate website, providing contact window and most updated information to the stakeholders for reference. Detailed information can also be found the Company's Corporate Social Responsibility Report and the corporate website (www.sinon.com.tw).	No difference
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The Company appoints Capital Securities Corporation for dealing with shareholders meeting affairs	No difference
7. Information Disclosure				
(1)Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		The Company set up dedicated personnel to disclose various financial standings on MPOS. The implementation of corporate governance is also disclosed on the corporate website.	No difference
(2)Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓		The Company implements a spokesperson system, and the spokesperson speaks in representing of the Company. So as to ensure the proper and timely disclosure of information about policies that might affect the decisions of shareholders and stakeholders. The Company also sets up Chinese and English version corporate website and appoints personnel responsible for gathering and disclosing the information. All financial and business information can be queried on the corporate website.	No difference

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(3) Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?		✓	The Company’s annual, first, second and third quarter financial statements and monthly operating status are all announced and declared within the regulated time limit. The Company's 2019 corporate governance implementation measures are strengthening the integrity and timeliness of information disclosure. In terms of financial statements, the electronic file of the financial statements is announced on the day of the Board of Directors’ resolution, the financial information is disclosed earlier than the regulated deadline and the English version of annual and interim financial statements are voluntarily prepared. From 2020, the financial statements are planned to be approved by or submitted to the Board of Directors seven days before the announcement period, and the electronic file will be announced on the approval date.	Although the Company did not announce and declare the annual financial statements within two months after the end of the fiscal year, The annual and quarterly financial statements have been announced and declared before the regulated time limit, and the electronic files for financial statements have been announced on the day of approval.
8. Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	✓		The Company's business concept is “Delivering Integrity and Equity, Bringing Prosperity and Growth”. Regardless of internal or external, all systems and measures are formulated and social responsibilities are fulfilled based on this principle, such as employee retirement system, employee insurance, education and training and club activities, supplier management, environmental protection policy promotion and implementation. The Company's material information is all declared in accordance with the laws and regulations to protect shareholders' rights and interests. More detailed information about the implementation of corporate governance is also disclosed in the 2019 Corporate Social Responsibility Report for interest parties to read. In 2019, the Company has insured director liability insurance for all directors with insurance amount of USD 5 million and insurance period as from November 1, 2019 to November 1, 2020. The insurance has been reported to the Board of Directors on November 6, 2019 and disclosed on the MOPS.	No difference
9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures: The Company was ranked in 6% to 20% in the 2019 corporate governance evaluation. In 2020, the Company maintained the completeness and timeliness of information disclosure, added the information disclosure in English, and continuously strengthens corporate governance.				

Note 1: The diversification of composition of the Board (✓ means capable of ▲ means partially capable of)

December 31, 2019

Title/Name	Basic composition							Core capability					
	Nationality	Gender	Concurrent employee of the Company	Ages				Term/ year of independent director	Operation Management	Finance Account	Leadership Decision	Industry Knowledge	International Market view
				45-55	56-65	66-75	Over 76						
Chairman Horng, Po-Yen	R.O.C	Male					✓		✓	✓	✓	✓	✓
Vice Chairman ChiaWen Investment Ltd. Representative: Liao, Lien-Heng	R.O.C	Male				✓			✓	✓	✓	✓	✓
Director Guo Wu, Zhun-Zhen	R.O.C	Female					✓		✓	▲	✓	✓	▲
Director Yu, Tse-Jen	R.O.C	Male				✓			✓	✓	✓	✓	✓
Director Yang, Jen-Yo	R.O.C	Male	✓	✓					✓	✓	✓	✓	✓
Director YunSung Investment Ltd. Representative: Liu, Yun-Sung	R.O.C	Male	✓		✓				✓	▲	✓	✓	▲
Independent director Chi, Chih-Yi	R.O.C	Male			✓			3rd term, 6.5 years	▲	✓	✓	▲	✓
Independent director Hsu, Jun-Ming	R.O.C	Male			✓			3rd term, 6.5 years	▲	✓	✓	▲	✓
Independent director Uang, Biing-Jiun	R.O.C	Male				✓		2nd term, 4.5 years	▲	▲	✓	✓	✓

Note 2: Education status of the Chief Corporate Governance Officer

Study period		Training hours	Sponsoring Organization	Course
From	To			
April 10 ,2019	April 10 ,2019	3	Securities and Futures Institute	Advanced seminar for the practice of directors, supervisors and corporate governance officers-employee remuneration strategy and application
April 10 ,2019	April 10 ,2019	3	Securities and Futures Institute	Advanced seminar for the practice of directors, supervisors and corporate governance officers-interpretation of corporate performance information
July 30 ,2019	July 31 ,2019	12	Securities and Futures Institute	Directors and supervisors and corporate governance officer practice workshop

3.3.4 Composition, Responsibilities and Operations of the Remuneration Committee

Professional Qualifications and Independence Analysis of Remuneration Committee Members

December 31, 2019

Title	Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Remarks
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10		
Independent director	Chi, Chih-Yi	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Independent director	Hsu, Jun-Ming	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Other	Huang, Shen-Yi	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	August 9, 2019 On boarded
Other	Yang, Sheng-Yung	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	July 31, 2019 Resigned

Note1: Please fill in the identity as director, independent director or others.

Note2: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

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

(2) Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

(6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

(7) If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director

- (or governor), supervisor, or employee of that other company or institution. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
- (8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company.
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not a person of any conditions defined in Article 30 of the Company Law.

Attendance of Members at Remuneration Committee Meetings

1. There are 3 members in the Remuneration Committee.
2. The current term of the committee members: July 6, 2017 to June 15, 2020,
3. A total of 2 (A) Remuneration Committee meetings were held in 2019. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Convener	Chi, Chih-Yi	2	—	100	
Committee Member	Hsu, Jun-Ming	2	—	100	
Committee Member	Huang, Shen-Yi	1	—	100	August 9, 2019 On boarded Attendance required: 1
Committee Member	Yang, Sheng-Yung	1	—	100	Resigned on July 31, Attendance required: 1

Other Mentionable Items

1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (e.g., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.
2. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.
3. Duties:
 - (1) Periodically reviewing the "Remuneration Committee Charter" and making recommendations for amendments.
 - (2) Prescribe and periodically review the performance review and remuneration policy, system, standards, and structure for directors and managerial officers.
 - (3) Periodically evaluate and prescribe the remuneration of directors and managerial officers.
4. Remuneration Committee meeting date, term, resolution content, resolution results, and the Company's handling of Remuneration Committee's opinion.

Date and term of the meeting	Important proposals and resolutions	The Company's handling of Remuneration Committee's opinion.
The 4th Remuneration Committee The 1st meeting of 2019 (March 22,2019)	(1)Approved the Company's 2018 distribution of remunerations to employees and directors (2)Approved the proposal for remuneration of the Company's Chief Corporate Governance Officer	Submitted to the Board of Directors for discussion and passed by all the directors presented
The 4th Remuneration Committee The 2nd meeting of 2019 (November 6,2019)	(1)Approved the Company's 2019 bonus and remuneration to managerial officers (2)Approved the Company's "Board of Directors Performance Evaluation Policy". (3)Approved the Company's 2020 work plan of Remuneration Committee	Submitted to the Board of Directors for discussion and passed by all the directors presented
The 4th Remuneration Committee The 1st meeting of 2020 (March 20,2020)	(1)Approved the Company's 2019 distribution of remunerations to employees and directors (2)Approved the amendment of the Company's "Articles of Association" (3)Approved the amendment of the Company's "Audit Committee Charter"	Submitted to the Board of Directors for discussion and passed by all the directors presented

3.3.3 Social Responsibilities Implementation Status and Deviations from the “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
1. Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?	✓		The Company has conducted risk assessments on the environment and society related to the Company's business operation and corporate governance matters in accordance with the principle of materiality, and formulated countermeasures and plan implementation for identified risks. The risks identified by the Company are as below. For detail, please refer to the Company's 2019 Corporate Social Responsibility Report. 1. Corporate governance (insider trading, corruption, and damage to intellectual property rights): the Company sets up a Chief Corporate Governance Officer. The corporate governance team is responsible for the matters related to ethical corporate management, and formulates regulations such as "Ethical Corporate Management Best Practice Principles", "Codes of Ethical Conduct", "Operating Procedures for Dealing with Internal Material Information and Management of the Prevention of Insider Trading", the "Whistle-blowing System" and other regulations. Expense reconciliation is also conducted in accordance with internal operation procedures. The Company controls the reconciliation process through system, and masters the reasonableness of expense reconciliation by responsible managers. The management of intellectual property rights is coordinated by the legal affairs department and entrusted to professional law firms. Each department also has a trademark administrator to store trademark information in a unified manner. The legal affair personnel promote the concept of intellectual property rights to marketing personnel every year, so as to reduce the risk of infringement. 2. Information security (information system anomaly): introduce ISO27001 information security management system, to integrate and strengthen information security mechanism. Carry out information security trainings and drills, to enhance information security awareness and contingency capability. 3. Environment safety and health (environmental pollution, industrial safety accident, contingency plan): introduce ISO14001 environmental management system and ISO45001 occupational health and safety management systems. Forms the QHSE committee under the leadership of senior managements, combined with total quality management activities, and execute process improvement and energy-saving and carbon-reduction policies for environment aspect; in term of occupational safety, execute the damage prevention measures to enhance the employees' safety awareness. 4. Climate change (electricity supply, carbon emission management, supply chain interruption): through QHSE committee and total quality management activities, promote energy-saving project, plan to replace energy-saving equipment and improve production process to reduce the electricity needs. Execute the greenhouse gas checkup voluntarily, to master the effectiveness of energy saving and carbon reduction measures, and continue to improve. In response to the risk of supply chain disruption caused by climate disasters, the Company adopts a policy to expand overseas demand market to diversify product sales risks. And seeks alternative raw materials and suppliers to establish a stable supply source. 5. Human resource (human rights protection): formulates “Human Rights Policy”, and establish internal human resource management regulations to clearly regulate the employment, dismissal, promotion, treatment	No difference

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			and welfare of employees. In addition, sets up a complaint channel to maintain a smooth communication channel between labor and management, and to understand and deal with any violation of human rights timely.	
2. Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	✓		Senior managements lead various business departments to appoint representatives to form the CSR unit, collecting various concerns of stakeholders, as an important reference for formulating business strategies. The CSR unit discusses relevant issues and formulates countermeasures in regular meetings each year. After reviewed by senior managements and communicates and integrates with various departments, to supervise the implementation progress and implement corporate social responsibility in the organization's operations. Regularly report the implementation status to the Board and continuously devote to promotion of corporate social responsibility.	No difference
3. Environmental issues				
(1)Does the company establish proper environmental management systems based on the characteristics of their industries?	✓		The Company combines quality, safety, health, and environment systems (QHSE system, including ISO9001, ISO45001, and ISO14001). Promotes total quality management activity through integrating three systems, to create the Company's own management culture.	No difference
(2)Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		The Company devotes to environment protection, energy saving, carbon reduction and greening. And invests resources in wastewater, air pollution, waste, soil and groundwater prevention, energy management, etc. The executed contents in 2019 are as below. For detailed environmental management policies and results please refer to the Company's 2019 Corporate Social Responsibility Report. - Promote production waste reduction plan, water consumption and process improvement: reduce the output of wastewater and production waste to lower the energy consumption generated by dealing with waste water and production waste, and reduce carbon emissions. - Improve resource utilization efficiency - Connect the cooling water tower fan to the temperature control inverter: The cooling water tower fan that had been running continuously for 24 hours was modified to set the fan to run continuously under ordinary water temperature to save power. - Promote the recycling of waste acid. The waste acid generated in the process is recycled and used to adjust the pH value of the washing tower to reduce the purchase of raw materials. - Exhaust gas from the factory is collected in a closed manner. Seal the facilities that may emit exhaust gas in the factory, and introduce them into the washing tower, RTO and other facilities for subsequent treatment, so as to reduce the emission of volatile organic compounds into the atmosphere. - Investment in environmental equipment - Methanol recovery from waste solvent: purchase waste methanol recovery equipment. Recycle and reuse the methanol in the original wastewater, reduce the energy consumption of wastewater treatment, and further reduce carbon emissions.	No difference

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			(2) Salt recycling from wastewater: Purchase salt recovery equipment in wastewater, recycle and regenerate the original salt from wastewater, to reduce the energy consumption of wastewater treatment, and enhance the biological treatment capacity of wastewater. (3) Purchase low-temperature ion purifying equipment: purchase low-temperature ion purifying equipment for the wastewater adjustment tank and floatation unit, to reduce the emission of volatile organic compounds and hydrogen sulfide in wastewater. (4) Investment in solar power planting: Set up solar panels to plant power. • Activate the value of wastes (1) Detailed garbage separation: re-separating the garbage to be incinerated in detail. Picking out reusable items and asking the recycler to ship them back to re-manufacture, so as to reduce carbon emissions from garbage incineration. (2) Continue to recycle the discarded pallets: re-organize the discarded pallets from each business units and classified them into “usable”, “unsuitable” and “unusable”. Retain and reuse the usable pallets, provide pallets with unsuitable specifications to suppliers for other companies, and hand over the unusable broken pallets to waste disposal company to generate steam with solid fuel, which can reduce the carbon emissions from incinerated waste pallets by 30% each year.	
(3) Does the company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?	✓		1. The Company identifies the risks, opportunities and potential financial impacts of climate change on the Company by referring to the structure of the "Task Force on Climate-related Financial Disclosures" issued by the Financial Stability Board (FSB). For details, please refer to the Company's 2019 Corporate Social Responsibility Report. 2. In the short term, the increasing frequency and intensity of natural disasters will impact the raw material supply, plant equipment and personnel. Therefore, it is necessary to continuously establish a global procurement platform to stabilize the source of supply chain, and formulate and revise various contingency plans in response to the damage to plant equipment and personnel casualties. In the mid/long term, in order to adapt to the pressure of low carbon economy and the increasing cost of agriculture operation due from climate change, coupled with the public emphasis on environment and food safety, the Company plans to invest in relevant environmental protection equipment to reduce energy consumption and carbon emission, develop renewable energy and produce eco-friendly crop protection products.	No difference

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons												
	Yes	No	Abstract Explanation													
(4)Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management?	✓		1.The Company continuously promotes total quality management activities which adopts various energy saving, carbon reduction or waste reduction measures in procurement, process, equipment and supply chain, including carbon reduction measures such as using of low pollution materials, improving process equipment, establishment of energy management system, greening of plants and buildings, and reduce the electricity consumption through inspection and tracking. 2.Greenhouse gas emissions, water consumption and total waste in the past two years: <table> <tr> <th>Year</th> <th>2018</th> <th>2019</th> </tr> <tr> <td>Greenhouse gas emissions (tons)</td> <td>14,546.62</td> <td>13,560.82</td> </tr> <tr> <td>Water consumption (tons)</td> <td>562,543</td> <td>500,175</td> </tr> <tr> <td>Total waste (tons)</td> <td>2829.9</td> <td>2511.4</td> </tr> </table>	Year	2018	2019	Greenhouse gas emissions (tons)	14,546.62	13,560.82	Water consumption (tons)	562,543	500,175	Total waste (tons)	2829.9	2511.4	No difference
Year	2018	2019														
Greenhouse gas emissions (tons)	14,546.62	13,560.82														
Water consumption (tons)	562,543	500,175														
Total waste (tons)	2829.9	2511.4														
4. Social issues																
(1)Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		The Company has formulated human rights policy with reference to relevant regulations and international human rights conventions, and is committed to the three indicators of environmental protection, happy workplace and happy labor. The content of the human rights policy is as follows: The Company strictly enforces laws and regulations, abides by relevant labor laws and regulations, supports and respects the United Nations Global Compact and other relevant international human rights regulations, formulates various management rules to protect the legitimate rights and interests of employees, and establishes a good workplace environment with reasonable remuneration and promotion systems. Labor rights and interests Provide reasonable remuneration, working hours, training and promotion system with reference to the market salary standard and in accordance with regulations. Respect employees’ willingness and prohibit any types of forced labor. No child labor Employment standards shall comply with the minimum age limit prescribed by law. Anti-discrimination Strictly prohibit any type of discrimination and harassment. Clearly stipulate that there should not be different treatments by gender, race, age, marriage, religion, political stance and family status, carry out the equality of remuneration, employment requirements, trainings and promotion opportunities. Create good labor-management relationship Provide smooth communication channel, devote to promote harmonious labor-management relationship. Healthy and safe working environment Implement various damage preventive measures to provide employees with a safe and healthy working environment.	No difference												

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(2) Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?	✓		1. The Company complies with relevant laws and regulations such as the Labor Standards Act, Act of Gender Equality in Employment, Employment Service Act, Sexual Harassment Prevention and Appeals, etc., and sets the salary, evaluation, promotion and bonuses in the Company’s management regulations. In addition to participate in labor insurance and national health insurance by regulations, employees also participate in group insurance and travel insurance for business trips. In terms of vacation, in addition to various leave rights such as annual paid leave, menstrual leave, family care, maternity/paternity leave, etc., when an employee encounters a situation such as child-rearing, injury or illness, he/she can apply for unpaid leaves and then for reinstatement after the expiry of the period. For other welfare, periodically hold domestic or overseas tours, provide travel subsidy, meals subsidy, sport resource and expense subsidies, etc. 2. The Company sets up reasonable salary remuneration based on the labor market, determines the amount according to factors such as rank and personal academic experience, professional technology, seniority, ability, workload, work performance and other factors, and provides a stable salary adjustment policy without gender differences. The Company also appropriates performance bonuses in regards of the operating performance and the achievement of employees’ performance in each quarter, to share the operating results with employees.	No difference
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		1. The Company has obtained the certificates of ISO9001, ISO14001, ISO45001, and TOSHMS, and participates in Taiwan Responsible Care Association (TRCA) to continuously carry out total quality management activities and strengthens corporate internal management based on 6S and QC. 2. Measures taken for employee safety and health: (1) Implement total quality management activities. Department heads and senior managements conduct monthly safety inspections, and lists and tracks the deficiencies and suggestion found during the inspections. (2) Near-miss events handling and statistical analysis, and improvement proposal. There was 524 f near-miss reporting in 2019. (3) Check the mechanical equipment before the operation, and conduct regular inspections every month or every year. For dangerous machinery and equipment, a comprehensive safety inspection is done annually. Carry out safety assessment before work and regularly conduct safety observation on employees; For the working environment in the factory, in addition to the self-inspection, the Company also outsources the working environment inspection regularly to ensure the safety of the working environment. (4) Arrange occupational safety and health training and working skill improvement for employees every year, such as CPR and AED training, general training in the marking of hazardous and harmful substances, 4RKY dangerous prediction training. Assign personnel to participate the contingency plan training and hold comprehensive drill at least once per year. Irregularly hold non-warning contingency plan tests in the factory and carry out two fire drills from time to time, and also cooperate with fire departments to hold fire drills to cultivate colleagues' contingency response and safety management	No difference

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			capabilities and awareness. In 2019, the Company arranged 3 disaster prevention and rescue trainings, and 180 4RKY dangerous prediction trainings. (5) In addition to conducting employee health examinations and health seminars every year, the Company also formulates and implements relevant policies for maternal health protection, the prevention of musculoskeletal diseases caused by repetitive work, the prevention of illegal violations in the workplace, and the prevention of diseases caused by abnormal workload. Promote the physical and mental health of employees. In 2019, 2,728 people participated in health promotion activities. (6) Set up nursing room, gym, health center, AED first aids equipment, etc.	
(4) Does the company provide its employees with career development and training sessions?	✓		Promote knowledge management system and E-Learning to provide employees with diversified learning channels. In addition, irregularly organize study courses of various themes and assist employees to obtain relevant professional certificates, so as to promote employee career development and ability improvement.	No difference
(5) Do the company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented?	✓		The Company sets up dedicated personnel and email box to deal with the consumer rights related complaints. In addition, the Company performs customer satisfaction survey to understand customers' problems and suggestions, so as to further achieve the win-win situation. The marketing and labeling on products and services are all conducted in accordance with the Agro-pesticides Management Act, relevant regulations and international standards.	No difference
(6) Does the company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results.	✓		Formulates vendors' codes of conduct and sustainable procurement policy, and establishes relevant rules for vendor assessment and evaluation. Combined with the Company's QHSE policy of Quality, Health, Safety and Environment, the Company evaluates vendors' capabilities of environmental management, safety and health management and quality management through periodic survey and irregular on site visit. Only those who passed the appraisal can be the Company vendors. In 2019, no vendor was identified that has a negative impact on quality, environment, labor practices and human rights. If a substantial impact is found under the assessment, the Company will either assist the vendor to improve or terminate cooperation depending on the circumstances. For detailed vendor management policy and its effectiveness, please refer to the Company's 2019 Corporate Social Responsibility Report. The Company conducts vendors' assessment annually, and those who are evaluated as unqualified will be ceased trading and removed from the list of qualified vendors. If a vendor is involved in violation of its corporate social responsibility policy and has a significant impact on the environment and society, the terms of termination or cancellation of the contract at any time shall be stipulated in the contract.	No difference
5. Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third party verification unit?	✓		The Company prepared the CSR Report in accordance with GRI Standards 2016, and appointed SGS Taiwan Ltd for assurance based on AA1000 AS (2008) Type 1 moderate level of assurance and the core options of GRI Standards.	No difference

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
6. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the Principles and their implementation: No difference.				
7. Other important information to facilitate better understanding of the company’s corporate social responsibility practices: The implementation of CSR in 2019 are as follow, it can also be referenced to the Company’s 2019 CSR report: (1) Promote the improvement of Taiwan's agricultural cultivation technology - Conduct field trials across the country: use crops and climates in counties and cities to find the most suitable crop protection formulations and cultivation management methods. A total number of 124 field trials and 61 greenhouse trials were conducted to understand the effectiveness of crop protection product, so that farmers can obtain best harvest with lowest cost and investment. - Conduct soil and crops health examination through practical field management demonstration: according to each farmers’ soil condition, with proper fertilizer management, to improve the soil condition. In addition, through the diagnosis of pests and diseases, assist farmers to confirm pests and diseases. Combined with education on the proper use of pesticides, crop solutions are provided, which not only reduces farmers' production costs but also improves the quality of agricultural products. 106 field demonstrations were held. - During the cultivation of crops, explain the precautions for crop cultivation: promote correct and precise application of pesticides to farmers to ensure the safety of agricultural products. Use low-toxic, safe and effective prevention materials, and integrate pest prevention strategies to provide a complete solution. Conducted evening seminars in cope with farmers' daily schedules. Through the actual data such as the improvement of the quality and quantity of agricultural products promoted by farmers after using products, and the reduction of environmental impact, to jointly create a high-quality living environment and agricultural food safety. (2) Encourage employees to participate in social welfare activities - Participated in the medical social welfare activities around central Taiwan. The Company holds blood donation activities every year in cope with the Taichung Blood Donation Station. In 2019, a total of 3 times were held, with a total of 94 participants. - Keep conducting road sweeping activities on the roads around the company every month. Mobilize the employees to assist in environmental cleanup after typhoon. And regularly carry out tree greening, proper fertilization and pruning to jointly maintain the community clean and tidy. (3) Continuous promotion of factory safety and employee health management - Health promotion activity held. In 2019, a weight loss competition was held for overweight employees. The overall weight loss rate is as high as 261%, with total weight loss of 195.7 kg, and the average weight loss per person of 7.8 kg. It drives all colleagues to pay attention to daily diet and exercise, effectively achieve the purpose of preventing chronic diseases and improving health.				

3.3.6 Fulfillment of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"

Evaluation Item	Implementation Status			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1. Establishment of ethical corporate management policies and programs (1) Does the company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy?	✓		The Company's business concept of "Delivering Integrity and Equity, Bringing Prosperity and Growth" is implemented in internal management and external business activities. It has formulated various management regulations such as "Ethical Corporate Management Best Practice Principles", "Codes of Ethical Conduct", "Whistle-blowing System" and "Internal Audit System". It has established a good corporate governance and risk control mechanism, prevent the occurrence of unethical conducts by the completed rules and regulations, and organizes various activities and seminars from time to time to reach team consensus and implement the concept of Ethical Corporate Management. On November 6, 2019, the Board of Directors adopted the "Ethical Corporate Management Commitment", which was signed by each directors and managerial officers. The relevant policies and regulations are placed on the company's internal website to promote and strengthen the value of employee ethical management.	No difference
(2) Does the company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?	✓		The Company conducts the risk assessment of unethical conducts in accordance with "Risk Management Policies", and complies with "Ethical Corporate Management Best Practice Principles". No illegal political contributions and donations have been provided, nor have any external improper benefits been accepted, for preventing from unethical conducts, the Company declared to the vendors that it prohibited the acceptance of gifts and entertainment, and formulated a "Code of Ethical Conducts" for directors and managerial officers to comply with.	No difference
(3) Does the company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?	✓		The Company handles in accordance with "Ethical Corporate Management Best Practice Principles", "Code of Ethical Conducts", "Whistle-blowing System" and "Reward and Punishment Principles". When an unethical conduct occurs, the Company provides independent whistleblower channels on the corporate website, with the chief auditor and legal head as the dedicated unit to handle the whistleblower cases in secret and takes appropriate protective measures to ensure the whistleblower's privacy and protects him/her from unfair treatment or retaliation. If the reported case is verified, it will be submitted to the Chairman and the whistleblower will be given appropriate rewards. Those who violate the regulations will be punished according to the Company's "Reward and Punishment Principles." If it is a major incident or illegal case, it will be reported to the competent authority or transferred to the judicial organ for investigation if necessary. As of now, there was not any violation of ethical corporate management occurred in 2019.	No difference

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
2.Fulfill operations integrity policy				
(1)Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?	✓		The Company conducts credit checking and evaluation for basic information of vendors and counterparties. If any unethical conduct is involved and validated to be true, the contract may be terminated or rescinded at any time. Directors and managerial officers also comply with “Code of Ethical Conduct” to demonstrate the Company’s position in ethical corporate management.	No difference
(2)Does the company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?	✓		The Company assigns Management Division to coordinate the formulation and implementation of ethical corporate management policies and prevention measures. In March, 2019, the Board Approved the establishment of chief Corporate Governance Officer. The ethical corporate management promoting units was transferred to be supervised by Corporate Governance Officer, and promoted by corporate governance unit, and reports the implementation status to the Board periodically. For the ethical management in 2019, it promoted the continuation of 2018 measures, organizes education and training, kept promoting ethical corporate management, and conducted self-audited regularly. The goals of 2019 were: 1. Identify and amend ethical management regulations. 2. Continue to promote ethical management training. 1. Identify regulations Amended the Company’s “Ethical Corporate Management Best Practice Principles” and “Whistle-blowing System” in accordance with “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”. Formulated the "Ethical Corporate Management Commitment" by the Board, and had it signed by directors and managerial officers. Posted relevant policies and regulations on the corporate website. Strengthen employees’ value concept of ethical corporate management. 2. Ethical management trainings (1) Prevention of insider trading for directors and managerial officers: provided insider stock trading cautions monthly, including the formation of insider trading and the confidential operation of material information. (2) The General Manager made various speeches of ethical management issues to employees every month and communicated the value of ethical corporate management. In 2019, 66 events were held with a total of 2,756 participants. (3) The ethical management relevant trainings: planned training courses of ethical management related issues. Promoted the trainings to employees. Topics of the trainings are including case studies of Consumer Protection Act, Information security and personal information protection, trademark use, laws and regulations studies regarding management, production and marketing, audit practice, etc. There were 401 participants and total of 1,792 training hours.	No difference
(3)Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		The Company has an internal audit system, various management policies or guidelines, which regulate external business activities and monetary transactions, avoid conflicts of interest, and manage confidential information, and provide appropriate statement channels on the internal websites.	No difference

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(4)Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	✓		The Company has established internal control system, accounting system and management policies, and exercised accordingly. Meanwhile, the auditors were responsible for inspecting the business activities of various departments of the Company, and regularly report the audit results to the audit committee and the board of directors.	No difference
(5)Does the company regularly hold internal and external educational trainings on operational integrity?	✓		The Company meets with external parties from time to time or participates in discussion and exchange of opinions, and senior managements also occasionally declare the Company's policies and concepts of ethical management in internal business meetings, to prevent from unethical business conducts.	No difference
3.Operation of the integrity channel (1)Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	✓		The Company established the “Whistle-blowing System”. Complaint and report of internal personnel regarding violation of ethical management can be made in form of telephone, mail or directly reported to audit unit or legal affairs office. If verified to be true, it will be punished according to the Company’s regulations. The accepting unit is obliged to keep the whistle-blower confidential and must not disclose it at will.	No difference
(2)Does the company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation (3)Does the company provide proper whistleblower protection?	✓		The Company has set up a system for accepting complaints, all of which are handled by designated personnel in confidential, and appropriate protective measures are taken to ensure the privacy of stakeholders.	No difference
4.Strengthening information disclosure Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?	✓		The Company has its own website (www.sinon.com.tw), and assigns dedicated personnel to disclose the financial, business, and corporate governance related information, and also disclose the Ethical Corporate Management Best Practice Principles.	No difference
5.If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation: No difference				
6 Other important information to facilitate a better understanding of the company’s ethical corporate management policies (e.g., reviews and amends its policies). Amended the Company’s “Ethical Corporate Management Best Practice Principles” and “Whistle-blowing System” in accordance with “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”. Formulated the “Ethical Corporate Management Commitment”.				

3.3.7 Corporate Governance Guidelines and Regulations: Please refer to the Company’s website at www.sinon.com.tw

3.3.8 Other Important Information Regarding Corporate Governance: None.

3.3.9 Internal Control Systems

Statement of Internal Control

SINON CORPORATION Statement of Internal Control System

Date: March, 20 2020

Based on the findings of a self-assessment, the Company states the following with regard to its internal control system during the year 2019:

- I. The Company is aware that the establishment, implementation and maintenance of the internal control system is the responsibility of the Board and managerial officers, and the Company has set up such system. The internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
- II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, the Company's internal control system contains self-monitoring mechanisms, and the Company takes immediate remedial actions in response to any identified deficiencies.
- III. The Company evaluates the design and execution effectiveness of its internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (herein below, the Regulations). The criteria adopted by the Regulations identify five key components of managerial internal control according to the management control process: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each criterion includes several items. For the aforementioned items, please refer to the Regulations.
- IV. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
- V. Based on the findings of such evaluation, the Company believes that, on December 31, 2019, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
- VI. This Statement is an integral part of the Company's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
- VII. This statement was passed by the board of directors meeting held on March 20, 2020, with none of the 9 attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

SINON CORPORATION

Chairman: Horng, Po-Yen

General Manager: Yen, Tsu-Fang



Audit Report of a Special Audit of Internal Control System Conducted by CPA: None.

3.3.10 Regulatory Authorities' Legal Penalties to the Company or Its Employees, and the Company's Resulting Punishment on its Employees for Violations of Internal Control System Provisions, Principal Deficiencies, and the State of Any Efforts to Make Improvements in Last Year and as of the Print Date of the Annual Report: None.

3.3.11 Major Resolutions of Shareholders' Meeting and Board Meetings

Major Resolutions of 2019 Shareholders' Meeting (June 14, 2019)

Item	Major resolutions	Implementation status
1	Adopted the Company's 2018 business report and financial statements	(1) A total of 287,412,681 shares in favor, accounting for 96.34% of the voting power of shareholders presented (2) It has been published on the MOPS.
2	Adopted the proposal of 2018 surplus earnings distribution for the Company	(1) A total of 289,704,631 shares in favor, accounting for 97.10% of the voting power of shareholders presented (2) Resolved the ex-dividend record date as July 4, 2019 and distribution date as July 31, 2019. The distribution of a NT\$1.3 cash dividend per common share
3	Approved the amendment of the Company's "Articles of Association"	(1) A total of 289,696,098 shares in favor, accounting for 97.10% of the voting power of shareholders presented (2) Approved by the MOEA to register on July 8, 2019 and published the revised "Articles of Association" on the corporate website.
4	Approved the amendment of the Company's "Procedures for the Acquisition or Disposal of Assets".	(1) A total of 289,681,014 shares in favor, accounting for 97.10% of the voting power of shareholders presented (2) The revised "Procedures for the Acquisition or Disposal of Assets" has been published on the corporate website and MOPS
5	Approved the amendment of the Company's "Procedures for Making of Endorsement and Guarantee".	(1) A total of 289,692,014 shares in favor, accounting for 97.10% of the voting power of shareholders presented (2) The revised "Procedures for Making of Endorsement and Guarantee" has been published on the corporate website and MOPS
6	Approved the amendment of the Company's "Procedures for Loaning Funds to Others".	(1) A total of 289,681,004 shares in favor, accounting for 97.10% of the voting power of shareholders presented (2) The revised "Procedures for Loaning Funds to Others" has been published on the corporate website and MOPS

Major Resolutions of the Board of Directors Meetings of 2019 and as of the Print Date of the Annual Report

Meeting number	Date	Major resolutions
The 1st meeting of 2019	March 22, 2019	(1) Approved the Company's 2018 business report and financial statements (2) Approved the proposal of 2018 surplus earnings distribution for the Company (3) Approved the Company's 2018 distribution of remunerations to employees and directors. (4) Approved the amendment of the Company's "Articles of Association" (5) Approved the amendment of the Company's "Procedures for the Acquisition or Disposal of Assets" (6) Approved the amendment of the Company's "Procedures for Making of Endorsement and Guarantee" (7) Approved the amendment of the Company's "Procedures for Loaning Funds to Others" (8) Approved the proposal of convening the Company's 2019 shareholders annual meeting (9) Approved the Company's 2019 business plan (10) Approved the Company's 2018 evaluation of the effectiveness of internal control system and the statement of internal control system (11) Approved the amendment of the Company's "Corporate Governance Best-Practice Principles" (12) Approved the formulation of the Company's "Operational Procedures for Handling Directors' Requests" (13) Approved the appointment of chief corporate governance officer

Meeting number	Date	Major resolutions
The 3rd meeting of 2019	August 9, 2019	(1) Approved the re-appointment of member of the Remuneration Committee (2) Approved the amendment of the Company's "Audit Committee Charter"
The 4th meeting of 2019	November 6, 2019	(1) Approved the Company's 2018 investment with unappropriated retained earnings (2) Approved the Company's 2020 audit plan (3) Approved the Company's 2019 bonus and remuneration to managerial officers (4) Approved the amendment of the Company's "Board of Directors Performance Evaluation Policy" (5) Approved the amendment of the Company's "Ethical Corporate Management Best Practice Principles" and "Whistle-blowing System", and the formulation of "Ethical Corporate Management Commitment"
The 1st meeting of 2020	March 20, 2020	(1) Approved the Company's 2019 business report and financial statements (2) Approved the proposal of 2019 surplus earnings distribution for the Company (3) Approved the Company's 2019 distribution of remunerations to employees and directors. (4) Approved the amendment of the Company's "Articles of Association" (5) Approved the re-election of all of the Company's directors (6) Approved the announcement of accepting the proposal from shareholder(s) holding 1% or more of outstanding shares and nomination of the candidates of directors (including independent directors) related matters. (7) Approved the proposal of convening the Company's 2020 shareholders annual meeting (8) Approved the Company's 2020 business plan (9) Approved the Company's 2019 evaluation of the effectiveness of internal control system and the statement of internal control system (10) Approved the amendment of the Company's "Management Policies for Preparation Process of Financial Statements" (11) Approved the formulation of the Company's "Risk Management Policies" (12) Approved the amendment of the Company's "Audit Committee Charter" (13) Approved the amendment of the Company's "Corporate Governance Best-Practice Principles" (14) Approved the Company's "Remuneration Committee Charter" (15) Approved the Company's "Rules of Procedure for Board Meetings" (16) Approved the Company's "Corporate Social Responsibility Best Practice Principles"
The 2nd meeting of 2020	May 6, 2020	(1) Approved the nomination of candidates of the Company's directors (including independent directors) of the 16th Board. (2) Approved to sell all of the shares of Taichung Golf & Country Club holding by the Company.

3.3.12 Major Issues of Record or Written Statements Made by Any Director Dissenting to Important Resolutions Passed by the Board of Directors: None.

3.3.13 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit, Chief Corporate Governance Officer and R&D: None.

3.4 Information Regarding the Company's Audit Fee and Independence

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
Deloitte & Touche	Su, Ting-Chien Tseng, Done-Yuin	3,535	0	37	0	690	727	Jan.1 ~ Dec.31 2019	Fees of other transfer pricing report, direct deduction method report, master file report and checklist of information about salary of full-time employees who are not in a managerial position.

Note 1: when non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed: Not applicable.

Note 2: When the Company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: Not applicable.

Note 3: When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 15 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed: Not applicable.

Note 4: The evaluation results of the independence of CPA:

Evaluation items	Yes	No
1. None of the audit engagement team members and their families, other partners of the firm and their families, or the accounting firm and its affiliate, have a direct financial interest or material indirect financial interest with an audit client.	✓	
2. There is not any loan or guarantee between the Company/its directors and any of the audit engagement team members and their families, other partners of the firm and their families, or the accounting firm and its affiliate.	✓	
3. None of the accounting firm and the audit engagement team members have a close business relationship with the Company or its affiliates.	✓	
4. At present, there are no potential employment negotiations between the audit engagement team members and the Company.	✓	
5. None of the audit engagement team members have been a director or an employee of the Company who is in a position to exert significant influence over the audit engagement within the last two years.	✓	
6. The Company pays the audit fee to the accounting firm in fixed amount, rather than a contingent fee. Neither is there a delay audit fee which might affect the independence of the audit.	✓	
7. None of the audit engagement team members are appointed for acting as an advocate in support of the Company's position or opinions, or representing the Company to coordinate the conflict with a third party.	✓	
8. After this year's appointment, the service year of CPAs will reach <u>1.5</u> year. It does not exceed <u>7</u> years.	✓	
9. None of the engagement team members has a close or immediate family member who is a director, managerial officer, or an employee of the Company who is in a position to exert significant influence over the audit engagement.	✓	
10. None of the Company's directors and managerial officers has presented gifts of great value to the engagement team members.	✓	
11. None of the Company's directors, managerial officers, or employees who are in positions to exert significant influence over the audit engagement, has ever been a former partner retired/disassociated from the accounting firm within one year.	✓	
12. None of the Company's independent directors has been working for the accounting firm within two years before and during his/her tenure.	✓	
13. The Company did not make the engagement team members suffer or feel intimidated by the Company, making them unable to act objectively and clarify professional suspicions. For example: (1) The management of the Company has improper requirements for accounting treatment or disclosure of financial statements. (2) The Company does not pressure to reduce audit fee, in order to compel the accounting firm to reduce the extent of work performed.	✓	
14. None of the engagement team members is promoting or brokering shares or other securities issued by the Company.	✓	

3.5 Replacement of CPA

3.5.1 Regarding the Former CPA

Replacement Date	Not applicable		
Replacement reasons and explanations	There was a job rotation in Deloitte & Touche		
Describe whether the Company terminated or the CPA did not accept the appointment	Status \ Parties	CPA	The Company
	Termination of appointment	Not applicable	
	No longer accepted (continued) appointment		
Other issues (except for unqualified issues) in the audit reports within the last two years	Not applicable		
Differences with the company	Yes		Accounting principles or practices
			Disclosure of Financial Statements
			Audit scope or steps
			Others
	None	✓	
	specify details	Not applicable	
Other Revealed Matters	None		

3.5.2 Regarding the Successor CPA

Name of accounting firm	Deloitte & Touche
Name of CPA	Su, Ting-Chien & Tseng, Done-Yuin
Date of appointment	Not applicable
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

3.5.3 Former CPA's Reply Letter in accordance with Article 10, Paragraph 6, Subparagraph A, B and C of Regulations Governing Information to be Published in Annual Reports of Public Companies: Not applicable.

3.6 Company's Chairman, General Manager, or any Managerial Officer in charge of Finance or Accounting Matters Has in the Most Recent Year Held a Position at the Accounting Firm of its Certified Public Accountant or at an Affiliated Enterprise: None.

3.7 Changes in Shareholding of Directors, Managerial Officers and Major Shareholders

3.7.1 Change in Shareholding of Directors, Managerial Officers, and Major Shareholders

Unit: Shares

Title	Name	2018		As of April 25, 2020	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Horng, Po-Yen	—	—	—	—
Vice Chairman Representative	Chia-Wen Investment Ltd.	164,000	—	120,000	—
	Liao, Lien-Heng	—	—	—	—
Director	Guo Wu, Zhun-Zhen	—	—	—	—
Director	Yu, Tse-Jen	—	—	—	—
Director	Yang, Jen-Yo	—	—	—	—
Director Representative	Yun-Sung Investment Ltd.	7,117,000	—	1,620,000	—
	Liu, Yun-Sung	—	—	—	—
Independent director	Chi, Chih-Yi	—	—	—	—
Independent director	Hsu, Jun-Ming	—	—	—	—
Independent director	Uang, Biing-Jiun	—	—	—	—
General Manager	Yen, Tsu-Fang	—	—	—	—
Vice General Manager	Yu, Kuei-Ju	—	—	—	—
Assistant General Manager	Lin, Chin-Shan	—	—	—	—
Assistant General Manager	Li, Chien-Min	—	—	—	—
Assistant General Manager	Wang, Chi-Chou	—	—	—	—
Assistant General Manager	Tsai, Chih-Yung	3,000	—	—	—
Assistant General Manager	Shih, Neng-Chun	—	—	—	—
Assistant General Manager	Chen, Chien-Hsing (Note1)	—	—	—	—
Assistant General Manager	Feng, Tao-An (Note1)	—	—	—	—
Chief Corporate Governance Officer	Chiang, Pei-Shan	—	—	—	—

Note 1: New managerial officers took office on January 1, 2020.

3.7.2 Shares Trading with Related Parties: None.

3.7.3 Shares Pledge with Related Parties: None.

3.8 Relationship among the Top Ten Shareholders

April 25, 2020

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
YunSung Investment Ltd. Representative: Liu, Yun-Sung	32,788,000	7.80%	—	—	—	—	—	—	
	503,189	0.12%	11,000	0.00%	—	—	—	—	
Horng , Po-Yen	7,119,235	1.69%	5,038,857	1.20%	—	—	Ho, Hsiu-Mei Horng , Chia-Ying	Spouses Relatives Within Two Degrees	
Chaoyang University of Technology Representative: Yang , Tien-Sheng	6,250,000	1.49%	—	—	—	—	—	—	
	—	—	—	—	—	—	—	—	
Chiawen Investment Ltd. Representative :Lan, Qing-E	5,444,443	1.30%	—	—	—	—	—	—	
	634,932	0.15%	306,919	0.07%	—	—	—	—	
Ho, Hsiu-Mei	5,038,857	1.20%	7,119,235	1.69%	—	—	Horng, Po-Yen Horng , Chia-Ying	Spouses Relatives Within Two Degrees	
Yu, His-Ming	4,607,000	1.10%	Information not available						
Citibank Managed Dimension Emerging Markets Evaluation Fund	4,540,877	1.08%	—	—	—	—	—	—	
Wu Cheng, Su-Chen	3,898,495	0.93%	—	—	—	—	—	—	
Horng , Chia-Ying	3,309,109	0.79%	—	—	—	—	Horng, Po-Yen Ho, Hsiu-Mei	Relatives Within Two Degrees	
Wang, Sheng-Min	3,305,000	0.79%	Information not available						

Note 1: All top ten shareholders should be enumerated in full. In case of juristic (corporate) person shareholders, the names of all such juristic (corporate) person shareholders and their representatives should be enumerated respectively.

Note 2: The shareholding ratios should be calculated based on the own names, names of spouses, minor children respectively.

Note 3: On the aforementioned shareholders, including juristic (corporate) persons and natural persons (individuals), the relationship among them should be disclosed based on the rules for financial statements of the issuers.

3.9 The Total Number of Shares and Total Equity Stake Held in any Single Enterprise by the Company, Its Directors, Managerial Officers, and Any Companies Controlled Either Directly or Indirectly by the Company: None.

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

Issued Shares

Unit : NT\$

Year/ Month	Par Value	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT\$ thousands)	Shares	Amount (NT\$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
1994/10	10	250,000,000	2,500,000,000	230,525,320	2,305,253,200	Cash capital increase 250,000,000 Capitalization of capital reserve 132,882,750 Capitalization of retained earnings 150,600,450		Note 1
1995/08	10	280,000,000	2,800,000,000	258,188,359	2,581,883,590	Capitalization of capital reserve 276,630,390		Note 2
1996/10	10	280,000,000	2,800,000,000	278,843,428	2,788,434,280	Capitalization of capital reserve 206,550,690		Note 3
1997/09	10	330,000,000	3,300,000,000	301,150,902	3,011,509,020	Capitalization of capital reserve 167,306,055 Capitalization of retained earnings 55,768,685		Note 4
1998/08	10	330,000,000	3,300,000,000	325,242,974	3,252,429,740	Capitalization of capital reserve 240,920,720		Note 5
1999/08	10	370,000,000	3,700,000,000	344,757,553	3,447,575,530	Capitalization of capital reserve 97,572,900 Capitalization of retained earnings 97,572,890		Note 6
2001/03	10	370,000,000	3,700,000,000	340,475,553	3,404,755,530	De-capitalization due to cancellation of treasury stocks 42,820,000		
2001/04	10	370,000,000	3,700,000,000	337,105,553	3,371,055,530	De-capitalization due to cancellation of treasury stocks 33,700,000		
2001/08	10	390,000,000	3,900,000,000	357,331,887	3,573,318,870	Capitalization of capital reserve 202,263,340		Note 7
2001/11	10	390,000,000	3,900,000,000	357,272,887	3,572,728,870	De-capitalization due to cancellation of treasury stocks 590,000		
2004/08	10	390,000,000	3,900,000,000	364,418,345	3,644,183,450	Capitalization of retained earnings 71,454,580		Note 8
2005/05~2007/05	10	390,000,000	3,900,000,000	364,418,345	3,644,183,450			No change
2008/04	10	390,000,000	3,900,000,000	350,232,345	3,502,323,450	De-capitalization due to cancellation of treasury stocks 141,860,000		Note 9
2008/06	10	390,000,000	3,900,000,000	349,269,345	3,492,693,450	De-capitalization due to cancellation of treasury stocks 9,630,000		Note 10
2009/07	10	390,000,000	3,900,000,000	352,692,039	3,526,920,390	Capitalization of retained earnings 34,226,940		Note 11
2011/05	10	390,000,000	3,900,000,000	352,692,039	3,526,920,390			No change
2012/01	10	390,000,000	3,900,000,000	333,692,039	3,336,920,390	De-capitalization due to cancellation of treasury stocks 19,000,000		Note 12
2013/05	10	390,000,000	3,900,000,000	333,692,039	3,336,920,390			No change
2014/01	10	390,000,000	3,900,000,000	333,723,289	3,337,232,890	Corporate bond conversion 31,250 shares		Note 13
2014/08	10	390,000,000	3,900,000,000	335,929,667	3,359,296,670	Corporate bond conversion 2,206,378 shares		Note 14
2014/12	10	390,000,000	3,900,000,000	337,894,413	3,378,944,130	Corporate bond conversion 1,964,746 shares		Note 15

Year/ Month	Par Value	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT\$ thousands)	Shares	Amount (NT\$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
2015/05	10	390,000,000	3,900,000,000	343,690,731	3,436,907,310	Corporate bond conversion 5,796,318 shares		Note 16
2015/08	10	390,000,000	3,900,000,000	344,408,739	3,444,087,390	Corporate bond conversion 718,008 shares		Note 17
2015/11	10	390,000,000	3,900,000,000	344,803,202	3,448,032,020	Corporate bond conversion 394,463 shares		Note 18
2016/11	10	390,000,000	3,900,000,000	347,001,299	3,470,012,990	Corporate bond conversion 2,198,097 shares		Note 19
2017/04	10	390,000,000	3,900,000,000	356,516,774	3,565,167,740	Corporate bond conversion 9,515,475 shares		Note 20
2017/06	10	390,000,000	3,900,000,000	370,327,270	3,703,272,700	Corporate bond conversion 13,810,496 shares		Note 21
2017/08	10	390,000,000	3,900,000,000	384,347,453	3,843,474,530	Corporate bond conversion 14,020,183 shares		Note 22
2017/11	10	500,000,000	5,000,000,000	405,162,473	4,051,624,730	Corporate bond conversion 20,815,020 shares		Note 23
2018/04	10	500,000,000	5,000,000,000	414,993,411	4,149,934,110	Corporate bond conversion 9,830,938 shares		Note 24
2018/05	10	500,000,000	5,000,000,000	417,259,123	4,172,591,230	Corporate bond conversion 2,265,712 shares		Note 25
2018/08	10	500,000,000	5,000,000,000	420,492,585	4,204,925,850	Corporate bond conversion 3,233,462 shares		Note 26
2018/09~2019/12	10	500,000,000	5,000,000,000	420,492,585	4,204,925,850			No change

Note 1: 24 June 1994 (1994) Letter No. Taiwan-Finance-Securities-I-28405

Note 2: 10 June 1995 (1995) Letter No. Taiwan-Finance-Securities-I-33814

Note 3: 9 July 1996 (1996) Letter No. Taiwan-Finance-Securities-I-40319

Note 4: 24 June 1997 (1997) Letter No. Taiwan-Finance-Securities-I-49977

Note 5: 19 June 1998 (1998) Letter No. Taiwan-Finance-Securities-I-53517

Note 6: 17 June 1999 (1999) Letter No. Taiwan-Finance-Securities-I-55821-1

Note 7: 27 June 2001 (2001) Letter No. Taiwan-Finance-Securities-I-140862

Note 9: 05 July 2004 Securities-Futures-I-0930129488

Note 9: 10 March 2008 Letter No. Financial-Supervisory-Securities-III-0970009614

Note 10: 17 June 2008 Letter No. Financial-Supervisory-Securities-III-0970031534

Note 11: 08 July 2009 Letter No. Financial-Supervisory-Securities-Corporate-0980033833

Note 12: 22 December 2011 Letter No. Financial-Supervisory-Securities-Trading-1000062665

Note 13: 29 January 2014 Public Announcement No. Taiwan-Stock-Listing-I-1030002062

Note 14: 28 August 2014 Public Announcement No. Taiwan-Stock-Listing-I-1030017467

Note 15: 16 December 2014 Public Announcement No. Taiwan-Stock-Listing-I-1030026074

Note 16: 01 June 2015 Public Announcement No. Taiwan-Stock-Listing-I-10400106601

Note 17: 27 August 2015 Public Announcement No. Taiwan-Stock-Listing-I-10400174121

Note 18: 30 November 2015 Public Announcement No. Taiwan-Stock-Listing-I-10400243491

Note 19: 17 November 2016 Letter No. MOEA-Authorize-Commerce-10501267160

Note 20: 17 April 2017 Letter No. MOEA-Authorize-Commerce-10601044970

Note 21: 01 June 2017 Letter No. MOEA-Authorize-Commerce-10601064350

Note 22: 25 August 2017 Letter No. MOEA-Authorize-Commerce-10601118060

Note 23: 20 November 2017 Letter No. MOEA-Authorize-Commerce-10601158010

Note 24: 27 April 2018 Letter No. MOEA-Authorize-Commerce-10701038960

Note 25: 24 May 2018 Letter No. MOEA-Authorize-Commerce-10701053370

Note 26: 20 August 2018 Letter No. MOEA-Authorize-Commerce-10701103900

Type of Stock

April 25, 2020

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Nominal common stock	420,492,585	79,507,415	500,000,000	Unit: share

If Approval Has Been Granted to Offer and Issue Securities by Shelf Registration, Additionally Disclose the Approved Amount and Information Regarding Securities to be Issued or Already Issued: Not applicable.

4.1.2 Status of Shareholders

April 25, 2020

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions & Natural Persons	Domestic Natural Persons	Total
Number of Shareholders	1	3	209	135	61,383	61,731
Shareholding (shares)	2	644,000	70,152,443	49,226,472	300,469,668	420,492,585
Percentage	0.00%	0.15%	16.68%	11.71%	71.46%	100%

4.1.3 Shareholding Distribution Status

April 25, 2020

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	37,464	3,348,577	0.80%
1,005 ~ 5,000	16,891	36,827,505	8.76%
5,001 ~ 10,000	3,447	27,207,836	6.47%
10,001 ~ 15,000	1,256	15,604,765	3.71%
15,001 ~ 20,000	727	13,539,048	3.22%
20,001 ~ 30,000	605	15,418,744	3.67%
30,001 ~ 40,000	303	10,818,954	2.57%
40,001 ~ 50,000	204	9,461,449	2.25%
50,001 ~ 100,000	403	28,950,540	6.89%
100,001 ~ 200,000	195	27,391,101	6.51%
200,001 ~ 400,000	110	31,165,204	7.41%
400,001 ~ 600,000	39	19,385,869	4.61%
600,001 ~ 800,000	17	11,507,296	2.74%
800,001 ~ 1,000,000	14	12,873,889	3.06%
1,000,001 or over	56	156,991,808	37.33%
Total	61,731	420,492,585	100%

4.1.4 List of Major Shareholders: Shareholders with a Stake of 5 Percent or Greater, or Shareholders Who Rank in the Top 10 in Shareholding Percentage

April 25, 2020

Shareholder's Name	Shareholding	
	Shares	Percentage
Yun-Sung Investment Ltd.	32,788,000	7.80%
Horng , Po-Yen	7,119,235	1.69%
Chaoyang University of Technology	6,250,000	1.49%
Chiawen Investment Ltd.	5,444,443	1.30%
Ho, Hsiu-Mei	5,038,857	1.20%
Yu, His-Ming	4,607,000	1.10%
Citibank Managed Dimension Emerging Markets Evaluation Fund	4,540,877	1.08%
Wu Cheng, Su-Chen	3,898,495	0.93%
Horng , Chia-Ying	3,309,109	0.79%
Wang, Sheng-Min	3,305,000	0.79%

4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share in the Last two Years

Unit: NT\$

Items	2018	2019	As of Mar. 31, 2020 (Note 7)
(1) Market Price per Share (Note 1)			
Highest Market Price	17.80	21.75	19.75
Lowest Market Price	15.75	16.50	15.65
Average Market Price	17.03	18.70	18.81
(2) Net Worth per Share (Note 2)			
Before Distribution	16.65	16.72	16.86
After Distribution	15.35	15.42	15.56
(3) Earnings per Share			
Weighted Average Shares (thousand shares)	418,731	420,492	420,492
Basic Earnings Per Share	1.74	1.6	0.05
(4) Dividends per Share (Note 3)			
Cash Dividends	1.3	1.3	-
Stock Dividends			
• Dividends from Retained Earnings	—	—	—
• Dividends from Capital Surplus	—	—	—
Accumulated Undistributed Dividends	—	—	—
(5) Return on Investment			
Price / Earnings Ratio (Note 4)	9.79	11.69	-
Price / Dividend Ratio (Note 5)	13.1	14.38	-
Cash Dividend Yield Rate (Note 6)	7.6	7.0	-

Note 1: Data sourced from Taiwan Stock Exchange (TWSE).

Note 2: Use the number of the issuing shares in the year end as the base with the distribution decision resolved at the shareholders' meeting held in the following year.

Note 3: Fill in dividend per share based current earnings and will be distributed in next year.

Note 4: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 5: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 6: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

Note 7: Numbers of Q1, 2020 is based on the financial statements reviewed by CPA per IFRS.

4.1.6 Dividend Policy and Implementation Status

Dividend Policy

The business of the company has been promoted well, for pursuit of sustainable operation and continuous growth, at the present, Residual Dividend Policy is adopted. That is to reserve the surplus in order to deal with the necessary capital, and transfer the said capital as allocation of funds to the shareholders, and then the remained surplus shall be distributed to them in the way of cash dividend. The cash dividend shall be annually distributed not less than 30% of the total dividend in the current year, however, it is not limited that the distribution amount of cash dividend is less than New Taiwan Dollars one hundred million.

Distribution of Dividend

SINON CORPORATION The Proposed Surplus Earning Distribution Table of 2019

Unit: NT\$

Items	Total amount
Undistributed surplus earnings in the beginning of the year	1,036,557,976
Plus: Net income after taxes of this year	674,854,833
Minus: Effect of retrospective application	(49,931,921)
Minus: Other comprehensive income of 2019-Remeasurement of defined benefit plan	(6,742,111)
After-tax net income and other profit items adjusted to the current year's undistributed earnings other than after-tax net income calculated by the profit-seeking enterprise	618,180,801
Minus: Legal reverse set aside	(61,818,080)
Minus: Special reverse set aside	(43,200,124)
Surplus earning to be distributed	1,549,720,573
Cash dividends: NT\$1.3 per share (outstanding shares: 420,492,585)	(546,640,361)
Balance of undistributed surplus earning	1,003,080,212

4.1.7 Effect upon Business Performance and Earnings per Share of Any Stock Dividend Distribution Proposed or Adopted at the Most Recent Shareholders' Meeting: Not applicable.

4.1.8 Compensation of Employees and Directors

1. Information Relating to Compensation of Employees and Directors in the Articles of Association

If there is a net profit at the end of each fiscal year, 1% of the profit shall be allocated as employees' compensation, which may be distributed in the form of shares or in cash by a resolution of the meeting of board of directors and issued include the employees of the subsidiaries of the Company meeting certain specific requirements; and may be allocated 5% or less for the remuneration to directors by a resolution of the meeting of board directors. The assigned proposal for the employees' compensation and remuneration to directors shall be reported to the shareholders' meeting.

The Company shall retain any profit to cover the losses while having accumulated losses. Then, the employees' compensation and remuneration to directors may be payable in proportion based on the ratio mentioned.

2. The basis for estimating the amount of employee and director compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period: None.

3. Distribution of Compensation of Employees and Directors for 2019 Approved in the Board of Directors Meeting

(1) The amount of any employee compensation distributed in cash or stocks and remuneration for directors. If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed:

Employee's compensation was NT\$8,417,677; remuneration for directors was NT\$42,088,382, both are distributed in cash, and there was not any discrepancy between the amount and the estimated figure.

(2) The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation: Not applicable.

4. The actual distribution of compensation of employee and directors for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, director compensation, additionally the discrepancy, cause, and how it is treated:

Total amount of NT\$54,213,798 are distributed in cash (Employees' compensation was NT\$9,035,633; remuneration for directors was NT\$45,178,165). There were not any discrepancies between the amount and the estimated figure.

4.1.9 Status of Repurchasing the Company's Own Shares in the Last Year and as of the Print Date of the Annual Report: None.

4.2 Issuance of Corporate Bonds

4.2.1 Issuance of Corporate Bonds

Type of corporate bond (note 2)		1st Domestic unsecured convertible bond (Note 5)
Issuing date		August 15, 2013
Denomination		NT\$100 thousand
Listing (note 3)		Taipei Exchange
Offering price		Par
Total amount		NT\$1.2 billion
Coupon rate		Coupon rate 0%
Tenor		5 years Maturity: August 15, 2018
Guarantor		None
Trustee		Department of trust, Bank SinoPac Co., Ltd.
Underwriter		SinoPac Securities Co., Ltd.
Legal counsel		Handsome Attorneys-at-law Attorney Chiu, Ya-wen
Attesting CPA		Deloitte & Touche CPA Cheng, De-ren and Chiang, Shu-jing
Redemption method		Bullet repayment
Outstanding principle (As of the maturity date on August 15, 2018)		NT\$9,500,000
Redemption or early repayment clause		Refer to issuance and conversion methods
Covenants (note 4)		Not applicable
Credit rating agency, rating date, corporate bond Credit rating		None
Other Rights of Bondholders	The amount of converted common stock (exchange or warrants), global depository receipts or other securities as of August 15, 2018	NT\$1,190,500,000
	Issuance and conversion (exchange or subscription) method	Refer to issuance and conversion methods
Issuance and conversion, exchange or warrant method. Dilution effect and other adverse effects on existing shareholders		According to the evaluation report provided by the underwriter, under the circumstance that all bondholders of this convertible bond ask for converting to common shares, maximum dilution effect on existing shareholders is 18.35%, which is not a material adverse impact on existing shareholders.
Custodian		Not applicable

Note 1: Section “issuance of corporate bonds” includes public offering and private placement of corporate bond which are under handling. Public offering of corporate bond under handling refers to FSC effective (approved) case; private placement of corporate bond under handling refers to the Board resolved and passed cases.

Note 2: The number of fields depends on the actual number of issuances.

Note 3: Applicable to overseas corporate bond.

Note 4: Such as restrict to cash dividend, foreign investment or require a certain proportion of assets to be maintained.

Note 5: Private placement shall be marked in a notable way.

Note 6: For convertible bond, exchangeable bond, shelf registration bond, and bond with warrants, it should be presented by its nature and according to the table format, and then disclose the information of convertible bond, exchangeable bond, shelf registration bond, and bond with warrants.

4.2.2 Convertible Bonds

Corporate bond type (Note 1)		1st Domestic unsecured convertible bond	
Year		2017	As of August 15 ,2018 (Note 4)
Market price of the convertible bond(Note 2)	Highest	142.10	134.25
	Lowest	110.00	118.00
	Average	118.85	129.75
Convertible Price		July 29, 2017 Adjusted from NT\$13.83 to NT\$13.02.	August 15, 2018 Adjusted from NT\$13.02 to NT\$12.26.
Issue date and conversion price at issuance		Issue Date: August 15 ,2013 Conversion price at issuance: NT\$16	
Conversion methods (Note 3)		58,476,637 Shares converted and delivered by issuing new shares	5,499,174 Shares converted and delivered by issuing new shares

Note 1: The number of fields depends on the actual number of issuance.

Note 2: If overseas corporate bonds are listed in multiple exchanges, specify by listing exchanges.

Note 3: Deliver outstanding shares or issue new shares.

Note 4: Matured on August 15, 2018 and stopped trading at TPEX.

4.2.3 Shelf Registration Bond: Not applicable.

4.2.4 Bond with Warrants: Not applicable.

4.3 Status of Preferred shares: None.

4.4 Status of Global Depository Receipts: None.

4.5 Status of Employee share Subscription Warrants and New Restricted Employee Shares: None.

4.6 Status of New Shares Issuance in Connection with Mergers and Acquisitions: None.

4.7 Status of Financing Plans and Implementation: None.

V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

1. Main business activities: Pesticides, fertilizers, microbial pesticides, microbial fertilizers, chemicals, etc.

2. 2019 consolidated business proportion

Content	Business proportion
Crop protection	59%
Supermarket	26%
Household supplies and catering services	11%
Others	4%

3. Current products

Pesticides

Fertilizers

Agricultural materials

Technical grade pesticide

Fine chemicals and intermediate products

Plastic products

Microbiological fertilizers

4. New products planned to be developed

New pesticide formulation types

Efficient compound fertilizer

New fine chemicals and intermediate products

Microbiological pesticides

5.1.2 Industry Overview

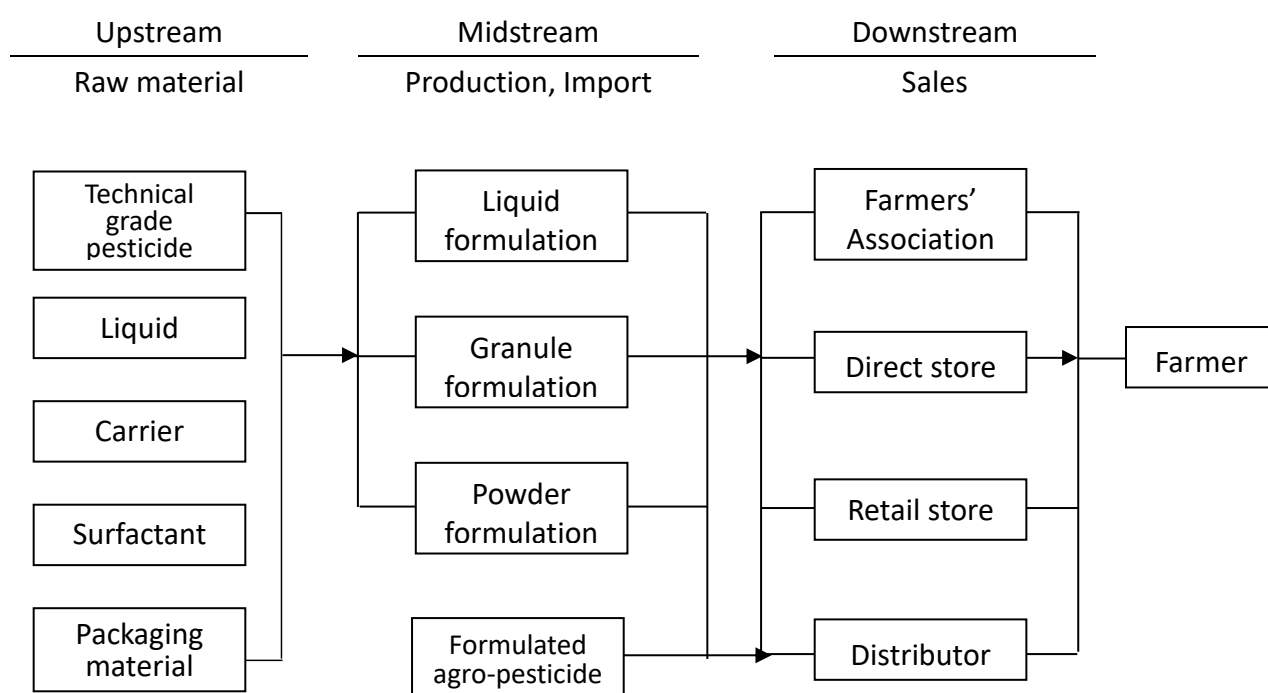
1. Current status and development of the industry

In the domestic crop protection market, due to food safety issues, the government's requirements for product registration are getting stringent, and there are more and more laws and regulations on production and sales. The use of highly toxic pesticide products is prohibited year by year. Consumers' increasing attention to health and environmental issues, coupled with the continued promotion of friendly farming and the reduction of fertilizer use by the Agriculture and Food Agency, have increased the proportion of microbial preparation products year by year.

Secondly, countries over the world pay more attention to the uniformity of pesticide specifications, so governments of all countries will be more rigorously checking environmental protection regulations, agrochemical regulations and pesticide registration and certification; therefore, investment in the development of microbial formulations and natural plant biostimulants products is a future trend. The sooner you participate, the more advantage you will have in the sales market.

2. Relevance of upstream, midstream and downstream industries

Crop protection market in Taiwan:



3. Various development trends and competition status of products

(1) Product development trends

- The development goal of pesticides is to develop low-toxicity, low environmental impact, easy to operate, safe and effective formulations. The developments of fertilizers tend to be soil-friendly and environment-friendly, improve nutrient absorption efficiency and are easy to use. Due to the aging problems of farmers, slow release fertilizers are developed to save labor and time; microbial formulations and natural plant biostimulants will become the focus of Company's future development domestically.
- Build a complete product line, supplemented by microbial formulations, sex pheromones and organic cultivation products to create a friendly cultivation environment and produce safe agricultural products.

(2) Product competitions

The Company has spared no effort to develop various safe formulations. It invests in the equipment and manpower required for various formulations, including laboratory test instruments, pilot equipment and automated robotic arm production equipment, thereby is a technical leader in the industry. Supplemented with perfect sales channels to provide farmers with the safest and most effective world-class quality.

5.1.3 Research and Development

1. Research and development expenditures and results in the last two years

Year	R&D expenditure (NT\$ thousands)	Result
2018	127,697	(1) The Company has completed the trail runs of five products. The mass production will be introduced in factories in the future. (2) The Company has submitted samples of eight products. All samples have been registered in order to meet the customers' requirements. (3) The Company has completed the process development for six items and improved the manufacturing process for thirteen items to increase the product competitiveness. (4) The Company has completed source verification of new suppliers for sixteen items of materials to ensure stable supply for materials and reduce the costs. (5) The Company has filed one patent for manufacturing process.
2019	137,384	(1) The Company has completed the trail runs of three kinds of products. It will be introduced in factories in the future. (2) The Company has submitted samples of seven kinds of products. All samples have been registered for fulfilling the customers' requirements. (3) The Company has completed the process development for six items and improved the manufacturing process for seventeen items to increase the product competitiveness. (4) The Company has completed source verification of new suppliers for fifteen items of materials to ensure stable supply for materials and reduce the costs.

2. Future R&D plans

- Carry out 9 process development and improvement projects to optimize the process, reduce costs and enhance product competitiveness.
- Carry out 6 new products trial runs and introduce them into mass production in the future to expand the product scope.
- Complete more than 20 product samples for registration and customer test needs to develop new customers.

3. R&D expenditure from January to March, 2020: Around NT\$42,870,000

5.1.4 Long-term and Short-term Development

1. Short-term Development

- (1) Utilize the advantages of the Company's own GLP laboratory to accelerate the preparation of registration information. Keep strategically cooperating with foreign manufacturers to exert the synergy of procurement and sales. Expand production capacity and create economies of scale.
- (2) Own branding sales markets: for Brazil, Mainland China, Thailand and Australia, continue to grow steadily and expand local sales channels; in Europe, India, Vietnam, South American and North Africa, continue to add new products and new customers.
- (3) Focusing on the development of crop solutions of "pesticide formulations combination" and "Sinon fertilization management", to develop crop protection related products. Strengthen the brand name and comprehensive technical services, and help farmers take care of crops through crop groups and demonstrations, to increase market share.

2. Long-term Development

- (1) Development in Taiwan's pesticides and fertilizer markets: actively develop microbial, environment-friendly materials and high-efficiency protein natural stimulant products, supplemented by existing products, to achieve farmers' time and labor saving, pest management and agricultural product safety.
- (2) Development in international crop protection markets: explore global channels and provide professional crop protection solutions. Become a major partner of multinational life science companies and provide high-quality services and products to farmers worldwide. Develop key competitive products, contribute to agricultural development, and promote social welfare; carefully select strategic partners and actively develop the Company's own channels to increase profits; establish a global procurement platform to integrate the needs of raw materials and enhance bargaining power.

5.2 Market and Sales Overview

5.2.1 Market Analysis

1. Main products sales markets

Sales (offering) area of main products (services): Taiwan, Mainland China, Europe, Japan, America, Thailand Australia and other Southeast Asia countries. Major developments are as flows:

Countries	Major developments
Europe	• The threshold for obtaining certificates is high, the investment amount is high, but the return is high. • Environmental awareness and the opinions led by green organizations are over weighted, which has become one of the uncertainties for investment. • Customer stickiness and their trust in Company are high; thereby any new licensed products can quickly reach the maximum controllable sales volume.
Japan	Japan is one of the most difficult countries for pesticides registration. Results of Company's efforts are: • Cooperate with local companies in Japan, produce OEM products, and endeavor to lower the cost and improve process, so as to stabilize orders. • Existing market is still dominated by selective herbicides for rice. Due to the resistance of the weeds, various manufacturers have endeavored to develop new herbicides. The Company will continue to win new OEM products opportunity, by leveraging the OEM experience and production process development capability.
America	• Increase products and channels through strategic partners. • Strengthen the main sales area and take the crop as the main product line. • Develop cooperative sales and product registration and planning with new customers.
Australia	• Enhance key customers sales and customer credit management. • Strengthen supply chain and effect the inventory and product management, to reduce the impact from market price volatility.
Thailand	• Continue to operate steadily.
Other Southeast Asia countries	• Cooperate with Japanese companies to accelerate in cultivating Southeast Asia markets, such as Vietnam, Myanmar, etc. • Expand the operation of local company that has been licensed for herbicides in India, to increase the sales.

2. Market share

The Company's 2019 fertilizer accounted for about 11% market share in Taiwan. Retail sales of pesticide (excluding raw materials sold in the same industry) accounts for about 17% of the Taiwan market, ranking the leading position in the Taiwan pesticide market.

3. Future market demand and supply, and growth

In 2019, the worldwide agrochemicals sales amounted to US\$65 billion, of which herbicides accounted for 43%, fungicides 28%, insecticides 25%, and others 4%. The five major crops of pesticides, including fruits and vegetables, cereals, soybeans, corn, and rice, accounted for about 77% of the total global agrochemical market. In the coming 5 years, large multinational companies will have many patent-off products; non-patent agrochemicals will increase year by year as the proportion of patents expires. Agrochemicals market seems to grow slowly in the long term.

4. Competitive niches

Through comprehensive and sound crop protection sales channels experience and years of production and improvement of technical materials in Taiwan, the Company can technically cooperate with international companies to win more OEM opportunities; In the meantime, with the investment in Mainland China (Shanghai Feng Xian factory and Yangko factory of Sinon Chemical (Nanton), produce Company's mature products and actively invest in Mainland China market by leveraging its own technology, to enhance the competitive niches and value of Sinon. With core technology and excellent formulations, accelerate the expansion of sales in Brazil, Thailand, mainland China and Australia. Build up a management team to deepen local market and develop own brand to enter the international market. Lead sales by technology, strengthen service by action.

5. Advantages and disadvantages of development prospects and countermeasures

(1) Advantages

The factory has high mobility and coordination, and can be transformed into a professional foundry by taking the opportunity of OEM for large manufacturers; through automated production and process optimization, to achieve competitive costs, and actively research and develop products with patent going to be expired to increase product lines, win market opportunities, and thereby increase the number of new customers and market share. Coupled with the R & D technology of the complete R & D team, such as process R & D, formulation R & D, analysis method research, registration data research, and the use of GLP laboratory's superior functions, which help register in various countries to reduce costs.

(2) Disadvantages

As the global environment protection awareness rises, political direction affects existed scientific evaluation process and explanation, which in turn increase the uncertainty of product investment. In addition, raw material suppliers intend to drive up raw material quotations in the name of environmental protection. The profits of non-patent agrochemicals (Generic) companies are unreasonably compressed, even though there is not much change in the end market. Moreover, due to the rising frequency and unpredictable of extreme weather, the crop planting season and product application timing must be adjusted immediately when it occurs, making raw material preparation and market demand harder to balance.

(3) Countermeasures

Integrate the supply chain, strengthen the leading ability of bargaining for raw materials and products, and cooperate with international major manufacturers to research and develop new products and obtain agricultural certification through the development of core competitive products, so as to enhance product quality and market price competitiveness. Actively develop the Company's own channels to increase profit; In addition, by developing various potential markets around the world, establish strategic alliance relationships with overseas partners (such as OEM, sales, raw material procurement, and development) according to different market conditions, to grasp market pulse, coordinate and integrate resources, meet customer needs, maintain the Company's goodwill, expand its business territory, and take into account the revenue benefits.

5.2.2 Critical Usages and Production Processes of Main Products

Including processing and manufacturing of agricultural pesticides, fungicides, herbicides, fertilizers and other agrochemicals, as well as OEM and ODM productions of fine chemicals. The production process is mainly to self-synthesize or purchase the technical materials from external manufacturer, and then through the processes of processing, mixing, grinding, adsorption, and finally fill in to packages.

5.2.3 Supply of Main Raw Materials

In addition to self-synthesizing, the technical materials are also provided by international renowned manufacturers, coupled with domestic materials to produce best quality and safe agrochemicals.

5.2.4 A List of any Vendors and Clients Accounting for Ten Percent or More of the Company's Total Procurement (Sales) Amount in Either of the Two Most Recent Fiscal Years

1. Information of major vendors in the most recent 2 years

Unit: NT\$ thousands

Item	2018				2019				As of March 31, 2020			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	Sinon China	1,426,506	26	Investee	Sinon China	500,203	13	Investee	Sinon China	56,387	7	Investee
	Others	3,975,673	74		Others	3,252,692	87		Others	809,816	93	
	Net Total Supplies	5,402,179	100		Net Total Supplies	3,752,895	100		Net Total Supplies	866,203	100	

2. Information of major customers in the most recent 2 years: None.

3. Reason for Increase or Decrease: Product structure adjustment

5.2.5 An Indication of the Production Volume for the Two Most Recent Fiscal Years

Unit: NT\$ millions

Production volume Major Products		2019			2018		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Crop Protection (tons)		75,000	—	\$5,397	75,000	—	\$6,012

5.2.6 An Indication of the Volume of Units Sold for the Two Most Recent Fiscal Years

Unit: NT\$ millions

Sales Volume Major Products (or by departments)		2019				2018			
		Local		Export		Local		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Crop protection (tons)		—	\$3,150	—	\$6,931	—	\$3,186	—	\$7,613
Supermarket		—	\$4,462	—	—	—	\$4,511	—	—
Household supplies and catering service		—	\$1,759	—	\$111	—	\$1,597	—	\$107
Others		—	\$668	—	—	—	\$1,120	—	—
Total		—	\$10,039	—	\$7,042	—	\$10,414	—	\$7,720

Note: The aggregation of sales volume cannot be obtained, due to the units used by each main products (or departments) are different.

5.3 The Number of Employees employed for the two Most Recent Fiscal Years, and during the Current Fiscal Year up to the Print Date of the Annual report, their Average Years of Service, Average Age, and Percentage of Employees at each Education Levels

Year		2018	2019	As of March 31, 2020
Number of Employee	Staff	501	489	500
	Clerk	681	678	669
	Operator	198	191	191
	Total	1,380	1,358	1,360
Average Age		42.3	42.9	43.0
Average Years of Service		9.9	10.3	10.0
Education	Ph.D.	0.1%	0.1%	0.1%
	Master's Degree	10.3%	9.9%	10.1%
	Bachelor's Degree	39.8%	39.3%	39.8%
	Senior High School	43.9%	44.9%	44.4%
	Below Senior High School	5.9%	5.8%	5.6%

5.4 Expenditure for Environmental Protection

5.4.1 Any Losses Suffered by the Company in the Most Recent Year and up to the Print Date of the Annual Report, Due to Environmental Pollution Incidents (Including any Compensation Paid and any Violations of Environmental Protection Laws or Regulations Found in Environmental Inspection), and Disclosing an Estimate of Possible Expenses that Could be Incurred Currently and in the Future and Countermeasures Being or to Be Taken: None.

5.4.2 Countermeasures

1. Continuous improvement measures planned to be taken

(1) Improvement plan

- Improve the production process to reduce the exhaust gas emission in the production process, so as to improve the environmental protection quality and corporate image.
- Design and modify to enhance the safety quality of equipment operations.

- Continue to educate and train dedicate environmental protection personnel to improve their professional skills and technical levels.

(2) Planned environmental protection disbursement in the coming three years

Item Year	Planned purchase of pollution prevention equipment or expenditure content	Expected improvement	Amount (NT\$ thousands)
2020	Wastewater treatment facility rectification / Soil and groundwater pollution remediation project	Implementation of reducing odor escape / improving soil and groundwater pollution	79,433
2021	Wastewater treatment facility improvement / Soil and groundwater pollution remediation project	Enhance treatment capacity/ improve soil and groundwater pollution	40,000
2022	Wastewater treatment facility improvement	Enhance treatment capacity	40,000

(3) Impact after improvement

Impact on net profit: meet environmental protection requirements and improve the product competitiveness.

2. Those without countermeasures: Not applicable.

5.5 Labor Relations

5.5.1 Implementation of Employee Benefit Plans, Continuing Education, Training, Retirement Systems

1. Employee rights and benefits

- Set reasonable salary and remuneration according to the labor market standards, provide stable salary adjustment policies, and give employees due leaves according to law.
- Implement employee labor insurance, employment insurance and national health insurance, as well as employee group insurance, travel insurance for business trips, and related employee integrity insurances. When an employee dies from non-occupational disasters, pensions will be paid according to the policies.
- Establish Employees' Welfare Committee. Welfare funds will be allocated according to a fixed proportion every month, including wedding and funeral gifts, children's education scholarship, maternity, hospitalization subsidies for employees and dependents, emergency payment, welfare products (vouchers) for three traditional holidays, etc.
- Hold various leisure activities from time to time, such as concerts, family days, domestic and overseas tours and various associations' activities, and set up a gym for employees' leisure use.
- Provide flexible working hours, staff dining room, nursing room, medical room, medical consultation, health examination, etc.
- Encourage employees to create innovative proposals, discover work abnormalities or cost saving

tips, and propose improvement plans. After adopted by the Company, reward will be given depending on the results.

(7) Allocate 10% of cash capital increase for employee stock warrants.

2. Continuous education and training development

In order to provide employees with the correct knowledge, concepts and skills required for their work, the Company provides new employee training, professional technical training, management capability training, self-inspiration training, quality management training, safety and health training, etc. Provide employees with complete professional skills development and inspire their self-growth, so as to improve their work efficiency.

3. Retirement system

Implement Employee Retirement Management Policies in accordance with Labor Standards Act and Labor Pension Act. Allocate fixed amount to retirement pension monthly for employees, and award gold commemorative coins and medals to retired employees. There are also occasional reunion dinners for retired employees.

Retirement pension appropriation in accordance with Labor Standards Act (old system):

(1) Allocate 2% of employee's monthly salary to retirement pension and deposit to a special account with Bank of Taiwan in the name of Supervision Committee of Labor Retirement Reserve. By end of the year, if the estimated special account balance is insufficient to pay the employees who are expected to meet the retirement conditions within one year, the difference will be allocated once before March of the following year.

(2) Retirement eligibility and pension payment: when an employee meets one of the following conditions, he or she can apply for retirement voluntarily.

Pension of employees shall be calculated according to their years of service and the average salary for the six months before the retirement approved.

A. Those who have worked for more than 15 years and reached the age of 55

B. Those who have worked for more than 10 years and reached the age of 60

C. Those who have worked for more than 25 years

Retirement pension appropriation in accordance with Labor Pension Act (new system):

Allocate 6% of each employee's monthly salary to retirement pension and deposit to a personal account with Bureau of Labor Insurance every month. Employees can apply for retirement pension payment to the Bureau of Labor Insurance when reach the age of 60.

5.5.2 Employee Training Hours Statistics:

Accumulated Training Persons in 2019

Grade	Male	Female	Total
Manager and above	82	0	82
Managerial officers of factories/ divisions	636	121	757
Section head	2,865	556	3,421
Specialist	4,855	1,127	5,982
Others	1,423	276	1,699

Accumulated Training Hours in 2019

Grade	Male	Female	Total
Manager and above	100	0	100
Managerial officers of factories/ divisions	1,220	435	1,655
Section head	5,592	1,267	6,859
Specialist	7,849	1,974	9,823
Others	1,900	353	2,253

5.5.3 List any Losses Suffered by the Company in the Most Recent two Fiscal Years and up to the Print Date of the Annual Report, Due to Labor Disputes (Including any Violations of the Labor Standards Act found in labor Inspection), and Disclose an Estimate of Possible Expenses that Could be Incurred Currently and in the Future and Countermeasures Being or to Be Taken: None.

5.6 Important Contracts: None.

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Balance Sheet and Statement of Comprehensive Income

Condensed Balance Sheet- IFRS (Consolidated)

Unit: NT\$ thousands

Year Item		Financial Summary for The Last Five Years					Jan. 1 ~ Mar. 31, 2020 (Note 1)
		2015	2016	2017	2018	2019	
Current assets		7,044,376	7,455,929	7,013,792	7,062,342	6,804,285	6,836,543
Property, plant and equipment		7,709,432	7,498,813	7,527,676	7,147,298	6,839,083	6,719,808
Intangible assets		—	—	—	—	—	—
Other assets		824,533	722,034	702,688	740,330	1,621,491	1,630,633
Total assets		15,578,341	15,676,776	15,244,156	14,949,970	15,264,859	15,186,984
Current liabilities	Before distribution	5,721,883	5,131,196	5,183,143	5,236,120	5,489,681	5,044,807
	After distribution (Note 2)	5,928,765	5,494,054	5,604,365	5,782,760	6,036,321	5,591,447
Non-current liabilities		4,460,937	4,701,814	3,378,303	2,661,746	2,698,483	3,002,964
Total liabilities	Before distribution	10,182,820	9,833,010	8,561,446	7,897,866	8,188,164	8,047,771
	After distribution (Note 2)	10,389,702	10,195,868	8,982,668	8,444,506	8,734,804	8,594,411
Total equity attributable to owners of the Company		5,287,790	5,741,823	6,637,770	7,001,074	7,029,429	6,542,266
Capital stock		3,448,032	3,565,168	4,149,934	4,204,926	4,204,926	4,204,926
Capital surplus		212,494	250,688	433,832	450,275	450,289	450,289
Retained earning	Before distribution	1,736,046	2,129,854	2,302,577	2,637,845	2,709,386	2,729,977
	After distribution (Note 2)	1,529,164	1,766,996	1,881,355	2,091,205	2,162,746	2,183,337
Other equity interest		(108,782)	(203,887)	(248,573)	(291,972)	(335,172)	(296,286)
Treasury stock		—	—	—	—	—	—
Non-controlling interest		107,731	101,943	44,940	51,030	47,266	50,307
Total equity	Before distribution	5,395,521	5,843,766	6,682,710	7,052,104	7,076,695	7,139,213
	After distribution (Note 2)	5,188,639	5,480,908	6,261,488	6,505,464	6,530,055	6,592,573

Note 1: Refers to the CPA reviewed financial statements by adopting IFRS regulations.

Note 2: The above mentioned numbers after distribution are based on the resolutions of the shareholders meeting of the following year. Numbers after distribution of Q1, 2020, are based on the proposal of distribution of profit for the board of directors meeting following year. Numbers after distribution of Q1, 2020, are based on the proposal of distribution of profit for the board of directors meeting.

Condensed Statement of Comprehensive Income- IFRS (Consolidated)

Unit: NT\$ thousands

Year Item	Financial Summary for The Last Five Years					Jan. 1 ~ Mar. 31, 2020 (Note 1)
	2015	2016	2017	2018	2019	
Operating revenue	17,731,881	16,289,119	17,284,376	18,134,087	17,081,389	4,686,678
Gross profit	4,674,217	4,476,738	4,714,366	4,905,458	4,540,541	1,211,255
Profit from operations	673,590	644,008	890,040	940,405	885,263	310,990
Non-operating income and expenses	(230,407)	78,334	(131,520)	(47,523)	(39,571)	(255,098)
Profit before income tax	443,183	722,342	758,520	892,882	845,692	55,892
Profit from continuing operations	360,503	567,859	579,814	733,837	680,717	23,632
Net profit for the year	360,503	567,859	579,814	733,837	680,717	23,632
Other comprehensive income(loss) for the year, net of income tax	(125,358)	(49,475)	(88,393)	(18,929)	(49,884)	38,886
Total comprehensive income for the year	235,145	518,384	491,421	714,908	630,833	62,518
Net profit attributable to owners of the company	352,733	554,470	578,041	726,957	674,855	20,591
Net profit attributable to non-controlling interest	7,770	13,389	1,773	6,880	5,862	3,041
Total comprehensive income attributable to owners of the company	228,952	505,584	490,895	707,370	624,913	59,477
Total comprehensive income attributable to non-controlling interest	6,193	12,800	526	7,538	5,920	3,041
Earnings per share (NT\$)	1.03	1.60	1.50	1.74	1.60	0.05

Note 1: Refers to the CPA reviewed financial statements by adopting IFRS regulations.

Condensed Balance Sheet- IFRS (Standalone)

Unit: NT\$ thousands

Year Item		Financial Summary for The Last Five Years				
		2015(Note2)	2016	2017	2018	2019
Current assets		4,249,706	4,011,920	3,763,921	4,202,569	3,904,028
Property, plant and equipment		5,443,798	5,173,909	5,034,738	4,769,221	4,566,295
Intangible assets		—	—	—	—	—
Other assets		3,727,467	3,682,157	3,813,796	3,416,717	3,432,655
Total assets		13,420,971	12,867,986	12,612,455	12,388,507	11,902,978
Current liabilities	Before distribution	4,230,736	2,905,631	2,968,586	2,999,037	3,077,650
	After distribution (Note 1)	4,437,618	3,268,489	3,389,808	3,545,677	3,624,290
Non-current liabilities		3,902,445	4,220,532	3,006,099	2,388,396	1,795,899
Total liabilities	Before distribution	8,133,181	7,126,163	5,974,685	5,387,433	4,873,549
	After distribution (Note 1)	8,340,063	7,489,021	6,395,907	5,934,073	5,420,189
Total equity attributable to owners of the Company		—	—	—	—	—
Capital stock		3,448,032	3,565,168	4,149,934	4,204,926	4,204,926
Capital surplus		212,494	250,688	433,832	450,275	450,289
Retained earning	Before distribution	1,736,046	2,129,854	2,302,577	2,637,845	2,709,386
	After distribution (Note 1)	1,529,164	1,766,996	1,881,355	2,091,205	2,162,746
Other equity interest		(108,782)	(203,887)	(248,573)	(291,972)	(355,172)
Treasury stock		—	—	—	—	—
Non-controlling interest		—	—	—	—	—
Total equity	Before distribution	5,287,790	5,741,823	6,637,770	7,001,074	7,029,429
	After distribution (Note 1)	5,080,908	5,378,965	6,216,548	6,454,434	6,482,789

Note 1: The above mentioned numbers after distribution are based on the resolutions of the shareholders meeting of the following year.

Note 2: Divested and transferred to Yumei Division on December 1, 2015.

Condensed Statement of Comprehensive Income- IFRS (Standalone)

Unit: NT\$ thousands

Year Item		Financial Summary for The Last Five Years				
		2015(Note 1)	2016	2017	2018	2019
Operating revenue		9,640,775	7,782,846	8,610,013	9,091,555	8,216,128
Gross profit		2,192,419	1,945,015	2,130,721	2,097,008	1,940,387
Profit from operations		604,804	450,789	658,331	642,428	706,837
Non-operating income and expenses		(118,193)	123,107	50,762	206,922	84,425
Profit before income tax		486,611	573,896	709,093	849,350	791,262
Net profit for the year		352,733	554,470	578,041	726,957	674,855
Other comprehensive income (loss) for the year, net of income tax		(123,781)	(48,886)	(87,146)	(19,587)	(49,942)
Total comprehensive income for the year		228,952	505,584	490,895	707,370	624,913
Earnings per share(NT\$)		1.03	1.60	1.50	1.74	1.60

Note 1: Divested and transferred to Yumei Division on December 1, 2015.

6.1.2 Independent Auditor's Names and Opinions for Recent Five Years

Year	CPA	Audit Opinion
2019	Su, Ting-Chien Tseng, Done-Yuin	Unmodified Opinion
2018	Su, Ting-Chien Tseng, Done-Yuin	Unmodified Opinion
2017	Chiang, Shu-Jing Tseng, Done-Yuin	Unmodified Opinion
2016	Chiang, Shu-Jing Tseng, Done-Yuin	Unmodified Opinion
2015	Chiang, Shu-Jing Tseng, Done-Yuin	Unmodified Opinion

6.2 Five-Year Financial Analysis

Financial Analysis- IFRS (Consolidated)

Year Item (Note2)		Financial Analysis for the Last Five Years					Jan. 1 ~ May 31, 2020 (Note1)
		2015	2016	2017	2018	2019	
Financial structure (%)	Debt Ratio	65.4	62.7	56.2	52.8	53.6	56.6
	Ratio of long-term capital to property, plant and equipment	127.8	140.6	133.7	135.3	142.9	142.8
Solvency (%)	Current ratio	123.1	145.3	135.3	134.9	124.0	122.3
	Quick ratio	55.3	73.4	70.9	69.8	65.8	71.3
	Interest earned ratio (times)	4.8	7.3	9.6	13.5	12.4	4.3
Operating performance	Accounts receivable turnover (times)	9.6	8.5	8.3	8.2	7.9	8.7
	Average collection period	38	43	44	45	46	41.9
	Inventory turnover (times)	3.4	3.3	4.0	4.5	4.4	5.5
	Accounts payable turnover (times)	7.5	7.2	7.1	7.1	6.8	7.8
	Average days in sales	106	109	92	81	83	66.6
	Property, plant and equipment turnover (times)	2.3	2.1	2.3	2.5	2.4	2.8
	Total assets turnover (times)	1.1	1.0	1.1	1.2	1.1	1.2
Profitability	Return on total assets (%)	2.8	4.3	4.2	5.2	4.9	1.0
	Return on stockholders' equity (%)	6.7	10.1	9.3	10.7	9.6	1.4
	Pre-tax income to paid-in capital (%)	12.9	20.3	18.3	21.2	20.1	5.3
	Profit ratio (%)	2.0	3.5	3.4	4.0	4.0	0.5
	Earnings per share (NT\$)	1.03	1.60	1.50	1.74	1.6	0.05
Cash flow	Cash flow ratio (%)	20.5	24.6	42.0	24.2	31.7	2.5
	Cash flow adequacy ratio (%)	29.9	40.1	74.1	109.9	171.9	(214.1)
	Cash reinvestment ratio (%)	6.0	6.9	12.1	8.5	8.3	1.0
Leverage	Operating leverage	2.0	2.1	1.7	1.7	2.0	1.7
	Financial leverage	1.2	1.2	1.1	1.1	1.1	1.1

Note 1: Refers to the CPA reviewed financial statements by adopting IFRS regulations.

Note 2: The calculation formula is listed in Page 63

Financial Analysis- IFRS (Standalone)

Year Item (Note1)		Financial Analysis for the Last Five Years				
		2015 (Note2)	2016	2017	2018	2019
Financial structure (%)	Debt Ratio	60.6	55.3	47.4	43.2	40.9
	Ratio of long-term capital to property, plant and equipment	168.8	192.6	191.6	195.3	193.3
Solvency (%)	Current ratio	100.4	138.1	126.8	140.1	126.9
	Quick ratio	64.5	91.3	82.6	91.2	80.8
	Interest earned ratio (times)	6.3	6.8	10.2	16.1	19.3
Operating performance	Accounts receivable turnover (times)	4.0	3.4	4.1	4.1	3.8
	Average collection period	90	107.6	88.3	88.1	96.0
	Inventory turnover (times)	5.1	4.5	5.5	5.6	4.9
	Accounts payable turnover (times)	7.7	7.1	9.1	8.7	8.3
	Average days in sales	72	81	66.5	65.0	74.8
	Property, plant and equipment turnover (times)	1.7	1.5	1.7	1.9	1.8
	Total assets turnover (times)	0.7	0.6	0.7	0.7	0.7
Profitability	Return on total assets (%)	3.2	4.8	5.0	6.2	5.9
	Return on stockholders' equity (%)	6.7	10.0	9.3	10.7	9.6
	Pre-tax income to paid-in capital (%)	14.2	16.1	17.1	20.2	18.8
	Profit ratio (%)	3.7	7.1	6.7	8.0	8.2
	Earnings per share (NT\$)	1.03	1.60	1.50	1.74	1.6
Cash flow	Cash flow ratio (%)	21.3	22.9	58.6	26.5	42.5
	Cash flow adequacy ratio (%)	48.0	47.2	101.4	113.4	163.7
	Cash reinvestment ratio (%)	2.9	2.2	6.6	1.9	3.9
Leverage	Operating leverage	1.72	2.0	1.7	1.7	1.5
	Financial leverage	1.2	1.3	1.1	1.1	1.1

Note 2: The calculation formula is listed in Page 63

Note 2: Divested and transferred to Yumei Division on December 1, 2015.

A. Financial Structure

- (1) Debts to Assets Ratio = Total Liabilities / Total Assets
(2) Ratio of Long-term Capital to Property, Plants and Equipment = (Total Equity + Noncurrent Liabilities) / Net of Properties, Plants and Equipment

B. Liquidity Analysis

- (1) Current Ratio = Current Assets / Current Liabilities
(2) Quick Ratio = (Current Assets - Inventory - Prepaid Expense) / Current Liabilities
(3) Interest Earned Ratio = (Net Income before Income Tax and Interest Expenses) / Interest Expense

C. Operating Performance

- (1) Account Receivable Turnover = Net Sales / Average Accounts Receivable (including Accounts Receivable and Notes Receivable originated from operation)
(2) Average Collection Days = 365 / Accounts Receivable Turnover
(3) Inventory Turnover = Costs of Good Sold / Average Inventory
(4) Accounts Payable Turnover = Costs of Good Sold / Average Accounts Payable (including Accounts Payable and Notes Payable originated from operation)
(5) Average Days in Sales = 365 / Inventory Turnover
(6) Property, Plants and Equipment Turnover = Net Sales / Average of Net Properties, Plants and Equipment
(7) Total Assets Turnover = Net Sales / Average of Total Assets

D. Profitability

- (1) Return on Assets = (Net Income + Interest Expense x (1 - Tax Rate)) / Average Total Assets
(2) Return on Equity = Net Income / Average Equity
(3) Pre-tax income to paid-in capital = Pre-tax income / Paid-in capital
(4) Net Income Ratio = Net Income / Net Sales
(5) Earnings per Share = (Net Income Attributable to Stockholders of the Parent - Preferred Stock Dividend) / Weighted Average Number of Outstanding Shares

E. Cash Flow

- (1) Cash Flow Ratio = Cash Flows from Operating Activities / Current Liabilities
(2) Cash Flow Adequacy Ratio = Net Cash Flow from Operating Activities for the most recent 5 years / (Capital Expenditure + Increase in Inventory + Cash Dividends) for the most recent 5 years
(3) Cash Reinvestment Ratio = (Net Cash Flow from Operating Activities - Cash Dividends) / (Gross Properties, Plants and Equipment + Long-term Investment + Gross Concession + Other Noncurrent Assets + Working Capital)

F. Leverage

- (1) Operating Leverage = (Net Sales - Variable Operating Costs and Expenses) / Operating Income
(2) Financial Leverage = Operating Income / (Operating Income - Interest Expenses)

6.3 2019 Audit Committee's Review Report

SINON CORPORATION

Audit Committee's Review Report

To shareholders in annual shareholders' meeting 2020

The board of directors has prepared the Company's 2019 business report, financial statements (including the consolidated financial statements), and a discussion proposal for allocation of profits. The financial statements (including the consolidated financial statements) have been audited and certified by certified public accountants, Ting-Chien Su and Done-Yuin Tseng, at the CPA firm of Deloitte & Touche, and the review report was issued accordingly. The above business report, financial statements (including the consolidated financial statements) and discussion proposal for allocation of profits have been reviewed and determined to be accurate by the audit committee. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report; please make an approval for it.

Convener of Audit of Committee



Hsu, Jun-Ming
May 6, 2020

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

Please refer to page 74 to page 138, Appendix.

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

Please refer to page 139 to page 212, Appendix.

6.6 Occurrence of Financial Distress on the Company and Affiliates for the Most Recent Year and up to the print Date of the Annual Report: None.

VII. Review of Financial Conditions, Financial Performance, and Risk Management

7.1 Financial Status

7.1.1 Analysis of Financial Status

Unit: NT\$ thousands

item \ Year	2019	2018	Difference	
			Amount	%
Current Assets	6,804,285	7,062,342	(258,057)	(4)
Property, plant and equipment	6,839,083	7,147,298	(308,215)	(4)
Other non-current assets	1,621,491	740,330	881,161	119
Total Assets	15,264,859	14,949,970	314,889	2
Current Liabilities	5,489,681	5,236,120	253,561	5
Non-current liabilities	2,698,483	2,661,746	36,737	1
Total Liabilities	8,188,164	7,897,866	290,298	4
Capital stock	4,204,926	4,204,926	—	—
Capital surplus	450,289	450,275	14	—
Retained Earnings	2,709,386	2,637,845	71,541	3
Total Equity	7,076,695	7,052,104	24,591	—
Analysis of changes in financial ratios:				
1. Increase in Other Non-current Assets and Liabilities: The increase was mainly due to the adoption of IFRS 16 in 2019 which resulted to the increase in Right-of-use asset and Lease liabilities.				

7.2 Financial Performance

7.2.1 Analysis of Financial Performance

Unit: NT\$ thousands

Item	Year	2019	2018	Variance Amount	Variance (%)
Operating Revenue		17,081,389	18,134,087	(1,052,698)	(6)
Operating Cost		12,540,848	13,228,629	(687,781)	(5)
Gross Profit		4,540,541	4,905,458	(364,917)	(7)
Operating Expenses		3,655,278	3,965,053	(309,775)	(8)
Profit from Operations		885,263	940,405	(55,142)	(6)
Total non-operating expenses		(39,571)	(47,523)	7,952	17
Income Before Tax		845,692	892,882	(47,190)	(5)
Tax Benefit (Expense)		164,975	159,045	5,930	4
Net Profit for the Year		680,717	733,837	(53,120)	(7)
Other Comprehensive Income(Loss)		(49,884)	(18,929)	(30,955)	(164)
Total Comprehensive Income for the Year		630,833	714,908	(84,075)	(12)
Net Profit Attributable to Owners of the Company		674,855	726,957	(52,102)	(7)
Total Comprehensive Income Attributable to Owners of the Company		624,913	707,370	(82,457)	(12)
Analysis of changes in financial ratios:					
1. Decrease in Other Comprehensive Income: The decrease was mainly due to the decrease in number of items not being reclassified to comprehensive income, comparing to last year.					

7.2.1 Analysis of Financial Performance: Not applicable.

7.3 Cash Flow

7.3.1 Remedy for Cash Deficit and Liquidity Analysis

Item	Year	2019	2018	Variance (%)
Cash Flow Ratio (%)		31.7	24.2	7.5
Cash Flow Adequacy Ratio (%)		171.9	117.6	54.3
Cash Reinvestment Ratio (%)		8.3	8.5	(0.2)
Analysis of financial ratio change:				
1. Cash flow ratio: The cash flow from current period operating activities increased by 470 million compared with the previous period. It was mainly due to the collection of 486 million receivables and depreciation and amortization expenses which resulted in the increase in cash flow from operating activities in the current period and the increase in cash flow ratio.				
2. Cash flow adequacy ratio: It was mainly due to the increase of cash flow from the business activities, decrease of inventories and stable capital expenditure, which resulted in the cash flow adequacy ratio rise.				
3. Cash flow reinvestment ratio: Since the long-term borrowing due within one year increased, the current liabilities rose, which resulted in a working capital drop, as such the cash flow reinvestment ratio decreased slightly.				

7.3.2 Cash Flow Analysis for the Current Year

Unit: NT\$ millions

Cash and Cash Equivalents, Beginning of Year ①	Net Cash Flow from Operating Activities ②	Cash Outflow ③	Cash Surplus (Deficit) ① + ② - ③	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
1,494	1,700	(1,776)	1,418	—	—
1. Cash flow change analysis for next year:					
(1) Business activities: It is expected that business activities will generate net cash inflows in 2020, mainly due to the occurrence of net profit after tax and depreciation and amortization expenses.					
(2) Investments: It is expected that investments in 2020 will generate net cash flow outflows, mainly due to plant and equipment maintenance, and new product investments.					
(3) Financing activities: It is expected that financing activities will generate net cash flow outflows in 2020, mainly due to disbursements of cash dividends and loan repayments.					
2. Remedial actions for projected cash shortfalls and liquidity analysis: There is not any expected liquidity shortfalls.					

7.4 Major Capital Expenditure Items

7.3.1 Major Capital Expenditure Items and Source of Capital

Unit: NT\$ millions

Project	Actual or Planned Source of Capital	Actual or Planned Date of Completion	Total Capital	Actual or Expected Capital Expenditure					
				2018	2019	2020	2021	2022	2023
Plant and equipment investments	Cash flow generated from operations	December, 2021	\$336	\$57	\$89	\$75	\$115	\$0	\$0
New product investments	Cash flow generated from operations	December, 2022	\$282	\$39	\$27	\$54	\$54	\$54	\$54

7.3.2 Expected Benefits

Estimated Increase in Production, Sales, and Gross Profits

Unit: NT\$ millions

Item	Year	Quantity of Production (tons)	Quantity of Sales (tons)	Amount of Sales	Gross Profit
Plant and equipment investments	2020	120	120	53	14
	2021	120	120	53	14
	2022	140	140	102	28
	2023	260	260	148	40
	2024	260	260	148	40
New product investments	2020	735	1,644	456	123
	2021	447	2,932	545	147
	2022	589	3,682	666	180
	2023	293	3,299	613	166
	2024	293	3,299	613	166

Other Benefits:

In addition to improve global supply efficiency and reduce shipping costs, expanding production and sales bases can also increase overall customer satisfaction.

7.5 Reinvestment Policies, Reasons for Gains or Losses, Improvement Plans in Recent Years, and Investment Plans in the Coming Year

7.5.1 Investment Policies in Recent Years and Their Profits

The Company's reinvestment policy focuses on investing in related industries. Research and develop core competitive products and purchase new equipment to enhance product quality and price competitiveness. Apply for registration of new products in the global market and establish own brands and channels to increase the market share in overseas chemical product markets.

In 2019, the Company's investment income recognized under the equity method was around NT\$92,585,000, which was a decrease of NT\$11,957,000 from the investment income recognized in 2018 of around NT\$104,542,000.

7.5.2. Investment Plan in Next Year

The Company will take into account the global economic situation and business requirements for future investment, and make prudent assessments to reduce risks and ensure investment efficiency.

7.5.3 Reinvestment Analysis: Not applicable.

7.6 Risk Analysis and Assessment

7.6.1 The Effect upon the Company's Profits (Losses) of Interest and Exchange Rate Fluctuations and Changes in the Inflation Rate, and Countermeasures to Be Taken in the Future

1. The currency and amount of the company's import and export transactions are equivalent, and the foreign currency positions are mostly mutual offset, thus the net foreign currency positions are not large. In addition, the finance department collects information about exchange rate changes at any time, and adjusts the foreign currency positions held according to the actual capital requirements and exchange rate fluctuations, so the effect of exchange rate changes is small.
2. The Company's financial liability is not large, and the export price of agrochemicals with a longer collection term can be adjusted according to the trend of market interest rates, therefore the effect of interest rate changes is small.

7.6.2 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

The Company's loans to other parties, endorsements and guarantees are all conducted in accordance with the "Procedures for Loaning of Funds to others" and "Procedures for Making of Endorsement and Guarantee", and there are not significant profits and losses generated. In addition, the Company engages in derivatives to hedge for exchange rate fluctuations of foreign currency assets and liabilities, and there are not any high-risk or highly-leveraged operations or investments.

7.6.3 Future Research & Development Projects and Corresponding Budget

The Company plans to conduct 8 process development and improvement projects to optimize costs and enhance market competitiveness. Expected R&D expenditures: around NT\$ 117,603,000

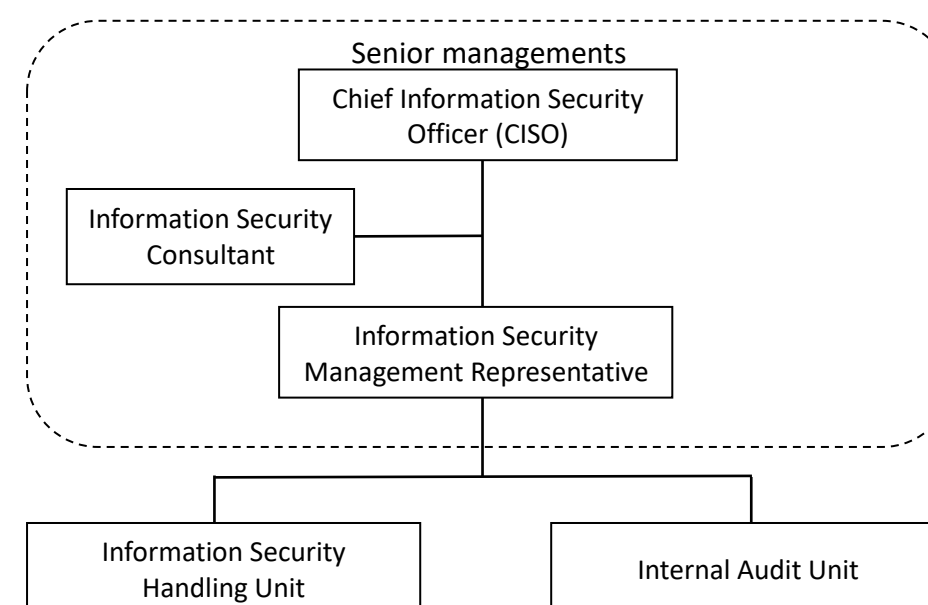
7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales: None.

7.6.5 Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales

In face of rapidly changing network environment, the Company will endeavor to build an appropriate, safe and reliable information system and network environment in information security. The Company passed the certification of ISO27001, Information Security Management System, in 2019. The scope of the certification includes software development and maintenance, MIS information system, information server room and the computer division working environment related information processing operations. The Company uses ISO27001 as the information security framework to carry out the implementation of the information security system.

The Company establishes the Information and Communication Security Management Committee to formulate annual information security plans, policies, objectives, processes and resources, and regularly holds management review meetings to ensure the effectiveness of the implementation of the information security management system. Follows the Plan-Do-Check-Act (PDCA) management cycle to maintain the confidentiality, integrity, and availability of data. Continuously reviews and improves the effectiveness of the implementation of information security systems and carries out various security protection measures to strengthen the protection of customer data and confidential and sensitive operational data. There were not any material information security incidents occurred in 2019.

**Organization Chart of the
Information and Communication Security Management Committee**



- **Host information vulnerability scanning**
Every year, engage external units to conduct host information vulnerability scanning for the host of information system and repair the high-risk vulnerability of the host system according to the scanning results. If it cannot be repaired, a replacement/update schedule shall be planned. Relevant scanning and repair results are reported to the Information and Communication Security Management Committee every year.
- **Information security incident drill**
The Company conducts drill in accordance with the Information Business Continuity Plan to simulate each departments' backup and response measures for emergency situation when an information security incident occurs. Exercises internal and external audit, carries out remediations in prevention according to the audit findings, and report the audit findings and the information security trend to the Information and Communication Security Management Committee every year.
- **Information security training**
In order to effectively implement the Company's information security policy, employees are scheduled to participate in ISO27001 information security training in 2019, so as to strengthen the information security concept in their working process. In 2019, the information security training hour reached 204 hours. Since 2020, the Company will conduct information security training for the group colleagues.

7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures: None

7.6.7 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans: Not applicable

7.6.8 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans: None

7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

The Company does not have any consolidation of sales or purchasing operations.

7.6.10 Effects of Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10% None.

7.6.11 Effects of Risks Relating to and Response to the Changes in Management Rights: Not applicable.

7.6.12 Litigation or Non-litigation Matters: None.

7.6.13 Other Major Risks: None.

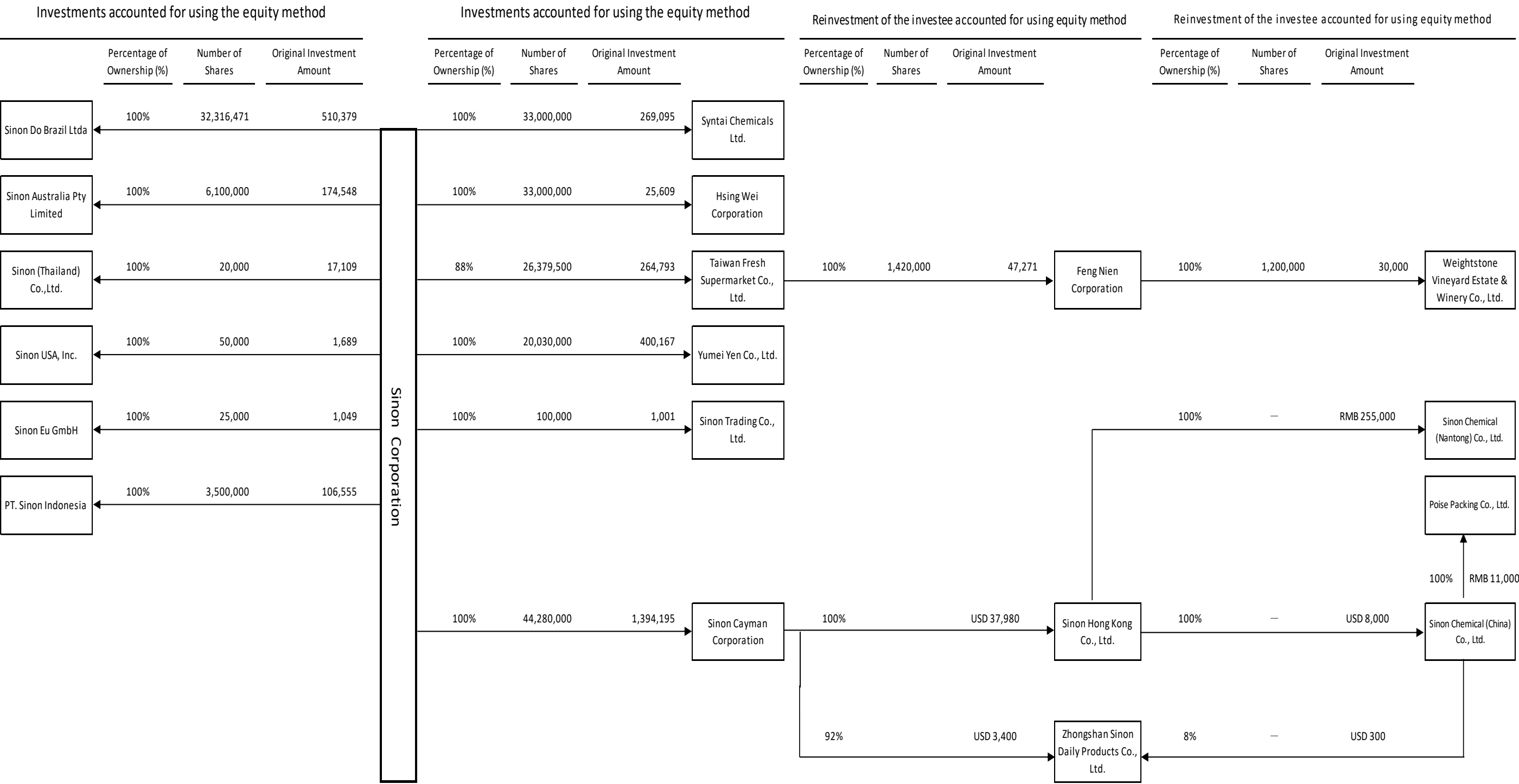
7.7 Other Important Matters: None.

VIII. Special Disclosure

8.1 Information Related to the Affiliates

Organization Structure

December 31, 2019 Unit: NT\$ thousands ; Share



8.2 Basic Information of Affiliates

Unit: in each currency

Company	Date of Incorporation	Address	Paid-in Capital	Main Businesses and Products
Taiwan Fresh Supermarket Co., Ltd.	2008/04/23	1F., No. 183, Fuxing Rd., Xitun Dist., Taichung City 407, Taiwan (R.O.C.)	NT\$ 300,000,000	Supermarket
Feng Nien Corporation	1967/03/02	1F., No. 59, Nanrong Rd., Dadu Dist., Taichung City 432, Taiwan (R.O.C.)	NT\$ 14,200,000	Supermarket
Weightstone Vineyard Estate & Winery Co., Ltd.	1955/05/02	1F., No. 59, Nanrong Rd., Dadu Dist., Taichung City 432, Taiwan (R.O.C.)	NT\$ 12,000,000	Food and special crops; Retail sale of tobacco and alcoholic drinks
Syntai Chemicals Ltd.	1990/11/08	No. 107, Nanrong Rd., Dadu Dist., Taichung City 432, Taiwan (R.O.C.)	NT\$ 330,000,000	Pharmaceuticals
Hsing Wei Corporation	1993/04/01	No. 56, Gongyequ 21st Rd., Nantun Dist., Taichung City 408, Taiwan (R.O.C.)	NT\$ 330,000,000	Manufacture and sale of cement
Sinon Trading Co., Ltd.	1978/01/19	1F., No. 101, Nanrong Rd., Dadu Dist., Taichung City 432, Taiwan (R.O.C.)	NT\$ 1,000,000	Trading
Yumei Yen Co., Ltd. (Note 1)	2012/06/29	No. 50, Gongyequ 21st Rd., Nantun Dist., Taichung City 408, Taiwan (R.O.C.)	NT\$ 200,300,000	Houseware, catering services and retail of agricultural products
Sinon Cayman Corporation	1998/11/24	The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands	US\$ 44,280,000	Holding company
Sinon Hong Kong Co., Ltd.	2010/02/23	Room 2702-03, CC Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong	—	Holding company
Sinon Chemical (China) Co., Ltd.	2001/05/11	28 Beicun Road, Zhelin Town, Fengxian District, Shanghai (201416)	US\$ 8,000,000	Manufacture and sale of various chemicals
Sinon Chemical (Nantong) Co., Ltd.	2012/05/23	28, Haibin 4th Rd., Rudong Coastal Economic Development Zone, Jiangsu Province.	RMB 255,000,000	Manufacture and sale of various chemicals
Poise Packing Co., Ltd.	2013/02/06	Building 16, No. 28, Beicun Road, Zhelin Town, Fengxian District, Shanghai	RMB 11,000,000	Import and export of plastic products
Zhongshan Sinon Daily Products Co., Ltd.	1999/01/04	2nd Floor, Front Building of Guanlan "Houfengwei", Lisheng Community, Dongsheng Town, Zhongshan City, Guangdong Province	US\$ 3,700,000	Manufacture and sale of grocery, pesticide and plastics
Sinon Do Brazil Ltda.	1999/09/14	Av. Carlos Gomes, 1340 Conj. 1001 CEP90480-001-Porto Alegre - RS-Brazil	BRL 32,320,000	Manufacture and import and export of medical and chemical products
Sinon Australia Pty Limited	2002/11/06	‘LEVEL 7, 60 YORK STREET, SYDNEY NSW 2000, Australia	AUD 6,100,000	Import and export of chemical products
PT. Sinon Indonesia	2010/09/02	Menara Kadin Indonesia Lt.30, JL.HR. Rasuna Said Blok X5 KAV.2-3, Kelurahan Kuningan Timur, Kecamatan Setiabudi, Jakarta Selatan 12950	US\$ 3,500,000	Import and export of chemical products
Sinon (Thailand) Co.,Ltd.	2003/11/19	26/56 TPI Tower F1.20, Chantatmai Road, Thungmahamek, Sathorn, Bangkok 10120, Thailand	THB 10,000,000	Import and export of chemical products
Sinon USA, Inc.	2003/06/02	1080 Carol Lane, Suite 264 Lafayette, CA 94549 USA	US\$ 50,000	Import and export of chemical products
Sinon Eu GmbH	2003/12/22	Im Alten Dorfe 37 (Volksdorf) D-22359 Hamburg/Germany	EUR 25,000	Import and export of chemical products

Note 1: Yumei Yen Co., Ltd. has been renamed to Yumei Biotech Corporation on May 12, 2020.

8.3 Affiliates with Deemed Control and Subordination according to Article 369-3 of the Company Act: Please refer to the previous paragraph.

8.4 Business scope of All Affiliates: Please refer to the previous paragraph.

8.5 Rosters of Directors, Supervisors, and General Manager of the affiliates

Dec. 31 2019 Unit: Share, %

Company	Title	Name or Representative	Shareholding (Note 1)	
			Shares	%
Taiwan Fresh Supermarket Co., Ltd	Director	Sinon Corporation	26,379,500	87.9%
	(Representative)	Horng, Po-Yen	0	—
	(Representative)	Liao, Lien-Heng	0	—
	(Representative)	Guo Wu, Zhun-Zhen	0	—
	(Representative)	Yu, Tse-Jen	0	—
	(Representative)	Yang, Chung-Hsin	0	—
	(Representative)	Yang, Jen-Yo	0	—
	(Representative)	Liu, Yun-Sung	0	—
	Supervisor	Yen, Tsu-Fang	0	—
	Supervisor	Yu, Kuei-Ju	0	—
	General Manager	Yang, Chung-Hsin	100,000	0.33%
Feng Nien Corporation (Note2)	Director (Representative)	Taiwan Fresh Supermarket Co., Ltd Yang, Chung-Hsin	1,420 0	100% —
Weightstone Vineyard Estate & Winery Co., Ltd.	Director (Representative)	Feng Nien Corporation Yang, Chung-Hsin	1,200,000 0	100% —
Syntai Chemicals Ltd.	Director (Representative)	Sinon Corporation Horng, Po-Yen	33,000,000 0	100% —
Hsing Wei Corporation	Director (Representative)	Sinon Corporation Horng, Po-Yen	33,000,000 0	100% —
Sinon Trading Co., Ltd.	Director	Sinon Corporation	100,000	100%
	(Representative)	Horng, Po-Yen	0	—
	(Representative)	Liao, Lien-Heng	0	—
	(Representative)	Huang, Chao-Chin	0	—
	(Representative)	Yang, Tien-Cheng	0	—
	(Representative)	Yang, Tien-Chun	0	—
	(Representative)	Chen, Cheng-Lang	0	—
	(Representative)	Wang, Chung-Cheng	0	—
	(Representative)	Wu Cheng, Su-Chen	0	—
	Supervisor	Sinon Corporation	100,000	100%
	(Representative)	Lee, Chiu-Fen	0	—
	(Representative)	Zhang, Mao-Zhang	0	—

Company	Title	Name or Representative	Shareholding (Note 1)	
			Shares	%
Yumei Yen Co., Ltd. (Note 3)	Director	Sinon Corporation	20,030,000	100%
	(Representative)	Horng, Po-Yen	0	—
	(Representative)	Liao, Lien-Heng	0	—
	(Representative)	Guo Wu, Zhun-Zhen	0	—
	(Representative)	Yu, Tse-Jen	0	—
	(Representative)	Yang, Chung-Hsin	0	—
	(Representative)	Yang, Jen-Yo	0	—
	(Representative)	Liu, Yun-Sung	0	—
	Supervisor	Sinon Corporation	20,030,000	100%
	(Representative)	Yen, Tsu-Fang	0	—
	(Representative)	Yu, Kuei-Ju	0	—
Sinon Cayman Corporation	Director	Horng, Po-Yen	0	—
Sinon Hong Kong Co., Ltd	Legal representative	Horng, Po-Yen	0	—
Sinon Chemical (China) Co., Ltd.	Legal representative	Horng, Po-Yen	0	—
	Director	Yu, Tse-Jen	0	—
	Director	Yen, Tsu-Fang	0	—
Sinon Chemical (Nantong) Co., Ltd	Legal representative	Horng, Po-Yen	0	—
	Director	Yu, Tse-Jen	0	—
	Director	Yen, Tsu-Fang	0	—
Poise Packing Co., Ltd.	Legal representative / Executive Director	Li, Chien-Min	0	—
Zhongshan Sinon Daily Products Co., Ltd	Legal representative	Li, Chien-Min	0	—
	Director	Horng, Po-Yen	0	—
	Director	Yao, Chung-Ming	0	—
Sinon Do Brazil Ltda.	Legal representative	David Huang	0	—
		Simon Suhwen Cheng Harry Cho	0	—
Sinon Australia Pty Limited	Director	Kevin Douglas	0	—
	Director	Horng, Po-Yen	0	—
	Director	Chang, Min-Chih	0	—
PT. Sinon Indonesia	Director	Horng, Po-Yen	0	—
	Director	Lee, Szu-Chiang	0	—
	Director	Shih, Neng-Chun	0	—
	Representative	Mario Laurentius Pangestu	0	—
Sinon (Thailand) o.,Ltd.	Director	Horng, Po-Yen	100	0.5%
	Director	Nongluk Kanjanakriengkri	4,800	24%
Sinon USA, Inc.	Director	Yen, Tsu-Fang	0	—
Sinon Eu GmbH	Director	Horng, Po-Yen	0	—
	Director	Shih, Neng-Chun		
	Director	Hans Brandt		

Note 1: If the investee is a joint stock limited company, it shall be filled with the number of shares hold and the shareholding percentage; otherwise, the amount and proportion of investment shall be indicated.

Note 2: Feng Nien Corporation denomination of NT\$10,000 per share.

Note 3: Yumei Yen Co., Ltd. has been renamed to Yumei Biotech Corporation on May 12, 2020.

8.6 Overview of the Operations of the Affiliates

Unit: NT\$ millions

Company	Capital stock	Assets	Liabilities	Net worth	Operating revenue	Profit (Loss) from operations	Net Profit for the Year
Taiwan Fresh Supermarket Co., Ltd	300	2,233	1,841	392	4,421	47	49
Yumei Yen Co., Ltd. (Note 2)	200	929	447	482	1,765	75	71
Hsing Wei Corporation	330	610	174	436	668	38	30
Sinon Chemical (China) Co., Ltd.	273	1,458	961	497	1,883	96	117
Sinon Do Brazil Ltda.	510	950	994	(44)	1,164	(30)	(62)
Sinon (Thailand) o.,Ltd.	8	56	61	(5)	124	(7)	(1)
Sinon Australia Pty Limited	175	46	116	(70)	94	(41)	(41)

Note 1: Only major operating companies are listed.

Note 2: Yumei Yen Co., Ltd. has been renamed to Yumei Biotec Corporation on May 12, 2020.

8.7 Consolidated Financial Statements, Declaration and the Review Report of the affiliates

Please refer to page 75, Appendix.

8.8 Private Placement Securities in the Most Recent Year and up to the Print Date of the Annual Report: None.

8.9 The Company's Shares Held or Disposed by Subsidiaries in the Most Recent Year and up to the Print Date of the Annual Report: None.

8.10 Other Supplementary Information: None

IX Other Supplementary Information

In the most recent year and as of the date of the annual report, any matter which has had a significant impact on shareholders rights or the price for the securities that is defined by Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act: None.

X Appendix

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Sinon Corporation and Subsidiaries

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

REPRESENTATION LETTER

The entities that are required to be included in the consolidated financial statements of Sinon Corporation as of and for the year ended December 31, 2019, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No. 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Sinon Corporation and Subsidiaries did not prepare a separate set of combined financial statements.

Very truly yours,

Sinon Corporation

By:



Po Yen Horng
President

March 20, 2020

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Sinon Corporation

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

The key audit matters identified in the Group's consolidated 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 30 to the consolidated financial statements. The Group's operating revenue mainly comes from the sale of crop protection agents. Aside from supplying its department of crop protection, supermarkets and others, its main operating income comes from export sales. Thus, any changes in international trade of crop protection agents can significantly affect the Group's major operating income and such revenue is significant to the consolidated 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 Group'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 the related accounting policies and detailed information on revenue recognition, refer to Notes 4, 5 and 8 to the consolidated 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 Group'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..

Other Matter

We have also audited the parent company only financial statements of Sinon Corporation as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue 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 Group 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 Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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 consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated 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 consolidated financial statements shall prevail.

SINON CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019		2018	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,494,351	10	\$ 1,266,232	9
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	-	-	1,184	-
Notes receivable (Notes 4, 5 and 8)	132,575	1	180,543	1
Trade receivables from unrelated parties (Notes 4, 5, 8 and 19)	1,892,045	12	2,137,085	14
Trade receivables from related parties (Notes 19 and 25)	1,967	-	-	-
Other receivables (Note 25)	78,101	1	57,164	-
Inventories (Notes 4 and 9)	2,760,593	18	2,968,302	20
Prepayments	436,960	3	446,174	3
Other current assets	7,693	-	5,658	-
Total current assets	6,804,285	45	7,062,342	47
NON-CURRENT ASSETS				
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 11)	37,489	-	35,570	-
Property, plant and equipment (Notes 4, 12, 25, 26 and 27)	6,839,083	45	7,147,298	48
Right-of-use assets (Notes 3, 4 and 13)	993,418	6	-	-
Deferred tax assets (Notes 4 and 21)	113,454	1	108,923	1
Prepayments for equipment	17,445	-	22,850	-
Refundable deposits (Note 26)	93,734	1	104,566	1
Other non-current assets (Note 14)	342,698	2	445,168	3
Total non-current assets	8,460,574	55	7,887,628	53
TOTAL	\$ 15,264,859	100	\$ 14,949,970	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 15 and 26)	\$ 1,100,766	7	\$ 1,334,795	9
Short-term bills payable (Note 15)	20,000	-	-	-
Contract liabilities - current (Notes 4, 19 and 27)	419,919	3	409,808	3
Notes payable	91,141	1	115,089	1
Trade payables	1,661,629	11	1,797,385	12
Trade payables to related parties (Note 25)	1,374	-	1,453	-
Lease liabilities - current (Notes 3, 4 and 13)	243,397	2	-	-
Current tax liabilities (Note 21)	94,913	1	138,936	1
Other payables (Note 16)	1,146,941	7	1,170,876	8
Current portion of long-term borrowings (Notes 15 and 26)	682,203	4	223,642	1
Other current liabilities	27,398	-	44,136	-
Total current liabilities	5,489,681	36	5,236,120	35
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 15 and 26)	1,065,000	7	1,747,203	12
Deferred tax liabilities (Notes 4 and 21)	248,453	2	243,020	2
Lease liabilities - non-current (Notes 3, 4 and 13)	711,609	5	-	-
Net defined benefit liabilities - non-current (Notes 4 and 17)	492,501	3	499,929	3
Guarantee deposits	140,286	1	131,890	1
Other non-current liabilities	40,634	-	39,704	-
Total non-current liabilities	2,698,483	18	2,661,746	18
Total liabilities	8,188,164	54	7,897,866	53
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Ordinary shares	4,204,926	27	4,204,926	28
Capital surplus	450,289	3	450,275	3
Retained earnings				
Legal reserve	762,674	5	689,979	5
Special reserve	291,972	2	248,574	2
Unappropriated earnings	1,654,740	11	1,699,292	11
Other equity	(335,172)	(2)	(291,972)	(2)
Total equity attributable to owners of the Company	7,029,429	46	7,001,074	47
NON-CONTROLLING INTERESTS	47,266	-	51,030	-
Total equity	7,076,695	46	7,052,104	47
TOTAL	\$ 15,264,859	100	\$ 14,949,970	100

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

SINON CORPORATION AND SUBSIDIARIES

CONSOLIDATED 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, 19 and 25)	\$ 17,081,389	100	\$ 18,134,087	100
OPERATING COSTS (Notes 9, 20 and 25)	<u>12,540,848</u>	<u>73</u>	<u>13,228,629</u>	<u>73</u>
GROSS PROFIT	<u>4,540,541</u>	<u>27</u>	<u>4,905,458</u>	<u>27</u>
OPERATING EXPENSES (Notes 20 and 25)				
Selling and marketing expenses	3,263,468	19	3,581,328	20
General and administrative expenses	254,426	2	256,028	1
Research and development expenses	<u>137,384</u>	<u>1</u>	<u>127,697</u>	<u>1</u>
Total operating expenses	<u>3,655,278</u>	<u>22</u>	<u>3,965,053</u>	<u>22</u>
PROFIT FROM OPERATIONS	<u>885,263</u>	<u>5</u>	<u>940,405</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 20 and 25)	96,258	-	77,647	-
Other losses (Note 20)	(28,824)	-	(11,617)	-
Foreign exchange loss, net (Note 4)	(37,209)	-	(46,266)	-
Finance costs (Note 20)	(74,013)	-	(71,341)	-
Share of profit of associates (Notes 4 and 11)	<u>4,217</u>	<u>-</u>	<u>4,054</u>	<u>-</u>
Total non-operating expenses	<u>(39,571)</u>	<u>-</u>	<u>(47,523)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	845,692	5	892,882	5
INCOME TAX EXPENSE (Notes 4 and 21)	<u>164,975</u>	<u>1</u>	<u>159,045</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>680,717</u>	<u>4</u>	<u>733,837</u>	<u>4</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 17)	(8,213)	-	29,648	-
Share of other comprehensive loss of associates accounted for using the equity method (Note 11)	(113)	-	(61)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 21)	<u>1,642</u>	<u>-</u>	<u>(5,117)</u>	<u>-</u>
	<u>(6,684)</u>	<u>-</u>	<u>24,470</u>	<u>-</u>

(Continued)

SINON CORPORATION AND SUBSIDIARIES

CONSOLIDATED 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	%
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 associates accounted for using the equity method (Note 11)	<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>(49,884)</u>	<u>-</u>	<u>(18,929)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 630,833</u>	<u>4</u>	<u>\$ 714,908</u>	<u>4</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 674,855	4	\$ 726,957	4
Non-controlling interests	<u>5,862</u>	<u>-</u>	<u>6,880</u>	<u>-</u>
	<u>\$ 680,717</u>	<u>4</u>	<u>\$ 733,837</u>	<u>4</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 624,913	4	\$ 707,370	4
Non-controlling interests	<u>5,920</u>	<u>-</u>	<u>7,538</u>	<u>-</u>
	<u>\$ 630,833</u>	<u>4</u>	<u>\$ 714,908</u>	<u>4</u>
EARNINGS PER SHARE (Note 22)				
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 consolidated financial statements.

(Concluded)

SINON CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company																					
						Other Equity (Notes 4 and 18)			Total	Non-controlling Interests	Total Equity											
						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														
												Share Capital (Note 18)	Capital Surplus (Note 18)	Retained Earnings (Note 18)								
			Legal Reserve	Special Reserve	Unappropriated Earnings																	
BALANCE AT JANUARY 1, 2018	\$	4,149,934	\$	433,832	\$	632,175	\$	203,887	\$	1,466,515	\$	(253,277)	\$	4,704	\$	-	\$	6,637,770	\$	44,940	\$	6,682,710
Effect of retrospective application and retrospective restatement		-		-		-		-		5,721		-		(4,704)		4,704		5,721		-		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		44,940		6,688,431
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)		-		(421,222)
Other changes in capital surplus		-		15		-		-		-		-		-		-		15		-		15
Net profit for the year ended December 31, 2018		-		-		-		-		726,957		-		-		-		726,957		6,880		733,837
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax		-		-		-		-		23,812		(43,287)		-		(112)		(19,587)		658		(18,929)
Total comprehensive income (loss) for the year ended December 31, 2018		-		-		-		-		750,769		(43,287)		-		(112)		707,370		7,538		714,908
Convertible bonds converted to ordinary shares		54,992		16,428		-		-		-		-		-		-		71,420		-		71,420
Cash dividends distributed by subsidiaries		-		-		-		-		-		-		-		-		-		(1,448)		(1,448)
BALANCE AT DECEMBER 31, 2018		4,204,926		450,275		689,979		248,574		1,699,292		(296,564)		-		4,592		7,001,074		51,030		7,052,104
Effect of retrospective application and retrospective restatement		-		-		-		-		(49,932)		-		-		-		(49,932)		(6,787)		(56,719)
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		44,243		6,995,385
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)		-		(546,640)
Other changes in capital surplus		-		14		-		-		-		-		-		-		14		-		14
Net profit for the year ended December 31, 2019		-		-		-		-		674,855		-		-		-		674,855		5,862		680,717
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax		-		-		-		-		(6,742)		(44,877)		-		1,677		(49,942)		58		(49,884)
Total comprehensive income (loss) for the year ended December 31, 2019		-		-		-		-		668,113		(44,877)		-		1,677		624,913		5,920		630,833
Cash dividends distributed by subsidiaries		-		-		-		-		-		-		-		-		-		(2,897)		(2,897)
BALANCE AT DECEMBER 31, 2019	\$	4,204,926	\$	450,289	\$	762,674	\$	291,972	\$	1,654,740	\$	(341,441)	\$	-	\$	6,269	\$	7,029,429	\$	47,266	\$	7,076,695

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

SINON CORPORATION AND SUBSIDIARIES

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

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 845,692	\$ 892,882
Adjustments for:		
Depreciation expenses	847,705	669,796
Expected credit loss recognized (reversed) on trade receivables	(23,902)	4,656
Net loss on fair value changes of financial assets designated at fair value through profit or loss	1,184	754
Financial costs	74,013	71,341
Interest income	(10,342)	(16,100)
Dividend income	(388)	(1,163)
Share of loss of associates	(4,217)	(4,054)
Loss (gain) on disposal of property, plant and equipment	1,180	(4,633)
Gain on disposal of investments	(67)	-
Impairment loss recognized on non-financial assets	6,392	2,600
Write-downs inventories	10,136	3,836
Net loss (gain) on unrealized foreign currency exchange	28,345	(11,429)
Net gains on modification of leasing arrangement	(62)	-
Changes in operating assets and liabilities		
Notes receivable	47,968	4,629
Trade receivables	190,939	(294,774)
Other receivables	(20,527)	12,313
Inventories	149,945	(110,293)
Prepayments	644	(27,238)
Other current assets	(2,133)	1,954
Contract liabilities	10,111	(11,538)
Notes payable	(23,948)	(67,913)
Trade payables	(68,528)	293,148
Other payables	(27,724)	129,160
Other current liabilities	(3,362)	(22,862)
Net defined benefit liabilities	(15,641)	(51,174)
Cash generated from operations	2,013,413	1,463,898
Interest received	10,342	16,100
Dividends received	3,990	3,602
Interest paid	(76,264)	(69,134)
Income tax paid	(209,533)	(145,433)
Net cash generated from operating activities	<u>1,741,948</u>	<u>1,269,033</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of investments accounted for using the equity method	304	-
Payments for property, plant and equipment	(319,032)	(419,160)
Proceeds from disposal of property, plant and equipment	6,314	69,811
Decrease (increase) in refundable deposits	10,832	(15,706)
		(Continued)

SINON CORPORATION AND SUBSIDIARIES

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

	2019	2018
Decrease in other non-current assets	\$ 2,882	\$ 12,722
Decrease (increase) in prepayments for equipment	<u>(36,188)</u>	<u>12,726</u>
Net cash used in investing activities	<u>(334,888)</u>	<u>(339,607)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (repayments of) short-term borrowings	(226,646)	41,673
Repayments of short-term bills payable	20,000	(250,000)
Repayments of bonds payable	-	(9,500)
Proceeds from long-term borrowings	120,000	1,250,000
Repayments of long-term borrowings	(343,642)	(1,732,642)
Proceeds from guarantee deposits received	8,396	10,155
Repayments of lease liabilities	(220,900)	-
Decrease in non-current liabilities	930	1,099
Dividends paid to owners of the Company	(546,626)	(421,207)
Dividends paid to non-controlling interests	<u>(2,897)</u>	<u>(1,448)</u>
Net cash used in financing activities	<u>(1,191,385)</u>	<u>(1,111,870)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>12,444</u>	<u>(2,338)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	228,119	(184,782)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,266,232</u>	<u>1,451,014</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,494,351</u>	<u>\$ 1,266,232</u>

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

(Concluded)

SINON CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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.

The consolidated financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated 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 and its subsidiaries (the Group) 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 Group 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 Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated 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 consolidated statements of comprehensive income, the Group 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 consolidated 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. Prepaid lease payments for land use rights in China were recognized as prepayments for leases. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables were recognized on the consolidated balance sheets for contracts classified as finance leases.

The Group 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 Group applies IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

- 1) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Group accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- 3) The Group excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- 4) The Group 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 1.639%. 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	\$ 1,073,553
Less: Recognition exemption for short-term leases	(51,745)
Less: Recognition exemption for leases of low-value assets	<u>(1)</u>
Undiscounted amounts on January 1, 2019	<u>\$ 1,021,807</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	<u>\$ 998,910</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 998,910</u>

The Group as lessor

The Group 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:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Prepayments	\$ 446,174	\$ (2,210)	\$ 443,964
Other non-current assets	445,168	(93,197)	351,971
Right-of-use assets	<u>-</u>	<u>1,037,598</u>	<u>1,037,598</u>
Total effect on assets	<u>\$ 891,342</u>	<u>\$ 942,191</u>	<u>\$ 1,833,533</u>
Lease liabilities - current	\$ -	\$ 202,526	\$ 202,526
Lease liabilities - non-current	<u>-</u>	<u>796,384</u>	<u>796,384</u>
Total effect on liabilities	<u>\$ -</u>	<u>\$ 998,910</u>	<u>\$ 998,910</u>
Retained earnings	\$ 2,637,845	\$ (49,932)	\$ 2,587,913
Non-controlling interests	<u>51,030</u>	<u>(6,787)</u>	<u>44,243</u>
Total effect on equity	<u>\$ 2,688,875</u>	<u>\$ (56,719)</u>	<u>\$ 2,632,156</u>

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

New IFRSs	Effective Date Announced by IASB
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 Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

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

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

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

- c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	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 consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

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

- b. Basis of preparation

The consolidated 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.

- 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 consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Group 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. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

See Note 10, Table 7 and Table 8 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Foreign currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the 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 consolidated financial statements, the functional currencies of the Company and its foreign operations (including subsidiaries, associates in other countries that use currency 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 (attributed to the owners of the Company and non-controlling interests as appropriate).

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 attributable to the owners of the Company 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 re-attributed to the non-controlling interests of the subsidiary and 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.

f. 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. 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 weighted-average cost on the balance sheet date.

g. Investment in associates

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

The Group uses the equity method to account for its investments in associates.

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

When the Group 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 Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Group's shares of equity of associates. If the Group'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 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.

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

h. 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. If the lease term is shorter than the useful lives, assets are depreciated over the lease term. 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.

i. Impairment of tangible assets

At the end of each reporting period, the Group 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.

j. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at 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 24.

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.

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

2) Impairment of financial assets

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

The Group always recognizes lifetime Expected Credit Loss (ECLs) for trade receivables. For all other financial instruments, the Group 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 Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. 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 Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

- 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 Group 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 Group 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.

Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

k. 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.

l. Revenue recognition

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

m. Leases

2019

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

1) The Group 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 Group as lessee

The Group 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 consolidated 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 Group 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 Group 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 consolidated 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 Group as lessor

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

2) The Group 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.

n. 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.

o. 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 Group'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.

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

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the 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 Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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

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 Group uses judgement in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group'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 AND CASH EQUIVALENTS

	December 31	
	2019	2018
Cash on hand	\$ 37,689	\$ 79,875
Checking accounts and demand deposits	1,311,792	1,146,435
Cash equivalents		
Commercial paper	<u>144,870</u>	<u>39,922</u>
	<u>\$ 1,494,351</u>	<u>\$ 1,266,232</u>

7. FINANCIAL INSTRUMENTS AT FVTPL

	December 31	
	2019	2018
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets		
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 1,184</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>

The Group entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

Outstanding foreign exchange forward contracts were as follows:

	Maturity Date	Notional Amount(In Thousands)
<u>December 31, 2018</u>		
Sell BRL/BUY USD	May 2019	BRL2,190/USD600

8. NOTES RECEIVABLE AND TRADE RECEIVABLES

	<u>December 31</u>	
	2019	2018
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ <u>132,575</u>	\$ <u>180,543</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 2,001,492	\$ 2,286,659
Less: Allowance for impairment loss	<u>(109,447)</u>	<u>(149,574)</u>
	\$ <u>1,892,045</u>	\$ <u>2,137,085</u>

a. Notes receivable

In determining the recoverability of the notes receivable, the Group considered any change in the credit quality of the notes receivable from the date credit was initially granted to the end of the reporting period. The Group continuously accesses, monitors and refers to past default experience of its counterparties and the analyses its current financial position to access if the credit risk has increased significantly after the initial recognition.

b. Trade receivables

The Group 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 Group 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 Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. For account 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 Group's credit risk was significantly reduced.

For some trade receivables balances that were past due at the end of the reporting period, the Group 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 Group did not hold any collateral or other credit enhancements for these balances.

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

The aging of receivables was as follows:

	December 31,	
	2019	2018
Not past due	\$ 1,776,372	\$ 2,085,520
Past due		
1-90 days	110,420	35,503
91-180 days	5,253	1,829
More than 180 days	<u>109,447</u>	<u>163,807</u>
	<u>\$ 2,001,492</u>	<u>\$ 2,286,659</u>

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

The movements of the allowance for doubtful trade receivables were as follows:

	For the Year Ended December 31	
	2019	2018
Balance at January 1	\$ 149,574	\$ 180,648
Add: Impairment losses recognized (reversed) on receivables	(23,902)	4,656
Less: Amounts written off	(1,025)	(2,753)
Foreign exchange gains and losses	<u>(15,200)</u>	<u>(32,977)</u>
Balance at December 31	<u>\$ 109,447</u>	<u>\$ 149,574</u>

9. INVENTORIES

	December 31	
	2019	2018
Merchandise	\$ 787,914	\$ 878,774
Finished goods	798,918	928,236
Work in progress	405,848	332,274
Raw materials and supplies	754,456	815,217
Inventory in transit	<u>13,457</u>	<u>13,801</u>
	<u>\$ 2,760,593</u>	<u>\$ 2,968,302</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 was \$12,540,848 thousand and \$13,228,629 thousand, respectively.

The cost of goods sold included inventory write-downs of \$10,136 thousand and \$3,836 thousand.

10. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements are as follows:

Investor	Investee	Functional Currencies	% of Ownership		Remark
			December 31, 2019	December 31, 2018	
Sinon Corporation	Hsing Wei Corporation (“Hsing Wei”)	TWD	100	100	
	Syntai Chemicals Ltd. (“Syntai Chemicals”)	TWD	100	100	
	Sinon Do Brazil Ltda. (“Sinon Brazil”)	BRL	100	100	
	Sinon Cayman Corporation (“Sinon Cayman”)	USD	100	100	
	Sinon Trading Co., Ltd. (“Sinon Trading”)	TWD	100	100	
	Taiwan Fresh Supermarket Co., Ltd. (“TFS”)	TWD	88	88	
	Yumei Yen Co., Ltd. (“Yumei Yen”)	TWD	100	100	
	Sinon (Thailand) Co., Ltd. (“Sinon Thailand”)	THB	100	100	1
	Sinon Eu GmbH (“Sinon Germany”)	EUR	100	100	
	Sinon USA, Inc. (“Sinon USA”)	USD	100	100	
	Sinon Australia Pty Limited (“Sinon Australia”)	AUD	100	100	
	Pt Sinon Indonesia (“Sinon Indonesia”)	IDR	100	100	
TFS Feng Nien	Feng Nien Corporation (“Feng Nien”)	TWD	100	100	
	Weightstone Vineyard Estate & Winery Co., Ltd. (“Weightstone”)	TWD	100	100	
Sinon Cayman	Zhongshan Sinon Daily Products Co., Ltd. (“Sinon Zhongshan”)	CNY	92	70	2
	Zhongshan Synjia Daily Products Co., Ltd. (“Synjia Zhongshan”)	CNY	-	100	2
	Sinon Hong Kong Co., Ltd. (“Sinon Hong Kong”)	USD	100	100	
Sinon Hong Kong	Sinon Chemical (China) Co., Ltd. (“Sinon China”)	CNY	100	100	
	Sinon Chemical (Nantong) Co., Ltd. (“Sinon Nantong”)	CNY	100	100	
Sinon China	Sinon Zhongshan	CNY	8	30	2
	Poise Packing Co., Ltd. (“Poise Packing”)	CNY	100	100	

Remarks:

- 1) 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.
- 2) Sinon Zhongshan gained control of Syjia Zhongshan from Sinon Cayman through a share swap arrangement in September 2019. Syjia Zhongshan was merged with Sinon Zhongshan. Sinon Zhongshan was the surviving company.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2019	2018
Knowledge & Service Information Co., Ltd. ("K&S")	\$ 37,489	\$ 35,151
Taiwan Agriculture and Food Health Testing Co., Ltd. ("TAFHT")	<u>-</u>	<u>419</u>
	<u>\$ 37,489</u>	<u>\$ 35,570</u>
	Proportion of Ownership and Voting Rights	
	December 31	
	2019	2018
K&S	49%	49%
TAFHT	-	30%

See Table 7 for the nature of activities, principal place of business and country of incorporation of the associates.

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

	December 31	
	2019	2018
Total assets	\$ <u>126,312</u>	\$ <u>128,198</u>
Total liabilities	\$ <u>49,487</u>	\$ <u>54,768</u>
	For the Year Ended December 31	
	2019	2018
Revenue	\$ <u>113,831</u>	\$ <u>127,609</u>
Profit for the year	\$ <u>9,129</u>	\$ <u>8,434</u>
Other comprehensive income (loss)	\$ <u>3,158</u>	\$ <u>(338)</u>

Except for TAFHT, investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on financial statements that have been audited. Management believes that there would be no material impact on the equity method accounting or the calculation of the share of profit or loss and other comprehensive income were the financial statements of TAFHT to have been audited.

12. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2019
Assets used by the Group	\$ 6,724,415
Assets leased under operating leases	<u>114,668</u>
	<u>\$ 6,839,083</u>

a. Assets used by the Group - 2019

	For the year Ended December 31, 2019							
	Beginning Balance	Adjustments on Initial Application of IFRS 16	Beginning Balance (Restated)	Additions	Reclassified Amount	Disposals	Effect of Foreign Currency Exchange Differences	Ending Balance
<u>Cost</u>								
Land	\$ 3,246,173	\$ (40,164)	\$ 3,206,009	\$ 406	\$ 607	\$ (201)	\$ -	\$ 3,206,821
Buildings	1,692,829	(110,277)	1,582,552	4,220	557,885	(8,300)	(27,385)	2,108,972
Machinery and equipment	2,816,515	(10,300)	2,806,215	60,173	125,512	(44,788)	(10,658)	2,936,454
Transportation equipment	118,733	-	118,733	5,512	50	(4,563)	(587)	119,145
Leasehold improvements	932,104	-	932,104	7,512	(12,439)	-	-	927,177
Other equipment	2,899,627	(9,752)	2,889,875	129,311	47,746	(266,411)	(7,429)	2,793,092
Property under construction	723,342	-	723,342	113,911	(677,768)	-	975	160,460
	<u>12,429,323</u>	<u>\$ (170,493)</u>	<u>12,258,830</u>	<u>\$ 321,045</u>	<u>\$ 41,593</u>	<u>\$ (324,263)</u>	<u>\$ (45,084)</u>	<u>12,252,121</u>
<u>Accumulated depreciation</u>								
Buildings	623,207	\$ (40,260)	582,947	\$ 79,017	\$ -	\$ (6,446)	\$ (3,495)	652,023
Machinery and equipment	1,890,495	(5,187)	1,885,308	242,223	-	(44,209)	(3,631)	2,079,691
Transportation equipment	87,874	-	87,874	7,846	-	(3,950)	(356)	91,414
Leasehold improvements	722,220	-	722,220	28,833	-	-	-	751,053
Other equipment	1,955,629	(5,851)	1,949,778	267,049	-	(262,164)	(3,738)	1,950,925
	<u>5,279,425</u>	<u>\$ (51,298)</u>	<u>5,228,127</u>	<u>\$ 624,968</u>	<u>\$ -</u>	<u>\$ (316,769)</u>	<u>\$ (11,220)</u>	<u>5,525,106</u>
<u>Accumulated impairment</u>								
Buildings	2,600	\$ -	2,600	\$ -	\$ -	\$ -	\$ -	2,600
	<u>\$ 7,147,298</u>		<u>\$ 7,028,103</u>					<u>\$ 6,724,415</u>

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

Buildings	
Main buildings	4-61 years
Mechanical and electrical facilities	8-21 years
Others	4-31 years
Machinery and equipment	3-25 years
Transportation equipment	4-21 years
Leasehold improvements	2-30 years
Other equipment	2-30 years

The amount of property, plant and equipment pledged as collateral for bank borrowings are set out in Note 26.

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	-	110,277	110,277	-	-	110,277
Machinery and equipment	-	10,300	10,300	-	-	10,300
Other equipment	-	9,752	9,752	-	-	9,752
	<u>-</u>	<u>\$ 170,493</u>	<u>170,493</u>	<u>\$ -</u>	<u>\$ -</u>	<u>170,493</u>
<u>Accumulated depreciation</u>						
Buildings	-	\$ 40,260	40,260	\$ 2,967	\$ -	43,227
Machinery and equipment	-	5,187	5,187	778	-	5,965
Other equipment	-	5,851	5,851	782	-	6,633
	<u>-</u>	<u>\$ 51,298</u>	<u>51,298</u>	<u>\$ 4,527</u>	<u>\$ -</u>	<u>\$ 55,825</u>
	<u>\$ -</u>		<u>\$ 119,195</u>			<u>\$ 114,668</u>

Operating leases relate to lease of land, buildings, machinery and equipment, and other equipment 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:

	December 31, 2019
Year 1	\$ 6,727
Year 2	6,499
Year 3	<u>4,785</u>
	<u>\$ 18,011</u>

c. 2018

	For the Year Ended December 31, 2018					
	Beginning Balance	Additions	Reclassified Amount	Disposals	Translation Adjustments	Ending Balance
<u>Cost</u>						
Land	\$ 3,197,228	\$ 586	\$ 58,292	\$ (9,933)	\$ -	\$ 3,246,173
Buildings	1,617,748	8,470	83,995	(9,784)	(7,600)	1,692,829
Machinery and equipment	2,754,511	113,537	84,347	(129,401)	(6,479)	2,816,515
Transportation equipment	118,023	7,441	285	(6,541)	(475)	118,733
Leasehold improvements	931,918	186	-	-	-	932,104
Other equipment	3,064,184	97,258	(45,624)	(209,691)	(6,500)	2,899,627
Property under construction	730,039	191,682	(183,236)	-	(15,143)	723,342
	<u>12,413,651</u>	<u>\$ 419,160</u>	<u>\$ (1,941)</u>	<u>\$ (365,350)</u>	<u>\$ (36,197)</u>	<u>12,429,323</u>
<u>Accumulated depreciation</u>						
Buildings	565,066	\$ 68,148	\$ -	\$ (7,847)	\$ (2,160)	623,207
Machinery and equipment	1,733,468	239,289	-	(79,856)	(2,406)	1,890,495
Transportation equipment	84,375	7,699	-	(3,923)	(277)	87,874
Leasehold improvements	692,931	29,289	-	-	-	722,220
Other equipment	1,842,155	325,371	-	(208,546)	(3,351)	1,955,629
	<u>4,917,995</u>	<u>\$ 669,796</u>	<u>\$ -</u>	<u>\$ (300,172)</u>	<u>\$ (8,194)</u>	<u>5,279,425</u>
<u>Accumulated impairment</u>						
Buildings	-	\$ 2,600	\$ -	\$ -	\$ -	2,600
	<u>\$ 7,495,656</u>					<u>\$ 7,147,298</u>

The above items of property, plant and equipment 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	4-56 years
Machinery and equipment	3-25 years
Transportation equipment	4-21 years
Leasehold improvements	2-30 years
Other equipment	2-30 years

Refer to Note 26 for the carrying amount of property, plant and equipment pledged by the Company to secure borrowings/general banking facilities granted to the Company.

13. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
<u>Carrying amounts</u>	
Land	\$ 147,228
Buildings	827,690
Transportation equipment	<u>18,500</u>
	<u><u>\$ 993,418</u></u>
	For the Year Ended December 31, 2019
Additions to right-of-use assets	<u>\$ 178,441</u>
Depreciation charge for right-of-use assets	
Land	\$ 26,854
Buildings	180,587
Transportation equipment	<u>10,769</u>
	<u><u>\$ 218,210</u></u>

b. Lease liabilities - 2019

	December 31, 2019
<u>Carrying amounts</u>	
Current	<u>\$ 243,397</u>
Non-current	<u><u>\$ 711,609</u></u>

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Land	1.43%-3.3%
Buildings	1.43%-3.3%
Transportation equipment	0.9%-3.3%

c. Material lease-in activities and terms

The Group leases land and buildings for the use of plants, offices and retail stores with lease terms of 2 to 20 years. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

The Company has the right to land use rights, income transfer rights, lease rights and mortgage rights for assets which are located in mainland China. All acquired lots are used for building factories and office buildings. The period of the land use rights is 50 years. The rights were acquired by Sinon China in 2001 and Sinon Nantong in 2013. Before the end of the lease period, the Group may renew the contract, unless it has to be withdrawn due to violation of regulations or due to national public interest.

d. Other lease information

Lease arrangements under operating leases for leasing out investment properties and freehold property, plant and equipment are set out in Notes 12.

2019

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	<u>\$ 40,895</u>
Expenses relating to low-value asset leases	<u>\$ 353</u>
Expenses relating to variable lease payments not included in measurement of lease liabilities	<u>\$ 14,772</u>
Total cash outflow for leases	<u>\$ (293,056)</u>

The Group leases certain buildings and transportation equipment which qualify as short-term leases and certain other equipment which qualify as low-value asset leases. The Group 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:

	December 31, 2018
Not later than 1 year	\$ 226,514
Later than 1 year and not later than 5 years	565,315
Later than 5 years	<u>281,724</u>
	<u><u>\$ 1,073,553</u></u>

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

	For the Year Ended December 31, 2018
Minimum lease payments	<u><u>\$ 312,688</u></u>

14. NON-CURRENT ASSETS - OTHER

	December 31	
	2019	2018
Land	\$ 315,005	\$ 315,612
Prepaid lease payments	-	93,197
Long-term receivables	27,693	35,864
Others	<u>-</u>	<u>495</u>
	<u><u>\$ 342,698</u></u>	<u><u>\$ 445,168</u></u>

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

15. BORROWINGS

a. Short-term borrowings

	December 31	
	2019	2018
Loans for purchasing raw material	\$ 108,080	\$ 17,580
Secured borrowings	49,643	514,784
Unsecured borrowings	943,043	779,830
Export billing loans	<u>-</u>	<u>22,601</u>
	<u><u>\$ 1,100,766</u></u>	<u><u>\$ 1,334,795</u></u>

(Continued)

	December 31	
	2019	2018
<u>Interest (%)</u>		
Loans for purchasing raw material	1.55-3.24	2.90-3.33
Secured borrowings	4.57-4.79	1.36-4.79
Unsecured borrowings	0.73-4.35	0.73-4.79
Export billing loans	-	2.81-3.02
		(Concluded)

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 0.99% in 2019.

c. Long-term borrowings

	December 31	
	2019	2018
Unsecured borrowings	\$ 1,747,203	\$ 1,670,845
Secured borrowings	-	300,000
	<u>1,747,203</u>	<u>1,970,845</u>
Less: Current portions	<u>(682,203)</u>	<u>(223,642)</u>
Long-term borrowings	<u>\$ 1,065,000</u>	<u>\$ 1,747,203</u>
<u>Interest rate (%)</u>		
Unsecured borrowings	1.30-1.55	1.36-1.57
Secured borrowings	-	1.30

16. OTHER PAYABLES

	December 31	
	2019	2018
Accrued salary and bonus	\$ 470,794	\$ 458,153
Bonus for employees and remuneration of directors and supervisors	52,331	63,534
Others	<u>623,816</u>	<u>649,189</u>
	<u>\$ 1,146,941</u>	<u>\$ 1,170,876</u>

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company and its domestic subsidiaries of the Group 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.

The employees of the Group's subsidiaries in China are members of a state-managed retirement benefit plan operated by the government of China. The subsidiaries are required to contribute amounts at a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

Sinon Brazil contribute certain percentages of salaries for medication and retirement benefits.

Sinon Thailand and Sinon Australia contribute certain percentages of salaries for medication and retirement benefits.

Sinon USA, Sinon Germany and Sinon Indonesia have no pension plans.

Sinon Cayman and Sinon Hong Kong, are investment holding companies that have no pension plans.

b. Defined benefit plans

The defined benefit plan adopted by the Company and its domestic subsidiaries in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. Pension contributions are deposited in the Bank of Taiwan in the committee's name.

The Company, Yumei Yen and TFS make monthly contributions equal to 2% of salaries to a pension fund. The funds are administered by pension fund monitoring committees and deposited in the committees' name in the Bank of Taiwan. Pension costs and contributions of other companies in the Group are calculated at amounts equal to certain percentage of salaries. The percentage rates are: Syntai Chemicals, Hsing Wei and Sinon Trading contribution 3% and Feng Nien accrual 4%.

Before the end of each year, the Group 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 Group 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 Group has no right to influence the investment policy and strategy.

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

	December 31	
	2019	2018
Present value of defined benefit obligation	\$ 1,013,088	\$ 1,001,884
Fair value of plan assets	<u>(520,587)</u>	<u>(501,955)</u>
Net defined benefit liabilities	<u>\$ 492,501</u>	<u>\$ 499,929</u>

Movements in net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2018	\$ 1,053,038	\$ (472,287)	\$ 580,751
Service cost			
Current service cost	12,922	-	12,922
Past service cost and loss (gain) on settlements	(56)	-	(56)
Net interest expense (income)	10,416	(4,655)	5,761
Recognized in profit or loss	23,282	(4,655)	18,627
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(15,079)	(15,079)
Actuarial loss - changes in demographic assumptions	549	-	549
Actuarial loss - changes in financial assumptions	254	-	254
Actuarial gain - experience adjustments	(15,372)	-	(15,372)
Recognized in other comprehensive income	(14,569)	(15,079)	(29,648)
Contributions from the employer	-	(69,801)	(69,801)
Benefits paid	(59,867)	59,867	-
Balance at December 31, 2018	1,001,884	(501,955)	499,929
Service cost			
Current service cost	10,868	-	10,868
Past service cost and loss (gain) on settlements	-	-	-
Net interest expense (income)	9,895	(4,940)	4,955
Recognized in profit or loss	20,763	(4,940)	15,823
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(18,073)	(18,073)
Actuarial loss - changes in demographic assumptions	339	-	339
Actuarial loss - changes in financial assumptions	27,528	-	27,528
Actuarial gain - experience adjustments	(1,581)	-	(1,581)
Recognized in other comprehensive income	26,286	(18,073)	8,213
Contributions from the employer	-	(31,289)	(31,289)
Benefits paid	(35,845)	35,670	(175)
Balance at December 31, 2019	\$ 1,013,088	\$ (520,587)	\$ 492,501

Through the defined benefit plans under the Labor Standards Law, the Group 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:

	December 31	
	2019	2018
Discount rate(s)	0.75%	1%
Expected rate(s) of salary increase	3%	3%
Turnover rate(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:

	December 31	
	2019	2018
Discount rate(s)		
0.25% increase	\$ (27,542)	\$ (28,392)
0.25% decrease	\$ 28,606	\$ 29,535
Expected rate(s) of salary increase		
0.25% increase	\$ 27,901	\$ 28,879
0.25% decrease	\$ (27,016)	\$ (27,918)
Turnover rate		
10% increase	\$ (185)	\$ (310)
10% decrease	\$ 185	\$ 311

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.

	December 31	
	2019	2018
The expected contributions to the plan for the next year	\$ 8,859	\$ 8,948
The average duration of the defined benefit obligation	10 to 12 years	10 to 13 years

18. EQUITY

a. Ordinary shares

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

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

b. Capital surplus

	December 31	
	2019	2018
<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	943	929
	\$ 450,289	\$ 450,275

c. Retained earnings and dividend policy

Under the dividend 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 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 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 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:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2018	2017	2018	2017
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:

	Appropriation of Earnings	Dividends Per Share (NT\$)
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.

19. REVENUE

	For the Year Ended December 31	
	2019	2018
Revenue from contracts with customers		
Revenue from sale of goods	<u>\$ 17,081,389</u>	<u>\$ 18,134,087</u>

a. Contract balances

	December 31	
	2019	2018
Trade receivables (Note 8)	<u>\$ 1,894,012</u>	<u>\$ 2,137,085</u>
Contract liabilities - current		
Sale of goods	<u>\$ 419,919</u>	<u>\$ 409,808</u>

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

b. Disaggregation of revenue

Refer to Note 30 for information about disaggregation of revenue.

20. COMPREHENSIVE INCOME FOR THE YEAR

a. Other income

	For the Year Ended December 31	
	2019	2018
Rental income	\$ 6,379	\$ 4,709
Interest income	10,342	16,100
Dividends	388	1,163
Others	<u>79,149</u>	<u>55,675</u>
	<u>\$ 96,258</u>	<u>\$ 77,647</u>

b. Other gains and losses

	For the Year Ended December 31	
	2019	2018
Gain (loss) on disposal of property, plant and equipment	\$ (1,180)	\$ 4,633
Impairment loss	(6,392)	(2,600)
Others	<u>(21,252)</u>	<u>(13,650)</u>
	<u>\$ (28,824)</u>	<u>\$ (11,617)</u>

c. Finance costs

	For the Year Ended December 31	
	2019	2018
Interest on bank loans	\$ 56,053	\$ 68,906
Interest on convertible bonds	-	466
Interest on lease liabilities	16,136	-
Other finance costs	<u>1,824</u>	<u>1,969</u>
	<u>\$ 74,013</u>	<u>\$ 71,341</u>

Information about capitalized interest was as follows:

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

d. Depreciation

	For the Year Ended December 31	
	2019	2018
An analysis of depreciation by function		
Operating costs	\$ 415,829	\$ 420,998
Operating expenses	<u>431,876</u>	<u>248,798</u>
	<u>\$ 847,705</u>	<u>\$ 669,796</u>

e. Employee benefits expense

	Operating Costs	Operating Expenses	Total
<u>For the year ended December 31, 2019</u>			
Salary and wages	\$ 472,865	\$ 1,597,303	\$ 2,070,168
Labor and health insurance costs	89,035	190,204	279,239
Post-employment benefits			
Defined contribution plan	17,458	57,679	75,137
Defined benefit plans	4,286	11,537	15,823
Other employee benefits	29,295	64,716	94,011
<u>For the year ended December 31, 2018</u>			
Salary and wages	452,280	1,662,839	2,115,119
Labor and health insurance costs	86,309	188,198	274,507
Post-employment benefits			
Defined contribution plan	16,345	58,022	74,367
Defined benefit plans	4,376	14,251	18,627
Other employee benefits	39,173	62,161	101,334

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:

	For the Year Ended December 31			
	2019		2018	
	Accrual Rate	Amount	Accrual Rate	Amount
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 consolidated 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 consolidated 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.

21. INCOME TAXES

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

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current year	\$ 175,491	\$ 164,542
Income tax on unappropriated earnings	-	1,187
Adjustments for prior years	(13,060)	14,969
Deferred tax		
In respect of the current year	2,544	(13,643)
Adjustments to deferred tax attributable to changes in tax rates and laws	-	(8,010)
Income tax expense recognized in profit or loss	<u>\$ 164,975</u>	<u>\$ 159,045</u>

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

	For the Year Ended December 31	
	2019	2018
Profit before tax from continuing operations	<u>\$ 845,692</u>	<u>\$ 892,882</u>
Income tax expense calculated at the statutory rate	\$ 211,439	\$ 266,502
Nondeductible expenses in determining taxable income	97	360
Tax-exempt income	(36,751)	(132,369)
Income tax on unappropriated earnings	-	1,187
Unrecognized loss carryforwards/deductible temporary differences	3,250	16,679
Effect of tax rate changes	-	(8,010)
Adjustments for prior years' tax	<u>(13,060)</u>	<u>14,696</u>
Income tax expense recognized in profit or loss	<u>\$ 164,975</u>	<u>\$ 159,045</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 Group 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 appropriations 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

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Provisions for inventory write-downs	\$ 12,318	\$ 1,879	\$ -	\$ 14,197
Unrealized gross profit	10,678	(7,415)	-	3,263
Defined benefit obligation	69,126	6,229	1,642	76,997
Tax losses	10,984	(2,163)	-	8,821
Others	<u>5,817</u>	<u>4,359</u>	<u>-</u>	<u>10,176</u>
	<u>\$ 108,923</u>	<u>\$ 2,889</u>	<u>\$ 1,642</u>	<u>\$ 113,454</u>
Temporary differences				
Land appreciation tax	\$ 203,497	\$ -	\$ -	\$ 203,497
Foreign investment income	37,093	7,226	-	44,319
Others	<u>2,430</u>	<u>(1,793)</u>	<u>-</u>	<u>637</u>
	<u>\$ 243,020</u>	<u>\$ 5,433</u>	<u>\$ -</u>	<u>\$ 248,453</u>

For the year ended December 31, 2018

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Provisions for inventory write-downs	\$ 10,365	\$ 1,953	\$ -	\$ 12,318
Unrealized gross profit	5,901	4,777	-	10,678
Defined benefit obligation	54,903	19,340	(5,117)	69,126
Investment credits	11,498	(514)	-	10,984
Others	<u>18,063</u>	<u>(12,246)</u>	<u>-</u>	<u>5,817</u>
	<u>\$ 100,730</u>	<u>\$ 13,310</u>	<u>\$ (5,117)</u>	<u>\$ 108,923</u>
Temporary differences				
Land appreciation tax	\$ 205,637	\$ (2,140)	\$ -	\$ 203,497
Foreign investment income	45,445	(8,352)	-	37,093
Others	<u>281</u>	<u>2,149</u>	<u>-</u>	<u>2,430</u>
	<u>\$ 251,363</u>	<u>\$ (8,343)</u>	<u>\$ -</u>	<u>\$ 243,020</u>

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

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

- d. Income tax assessments

Income tax returns through 2017 of the Company and the Group's subsidiaries located in Taiwan have been assessed by the tax authorities.

22. EARNINGS PER SHARE

	Amounts (Numerator)	Number of Shares Denominator (In Thousands)	EPS (NT\$)
<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>
<u>For the year ended December 31, 2018</u>			
Basic EPS			
Profit for the year attributable to owners of the Company	\$ 726,957	418,731	<u>\$ 1.74</u>
Effect of potentially dilutive ordinary shares			
Employees' compensation	-	636	
Convertible bonds	<u>373</u>	<u>-</u>	
Diluted EPS			
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 Group offered to settle compensation paid to employees in cash or shares, the Group assumed the entire amount of the compensation 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.

23. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group 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 Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising share capital, capital surplus, retained earnings and other equity).

Key management personnel of the Group 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 Group 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.

24. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>December 31, 2019</u>				
Financial assets measured at cost				
Shares not listed in the ROC	\$ -	\$ -	\$ 23,253	\$ 23,253
<u>December 31, 2018</u>				
Financial assets measured at cost				
Shares not listed in the ROC	\$ -	\$ -	\$ 23,253	\$ 23,253
Foreign exchange forward contractors	-	1,184	-	1,184
	\$ -	\$ 1,184	\$ 23,253	\$ 24,437

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

2) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivatives - foreign exchange forward contracts	Discounted cash flows. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

3) 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

	December 31	
	2019	2018
<u>Financial assets</u>		
Mandatorily classified as at FVTPL	\$ 23,253	\$ 24,437
Financial assets at amortized cost (1)	3,692,773	3,745,590

Financial liabilities

Amortized cost (2)	5,909,340	6,522,333
--------------------	-----------	-----------

- 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 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.

c. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, trade payables, lease liabilities and borrowings. The Group'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 Group 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 Group seeks 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 Group'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 Group'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 Group'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 Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are listed in Note 28.

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	\$ 13,602	\$ 13,683
BRL	(9,673)	(11,237)

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

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

	December 31	
	2019	2018
Fair value interest rate risk		
Financial assets	\$ 208,443	\$ 55,829
Financial liabilities	1,785,090	322,601
Cash flow interest rate risk		
Financial assets	1,103,349	1,090,607
Financial liabilities	2,037,885	2,983,039

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 \$3,534 thousand and \$4,893 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 Group. At the end of the year, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation and financial guarantees provided by the Group could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Group's concentration of credit risk by geographical location was in Brazil, which accounted for 30% and 28% 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 Group's short-, medium- and long-term funding and liquidity management requirements. The Group 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 Group had available unutilized short-term bank loan facilities in the amounts of \$5,033,020 thousand and \$4,439,589 thousand, respectively.

The following table details the Group'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 Group 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.

Non-derivative Financial Liabilities	Less Than 3 Months	3 Months to 1 Year	1+Year
<u>December 31, 2019</u>			
Non-interest bearing liabilities	\$ 2,901,085	\$ -	\$ -
Lease liabilities	63,625	164,580	772,029
Variable interest rate liabilities	421,393	651,492	965,000
Fixed interest rate liabilities	<u>281,127</u>	<u>448,957</u>	<u>100,000</u>
	<u>\$ 3,667,230</u>	<u>\$ 1,265,029</u>	<u>\$ 1,837,029</u>
<u>December 31, 2018</u>			
Non-interest bearing liabilities	\$ 3,084,803	\$ -	\$ -
Variable interest rate liabilities	927,704	608,132	1,447,203
Fixed interest rate liabilities	<u>17,794</u>	<u>4,807</u>	<u>300,000</u>
	<u>\$ 4,030,301</u>	<u>\$ 612,939</u>	<u>\$ 1,747,203</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10+ Years
Lease liabilities	<u>\$ 228,205</u>	<u>\$ 577,260</u>	<u>\$ 179,966</u>	<u>\$ 14,803</u>

25. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

a. Related party names and categories

<u>Related Party Names</u>	<u>Related Party Categories</u>
K&S	Associates
TAFHT	Associates (Disposed at December, 2019)

b. Sales

<u>Related Party Categories</u>	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Associates	\$ <u>536</u>	\$ <u>508</u>

There was no material difference in sales prices and terms between related and third parties. The general credit term was 30 to 60 days.

c. Receivables from related parties

<u>Related Party Categories</u>	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Associates	\$ <u>1,967</u>	\$ <u>-</u>

d. Payables to related parties

<u>Related Party Categories</u>	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Associates	\$ <u>1,374</u>	\$ <u>1,453</u>

The outstanding trade payables to related parties are unsecured. No expense was recognized for the years ended December 31, 2019 and 2018 for allowance for impairment of trade receivables with respect to the amounts owed by related parties.

e. Acquisitions of property, plant and equipment

<u>Related Party Categories</u>	<u>Purchase Price</u>	
	<u>For the Year Ended December 31</u>	
Associates	\$ <u>3,398</u>	\$ <u>12,844</u>

f. Others

		For the Year Ended December 31	
		2019	2018
1) Manufacturing and operating expenses			
Associates		<u>\$ 9,795</u>	<u>\$ 6,986</u>
2) Rental income			
Associates		<u>\$ 1,680</u>	<u>\$ 2,323</u>
3) Other income			
Associates		<u>\$ -</u>	<u>\$ 2,535</u>
		December 31	
		2019	2018
4) Other receivables			
Associates		<u>\$ 189</u>	<u>\$ 3,448</u>

g. Compensation of key management personnel

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

		For the Year Ended December 31	
		2019	2018
Short-term employee benefits		\$ 24,106	\$ 27,490
Post-employment benefits		<u>357</u>	<u>411</u>
		<u>\$ 24,463</u>	<u>\$ 27,901</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.

26. 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:

		December 31	
		2019	2018
Property, plant and equipment		\$ 90,579	\$ 1,154,648
Refundable deposits		<u>13,800</u>	<u>13,800</u>
		<u>\$ 104,379</u>	<u>\$ 1,168,448</u>

27. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

a. Significant commitments

- 1) 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.
- 2) TFS issued coupons and performance guarantees to banks in the amounts of \$31,850 thousand and \$34,767 thousand as of December 31, 2019 and 2018, respectively.

b. Unrecognized commitments

	December 31	
	2019	2018
Acquisition of property, plant and equipment	\$ 3,988	\$ 73,031

28. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Group 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:

	December 31, 2019			December 31, 2018		
	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)	\$ 64,267	30.1060	\$ 1,934,830	\$ 71,695	30.7330	\$ 2,203,393
USD (USD/CNY)	788	6.9610	23,732	3,407	6.8754	104,719
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)	276,141	0.2770	76,491	394,580	0.2803	110,600
<u>Financial liabilities</u>						
Monetary items						
USD (USD/NTD)	19,104	30.1060	574,623	27,174	30.7330	835,133
USD (USD/BRL)	32,131	4.0187	967,324	36,564	3.8663	1,123,709
USD (USD/THB)	1,679	29.7100	50,555	2,997	32.3200	92,095
JPY (JPY/NTD)	100,971	0.2770	27,969	71,777	0.2803	20,119

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

Foreign Currencies	For the Year Ended December 31			
	2019		2018	
	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
NTD	1 (NTD:NTD)	\$ (14,260)	1 (NTD:NTD)	\$ 49,655
BRL	7.491 (BRL:NTD)	(32,366)	7.949 (BRL:NTD)	(110,370)
CNY	4.321 (CNY:NTD)	3,999	4.562 (CNY:NTD)	14,852

29. 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: Table 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) Intercompany relationships and significant intercompany transactions: Table 6
- 11) Information on investees: Table 7

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 8

- 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

30. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

Crop protection - manufacture chemicals and fertilizer

Supermarket - supermarket and general retail industry

a. Department revenue and results

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

	For the Year Ended December 31			
	Segment Revenue		Segment Profit	
	2019	2018	2019	2018
Crop protection	\$ 10,081,122	\$ 10,799,309	\$ 829,581	\$ 718,043
Supermarket	4,461,718	4,511,016	74,032	53,675
Others	2,538,549	2,823,762	74,581	252,952
Total from continuing operations	<u>\$ 17,081,389</u>	<u>\$ 18,134,087</u>	978,194	1,024,670
Share of profit of associates			4,217	4,054
Finance costs			(74,013)	(71,341)
Unallocated			<u>(62,706)</u>	<u>(64,501)</u>
Profit before tax			<u>\$ 845,692</u>	<u>\$ 892,882</u>

Segment profit represented the profit before tax earned by each segment without allocation of central administration costs and directors' salaries, share of profit of associates, rental revenue, interest income, gain or loss on disposal of property, plant and equipment, gain or loss on disposal of financial instruments, foreign exchange gain or loss, gain or loss on fair value changes of financial assets designated at fair value through profit or loss, finance costs and income tax expense. This was the

measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Department total assets and liabilities

	December 31	
	2019	2018
<u>Department assets</u>		
Continuing operations		
Crop protection	\$ 11,535,048	\$ 12,218,101
Supermarket	2,318,940	1,399,133
Others	<u>1,410,871</u>	<u>1,332,736</u>
Consolidated total assets	<u>\$ 15,264,859</u>	<u>\$ 14,949,970</u>
<u>Department liabilities</u>		
Continuing operations		
Crop protection	\$ 5,739,784	\$ 6,422,303
Supermarket	1,915,469	963,028
Others	<u>532,911</u>	<u>512,535</u>
Consolidated total liabilities	<u>\$ 8,188,164</u>	<u>\$ 7,897,866</u>

For the purpose of monitoring department performance and allocating resources between departments:

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

c. Revenue from major products and services

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

	For the Year Ended December 31	
	2019	2018
Crop protection	\$ 10,081,122	\$ 10,799,309
Supermarket	4,461,718	4,511,016
Household supplies and mission catering	1,870,477	1,704,379
Others	<u>668,072</u>	<u>1,119,383</u>
	<u>\$ 17,081,389</u>	<u>\$ 18,134,087</u>

d. Geographical information

The Group operates in three principal geographical areas - Asia, Americas, and Europe.

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

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31,	
	2019	2018	2019	2018
Asia	\$ 13,713,146	\$ 14,600,363	\$ 8,251,504	\$ 7,677,819
Americas	2,278,622	2,540,335	33,731	41,908
Europe	961,483	810,662	68	-
Others	<u>128,138</u>	<u>182,727</u>	<u>1,075</u>	<u>155</u>
	<u>\$ 17,081,389</u>	<u>\$ 18,134,087</u>	<u>\$ 8,286,378</u>	<u>\$ 7,719,882</u>

Non-current assets exclude financial instruments, investments accounted for using the equity method and deferred tax assets.

f. Information about major customers

No single customer contributed 10% or more to the Group's revenue for both years ended December 31, 2019 and 2018.

TABLE 1

SINON CORPORATION AND SUBSIDIARIES

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

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.

TABLE 2

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	2.	(Note 2)	\$ 347,732	\$ 331,166	\$ 87,307	None	4.71	\$ 2,811,772	Yes	No	Yes
		Yumei Yen	1.	(Note 2)	508,600	500,530	-	None	7.12	2,811,772	Yes	No	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.

TABLE 3

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, 2019				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	

TABLE 4

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 Thailand	Subsidiary	Sale	(730,665)	(9)	T/T 180-270 days after the transaction date	-	-	967,324	51	

Note: Significant intercompany accounts and transactions have been eliminated.

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 (Note)	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	\$ -

Note: Significant intercompany accounts and transactions have been eliminated.

TABLE 6

SINON CORPORATION AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Company Name	Counterparty	Relationship (Note 1)	Transaction Details			
				Financial Statements Accounts	Amount	Payment Terms	Percentage of Consolidated Net Revenue or Total Assets (%)
0	Sinon Corporation	Sinon Brazil	1	Sales	\$ 730,665	T/T 180-270 days	4
		Sinon Brazil	1	Accounts receivable	967,324	T/T 180-270 days	6
		Sinon China	1	Purchases	500,203	O/A 30-60 days	3

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

Note 2: The criteria of the disclosures above are (a) for the assets and liabilities, at least 1% of the consolidated total assets; and (b) for the income and expenses, at least 1% of the consolidated gross sales. The significant intercompany accounts and transactions have been eliminated.

TABLE 7

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 (Note 2)	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 1)	Note
				December 31, 2019	December 31, 2018	Number of Shares	Percentage of Ownership (%)	Carrying Amount			
Sinon Corporation	Sinon Cayman	British Cayman Islands	Holding company	\$ 1,394,195	\$ 1,394,195	44,280,000	100	\$ 1,454,713	\$ 35,979	\$ 35,979	Subsidiary
	Yumei Yen	Taichung, ROC	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 1: 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 Group believes that, had those companies' financial statements been audited, any adjustments would have no material effect on the Company's financial statements.

Note 2: Except for K&S and TAFHT, significant intercompany accounts and transactions have been eliminated.

TABLE 8

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, 2019	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)	\$ (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 Group 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.

Note 5: Significant intercompany accounts and transactions have been eliminated.

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	%
CURRENT ASSETS				
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	<u>4,685</u>	-	<u>4,462</u>	-
Total current assets	<u>3,904,028</u>	<u>33</u>	<u>4,202,569</u>	<u>34</u>
NON-CURRENT ASSETS				
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)	<u>282,985</u>	<u>2</u>	<u>283,592</u>	<u>2</u>
Total non-current assets	<u>7,998,950</u>	<u>67</u>	<u>8,185,938</u>	<u>66</u>
TOTAL	<u>\$ 11,902,978</u>	<u>100</u>	<u>\$ 12,388,507</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
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)	<u>10,375</u>	-	<u>10,663</u>	-
Total current liabilities	<u>3,077,650</u>	<u>26</u>	<u>2,999,037</u>	<u>24</u>
NON-CURRENT LIABILITIES				
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	<u>12,981</u>	-	<u>12,818</u>	-
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>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
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	<u>(335,172)</u>	<u>(3)</u>	<u>(291,972)</u>	<u>(2)</u>
Total equity	<u>7,029,429</u>	<u>59</u>	<u>7,001,074</u>	<u>57</u>
TOTAL	<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	%
OTHER COMPREHENSIVE INCOME (LOSS)				
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>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 624,913</u>	<u>8</u>	<u>\$ 707,370</u>	<u>8</u>
EARNINGS PER SHARE (Note 21)				
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
CASH FLOWS FROM OPERATING ACTIVITIES		
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	1,308,908	609,765

(Continued)

SINON CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
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>
CASH FLOWS FROM FINANCING ACTIVITIES		
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)

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:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
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

New IFRSs	Effective Date Announced by IASB
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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	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

	December 31	
	2019	2018
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

	December 31	
	2019	2018
<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

	December 31	
	2019	2018
<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	(1,793)	(30,047)
	<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 access 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:

	December 31	
	2019	2018
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:

	For the Year Ended December 31	
	2019	2018
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

	December 31	
	2019	2018
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:

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

11. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2019
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

	For the Year Ended December 31, 2019						
	Beginning Balance	Adjustments on Initial Application of IFRS 16	Beginning Balance (Restated)	Additions	Disposals	Reclassified Amount	Ending Balance
<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:

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

c. 2018

For the Year Ended December 31, 2018					
	Beginning Balance	Additions	Disposals	Reclassified and Other	Ending Balance
<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:

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

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

	December 31, 2019
<u>Carrying amounts</u>	
Land	\$ 10,078
Buildings	371
Transportation equipment	<u>5,164</u>
	<u><u>\$ 15,613</u></u>
	For the Year Ended December 31, 2019
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><u>\$ 8,256</u></u>

b. Lease liabilities - 2019

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

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
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

	For the Year Ended December 31, 2019
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:

	December 31, 2018
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:

	For the Year Ended December 31, 2018
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

	December 31	
	2019	2018
Loans for purchasing raw material	\$ 84,527	\$ 17,580
Secured borrowings	-	368,928
Unsecured borrowings	773,002	660,000
Export billing loans	-	22,601
	<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

	December 31	
	2019	2018
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

	December 31	
	2019	2018
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:

	December 31	
	2019	2018
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:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
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)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
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:

	December 31	
	2019	2018
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:

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

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.

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

17. EQUITY

a. Ordinary shares

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

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

b. Capital surplus

	December 31	
	2019	2018
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
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	943	929
	<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:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2018	2017	2018	2017
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:

	Appropriation of Earnings	Dividends Per Share (NT\$)
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

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

a. Contract balances

	December 31	
	2019	2018
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

	For the Year Ended December 31	
	2019	2018
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

	For the Year Ended December 31	
	2019	2018
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

	For the Year Ended December 31	
	2019	2018
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

	For the Year Ended December 31	
	2019	2018
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:

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

d. Depreciation

	For the Year Ended December 31	
	2019	2018
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

	Operating Costs	Operating Expenses	Total
<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:

	For the Year Ended December 31			
	2019		2018	
Cash	Accrual Rate	Amount	Accrual Rate	Amount
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

	For the Year Ended December 31	
	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
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:

	For the Year Ended December 31	
	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

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
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>
Deferred Tax Liabilities				
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

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
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

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
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

	December 31	
	2019	2018
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

	Amounts (Numerator)	Number of Shares (Denominator) (In Thousands)	EPS (NT\$)
<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>

	Amounts (Numerator)	Number of Shares Denominator (In Thousands)	EPS (NT\$)
<u>For the year ended December 31, 2018</u>			
Basic EPS			
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>	
Diluted EPS			
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

	Level 1	Level 2	Level 3	Total
<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.

Non-derivative Financial Liabilities	Less Than 3 Months	3 Months to 1 Year	1+Year
<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:

	Less than 1 Year	1-5 Years	5-10 Years	10+ Years
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

Related Party Names	Related Party Categories
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)

Related Party Names	Related Party Categories
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

Related Party Category/Name	For the Year Ended December 31	
	2019	2018
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

Related Party Category/Name	For the Year Ended December 31	
	2019	2018
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)

Related Party Category/Name	December 31	
	2019	2018
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)

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

f. Prepayments

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

g. Acquisitions of property, plant and equipment

Related Party Categories	Purchase Price For the Year Ended December 31	
	2019	2018
Associates	<u>\$ 595</u>	<u>\$ 8,481</u>

h. Disposals of property, plant and equipment

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

i. Endorsements and guarantees

Endorsements and guarantees provided by the Company

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

k. Compensation of key management personnel

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

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

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:

	December 31	
	2019	2018
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

	December 31	
	2019	2018
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:

	December 31, 2019			December 31, 2018		
	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				
Foreign Currencies	2019	Net Foreign Exchange Gain (Loss)	2018	Net Foreign Exchange Gain (Loss)
	Exchange Rate		Exchange Rate	
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

TABLE 1

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	2.	(Note 2)	\$ 347,732	\$ 331,166	\$ 87,307	None	4.71	\$ 2,811,772	Yes	No	Yes
		Yumei Yen	1.	(Note 2)	508,600	500,530	-	None	7.12	2,811,772	Yes	No	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	

TABLE 4

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	

TABLE 5

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	\$ -

TABLE 6

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	British Cayman Islands	Holding company	\$ 1,394,195	\$ 1,394,195	44,280,000	100	\$ 1,454,713	\$ 35,979	\$ 35,979	Subsidiary
	Yumei Yen	Taichung, ROC	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)**

Item	Foreign Currency	Exchange Rate	Amount
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)**

Client Name	Amount
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)**

Client Name	Amount
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)**

Item	Amount	
	Cost	Market Price (Note 1)
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)**

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

TABLE 6

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)**

Vendor Name	Amount
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 th 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)**

Item	Amount
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)

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Total
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>



SINON CORPORATION

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SINON CORPORATION



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