

**NANTEX INDUSTRY CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
SEPTEMBER 30, 2020 AND 2019**

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

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

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

Introduction

We have reviewed the accompanying consolidated balance sheets of NANTEX INDUSTRY CO., LTD. and subsidiaries (the “Group”) as at September 30, 2020 and 2019, and the related consolidated statements of comprehensive income for the three months and nine months then ended, as well as the related consolidated statements of changes in equity and of cash flows for the nine months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 65, “Review of Financial Information Performed by the Independent Auditor of the Entity” in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As explained in Note 4(3), the financial statements and related information disclosed in Note 13 of an insignificant consolidated subsidiary, Nanmat Technology Co., Ltd., were not reviewed by independent auditors. Those statements reflect total assets of NT\$1,032,246 thousand and NT\$879,418 thousand, constituting 9.13% and 8.46% of the consolidated total assets, and total liabilities of NT\$319,806 thousand and NT\$243,930 thousand, constituting 15.39% and 12.77% of the consolidated total liabilities as at September 30, 2020 and 2019, respectively, and total comprehensive income of NT\$31,332 thousand, NT\$20,069 thousand, NT\$88,625 thousand and NT\$73,524 thousand, constituting 3.71%,

10.78%, 5.75% and 6.68% of the consolidated total comprehensive income for the three months and nine months then ended, respectively.

Qualified Conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of an insignificant consolidated subsidiary and the information disclosed in Note 13 been reviewed by independent auditors, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2020 and 2019, and of its consolidated financial performance for the three months and nine months then ended and its consolidated cash flows for the nine months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Lin, Tzu-Shu

Independent Accountants

Lin, Yung-Chih

PricewaterhouseCoopers, Taiwan

Republic of China

November 10, 2020

The accompanying consolidated 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 consolidated financial statements and independent auditors' report 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. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2020, DECEMBER 31, 2019 AND SEPTEMBER 30, 2019
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of September 30, 2020 and 2019 are reviewed, not audited)

Assets		Notes	September 30, 2020		December 31, 2019		September 30, 2019	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 3,626,997	32	\$ 3,109,762	29	\$ 3,251,073	31
1136	Current financial assets at	6(1)(3) and 8						
	amortised cost		1,312,896	12	1,404,920	13	890,908	9
1150	Notes receivable, net	6(4)	144,721	1	169,508	2	204,025	2
1170	Accounts receivable, net	6(4) and 12	1,299,086	11	1,305,801	12	1,373,411	13
1200	Other receivables		65,287	1	89,794	1	56,962	1
130X	Inventories	5 and 6(5)	798,599	7	883,560	8	887,899	8
1410	Prepayments		432,776	4	357,656	4	382,763	4
11XX	Total current assets		<u>7,680,362</u>	<u>68</u>	<u>7,321,001</u>	<u>69</u>	<u>7,047,041</u>	<u>68</u>
Non-current assets								
1517	Non-current financial assets at	6(6)						
	fair value through other							
	comprehensive income		410,516	4	326,268	3	303,745	3
1535	Non-current financial assets at	6(1)(3)						
	amortised cost		213,594	2	214,657	2	217,590	2
1600	Property, plant and equipment	6(7) and 8	2,422,824	21	2,313,901	22	2,322,928	22
1755	Right-of-use assets	6(8) and 7	106,447	1	121,852	1	127,858	1
1780	Intangible assets	6(9)	11,251	-	11,499	-	11,998	-
1840	Deferred income tax assets	6(25)	72,425	1	66,415	1	60,708	1
1915	Prepayments for equipment		112,336	1	17,838	-	26,337	-
1920	Guarantee deposits paid	8	846	-	547	-	547	-
1990	Other non-current assets		279,591	2	277,152	2	279,206	3
15XX	Total non-current assets		<u>3,629,830</u>	<u>32</u>	<u>3,350,129</u>	<u>31</u>	<u>3,350,917</u>	<u>32</u>
1XXX	Total assets		<u>\$ 11,310,192</u>	<u>100</u>	<u>\$ 10,671,130</u>	<u>100</u>	<u>\$ 10,397,958</u>	<u>100</u>

(Continued)

NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2020, DECEMBER 31, 2019 AND SEPTEMBER 30, 2019
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of September 30, 2020 and 2019 are reviewed, not audited)

Liabilities and Equity		Notes	September 30, 2020		December 31, 2019		September 30, 2019	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities								
2100	Short-term borrowings	6(10)	\$ 100,000	1	\$ 190,000	2	\$ 190,000	2
2110	Short-term notes and bills payable	6(11)	9,987	-	9,997	-	9,996	-
2130	Current contract liabilities	6(18)	161,032	1	81,019	1	77,245	1
2150	Notes payable		39	-	-	-	38	-
2170	Accounts payable		331,436	3	340,321	3	380,792	4
2200	Other payables	6(12)	733,896	7	632,585	6	626,135	6
2230	Current income tax liabilities	6(25)	269,135	2	199,423	2	131,426	1
2280	Current lease liabilities	6(8) and 7	6,262	-	21,422	-	15,672	-
2320	Long-term liabilities, current portion	6(13)	10,000	-	-	-	-	-
21XX	Total current liabilities		1,621,787	14	1,474,767	14	1,431,304	14
Non-current liabilities								
2540	Long-term borrowings	6(13)	20,000	-	-	-	-	-
2570	Deferred income tax liabilities	6(25)	313,346	3	309,384	3	312,663	3
2580	Non-current lease liabilities	6(8) and 7	66,395	1	64,948	-	75,516	-
2640	Net defined benefit liabilities	6(14)	56,038	-	76,372	1	91,040	1
25XX	Total non-current liabilities		455,779	4	450,704	4	479,219	4
2XXX	Total liabilities		2,077,566	18	1,925,471	18	1,910,523	18
Equity								
Equity attributable to owners of parent								
Share capital								
3110	Common stock	6(15)	4,924,167	43	4,924,167	46	4,924,167	47
Retained earnings								
3310	Legal reserve	6(16)	1,328,744	12	1,185,566	11	1,185,566	11
3320	Special reserve		433,442	4	433,442	4	433,442	4
3350	Unappropriated retained earnings		2,566,319	23	2,146,359	20	1,835,773	18
Other equity interest								
3400	Other equity interest	6(6)(17)	(417,588)	(4)	(312,231)	(2)	(246,115)	(2)
31XX	Total equity attributable to owners of the parent		8,835,084	78	8,377,303	79	8,132,833	78
36XX	Non-controlling interest		397,542	4	368,356	3	354,602	4
3XXX	Total equity		9,232,626	82	8,745,659	82	8,487,435	82
Significant Contingent Liabilities and Unrecognised Contract Commitments 7 and 9								
3X2X	Total liabilities and equity		\$ 11,310,192	100	\$ 10,671,130	100	\$ 10,397,958	100

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

NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)
(Reviewed, not audited)

Items	Notes	Three months ended September 30				Nine months ended September 30			
		2020		2019		2020		2019	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(18)	\$ 3,448,926	100	\$ 3,207,949	100	\$ 8,806,946	100	\$ 9,414,607	100
5000 Operating costs	6(5)(9)(14)(23)(24)	(1,865,948)	(54)	(2,465,999)	(77)	(5,539,916)	(63)	(6,952,114)	(74)
5900 Net operating margin		<u>1,582,978</u>	<u>46</u>	<u>741,950</u>	<u>23</u>	<u>3,267,030</u>	<u>37</u>	<u>2,462,493</u>	<u>26</u>
Operating expenses	6(9)(14)(23)(24) and 12								
6100 Selling expenses		(143,191)	(4)	(118,746)	(3)	(392,483)	(4)	(362,451)	(4)
6200 General and administrative expenses		(231,841)	(7)	(165,536)	(5)	(597,279)	(7)	(529,860)	(5)
6300 Research and development expenses		(27,208)	(1)	(22,537)	(1)	(73,239)	(1)	(68,717)	(1)
6450 Expected credit impairment (loss) gain		(546)	-	(458)	-	(2,276)	-	566	-
6000 Total operating expenses		(402,786)	(12)	(307,277)	(9)	(1,065,277)	(12)	(960,462)	(10)
6900 Operating profit		<u>1,180,192</u>	<u>34</u>	<u>434,673</u>	<u>14</u>	<u>2,201,753</u>	<u>25</u>	<u>1,502,031</u>	<u>16</u>
Non-operating income and expenses									
7100 Interest income	6(3)(19)	17,451	1	21,357	1	64,252	1	63,875	1
7010 Other income	6(6)(20)	13,021	-	6,493	-	21,472	-	15,782	-
7020 Other gains and losses	6(2)(21) and 12	(82,276)	(2)	13,995	-	(104,444)	(1)	41,884	-
7050 Finance costs	6(7)(8)(22) and 7	(1,774)	-	(748)	-	(3,043)	-	(1,906)	-
7000 Total non-operating income and expenses		(53,578)	(1)	41,097	1	(21,763)	-	119,635	1
7900 Profit before income tax		<u>1,126,614</u>	<u>33</u>	<u>475,770</u>	<u>15</u>	<u>2,179,990</u>	<u>25</u>	<u>1,621,666</u>	<u>17</u>
7950 Income tax expense	6(25)	(294,016)	(9)	(193,428)	(6)	(533,324)	(6)	(459,441)	(5)
8200 Profit for the period		<u>\$ 832,598</u>	<u>24</u>	<u>\$ 282,342</u>	<u>9</u>	<u>\$ 1,646,666</u>	<u>19</u>	<u>\$ 1,162,225</u>	<u>12</u>
Other comprehensive income (loss)									
Components of other comprehensive loss that will not be reclassified to profit or loss									
8316 Unrealised loss on financial assets measured at fair value through other comprehensive income	6(6)(17)	(\$ 8,950)	-	\$ -	-	(\$ 31,288)	-	(\$ 2,376)	-
Components of other comprehensive income (loss) that will be reclassified to profit or loss									
8361 Financial statements translation differences of foreign operations	6(17)	21,271	-	(96,247)	(3)	(73,036)	(1)	(58,776)	-
8367 Unrealised loss on valuation of investments in debt instruments measured at fair value through other comprehensive income, net	6(6)(17)	(1,033)	-	-	-	(1,033)	-	-	-
8300 Other comprehensive (loss) income for the period		<u>\$ 11,288</u>	<u>-</u>	<u>(\$ 96,247)</u>	<u>(3)</u>	<u>(\$ 105,357)</u>	<u>(1)</u>	<u>(\$ 61,152)</u>	<u>-</u>
8500 Total comprehensive income for the period		<u>\$ 843,886</u>	<u>24</u>	<u>\$ 186,095</u>	<u>6</u>	<u>\$ 1,541,309</u>	<u>18</u>	<u>\$ 1,101,073</u>	<u>12</u>
Profit attributable to:									
8610 Owners of the parent		\$ 815,115	23	\$ 271,144	9	\$ 1,597,213	18	\$ 1,121,199	12
8620 Non-controlling interest		17,483	1	11,198	-	49,453	1	41,026	-
Profit for the period		<u>\$ 832,598</u>	<u>24</u>	<u>\$ 282,342</u>	<u>9</u>	<u>\$ 1,646,666</u>	<u>19</u>	<u>\$ 1,162,225</u>	<u>12</u>
Comprehensive income attributable to:									
8710 Owners of the parent		\$ 826,403	23	\$ 174,897	6	\$ 1,491,856	17	\$ 1,060,047	12
8720 Non-controlling interest		17,483	1	11,198	-	49,453	1	41,026	-
Total comprehensive income for the period		<u>\$ 843,886</u>	<u>24</u>	<u>\$ 186,095</u>	<u>6</u>	<u>\$ 1,541,309</u>	<u>18</u>	<u>\$ 1,101,073</u>	<u>12</u>
Earnings per share (in dollars)									
9750 Basic		<u>\$ 1.66</u>		<u>\$ 0.55</u>		<u>\$ 3.24</u>		<u>\$ 2.28</u>	
9850 Diluted		<u>\$ 1.65</u>		<u>\$ 0.55</u>		<u>\$ 3.24</u>		<u>\$ 2.27</u>	

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

NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)
((Reviewed, not audited))

		Equity attributable to owners of the parent								
		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			
	Notes	Share capital - common stock	Legal reserve	Special reserve	Unappropriated retained earnings			Total	Non-controlling interest	Total equity
<u>Nine months ended September 30, 2019</u>										
Balance at January 1, 2019		\$ 4,924,167	\$ 1,032,070	\$ 433,442	\$ 1,754,420	(\$ 195,670)	\$ 10,707	\$ 7,959,136	\$ 333,843	\$ 8,292,979
Profit for the period		-	-	-	1,121,199	-	-	1,121,199	41,026	1,162,225
Other comprehensive income (loss) for the period	6(17)	-	-	-	-	(58,776)	(2,376)	(61,152)	-	(61,152)
Total comprehensive income (loss)		-	-	-	1,121,199	(58,776)	(2,376)	1,060,047	41,026	1,101,073
Distribution of 2018 net income:										
Legal reserve		-	153,496	-	(153,496)	-	-	-	-	-
Cash dividends	6(16)	-	-	-	(886,350)	-	-	(886,350)	-	(886,350)
Changes in non-controlling interests		-	-	-	-	-	-	-	(20,267)	(20,267)
Balance at September 30, 2019		<u>\$ 4,924,167</u>	<u>\$ 1,185,566</u>	<u>\$ 433,442</u>	<u>\$ 1,835,773</u>	<u>(\$ 254,446)</u>	<u>\$ 8,331</u>	<u>\$ 8,132,833</u>	<u>\$ 354,602</u>	<u>\$ 8,487,435</u>
<u>Nine months ended September 30, 2020</u>										
Balance at January 1, 2020		\$ 4,924,167	\$ 1,185,566	\$ 433,442	\$ 2,146,359	(\$ 346,729)	\$ 34,498	\$ 8,377,303	\$ 368,356	\$ 8,745,659
Profit for the period		-	-	-	1,597,213	-	-	1,597,213	49,453	1,646,666
Other comprehensive income (loss) for the period	6(17)	-	-	-	-	(73,036)	(32,321)	(105,357)	-	(105,357)
Total comprehensive income (loss)		-	-	-	1,597,213	(73,036)	(32,321)	1,491,856	49,453	1,541,309
Distribution of 2019 net income:										
Legal reserve		-	143,178	-	(143,178)	-	-	-	-	-
Cash dividends	6(16)	-	-	-	(1,034,075)	-	-	(1,034,075)	-	(1,034,075)
Changes in non-controlling interests		-	-	-	-	-	-	-	(20,267)	(20,267)
Balance at September 30, 2020		<u>\$ 4,924,167</u>	<u>\$ 1,328,744</u>	<u>\$ 433,442</u>	<u>\$ 2,566,319</u>	<u>(\$ 419,765)</u>	<u>\$ 2,177</u>	<u>\$ 8,835,084</u>	<u>\$ 397,542</u>	<u>\$ 9,232,626</u>

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

NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)
(Reviewed, not audited)

	Notes	Nine months ended September 30	
		2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 2,179,990	\$ 1,621,666
Adjustments			
Adjustments to reconcile profit (loss)			
Gains on valuation of financial assets at fair value through profit or loss		-	(13,069)
Expected credit impairment loss (gain)	12	2,276	(566)
Reversal of inventory market price decline	6(5)	(1,206)	(197)
Depreciation	6(7)(8)(23)	229,008	233,047
Losses on disposals of property, plant and equipment	6(21)	2,292	1,549
Property, plant and equipment transferred to expenses	6(7)	231	1,555
Amortisation	6(9)(23)	2,070	2,143
Interest income	6(19)	(64,252)	(63,875)
Dividend income	6(6)(20)	(10,951)	(8,051)
Interest expense	6(22)	3,043	1,906
Changes in operating assets and liabilities			
Changes in operating assets			
Current financial assets at fair value through profit or loss		-	22,632
Notes receivable		24,787	(18,865)
Accounts receivable		4,445	114,310
Other receivables		33,725	26,800
Inventories		86,167	128,979
Prepayments		(75,120)	(31,701)
Other non-current assets		(2,439)	3,158
Changes in operating liabilities			
Current contract liabilities		80,013	30,201
Notes payable		39	(149)
Accounts payable		(8,885)	27,078
Other payables		86,838	(99,082)
Net defined benefit liability		(20,334)	(18,502)
Cash inflow generated from operations		2,551,737	1,960,967
Interest received		55,034	61,880
Dividends received		10,951	8,051
Interest paid		(3,056)	(1,894)
Income tax paid		(465,660)	(561,267)
Net cash flows from operating activities		<u>2,149,006</u>	<u>1,467,737</u>

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NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)
(Reviewed, not audited)

	Notes	Nine months ended September 30 2020	2019
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Cash paid for acquisition of current financial assets at amortised cost		(\$ 2,504,769)	(\$ 2,957,649)
Proceeds from disposals of current financial assets at amortised cost		2,593,276	2,880,389
Acquisition of financial assets at fair value through other comprehensive income		(119,593)	(26,650)
Acquisition of non-current financial assets at amortised cost		-	(217,590)
Cash paid for acquisition of property, plant and equipment	6(27)	(312,983)	(83,981)
Interest paid for acquisition of property, plant and equipment	6(7)(22)(27)	(93)	(18)
Proceeds from disposal of property, plant and equipment		755	381
Increase in intangible assets	6(9)	(1,861)	(1,494)
Increase in prepayments for equipment		(94,498)	(15,888)
(Increase) decrease in guarantee deposits paid		(299)	81
Net cash flows used in investing activities		(440,065)	(422,419)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
(Decrease) increase in short-term borrowings	6(28)	(90,000)	120,000
Increase in long-term borrowings	6(28)	30,000	-
Payment of lease liabilities	6(28)	(16,367)	(16,222)
Payment of cash dividends	6(16)	(1,034,075)	(886,350)
Decrease in non-controlling interest		(20,267)	(20,267)
Net cash flows used in financing activities		(1,130,709)	(802,839)
Effect of foreign exchange rate changes		(60,997)	(34,121)
Net increase in cash and cash equivalents		517,235	208,358
Cash and cash equivalents at beginning of period	6(1)	3,109,762	3,042,715
Cash and cash equivalents at end of period	6(1)	\$ 3,626,997	\$ 3,251,073

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

NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

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

(Reviewed, not audited)

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 and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the manufacture, processing and sales of various types of latex, rubber 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 CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were reported to the Board of Directors on November 10, 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 endorsed by the FSC effective from 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board (“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
Amendment to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020 (Note)

Note: Earlier application from January 1, 2020 is allowed by the FSC.

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021

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

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

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

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by IASB
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018—2020	January 1, 2022
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform - Phase 2'	January 1, 2021

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Accounting Standard 34, 'Interim financial reporting' as endorsed by the FSC.

(2) Basis of preparation

A. Except for the following items, the consolidated 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 Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5, ‘Critical accounting judgements, estimates and key sources of assumption uncertainty’.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of the subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or

losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Business activities	Ownership (%)		Note
			September 30, 2020	December 31, 2019	
NANTEX INDUSTRY CO., LTD.	INTERMEDIUM INTERNATIONAL LIMITED	General investments	100.00%	100.00%	—
	Nanmat Technology Co., Ltd.	CVD materials and metal surface treatment chemicals	44.20%	44.20%	(Note)
INTERMEDIUM INTERNATIONAL LIMITED	Zhenjiang Nantex Chemical Industry, Ltd.	Manufacture and sales of rubber and latex	100.00%	100.00%	—

Name of investor	Name of subsidiary	Business activities	September 30, 2019	Note
NANTEX INDUSTRY CO., LTD.	INTERMEDIUM INTERNATIONAL LIMITED	General investments	100.00%	—
	Nanmat Technology Co., Ltd.	CVD materials and metal surface treatment chemicals	44.20%	(Note)
INTERMEDIUM INTERNATIONAL LIMITED	Zhenjiang Nantex Chemical Industry, Ltd.	Manufacture and sales of rubber and latex	100.00%	—

(Note) The Group has control over Nanmat Technology Co., Ltd. as the Group holds more than half of the voting rights of the Board of Directors.

The financial statements and related information disclosed in Note 13 of an insignificant consolidated subsidiary, Nanmat Technology Co., Ltd., were not reviewed by independent auditors. Those statements reflect total assets of \$1,032,246 and \$879,418, constituting 9.13% and 8.46% of the consolidated total assets, and total liabilities of \$319,806 and \$243,930, constituting 15.39% and 12.77% of the consolidated total liabilities as at September 30, 2020 and 2019, respectively, and total comprehensive income of \$31,332, \$20,069, \$88,625 and \$73,524, constituting 3.71%, 10.78%, 5.75% and 6.68% of the consolidated total comprehensive income for the three months and nine months then ended, respectively.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: The Group's non-controlling interests was immaterial, therefore, it is not applicable.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

- (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 are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities presented in each balance sheet are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.

- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) 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 for 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.

(6) Cash equivalents

- A. Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts 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 meet short-term cash commitments in operations are classified as cash equivalents.

(7) 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 Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

- D. The Group recognises the dividends income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) 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 Group'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 Group 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 Group'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.

(9) Notes and accounts receivable

- A. Accounts and notes receivable entitle the Group 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.

(10) 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 progress 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.

(11) 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 Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
- (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and

- (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 fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
 - (a) 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 Group and the amount of the dividend can be measured reliably.
 - (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(12) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost, at each reporting date, the Group 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 Group recognises the impairment provision for lifetime ECLs.

(13) Derecognition of financial assets

The Group 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 Group 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 Group has not retained control of the financial asset.

(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 Group 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:

Assets	Useful lives
Land improvements	20 ~ 40 years
Buildings and structures	3 ~ 65 years
Machinery and equipment	3 ~ 33 years
Leasehold improvements	5 ~ 10 years
Other equipment	3 ~ 20 years

(15) Leasing arrangements (lessee) — right-of-use assets/ lease liabilities

- 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 Group. 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 Group 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;
 - (c) Any initial direct costs incurred by the lessee; and
 - (d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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) Intangible assets

Trademarks, patent, computer software and royalty are stated initially at cost and amortised on a straight-line basis over its estimated economic life and terms of operating agreements of 5 to 20 years.

(17) Impairment of non-financial assets

The Group 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.

(18) Borrowings

- A. Borrowings comprise long-term and short-term bank borrowings 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 pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(19) 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 accounts and notes payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Derecognition of financial liabilities

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

(21) 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 the defined contribution plans, 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 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 the defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly.

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

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, 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 Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(22) Income taxes

- 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 and its subsidiaries 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 consolidated financial statement. 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 Group 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.

G. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

(23) 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.

(24) 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.

(25) 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 Group 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. 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, and the Group does not adjust the transition 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 Group recognises the incremental costs of obtaining a contract as an expense when incurred although the Group expects to recover those costs.

(26) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments.

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group'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. The related information is addressed below:

Evaluation of inventories

A. As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. As the inventories are mostly chemicals, the Group 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 specified period in the future. Therefore, there might be material changes to the evaluation.

B. As of September 30, 2020, the carrying amount of inventories was \$798,599.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Cash:			
Cash on hand	\$ 351	\$ 372	\$ 372
Checking accounts and demand deposits	<u>768,586</u>	<u>1,343,852</u>	<u>1,194,318</u>
	<u>768,937</u>	<u>1,344,224</u>	<u>1,194,690</u>
Cash equivalents:			
Time deposits	<u>2,858,060</u>	<u>1,765,538</u>	<u>2,056,383</u>
	<u>\$ 3,626,997</u>	<u>\$ 3,109,762</u>	<u>\$ 3,251,073</u>

A. The Group 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. As of September 30, 2020, December 31, 2019 and September 30, 2019, the Group's time deposits maturing in excess of three months and within one year were classified as current financial assets at amortised cost in the amount of \$1,310,896, \$887,744 and \$627,800, respectively. Additionally, the time deposits maturing in excess of one year were classified as non-current financial assets at amortised cost in the amount of \$213,594, \$214,657 and \$217,590, respectively.

C. Details of the Group's cash and cash equivalents pledged to others are provided in Note 8.

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

- A. On September 30, 2020, December 31, 2019 and September 30, 2019, the Group did not hold any current financial assets at fair value through profit or loss.
- B. The Group recognised net (loss) gain in the amount of \$—, (\$417), \$54 and \$161 (listed as ‘Other gains and losses’) for the three months and nine months ended September 30, 2020 and 2019, respectively.
- 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) Financial assets at amortised cost

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Current items:			
Time deposits maturing over three months	\$ 1,310,896	\$ 887,744	\$ 627,800
Time deposits pledged	2,000	2,000	2,000
Financial instruments	-	515,176	261,108
	<u>\$ 1,312,896</u>	<u>\$ 1,404,920</u>	<u>\$ 890,908</u>
Non-current items:			
Time deposits maturing in excess of one year	<u>\$ 213,594</u>	<u>\$ 214,657</u>	<u>\$ 217,590</u>

- A. The Group recognised interest income in profit or loss in relation to financial assets at amortised cost in the amount of \$7,758, \$13,637, \$24,117 and \$25,881 for the three months and nine months ended September 30, 2020 and 2019, respectively.
- B. As at September 30, 2020, December 31, 2019 and September 30, 2019, 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 Group was the carrying amount.
- C. As of September 30, 2020, December 31, 2019 and September 30, 2019, details of the Group’s financial assets at amortised cost pledged to others as collateral are provided in Note 8, ‘Pledged assets’.
- 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

	September 30, 2020	December 31, 2019	September 30, 2019
Notes receivable	\$ 144,721	\$ 169,508	\$ 204,025
Accounts receivable	\$ 1,300,589	\$ 1,307,077	\$ 1,374,969
Less: Loss allowance	(1,503)	(1,276)	(1,558)
	<u>\$ 1,299,086</u>	<u>\$ 1,305,801</u>	<u>\$ 1,373,411</u>

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

	September 30, 2020		December 31, 2019		September 30, 2019	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 1,212,354	\$ 144,721	\$ 1,014,976	\$ 169,508	\$ 1,186,227	\$ 204,025
Up to 90 days	86,880	-	276,728	-	185,741	-
Over 90 days	1,355	-	15,373	-	3,001	-
	<u>\$ 1,300,589</u>	<u>\$ 144,721</u>	<u>\$ 1,307,077</u>	<u>\$ 169,508</u>	<u>\$ 1,374,969</u>	<u>\$ 204,025</u>

The above ageing analysis was based on past due date.

- B. As of September 30, 2020, December 31, 2019 and September 30, 2019, the balance of notes receivable and accounts receivable were all from contracts with customers. As of January 1, 2020 and 2019, the balance of receivables from contracts with customers amounted to \$1,476,585 and \$1,674,439, respectively.
- C. As of September 30, 2020, December 31, 2019 and September 30, 2019, the Group 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 its carrying amount.
- E. Information relating to credit risk of notes receivable and accounts receivable is provided in Note 12(2), 'Financial instruments'.

(5) Inventories

	September 30, 2020		
	Cost	Allowance for market price decline	Book value
Merchandise	\$ 1,451	(\$ 633)	\$ 818
Raw materials	360,793	(17,579)	343,214
Materials	35,502	(71)	35,431
Work in progress	128,554	(10,990)	117,564
Finished goods	330,275	(28,703)	301,572
	<u>\$ 856,575</u>	<u>(\$ 57,976)</u>	<u>\$ 798,599</u>

December 31, 2019			
	Cost	Allowance for market price decline	Book value
Merchandise	\$ 1,122	(\$ 633)	\$ 489
Raw materials	393,296	(21,958)	371,338
Materials	38,277	(71)	38,206
Work in progress	144,842	(10,990)	133,852
Finished goods	365,205	(25,530)	339,675
	<u>\$ 942,742</u>	<u>(\$ 59,182)</u>	<u>\$ 883,560</u>

September 30, 2019			
	Cost	Allowance for market price decline	Book value
Merchandise	\$ 1,394	(\$ 633)	\$ 761
Raw materials	398,850	(21,053)	377,797
Materials	40,933	(71)	40,862
Work in progress	114,682	(14,638)	100,044
Finished goods	391,899	(23,464)	368,435
	<u>\$ 947,758</u>	<u>(\$ 59,859)</u>	<u>\$ 887,899</u>

The cost of inventories recognised as expense for the period:

Three months ended September 30,			
	2020	2019	
Cost of goods sold	\$ 1,855,291	\$ 2,420,369	
Loss on physical inventory	791	513	
Revenue from sale of scraps	(3,257)	(4,430)	
Provision for inventory market price decline	1,955	961	
Loss on discarding inventory	-	862	
Total cost of goods sold	<u>\$ 1,854,780</u>	<u>\$ 2,418,275</u>	

Nine months ended September 30,			
	2020	2019	
Cost of goods sold	\$ 5,495,880	\$ 6,831,220	
Loss on physical inventory	1,132	1,443	
Revenue from sale of scraps	(8,805)	(14,365)	
Reversal of inventory market price decline (Note)	(1,206)	(197)	
Loss on discarding inventory	-	862	
Total cost of goods sold	<u>\$ 5,487,001</u>	<u>\$ 6,818,963</u>	

(Note) The Group reversed a previous inventory write-down which was accounted for as reduction of cost of goods sold because the inventories which were previously provided with allowance were used during the nine months ended September 30, 2020 and the worldwide raw materials prices rose during the nine months ended September 30, 2019.

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

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Debt instruments:			
Corporate bonds	\$ 30,904	\$ -	\$ -
Valuation adjustment	(1,033)	-	-
	<u>29,871</u>	<u>-</u>	<u>-</u>
Equity instruments			
Listed stock	88,689	-	-
Unlisted stock	<u>262,742</u>	<u>265,766</u>	<u>269,410</u>
	351,431	265,766	269,410
Valuation adjustments	<u>29,214</u>	<u>60,502</u>	<u>34,335</u>
	<u>380,645</u>	<u>326,268</u>	<u>303,745</u>
	<u>\$ 410,516</u>	<u>\$ 326,268</u>	<u>\$ 303,745</u>

- A. The Group has elected to classify equity investments that are considered to be strategic investments and steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$401,522, \$326,268 and \$314,402 as at September 30, 2020, December 31, 2019 and September 30, 2019, respectively.
- B. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>Three months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
<u>Debt instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	(\$ <u>1,033</u>)	\$ <u>-</u>
Interest income recognised in profit or loss	<u>\$ -</u>	<u>\$ -</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	(\$ <u>8,950</u>)	\$ <u>-</u>
Dividend income recognised in profit or loss		
Held at end of period	<u>\$ 9,025</u>	<u>\$ 4,736</u>

	Nine months ended September 30,	
	2020	2019
<u>Debt instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	(\$ 1,033)	\$ -
Interest income recognised in profit or loss	\$ -	\$ -
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	(\$ 31,288)	(\$ 2,376)
Dividend income recognised in profit or loss		
Held at end of period	\$ 10,951	\$ 7,962

- C. As at September 30, 2020, December 31, 2019 and September 30, 2019, 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 Group was its carrying amount.
- D. The Group 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) Property, plant and equipment

		Land	Buildings and structures	Machinery and equipment	Leasehold improvements	Other equipment	Unfinished construction and equipment under acceptance	Total
<u>At January 1, 2020</u>	<u>Land</u>	<u>improvements</u>	<u>structures</u>	<u>equipment</u>	<u>improvements</u>	<u>equipment</u>	<u>under acceptance</u>	<u>Total</u>
Cost	\$ 461,888	\$ 14,580	\$ 1,649,124	\$ 5,125,236	\$ 7,960	\$ 637,032	\$ 110,921	\$ 8,006,741
Accumulated depreciation	-	(13,530)	(1,038,113)	(4,171,863)	(2,964)	(466,370)	-	(5,692,840)
	<u>\$ 461,888</u>	<u>\$ 1,050</u>	<u>\$ 611,011</u>	<u>\$ 953,373</u>	<u>\$ 4,996</u>	<u>\$ 170,662</u>	<u>\$ 110,921</u>	<u>\$ 2,313,901</u>
<u>Nine months ended September 30, 2020</u>								
At January 1	\$ 461,888	\$ 1,050	\$ 611,011	\$ 953,373	\$ 4,996	\$ 170,662	\$ 110,921	\$ 2,313,901
Additions - cost	-	-	935	51,450	-	46,341	228,826	327,552
Transferred after acceptance inspection	-	-	-	18,190	-	186	(18,376)	-
Disposal - cost	-	-	-	(6,955)	-	(11,343)	-	(18,298)
- accumulated depreciation	-	-	-	6,115	-	9,136	-	15,251
Depreciation	-	(190)	(41,060)	(143,865)	(548)	(25,468)	-	(211,131)
Reclassifications (Note)	-	-	(231)	1,579	-	(1,579)	-	(231)
Net exchange differences	-	-	(1,469)	(2,511)	-	(157)	(83)	(4,220)
At September 30	<u>\$ 461,888</u>	<u>\$ 860</u>	<u>\$ 569,186</u>	<u>\$ 877,376</u>	<u>\$ 4,448</u>	<u>\$ 187,778</u>	<u>\$ 321,288</u>	<u>\$ 2,422,824</u>
<u>At September 30, 2020</u>								
Cost	\$ 461,888	\$ 14,580	\$ 1,646,904	\$ 5,178,106	\$ 7,960	\$ 669,894	\$ 321,288	\$ 8,300,620
Accumulated depreciation	-	(13,720)	(1,077,718)	(4,300,730)	(3,512)	(482,116)	-	(5,877,796)
	<u>\$ 461,888</u>	<u>\$ 860</u>	<u>\$ 569,186</u>	<u>\$ 877,376</u>	<u>\$ 4,448</u>	<u>\$ 187,778</u>	<u>\$ 321,288</u>	<u>\$ 2,422,824</u>

(Note) Reclassified \$231 as expenses; buildings and structures and other equipment of \$231 and \$1,348, respectively, were reclassified as machinery and equipment.

			Buildings and	Machinery and	Leasehold	Other	Unfinished construction and equipment under acceptance	Total
	Land	Land improvements	structures	equipment	improvements	equipment		
<u>At January 1, 2019</u>								
Cost	\$ 461,888	\$ 14,580	\$ 1,668,600	\$ 5,160,621	\$ 7,960	\$ 616,402	\$ 76,889	\$ 8,006,940
Accumulated depreciation	-	(13,277)	(991,803)	(4,061,207)	(2,232)	(455,254)	-	(5,523,773)
	<u>\$ 461,888</u>	<u>\$ 1,303</u>	<u>\$ 676,797</u>	<u>\$ 1,099,414</u>	<u>\$ 5,728</u>	<u>\$ 161,148</u>	<u>\$ 76,889</u>	<u>\$ 2,483,167</u>
<u>Nine months ended September 30, 2019</u>								
At January 1	\$ 461,888	\$ 1,303	\$ 676,797	\$ 1,099,414	\$ 5,728	\$ 161,148	\$ 76,889	\$ 2,483,167
Additions - cost	-	-	328	17,664	-	34,646	29,124	81,762
Transferred after acceptance inspection	-	-	2,581	38,628	-	396	(41,605)	-
Disposal - cost	-	-	(614)	(8,787)	-	(13,193)	-	(22,594)
- accumulated depreciation	-	-	614	7,391	-	12,659	-	20,664
Depreciation	-	(190)	(43,933)	(148,795)	(548)	(21,659)	-	(215,125)
Reclassifications (Note)	-	-	-	426	-	(1,908)	(73)	(1,555)
Net exchange differences	-	-	(8,036)	(13,748)	-	(946)	(661)	(23,391)
At September 30	<u>\$ 461,888</u>	<u>\$ 1,113</u>	<u>\$ 627,737</u>	<u>\$ 992,193</u>	<u>\$ 5,180</u>	<u>\$ 171,143</u>	<u>\$ 63,674</u>	<u>\$ 2,322,928</u>
<u>At September 30, 2019</u>								
Cost	\$ 461,888	\$ 14,580	\$ 1,655,900	\$ 5,142,286	\$ 7,960	\$ 632,047	\$ 63,674	\$ 7,978,335
Accumulated depreciation	-	(13,467)	(1,028,163)	(4,150,093)	(2,780)	(460,904)	-	(5,655,407)
	<u>\$ 461,888</u>	<u>\$ 1,113</u>	<u>\$ 627,737</u>	<u>\$ 992,193</u>	<u>\$ 5,180</u>	<u>\$ 171,143</u>	<u>\$ 63,674</u>	<u>\$ 2,322,928</u>

(Note) Reclassified \$1,555 as expenses and other equipment of \$426 was reclassified as machinery and equipment.

A. Amount of borrowing costs capitalised as part of property, plant and equipment and the range of the interest rates for such capitalisation are as follows:

	Three months ended September 30,	
	2020	2019
Interest capitalised	\$ -	\$ -
Interest rates for capitalisation	—	—
	Nine months ended September 30,	
	2020	2019
Interest capitalised	\$ 93	\$ 18
Interest rates for capitalisation	1.08%	0.96%~1.08%

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

(8) Lease transactions — lessee

A. The Group leases various assets including land, buildings, machinery and business vehicles. Rental contracts are typically made for periods of 1 to 50 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 amounts of right-of-use assets and the depreciation charge are as follows:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 48,030	\$ 53,223	\$ 55,443
Buildings and structures	51,959	54,904	55,886
Machinery and equipment	3,724	12,024	14,161
Transportation equipment (Business vehicles)	2,734	1,701	2,368
	<u>\$ 106,447</u>	<u>\$ 121,852</u>	<u>\$ 127,858</u>
		<u>Three months ended September 30,</u>	
		<u>2020</u>	<u>2019</u>
		<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land		\$ 1,554	\$ 1,607
Buildings and structures		982	982
Machinery and equipment		3,122	2,832
Transportation equipment (Business vehicles)		268	537
		<u>\$ 5,926</u>	<u>\$ 5,958</u>

	Nine months ended September 30,	
	2020	2019
	Depreciation charge	Depreciation charge
Land	\$ 4,670	\$ 4,842
Buildings and structures	2,945	2,973
Machinery and equipment	8,785	8,496
Transportation equipment (Business vehicles)	1,477	1,611
	<u>\$ 17,877</u>	<u>\$ 17,922</u>

C. For the three months and nine months ended September 30, 2020 and 2019, the additions to right-of-use assets were \$2,585, \$—, \$3,034 and \$—, respectively.

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

	Three months ended September 30,	
	2020	2019
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 504	\$ 452
Expense on short-term leases or leases of low-value assets	54	73

	Nine months ended September 30,	
	2020	2019
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 1,135	\$ 1,210
Expense on short-term leases or leases of low-value assets	244	311

E. For the nine months ended September 30, 2020 and 2019, the Group's total cash outflow for leases were \$17,746 and \$17,743, respectively.

(9) Intangible assets

Nine months ended September 30, 2020					
	Trademarks	Patents	Computer Software	Royalty Income	Total
<u>At January 1, 2020</u>					
Cost	\$ 1,956	\$ 1,268	\$ 23,441	\$ 1,217	\$ 27,882
Accumulated amortisation	(990)	(548)	(13,203)	(1,128)	(15,869)
Net exchange differences	-	-	(514)	-	(514)
Net value	<u>\$ 966</u>	<u>\$ 720</u>	<u>\$ 9,724</u>	<u>\$ 89</u>	<u>\$ 11,499</u>
<u>2020</u>					
At January 1	\$ 966	\$ 720	\$ 9,724	\$ 89	\$ 11,499
Additions - acquired separately	114	-	1,747	-	1,861
Amortisation	(203)	(75)	(1,727)	(65)	(2,070)
Net exchange differences	-	-	(39)	-	(39)
At September 30	<u>\$ 877</u>	<u>\$ 645</u>	<u>\$ 9,705</u>	<u>\$ 24</u>	<u>\$ 11,251</u>
<u>At September 30, 2020</u>					
Cost	\$ 2,070	\$ 1,268	\$ 25,188	\$ 1,217	\$ 29,743
Accumulated amortisation	(1,193)	(623)	(14,930)	(1,193)	(17,939)
Net exchange differences	-	-	(553)	-	(553)
Net value	<u>\$ 877</u>	<u>\$ 645</u>	<u>\$ 9,705</u>	<u>\$ 24</u>	<u>\$ 11,251</u>
Nine months ended September 30, 2019					
	Trademarks	Patents	Computer Software	Royalty Income	Total
<u>At January 1, 2019</u>					
Cost	\$ 1,908	\$ 1,268	\$ 21,996	\$ 1,217	\$ 26,389
Accumulated amortisation	(849)	(473)	(11,025)	(982)	(13,329)
Net exchange differences	-	-	(184)	-	(184)
Net value	<u>\$ 1,059</u>	<u>\$ 795</u>	<u>\$ 10,787</u>	<u>\$ 235</u>	<u>\$ 12,876</u>
<u>2019</u>					
At January 1	\$ 1,059	\$ 795	\$ 10,787	\$ 235	\$ 12,876
Additions - acquired separately	128	-	1,366	-	1,494
Amortisation	(212)	(75)	(1,746)	(110)	(2,143)
Net exchange differences	-	-	(229)	-	(229)
At September 30	<u>\$ 975</u>	<u>\$ 720</u>	<u>\$ 10,178</u>	<u>\$ 125</u>	<u>\$ 11,998</u>
<u>At September 30, 2019</u>					
Cost	\$ 2,036	\$ 1,268	\$ 23,362	\$ 1,217	\$ 27,883
Accumulated amortisation	(1,061)	(548)	(12,771)	(1,092)	(15,472)
Net exchange differences	-	-	(413)	-	(413)
Net value	<u>\$ 975</u>	<u>\$ 720</u>	<u>\$ 10,178</u>	<u>\$ 125</u>	<u>\$ 11,998</u>

Details of amortisation on intangible assets are as follows:

	Three months ended September 30,	
	2020	2019
Operating costs	\$ 78	\$ 78
Selling expenses	190	18
General and administrative expenses	343	546
Research and development expenses	9	1
	<u>\$ 620</u>	<u>\$ 643</u>
	Nine months ended September 30,	
	2020	2019
Operating costs	\$ 258	\$ 167
Selling expenses	775	146
General and administrative expenses	947	1,675
Research and development expenses	90	155
	<u>\$ 2,070</u>	<u>\$ 2,143</u>

(10) Short-term borrowings

Type of borrowings	September 30, 2020	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	<u>\$ 100,000</u>	0.88%~1.05%	None
Type of borrowings	December 31, 2019	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	<u>\$ 190,000</u>	0.99%~1.20%	None
Type of borrowings	September 30, 2019	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	<u>\$ 190,000</u>	0.99%~1.20%	None

For the three months and nine months ended September 30, 2020 and 2019, the Group recognised interest expenses in profit or loss. Please refer to Note 6(22) for details.

(11) Short-term notes and bills payable

Type of borrowings	September 30, 2020	Interest rate	Collateral
Commercial papers payable	\$ 10,000	1.15%	None
Less: Unamortised discount	(13)		
	<u>\$ 9,987</u>		
Type of borrowings	December 31, 2019	Interest rate	Collateral
Commercial papers payable	\$ 10,000	1.15%	None
Less: Unamortised discount	(3)		
	<u>\$ 9,997</u>		

Type of borrowings	September 30, 2019	Interest rate	Collateral
Commercial papers payable	\$ 10,000	1.18%	None
Less: Unamortised discount	(4)		
	<u>\$ 9,996</u>		

A. The above commercial papers were issued and secured by Ta Ching Bills Finance Corp. for short-term financing.

B. For the three months and nine months ended September 30, 2020 and 2019, the Group recognised interest expenses in profit or loss. Please refer to Note 6(22) for details.

(12) Other payables

	September 30, 2020	December 31, 2019	September 30, 2019
Wages and salaries payable	\$ 404,351	\$ 360,519	\$ 356,796
Employees' compensation and directors' remuneration payable	97,650	90,515	70,088
Payable on equipment	20,263	5,787	1,453
Other payables	<u>211,632</u>	<u>175,764</u>	<u>197,798</u>
	<u>\$ 733,896</u>	<u>\$ 632,585</u>	<u>\$ 626,135</u>

(13) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	September 30, 2020	Interest rate	Collateral
Installment-repayment borrowings				
Unsecured borrowings	Borrowing period is from July 3, 2020 to July 3, 2023; interest is repayable monthly; principal is repayable quarterly from October 3, 2020	\$ 30,000	1.35%	None
Less: Current portion		(10,000)		
		<u>\$ 20,000</u>		

A. The Group had no long-term borrowings as of December 31, 2019 and September 30, 2019.

B. For the three months and nine months ended September 30, 2020 and 2019, the Group recognised interest expenses in profit or loss. Please refer to Note 6(22) for details.

(14) Pensions

- A. The Company and its domestic subsidiary have 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 injury at work will receive 20% in addition. The Company and its domestic subsidiary contribute monthly an amount equal to 2% ~ 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 and its domestic subsidiary 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 and its domestic subsidiary will make contributions for the deficit by next March. The relevant information is as follows:
- (a) For the aforementioned pension plan, the Group recognised pension costs of \$1,925, \$2,243, \$5,775 and \$6,730 for the three months and nine months ended September 30, 2020 and 2019, respectively.
 - (b) Expected contributions to the defined benefit pension plans of the Group for the next year amount to \$35,838.
- B. Effective July 1, 2005, the Company and its domestic subsidiary have 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 and its domestic subsidiary contribute 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 plans of the Group for the three months and nine months ended September 30, 2020 and 2019 were \$3,300, \$3,229, \$9,810 and \$9,600, respectively.

- C. The Company's mainland China subsidiary, Zhenjiang Nantex Chemical Industry., Ltd., has a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (P.R.C.) are based on 20% of employees' monthly salaries and wages. Other than the monthly contributions, this subsidiary has no further obligations. The pension costs under the defined contribution pension plan of this subsidiary for the three months and nine months ended September 30, 2020 and 2019 were \$ —, \$3,659, \$1,318 and \$12,057, respectively.

(15) Share capital

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

	Nine months ended September 30,	
	2020	2019
At beginning and end of period	492,417	492,417

- B. As of September 30, 2020, 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.

(16) 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 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. On June 16, 2020, the stockholders at their meeting approved to amend the original Articles of Incorporation of the Company as follows: 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 at least 20% of the unappropriated retained earnings, and the percentage of cash dividends shall not be less than 30% of dividends distributed. Based on the regulation, the Board of Directors of the Company shall adopt a special resolution to distribute whole or a part of the dividends in the form of cash and report to the stockholders, which is not applicable to the aforementioned provisions that are subject to stockholders' resolutions.

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 amount 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. Such special reserve 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. On June 16, 2020, the stockholders adopted a resolution to distribute cash dividends for 2019 of \$1,034,075 (\$2.1 (in dollars) per share).

(17) Other equity interest

<u>Nine months ended September 30, 2020</u>	<u>Foreign currency translation</u>	<u>Investment through other comprehensive income</u>	<u>Total</u>
At January 1	(\$ 346,729)	\$ 34,498	(\$ 312,231)
Currency translation differences —			
Group	(73,036)	-	(73,036)
Unrealised losses from financial assets measured at fair value through other comprehensive income	-	(32,321)	(32,321)
At September 30	(\$ 419,765)	\$ 2,177	(\$ 417,588)

Nine months ended September 30, 2019	Foreign currency translation	Investment through other comprehensive income	Total
At January 1	(\$ 195,670)	\$ 10,707	(\$ 184,963)
Currency translation differences – Group	(58,776)	-	(58,776)
Unrealised losses from financial assets measured at fair value through other comprehensive income	-	(2,376)	(2,376)
At September 30	(\$ 254,446)	\$ 8,331	(\$ 246,115)

(18) Operating revenue

A. Disaggregation of revenue from contracts with customers

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

	Three months ended September 30, 2020			
	NANTEX	INTERMEDIUM	Nanmat	Total
Revenue from latex products	\$ 1,624,085	\$ 647,193	\$ -	\$ 2,271,278
Revenue from rubber products	206,006	717,344	-	923,350
Revenue from chemical vapor deposition	-	-	222,614	222,614
Others	4,580	-	27,104	31,684
	<u>\$ 1,834,671</u>	<u>\$ 1,364,537</u>	<u>\$ 249,718</u>	<u>\$ 3,448,926</u>

	Three months ended September 30, 2019			
	NANTEX	INTERMEDIUM	Nanmat	Total
Revenue from latex products	\$ 1,510,747	\$ 319,252	\$ -	\$ 1,829,999
Revenue from rubber products	274,432	918,004	-	1,192,436
Revenue from chemical vapor deposition	-	-	151,240	151,240
Others	-	-	34,274	34,274
	<u>\$ 1,785,179</u>	<u>\$ 1,237,256</u>	<u>\$ 185,514</u>	<u>\$ 3,207,949</u>

	Nine months ended September 30, 2020			
	NANTEX	INTERMEDIUM	Nanmat	Total
Revenue from latex products	\$ 4,220,886	\$ 1,279,161	\$ -	\$ 5,500,047
Revenue from rubber products	593,471	1,997,827	-	2,591,298
Revenue from chemical vapor deposition	-	-	624,338	624,338
Others	6,828	-	84,435	91,263
	<u>\$ 4,821,185</u>	<u>\$ 3,276,988</u>	<u>\$ 708,773</u>	<u>\$ 8,806,946</u>

	Nine months ended September 30, 2019			
	NANTEX	INTERMEDIUM	Nanmat	Total
Revenue from latex products	\$ 4,268,293	\$ 1,009,988	\$ -	\$ 5,278,281
Revenue from rubber products	825,222	2,745,542	-	3,570,764
Revenue from chemical vapor deposition	-	-	451,156	451,156
Others	5,120	-	109,286	114,406
	<u>\$ 5,098,635</u>	<u>\$ 3,755,530</u>	<u>\$ 560,442</u>	<u>\$ 9,414,607</u>

B. Contract liabilities

- (a) On September 30, 2020, December 31, 2019 and September 30, 2019, the Group has recognised the revenue-related contract liabilities amounting to \$161,032, \$81,019 and \$77,245, respectively.
- (b) On January 1, 2020 and 2019, the contract liabilities were \$81,019 and \$47,044, respectively, and the contract liabilities at the beginning of 2020 and 2019 of \$1,310, \$—, \$75,573 and \$42,774 were recognised as revenue for the three months and nine months ended September 30, 2020 and 2019, respectively.

(19) Interest income

	Three months ended September 30,	
	2020	2019
Interest income from bank deposits	\$ 9,693	\$ 7,720
Interest income from financial assets at amortised cost	7,758	13,637
	<u>\$ 17,451</u>	<u>\$ 21,357</u>
	Nine months ended September 30,	
	2020	2019
Interest income from bank deposits	\$ 40,135	\$ 37,994
Interest income from financial assets at amortised cost	24,117	25,881
	<u>\$ 64,252</u>	<u>\$ 63,875</u>

(20) Other income

	Three months ended September 30,	
	2020	2019
Dividend income	\$ 9,025	\$ 4,825
Other income	3,996	1,668
	<u>\$ 13,021</u>	<u>\$ 6,493</u>

	Nine months ended September 30,	
	2020	2019
Dividend income	\$ 10,951	\$ 8,051
Other income	10,521	7,731
	<u>\$ 21,472</u>	<u>\$ 15,782</u>

(21) Other gains and losses

	Three months ended September 30,	
	2020	2019
Net foreign exchange (losses) gains	(\$ 78,765)	\$ 15,287
Losses on financial assets at fair value through profit or loss	- (	417)
Losses on disposals of property, plant and equipment	(682)	(1,384)
Other (losses) gains	(2,829)	509
	<u>(\$ 82,276)</u>	<u>\$ 13,995</u>

	Nine months ended September 30,	
	2020	2019
Net foreign exchange (losses) gains	(\$ 98,693)	\$ 44,380
Gains on financial assets at fair value through profit or loss	54	161
Losses on disposals of property, plant and equipment	(2,292)	(1,549)
Other losses	(3,513)	(1,108)
	<u>(\$ 104,444)</u>	<u>\$ 41,884</u>

(22) Finance costs

	Three months ended September 30,	
	2020	2019
Interest expense		
Bank loans	\$ 1,270	\$ 296
Lease liabilities	504	452
	<u>1,774</u>	<u>748</u>
Less: Capitalisation of qualifying assets	-	-
	<u>\$ 1,774</u>	<u>\$ 748</u>

	Nine months ended September 30,	
	2020	2019
Interest expense		
Bank loans	\$ 2,001	\$ 714
Lease liabilities	1,135	1,210
	<u>3,136</u>	<u>1,924</u>
Less: Capitalisation of qualifying assets	(93)	(18)
	<u>\$ 3,043</u>	<u>\$ 1,906</u>

(23) Expenses by nature

Three months ended September 30, 2020			
	Operating cost	Operating expense	Total
Employee benefit expense	\$ 125,305	\$ 227,043	\$ 352,348
Depreciation	57,293	17,221	74,514
Amortisation	78	542	620
	<u>\$ 182,676</u>	<u>\$ 244,806</u>	<u>\$ 427,482</u>
Three months ended September 30, 2019			
	Operating cost	Operating expense	Total
Employee benefit expense	\$ 90,899	\$ 171,509	\$ 262,408
Depreciation	57,874	18,769	76,643
Amortisation	78	565	643
	<u>\$ 148,851</u>	<u>\$ 190,843</u>	<u>\$ 339,694</u>
Nine months ended September 30, 2020			
	Operating cost	Operating expense	Total
Employee benefit expense	\$ 329,086	\$ 587,124	\$ 916,210
Depreciation	175,061	53,947	229,008
Amortisation	258	1,812	2,070
	<u>\$ 504,405</u>	<u>\$ 642,883</u>	<u>\$ 1,147,288</u>
Nine months ended September 30, 2019			
	Operating cost	Operating expense	Total
Employee benefit expense	\$ 306,420	\$ 474,556	\$ 780,976
Depreciation	178,283	54,764	233,047
Amortisation	167	1,976	2,143
	<u>\$ 484,870</u>	<u>\$ 531,296</u>	<u>\$ 1,016,166</u>

(24) Employee benefit expense

Three months ended September 30, 2020			
	Operating cost	Operating expense	Total
Salaries and wages	\$ 111,006	\$ 172,625	\$ 283,631
Labour and health insurance expenses	6,267	5,918	12,185
Pension costs	2,729	2,496	5,225
Other personnel expenses	5,303	46,004	51,307
	<u>\$ 125,305</u>	<u>\$ 227,043</u>	<u>\$ 352,348</u>
Three months ended September 30, 2019			
	Operating cost	Operating expense	Total
Salaries and wages	\$ 75,403	\$ 118,574	\$ 193,977
Labour and health insurance expenses	6,141	5,864	12,005
Pension costs	4,984	4,147	9,131
Other personnel expenses	4,371	42,924	47,295
	<u>\$ 90,899</u>	<u>\$ 171,509</u>	<u>\$ 262,408</u>
Nine months ended September 30, 2020			
	Operating cost	Operating expense	Total
Salaries and wages	\$ 288,524	\$ 444,153	\$ 732,677
Labour and health insurance expenses	17,625	18,781	36,406
Pension costs	8,837	8,066	16,903
Other personnel expenses	14,100	116,124	130,224
	<u>\$ 329,086</u>	<u>\$ 587,124</u>	<u>\$ 916,210</u>
Nine months ended September 30, 2019			
	Operating cost	Operating expense	Total
Salaries and wages	\$ 258,034	\$ 364,969	\$ 623,003
Labour and health insurance expenses	18,901	19,484	38,385
Pension costs	15,985	12,402	28,387
Other personnel expenses	13,500	77,701	91,201
	<u>\$ 306,420</u>	<u>\$ 474,556</u>	<u>\$ 780,976</u>

A. 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.

B. For the three months and nine months ended September 30, 2020 and 2019, the Company's employees' compensation was accrued at \$19,320, \$7,245, \$39,060 and \$28,035, respectively; while directors' and supervisors' remuneration was accrued at \$28,980, \$10,868, \$58,590 and \$42,053, respectively. The aforementioned amounts were recognised in salary expenses and other expenses. The expenses recognised for the nine months ended September 30, 2020 and 2019 were accrued based on the earnings of current period 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 amounted to \$89,965. The difference of (\$550) between the amounts resolved at the Board meeting and the amounts recognised in the 2019 financial statements of \$90,515 had been adjusted in the profit or loss for 2020.

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.

(25) Income tax

A. Income tax expense

Components of income tax expense:

	Three months ended September 30,	
	2020	2019
Current tax:		
Current tax on profits for the period	\$ 283,987	\$ 164,492
Tax on undistributed surplus earnings	12,727	25,544
Prior year income tax over estimation	(268)	(116)
Total current tax	<u>296,446</u>	<u>189,920</u>
Deferred tax:		
Origination and reversal of temporary differences	(2,430)	3,508
Income tax expense	<u>\$ 294,016</u>	<u>\$ 193,428</u>

	Nine months ended September 30,	
	2020	2019
Current tax:		
Current tax on profits for the period	\$ 526,062	\$ 410,661
Tax on undistributed surplus earnings	12,727	25,544
Prior year income tax (over) under estimation	(3,417)	16,494
Total current tax	<u>535,372</u>	<u>452,699</u>
Deferred tax:		
Origination and reversal of temporary differences	(2,048)	6,742
Income tax expense	<u>\$ 533,324</u>	<u>\$ 459,441</u>

B. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority. The Company does not have any administrative remedy as of November 10, 2020.

(26) Earnings per share

	Three months ended September 30, 2020		
	Amount after tax	Weighted average number of shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 815,115</u>	492,417	<u>\$ 1.66</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 815,115		
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	<u>-</u>	<u>783</u>	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 815,115</u>	<u>493,200</u>	<u>\$ 1.65</u>

Three months ended September 30, 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 of the parent	\$ 271,144	492,417	\$ 0.55
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 271,144		
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	896	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 271,144	493,313	\$ 0.55
Nine months ended September 30, 2020			
	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 of the parent	\$ 1,597,213	492,417	\$ 3.24
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,597,213		
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,179	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 1,597,213	493,596	\$ 3.24

Nine months ended September 30, 2019			
		Weighted average number of shares outstanding (shares in thousands)	EPS (in dollars)
	Amount after tax		
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,121,199	492,417	\$ 2.28
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 1,121,199		
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,189	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 1,121,199	493,606	\$ 2.27

(27) Supplemental cash flow information

A. Investing activities with partial cash payments:

Nine months ended September 30,			
	2020	2019	
Purchase of property, plant and equipment	\$ 327,552	\$ 81,762	
Add: Beginning balance of payable for equipment (listed as 'Other payables')	5,787	3,690	
Less: Ending balance of payable on equipment (listed as 'Other payables')	(20,263)	(1,453)	
Interest capitalisation	(93)	(18)	
Cash paid for purchase of property, plant and equipment	\$ 312,983	\$ 83,981	

B. Operating activities with no cash flow effects:

Nine months ended September 30,			
	2020	2019	
Write-off of loss allowance for accounts receivable	\$ 2,043	\$ -	

(28) Changes in liabilities from financing activities

Nine months ended September 30, 2020	Short-term borrowings	Short-term notes and bills payable	Lease liability	Long-term borrowings	Liabilities from financing activities-gross
At January 1	\$ 190,000	\$ 9,997	\$ 86,370	\$ -	\$ 286,367
Changes in cash flow from financing activities	(90,000)	-	(16,367)	30,000	(76,367)
Changes in other non- cash items	-	-	2,654	-	2,654
Changes in unamortised discount or premium	-	(10)	-	-	(10)
At September 30	<u>\$ 100,000</u>	<u>\$ 9,987</u>	<u>\$ 72,657</u>	<u>\$ 30,000</u>	<u>\$ 212,644</u>

Nine months ended September 30, 2019	Short-term borrowings	Short-term notes and bills payable	Lease liability	Liabilities from financing activities-gross
At January 1	\$ 70,000	\$ 9,984	\$ -	\$ 79,984
Effects of retrospective application	-	-	107,410	107,410
Changes in cash flow from financing activities	120,000	-	(16,222)	103,778
Changes in unamortised discount or premium	-	12	-	12
At September 30	<u>\$ 190,000</u>	<u>\$ 9,996</u>	<u>\$ 91,188</u>	<u>\$ 291,184</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
Tainan Spinning Co., Ltd. (Tainan Spinning)	The entity with significant influence to the Group
Lushun Warehouse Co., Ltd. (Lushun Warehouse)	The Company is the key management of this entity
Bao Minh Textile & Garment (Bao Minh)	The Company is the key management of this entity

(2) Significant related party transactions

A. Lease transactions — lessee

- (a) The Group leases raw material tanks and office space from Lushun Warehouse and Tainan Spinning. Rental contracts are typically made for periods of 3 and 20 years, respectively. Rents are paid monthly.
- (b) On January 1, 2019 (the date of initial application of IFRS 16), the Group increased right-of-use assets of related parties by \$79,433.

(c) Lease liabilities

(i) Outstanding balance

	September 30, 2020	December 31, 2019	September 30, 2019
Tainan Spinning	\$ 52,037	\$ 54,009	\$ 54,655
Lushun Warehouse	2,872	11,420	14,246
	<u>\$ 54,909</u>	<u>\$ 65,429</u>	<u>\$ 68,901</u>

(ii) Interest expense

	Three months ended September 30,	
	2020	2019
Tainan Spinning	\$ 286	\$ 300
Lushun Warehouse	19	65
	<u>\$ 305</u>	<u>\$ 365</u>
	Nine months ended September 30,	
	2020	2019
Tainan Spinning	\$ 869	\$ 701
Lushun Warehouse	92	229
	<u>\$ 961</u>	<u>\$ 930</u>

B. Endorsements and guarantees

Details of provision of endorsements and guarantees to related parties are provided in Note 9.

(3) Key management compensation

	Three months ended September 30,	
	2020	2019
Salaries and other short-term employee benefits	<u>\$ 58,859</u>	<u>\$ 29,959</u>
	Nine months ended September 30,	
	2020	2019
Salaries and other short-term employee benefits	<u>\$ 146,643</u>	<u>\$ 109,274</u>

8. PLEDGED ASSETS

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

Pledged asset	September 30, 2020	December 31, 2019	September 30, 2019	Purpose
Pledged time deposits (Note 1)	\$ 2,000	\$ 2,000	\$ 2,000	Customs guarantee
Land (Note 2)	448,185	448,185	448,185	Collateral for borrowing facilities
Buildings and structures, net (Note 2)	14,109	16,837	17,746	Collateral for borrowing facilities
Guarantee deposits paid	413	413	413	Performance guarantee
	<u>\$ 464,707</u>	<u>\$ 467,435</u>	<u>\$ 468,344</u>	

Note 1: Listed as ‘Current financial assets at amortised cost’.

Note 2: Listed as ‘Property, plant and equipment’.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) As of September 30, 2020, December 31, 2019 and September 30, 2019, the Group’s remaining balance due for construction in progress and prepayment for equipment were \$138,798, \$47,285 and \$25,817, respectively.

(2) As of September 30, 2020, December 31, 2019 and September 30, 2019, the Group’s unused letters of credit amounted to \$72,295, \$135,382 and \$47,684, respectively.

(3) The significant purchase contracts entered into by the Group are as follows:

Suppliers	Items	Price	Purchase quantity (t)		
			September 30, 2020	December 31, 2019	September 30, 2019
CPC Corporation, Taiwan	Butadiene (BD)	Floating	19,098	20,448	20,448
Formosa Petrochemical Corp.	Butadiene (BD)	Floating	20,400	14,400	14,400
NanJing GongXi Chemical Limited Company	Butadiene (BD)	Floating	15,600	13,800	13,800
BASF-YPC Company Limited	Butadiene (BD)	Floating	29,000	31,000	31,000
China Petrochemical Development Corp.	Acrylonitrile (AN)	Floating	12,000	12,000	12,000
YUGE (SHANGHAI) CHEMICAL CO., LTD.	Acrylonitrile (AN)	Floating	10,800	10,800	10,800
Formosa Plastics Corp.	Acrylonitrile (AN)	Floating	4,800	4,800	4,800
Shanghai Legend Petrochemical Co., Ltd.	Acrylonitrile (AN)	Floating	5,100	4,200	4,200
WeiQiang International Trade (SHANGHAI) Co., Ltd.	Acrylonitrile (AN)	Floating	2,760	3,360	3,360
Taiwan Styrene Monomer Corp.	Styrene (SM)	Floating	1,800	1,800	1,800

As of September 30, 2020, 75,580 tonnes of BD, 38,245 tonnes of AN and 1,005 tonnes of SM were purchased.

(4) Details of the Group’s endorsements and guarantees are as follows:

Endorser/guarantor	Party being endorsed/ guaranteed	Purpose	September 30, 2020	December 31, 2019	September 30, 2019
INTERMEDIUM INTERNATIONAL LIMITED	Bao Minh Textile & Garment	Guarantee for borrowings	\$ 93,052	\$ 95,866	\$ 99,255

As of September 30, 2020, December 31, 2019 and September 30, 2019, Bao Minh Textile & Garment has drawn from the endorsements and guarantees in the amount of \$68,021, \$70,078 and \$72,556,

respectively.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group'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 Group 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>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
<u>Financial assets</u>			
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	\$ 380,645	\$ 326,268	\$ 303,745
Qualifying equity instrument	29,871	-	-
	<u>\$ 410,516</u>	<u>\$ 326,268</u>	<u>\$ 303,745</u>
Financial assets at amortised cost/Loans and receivables			
Cash and cash equivalents	\$ 3,626,997	\$ 3,109,762	\$ 3,251,073
Financial assets at amortised cost	1,526,490	1,619,577	1,108,498
Notes receivable	144,721	169,508	204,025
Accounts receivable	1,299,086	1,305,801	1,373,411
Other receivables	65,287	89,794	56,962
Guarantee deposits paid	846	547	547
	<u>\$ 6,663,427</u>	<u>\$ 6,294,989</u>	<u>\$ 5,994,516</u>

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Short-term borrowings	\$ 100,000	\$ 190,000	\$ 190,000
Short-term notes and bills payable	9,987	9,997	9,996
Notes payable	39	-	38
Accounts payable	331,436	340,321	380,792
Other payables	733,896	632,585	626,135
Long-term borrowings (including current portion)	30,000	-	-
	<u>\$ 1,205,358</u>	<u>\$ 1,172,903</u>	<u>\$ 1,206,961</u>
Lease liability	<u>\$ 72,657</u>	<u>\$ 86,370</u>	<u>\$ 91,188</u>

B. Financial risk management policies

- (a) The Group'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 Group's overall risk management programme focuses on the unpredictable events in financial markets and seeks to reduce potential adverse effects on the Group's financial position and financial performance.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group'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 Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- (ii) Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

- (iii) The Group 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 Group's foreign operations is managed primarily through liabilities denominated in the relevant foreign currencies.
- (iv) The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD and RMB). 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>September 30, 2020</u>			<u>December 31, 2019</u>		
	Foreign currency amount			Foreign currency 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	\$	77,606	29.10	\$	76,674	29.98
USD : RMB		18,569	6.81		10,990	6.98
JPY : NTD		30,000	0.28		-	-
<u>Financial liabilities</u>						
Monetary items						
USD : NTD		231	29.10		851	29.98
USD : RMB		301	6.81		-	-
				<u>September 30, 2019</u>		
				Foreign currency amount		
				<u>(in thousands)</u>	<u>Exchange rate</u>	
<u>Financial assets</u>						
Monetary items						
USD : NTD				\$	68,021	31.04
USD : RMB					10,012	7.13

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 Group's net profit after tax for the nine months ended September 30, 2020 and 2019 would have increased/decreased by \$22,333 and \$19,377, respectively.

- (v) Total exchange (losses) gains, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the three months and nine months ended September 30, 2020 and 2019 amounted to (\$78,765), \$15,287, (\$98,693) and \$44,380, respectively.

II. Price risk

- (i) The Group'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 Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.
- (ii) The Group'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 nine months ended September 30, 2020 and 2019 would have both increased/decreased by \$ —, 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 \$38,065 and \$30,375, 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

- (i) The Group's main interest rate risk arises from bank borrowings with floating rates, which expose the Group to cash flow interest rate risk. During the nine months ended September 30, 2020 and 2019, the Group's borrowings at floating rate were mainly denominated in New Taiwan dollars.
- (ii) The Group's borrowings are long-term and 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 Group 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 and at fair value through other comprehensive income.
- II. The Group manages its credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their 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 Group 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 Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- V. The Group classifies customer's accounts receivable in accordance with credit rating of customer and customer types. The Group applies the modified approach using loss rate methodology to estimate expected credit loss under the provision matrix basis.
- VI. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable as the Group's counterparties all have high credit quality and have no default record after assessment.
- VII. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable are as follows:

	Nine months ended September 30,	
	2020	2019
At January 1	\$ 1,276	\$ 2,143
Provision for (reversal of) impairment loss	2,276 (	566)
Write-offs	(2,043)	-
Effect of foreign exchange	(6)	(19)
At September 30	<u>\$ 1,503</u>	<u>\$ 1,558</u>

- VIII. The Group's investments in debt instruments at fair value through other comprehensive income are all rated as investment grade by any external credit rating agency at the balance sheet date, therefore its loss allowance is financial instruments measured at 12 months expected credit losses.

(c) Liquidity risk

- I. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group'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 Group 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 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 Group has the following undrawn borrowing facilities:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Floating rate:			
Expiring within one year	<u>\$ 4,079,814</u>	<u>\$ 3,256,490</u>	<u>\$ 3,294,416</u>

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

<u>September 30, 2020</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	\$ 100,212	\$ -	\$ -	\$ -
Short-term notes and bills payable	10,000	-	-	-
Notes payable	39	-	-	-
Accounts payable	331,436	-	-	-
Other payables	733,896	-	-	-
Lease liability	13,416	10,130	15,907	42,456
Long-term borrowings (including current portion)	10,354	10,219	10,084	-
<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	\$ 190,079	\$ -	\$ -	\$ -
Short-term notes and bills payable	10,000	-	-	-
Accounts payable	340,321	-	-	-
Other payables	632,585	-	-	-
Lease liability	22,932	9,883	18,530	45,887

September 30, 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities:				
Short-term borrowings	\$ 190,115	\$ -	\$ -	\$ -
Short-term notes and bills payable	10,000	-	-	-
Notes payable	38	-	-	-
Accounts payable	380,792	-	-	-
Other payables	626,135	-	-	-
Lease liability	23,107	12,738	19,625	47,000

V. The Group 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 Group's investment in listed stocks and Corporate bonds are 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 Group's investment in financial instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group'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, guarantee deposits paid, short-term borrowings, short-term notes and bills payable, notes payable, accounts payable, other payables, long-term borrowings (including current portion) 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>September 30, 2020</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	\$ 83,450	\$ -	\$ 297,195	\$ 380,645
Debt securities	29,871	-	-	29,871
	<u>\$ 113,321</u>	<u>\$ -</u>	<u>\$ 297,195</u>	<u>\$ 410,516</u>
 <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	\$ -	\$ -	\$ 326,268	\$ 326,268
 <u>September 30, 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	\$ -	\$ -	\$ 303,745	\$ 303,745

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

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

	<u>Listed shares</u>	<u>Corporate bond</u>
Market quoted price	Closing price	Weighted average quoted 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 nine months ended September 30, 2020 and 2019, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the nine months ended September 30, 2020 and 2019:

	Equity securities
At January 1, 2020	\$ 326,268
Losses recognised in other comprehensive income	(26,049)
Net exchange differences	(3,024)
At September 30, 2020	<u>\$ 297,195</u>
	Equity securities
At January 1, 2019	\$ 278,583
Additions	26,650
Losses recognised in other comprehensive income	(2,376)
Net exchange differences	888
At September 30, 2019	<u>\$ 303,745</u>

- G. For the nine months ended September 30, 2020 and 2019, there was no transfer into or out from Level 3.
- H. Financial segment is in charge of valuation procedures for fair value measurements being categorised 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 September 30, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 297,195	Discounted cash flow	Weighted average cost of capital	6.48%~10.60%	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, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 326,268	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 September 30, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 303,745	Discounted cash flow	Weighted average cost of capital	7.42%~10.27%	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 Group 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 on profit or loss or other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

		Nine months ended September 30, 2020					
		Recognised in profit or loss		Recognised in other comprehensive income			
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change	
Financial assets							
Equity instruments	Weighted average cost of capital	±10%	\$ -	\$ -	\$ 10,218	(\$ 8,436)	
	Discount for lack of marketability	±10%	-	-	3,431	(3,431)	
			\$ -	\$ -	\$ 13,649	(\$ 11,867)	

			Nine months ended September 30, 2019			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instruments	Weighted average cost of capital	±10%	\$ -	\$ -	\$ 11,046	(\$ 8,906)
	Discount for lack of marketability	±10%	-	-	3,093	(3,093)
			<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,139</u>	<u>(\$ 11,999)</u>

13. SUPPLEMENTARY DISCLOSURES

(According to the current regulatory requirements, the Company is only required to disclose the information for the nine months ended September 30, 2020)

(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 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.

(4) Major shareholders information

Major shareholders information: Please refer to table 8.

14. SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. There is no material change in the basis for formation of entities and division of segments in the Group or in the measurement basis for segment information during this period.

(2) Segment information

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	Nine months ended September 30, 2020			
	NANTEX	INTERMEDIUM	Nanmat	Total
Segment revenue	\$ 4,828,013	\$ 3,276,988	\$ 708,773	\$ 8,813,774
Inter-segment revenue	6,828	-	-	6,828
Revenue from external customers	4,821,185	3,276,988	708,773	8,806,946
Interest income	19,686	44,285	281	64,252
Depreciation and amortisation	120,266	75,430	35,382	231,078
Finance cost	2,322	58	663	3,043
Segment income before tax	1,853,603	876,877	110,782	2,841,262
Capital expenditure for non-current assets	282,199	97,371	29,865	409,435

	Nine months ended September 30, 2019			
	NANTEX	INTERMEDIUM	Nanmat	Total
Segment revenue	\$ 5,103,000	\$ 3,757,296	\$ 560,442	\$ 9,420,738
Inter-segment revenue	4,365	1,766	-	6,131
Revenue from external customers	5,098,635	3,755,530	560,442	9,414,607
Interest income	16,693	46,874	308	63,875
Depreciation and amortisation	112,092	87,872	35,226	235,190
Finance cost	962	-	944	1,906
Segment income before tax	1,344,129	549,761	91,934	1,985,824
Capital expenditure for non-current assets	28,952	47,455	24,974	101,381

(3) Reconciliation for segment income (loss)

Sales between segments are carried out at arm's length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income.

A reconciliation of reportable segment income or loss to the income/(loss) before tax from continuing operations for the nine months ended September 30, 2020 and 2019 is provided as follows:

	Nine months ended September 30,	
	2020	2019
Reportable operating segments income before income tax	\$ 2,841,262	\$ 1,985,824
Segment loss	(661,272)	(364,158)
Profit before income tax	<u>\$ 2,179,990</u>	<u>\$ 1,621,666</u>

NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

Nine months ended September 30, 2020

Table 1

Expressed in thousands of NTD

Number	Endorser/ guarantor	Company name	Party being endorsed/guaranteed Relationship with the endorser/ guarantor	Limit on endorsements/ guarantees provided for a single party (Note 2)	Maximum outstanding endorsement/ guarantee amount during the period	Outstanding endorsement/ guarantee amount at September 30, 2020	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 company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
1	INTERMEDIUM INTERNATIONAL LIMITED	Bao Minh Textile & Garment	(Note 1)	\$ 995,914	\$ 93,052	\$ 93,052	\$ 68,021	\$ -	2%	\$ 2,489,785	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 29.10) prevailing at the financial reporting date.

NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES

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

September 30, 2020

Table 2

Expressed in thousands of NTD

		As of September 30, 2020						
Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares (shares or units in thousands)	Book value	Ownership (%)	Fair value	Footnote
NANTEX INDUSTRY CO., LTD.	Bonds:							
	NATWEST MARKETS PLC.	—	Non-current financial assets at fair value through other comprehensive income	—	\$ 29,871	—	\$ 29,871	—
	Stocks:							
	Formosa Chemicals & Fibre Corp.	—	"	1,000	67,700	0.02%	67,700	—
	Cleanaway Company Limited	—	"	100	15,750	0.09%	15,750	—
	President International Development Corp.	—	"	8,820	81,826	0.67%	80,452	—
	Lushun Warehouse Co., Ltd.	—	"	2,700	109,580	15.00%	131,829	—
	Micro Sava Co., Ltd.	—	"	1,021	365	0.52%	364	—
	Grand Bills Finance Corp.	—	"	720	5,422	0.13%	5,425	—
	Bao Minh Textile & Garment	—	"	-	100,002	8.50%	100,002	—
INTERMEDIUM INTERNATIONAL LIMITED								

NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES

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

Nine months ended September 30, 2020

Table 3

Expressed in thousands of NTD

Investor	Type of securities	General ledger account	Counterparty	Relationship	Balance as at January 1, 2020		Addition		Disposal			Balance as at September 30, 2020		
					Number of shares	Amount	Number of shares	Amount	Number of shares	Sale price	Book value	Gain (loss) on disposal	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	—	—	\$ 515,176	—	\$ 1,193,873	—	\$ 1,718,275	\$ 1,709,049	\$ 9,226	—	\$ -

(Note) The accounts denominated in foreign currencies in the table are translated into New Taiwan dollars at spot exchange rates (RMB 1 : NTD 4.2719) prevailing at the financial reporting date.

NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES
Significant inter-company transactions during the reporting period
Nine months ended September 30, 2020

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	(\$ 6,828)	Cash payment within 3 months	—
				Royalty income	(18,774)	Cash payment within 1 year	—
				Accounts receivable	2,219	—	—
				Other receivables	15,802	—	—

(Note 1) If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, one side of them 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. AND SUBSIDIARIES

Information on investees (not including investees in China)

Nine months ended September 30, 2020

Table 5

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2020			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	
				September 30, 2020	December 31, 2019				nine months ended	for the nine months ended	
									September 30, 2020	September 30, 2020	
NANTEX INDUSTRY CO., LTD.	INTERMEDIUM INTERNATIONAL LIMITED	British Virgin Islands	General investments	\$ 1,799,716	\$ 1,799,716	55,503,757	100.00%	\$ 4,979,570	\$ 622,100	\$ 622,100	Subsidiary
	Nanmat Technology Co., Ltd.	Taiwan	CVD materials and metal surface treatment chemicals	172,400	172,400	16,054,238	44.20%	314,898	88,625	39,172	Subsidiary

NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

Nine months ended September 30, 2020

Table 6

Expressed in thousands of NTD												
Investee in Mainland China	Main business activities	Paid-in capital (Note 1)	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the nine months ended September 30, 2020	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2020	Net income of investee for the nine months ended September 30, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine months ended September 30, 2020 (Note 3)	Book value of investments in Mainland China as of September 30, 2020	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2020	Footnote
Zhenjiang Nantex Chemical Industry., Ltd.	Manufacture and sales of rubber and latex	\$ 1,967,160	Note 2	\$ 1,609,230	\$ - \$ -	\$ 1,609,230	\$ 653,693	100.00	\$ 653,693	\$ 3,117,910	\$ -	—
Company name	September 30, 2020	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.	\$ 1,609,230	\$ 1,967,160	\$ 5,539,576									

(Note 1) Including capital increase out of earnings amounting to \$357,930.

(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 reviewed 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 29.10; RMB 1 : NTD 4.2719) prevailing at the financial reporting date.

NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES

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

Nine months ended September 30, 2020

Table 7

Expressed in thousands of NTD

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
	Amount	%	Amount	%	Balance at September 30, 2020	%	Balance at September 30, 2020	Purpose	Maximum balance during the nine months ended September 30, 2020	Balance at September 30, 2020	Interest rate	Interest during the nine months ended September 30, 2020	Others (Note)
Zhenjiang Nantex Chemical Industry, Ltd.	\$ 6,828	-	\$ -	-	\$ 2,219	-	\$ -	-	\$ -	\$ -	-	\$ -	\$ 18,774

(Note) It refers to royalty revenue. As of September 30, 2020, the outstanding amount was \$15,802 after deducting the relevant tax payable of \$2,972.

NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES

Major shareholders information

September 30, 2020

Table 8

(Expressed in shares)

Name of major shareholders	Number of shares held		Ownership (%)	Footnote
	Common share	Preferred share		
Tainan Spinning Co., Ltd.	105, 549, 052	–	21. 43%	—
Nan Fan Housing Development Co., Ltd.	27, 362, 884	–	5. 55%	—

(Note) The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preferred shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation.

The share capital which was recorded on the financial statements may be different from the actual number of shares in dematerialised form due to the difference in the calculation basis.