

NANTEX INDUSTRY CO., LTD.
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND REPORT OF INDEPENDENT
ACCOUNTANTS
DECEMBER 31, 2019 AND 2018

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

NANTEX INDUSTRY CO., LTD.
DECEMBER 31, 2019 AND 2018 PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS
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REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of NANTEX INDUSTRY CO., LTD.

Opinion

We have audited the accompanying parent company only balance sheets of NANTEX INDUSTRY CO., LTD. (the “Company”) as at December 31, 2019 and 2018, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at 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 audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (R.O.C. GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. 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 judgement, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company’s parent company only financial statements of the current period are stated as follows:

Evaluation of inventories

Description

Refer to Note 4(9) for description of accounting policy on inventory, Note 5 for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(5) for description of inventory. As of December 31, 2019, the balances of inventories and allowance for inventory valuation losses were NT\$415,946 thousand and NT\$28,272 thousand, respectively.

The Company is primarily engaged in manufacturing, processing and sales of various types of latex, rubber and related products. As the Company's inventories are mostly chemicals, they are subject to deterioration and fluctuations in worldwide raw material prices. Since measurement of net realisable value for inventories involves subjective judgment resulting in a high degree of estimation uncertainty, we considered evaluation of inventories a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. Examined whether the evaluation of inventories was implemented based on the Company's accounting policies, and assessed the reasonableness of policies and procedures related to the provision for inventory valuation losses.
- B. Assessed the appropriateness of provision for inventory valuation loss based on our evaluation and sampling on related documents related to the net realisable value of inventories.

Cut off of operating revenue recognition from export sales

Description

Refer to Note 4(26) for the accounting policies on revenue recognition.

The Company's is engaged in domestic and international sales. Since there are numerous daily revenues and transaction terms made with foreign customers are different, which involve significant risk in relation to inappropriate revenue recognition timing, we identified cut off of operating revenue recognition from export sales a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. Inspected sales contracts and orders to ensure whether sales revenue was recognised in the appropriate period based on transaction terms.

B. Obtained details of operating revenue from export sales, and sampled and verified supporting documents (such as customer orders, delivery orders and export declarations) in order to verify whether operating revenue from export sales was recognised in an appropriate period.

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

Management is responsible for the preparation and fair presentation of the parent company only 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 parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only 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.

Auditor’s responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s 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 R.O.C. GAAS 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 R.O.C. GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

A. Identify and assess the risks of material misstatement of the parent company only 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.

- B. 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.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. 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 auditor's report to the related disclosures in the parent company only 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- E. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

Lin, Tzu-Shu

Independent Accountants

Liu, Tzu-Meng

PricewaterhouseCoopers, Taiwan

Republic of China

March 16, 2020

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

NANTEX INDUSTRY CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 1,488,406	15	\$ 1,322,440	14
1110	Current financial assets at fair value through profit or loss	6(2)	-	-	9,563	
1136	Current financial assets at amortised cost	6(3)	299,800	3	-	-
1150	Notes receivable, net	6(4)	37,669	-	52,700	1
1170	Accounts receivable, net	6(4)	933,376	10	1,053,257	11
1200	Other receivables		79,335	1	72,619	1
1210	Other receivables - related parties	7	20,540	-	32,857	-
130X	Inventories	5 and 6(5)	387,674	4	479,728	5
1410	Prepayments		179,092	2	232,514	3
11XX	Total current assets		3,425,892	35	3,255,678	35
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(6)	223,242	2	199,451	2
1550	Investments accounted for under equity method	6(7)	4,722,286	48	4,443,969	48
1600	Property, plant and equipment	6(8) and 8	1,219,773	13	1,291,606	14
1755	Right-of-use assets	3(1), 6(9) and 7	66,034	1	-	-
1780	Intangible assets	6(10)	1,062	-	2,083	-
1840	Deferred income tax assets	6(22)	55,187	1	48,066	1
1920	Guarantee deposits paid	8	413	-	423	-
1990	Other non-current assets		15,394	-	13,514	-
15XX	Total non-current assets		6,303,391	65	5,999,112	65
1XXX	Total assets		\$ 9,729,283	100	\$ 9,254,790	100

(Continued)

NANTEX INDUSTRY CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2019		December 31, 2018					
			Notes	AMOUNT	%	AMOUNT	%			
Current liabilities										
2100	Short-term borrowings	6(11)	\$	100,000	1	\$	-	-		
2130	Current contract liabilities	6(16)		11,150	-		11,204	-		
2170	Accounts payable			270,721	3		296,913	3		
2200	Other payables			365,403	4		411,296	5		
2230	Current income tax liabilities	6(22)		165,324	2		176,823	2		
2280	Current lease liabilities	3(1), 6(9) and 7		15,454	-		-	-		
21XX	Total current liabilities			928,052	10		896,236	10		
Non-current liabilities										
2570	Deferred income tax liabilities	6(22)		309,384	3		305,881	3		
2580	Non-current lease liabilities	3(1), 6(9) and 7		51,454	-		-	-		
2640	Net defined benefit liabilities	6(12)		63,090	1		93,537	1		
25XX	Total non-current liabilities			423,928	4		399,418	4		
2XXX	Total liabilities			1,351,980	14		1,295,654	14		
Equity										
Share capital										
3110	Share capital - common stock	6(13)		4,924,167	51		4,924,167	53		
	Retained earnings	6(13)(14)								
3310	Legal reserve			1,185,566	12		1,032,070	11		
3320	Special reserve			433,442	5		433,442	5		
3350	Unappropriated retained earnings			2,146,359	22		1,754,420	19		
Other equity interest										
3400	Other equity interest	6(6)(7)(15)	(	312,231)	(	4)	(	184,963)	(	2)
3XXX	Total equity			8,377,303	86		7,959,136	86		
Significant Contingent Liabilities and 9										
Unrecognised Contract Commitments										
3X2X	Total liabilities and equity		\$	9,729,283	100	\$	9,254,790	100		

The accompanying notes are an integral part of these parent company only financial statements.

NANTEX INDUSTRY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

			Year ended December 31			
			2019		2018	
Items	Notes		AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(16) and 7	\$ 6,957,021	100	\$ 7,757,462	100
5000	Operating costs	6(5)(12)(20)(21) and 7	(5,021,115)	(72)	(5,984,819)	(77)
5900	Net operating margin		1,935,906	28	1,772,643	23
	Operating expenses	6(10)(12)(20)(21) and 7				
6100	Selling expenses		(269,759)	(4)	(278,842)	(3)
6200	General and administrative expenses		(341,594)	(5)	(369,738)	(5)
6300	Research and development expenses		(64,933)	(1)	(63,377)	(1)
6000	Total operating expenses		(676,286)	(10)	(711,957)	(9)
6900	Operating profit		1,259,620	18	1,060,686	14
	Non-operating income and expenses					
7010	Other income	6(3)(17) and 7	57,099	1	65,139	1
7020	Other gains and losses	6(2)(18) and 12	(51,930)	(1)	70,617	1
7050	Finance costs	6(9)(19) and 7	(1,332)	-	-	-
7070	Share of profit of subsidiaries, associates and joint ventures accounted for under equity method	6(7)	445,344	7	607,363	7
7000	Total non-operating income and expenses		449,181	7	743,119	9
7900	Profit before income tax		1,708,801	25	1,803,805	23
7950	Income tax expense	6(22)	(282,021)	(4)	(268,854)	(3)
8200	Profit for the year		\$ 1,426,780	21	\$ 1,534,951	20
	Other comprehensive income (loss)					
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311	Actuarial gains on defined benefit plans	6(12)	\$ 6,149	-	\$ 8,136	-
8316	Unrealised gains on financial assets measured at fair value through other comprehensive income	6(6)(15)	23,791	-	19,018	-
8330	Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method	6(7)	86	-	(641)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(22)	(1,230)	-	(821)	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Financial statement translation differences of foreign operations	6(7)(15)	(151,059)	(2)	(51,296)	(1)
8300	Other comprehensive loss for the year		(\$ 122,263)	(2)	(\$ 25,604)	(1)
8500	Total comprehensive income for the year		\$ 1,304,517	19	\$ 1,509,347	19
	Earnings per share (in dollars)	6(23)				
9750	Basic		\$ 2.90		\$ 3.12	
9850	Diluted		\$ 2.89		\$ 3.11	

The accompanying notes are an integral part of these parent company only financial statements.

NANTEX INDUSTRY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

		Retained Earnings				Other Equity Interest			
						Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealised gain or loss on available-for-sale financial assets	Total equity
	Notes	Share capital - common stock	Legal reserve	Special reserve	Unappropriated retained earnings				
Year ended December 31, 2018									
Balance at January 1, 2018		\$ 4,689,683	\$ 950,675	\$ 433,442	\$ 988,546	(\$ 144,374)	\$ -	(\$ 1,703)	\$ 6,916,269
Effects of retrospective application	6(15)	-	-	-	9,096	-	(8,311)	1,703	2,488
Balance at January 1 after adjustments		4,689,683	950,675	433,442	997,642	(144,374)	(8,311)	-	6,918,757
Profit for the year		-	-	-	1,534,951	-	-	-	1,534,951
Other comprehensive income (loss) for the year	6(6)(7)(15)	-	-	-	6,674	(51,296)	19,018	-	(25,604)
Total comprehensive income (loss)		-	-	-	1,541,625	(51,296)	19,018	-	1,509,347
Distribution of 2017 net income:									
Legal reserve		-	81,395	-	(81,395)	-	-	-	-
Stock dividends	6(13)(14)	234,484	-	-	(234,484)	-	-	-	-
Cash dividends	6(14)	-	-	-	(468,968)	-	-	-	(468,968)
Balance at December 31, 2018		\$ 4,924,167	\$ 1,032,070	\$ 433,442	\$ 1,754,420	(\$ 195,670)	\$ 10,707	\$ -	\$ 7,959,136
Year ended December 31, 2019									
Balance at January 1, 2019		\$ 4,924,167	\$ 1,032,070	\$ 433,442	\$ 1,754,420	(\$ 195,670)	\$ 10,707	\$ -	\$ 7,959,136
Profit for the year		-	-	-	1,426,780	-	-	-	1,426,780
Other comprehensive income (loss) for the year	6(6)(7)(15)	-	-	-	5,005	(151,059)	23,791	-	(122,263)
Total comprehensive income (loss)		-	-	-	1,431,785	(151,059)	23,791	-	1,304,517
Distribution of 2018 net income:									
Legal reserve		-	153,496	-	(153,496)	-	-	-	-
Cash dividends	6(14)	-	-	-	(886,350)	-	-	-	(886,350)
Balance at December 31, 2019		\$ 4,924,167	\$ 1,185,566	\$ 433,442	\$ 2,146,359	(\$ 346,729)	\$ 34,498	\$ -	\$ 8,377,303

The accompanying notes are an integral part of these parent company only financial statements.

NANTEX INDUSTRY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

		Years ended December 31	
	Notes	2019	2018
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 1,708,801	\$ 1,803,805
Adjustments			
Adjustments to reconcile profit (loss)			
Gain on financial assets at fair value through profit or loss		(13,069)	(3,839)
Provision for (reversal of) loss on inventory market price decline	6(5)	1,548	2,281
Share of profit of subsidiaries, associates and joint ventures accounted for under equity method	6(7)	(445,344)	(607,363)
Depreciation	6(8)(9)(20)	151,580	129,551
Loss on disposal of property, plant and equipment	6(18)	-	31
Property, plant and equipment transferred to expense	6(8)	3,299	1,879
Amortisation	6(10)(20)	1,066	1,117
Interest income	6(17)	(21,075)	(12,976)
Dividend income	6(17)	(8,051)	(9,314)
Interest expense	6(19)	1,332	-
Changes in operating assets and liabilities			
Changes in operating assets			
Current financial assets at fair value through profit or loss		22,632	21,933
Notes receivable		15,031	(12,426)
Accounts receivable		119,881	(92,976)
Other receivables		(6,716)	(71,575)
Other receivables - related parties		12,317	(12,789)
Inventories		90,506	(68,671)
Prepayments		53,422	72,618
Other non-current assets		(1,880)	(2,256)
Changes in operating liabilities			
Current contract liabilities		(54)	(5,230)
Accounts payable		(26,192)	(49,400)
Other payables		(45,893)	166,684
Net defined benefit liabilities		(24,298)	(21,950)
Cash inflow generated from operations		1,588,843	1,224,572
Interest received		21,075	12,976
Dividends received		24,105	9,314
Interest paid		(1,332)	-
Income tax paid		(298,368)	(98,400)
Net cash flows from operating activities		<u>1,334,323</u>	<u>1,148,462</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Cash paid for acquisition of current financial asstes at amortised cost		(638,820)	-
Proceeds from disposal of current financial asstes at amortised cost		339,020	-
Cash paid for acquisition of property, plant and equipment	6(8)	(66,417)	(27,104)
Proceeds from disposal of property, plant and equipment		-	622
Increase in intangible assets	6(10)	(45)	(238)
Decrease in guarantee deposits paid		10	13
Net cash flows used in investing activities		<u>(366,252)</u>	<u>(26,707)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(24)	100,000	-
Payment of lease liabilities	6(24)	(15,755)	-
Payment of cash dividends	6(14)	(886,350)	(468,968)
Net cash flows used in financing activities		<u>(802,105)</u>	<u>(468,968)</u>
Net increase in cash and cash equivalents		165,966	652,787
Cash and cash equivalents at beginning of year	6(1)	1,322,440	669,653
Cash and cash equivalents at end of year	6(1)	\$ 1,488,406	\$ 1,322,440

The accompanying notes are an integral part of these parent company only financial statements.

NANTEX INDUSTRY CO., LTD.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

(1) NANTEX INDUSTRY CO., LTD. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on January 10, 1979. The Company is primarily engaged in the manufacture, processing and sales of various type of latex, rubbers and related products.

(2) The common shares of the Company have been listed on the Taiwan Stock Exchange since October 27, 1992.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These parent company only financial statements were authorised for issuance by the Board of Directors on March 16, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments as endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standard Board (“IASB”)
Amendments to IFRS 9, ‘Prepayment features with negative compensation’	January 1, 2019
IFRS 16, ‘Leases’	January 1, 2019
Amendments to IAS 19, ‘Plan amendment, curtailment or settlement’	January 1, 2019
Amendments to IAS 28, ‘Long-term interests in associates and joint ventures’	January 1, 2019
IFRIC 23, ‘Uncertainty over income tax treatments’	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

IFRS 16, 'Leases'

- A. IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a 'lease liability' (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.
- B. The Company has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by the FSC. Accordingly, the Company both increased 'right-of-use asset' and 'lease liability' by \$82,663 with respect to the lease contracts of lessees on January 1, 2019.
- C. The Company has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
 - (a) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
 - (b) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
 - (c) The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of \$19 was recognised in 2019.
 - (d) The exclusion of initial direct costs for the measurement of 'right-of-use asset'.
 - (e) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- D. The Company calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate ranging from 1.62% to 2.14%.
- E. The Company recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	<u>\$ 93,681</u>
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	<u>\$ 93,681</u>
Incremental borrowing interest rate at the date of initial application	<u>1.62% ~ 2.14%</u>
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	<u>\$ 82,663</u>

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark reform'	January 1, 2020

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by IASB</u>
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint ventures'	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

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

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

(2) Basis of preparation

A. Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:

- (a) Financial assets at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5, ‘critical accounting judgements, estimates and key sources of assumption uncertainty’.

(3) Foreign currency translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The parent company only financial statements are presented in New Taiwan dollars, which is the Company’s functional and presentation currency.

- A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- B. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- C. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- D. All foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within ‘Other gains and losses’.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;

- (c) Assets that are expected to be realised within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. 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.

(5) Cash equivalents

- A. Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.
- B. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitment in operations are classified as cash equivalents.

(6) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Company's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.

- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(8) Notes and accounts receivable

- A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses. When the cost of inventory is higher than net realisable value, a write-down is provided and recognised in operating costs. If the circumstances that caused the write-down cease to exist, such that all or part of the write-down is no longer needed, it should be reversed to that extent and recognised as deduction of operating costs.

(10) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value: the changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(11) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (“ECLs”) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

The Company derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has no retained control of the financial asset.

(13) Investments accounted for using equity method / subsidiaries

- A. A subsidiary is an entity where the Company has the right to dominate its finance and operating policies (including special purpose entities), normally the Company owns more than 50% of the voting rights directly or indirectly in that entity. Subsidiaries are accounted for under the equity method in the Company's parent company only financial statements.
- B. Unrealised gains or losses resulting from inter-company transactions with subsidiaries are eliminated. Necessary adjustments are made to the accounting policies of subsidiaries, to be consistent with the accounting policies of the Company.
- C. After acquisition of subsidiaries, the Company recognises proportionately the share of profit and loss and other comprehensive income in the income statement as part of the Company's profit and loss and other comprehensive income, respectively. When the share of loss from a subsidiary exceeds the carrying amount of Company's interest in that subsidiary, the Company continues to recognise its share in the subsidiary's loss proportionately.
- D. According to “Regulations Governing the Preparation of Financial Statements by Securities Issuers”, ‘Profit for the year’ and ‘Other comprehensive income for the year’ reported in an entity's parent company only statement of comprehensive income, shall equal to ‘profit for the year’ and “Other comprehensive income’ attributable to owners of the parent reported in that entity's consolidated statement of comprehensive income. Total equity reported in an entity's parent company only financial statements, shall equal to equity attributable to owners of parent reported in that entity's consolidated financial statements.

(14) Property, plant and equipment

- A. Aside from those assets which had been revaluated, property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

<u>Assets</u>	<u>Useful lives</u>
Land improvements	20 ~ 40 years
Buildings and structures	3 ~ 65 years
Machinery and equipment	3 ~ 33 years
Leasehold improvements	10 years
Other equipment	1 ~ 20 years

(15) Leasing arrangements (lessee) – right-of-use assets/ lease liabilities (Effective 2019)

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable. The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date; and
- (c) Any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term.

When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(16) Operating leases (lessee) (Prior to 2019)

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(17) Intangible assets

Trademarks and computer software are stated initially at cost and amortised on a straight-line basis over its estimated economic life and term of operating agreements of 5 to 6 years.

(18) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(19) Borrowings

- A. Borrowings comprise long-term and short-term banks loans and other short-term loans. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.
- B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

(20) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(21) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(22) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plan

For defined contribution plan, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plan

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.
- ii. Remeasurements arising on defined benefit plan are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

If employee compensation is distributed by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(23) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(24) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(25) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(26) Revenue recognition

A. Sales of goods

- (a) Sales are recognised when control of the products has transferred, being when the products are delivered to the external customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- (b) Revenue is recognised based on the price specified in the contract, net of the estimated sales return and volume discounts. The products are often sold with volume discounts based on estimated sales of each year. Accumulated experience is used to estimate and provide for the sales discounts and volume discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. The terms of receipt of sales transactions are consistent with market practice, the Company does not adjust the transaction price to reflect the time value of money.
- (c) A receivable is recognised when the products are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Incremental costs of obtaining a contract

Given that the contractual period lasts less than one year, the Company recognises the incremental costs of obtaining a contract as an expense when incurred although the Company expects to recover those costs.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions

and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

Evaluation of inventories

A. As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. As the inventories are mostly chemicals, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specific period in the future.

Therefore, there might be material changes to the evaluation.

B. As of December 31, 2019, the carrying amount of inventories was \$387,674.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash:		
Cash on hand	\$ 275	\$ 275
Checking accounts and demand deposits	<u>888,531</u>	<u>707,865</u>
	<u>888,806</u>	<u>708,140</u>
Cash equivalents:		
Time deposits	<u>599,600</u>	<u>614,300</u>
	<u>\$ 1,488,406</u>	<u>\$ 1,322,440</u>

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Company has no cash and cash equivalents pledged to others as of December 31, 2019 and 2018.

(2) Current financial assets at fair value through profit or loss

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ -	\$ 22,632
Valuation adjustment	<u>-</u>	<u>(13,069)</u>
	<u>\$ -</u>	<u>\$ 9,563</u>

A. The Company recognised net gain (loss) in the amount of \$161 and (\$1,492) (listed as 'Other gains and losses') for the years ended December 31, 2019 and 2018, respectively.

B. The Company has no financial assets at fair value through profit or loss pledged to others as collateral as of December 31, 2019 and 2018.

C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2), 'Financial instruments'.

(3) Current financial assets at amortised cost

	<u>December 31, 2019</u>
Time deposits over three months	\$ <u>299,800</u>

The Company had no current financial assets at amortised cost as of December 31, 2018.

A. The Company recognised interest income in profit or loss in relation to financial assets at amortised cost in the amount of \$4,635 (listed as 'Other income') for the year ended December 31, 2019.

B. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Company was the carrying amount.

C. The Company has no financial assets at amortised cost pledged to others as collateral as of December 31, 2019.

D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2), 'Financial instruments'.

(4) Notes and accounts receivable, net

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Notes receivable	\$ <u>37,669</u>	\$ <u>52,700</u>
Accounts receivable	\$ <u>933,376</u>	\$ <u>1,053,257</u>

A. The ageing analysis of notes receivable and accounts receivable is as follows:

	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 693,902	\$ 37,669	\$ 786,051	\$ 52,700
Less than 90 days	239,474	-	251,880	-
Over 90 days	-	-	15,326	-
	<u>\$ 933,376</u>	<u>\$ 37,669</u>	<u>\$ 1,053,257</u>	<u>\$ 52,700</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2019 and 2018, the balance of notes receivable and accounts receivable were all from contracts with customers. As of January 1, 2018, the balance of receivables from contracts with customers amounted to \$1,000,555.

C. As of December 31, 2019 and 2018, the Company does not hold any collateral as security for notes and accounts receivable.

D. Without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk was the carrying amount.

E. Information relating to credit risk of notes and accounts receivable is provided in Note 12(2), 'Financial instruments'.

(5) Inventories

December 31, 2019			
	Cost	Allowance for market price decline	Book value
Raw materials	\$ 131,883	(\$ 2,649)	\$ 129,234
Supplies	14,812	(71)	14,741
Work in progress	47,921	(1,108)	46,813
Finished goods	221,330	(24,444)	196,886
	<u>\$ 415,946</u>	<u>(\$ 28,272)</u>	<u>\$ 387,674</u>

December 31, 2018			
	Cost	Allowance for market price decline	Book value
Raw materials	\$ 187,795	(\$ 2,649)	\$ 185,146
Supplies	14,473	(70)	14,403
Work in progress	50,305	(1,108)	49,197
Finished goods	253,879	(22,897)	230,982
	<u>\$ 506,452</u>	<u>(\$ 26,724)</u>	<u>\$ 479,728</u>

The cost of inventories recognised as expense for the year:

	Years ended December 31,	
	2019	2018
Cost of goods sold	\$ 5,020,120	\$ 5,987,172
Provision (reversal of allowance) for loss on inventory market price decline (Note)	1,548 (	2,281)
Loss on physical inventory	1,551	2,849
Loss on discarding inventory	463	82
Revenue from sale of scraps	(2,567)	(3,003)
	<u>\$ 5,021,115</u>	<u>\$ 5,984,819</u>

(Note) For the year ended December 31, 2018, the Company reversed a previous inventory write-down which was accounted for as a reduction of cost of goods sold because worldwide raw material prices rose.

(6) Non-current financial assets at fair value through other comprehensive income

	December 31, 2019	December 31, 2018
Equity instruments		
Unlisted stocks	\$ 162,740	\$ 162,740
Valuation adjustment	60,502	36,711
	<u>\$ 223,242</u>	<u>\$ 199,451</u>

- A. The Company has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$223,242 and \$199,451 as at December 31, 2019 and 2018, respectively.
- B. The Company recognised \$23,791 and \$19,018 in other comprehensive income in relation to the financial assets at fair value through other comprehensive income for the years ended December 31, 2019 and 2018, respectively.
- C. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Company was the carrying amount.
- D. The Company has no financial assets at fair value through other comprehensive income pledged to others as collateral.
- E. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2), 'Financial instruments'

(7) Investments accounted for under equity method

	2019	2018
At January 1	\$ 4,443,969	\$ 3,888,543
Share of profit or loss of investments accounted for under equity method	445,344	607,363
Other comprehensive income investments accounted for under equity method	86 (	641)
Earnings distribution of investments accounted for under equity method	(16,054)	-
Changes in other equity items	(151,059)	(51,296)
At December 31	<u>\$ 4,722,286</u>	<u>\$ 4,443,969</u>
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Subsidiaries:		
INTERMEDIUM INTERNATIONAL LIMITED	\$ 4,430,506	\$ 4,179,527
Nanmat Technology Co., Ltd.	291,780	264,442
	<u>\$ 4,722,286</u>	<u>\$ 4,443,969</u>

- A. For more information regarding the subsidiaries of the Company, please refer to Note 4(3), 'Basis of consolidation' of the 2019 consolidated financial statements.
- B. As of December 31, 2019 and 2018, no investments accounted for under equity method held by the Company were pledged to others.

(8) Property, plant and equipment

	Land	Land improvements	Buildings and structures	Machinery and equipment	Leasehold improvements	Others equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1, 2019</u>								
Cost	\$ 448,185	\$ 14,580	\$ 886,313	\$ 2,443,327	\$ 7,960	\$ 226,242	\$ 76,152	\$ 4,102,759
Accumulated depreciation	-	(13,277)	(642,359)	(1,990,106)	(2,232)	(163,179)	-	(2,811,153)
	<u>\$ 448,185</u>	<u>\$ 1,303</u>	<u>\$ 243,954</u>	<u>\$ 453,221</u>	<u>\$ 5,728</u>	<u>\$ 63,063</u>	<u>\$ 76,152</u>	<u>\$ 1,291,606</u>
<u>2019</u>								
At January 1	\$ 448,185	\$ 1,303	\$ 243,954	\$ 453,221	\$ 5,728	\$ 63,063	\$ 76,152	\$ 1,291,606
Additions - Cost	-	-	-	2,300	-	19,086	45,031	66,417
Transferred after acceptance inspection	-	-	2,581	38,628	-	396	(41,605)	-
Disposal - Cost	-	-	(1,722)	(1,767)	-	(9,177)	-	(12,666)
Disposal - Accumulated depreciation	-	-	1,722	1,767	-	9,177	-	12,666
Depreciation	-	(253)	(17,315)	(107,269)	(732)	(9,382)	-	(134,951)
Reclassification (Note 1)	-	-	-	1,184	-	(4,410)	73	(3,299)
At December 31	<u>\$ 448,185</u>	<u>\$ 1,050</u>	<u>\$ 229,220</u>	<u>\$ 388,064</u>	<u>\$ 4,996</u>	<u>\$ 68,753</u>	<u>\$ 79,505</u>	<u>\$ 1,219,773</u>
<u>At December 31, 2019</u>								
Cost	\$ 448,185	\$ 14,580	\$ 887,172	\$ 2,483,672	\$ 7,960	\$ 232,137	\$ 79,505	\$ 4,153,211
Accumulated depreciation	-	(13,530)	(657,952)	(2,095,608)	(2,964)	(163,384)	-	(2,933,438)
	<u>\$ 448,185</u>	<u>\$ 1,050</u>	<u>\$ 229,220</u>	<u>\$ 388,064</u>	<u>\$ 4,996</u>	<u>\$ 68,753</u>	<u>\$ 79,505</u>	<u>\$ 1,219,773</u>

	Land	Land improvements	Buildings and structures	Machinery and equipment	Leashelod improvements	Others equipment	Construction in progress and equipment to be inspected	Total
<u>At January 1, 2018</u>								
Cost	\$ 448,185	\$ 14,580	\$ 886,313	\$ 2,442,392	\$ 7,960	\$ 227,302	\$ 56,927	\$ 4,083,659
Accumulated depreciation	-	(13,005)	(625,188)	(1,887,917)	(1,501)	(159,463)	-	(2,687,074)
	<u>\$ 448,185</u>	<u>\$ 1,575</u>	<u>\$ 261,125</u>	<u>\$ 554,475</u>	<u>\$ 6,459</u>	<u>\$ 67,839</u>	<u>\$ 56,927</u>	<u>\$ 1,396,585</u>
<u>2018</u>								
At January 1	\$ 448,185	\$ 1,575	\$ 261,125	\$ 554,475	\$ 6,459	\$ 67,839	\$ 56,927	\$ 1,396,585
Additions - Cost	-	-	-	1,445	-	3,164	22,495	27,104
Transferred after acceptance inspection	-	-	-	275	-	2,995	(3,270)	-
Disposal - Cost	-	-	-	(1,067)	-	(5,058)	-	(6,125)
Disposal - Accumulated depreciation	-	-	-	1,067	-	4,405	-	5,472
Depreciation	-	(272)	(17,171)	(103,256)	(731)	(8,121)	-	(129,551)
Reclassification (Note 2)	-	-	-	282	-	(2,161)	-	(1,879)
At December 31	<u>\$ 448,185</u>	<u>\$ 1,303</u>	<u>\$ 243,954</u>	<u>\$ 453,221</u>	<u>\$ 5,728</u>	<u>\$ 63,063</u>	<u>\$ 76,152</u>	<u>\$ 1,291,606</u>
<u>At December 31, 2018</u>								
Cost	\$ 448,185	\$ 14,580	\$ 886,313	\$ 2,443,327	\$ 7,960	\$ 226,242	\$ 76,152	\$ 4,102,759
Accumulated depreciation	-	(13,277)	(642,359)	(1,990,106)	(2,232)	(163,179)	-	(2,811,153)
	<u>\$ 448,185</u>	<u>\$ 1,303</u>	<u>\$ 243,954</u>	<u>\$ 453,221</u>	<u>\$ 5,728</u>	<u>\$ 63,063</u>	<u>\$ 76,152</u>	<u>\$ 1,291,606</u>

(Note 1) Reclassified as expenses by \$3,299 and other equipment reclassified as machinery and equipment by \$1,184.

(Note 2) Reclassified as expenses by \$1,879 and other equipment reclassified as machinery and equipment by \$282.

A. The Company did not capitalise the borrowing costs as part of property, plant and equipment for the years ended December 31, 2019 and 2018.

B. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8, 'Pledged assets'.

(9) Leasing arrangements — lessee (Effective 2019)

- A. The Company leases various assets including land, buildings, machinery and business vehicles. Rental contracts are typically made for periods of 1 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	At December 31, 2020	Year ended December 31, 2019
	Carrying Amount	Depreciation charge
Land	\$ 335	\$ 259
Buildings	53,238	3,538
Machinery and equipment	11,328	11,329
Transportation equipment (Business vehicles)	1,133	1,503
	<u>\$ 66,034</u>	<u>\$ 16,629</u>

- C. The information on profit and loss accounts relating to lease contracts is as follows:

	Year ended December 31, 2019
<u>Items affecting profit or loss</u>	
Interest expense on lease liabilities	\$ 1,324
Expense on short-term lease or leases of low-value assets	19

- D. For the year ended December 31, 2019, the Company's total cash outflow for leases was \$17,098.

(10) Intangible assets

2019			
	Trademarks	Computer software	Total
<u>At January1, 2019</u>			
Cost	\$ 624	\$ 10,787	\$ 11,411
Accumulated amortisation	(289)	(9,039)	(9,328)
Net value	<u>\$ 335</u>	<u>\$ 1,748</u>	<u>\$ 2,083</u>
<u>2019</u>			
At January	\$ 335	\$ 1,748	\$ 2,083
Addition-acquired separately	45	-	45
Amortisation	(104)	(962)	(1,066)
At December 31	<u>\$ 276</u>	<u>\$ 786</u>	<u>\$ 1,062</u>
<u>At December 31, 2019</u>			
Cost	\$ 669	\$ 10,787	\$ 11,456
Accumulated amortisation	(393)	(10,001)	(10,394)
Net value	<u>\$ 276</u>	<u>\$ 786</u>	<u>\$ 1,062</u>
2018			
	Trademarks	Computer software	Total
<u>At January1, 2018</u>			
Cost	\$ 660	\$ 10,714	\$ 11,374
Accumulated amortisation	(392)	(8,020)	(8,412)
Net value	<u>\$ 268</u>	<u>\$ 2,694</u>	<u>\$ 2,962</u>
<u>2018</u>			
At January	\$ 268	\$ 2,694	\$ 2,962
Addition-acquired separately	165	73	238
Amortisation	(98)	(1,019)	(1,117)
Disposal-Cost	(201)	-	(201)
-Accumulated amortisation	201	-	201
At December 31	<u>\$ 335</u>	<u>\$ 1,748</u>	<u>\$ 2,083</u>
<u>At December 31, 2018</u>			
Cost	\$ 624	\$ 10,787	\$ 11,411
Accumulated amortisation	(289)	(9,039)	(9,328)
Net value	<u>\$ 335</u>	<u>\$ 1,748</u>	<u>\$ 2,083</u>

The Company recognised amortisation in the amount of \$1,066 and \$1,117 (listed as ‘Operating expenses’) for the years ended December 31, 2019 and 2018, respectively.

(11) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2019</u>	<u>Interest rate</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	<u>\$ 100,000</u>	0.99%	None

The Company had no short-term borrowings as of December 31, 2018.

For the year ended December 31, 2019, the Company recognised interest expense in profit or loss.

Please refer to Note 6(19) for details.

(12) Pensions

A. The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. However, those who were mandatorily retired because of injury at work will receive 20% in addition. The Company contributes monthly an amount equal to 15% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March. The relevant information is as follows:

(a) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Present value of defined benefit obligations	(\$ 616,518)	(\$ 606,122)
Fair value of plan assets	<u>553,428</u>	<u>512,585</u>
Net defined benefit liability	<u>(\$ 63,090)</u>	<u>(\$ 93,537)</u>

(b) Movements in net defined benefit liabilities are as follows:

	2019		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	(\$ 606,122)	\$ 512,585	(\$ 93,537)
Current service cost	(7,838)	-	(7,838)
Interest (expense) income	(4,477)	3,895	(582)
	(618,437)	516,480	(101,957)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	19,192	19,192
Change in financial assumptions	(2,611)	-	(2,611)
Experience adjustments	(10,432)	-	(10,432)
	(13,043)	19,192	6,149
Pension fund contribution	-	32,718	32,718
Paid pension	14,962	(14,962)	-
At December 31	(\$ 616,518)	\$ 553,428	(\$ 63,090)
	2018		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	(\$ 608,288)	\$ 484,665	(\$ 123,623)
Current service cost	(8,774)	-	(8,774)
Interest (expense) income	(5,906)	4,825	(1,081)
	(622,968)	489,490	(133,478)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	14,468	14,468
Change in financial assumptions	(13,488)	-	(13,488)
Experience adjustments	7,156	-	7,156
	(6,332)	14,468	8,136
Pension fund contribution	-	31,805	31,805
Paid pension	23,178	(23,178)	-
At December 31	(\$ 606,122)	\$ 512,585	(\$ 93,537)

- (c) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.
- (d) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2019	2018
Discount rate	0.70%	0.75%
Future salary increases	3.00%	3.00%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience according to Taiwan Life Insurance Industry 5th Mortality Table for the years ended December 31, 2019 and 2018.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2019</u>				
Effect on present value of defined benefit obligation	(\$ 12,893)	\$ 13,301	\$ 12,967	(\$ 12,639)
	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2018</u>				
Effect on present value of defined benefit obligation	(\$ 13,488)	\$ 13,934	\$ 13,591	(\$ 13,229)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(e) Expected contributions to the defined benefit pension plan of the Company for the next year amount to \$32,718.

(f) As of December 31, 2019, the weighted average duration of the retirement plan is 8 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	37,313
1-2 years		20,570
2-5 years		121,474
Over 5 years		474,926
	\$	<u>654,283</u>

B. Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount of no less than 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2019 and 2018 were \$6,225 and \$5,705, respectively.

(13) Share capital - Common stock

A. Movements in the number of the Company’s ordinary shares outstanding are as follows (in thousands of shares):

	Years ended December 31,	
	2019	2018
At beginning of year	492,417	468,968
Stock dividends	-	23,449
At end of year	<u>492,417</u>	<u>492,417</u>

B. On June 12, 2018, the Company’s stockholders adopted a resolution to issue shares of common stock due to capitalisation of retained earnings of \$234,484 and obtained approved from the SFC. The effective date was set on July 31, 2018.

- C. As of December 31, 2019, the Company's authorized and paid-in capital was \$4,924,167, consisting of 492,417 thousand shares, with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

(14) Retained earnings

- A. Pursuant to the amended R.O.C. Company Act, the current year's after-tax earnings should be used initially to cover any accumulated deficit; thereafter 10% of the remaining earnings should be set aside as legal reserve until the balance of legal reserve is equal to that of paid-in capital. The legal reserve shall be exclusively used to cover accumulated deficit, to issue new stocks, or to distribute cash to shareholders in proportion to their share ownership. The use of legal reserve for the issuance of stocks or cash dividends to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- B. Since the Company is in a changeable industry environment tied with international macroeconomics and the life cycle of the Company is in the mature stage, the appropriation of earnings should consider fund requirements and capital budget to decide how much earnings will be kept or distributed and how much cash dividends will be distributed. According to the Company's Articles of Incorporation, 10% of the annual net income, after offsetting any loss of prior years and paying all taxes and dues, shall be set aside as legal reserve. The remaining net income and the unappropriated retained earnings from prior years can be distributed in accordance with a resolution passed during a meeting of the Board of Directors and approved at the stockholders' meeting. Of the amount to be distributed by the Company, stockholders' dividends shall comprise 50% to 100% of the unappropriated retained earnings, and the percentage of cash dividends shall not be less than 30% of dividends distributed.
- C. Special reserve
- (a) In accordance with the regulations, the Company shall set aside special reserve for the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012 was \$430,099, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.
- D. The Company recognised cash dividends distributed to owners amounting to \$886,350 (\$1.8 (in dollars) per share) for the year ended December 31, 2019. The Company recognised cash dividends and stock dividends distributed to owners amounting to \$468,968 (\$1.0 (in dollars) per share) and \$234,484 (\$0.5 (in dollars) per share) for the year ended December 31, 2018, respectively. On March 16, 2020, the Board of Directors proposed for the distribution of cash dividends of \$886,350 (\$1.8 (in dollars) per share) from the 2019 earnings.

(15) Other equity interest

2019	Foreign currency translation	Investment through other comprehensive income	Total
At January 1	(\$ 195,670)	\$ 10,707	(\$ 184,963)
Currency translation differences	(151,059)	-	(151,059)
Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	-	23,791	23,791
At December 31	(\$ 346,729)	\$ 34,498	(\$ 312,231)

2018	Foreign currency translation	Investment through other comprehensive income	Available-for-sale investment	Total
At January 1	(\$ 144,374)	\$ -	(\$ 1,703)	(\$ 146,077)
Effects of retrospective application	-	(8,311)	1,703	(6,608)
Balance at January 1, 2018 after adjustment	(144,374)	(8,311)	-	(152,685)
Currency translation differences	(51,296)	-	-	(51,296)
Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	-	19,018	-	19,018
At December 31	(\$ 195,670)	\$ 10,707	\$ -	(\$ 184,963)

(16) Operating revenue

A. Disaggregation of revenue from contracts with customers

Details of the Company's revenue from the transfer of goods at a point in time are as follows:

	Years ended December 31,	
	2019	2018
Revenue from latex products	\$ 5,847,136	\$ 6,434,714
Revenue from rubber products	1,102,497	1,313,060
Others	7,388	9,688
	<u>\$ 6,957,021</u>	<u>\$ 7,757,462</u>

B. Contract liabilities

(a) On December 31, 2019 and 2018, the Company has recognised the revenue-related contract liabilities amounting to \$11,150 and \$11,204, respectively.

(b) On January 1, 2019 and 2018, the contract liabilities were \$11,204 and \$16,434, respectively, and the contract liabilities at the beginning of 2019 and 2018 of \$8,754 and \$13,986 were recognized as revenue for the years ended December 31, 2019 and 2018, respectively.

(17) Other income

	Years ended December 31,	
	2019	2018
Interest income:		
Interest income from bank deposits	\$ 16,440	\$ 12,976
Interest income from financial assets at amortised cost	4,635	-
Dividend income	8,051	9,314
Other income	27,973	42,849
	<u>\$ 57,099</u>	<u>\$ 65,139</u>

(18) Other gains and losses

	Years ended December 31,	
	2019	2018
Net currency exchange (losses) gains	(\$ 50,249)	\$ 75,743
Gains (losses) on financial assets at fair value through profit or loss	161	(1,492)
Losses on disposal of property, plant and equipment	-	(31)
Other losses	(1,842)	(3,603)
	<u>(\$ 51,930)</u>	<u>\$ 70,617</u>

(19) Finance costs

	Years ended December 31,	
	2019	2018
Interest expense		
Bank loans	\$ 8	\$ -
Lease liabilities	1,324	-
	<u>\$ 1,332</u>	<u>\$ -</u>

(20) Expenses by nature

Year ended December 31, 2019			
	Operating cost	Operating expense	Total
Employee benefits expense	\$ 240,908	\$ 321,913	\$ 562,821
Depreciation	117,485	34,095	151,580
Amortisation	-	1,066	1,066
	<u>\$ 358,393</u>	<u>\$ 357,074</u>	<u>\$ 715,467</u>
Year ended December 31, 2018			
	Operating cost	Operating expense	Total
Employee benefits expense	\$ 245,018	\$ 398,364	\$ 643,382
Depreciation	113,768	15,783	129,551
Amortisation	-	1,117	1,117
	<u>\$ 358,786</u>	<u>\$ 415,264</u>	<u>\$ 774,050</u>

(21) Employee benefit expense

Year ended December 31, 2019			
	Operating cost	Operating expense	Total
Salaries and wages	\$ 215,048	\$ 213,714	\$ 428,762
Labour and health insurance expenses	12,954	14,286	27,240
Pension costs	7,860	6,785	14,645
Directors' and supervisors' remuneration	-	72,116	72,116
Other personnel expenses	5,046	15,012	20,058
	<u>\$ 240,908</u>	<u>\$ 321,913</u>	<u>\$ 562,821</u>

	Year ended December 31, 2018		
	Operating cost	Operating expense	Total
Salaries and wages	\$ 219,369	\$ 255,172	\$ 474,541
Labour and health insurance expenses	12,284	11,915	24,199
Pension costs	8,408	7,152	15,560
Directors' and supervisors' remuneration	-	57,553	57,553
Other personnel expenses	4,957	66,572	71,529
	<u>\$ 245,018</u>	<u>\$ 398,364</u>	<u>\$ 643,382</u>

A. As of December 31, 2019 and 2018, the Company had 322 and 297 employees, both including 20 non-employee directors, respectively.

Average employee benefit expense in 2019 and 2018 was \$1,643 and \$1,814, respectively and average wages and salaries in 2019 and 2018 was \$1,435 and \$1,607, respectively. Two-year difference decreased to 10.70 %.

B. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 2% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.

C. For the years ended December 31, 2019 and 2018, the Company's employees' compensation was accrued at \$36,206 and \$38,220, respectively; while directors' and supervisors' remuneration was accrued at \$54,309 and \$57,330, respectively. The aforementioned amounts were recognised in salary expenses and other expenses. The expenses recognised for 2019 were accrued based on the earnings of current year and the percentage specified in the Articles of Incorporation of the Company. The employees' compensation and directors' and supervisors' remuneration for 2019 as resolved by the Board of Directors was \$35,986 and \$53,979, respectively. The employees' compensation will be distributed in the form of cash. The employees' compensation and directors' and supervisors' remuneration for 2018 as resolved by the Board of Directors were \$94,968. The difference of \$582 between the amounts resolved at the Board meeting and the amounts recognised in the 2018 financial statements had been adjusted in the profit or loss for 2019.

Information about the appropriation of employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(22) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2019	2018
Current tax:		
Current tax on profits for the year	\$ 261,733	\$ 233,641
Tax on undistributed surplus earnings	24,827	3,320
Prior year income tax under (over) estimation	309	(1,020)
Total current tax	286,869	235,941
Deferred tax:		
Origination and reversal of temporary differences	(4,848)	8,880
Impact of change in tax rate	-	24,033
Total deferred tax	(4,848)	32,913
Income tax expense	\$ 282,021	\$ 268,854

(b) The income tax relating to components of other comprehensive income is as follows:

	Years ended December 31,	
	2019	2018
Remeasurement of defined benefit plan	\$ 1,230	\$ 1,628
Impact of change in tax rate	-	(807)
	\$ 1,230	\$ 821

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2019	2018
Tax calculated based on profit before tax and statutory tax rate	\$ 341,760	\$ 360,761
Effect from adjustment by tax regulation	(84,875)	(118,240)
Tax on undistributed surplus earnings	24,827	3,320
Prior year income tax under (over) estimation	309	1,020
Impact of change in tax rate	-	24,033
Income tax expense	\$ 282,021	\$ 270,894

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	2019			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets				
Temporary differences:				
Allowance for doubtful accounts	\$ 3,068	\$ -	\$ -	\$ 3,068
Unrealised loss on inventory market value decline	5,345	310	-	5,655
Unused compensated absences	884	-	-	884
Pension cost	38,769	-	(1,230)	37,539
Unrealised exchange loss	-	7,866	-	7,866
Difference from adopting IFRS 16	-	175	-	175
	<u>\$ 48,066</u>	<u>\$ 8,351</u>	<u>(\$ 1,230)</u>	<u>\$ 55,187</u>
Deferred tax liabilities				
Temporary differences:				
Unrealised exchange gain	(\$ 1,357)	\$ 1,357	\$ -	\$ -
Pension cost	(22,460)	(4,860)	-	(27,320)
Investment gain	(189,597)	-	-	(189,597)
Provision for land increment tax	(92,467)	-	-	(92,467)
	<u>(\$ 305,881)</u>	<u>(\$ 3,503)</u>	<u>\$ -</u>	<u>(\$ 309,384)</u>
	<u>(\$ 257,815)</u>	<u>\$ 4,848</u>	<u>(\$ 1,230)</u>	<u>(\$ 254,197)</u>

		2018	
		Recognised in profit or loss	Recognised in other comprehensive income
		January 1	December 31
Deferred tax assets			
Temporary differences:			
Allowance for doubtful accounts	\$ 2,607	\$ 461	\$ -
Unrealised loss on inventory market value decline	4,931	414	-
Unused compensated absences	753	131	-
Pension cost	34,337	5,253	(821)
Unrealised exchange loss	2,275	(2,275)	-
	<u>\$ 44,903</u>	<u>\$ 3,984</u>	<u>(\$ 821)</u>
Deferred tax liabilities			
Temporary differences:			
Unrealised exchange gain	\$ -	(\$ 1,357)	\$ -
Pension cost	(15,360)	(7,100)	-
Investment gain	(161,157)	(28,440)	-
Provision for land increment tax	(92,467)	-	-
	<u>(\$ 268,984)</u>	<u>(\$ 36,897)</u>	<u>\$ -</u>
	<u>(\$ 224,081)</u>	<u>(\$ 32,913)</u>	<u>(\$ 821)</u>

- D. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority. The Company does not have any administrative remedy as of March 16, 2020.
- E. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Company has assessed the impact of the change in income tax rate.

(23) Earnings per share

Year ended December 31, 2019			
	Amount after tax	Weighted average number of shares outstanding (shares in thousands)	EPS (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 1,426,780	492,417	\$ 2.90
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 1,426,780		
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,423	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 1,426,780	493,840	\$ 2.89

Year ended December 31, 2018			
	Amount after tax	Weighted average number of shares outstanding (shares in thousands)	EPS (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 1,534,951	492,417	\$ 3.12
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 1,534,951		
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,544	
Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares	\$ 1,534,951	493,961	\$ 3.11

(24) Changes in liabilities from financing activities

2019	Short-term borrowings	Lease liability	Liabilities from financing activities-gross
At January 1	\$ -	\$ -	\$ -
Effects of retrospective application	-	82,663	82,663
Changes in cash flow from financing activities	100,000	(15,755)	84,245
At December 31	<u>\$ 100,000</u>	<u>\$ 66,908</u>	<u>\$ 166,908</u>

The Company had no change in liabilities from financing activities for the year ended December 31, 2018.

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
Zhenjiang Nantex Chemical Industry, Ltd. (Zhenjiang Nantex)	Subsidiary
Lushun Warehouse Co., Ltd. (Lushun Warehouse)	The Company is the key management of this entity
Tainan Spinning Co., Ltd. (Tainan Spinning)	The entity with significant influence to the Company

(2) Significant transactions and balances with related parties

A. Sales of goods

	Years ended December 31,	
	2019	2018
Subsidiary	<u>\$ 6,632</u>	<u>\$ 9,686</u>

The collection period for subsidiary and third parties was within 3 months after sales of goods. Selling prices were the same with third parties.

B. Purchases of goods

	Years ended December 31,	
	2019	2018
Subsidiary	<u>\$ 1,766</u>	<u>\$ 3,643</u>

The terms of purchases and payments to subsidiary and third parties were within 2 months after receipt, other terms of purchases were the same with third parties.

C. Lease transactions—lessee (Effective 2019)

- (a) The Company leases raw material tanks and office from Lushun Warehouse and Tainan Spinning. Rental contracts are typically made for periods of 3 and 20 years, respectively. Rents are paid monthly and annually in advance every March, respectively.

(b) On January 1, 2019 (the date of initial application of IFRS 16), the Company increased right-of-use assets of related parties by \$79,433.

(c) Lease liabilities

(i) Outstanding balance

	<u>December 31, 2019</u>
Tainan Spinning	\$ 54,009
Lushun Warehouse	11,420
	<u>\$ 65,429</u>

(ii) Interest expense

	<u>Year ended December 31, 2019</u>
Tainan Spinning	\$ 1,002
Lushun Warehouse	283
	<u>\$ 1,285</u>

D. Rent expense (Applicable for 2018, listed as ‘Operating cost’)

	<u>Lease subject</u>	<u>Year ended December 31, 2018</u>
Lushun Warehouse	Raw material tanks	\$ 10,766

Rent was determined by negotiation between the Company and the abovementioned related party and are paid monthly.

E. Royalty income (listed as ‘Other income’)

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Zhenjiang Nantex	\$ 24,402	\$ 39,037

F. Other receivables from related parties

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Other receivables:		
Zhenjiang Nantex	\$ 20,540	\$ 32,857

Receivables from related parties are mainly derived from the sales of commodities and royalties, and the sales transactions are due 3 months after the sales date. The receivables are unsecured and interest-bearing. Amounts due from related parties did not include allowance losses.

(3) Key management compensation

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Salaries and other short-term employee benefits	\$ 106,279	\$ 103,740

8. PLEDGED ASSETS

The Company's assets pledged as collateral are as follows:

Pledged asset	Book value		Purpose
	December 31, 2019	December 31, 2018	
Land (Note)	\$ 448,185	\$ 448,185	Collateral for borrowing facilities
Buildings (Note)	16,837	20,474	Collateral for borrowing facilities
Guarantee deposits paid	413	423	Performance guarantee
	<u>\$ 465,435</u>	<u>\$ 469,082</u>	

Note : Listed as 'Property, plant and equipment'.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

- A. As of December 31, 2019 and 2018, the Company's remaining balance due for construction in progress and prepayment for equipment were \$7,633 and \$ — , respectively.
- B. As of December 31, 2019 and 2018, the Company's unused letters of credit amounted to \$127,874 and \$61,826, respectively.
- C. The significant purchase contracts entered by the Company are as follows:

Suppliers Name	Item	Price	Purchase quantity (t)	
			December 31, 2019	December 31, 2018
CPC Corporation, Taiwan	Butadiene (BD)	Floating	20,448	21,114
Formosa Petrochemical Corp.	Butadiene (BD)	Floating	14,400	14,400
China Petrochemical Development Corp.	Acrylonitrile (AN)	Floating	12,000	12,000
Formosa Plastics Corp.	Acrylonitrile (AN)	Floating	4,800	4,800
Taiwan Styrene Monomer Corp.	Styrene (SM)	Floating	1,800	1,800

For the year ended December 31, 2019, 49,989 tonnes of BD, 26,718 tonnes of AN and 1,001 tonnes of SM were purchased.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	<u>\$ -</u>	<u>\$ 9,563</u>
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	<u>\$ 223,242</u>	<u>\$ 109,451</u>
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	\$ 1,488,406	\$ 1,322,440
Financial assets at amortised cost	299,800	-
Notes receivable	37,669	52,700
Accounts receivable	933,376	1,053,257
Other receivables	99,875	105,476
Guarantee deposits paid	413	423
	<u>\$ 2,859,539</u>	<u>\$ 2,534,296</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 100,000	\$ -
Accounts payable	270,721	296,913
Other payables	365,403	411,296
	<u>\$ 736,124</u>	<u>\$ 708,209</u>
Lease liability	<u>\$ 66,908</u>	<u>\$ -</u>

B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on unpredictable events in the financial market and seeks to reduce potential adverse effects on the Company's financial position and financial performance.
- (b) Risk management is carried out by a central treasury department (Company Finance Department) under policies approved by the board of directors. Company Finance Department identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

I. Foreign exchange risk

- (i) The Company operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company used in various functional currency, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities and net investment in foreign operations.
- (ii) Management has set up a policy to require the Company to manage its foreign exchange risk against the functional currency. The Company is required to hedge the entire foreign exchange risk exposure with the Company treasury. Foreign exchange rate risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency other than the entity's functional currency.
- (iii) The Company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Company's foreign operations is managed primarily through liabilities denominated in the relevant foreign currencies.
- (iv) The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	Foreign currency		Foreign currency	
	amount		amount	
	<u>(In thousands)</u>	<u>Exchange rate</u>	<u>(In thousands)</u>	<u>Exchange rate</u>
<u>Financial assets</u>				
Monetary items				
USD:NTD	\$ 74,423	29.98	\$ 63,524	30.72
Investment accounted for under equity method				
USD:NTD	147,782	29.98	136,074	30.72

Sensitivity analysis of foreign exchange risk is primarily for foreign currency monetary items at financial reporting date. If NTD had appreciated/ depreciated by 1% against USD, RMB and JPY, the Company net profit after tax for the years ended December 31, 2019 and 2018 would have increased/decreased by \$17,850 and \$15,609, respectively.

- (v) The total exchange (loss) gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2019 and 2018 amounted to (\$50,249) and \$75,743, respectively.

II. Price risk

- (i) The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.
- (ii) The Company's investments in equity securities comprise shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 10% with all other variables held constant, post-tax profit for the years ended December 31, 2019 and 2018 would have increased/decreased by \$ — and \$956, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$22,324 and \$19,945, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

III. Cash flow and fair value interest rate risk

The Company's borrowings are short-term borrowings with floating interest rates. Therefore, changes in market interest rates will change the effective interest rates of the borrowings and cause fluctuations in their future cash flows. However, there is no significant effect on profit after tax.

(b) Credit risk

- I. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.
- II. The Company manages its credit risk taking into consideration the entire Company's concern. According to the Company's credit policy, the Company is responsible for managing and analysing the credit risk for each of its new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management. The utilisation of credit limits is regularly monitored.
- III. The Company adopts the assumption under IFRS 9, that is, if the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- IV. The Company adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days..

V. The Company classifies customer's accounts receivable in accordance with credit rating of customer and customer types. The Company applies the modified approach using loss rate methodology to estimate expected credit loss under the provision matrix basis.

VI. The Company used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable as the Company's counterparties are all with high credit quality and have no default record after assessment.

(c) Liquidity risk

I. Cash flow forecasting is performed in the operating entities of the Company and aggregated by the Company Finance Department. Company Finance Department monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

II. Surplus cash held by the operating entities over and above the balance required for working capital management are invested in interest bearing current accounts, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts, that are expected to readily generate cash inflows for managing liquidity risk.

III. The Company has the following undrawn borrowing facilities:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Floating rate:		
Expiring within one year	<u>\$ 2,100,000</u>	<u>\$ 1,382,175</u>

IV. The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

<u>December 31, 2019</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Non-derivative financial liabilities				
Short-term borrowings	\$ 100,003	\$ -	\$ -	\$ -
Accounts payable	270,721	-	-	-
Other payables	365,403	-	-	-
Lease liability	16,722	3,959	11,918	44,616

<u>December 31, 2018</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Non-derivative financial liabilities				
Accounts payable	\$ 296,913	\$ -	\$ -	\$ -
Other payables	411,296	-	-	-

V. The Company does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in financial instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in equity investment without active market is included in Level 3.

B. The carrying amounts of financial instruments not measured at fair value including cash and cash equivalents, financial assets at amortised cost, notes receivable, accounts receivable, other receivables (including related parties), guarantee deposits paid, short-term borrowings, accounts payable, other payables, and lease liabilities are approximate to their fair values.

C. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ -	\$ -	\$ 223,242	\$ 223,242

<u>December 31, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ 9,563	\$ -	\$ -	\$ 9,563
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	199,451	199,451
	<u>\$ 9,563</u>	<u>\$ -</u>	<u>\$ 199,451</u>	<u>\$ 209,014</u>

D. The methods and assumptions the Company used to measure fair value are as follows:

- (a) The instruments the Company used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed shares</u>
Market quoted price	Closing price

- (b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.

E. For the years ended December 31, 2019 and 2018, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the years ended December 31, 2019 and 2018:

	<u>Equity securities</u>
At January 1, 2019	\$ 199,451
Gains recognised in other comprehensive income	23,791
At December 31, 2019	<u>\$ 223,242</u>
	<u>Equity securities</u>
At January 1, 2018	\$ 94,085
Effect of retrospective application	86,348
At January 1, 2018 after adjustments	180,433
Gains and losses recognised in other comprehensive income	19,018
At December 31, 2018	<u>\$ 199,451</u>

G. For the years ended December 31, 2019 and 2018, there was no transfer into or out from Level 3.

- H. Finance segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.
- I. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

		Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:						
Unlisted shares	\$	223,242	Discounted cash flow	Weighted average cost of capital	6.69%~9.48%	The higher the weighted average cost of capital, the lower the fair value
				Discount for lack of marketability	20%	The higher the discount for lack of marketability, the lower the fair value
		Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:						
Unlisted shares	\$	199,451	Discounted cash flow	Weighted average cost of capital	7.42%~10.25%	The higher the weighted average cost of capital, the lower the fair value
				Discount for lack of marketability	20%	The higher the discount for lack of marketability, the lower the fair value

- J. The Company has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

			Year ended December 31, 2019			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Weighted average cost of capital	±10%	\$ -	\$ -	\$ 13,069	(\$ 10,501)
	Discount for lack of marketability	±10%	-	-	3,479	(3,479)
			<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,548</u>	<u>(\$ 13,980)</u>
			Year ended December 31, 2018			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Weighted average cost of capital	±10%	\$ -	\$ -	\$ 13,254	(\$ 10,381)
	Discount for lack of marketability	±10%	-	-	2,942	(2,942)
			<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,196</u>	<u>(\$ 13,323)</u>

13. SUPPLEMENTARY DISCLOSURES

According to the current regulatory requirements, the Company is only required to disclose the information for the year ended December 31, 2019.

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: Please refer to table 1.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: Please refer to table 3.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.

I. Trading in derivative financial instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 5.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 7.

14. SEGMENT INFORMATION

Not applicable.

NANTEX INDUSTRY CO., LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Cash:		
Cash on hand		\$ 275
Checking deposits		252,407
Demand deposits — New Taiwan dollar		183,746
— Foreign currency	Including USD15,089 thousand @29.98	<u>452,378</u>
		<u>888,806</u>
Cash equivalents:		
Time deposits — Foreign currency	Including USD20,000 thousand @29.98 Due date from January 7, 2020 to January 15, 2020, interest rate at 2.4%	<u>599,600</u>
		<u>\$ 1,488,406</u>

NANTEX INDUSTRY CO., LTD.
STATEMENT OF CURRENT FINANCIAL ASSETS AT AMORTISED COST
DECEMBER 31, 2019
 (Expressed in thousands of New Taiwan dollars)

<u>Name</u>	<u>Description</u>	<u>Number of share (in thousands)</u>	<u>Par value</u>	<u>Total stock</u>	<u>Interest rate</u>	<u>Carrying amount</u>	<u>Accumulated impairment</u>	<u>Food note</u>
Time deposits over three months-foreign currency	From July 31, 2019 to January 31, 2020	-	USD 10,000 thousand	\$ -	2.60%	<u>\$ 299,800</u>	\$ -	\$ -

NANTEX INDUSTRY CO., LTD.
STATEMENT OF ACCOUNTS RECEIVABLE, NET
DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>
SIR TRANG GLOVES (THAILAND) CO., LTD.	Accounts receivable	\$ 302,496
HARTALEGA NGC SDN. BHD.	"	81,497
YTY INDUSTRY SDN. BHD.	"	67,637
KOSSAN INTERNATIONAL SDN. BHD.	"	65,715
TOP QUALITY GLOVE SDN. BHD.	"	50,854
CENTRAL MEDICARE SDN. BHD.	"	47,281
HARTALEGA SDN.BHD.	"	46,886
Others (less than 5%)	"	<u>271,010</u>
		<u>\$ 933,376</u>

NANTEX INDUSTRY CO., LTD.
STATEMENT OF INVENTORIES
DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

Item	Description	Amount		Footnote
		Cost	Net Realisable Value	
Raw materials	—	\$ 131,883	\$ 129,027	(Note)
Supplies	—	14,812	14,821	"
Work in progress	—	47,921	61,475	"
Finished goods	—	221,330	269,309	"
		415,946	<u>\$ 474,632</u>	
Less: Allowance for market price decline		(28,272)		
		<u>\$ 387,674</u>		

Note: Refer to Note 4(9) 'Inventories' of parent company only financial statements for the way the Company determines net realisable value of inventories.

NANTEX INDUSTRY CO., LTD.
STATEMENT OF PREPAYMENTS
DECEMBER 31, 2019
 (Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Amount</u>
Downpayment for materials	\$ 168,336
Others (less than 5%)	<u>10,756</u>
	<u>\$ 179,092</u>

NANTEX INDUSTRY CO., LTD.
STATEMENT OF CHANGES IN NON-CURRENT FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

Company	<u>Beginning balance</u>		<u>Addition</u>		<u>Decrease</u>		<u>Ending balance</u>		Collateral or Pledge
	<u>Shares</u> <u>(in thousands)</u>	<u>Fair value</u>	<u>Shares</u> <u>(in thousands)</u>	<u>Amount</u>	<u>Shares</u> <u>(in thousands)</u>	<u>Amount</u>	<u>Shares</u> <u>(in thousands)</u>	<u>Fair value</u>	
Unlisted stock:									
President International Development Corp.	8,820	\$ 81,567	-	\$ 2,153	-	\$ -	8,820	\$ 83,720	None
Lushun Warehouse Co., Ltd.	2,700	106,123	-	24,390	-	-	2,700	130,513	None
Micro Sava Co., Ltd.	1,021	223	-	145	-	-	1,021	368	None
Grand Bills Finance Corp.	720	11,538	-	-	-	(2,897)	720	8,641	None
	<u>13,261</u>	<u>\$ 199,451</u>	<u>-</u>	<u>\$ 26,688</u>	<u>\$ -</u>	<u>(\$ 2,897)</u>	<u>\$ 13,261</u>	<u>\$ 223,242</u>	

NANTEX INDUSTRY CO., LTD.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR UNDER EQUITY METHOD
YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

Name	Beginning balance		Additions		Decreases		Ending balance			Market price or Equity of subsidiaries and Associates			
	Number of shares (thousands of shares)	Amount	Number of shares (thousands of shares)	Amount	Number of shares (thousands of shares)	Amount	Number of shares (thousands of shares)	Percentage of ownership	Amount	Unit Price (NTD)	Total price	Collateral	Footnote
INTERMEDIUM INTERNATIONAL LIMITED	55,504	\$ 4,179,527	-	\$ 402,038	-	(\$ 151,059)	55,504	100%	\$ 4,430,506	\$ 79.82	\$ 4,430,506	None	—
Nanmat Technology Co., Ltd.	16,054	264,442	-	43,392	-	(16,054)	16,054	44.20%	291,780	18.17	291,780	"	—
	<u>71,558</u>	<u>\$ 4,443,969</u>	<u>-</u>	<u>\$ 445,430</u>	<u>-</u>	<u>(\$ 167,113)</u>	<u>71,558</u>		<u>\$ 4,722,286</u>		<u>\$ 4,722,286</u>		

NANTEX INDUSTRY CO., LTD.
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT-COST
YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(8) 'Property, plant and equipment' of parent company only financial statements.

NANTEX INDUSTRY CO., LTD.
STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT-ACCUMULATED
DEPRECIATION
YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(8) 'Property, plant and equipment' of parent company only financial statements for the change in accumulated depreciation of property, plant and equipment.

Refer to Note 4(14) 'Property, plant and equipment' of parent company only financial statements for the depreciation method and useful lives of the assets.

NANTEX INDUSTRY CO., LTD.
STATEMENT OF SHORT-TERM BORROWINGS
DECEMBER 31, 2019
 (Expressed in thousands of New Taiwan dollars)

<u>Nature</u>	<u>Description</u>	<u>December 31, 2019</u>	<u>Expiry date</u>	<u>Interest rate</u>	<u>Loan Commitments</u>	<u>Collateral</u>
Unsecured borrowings	Mega International Commercial Bank	\$ <u>100,000</u>	2019.8.28~2020.08.27	0.99%	\$ 200,000	None

NANTEX INDUSTRY CO., LTD.
STATEMENT OF ACCOUNTS PAYABLE
DECEMBER 31, 2019
 (Expressed in thousands of New Taiwan dollars)

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>
China Petrochemical Development Crop.	Account payable	\$ 67,373
Formosa Plastics Corp.	"	41,932
Chi Mei Corp.	"	29,331
Kao (Taiwan) Corp.	"	26,073
Others (less than 5%)	"	106,012
		<u>\$ 270,721</u>

NANTEX INDUSTRY CO., LTD.
STATEMENT OF OTHER PAYABLES
DECEMBER 31, 2019
 (Expressed in thousands of New Taiwan dollars)

Item	Amount
Accrued salaries and bonuses	\$ 219,840
Employees' compensation and directors' and supervisors' remuneration payable	90,515
Others (less than 5%)	55,048
	\$ 365,403

NANTEX INDUSTRY CO., LTD.
STATEMENT OF CURRENT INCOME TAX LIABILITIES
DECEMBER 31, 2019
 (Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Foodnote</u>
Income tax payable for 2019	—	\$ 140,497	—
Tax on undistributed earnings payable for 2018	—	<u>24,827</u>	—
		<u>\$ 165,324</u>	

NANTEX INDUSTRY CO., LTD.
STATEMENT OF DEFFERED INCOME TAX LIABILITIES
YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

Please refer to Note 6(22) for the information related to income tax.

NANTEX INDUSTRY CO., LTD.
STATEMENT OF OPERATING REVENUE
YEAR ENDED DECEMBER 31, 2019
 (Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Quantity</u>	<u>Total</u>
Latex	187,278 t	\$ 5,847,140
Nitrile butadiene rubber	10,191 t	825,175
Thermoplastic rubber	2,028 t	188,418
Carbon masterbatch rubber	871 t	91,229
Others	121 t	<u>7,388</u>
		6,959,350
Less: Sales returns		(1,684)
Sales discounts and allowances		<u>(645)</u>
Operating revenue, net		<u><u>\$ 6,957,021</u></u>

NANTEX INDUSTRY CO., LTD.
STATEMENT OF OPERATING COSTS
YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

Item	Amount
Raw materials at January 1, 2019	\$ 187,795
Add: Raw materials purchased	4,182,303
Transfer from research and development expense	42
Transfer from work in progress	463,298
Transfer from finished goods	41,896
Less: Transfer to supplies	(5,995)
Transfer to expenses	(1,948)
Sale of raw materials	(6,928)
Raw materials at December 31, 2019	(131,883)
Raw materials during the year	<u>4,728,580</u>
Supplies at January 1, 2019	14,473
Add: Supplies purchased	120,486
Transfer from raw materials	5,995
Supplies at December 31, 2019	(14,812)
Supplies used during the year	<u>126,142</u>
Direct labor	114,754
Manufacturing overhead	<u>555,977</u>
Manufacturing cost	5,525,453
Work in progress at January 1, 2019	50,305
Add: Work in progress purchased	2,203
Less: Transfer to raw materials	(463,298)
Transfer to expenses	(43,083)
Losses on scrap inventory	(9)
Work in progress at December 31, 2019	(47,921)
Cost of finished goods	<u>5,023,650</u>

NANTEX INDUSTRY CO., LTD.
STATEMENT OF OPERATING COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

Item	Amount
Finished goods at January 1, 2019	\$ 253,879
Add: Finished goods purchased	1,881
Less: Transfer to raw materials	(41,896)
Transfer to expenses	(987)
Losses on discard inventory	(454)
Losses on physical inventory	(1,551)
Finished goods at December 31, 2019	(221,330)
Cost of production and marketing	5,013,192
Sale of raw materials	6,928
Cost of goods sold	5,020,120
Loss on inventory market price decline	1,548
Losses on physical inventory	1,551
Losses on discarding inventory	463
Revenue from sale of scrap	(2,567)
Operating costs	<u>\$ 5,021,115</u>

NANTEX INDUSTRY CO., LTD.
STATEMENT OF MANUFACTURING OVERHEAD
YEAR ENDED DECEMBER 31, 2019
 (Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Amount</u>
Wages and salaries	\$ 108,154
Repair and maintance expense	65,315
Utilities expense	118,211
Depreciation	117,485
Fuel expense	45,840
Packaging materials	28,916
Others (less than 5%)	<u>72,056</u>
	<u>\$ 555,977</u>

NANTEX INDUSTRY CO., LTD.
STATEMENT OF SELLING EXPENSES
YEAR ENDED DECEMBER 31, 2019
 (Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Amount</u>
Wages and salaries	\$ 17,209
Freight	108,061
Packaging materials	99,010
Customs clearance fee	14,197
Others (less than 5%)	<u>31,282</u>
	<u>\$ 269,759</u>

NANTEX INDUSTRY CO., LTD.
STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES
YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Amount</u>
Wages and salaries	\$ 162,663
Insurance	11,799
Depreciation	25,877
Employee benefit expense	11,705
Directors' and supervisors' remuneration	74,566
Others (less than 5%)	<u>54,984</u>
	<u>\$ 341,594</u>

NANTEX INDUSTRY CO., LTD.
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Amount</u>
Wages and salaries	\$ 40,627
Repair and maintance expense	2,189
Insurance	2,491
Depreciation	8,218
Consumables	1,820
Others (less than 5%)	9,588
	<u>\$ 64,933</u>

NANTEX INDUSTRY CO., LTD.
STATEMENT OF FINANCE COSTS
YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(19) for the information related to finance cost.

NANTEX INDUSTRY CO., LTD.
STATEMENT OF SUMMARY OF EMPLOYEE BENEFITS, DEPRECIATION, AND
AMORTISATION EXPENSES IN THE CURRENT PERIOD
YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of New Taiwan dollars)

Refer to Note 6(20) 'Expenses by nature' and Note 6(21) 'Employee benefit expense' of parent company only financial statements.

NANTEX INDUSTRY CO., LTD.

Provision of endorsements and guarantees to others

Year ended December 31, 2019

Table 1

Expressed in thousands of NTD

Number	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 2)	Maximum outstanding endorsement/ guarantee amount during the year	Outstanding endorsement/ guarantee amount at December 31, 2019	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 2)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by parent subsidiary to company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
		Company name	Relationship with the endorser/ guarantor											
1	INTERMEDIUM INTERNATIONAL LIMITED	Bao Minh Textile & Garment	(Note 1)	\$ 886,101	\$ 95,866	\$ 95,866	\$ 70,078	\$ -	2%	\$ 2,215,253	N	N	N	-

(Note 1) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

(Note 2) Ceiling on total amount of endorsements/ guarantees provided by INTERMEDIUM INTERNATIONAL LIMITED to others is 50% of the company's net worth, and limit on endorsements/guarantees provided for a single party is 20% of the company's net worth. The relevant endorsements/guarantees have been reported to the shareholders.

(Note 3) The accounts denominated in foreign currencies in the table are translated into New Taiwan dollars at spot exchange rates (USD 1 : NTD 29.98) prevailing at the financial reporting date.

NANTEX INDUSTRY CO., LTD.

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

Year ended December 31, 2019

Table 2

Expressed in thousands of NTD

				As of December 31, 2019				
Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares	Book value	Ownership (%)	Fair value	Footnote
				(share or unit in thousands)				
NANTEX INDUSTRY CO., LTD.	Stocks:							
	President International Development Corp.	—	2	8,820	\$ 83,720	0.67%	\$ 83,720	—
	Lushun Warehouse Co., Ltd.	—	2	2,700	130,513	15.00%	130,513	—
	Micro Sava Co., Ltd.	—	2	1,021	368	0.52%	368	—
	Grand Bills Finance Corp.	—	2	720	8,641	0.13%	8,641	—
INTERMEDIUM INTERNATIONAL LIMITED	Bao Minh Textile & Garment	—	2	-	103,026	8.50%	103,026	—
Zhenjiang Nantex Chemical Industry., Ltd.	Financial instruments:							
	Bank of China RMB On Schedule Open Deposits	—	1	-	515,176	-	515,176	—

(Note 1) The accounts are classified into the following two categories; fill in the number of category each case belongs to:

1. Current financial assets at amortised cost
2. Non-current financial assets at fair value through other comprehensive income

(Note 2) The accounts denominated in foreign currencies in the table are translated into New Taiwan dollars at spot exchange rates (USD 1 : NTD 29.98; RMB 1 : NTD 4.2931) prevailing at the financial reporting date.

NANTEX INDUSTRY CO., LTD.

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital

Year ended December 31, 2019

Table 3

Expressed in thousands of NTD

Investor	Type of securities	General ledger account	Counterparty	Relationship	Balance as at January 1, 2019		Addition		Number of shares	Disposal		Gain (loss) on disposal	Balance as at December 31, 2019	
					Number of shares	Amount	Number of shares	Amount		Sale price	Book value		Number of shares	Amount
Zhenjiang Nantex Chemical Industry., Ltd.	Bank of China RMB On Schedule Open Deposits	Current financial assets at amortised cost	Bank of China Limited	—	—	\$ 804,979	—	\$ 2,506,568	—	\$ 2,815,946	(\$ 2,796,371)	\$ 19,575	—	\$ 515,176

(Note) The accounts denominated in foreign currencies in the table are translated into New Taiwan dollars at spot exchange rates (RMB 1 : NTD 4.2931) prevailing at the financial reporting date.

NANTEX INDUSTRY CO., LTD.

Significant inter-company transactions during the reporting period

Year ended December 31, 2019

Table 4

Expressed in thousands of NTD

Number (Note 2)	Company name	Counterparty	Relationship (Note 3)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 4)
				General ledger account	Amount	Transaction terms	
0	NANTEX INDUSTRY CO.,LTD.	Zhenjiang Nantex Chemical Industry., Ltd.	1	Sales revenue	(\$ 6,632)	Cash payment within 3 months	—
				Royalty income	(24,402)	Cash payment within 1 year	—
				Other receivables	20,540	—	—
1	Zhenjiang Nantex Chemical Industry., Ltd.	NANTEX INDUSTRY CO.,LTD.	2	Sales revenue	(1,766)	Cash payment within 2 months	—

(Note 1) If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, one side of then are disclosed.

(Note 2) The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

1. Parent company is '0'.
2. The subsidiaries are numbered in order starting from '1'.

(Note 3) Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to:

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.

(Note 4) Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

NANTEX INDUSTRY CO., LTD.

Information on investees

Year ended December 31, 2019

Table 5

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2019			Net profit (loss)	Investment income (loss)	Footnote
				Balance as at	Balance as at	Number of shares	(%)	Book value	of the investee for the	recognised by the Company	
				December 31, 2019	December 31, 2018				year ended	year ended	
									December 31, 2019	December 31, 2019	
NANTEX INDUSTRY CO.,LTD.	INTERMEDIUM INTERNATIONAL LIMITED	British Virgin Island's	General investments	\$ 1,799,716	\$ 1,799,716	55,503,757	100.00%	\$ 4,430,506	\$ 402,038	\$ 402,038	Subsidiary
	Nanmat Technology Co., Ltd.	Taiwan	CVD materials and metal surface treatment chemicals	172,400	172,400	16,054,238	44.20%	291,780	97,978	43,306	Subsidiary

(Note) The accounts denominated in foreign currencies in the table are translated into New Taiwan dollars at spot exchange rates (USD 1 : NTD 29.98) prevailing at the financial reporting date.

NANTEX INDUSTRY CO., LTD.
Information on investments in Mainland China
Year ended December 31, 2019

Table 6

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital (Note 1)	Investment method	Accumulated	Amount remitted from Taiwan		Accumulated	Net income of investee for the year ended December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income	Book value of investments in Mainland China as of December 31, 2019	Accumulated	Footnote
				amount of remittance from Taiwan to Mainland China	Amount remitted back to Taiwan for the year December 31, 2019	amount of remittance from Taiwan to Mainland China	(loss) recognised by the Company for the year ended December 31, 2019			amount of investment income remitted back to Taiwan as of December 31, 2019			
Zhenjiang Nantex Chemical Industry., Ltd.	Manufacture and sales of rubber and latex	\$ 2,026,648	Note 2	\$ 1,657,894	\$ -	\$ -	\$ 1,657,894	\$ 443,260	100.00	\$ 443,260	\$ 2,870,142	\$ -	

Company name	December 31, 2019	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 4)
NANTEX INDUSTRY CO.,LTD.	\$ 1,657,894	\$ 2,026,648	\$ 5,247,395	

(Note 1) Including capital increase out of earnings amounting to \$368,754.

(Note 2) Through investing in an existing company in the third area INTERMEDIUM INTERNATIONAL LIMITED, which then invested in the investee in Mainland China.

(Note 3) It was recognised based on the financial statements audited and attested by R.O.C. parent company's CPA.

(Note 4) It was calculated based 60% of net worth or consolidated net worth (whichever is higher).

(Note 5) The accounts denominated in foreign currencies in the table are translated into New Taiwan dollars at spot exchange rates (USD 1 : NTD 29.98; RMB 1 : NTD 4.2931) prevailing at the financial reporting date.

NANTEX INDUSTRY CO., LTD.

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

Year ended December 31, 2019

Table 7

Expressed in thousands of NTD

Investee in Mainland China	Provision of													
	Sale (purchase)		Property transaction		Accounts receivable (payable)		endorsements/guarantees or collaterals		Financing					
	Amount	%	Amount	%	Balance at December 31, 2019	%	Balance at December 31, 2019	Purpose	Maximum balance during the year ended December 31, 2019	Balance at December 31, 2019	Interest rate	Interest during the year ended December 31, 2019	Others (Note)	
Zhenjiang Nantex Chemical Industry., Ltd.	\$ 6,632	-	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ -	-	\$ -	-	\$ 24,402
	(1,766)	-	-	-	-	-	-	-	-	-	-	-	-	-

(Note) It refers to royalty revenue. As of December 31, 2019, the outstanding amount was \$20,540 after deducting the relevant tax payable.