Stock Code: 2108

南帝化學工業股份有限公司
NANTEX INDUSTRY CO., LTD.

2019 Annual Report

Date of Publication: May 4, 2020

NANTEX INDUSTRY CO., LTD. Website:
http://nantex.com.tw/

Company Annual Report Inquiry Website:
http://mops.twse.com.tw/

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Name of any exchanges where the company's securities are traded offshore, and the method by which to access information on said offshore securities: None

Company Website: http://www.nantex.com.tw

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One. Letter to Shareholders

Dear Shareholders,

Looking back on 2019, at the impacts of the trade war between the U.S. and China as well as the Middle East air raid risk arising from the conflict between the U.S. and Iran, along with the weakening of global economic growth and the uncertainty in the market due to relatively violent fluctuations in the international oil price etc., all these factors introduce great challenges to the Company in various aspects. Fortunately, with the great effort and dedication of the entire team of the Company, despite a decrease in the revenue, the profit of the Company was able to be maintained at a certain level.

<I. 2019 Business Report >

1. Financial Results:

   The consolidated revenue of the Company for the whole year was NT$ 12.392 billion, an annual decrease of approximately 10.3%. The revenue of Linyuan Plant reached NT$ 6.95 billion, a decrease of approximately 10.3% from last year. The revenue of Zhenjiang Plant was NT$ 4.683 billion, a decrease of approximately 11.2% from last year. For the invested Nanmat Technology Co., Ltd., the annual revenue was NT$ 759 million, a decrease of approximately 4.1% from last year. The standalone income before tax of the Company for the year was NT$ 1.709 billion, net income after tax was NT$ 1.427 billion, return on equity was 17.5%, return on asset was 15.0%, and the basic earnings per share was NT$ 2.90. The consolidated income before tax was NT$ 2.03 billion, net income after tax was NT$ 1.481 billion (including minority holding of NT$ 55 million), return on equity was 17.4%, return on asset was 14.2% and the basic earnings per share was NT$ 2.90.

   Synthetic latex

   Synthetic latex is the main product of Linyuan Plant of the Company and accounts for more than 80% of the revenue of Linyuan Plant. The product quality is stable, unique, and outstanding such that it has been able to gain customers' trust and satisfaction. With successful development of new customers, the customer group and sales volume of synthetic latex in this year slightly increased from last year. As for the sales price, the sales price was reduced due to the drop in the price of the key raw material of butadiene. Nevertheless, with the advantages in the product quality, both the gross margin and profit indicated growth from last year. With regard to Zhenjiang Plant, due to the impact of the severe competition in the market of synthetic latex for gloves, the sales volume and amount decreased from last year. Nonetheless, with the price drop of the key raw material of butadiene and appropriate control of the management and marketing expenses, the gross margin and profit still indicated growth.

   NBR rubber

   The international natural rubber market had recovered from the bottom; however, the market competition was still severe. Despite the fact that the sales volume of

Linyuan Plant was reduced this year, nevertheless, due to the flexible sales strategy adopted, the profit still increased. For Zhenjiang Plant, with the product quality advantage and the business expansion of new customers and new applications, such that the sales volume was increased from the same period of last year, but both the gross margin and profit were decreased due to the drop of the sales price.

TPV Thermoplastic Vulcanizate

TPV Thermoplastic Vulcanizate has been qualified in the customer sample inspection and evaluation with certification over the past years, and the sales volume and customer group have demonstrated growth this year. In the future, the Company continues to strengthen the business promotion and cost management such that the future profit is expected to increase gradually.

Carbon Master Batch

With regard to Carbon Master Batch, in addition to the commitment in the quality stability and the development of new products, the Company also actively expands markets in Mainland China and overseas markets. In this year, the sales volume indicated a slight decrease; however, the profit was still stable.

2. Research and Development Status:

In 2019, the research and development expense of Linyuan Plant was NT$ 64.93 million, accounting for approximately 0.9% of the revenue, a slight increase from last year.

Synthetic latex

Through proper use of the existing emulsion polymerization technology, satisfying the market demands for thin gloves with high physical properties while complying with the regulations of environmental protection, we seek to continuously improve the application performance of the synthetic latex and to utilize existing equipment to further achieve the most optimal design and function for synthetic latex, thereby satisfying the needs of business operators.

NBR rubber

The development of special Nitrile Butadiene Rubber (NBR) and the environmental type of NBR has expanded into the fields of bonding agents, flexible printed circuit boards, and LED application. In addition, such products have been gradually promoted to overseas markets.

TPV Thermoplastic Vulcanizate

TPV Thermoplastic Vulcanizate focuses on the application of auto parts, and the products for the applications of car window strips and shock absorber dust boots have continued to demonstrate stable production quantity and shipment. In addition, price-oriented products have been developed to expand the market in Mainland China and overseas markets in Southeast Asia, and the niche of the existing production line is also expanded. Other fields of applications, such as cable sheath parts, have been verified by customers and are entering the electronic component market gradually.

Carbon Master Batch

Blend glue of wet blending NBR/PVC and fusion grade NBR/PVC blend glue have been developed completely and are under mass production for shipment.

3. Financial Revenue/Expenditure Analysis:

   The financial policy of the Company has always adhered to the principle of stable and steady growth. With continuous shortening of account recovery period, the currently available financial fund is enough to cope with the future needs, such that the financial fund is ample and without any shortage. With regard to the financial structure of Linyuan Plant, the debt-to-equity ratio is approximately 14:86, i.e. the Company’s own fund is sufficient, and the corporate risk exposure level is low. The current ratio and quick ratio reach 369.2% and 308.1% respectively, indicating that the Company’s liquidity is excellent, and the capital turnover is relatively flexible.

<II. 2020 Business Plan Overview>

1. Business Plan:

   For the outlook of 2020, as the oil price is expected to continue its decline, and the concern that the global economy is not likely to recover at least until the end of the first half of the year, which in turn affects the price of the key raw material of butadiene continuing to be at low price, along with the continuous expansion of the production capacity in the competitive market, the Company will adopt the customer-oriented marketing approach while facing rapid changes in the future domestic and foreign environments. In addition, the Company is committed to the product research and innovation, cost reduction and increase of production capacity in order to continuously and effectively improve customer satisfaction and strengthening customer relationship in light of maintaining the competitive advantages and profitability continuously as well as achieving sustainable operation of the Company.

   Synthetic latex

   The Company will continue to strengthen the relationship of Nantex with the leading companies in glove business in order to jointly develop high-end and high-value product application and promotion in light of maximizing the difference from other competition opponents in the market. In addition, the Company also develops synthetic latex for special industrial gloves and purposes other than gloves and continuously evaluate auxiliaries of different sources in order to reduce cost and to satisfy various customer market demands. Furthermore, the Company also actively develops new customers in order to maintain the leading brand position in the market.

   NBR rubber

   To establish the brand position in the Asian market, the Company utilizes technical services to understand customer demands and launches new NBR rubber suitable and satisfying the market demands in order to secure the brand position in the market.

TPV Thermoplastic Vulcanizate

The Company will continue to expand the planning in the auto industry sale, enhance customer sales, advertisement and trade show, technical service and application promotion, in order to further increase the popularity of the green material Dynaprene TPV brand reputation.

Carbon Master Batch

Develop new product types and new applications to increase sales.

2. Estimated Production and Sales:
   For the main product sales volume in 2020, it is estimated that the sales of synthetic latex of Linyuan Plan can reach 211 thousand tons, NBR rubber can reach approximately 12 thousand tons. For Zhenjiang Plant, the sales of both synthetic latex and NBR rubber are estimated to be approximately 50 thousand tons respectively.

<III. Overall Economic Environment and Company Industry Trend Analysis>

1. Overall Economic Environment:
   Look into 2020, both the U.S. And China are expected to reach an initial trade agreement and the tension between the two may be relieved temporarily. In addition, with the preventive interest rate reduction in the U.S. and various finance and economy stimulating policies implemented by all major countries, along with factor of the low base period, it is expected that the global economic growth in 2020 will be better than 2019. Nevertheless, due to the impact of the Novel Coronavirus (COVID-19) epidemic at the beginning of 2020 and the violent fluctuation of oil price, along with the consideration that the level of impact of the conflict between the U.S. and China on Taiwan’s economy is still significant, the challenges and changes of the future economic environment are still expected to be severe.
2. Industry Trend:
   Regarding the products of synthetic latex, with the increasing global safety and health protection awareness, the glove market is expected to be driven for growth. Despite that the Company faces the challenges of price increase of the key raw material of butadiene and the continuous increase of competitors’ production capacity, nevertheless, the glove synthetic latex products of the Company are still of great advantages in terms of the product physical properties and use convenience, such that the future outlook is promising. Regarding the NBR rubber, the market competition is still severe, nevertheless, the overall demand is still relatively stable.

<IV. Future Development Strategy>

1. Professional Sprout and Resource Development Strategy:
   Use the existing core technology platform for emulsion polymerization and plastic rubber TPV to derive different customized materials, high-value distinctiveness, refinement or intelligent materials, and expand applications to

different fields, in order to achieve greater quality performance and after-sale service, and continuous competition advantages in professional consultation and product/service system integration.

2. Regional, Globalization, Market-Oriented Development Strategy:
   Starting from the innovation of finished product application, equipment processing and raw material design, implement traditional industry characterization, manufacturing industry integrated with service, service industry integrated with technology and international standards as well as develop patent portfolio or obtain certification and verification. In addition, through the expansion of brand channels, Nantex looks forward to developing its business in greater markets.

We sincerely appreciate all shareholders for the long-term support and feedbacks. The management team will continue to uphold the attitude of "Continuous Improvement, Excel for Excellence" in the operation of the Company with best effort. We expect that the business of the Company will continue to grow sustainably and profitably.

Chairman: Managerial Officer: Accounting Manager:

Two. Company introduction

I. Establishment Date: January 10, 1979

II. Company History:

1. In January 1979, the Company was approved for establishment by the Ministry of Economic Affairs. The registered capital was NT$ 50 million, the Chairman was Hsiu-Chi Wu, and the President was Wen-Hsiung Wu.
2. February 1982, SBR and NBR synthetic rubber latex plant was officially in production, and products were launched in the market in April.
3. May 1983, NBR rubber plant was constructed completely. The plant operation commenced in June, and products were launched in the market. In August of the same year, synthetic latex board plant was constructed completely. The plant operation was commenced in September, and products were launched in the market.
4. In July 1987, reorganization of the board of directors was executed, Kao-Hui Cheng acted as the Chairman, and Wen-Hsiung Wu acted as the President.
5. In August 1987, SBR and NBR synthetic rubber latex plant expansion construction was completed.
6. In May 1988, the construction of Carbon Master Batch plant was completed. The second phase of the construction was also completed in November, and products were launched in the market in the same year.
7. In January 1989, the expansion of the second production line for synthetic latex board was constructed completely.
8. In June 1990, the Securities and Exchange Commission approved the listing of the Company’s stocks at OTC.
9. In October 1991, to cope with the integration of the corporate image and product trademark of the Company, the English name of the Company was changed to NANTEX INDUSTRY CO., LTD (original English name was PRESIDENT FINE CHEMICAL INDUSTRY CO., LTD.)
10. In August 1992, the Securities and Exchange Commission approved the listing of the Company’s stocks at TWSE and the Company officially listed at the TWSE in October.
11. In March 1993, SBR and NBR synthetic rubber latex plant third phase expansion construction was completed.
12. In 1994, the Company received the five-star award of National Outstanding Enterprise in Promotion of Labor Safety and Health. (For three consecutive years from 1991~1993, the Company received the award of National Outstanding Enterprise in Promotion of Labor Safety and Health)
13. In 1995, the Company received the 5th term of National Enterprise Environmental Protection award. In November, the Company qualified for the ISO 9002 quality management system approval registration by the Bureau of Standards, Metrology and Inspection, MOEA.
14. In 1996, the Company received the highest honor for national promotion of autonomous protection system: Three Plum Blossom Award.
15. In April 1996, the third production line of synthetic latex board plant expansion construction was completed.
16. In July 1997, the Company re-invested in and established NANMAT TECHNOLOGY CO., LTD.
17. In June 1999, SBR and NBR synthetic rubber latex plant fourth phase expansion construction was completed.
18. In February 2000, President Wen-Hsiung Wu retired under mandatory retirement, and Kuei-Hsien Hsu assumed the position of President.
19. In May 2001, the Company qualified for the ISO -14001 environmental management system

approval registration by the Bureau of Standards, Metrology and Inspection, MOEA.

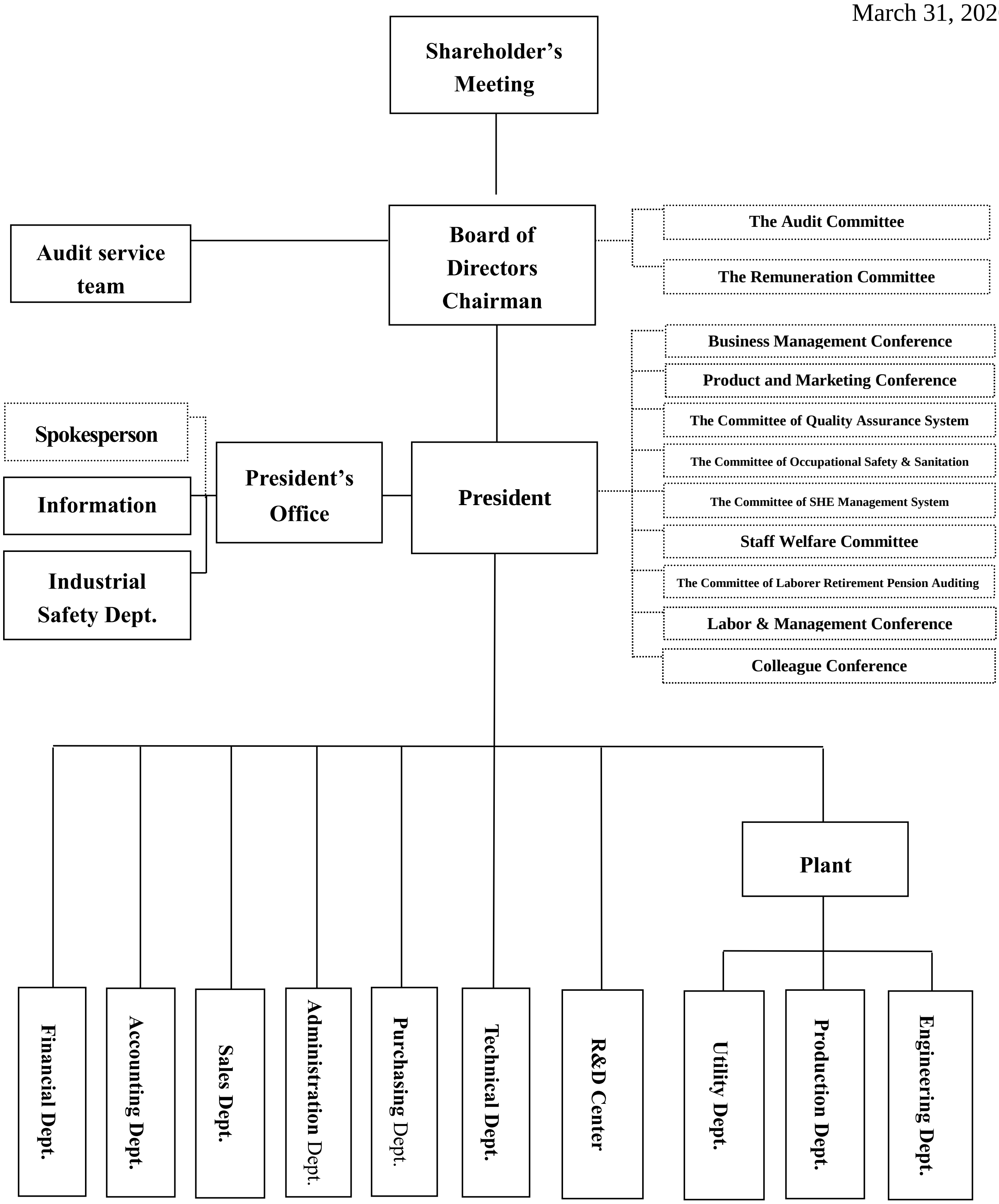
20. In October 2001, the Company re-invested in and established Zhenjiang Nantex Chemical Industry Co., Ltd. in Mainland China.
21. In February 2003, the Company qualified for the ISO -9001 quality management system approval registration by the Bureau of Standards, Metrology and Inspection, MOEA.
22. In August 2003, thermoplastic rubber plant was constructed completely.
23. In September 2003, the plant of Zhenjiang Nantex Chemical Industry Co., Ltd. re-invested was constructed completely. Trial operation was performed, and products were launched in the market.
24. In June 2004, a reorganization of the board of directors was executed, Tung-Yuan Yang acted as the Chairman, and Kuei-Hsien Hsu continued to act as the President.
25. In November 2007, the expansion of the second production line of thermoplastic rubber was constructed completely.
26. In September 2009, President Kuei-Hsien Hsu retired under mandatory retirement, and Hua-Tang Cheng assumed the position of President.
27. In April 2010, the Company qualified for the OHSAS 18001 occupational safety and health management system and TOSHMS Taiwan occupational safety and health management system approval registration by the Bureau of Standards, Metrology and Inspection, MOEA.
28. In June 2012, the synthetic latex board plant was discontinued.
29. In October 2013, SBR and NBR synthetic rubber latex plant fifth phase expansion construction was completed.
30. In March 2015, President Hua-Tang Cheng retired under mandatory retirement, and Chien-Chu Hsu assumed the position of President.
31. In July 2017, SBR and NBR synthetic rubber latex plant sixth phase expansion construction was completed.
32. Through the capital increase over the past years, the accumulated capital at the end of 2019 was NT$ 4,924,166,590.

Three. Corporate Governance Report

I. Organization System

(I) Organization

March 31, 2020



(II) Responsibilities of Main Departments

(1) Audit service team: Auditing and improvement tracking of company systems.
(2) Information Team: Planning, development, maintenance of information system as well as information integration application and training.
(3) Industrial Safety Team: Promotion and supervision of industrial safety and environment protection related plan.
(4) Financial Department: Financial management and financial affairs operation.
(5) Accounting Department: Budget, accounts and cost settlement for the entire company.
(6) Sales Department: Domestic and export sales business related to synthetic latex, rubber and Carbon Master Batch and trademark use management.
(7) Administration Department: Relevant personnel, services, stock affairs, planning, management system and human resource planning, management related information handling.
(8) Material Department: Management of relevant materials, warehouse storage and transportation.
(9) Technology Department: Product technical service and quality assurance, process improvement for synthetic latex, rubber and Carbon Master Batch.
(10) R&D Center: Research and development of new products and new technologies as well as new raw material evaluation.
(11) Factory: Supervise Manufacturing Department, Engineering Department, Public Utility Department and production management, engineering planning evaluation and responsible for company document control.
(12) Manufacturing Department: Production management for synthetic latex, rubber, thermoplastic rubber and Carbon Master Batch products.
(13) Engineering Department: Installation, maintenance and repair of machines and instrument equipment of the entire plant.
(14) Public Utility Department: Operation and maintenance of public utilities and environmental protection equipment and synthetic latex filling.

II. Information of Directors, Supervisors, President, Vice Presidents, Assistant Presidents, Managers of Departments and Branches

(I) Information of the Directors and Supervisors I:

April 18, 2020

Title	Nationality or registration country	Name	Gender	Date elected	Term of Office	Date of job assumption after first election	Shareholding while elected		Current shareholding		Shares held by spouse and minor children		Shareholding by nominee arrangement		Main experience (educational background)	Current adjunct positions at the Company and other companies	Other managers, directors or supervisors with relationship of spouse or within second degree of kinship			Remarks
							Number of Shares	Shareholding percentage	Number of Shares	Shareholding percentage	Number of Shares	Shareholding percentage	Number of Shares	Shareholding percentage			Title	Name	Relationship	
Chairman	Tainan City	Tainan Spinning Co., Ltd.		June 19, 2019	3	June 9, 2004	105,549,052	21.43	105,549,052	21.43	–	–	–	–	–	–	–	–	–	–
	Republic of China (R.O.C.)	Representative: Tung-Yuan Yang	Male	June 19, 2019	3	June 9, 2004	–	–	–	–	–	–	–	–	Department of Business Administration, National Cheng Kung University	Chairman of Nanmat Technology Co., Ltd., Consultant of Tainan Spinning Co., Ltd., Director of Zhenjiang Nantex Chemical Co., Ltd.	–	–	–	–
Director	Tainan City	Tainan Spinning Co., Ltd.		June 19, 2019	3	August 21, 1989	105,549,052	21.43	105,549,052	21.43	–	–	–	–	–	–	–	–	–	–
	Republic of China (R.O.C.)	Representative: Po-Ming Hou	Male	June 19, 2019	3	August 21, 1989	2,334,311	0.47	2,334,311	0.47	–	–	–	–	Chinese Culture University	Group President of Tainan Spinning Co., Ltd., Chairman of Tainan Spinning (Vietnam) Co., Ltd., Chairman of Nanfang International Investment, Chairman of Nanfang Construction Co., Ltd., Chairman of T.S. Retail & Distribution Co., Ltd., Director of Uni-President Enterprise Corporation, Director of Prince Housing and Development Corp., Director of President International Development Corporation, Director of Howard Beach Resort Kenting Co., Ltd., Director of ScinoPharm Taiwan, Ltd., Director of Zhenjiang Nantex Co., Ltd., Director of Nanmat Technology Co., Ltd.	Director	Po-Yu Hou	Brothers	–
Director	Republic of China (R.O.C.)	Li-Ling Cheng	Female	June 19, 2019	3	July 25, 1987	7,493,782	1.52	7,493,782	1.52	129,572	0.03	–	–	Department of Agricultural Economics, National Taiwan University	Director of Tainan Spinning Co., Ltd., Director of Zhenjiang Nantex Co., Ltd., Director of Nanmat Technology Co., Ltd.	Director Director	Pi-Ying Cheng Po-Tsang Tu	Sisters Spouse	–
Director	Tainan City	Tainan Spinning Co., Ltd.		June 19, 2019	3	June 4, 1998	105,549,052	21.43	105,549,052	21.43	–	–	–	–	–	–	–	–	–	–
	Republic of China (R.O.C.)	Representative: Liang-Hung Wu	Male	June 19, 2019	3	May 27, 1989	1,861,044	0.38	1,941,044	0.39	421,653	0.09	–	–	Department of Economics, National Taiwan	Chairman of Kung Ching International Development Co., Ltd., Vice Chairman of T.H. Wu Foundation, Vice Chairman of Shin Ho Sing Ocean Enterprise Co., Ltd.,	–	–	–	–

Title	Nationality or registration country	Name	Gender	Date elected	Term of Office	Date of job assumption after first election	Shareholding while elected		Current shareholding		Shares held by spouse and minor children		Shareholding by nominee arrangement		Main experience (educational background)	Current adjunct positions at the Company and other companies	Other managers, directors or supervisors with relationship of spouse or within second degree of kinship			Remarks
							Number of Shares	Shareholding percentage	Number of Shares	Shareholding percentage	Number of Shares	Shareholding percentage	Number of Shares	Shareholding percentage			Title	Name	Relationship	
															University	Director of Tainan Spinning Co., Ltd.				
Director	Tainan City	Tainan Spinning Co., Ltd.		June 19, 2019	3	June 4, 1998	105,549,052	21.43	105,549,052	21.43	–	–	–	–	–	–	–	–	–	–
	Republic of China (R.O.C.)	Representative: Po-Yu Hou	Male	June 19, 2019	3	June 4, 1998	11,878	–	11,878	–	–	–	–	–	Shih Hsin College	Chairman of Hsin Yung Hsing Investment Co., Ltd., Chairman of Mao Jiang Investment Co., Ltd., Director of Uni-President Enterprise Corporation, Director of Tainan Spinning Co., Ltd.	Director	Po-Ming Hou	Brothers	–
Director	Taipei City	SHIN HO SING INVESTMENT CO., LTD.		June 19, 2019	3	May 27, 1989	10,129,684	2.06	10,129,684	2.06	–	–	–	–	–	–	–	–	–	–
	Republic of China (R.O.C.)	Representative: Ching-Feng Wu	Male	June 19, 2019	3	May 27, 1989	100,840	0.02	100,840	0.02	390,004	0.08	–	–	SHIN HO SING INVESTMENT CO., LTD.	Chairman of SHIN HO SING OCEAN ENTERPRISE CO., LTD., Chairman of SHIN HO SING INVESTMENT CO., LTD.	–	–	–	–
Director	Tainan City	Ta Chen Construction & Engineering Corp.		June 19, 2019	3	June 20, 2013	13,327,483	2.71	13,327,483	2.71	–	–	–	–	–	–	–	–	–	–
	Republic of China (R.O.C.)	Representative: Ming-Fan Hsieh	Male	June 19, 2019	3	June 20, 2013	–	–	–	–	–	–	–	–	Postgraduate Institute, Tamkang University	President of Prince Housing and Development Corp.	–	–	–	–
Director	Taipei City	RuiXing International Investment Co., Ltd.		June 19, 2019	3	June 19, 2019	10,000	–	1,002,000	0.20	–	–	–	–	–	–	–	–	–	–
	Republic of China (R.O.C.)	Representative: Ying-Chih Chuang	Male	June 19, 2019	3	June 14, 2001	947,364	0.19	1,597,364	0.32	–	–	–	–	Hsing Wu Commercial College	Chairman of Cheng Long Investment Co., Ltd., Director of Prince Housing and Development Corp., Director of Tainan Spinning Co., Ltd.	–	–	–	–
Director	Tainan City	YoungYun Investment Co., Ltd.		June 19, 2019	3	May 7, 2012	1,043,150	0.21	1,043,150	0.21	–	–	–	–	–	–	–	–	–	–
	Republic of China (R.O.C.)	Representative: Chung-Ho Wu	Male	June 19, 2019	3	May 7, 2012	1,787,580	0.36	1,787,580	0.36	53,397	0.01	–	–	Department of Chemistry, Fu Jen Catholic University	Chairman of San Shing Spinning Co., Ltd., Charmain of YoungYun Investment Co., Ltd., Director of Tainan Spinning Co., Ltd., Director of Uni-President Enterprise Corporation, Director of Prince Housing and Development Corp., Supervisor of Nanmat Technology Co., Ltd.	–	–	–	–
Director	Republic of China (R.O.C.)	Pi-Ying Cheng	Female	June 19, 2019	3	July 25, 1987	3,942,940	0.80	3,942,940	0.80	–	–	–	–	Department of History, National Taiwan University	–	Director Director	Li-Ling Cheng Po-Tsang Tu	Sisters Relationship by marria	–

Title	Nationality or registration country	Name	Gender	Date elected	Term of Office	Date of job assumption after first election	Shareholding while elected		Current shareholding		Shares held by spouse and minor children		Shareholding by nominee arrangement		Main experience (educational background)	Current adjunct positions at the Company and other companies	Other managers, directors or supervisors with relationship of spouse or within second degree of kinship			Remarks
							Number of Shares	Shareholding percentage	Number of Shares	Shareholding percentage	Number of Shares	Shareholding percentage	Number of Shares	Shareholding percentage			Title	Name	Relationship	
																			ge	
Director	Tainan City	Tainan Spinning Co., Ltd.		June 19, 2019	3	June 4, 1998	105,549,052	21.43	105,549,052	21.43	—	—	—	—	—	—	—	—	—	—
	Republic of China (R.O.C.)	Representative: Chih-Yuan Hou	Male	June 19, 2019	3	June 14, 2016	—	—	—	—	—	—	—	—	Center for East Asian Research, Harvard University	Vice President of Universal Cement Corporation, Director of Tainan Spinning Co., Ltd., Director of Grand Bills Finance Corp.	—	—	—	—
Director	Tainan City	Tainan Spinning Co., Ltd.		June 19, 2019	3	June 19, 2019	105,549,052	21.43	105,549,052	21.43	—	—	—	—	—	—	—	—	—	—
	Republic of China (R.O.C.)	Representative: Li-Fan Wang	Male	June 19, 2019	3	June 19, 2019	—	—	—	—	—	—	—	—	M.B.A., Clemson University	President of Tainan Spinning Co., Ltd., Director of Grand Bills Finance Corp., Director of President International Development Corporation	—	—	—	—
Director	Tainan City	Tainan Spinning Co., Ltd.		June 19, 2019	3	June 19, 2019	105,549,052	21.43	105,549,052	21.43	—	—	—	—	—	—	—	—	—	—
	Republic of China (R.O.C.)	Representative: Ching-Yao Chuang	Male	June 19, 2019	3	June 19, 2019	—	—	—	—	—	—	—	—	M.B.A., Golden Gate University	Assistant President of Tainan Spinning Co., Ltd.	—	—	—	—
Director	Tainan City	Jiu Fu Investment Co., Ltd.		June 19, 2019	3	July 25, 1987	23,960,668	4.87	23,960,668	4.87	—	—	—	—	—	—	—	—	—	—
	Republic of China (R.O.C.)	Representative: Po-Tsang Tu	Male	June 19, 2019	3	June 20, 2013	129,572	0.03	129,572	0.03	7,493,782	1.52	—	—	M.B.A., University of Dallas	Chairman of My-Semi Inc., Director of President Securities Corporation	Director Director	Li-Ling Cheng Pi-Ying Cheng	Spouse Relationship by marriage	—
Director	Kaohsiung City	HON HAN ENTERPRISE CORPORATION		June 19, 2019	3	July 10, 2013	10,734,869	2.18	10,734,869	2.18	—	—	—	—	—	—	—	—	—	—
	Republic of China (R.O.C.)	Representative: Meng-Hsing Liao	Male	June 19, 2019	3	June 9, 2004	173,232	0.04	200,232	0.04	—	—	—	—	Department of Accounting, National Cheng Kung University	Consultant of Tainan Spinning Co., Ltd., Supervisor of Zhenjiang Nantex Co., Ltd., Director of Nanmat Technology Co., Ltd., President of T.S.Retail & Distribution Co., Ltd.	—	—	—	—
Director	Republic of China (R.O.C.)	Wen-Teng Hou	Male	June 19, 2019	3	July 25, 1987	4,610,417	0.94	4,610,417	0.94	—	—	—	—	Chinese Culture University	President of Asia Plywood Corp., Director of Tainan Spinning Co., Ltd., Director of Grand Bills Finance Corp.	—	—	—	—
Independent director	Republic of China (R.O.C.)	Te-Kuang Chou	Male	June 19, 2019	3	June 14, 2016	—	—	—	—	—	—	—	—	PhD. in Business of Administration, National Sun Yat-sen University	Dean of Business Administration College, Southern Taiwan University of Science and Technology, Independent Director of KNH Enterprise Co., Ltd.	—	—	—	—

Title	Nationality or registration country	Name	Gender	Date elected	Term of Office	Date of job assumption after first election	Shareholding while elected		Current shareholding		Shares held by spouse and minor children		Shareholding by nominee arrangement		Main experience (educational background)	Current adjunct positions at the Company and other companies	Other managers, directors or supervisors with relationship of spouse or within second degree of kinship			Remarks
							Number of Shares	Shareholding percentage	Number of Shares	Shareholding percentage	Number of Shares	Shareholding percentage	Number of Shares	Shareholding percentage			Title	Name	Relationship	
Independent director	Republic of China (R.O.C.)	Yung-Tzu Huang	Female	June 19, 2019	3	October 6, 2016	–	–	–	–	–	–	–	–	PhD. in Chemistry, Massachusetts Institute of Technology (MIT)	–	–	–	–	–
Independent director	Republic of China (R.O.C.)	Ming-Tsai Lai	Male	June 19, 2019	3	October 6, 2016	–	–	–	–	–	–	–	–	PhD. in Industrial Engineering, Tsing Hua University	Vice President for Academics, Southern Taiwan University of Science and Technology	–	–	–	–
Independent director	Republic of China (R.O.C.)	Wu-Jung Shih	Male	June 19, 2019	3	October 6, 2016	–	–	–	–	–	–	–	–	PhD. in System Science and Industrial Engineering, State University of New York	Professor at Department of Industrial Management and Information System, Southern Taiwan University of Science and Technology	–	–	–	–

Note: Except for Tainan Spinning Co., Ltd., there are no major shareholders with shareholding percentage above 10% of the Company. During the director election on 2019.06.19 of the Company, the total number of shares actually issued was 492,416,659 shares, and on 2019.12.31, the total number of shares actually issued was 492,416,659 shares.

(II) Major Shareholders of Corporate Shareholders

December 31, 2019

Name of Corporate Shareholders	Major Shareholders of Corporate Shareholders
Tainan Spinning Co., Ltd.	Po-Yu Hou (6.25%), Po-Ming Hou (6.22%), Po-Yi Hou (6.15%) Pi-Hua Hou Chen (1.57%), Ying-Chih Chuang (1.52%), Ying-Nan Chuang (1.47%), Xin Yong Xing Investment Co., Ltd.(4.63%), Hsin Fu Hsing Industrial Co., Ltd. (4.20%), Fubon Life Insurance Co., Ltd. (3.58%), Cheng Long Investment Co., Ltd. (1.17%)
RuiXing International Investment Co., Ltd.	Yun-Ta Chuang (20.0%), Hsiu-Wen Wang (12.5%), Ting-Ya Chuang (12.5%), Chih-Chin Chuang (12.5%), Ching-Chih Chuang Lin (10.93), Ming-Hsuan Chuang (10.0%), Yu-Hsuan Chuang (10.0%), Ying-Nan Chuang (5.0%), Mei-Yu Chuang Chen (5.0%), Ying-Chih Huang (1.57%)
Jiu Fu Investment Co., Ltd.	Chao-Yuan Cheng (85.73%), Hung-Yi Cheng (14.27%)
Ta Chen Construction & Engineering Corp.	Cheng-Shi Investment Holding Co., Ltd. (100.00%)
YoungYun Investment Co., Ltd.	Chung-Ho Wu (24.52%), Ai-Kuei Huang (13.84%), Man-Hui Wu (8.50%), Pao-Hui Wu (8.50%), Pin-Yi Wu (4.15%), Ming-Ching Wu (4.15%), Han-Ting Cheng (4.15%), Mei-Hsiang Chen (3.40%), Tainan City Wu Chun Chieh Charity Foundation (24.65%)
HON HAN ENTERPRISE CORPORATION	Ching-Chang Huang (47.10%), Hsueh-Hua Liao (19.75%), Hui-Jung Huang (14.41%), Yuan-Yi Huang (12.69%), Fu-Yu Tsai (3.09%), Chiu-Chin Hsieh Huang (2.96%)
SHIN HO SING INVESTMENT CO., LTD.	Ying-Chen Wu (3.48%), Liang-Hung Wu (3.23%), Tzu-Hsiu Wu (3.07%), Cheng-Hsiung Yen (2.67%), Cheng-Chi Yen (2.67%), Ying-Nan Chuang (2.66%), Ying-Chih Chuang (2.66%), Rang De Investment Co., Ltd. (9.92%), Yan Ling Investment Co., Ltd. (9.86%), Taipei Christian missionary Menorah Foundation (3.03%)

(III) Major Shareholders of Corporate Shareholders as the Major Shareholders

December 31, 2019

Name of Corporate Shareholder	Major Shareholders of Corporate Shareholders
Xin Yong Xing Investment Co., Ltd.	Po-Yu Hou (32.09%), Po-Ming Hou (31.94%), Po-Yi Hou (31.09%), Pi-Hua Hou Chen (1.42%), Chin-Chien Hou Su (0.93%), Chih-Sheng Hou (0.85%), Chih-Yuan Hou (0.85%), Ching-Hua Ho (0.62%), Hou Sing Co., Ltd. (0.21%)
Hsin Fu Hsing Industrial Co., Ltd.	Po-Yu Hou (24.11%), Po-Ming Hou (24.09%), Po-Yi Hou (23.51%) Pi-Hua Hou Chen (9.88%), Chin-Chien Hou Su (3.00%), Chih-Sheng Hou (0.33%), Chih-Yuan Hou (0.30%), Xin Yong Xing Investment Co., Ltd. (14.68%), Hou Sing Co., Ltd. (0.10%)
Cheng Long Investment Co., Ltd.	Yun-da Zhuang (20.0%), Xiu-wen Wang (12.5%), Ting-ya Zhuang (12.5%), Zhi-jin Zhuang (12.5%), Jing-zhi Zhuang Lin (11.5), Ming-xuan Zhuang (10.0%), Yux-uan Zhuang (10.0%), Yin-gnan Zhuang (5.0%), mei-yu Zhuang Chen (5.0%), Ying-zhi Zhuang (1.0%)
Cheng-Shi Investment Holding Co., Ltd.	Prince Housing and Development Corp. (100%)
Rang De Investment Co., Ltd.	Ying-Chen Wu (16.66%), Liang-Hung Wu (14.19%), Tzu-Hsiu Wu (14.19%)
Yan Ling Investment Co., Ltd.	Tzu-Hsiu Wu (11.77%), Ying-Chen Wu (11.77%), Liang-Hung Wu (11.19%), Hui-Lan Wu (11.19%), Rang De Investment Co., Ltd. (29.35%)

Name of Corporate Shareholder	Major Shareholders of Corporate Shareholders
Tainan City Wu Chun Chieh Charity Foundation	Shu-Min Wu, Man-Hui Wu, Pao-Hui Wu, Chung-Ho Wu, Lung-Hun Sun, Hsin-Hsiung Chang, Jung-Feng Wu, Yu-Lin Hou, Shih-Hung Chuang, Peng-Ling Nieh, Tien-Mao Lin, Ping-Huang Yen, Ching-Chih Huang, Ting-Yi Wu, Chia-Ni Wu
Fubon Life Insurance Co., Ltd.	Fubon Financial Holding Co., Ltd. (100%)
Taipei Christian missionary Menorah Foundation	Chairman, Chuang-Mei Wu Tsai

(IV) Directors and Supervisors Information II:

March 31, 2020

Title	Criteria / Name	Whether he/she is equipped with more than five years of working experience and the following professional qualification			Compliance Criteria												Number of companies for adjunct independent directors of other public offering companies
		Instructors or above at public/private university/college in the area of commerce, legal, finance, accounting, or relevant departments necessary for the business of the company	Judge, prosecutor, attorney, accountant or other professional and technician necessary to the business of the company and requiring national examination qualification with certificate	Have work experience in the area of commerce, legal, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9	10	11	12	
Chairman	Tainan Spinning Co., Ltd. Representative: Tung-Yuan Yang			✓			✓	✓		✓	✓	✓	✓	✓	✓		0
Director	Tainan Spinning Co., Ltd. Representative: Po-Ming Hou			✓			✓			✓	✓	✓	✓		✓		0
Director	Li-Ling Cheng			✓	✓			✓	✓	✓	✓	✓	✓		✓	✓	0
Director	Tainan Spinning Co., Ltd. Representative: Liang-Hung Wu			✓	✓		✓	✓		✓	✓	✓	✓	✓	✓		0
Director	Tainan Spinning Co., Ltd. Representative: Po-Yu Hou			✓	✓		✓	✓		✓	✓	✓	✓		✓		0
Director	SHIN HO SING INVESTMENT CO., LTD. Representative: Ching-Feng Wu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Director	Ta Chen Construction & Engineering Corp. Representative: Ming-Fan Hsieh			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Director	RuiXing International Investment Co., Ltd. Representative: Ying-Chih Chuang			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Director	YoungYun Investment Co., Ltd. Representative: Chung-Ho Wu			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Director	Pi-Ying Cheng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	0
Director	Tainan Spinning Co., Ltd. Representative: Chih-Yuan Hou			✓	✓		✓	✓		✓	✓	✓	✓	✓	✓		0
Director	Tainan Spinning Co., Ltd. Representative: Li-Fan Wang			✓		✓	✓	✓		✓	✓	✓	✓	✓	✓		0
Director	Tainan Spinning Co., Ltd. Representative: Ching-Yao Chuang			✓		✓	✓	✓		✓	✓	✓	✓	✓	✓		0

Title	Criteria / Name	Whether he/she is equipped with more than five years of working experience and the following professional qualification			Compliance Criteria												Number of companies for adjunct independent directors of other public offering companies
		Instructors or above at public/private university/college in the area of commerce, legal, finance, accounting, or relevant departments necessary for the business of the company	Judge, prosecutor, attorney, accountant or other professional and technician necessary to the business of the company and requiring national examination qualification with certificate	Have work experience in the area of commerce, legal, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9	10	11	12	
Director	Jiu Fu Investment Co., Ltd. Representative: Po-Tsang Tu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓		0
Director	HON HAN ENTERPRISE CORPORATION Representative: Meng-Sheng Liao			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Director	Wen-Teng Hou			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent director	Te-Kuang Chou	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Independent director	Yung-Tzu Huang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent director	Ming-Tsai Lai	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Independent director	Wu-Jung Shih	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note: Check in each box with "✓" if the member meets the condition during the two years prior to being appointed and during the term of office.

1. The member is not an employee of the company or any of its affiliates.
2. Director, supervisor of affiliates not belonging to the Company (the same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with law or with the laws of the country of the parent company or subsidiary).
3. The member is not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
4. Not a managerial officer listed in the preceding Subparagraph (1) or a spouse, relative within second degree of kinship, or direct blood relative within third degree of kinship of personnel listed in the preceding Subparagraphs (2) and (3).
5. Not a director, supervisor or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the company, or of a corporate shareholder that ranks among the top five in shareholdings, or of a proxy appointed according to Paragraph 1 or Paragraph 2 of Article 27 of the Company Act (provided that if the position of an independent director is held concurrently for the company and its parent company, a subsidiary or a subsidiary of the same parent company according to this law or laws of the local country, such restriction shall not be applied).
6. Not a director, supervisor or employee of other company not controlled by the same parties holding a majority of the number seats of directors of the company or a

majority of shares with voting rights (provided that if the position of an independent director is held concurrently for the company and its parent company, a subsidiary or a subsidiary of the same parent company according to this law or laws of the local country, such restriction shall not be applied).

7. Not a director (managing director), supervisor (managing supervisor) or employee of other company or institution being the same person holding the position of Chairman, President, or equivalent position in the company or a spouse thereof (provided that if the position of an independent director is held concurrently for the company and its parent company, a subsidiary or a subsidiary of the same parent company according to this law or laws of the local country, such restriction shall not be applied).
8. Not a director (managing director), supervisor (managing supervisor), managerial officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the company (provided that if the specific company or institution holds 20% or more and no more than 50% of the total number of issued shares of the company, and the position of an independent director is held concurrently for the company and its parent company, a subsidiary or a subsidiary of the same parent company according to this law or laws of the local country, such restriction shall not be applied).
9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee or special committee for merger/consolidation and acquisition, who job powers pursuant to the Securities and Exchange Act or the Business Mergers and Acquisitions Act and related laws or regulations.
10. The member is not of the relationship of spouse or relative within second degree of kinship with other directors.
11. The member is not a person subject to any conditions defined in Article 30 of the Company Law.
12. The member is not elected due to government agency, juristic person or their representative acting as shareholders described in Article 27 of the Company Act.

(V) Information of President, Vice President, Assistant President, Supervisors of Departments and Branches:

April 18, 2020

Title	Nationality	Name	Gender	Date Elected (Assumed Position)	Shareholding		Shares held by spouse and minor children		Shareholding by nominee arrangement		Main experience (educational background)	Current adjunct positions at other companies	Managerial officer with relationship of spouse or within second degree of kinship			Remarks
					Number of Shares	Shareholding percentage	Number of Shares	Shareholding percentage	Number of Shares	Shareholding percentage			Title	Name	Relationship	
President	Republic of China (R.O.C.)	Chien-Chu Hsu	Male	March 26, 2015	–	–	–	–	–	–	Graduate Institute of Agricultural Machinery, National Taiwan University	Chairman of Zhenjiang Nantex Industry Co., Ltd., Director of Intermedium International Ltd., Director of Nanmat Technology of Co., Ltd., Director of Lushun Warehouse Co., Ltd.	None			–
Vice President	Republic of China (R.O.C.)	Wen-Hsin Huang	Male	September 1, 2018	–	–	–	–	–	–	Graduate Institute of Chemical Engineering, National Taiwan University	–	None			–
Factory Director	Republic of China (R.O.C.)	Chih-Ho Shih	Male	September 1, 2018	–	–	–	–	–	–	Department of Chemical Engineering, National Taiwan University	–	None			–
Assistant President	Republic of China (R.O.C.)	Yu-Chen Chung	Male	January 1, 2015	–	–	–	–	–	–	Department of Chemistry, Fu Jen Catholic University	–	None			–
Assistant President	Republic of China (R.O.C.)	Han-Yang Wang	Male	July 1, 2016	–	–	–	–	–	–	Department of Commerce, Manila	–	None			–

Title	Nationality	Name	Gender	Date Elected (Assumed Position)	Shareholding		Shares held by spouse and minor children		Shareholding by nominee arrangement		Main experience (educational background)	Current adjunct positions at other companies	Managerial officer with relationship of spouse or within second degree of kinship			Remarks
					Number of Shares	Shareholding percentage	Number of Shares	Shareholding percentage	Number of Shares	Shareholding percentage			Title	Name	Relationship	
Assistant President	Republic of China (R.O.C.)	Yao-Te Huang	Male	July 1, 2016	—	—	2,861	—	—	—	Department of Chemical Engineering, Tamkang University	President of Zhenjiang Nantex Chemical Industry Co., Ltd., Director of Nanmat Technology of Co., Ltd., Director of Intermedium International Ltd.	None			—
Assistant President	Republic of China (R.O.C.)	Chi-Tsang Chen	Male	July 1, 2019	37,977	0.01%	—	—	—	—	Department of Chemical Engineering, National Cheng Kung University	—	None			—
Assistant President and Accounting Manager	Republic of China (R.O.C.)	Sheng-Chung Huang	Male	September 1, 2018	—	—	1	—	—	—	Department of Accounting, Tunghai University	Director of Intermedium International Ltd., Director of Zhenjiang Nantex Chemical Industry Co., Ltd., Director of Nanmat Technology Co., Ltd.	None			—
Financial Manager	Republic of China (R.O.C.)	Hsin-Fu Tai	Male	June 1, 2019	—	—	—	—	—	—	Department of Business Management, Tatung University	—	None			—

(VI) Remuneration of Directors and Independent Directors

2019 (NT$ thousand dollars)

Title	Name	Remuneration of Directors								Total of A+B+C+D as a % of Net Income		Relevant compensation received by adjunct employees								Total of A+B+C+D+E+F+G as a % of Net Income		Compensation from investees o parent company other than subsidiaries received
		Remuneration (A)		Retirement Pension (B)		Remuneration of directors (C)		Expenses for Execution of Business (D)				Salary, bonus, and special disbursement (E)		Retirement Pension (F)		Employees' remuneration (G)						
																The Company		All companies in the financial statements				
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	Employees' cash bonus amount	Employees' share bonus amount	Employees' cash bonus amount	Employees' share bonus amount	The Company	All companies in the financial statements	
Chairman	Tainan Spinning Co., Ltd. Representative: Tung-Yuan Yang	1,815	8,953	–	–	53,979	55,601	8,541	10,341	4.50%	5.25%	8,002	8,002	–	–	581	–	581	–	5.11%	5.85%	None
Director	Tainan Spinning Co., Ltd. Representative: Po-Ming Hou																					
Director	Li-Ling Cheng																					
Director	Tainan Spinning Co., Ltd. Representative: Liang-Hung Wu																					
Director	Tainan Spinning Co., Ltd. Representative: Po-Yu Hou																					
Director	SHIN HO SING INVESTMENT CO., LTD. Representative: Ching-Feng Wu																					
Director	Ta Chen Construction & Engineering Corp. Representative: Ming-Fan Hsieh																					
Director	RuiXing International Investment Co., Ltd. Representative: Ying-Chih Chuang																					
Director	YoungYun Investment Co., Ltd. Representative: Chung-Ho Wu																					
Director	Pi-Ying Cheng																					
Director	Tainan Spinning Co., Ltd. Representative: Chih-Yuan Hou																					

Title	Name	Remuneration of Directors								Total of A+B+C+D as a % of Net Income		Relevant compensation received by adjunct employees								Total of A+B+C+D+E+F+G as a % of Net Income		ompensation from investees c parent company other than subsidiaries received
		Remuneration (A)		Retirement Pension (B)		Remuneration of directors (C)		Expenses for Execution of Business (D)				Salary, bonus, and special disbursement (E)		Retirement Pension (F)		Employees' remuneration (G)						
																The Company		All companies in the financial statements				
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	Employees' cash bonus amount	Employees' share bonus amount	Employees' cash bonus amount	Employees' share bonus amount	The Company	All companies in the financial statements	
Director	Tainan Spinning Co., Ltd. Representative: Li-Fan Wang																					
Director	Tainan Spinning Co., Ltd. Representative: Ching-Yao Chuang																					
Director	Jiu Fu Investment Co., Ltd. Representative: Po-Tsang Tu																					
Director	HON HAN ENTERPRISE CORPORATION Representative: Meng-Sheng Liao																					
Director	Wen-Teng Hou																					
Director (Note)	Jiu Fu Investment Co., Ltd. Representative: Miao-Yu Cheng Hung																					
Director (Note)	Ta Chen Construction & Engineering Corp. Representative: Chun-Cheng Kuo																					
Director (Note)	Tainan Spinning Co., Ltd. Representative: Kun-Huang Tseng																					
Director (Note)	Tainan Spinning Co., Ltd. Representative: Hung-Mo Chen																					
Director (Note)	Shen Chiu																					
Independent director	Te-Kuang Chou	–	–	–	–	–	–	3,840	3,840	0.27%	0.27%	–	–	–	–	–	–	–	–	0.27%	0.27%	
Independent director	Yung-Tzu Huang																					
Independent director	Ming-Tsai Lai																					
Independent director	Wu-Jung Shih																					

Note: Discharged after re-election on June 19, 2019

Other than disclosure in the above table, Directors remunerations earned by providing services (e.g. providing consulting services as a non-employee) to all consolidated entities financial statements: None

Payment policy, system, standard and structure for remuneration of independent directors, and explain the relationship with the remuneration payment according to the job duties handled, risks and time invested etc.: The remuneration of independent directors of the Compan paid according to their job duties (remuneration+attendance fee+other income), and such payment is reported to the Remuneration Committee for review and approval.

Range of Remunerations of Directors Table

Range of Remunerations to each Director of the Company	Director			
	Total of first four items (A+B+C+D)		Sum of the first seven items (A+B+C+D+E+F+G)	
	The Company	All companies in the financial statements	The Company	All companies in the financial statements
Less than NT$ 1 million	Tainan Spinning Co., Ltd. Representative: Kun-Huang Tseng, Hung-Mo Chen Jiu Fu Investment Co., Ltd. Representative: Miao-Yu Cheng Hung Ta Chen Construction & Engineering Corp. Representative: Chun-Cheng Kuo Te-Kuang Chou, Yung-Tzu Huang, Ming-Tsai Lai, Wu-Jung Shih, Shen Chiu	Tainan Spinning Co., Ltd. Representative: Kun-Huang Tseng, Hung-Mo Chen Jiu Fu Investment Co., Ltd. Representative: Miao-Yu Cheng Hung Ta Chen Construction & Engineering Corp. Representative: Chun-Cheng Kuo Te-Kuang Chou, Yung-Tzu Huang, Ming-Tsai Lai, Wu-Jung Shih, Shen Chiu	Tainan Spinning Co., Ltd. Representative: Kun-Huang Tseng, Hung-Mo Chen Jiu Fu Investment Co., Ltd. Representative: Miao-Yu Cheng Hung Ta Chen Construction & Engineering Corp. Representative: Chun-Cheng Kuo Te-Kuang Chou, Yung-Tzu Huang, Ming-Tsai Lai, Wu-Jung Shih, Shen Chiu	Tainan Spinning Co., Ltd. Representative: Kun-Huang Tseng, Hung-Mo Chen Jiu Fu Investment Co., Ltd. Representative: Miao-Yu Cheng Hung Ta Chen Construction & Engineering Corp. Representative: Chun-Cheng Kuo Te-Kuang Chou, Yung-Tzu Huang, Ming-Tsai Lai, Wu-Jung Shih, Shen Chiu
NT$ 1 million (inclusive) ~ NT$ 2 million (exclusive)	—	—	—	—
NT$ 2 million (inclusive) ~ NT$ 3.5 million (exclusive)	Tainan Spinning Co., Ltd. Representative: Liang-Hung Wu, Po-Yu Hou, Chih-Yuan Hou, Li-Fan Wang, Ching-Yao Chuang RuiXing International Investment Co., Ltd. Representative: Ying-Chih Chuang YoungYun Investment Co., Ltd. Representative: Chung-Ho Wu HON HAN ENTERPRISE CORPORATION Representative: Meng-Sheng Liao SHIN HO SING INVESTMENT CO., LTD. Representative: Ching-Feng Wu Ta Chen Construction & Engineering Corp. Representative: Ming-Fan Hsieh Jiu Fu Investment Co., Ltd. Representative: Po-Tsang Tu Li-Ling Cheng, Pi-Ying Cheng, Wen-Teng Hou	Tainan Spinning Co., Ltd. Representative: Liang-Hung Wu, Po-Yu Hou, Chih-Yuan Hou, Li-Fan Wang, Ching-Yao Chuang RuiXing International Investment Co., Ltd. Representative: Ying-Chih Chuang SHIN HO SING INVESTMENT CO., LTD. Representative: Ching-Feng Wu Ta Chen Construction & Engineering Corp. Representative: Ming-Fan Hsieh Jiu Fu Investment Co., Ltd. Representative: Po-Tsang Tu Pi-Ying Cheng, Wen-Teng Hou	Tainan Spinning Co., Ltd. Representative: Liang-Hung Wu, Po-Yu Hou, Chih-Yuan Hou, Li-Fan Wang, Ching-Yao Chuang RuiXing International Investment Co., Ltd. Representative: Ying-Chih Chuang YoungYun Investment Co., Ltd. Representative: Chung-Ho Wu HON HAN ENTERPRISE CORPORATION Representative: Meng-Sheng Liao SHIN HO SING INVESTMENT CO., LTD. Representative: Ching-Feng Wu Ta Chen Construction & Engineering Corp. Representative: Ming-Fan Hsieh Jiu Fu Investment Co., Ltd. Representative: Po-Tsang Tu Li-Ling Cheng, Pi-Ying Cheng, Wen-Teng Hou	Tainan Spinning Co., Ltd. Representative: Liang-Hung Wu, Po-Yu Hou, Chih-Yuan Hou, Li-Fan Wang, Ching-Yao Chuang RuiXing International Investment Co., Ltd. Representative: Ying-Chih Chuang SHIN HO SING INVESTMENT CO., LTD. Representative: Ching-Feng Wu Ta Chen Construction & Engineering Corp. Representative: Ming-Fan Hsieh Jiu Fu Investment Co., Ltd. Representative: Po-Tsang Tu Pi-Ying Cheng, Wen-Teng Hou
NT$ 3.5 million (inclusive) ~ NT$ 5 million (exclusive)	—	YoungYun Investment Co., Ltd. Representative: Chung-Ho Wu HON HAN ENTERPRISE CORPORATION Representative: Meng-Sheng Liao Li-Ling Cheng	—	YoungYun Investment Co., Ltd. Representative: Chung-Ho Wu HON HAN ENTERPRISE CORPORATION Representative: Meng-Sheng Liao Li-Ling Cheng
NT$ 5 million (inclusive) ~ NT$ 10 million (exclusive)	Tanan Spinning Co., Ltd. Representative: Po-Ming Hou	Tanan Spinning Co., Ltd. Representative: Po-Ming Hou	Tanan Spinning Co., Ltd. Representative: Po-Ming Hou	Tanan Spinning Co., Ltd. Representative: Po-Ming Hou
NT$ 10 million (inclusive) ~ NT$ 15 million (exclusive)	Tainan Spinning Co., Ltd. Representative: Tung-Yuan Yang	—	—	—

NT$ 15 million (inclusive) ~ NT$ 30 million (exclusive)	—	Tainan Spinning Co., Ltd. Representative: Tung-Yuan Yang	Tainan Spinning Co., Ltd. Representative: Tung-Yuan Yang	Tainan Spinning Co., Ltd. Representative: Tung-Yuan Yang
NT$ 30 million (inclusive) ~ NT$ 50 million (exclusive)	—	—	—	—
NT$ 50 million (inclusive) ~ NT$ 100 million (exclusive)	—	—	—	—
Above NT$ 100 million	—	—	—	—
Total	25 people	25 people	25 people	25 people

Note: 1. Salary paid to Chairman's driver NT$ 516,600. 2. One company vehicles for Chairman NT$ 2,780,000.

(VII) Remuneration of Supervisors

2019 (NT$ thousand dollars)

Title	Name	Remuneration of Supervisors						Total of A+B+C as a % of Net Income		Compensation from investees or parent company other than subsidiaries received
		Remuneration (A)		Remuneration (B)		Expenses for Execution of Business (C)				
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	
Supervisor	SHIN HO SING INVESTMENT CO., LTD. Representative: Ching-Feng Wu	–	–	–	–	820	820	0.05%	0.05%	None
Supervisor	Yao-Ming Chuang									
Supervisor	Ming-Fan Hsieh									
Supervisor	Po-Tsang Tu									
Supervisor	Wu-Ming Hou									
Supervisor	Hui-Lan Wu									
Supervisor	Yi-Chun Wu									

Range of Remuneration of Supervisors

Range of Remunerations to each Supervisor of the Company	Name of Supervisor	
	Total of first three items (A+B+C)	
	The Company	All companies in the financial statements
Less than NT$ 1 million	SHIN HO SING INVESTMENT CO., LTD. Representative: Ching-Feng Wu Yao-Ming Chuang, Ming-Fan Hsieh, Po-Tsang Tu, Wu-Ming Hou, Hui-Lan Wu, Yi-Chun Wu	SHIN HO SING INVESTMENT CO., LTD. Representative: Ching-Feng Wu Yao-Ming Chuang, Ming-Fan Hsieh, Po-Tsang Tu, Wu-Ming Hou, Hui-Lan Wu, Yi-Chun Wu
NT$ 1 million (inclusive) ~ NT$ 2 million (exclusive)	–	–
NT$ 2 million (inclusive) ~ NT$ 3.5 million (exclusive)	–	–
NT$ 3.5 million (inclusive) ~ NT$ 5 million (exclusive)	–	–
NT$ 5 million (inclusive) ~ NT$ 10 million (exclusive)	–	–
NT$ 10 million (inclusive) ~ NT$ 15 million (exclusive)	–	–
NT$ 15 million (inclusive) ~ NT$ 30 million (exclusive)	–	–
NT$ 30 million (inclusive) ~ NT$ 50 million (exclusive)	–	–
NT$ 50 million (inclusive) ~ NT$ 100 million (exclusive)	–	–
Above NT$ 100 million	–	–
Total	7 people	7 people

(VII) Remuneration of Supervisors

2019 (NT$ thousand dollars)

Title	Name	Remuneration of Supervisors						Total of A+B+C as a % of Net Income		Compensation from investees or parent company other than subsidiaries received
		Remuneration (A)		Remuneration (B)		Expenses for Execution of Business (C)				
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	
Supervisor	SHIN HO SING INVESTMENT CO., LTD. Representative: Ching-Feng Wu	–	–	–	–	160	160			None
Supervisor	Yao-Ming Chuang	–	–	–	–	110	110			None
Supervisor	Ming-Fan Hsieh	–	–	–	–	110	110			None
Supervisor	Po-Tsang Tu	–	–	–	–	110	110			None
Supervisor	Wu-Ming Hou	–	–	–	–	110	110			None
Supervisor	Hui-Lan Wu	–	–	–	–	110	110			None
Supervisor	Yi-Chun Wu	–	–	–	–	110	110			None

Range of Remuneration of Supervisors

Range of Remunerations to each Supervisor of the Company	Name of Supervisor	
	Total of first three items (A+B+C)	
	The Company	All companies in the financial statements
Less than NT$ 1 million	SHIN HO SING INVESTMENT CO., LTD. Representative: Ching-Feng Wu Yao-Ming Chuang, Ming-Fan Hsieh, Po-Tsang Tu, Wu-Ming Hou, Hui-Lan Wu, Yi-Chun Wu	SHIN HO SING INVESTMENT CO., LTD. Representative: Ching-Feng Wu Yao-Ming Chuang, Ming-Fan Hsieh, Po-Tsang Tu, Wu-Ming Hou, Hui-Lan Wu, Yi-Chun Wu
NT$ 1 million (inclusive) ~ NT$ 2 million (exclusive)	–	–
NT$ 2 million (inclusive) ~ NT$ 3.5 million (exclusive)	–	–
NT$ 3.5 million (inclusive) ~ NT$ 5 million (exclusive)	–	–
NT$ 5 million (inclusive) ~ NT$ 10 million (exclusive)	–	–
NT$ 10 million (inclusive) ~ NT$ 15 million (exclusive)	–	–
NT$ 15 million (inclusive) ~ NT$ 30 million (exclusive)	–	–
NT$ 30 million (inclusive) ~ NT$ 50 million (exclusive)	–	–
NT$ 50 million (inclusive) ~ NT$ 100 million (exclusive)	–	–
Above NT$ 100 million	–	–
Total	7 people	7 people

(VIII) Remuneration of President and Vice Presidents

2019 (NT$ thousand dollars)

Title	Name	Salary (A)		Retirement Pension (B)		Bonus and special disbursement (C)		Employees' remuneration (D)				Total of A+B+C+D as a % of Net Income (%)		Compensation from investees or parent company other than subsidiaries received
								The Company		All companies in the financial statements				
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	Employees' cash bonus amount	Employees' share bonus amount	Employees' cash bonus amount	Employees' share bonus amount	The Company	All companies in the financial statements	
President	Chien-Chu Hsu	20,550	20,550	380	380	–	240	697	–	697	–	1.52%	1.53%	None
Vice President	Wen-Hsin Huang													

Remuneration of President and Vice Presidents Table

Range of Remunerations to each President and Vice President of the Company	Name of President and Vice President	
	The Company	All companies in the financial statements
Less than NT$ 1 million	—	—
NT$ 1 million (inclusive) ~ NT$ 2 million (exclusive)	—	—
NT$ 2 million (inclusive) ~ NT$ 3.5 million (exclusive)	—	—
NT$ 3.5 million (inclusive) ~ NT$ 5 million (exclusive)	Wen-Hsin Huang	Wen-Hsin Huang
NT$ 5 million (inclusive) ~ NT$ 10 million (exclusive)	—	—
NT$ 10 million (inclusive) ~ NT$ 15 million (exclusive)	—	—
NT$ 15 million (inclusive) ~ NT$ 30 million (exclusive)	Chien-Chu Hsu	Chien-Chu Hsu
NT$ 30 million (inclusive) ~ NT$ 50 million (exclusive)	—	—
NT$ 50 million (inclusive) ~ NT$ 100 million (exclusive)	—	—
Above NT$ 100 million	—	—
Total	2 people	2 people

Note: 1. One company car for President: NT$ 2,560,000.
2. The employee retirement pension appropriation amounts specified in the "Labor Standards Act" and "Labor Pension Act" system are applicable to the retirement pension.

(IX) Employees' Profit Sharing Bonus Paid to Management Team

2019 (NT$ thousand dollars)

	Title	Name	Stock amount	Cash amount	Total	Ratio of Total to Net Income (%)
Manager	President	Chien-Chu Hsu	—	2,324	2,324	0.16%
	Vice President	Wen-Hsin Huang				
	Factory Director	Chih-Ho Shih				
	Assistant President	Yu-Chen Chung				
	Assistant President	Han-Yang Wang				
	Assistant President	Yao-Te Huang				
	Assistant President	Chi-Tsang Chen				
	Assistant President and Accounting Manager	Sheng-Chung Huang				
	Financial Manager	Hsin-Fu Tai				

(IX) Separately compare and describe total remuneration, as a percentage of net income stated in the Company only financial reports or individual financial reports, as paid by the Company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, supervisors, general managers, and assistant general managers, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:

Name	2019		2018	
	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements
Director Supervisor	6.96 %	7.71 %	5.84 %	7.25%
President and Vice Presidents				

Description:

1. The policy and standard for the payment of remuneration of directors and supervisors of the Company are established according to Article 26 of the Articles of Incorporation of the Company, and the board of directors is authorized to make payment according to the participation level and the contribution of the directors and supervisors to the operation of the Company along with the consideration of the standard adopted in the same industry. The salaries for the President and Vice President are paid according to the salary approval operation related regulations established by the Company, which are determined according to the personal ability, contribution level to the Company, performance and market value of their job duties along with the consideration of the future operating risk of the Company.
2. Policy, standard and combination for payment of remuneration, establishment of procedure of remuneration, of future risks and correlation between the business performance:
   The remuneration and performance evaluation of directors and managers of the Company are reviewed by the Remuneration Committee and specified through the approval of the resolution of the board of directors meeting.

III. Corporate Governance Status

(I) Board Meeting Operation Status:

In 2019, there were 6 board meetings (A), and the attendance status of directors is as follows:

Title	Name	Attendance in Person (B)	Number of attendances by proxy	Actual attendance rate (%) (B/A)	Remarks
Chairman	Tainan Spinning Co., Ltd. Representative: Tung-Yuan Yang	6	0	100%	Consecutive term of office on 2019.06.19
Director	Tainan Spinning Co., Ltd. Representative: Po-Ming Hou	6	0	100%	Consecutive term of office on 2019.06.19
Director	Wen-Teng Hou	5	1	83%	Consecutive term of office on 2019.06.19
Director	Li-Ling Cheng	6	0	100%	Consecutive term of office on 2019.06.19
Director	Tainan Spinning Co., Ltd. Representative: Liang-Hung Wu	5	1	83%	Consecutive term of office on 2019.06.19
Director	Tainan Spinning Co., Ltd. Representative: Po-Yu Hou	6	0	100%	Consecutive term of office on 2019.06.19
Director	Jiu Fu Investment Co., Ltd. Representative: Miao-Yu Cheng Hung	0	2	0%	Dismissal on June 19, 2019
Director	Ta Chen Construction & Engineering Corp. Representative: Chun-Cheng Kuo	2	0	100%	Dismissal on June 19, 2019
Director	Cheng Long Investment Co., Ltd. Representative: Ying-Chih Chuang	1	1	50%	Dismissal on June 19, 2019
Director	YoungYun Investment Co., Ltd. Representative: Chung-Ho Wu	6	0	100%	Consecutive term of office on 2019.06.19
Director	Jiu Fu Investment Co., Ltd. Representative: Pi-Ying Cheng	2	0	100%	Dismissal on June 19, 2019
Director	Tainan Spinning Co., Ltd. Representative: Kun-Huang Tseng	2	0	100%	Dismissal on June 19, 2019
Director	Shen Chiu	2	0	100%	Dismissal on June 19, 2019
Director	HON HAN ENTERPRISE CORPORATION Representative: Meng-Sheng Liao	6	0	100%	Consecutive term of office on 2019.06.19
Director	Tainan Spinning Co., Ltd. Representative: Chih-Yuan Hou	4	2	67%	Consecutive term of office on 2019.06.19
Director	Tainan Spinning Co.,	2	0	100%	Dismissal on June

Title	Name	Attendance in Person (B)	Number of attendances by proxy	Actual attendance rate (%) (B/A)	Remarks
	Ltd. Representative: Hung-Mo Chen				19, 2019
Director	SHIN HO SING INVESTMENT CO., LTD. Representative: Ching-Feng Wu	4	0	100%	New on-board member on 2019.06.19
Director	Ta Chen Construction & Engineering Corp. Representative: Ming-Fan Hsieh	3	1	75%	New on-board member on 2019.06.19
Director	RuiXing International Investment Co., Ltd. Representative: Ying-Chih Chuang	3	1	75%	New on-board member on 2019.06.19
Director	Tainan Spinning Co., Ltd. Representative: Li-Fan Wang	4	0	100%	New on-board member on 2019.06.19
Director	Tainan Spinning Co., Ltd. Representative: Ching-Yao Chuang	4	0	100%	New on-board member on 2019.06.19
Director	Pi-Ying Cheng	4	0	100%	New on-board member on 2019.06.19
Director	Jiu Fu Investment Co., Ltd. Representative: Po-Tsang Tu	4	0	100%	New on-board member on 2019.06.19
Independent director	Te-Kuang Chou	5	1	83%	Consecutive term of office on 2019.06.19
Independent director	Yung-Tzu Huang	4	2	67%	Consecutive term of office on 2019.06.19
Independent director	Ming-Tsai Lai	6	0	100%	Consecutive term of office on 2019.06.19
Independent director	Wu-Jung Shih	4	2	67%	Consecutive term of office on 2019.06.19

Other matters required to be recorded:

I. Where the operation of a board meeting is subject to one of the following, the board meeting date, session, proposal content, opinion of all independent directors and Company's handling for the opinions of independent directors shall be described:

(I) Matters specified in Article 14-3 of the Securities and Exchange Act.

(II) Except for the aforementioned matters, other resolutions of board meetings subject to dissenting opinions or qualified opinions and equipped with records or written statements: None.

Board of Directors	Proposal Content and Subsequent Handling	Matters specified in Article 14-3 of Securities and Exchange Act	Dissenting or qualified opinions of independent directors
16th Meeting of 14th Term 2019.03.18	1. Amendment to the "Procedures Governing the Acquisition or Disposal of Assets" of the Company	V	
	Opinion of independent directors: None.		
	Company's handling for the opinions of independent directors: None.		
	Result of resolution: Approved by all attending directors.		
	2. Amendment to the "Operational Procedures for Loaning Fund to Others" of the Company	V	
	Opinion of independent directors: None.		
	Company's handling for the opinions of independent directors: None.		
	Result of resolution: Approved by all attending directors.		
	3. Amendment to the "Operational Procedures for Endorsements and Guarantees" of the Company	V	
	Opinion of independent directors: None.		
	Company's handling for the opinions of independent directors: None.		
	Result of resolution: Approved by all attending directors.		
	4. Assignment of CPA of the Company	V	
	Opinion of independent directors: None.		
	Company's handling for the opinions of independent directors: None.		
	Result of resolution: Approved by all attending directors.		
	5. Amendment to internal control system of the Company	V	
	Opinion of independent directors: None.		
	Company's handling for the opinions of independent directors: None.		
	Result of resolution: Approved by all attending directors.		

II. For the execution status of recusal of directors due to conflicts of interest, the name of directors, proposal content, reasons of recusal, and participation in voting shall be described: None

III. Public company shall disclose the information on the evaluation cycle and period, evaluation scope method and evaluation content etc. of the self-evaluation (or peer evaluation) of the board of directors: The Company has not conducted the self-evaluation of board of directors

IV. Goals (such as establishment of Audit Committee, improvement of information transparency etc.) for establishment of and execution status evaluation on the enhancement of functions of the board of directors for the current year and the most recent year: Starting from 2019, the Company re-designed the Company's website in order to enhance the stakeholders functions and to improve relevant information disclosure level. In addition, to achieve greater completeness of the operation of the board of directors and the corporate governance, the Company established the Remuneration Committee on December 15, 2011, established the Audit Committee on June 19, 2019, and applied the liability insurances for directors and supervisors in June 2019.

(II) Audit Committee Implementation Status and Supervisor Participating Board Meeting Status:

1. The Company has established the Audit Committee in June 2019, and the Audit Committee is formed by 4 independent directors. The purpose of the Audit Committee is mainly to enhance the supervision function and to strengthen the management function, including the supervision of the appropriate presentation of the financial statements, appointment (discharge) of CPA and independence as well as performance, effectiveness of the internal control, compliance with relevant laws and regulations as well as the control of existing or potential risks. Its primary and key authorities and reviewing matters are as follows:
   (1) Adoption or amendment of the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
   (2) Review on the effectiveness of the internal control system.
   (3) Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.
   (4) Matters bearing on the personal interest of a director.
   (5) A material asset or derivatives transaction.
   (6) A material monetary loan, endorsement, or provision of a guarantee.
   (7) The offering, issuance, or private placement of any equity-type securities.
   (8) The hiring, discharge, or compensation of an attesting CPA.
   (9) Appointment or discharge of a financial, accounting, or internal audit officer.
   (10) Annual financial report signed or stamped by the chairman, manager and accountant, and the second quarter financial report subject to visa verification by accountants.
   (11) Any other material matter so required by the Company or competent authority.

2. Audit Committee Implementation Status Information:

   There were 3 (A) Audit Committee meetings convened in 2019, and the attendance status of the independent directors is as follows:

Title	Name	Number of attendees in person (B)	Number of attendances by proxy	Actual attendance rate (%) (B/A)	Remarks
Independent director	Te-Kuang Chou	3	0	100%	New on-board member on 2019.06.19
Independent director	Yung-Tzu Huang	3	0	100%	New on-board member on 2019.06.19
Independent director	Ming-Tsai Lai	3	0	100%	New on-board member on 2019.06.19
Independent director	Wu-Jung Shih	2	1	66%	New on-board member on 2019.06.19

Other matters required to be recorded:

I. Where the operation of Audit Committee is subject to one of the following, the board meeting date, session, proposal content, resolution result of the Audit Committee meeting and the opinion of the Audit Committee of the Company shall be described:
  (1) Matters specified in Article 14-5 of the Securities and Exchange Act.
  (2) Except for the aforementioned matters, other resolutions not approved by the Audit Committee but had the consent of more than two-thirds of all directors.

The Audit Committee	Proposal Content and Subsequent Handling	Matters specified in Article 14-5 of Securities and Exchange Act	Resolutions not approved by the Audit Committee but had the consent of more than two-thirds of all directors.
1st Meeting of 1st Term June 28, 2019	1. Election of the Audit Committee Convener	—	
	Resolution Result of Audit Committee: Independent director, Te-Kuang Chou, acted as the Convener for the 1st term of Audit Committee Meeting		
	Company's handling for opinions of Audit Committee Meeting: None		

The Audit Committee	Proposal Content and Subsequent Handling	Matters specified in Article 14-5 of Securities and Exchange Act	Resolutions not approved by the Audit Committee but had the consent of more than two-thirds of all directors.
2nd Meeting of 1st Term August 9, 2019	1. Review semi-annual financial statements	V	
	Resolution Result of Audit Committee: Approved by all Audit Committee members		
	Company's handling for opinions of Audit Committee Meeting: None		

The Audit Committee	Proposal Content and Subsequent Handling	Matters specified in Article 14-5 of Securities and Exchange Act	Resolutions not approved by the Audit Committee but had the consent of more than two-thirds of all directors.
3rd Meeting of 1st Term November 11, 2019	1. Review of 2020 audit work plan	V	
	Resolution Result of Audit Committee: Approved by all Audit Committee members		
	Company's handling for opinions of Audit Committee Meeting: None		

II. For the execution status of recusal of independent directors due to conflicts of interest, the name of independent directors, proposal content, reasons of recusal and participation in voting shall be described: None

III. The communications between the independent directors, the internal auditors, and the independent auditors are listed in the table below (shall include major events, methods and results etc., communicated in relation to the company's financial and business status).

(I) Independent directors and independent auditors convene meetings (Audit Committee Meetings) periodically at least twice annually. The independent auditors submit reports on the financial status and overall operation status as well as the internal audit status of the Company to the independent directors, and also implement sufficient communications on any material adjustment of entries or any impacts on the accounts due to amendment of laws.

Date	Focus of communication	Result of communication
3rd Audit Committee Meeting of 1st Term November 11, 2019	I. 2019 Q3 consolidated financial statements review: (1) Opinion type and report type of review report (2) Material adjustment and re-classification and unadjusted items (3) Material related party transaction, accounting estimation and accounting policy selection and changes (4) Material subsequent events II. 2019 final audit planning: (1) Audit schedule, audit method, risk assessment (2) Key audit matters (3) Any significant deficiencies in internal control III. Other discussion: (1) Impact of new laws and new accounting principles on the Company and responsive measures adopted (2) Adoption of expert reports (3) Any matters of the management inconsistent with the material opinion	No objections

(II) The Company entrusted PricewaterhouseCoopers Taiwan to audit the financial statements of the Company and to issue audit opinion report to independent directors for review.

(III) The internal audit supervisor and independent directors convene meetings at least once quarterly and to submit reports on the internal audit execution status and internal control operation status of the Company.

Date	Focus of communication	Result of communication
March 18, 2019	1.On November 13, 2018, the 2019 annual work plan report was completed and submitted to independent auditors. 2.On January 2, 2019, the 2018 auditor and deputy personnel training hours report was completed. 3.On January 2, 2019, the 2019 auditor and deputy personnel report was completed. 4.On February 11, 2019, the 2018 annual audit plan execution status was completed and submitted to independent auditors. 5.On February 28, 2019, the 2018 entire company internal control self-evaluation form was completed, and proposal on the issuance of the 2018 internal control declaration was made. 6.Proposal on amendment of MM05 internal control system. 7.Proposal on amendment of PM006 internal audit management regulations. 8.Proposal on amendment of IM006A other operation cycle derived work instructions, internal control system of “Management Audit Committee Operation” and internal audit enforcement rules. 9.Proposal on amendment of 2019 audit work plan of the company, management of newly added plan number 108-008 audit committee operation. 10.October 2018 - January 2019 audit business execution report.	No objections
May 9, 2019	1.February 2019 - March 2019 audit business execution report. 2.On March 25, 2019, the 2018 internal control declaration reporting was completed.	No objections
June 28, 2019	1. 2019/04 audit business execution report. 2. On 2019/05/03, 2018 “Internal Control Deficiencies and Abnormalities Improvement” report was completed.	No objections
August 9, 2019	1. 2019/05~2019/06 i audit business execution report.	No objections
November 11, 2019	1. 2019/07~2019/09 audit business execution report. 2. 2020 audit work plan.	No objections

3. Summary of annual work focus of the Audit Committee:

1. Review financial statements:

The Company has prepared the 2nd quarter and 3rd quarter financial statements of the Company and has entrusted PricewaterhouseCoopers Taiwan to audit the financial statements of the Company and to issue audit opinion report to independent directors for review.

II. Internal audit report:

Assess the effectiveness of the internal control policies and procedures of the Company and review the audit report execution status of the audit department and CPA as well as the management.

4. Supervisor Participating Board Meeting Status:

In 2019, there were 6 board meetings (A), and the attendance status is as follows:

Title	Name	Number of attendees in person (B)	Actual attendance rate (%) (B/A)	Remarks
Supervisor	SHIN HO SING INVESTMENT CO., LTD. Representative: Ching-Feng Wu	2	100%	Dismissal on June 19, 2019
Supervisor	Yao-Ming Chuang	2	100%	Dismissal on June 19, 2019
Supervisor	Ming-Fan Hsieh	2	100%	Dismissal on June 19, 2019
Supervisor	Po-Tsang Tu	2	100%	Dismissal on June 19, 2019
Supervisor	Wu-Ming Hou	2	100%	Dismissal on June 19, 2019
Supervisor	Hui-Lan Wu	2	100%	Dismissal on June 19, 2019
Supervisor	Yi-Chun Wu	2	100%	Dismissal on June 19, 2019

Other matters required to be recorded:

I. Composition and responsibility of supervisors:

(I) Communication status of supervisors with the employees and shareholders: Supervisors can communicate with the employees and shareholders directly when it is considered necessary.

(II) Communication status of supervisors with internal audit supervisor:

Date	Focus of communication
March 18, 2019	1. On November 13, 2018, the 2019 annual work plan report was completed and submitted to independent auditors. 2. On January 2, 2019, the 2018 auditor and deputy personnel training hours report was completed. 3. On January 2, 2019, the 2019 auditor and deputy personnel report was completed. 4. On February 11, 2019, the 2018 annual audit plan execution status was completed and submitted to independent auditors. 5. On February 28, 2019, the 2018 entire company internal control self-evaluation form was completed, and proposal on the issuance of the 2018 internal control declaration was made. 6. Proposal on amendment of MM05 internal control system. 7. Proposal on amendment of PM006 internal audit management regulations. 8. Proposal on amendment of IM006A other operation cycle derived work instructions, internal control system of “Management Audit Committee Operation” and internal audit enforcement rules. 9. Proposal on amendment of 2019 audit work plan of the company, management of newly added plan number 108-008 audit committee operation. 10. October 2018 - January 2019 audit business execution report.

May 9, 2019	1. February 2019 - March 2019 audit business execution report. 2. On March 25, 2019, the 2018 internal control declaration reporting was completed.

II. If the supervisors attending the board meeting express opinions in the meeting, then the board meeting date, session, proposal content, resolution result of the board meeting and the Company's handling for the opinions of the supervisors shall be described: None

(III) Corporate Governance Operation Status and Discrepancies with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons:

Assessment Item	Operation Status			Discrepancies with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
I. Does the Company follow the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" to establish and disclose its corporate governance practices?		✓	The Company has not established the Corporate Governance Best Practice Principles, but such principles have been discussed and planned by the board of directors.	In preparation
II. Company's ownership structure and shareholders' equity				
(I) Does the Company have the internal procedures regulated to handle shareholders' proposals, doubts, disputes, and litigation matters; in addition, have the procedures been implemented accordingly?	✓		(I) The Company has dedicated personnel assigned to handle issues of shareholders' recommendations or disputes etc.	(I) There are no major discrepancies with Article 13 of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
(II) Is the Company constantly informed of the identities of its major shareholders and the ultimate controller?	✓		(II) For shareholders and directors or supervisors with shareholding percentage above 10%, in case of any increase, decrease or changes of pledge of their equities, the Company monitors such status and changes at all times.	(II) There are no major discrepancies with Article 19 of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
(III) Has the company established and implemented risk management practices and firewalls for companies it is affiliated with?	✓		(III) The finance, business, and accounting operations etc. of affiliates are operated independently and are handled by dedicated personnel. In addition, such operations are managed and audited by the headquarters.	(III) There are no major discrepancies with Article 14 of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
(IV) Has the company established internal policies that prevent insiders from trading securities against non-public information?	✓		(IV) To reduce violation of insiders trading of securities, the Company implements reporting properly according to Article 22-2 and Article 25 of the Securities and Exchange Act. In addition, the Company has also established the internal control system of "Insider Trading Prevention" and the internal material information handling operation procedure in order to regulate that insiders shall not disclose internal material information learned.	(IV) There are no major discrepancies with Article 10 of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
III. Composition and responsibility of board of directors				
(I) Does the board of directors have diversified policies regulated and implemented substantively according to		✓	(I) The Articles of Incorporation of the Company specifies the composition of the board of directors members (15~20 directors, and independent directors shall not be less than	(I) The Company has not yet established the corporate governance system; therefore, it is not yet executed, but it

Assessment Item	Operation Status			Discrepancies with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
the composition of the members?			1/5 of the total number of directors), and the Rules of Procedure for Board of Directors Meetings have been established.	is currently under discussion and planning by the board of directors.
(II) Apart from the Remuneration Committee and Audit Committee, has the Company assembled other functional committees at its own discretion?		✓	(II) The Company has assembled the Remuneration Committee and Audit Committee according to the laws, For other functional committees, the Company is currently evaluating the assembly thereof.	(II) It has been established completed according to Article 14-6 of Securities and Exchange Act.
(III) Has the Company established a set of policies and assessment tools to evaluate the board's performance? Is performance evaluated regularly at least on an annual basis? In addition, has the result of the performance assessment been submitted to the board of directors' meeting and used as reference for the remuneration and nomination or reelection of individual director?		✓	(III) The Remuneration Committee Charter of the Company specifies the responsibilities of the Remuneration Committee members, and the Remuneration Committee establishes relevant polices and reviews the performance of the board of directors annually. The remuneration of directors of the Company complies with Article 32 of the Articles of Incorporation of the Company such that no more than 3% of the current profit is appropriated as the remuneration of directors. In addition, the business outcome of the Company is considered along with the contribution to the performance of the Company in order to determine the reasonable remuneration for payment. The policy for the payment of remuneration of the managerial officers is made according to the remuneration policy of the Company and the salary level for such positions in the same industry in the market, and reasonable remuneration is paid along with the consideration on scope of responsibility for such positions and the level of contribution to the business goal of the Company. Relevant remuneration reasonableness is reviewed by the Remuneration Committee and the board of directors. In addition, it is timely reviewed according to the actual condition of business and relevant laws in order to seek a balance between the sustainable operation and risk control of the Company.	(III) The Company has not yet established the corporate governance system; therefore, it is not yet executed, but it is currently under discussion and planning by the board of directors.
(IV) Are external auditors' independence assessed on a regular basis?	✓		(IV) The Company performs one time of self-assessment on the independence of independent auditors annually, and the result has been submitted and approved by the board of	(IV) There are no major discrepancies with Article 29 of the Corporate Governance Best Practice Principles

Assessment Item	Operation Status			Discrepancies with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			directors meeting on March 16, 2020. After the assessment on CPA Tzu-Yu Lin and CAP Yung-Chih Lin of PricewaterhouseCoopers Taiwan, the Company considered that they have complied with the independence review and assessment standard (Note 1) of the Company, such that they are qualified to act as the independent auditors for the Company. The accounting firm has also issued a declaration letter (Note 2) for the above.	for TWSE/TPEx Listed Companies.
IV. Has the publicly listed company designated a department or personnel that specializes (or is involved) in corporate governance affairs (including but not limited to providing directors/supervisors with the information needed to perform their duties, convention of board meetings and shareholder meetings, company registration and changes, preparation of board meeting and shareholder meeting minutes etc.)?	✓		The Administration Department and Accounting Department of the Company jointly handle the corporate governance related affairs, and periodically participate in relevant educational trainings. In addition, in March 2020, the board of directors approved the establishment of the job position of the head of governance.	There are no major discrepancies with Article 3-1 of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
V. Has the Company provided proper communication channels and created dedicated sections on its website to address corporate social responsibility issues that are of significant concern to stakeholders (including but not limited to shareholders, employees, customers and suppliers etc.)?	✓		For shareholders, the Company has dedicated personnel for handling; for employees, the Company has the labor union for handling; for customers, the Company has provided a complaint filing channel; for neighborhood community communication and interaction, the Company also established a dedicated unit for handling. In addition, the Company has also set up the stakeholders' section on the Company's website, and an independent contact window is provided.	There are no major discrepancies with Article 51 of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
VI. Has the Company commissioned a professional stock agency institution to handle shareholders' meeting affairs?	✓		The Company has entrusted a professional stock affairs agency for handling shareholders' meeting related affairs, and dedicated personnel for stock affairs have been established.	There are no major discrepancies with Article 7 of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
VII. Information Disclosure (I) Has the Company established a website that discloses financial, business, and corporate governance-related information?	✓		(I) The Company has set up a website and periodically discloses financial and business related information.	(I) There are no major discrepancies with Article 55 and Article 57 of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed

Assessment Item	Operation Status			Discrepancies with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
				Companies.
(II) Has the Company adopted other means to disclose information (e.g. English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, broadcasting of investor conferences via the company website)?	✓		(II) The Company has established dedicated personnel to be responsible for the collection and disclosure of the Company information in order to provide such information to shareholders and stakeholders for reference, and the company spokesman's system is also implemented thoroughly.	(II) There are no major discrepancies with Article 55 and Article 56 of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
(III) Has the Company made public announce and report the annual financial statements within a period of two months after the end of each fiscal year, and has the Company also made announcement and provided report of the first, second and third quarter financial statements as well as the monthly business operation status?	✓		(III) The board of directors' meeting of the first quarter of the Company is still convened in March; therefore, it is not possible to publicly announce and report the annual financial statements within a period of two months after the end of each fiscal year. In addition, the Company has been able to make early announcement and report of the first, second, and third quarter financial statements as well as the monthly operation status.	(III) There are no major discrepancies with Article 55 of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
VIII. Does the Company have other important information (including but not limited to employees' benefits and rights, employee care, investor relationship, supplier relationship, rights of stakeholders, educational training status of directors and supervisors, implementation of risk management policy and risk measurement standards, customer policy implementation status, purchase of liability insurance for directors and supervisors of the Company etc.) helpful to the understanding of the corporate governance operation status of the Company?	✓		1. Employees' benefit: The Company has always treated employees with trust and honesty, and employees' legitimate rights are protected according to the Labor Standards Act. In addition, the Company also signs group agreements with the labor union. 2. Employee care: Through appropriate welfare system for stabilizing employees' living and proper educational training system, excellent relationship with mutual trust and dependence is established with the employees. For example: Increasing the appropriation of welfare fund to promote club activities, health examination, group insurance, labor education and providing a parking lot for employees' use, etc. 3. Investor relationship: Spokesman and stock affairs unit are established to be responsible for the handing of shareholders affairs. 4. Supplier relationship: The Company has always maintained	There are no major discrepancies with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Operation Status</th><th rowspan="2">Discrepancies with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>excellent relationships with suppliers.
5. Rights of stakeholders: Stakeholders may communicate with and make recommendations to the Company in order to maintain their legitimate rights and benefits.
6. Continuing education status of directors and supervisors: Directors and supervisors participating in the training in 2019 were: Li-Ling Cheng, Po-Tsang Tu, Chih-Yuan Hou
7. Implementation of risk management policy and risk measurement standard: Various internal regulations are established according to the laws in order to perform various risk management and assessment.
8. Customer policy execution status: The Company maintains stable and excellent relationship with customers in order to create profits for the Company.
9. Status of liability insurance purchased by the Company for the directors and supervisors: The Company purchased the directors' liability insurance on June 28, 2019.</td><td></td></tr>
<tr><td colspan="5">IX. The improvement status of the corporate governance evaluation announced by the Taiwan Stock Exchange (TWSE) in the most recent year, and providing enhancement for matters yet to be improved for the Company is explained in the following:
Already improved: 1. Establishment of the job position of the head of governance. 2. Established the Audit Committee. 3. Stipulated the standard operation procedure for handling directors' requests. 4. Enhanced disclosure of the contents of the shareholders' meetings, board meeting proposals and annual report.
Priority enhancement matters and measures for matters yet to be improved: 1. Enhance the information disclosure on the Company's website. 2. English version of financial statements and annual report. 3. Stipulated the Regulations for Board of Directors Performance Evaluation.</td></tr>
</table>

(Note 1)

NANTEX INDUSTRY CO., LTD.
Certified Public Accountant Independence Assessment Form

Subject of Examination: CPA Tzu-Yu Lin, CPA Yung-Chih Lin
Examination Date: January 21, 2020

No.	Assessment Item	Assessment Result	Whether the independence criteria are satisfied
I	Whether the accountant or audit service team member assumes the position of director, managerial officer or duties having material impact on the audit case presently or in the last two years	No	Yes
II	Whether the accountant or audit service team member promotes or acts as a broker for the stocks issued by the Company	No	Yes
III	Whether the accountant or audit service team member, except for businesses permitted under the laws, represents the Company to defend it in legal cases or other dispute matters with a third party	No	Yes
IV	Whether the accountant or audit service team member is in kinship with directors, managers or personnel handling duties having material impact on the audit case	No	Yes
V	Whether the accountant has direct or material indirect financial interest relationship with the Company	No	Yes
VI	Whether the accountant engages in loaning of funds with the Company	No	Yes
VII	Whether the accountant has close business relationship and potential employment relationship with the Company	No	Yes
VIII	Whether the accountant is employed by the trustor or examinee to perform routine works with a fixed salary payment	No	Yes

(Note 2)

Letter

Recipient: NANTEX INDUSTRY CO., LTD.

Date: January 10, 2020
Letter number: Zi-Hui-Zong-Zi No.19006380

Subject: According to the request of the Company and subsidiaries (collectively referred to as the "Group"), we have assessed the independence of our firm from the Group in compliance with the Norm of Professional Ethics for Certified Public Accountants Bulletin No. 10 "Integrity, Fairness, Objectivity and Independence." Please refer to the assessment result and the statement thereof as explained in the Description below.

Description:

I. According to Article 4 of the Norm of Professional Ethics for Certified Public Accountants Bulletin No. 10 (referred to as "Bulletin No. 10"), during the auditing or review of financial statements, "in addition to the maintenance of substantial independence, the formality independence is particularly important. Accordingly, the audit service team members, other co-practicing accountants, firms and affiliates of the firm (referred to as the "audit service team service members and related parties of the firm") shall maintain independence from the audit customer." In addition, according to Article 7 of the Bulletin No. 10, it also states "independence may be affected by one's own interest, self-assessment, defense, familiarity and threat." In view of the above, with regard to the possible factors affecting the independence described in Article 7, we provide statements to explain that the independence of our firm is not subject to the impacts of the aforementioned factors one by one to the Group.

II. Independence not affected by one's own interest
We hereby state that the audit service team service members and related parties of our firm are not engaged in a (1) direct or material indirect financial interest relationship; (2) close business relationship; (3) potential employment relationship; (4) financing or guarantee actions, with the Group or directors and supervisors thereof.

III. Independence not affected by self-assessment
We hereby state that the audit service team members have not assumed any job positions of directors or supervisors or duties having material impact on the audit case in the Group presently or in the last two years. In addition, we do not provide important items of non-audit service case having direct impact on the audit case.

IV. Independence not affected by defense
We hereby state that the audit service team members are not entrusted to act as a defender to take position or provide opinion for the Group, or to represent the Group to coordinate conflicts with another third party.

V. Independence not affected by familiarity
We hereby state: (1) the audit service team members are not in kinship with the directors, supervisors, managers or personnel with duties having material impact on the audit case in the Group; (2) co-practicing accountants dismissed in the last one year are not assuming any job positions of directors, supervisors, managers or personnel with duties having material impact on the audit case in the Group; (3) the audit service team members have not accepted any gifts or presents of material value from the Group or directors, supervisors and managers thereof.

VI. Independence not affected by threat

We hereby state that the audit service team members have not been subjected to or are under any improper requests from the management of the Group in relation to the accounting policy selection or financial statement disclosure; or reduction of required audit works based on the reason of official fee reduction etc., such that there is any doubt of impacts on the objectiveness and professional practice.

All the statements made by our firm, in addition to the execution of relevant operation procedure of related customer independence checks, we have also fulfilled the professional due care. Respectfully submitted.

Attachments:

I. List of audit service team members according to regulations of Bulletin No. 10.
II. List of accountants withdrawn from the joint practice of our firm in the last year.
III. List of affiliates of PricewaterhouseCoopers (PwC) Taiwan.
IV. Non-audit service items provided by PwC Taiwan and affiliates to Nantex Industry Co., Ltd.

PricewaterhouseCoopers (PwC) Taiwan

C.P.A.: Tzu-Yu Lin

Attachment 1: List of Audit service team members according to regulations of Bulletin No. 10.:

Name	Title
Tzu-Yu Lin	Certified Public Accountant
Yung-Chih Lin	Certified Public Accountant
Shu-Fen Yu	Certified Public Accountant
Ching-Ju Yao	Vice President
Tzu-Shan Hung	Manager
Chia-Ying Lin	Manager
Yu-Ting Ting	Team Lead
Yu-Hung Chiang	Team Lead
Yu-Sheng Chiang	Team Lead
Tsai-Ting Tseng	Team Lead
Chien-Yi Wu	Auditor
Fang-Ning Yu	Auditor
Wei-Man Sun	Auditor
Meng-Han Chiang	Auditor

Attachment 2: List of accountants withdrawn from the joint practice of our firm in the last year:

Name	Withdrawal Date
Tsung-Ming Kuo	May 30, 2019
Te-Feng Wu	June 3, 2019
Wen-Tsung Lu	June 27, 2019

Attachment 3: List of affiliates of PricewaterhouseCoopers (PwC) Taiwan:

(I)	PricewaterhouseCoopers Legal Taiwan
(II)	PwC Consulting Co., Ltd.
(III)	PwC International Financial Consulting Co., Ltd.
(IV)	PwC Human Resource Management Consulting Co., Ltd
(V)	PwC Taxation Consulting Co., Ltd
(VI)	PwC Sustainable Development Service Co., Ltd.
(VII)	PwC Real Estate Consulting Ltd.
(VIII)	PwC Intelligent Risk Management Consulting Co., Ltd.
(IX)	PwC Innovation Consulting Ltd.
(X)	PwC Education Foundation

Attachment 4: Non-audit service items provided by PwC Taiwan and affiliates to Nantex Industry Co., Ltd.:

I. Profit-seeking enterprise income tax auditing and certification.
II. Transfer pricing research and analysis project.
III. Assistance to company's application of registration alternation related service.
IV. Assistance to implementation and report for approval service for company's remittance of dividends to offshore third area.
V. Assistance to Mainland China investment report for approval and investment permission service.

(IV) Operation Status of Remuneration Committee:

1. Information of Remuneration Committee members:

Identity (Note 1)	Criteria / Name	Whether he/she is equipped with more than five years of working experience and the following professional qualification: Instructors or above at public/private university/college in the area of commerce, law, finance, accounting, or relevant departments necessary for the business of the company	Judge, prosecutor, attorney, accountant or other professional and technician necessary to the business of the company and requiring national examination qualification with certificate	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	Compliance with independence criteria (Note 2): 1	2	3	4	5	6	7	8	9	10	Number of companies for adjunct independent directors of other public offering companies	Remarks
Independent director	Te-Kuang Chou	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Independent director	Yung-Tzu Huang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent director	Ming-Tsai Lai	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent director	Wu-Jung Shih	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1: For the identity field, it shall be indicated as director, independent director, or others.

Note 2: Check in each box with "✓" if the member meets the condition during the two years prior to being appointed and during the term of office.

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

(2) Not a director or supervisor of the company or any of its affiliates. (the same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with law or with the laws of the country of the parent company or subsidiary).

(3) The member is not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.

(4) Not a managerial officer listed in the preceding Subparagraph (1) or a spouse, relative within second degree of kinship, or direct blood relative within third degree of kinship of personnel listed in the preceding Subparagraphs (2) and (3).

(5) Not a director, supervisor or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the company, or of a corporate shareholder that ranks among the top five in shareholdings, or of a proxy appointed according to Paragraph 1 or Paragraph 2 of Article 27 of the Company Act (provided that if the position of an independent director is held concurrently for the company and its parent company, a subsidiary or a subsidiary of the same parent company according to this law or laws of the local country, such restriction shall not be applied).

(6) Not a director, supervisor or employee of other company not controlled by the same parties holding a majority of the number seats of directors of the company or a majority of shares with voting rights (provided that if the position of an independent director is held concurrently for the company and its parent company, a subsidiary or a subsidiary

of the same parent company according to this law or laws of the local country, such restriction shall not be applied).

(7) Not a director (managing director), supervisor (managing supervisor) or employee of other company or institution being the same person holding the position of Chairman, President, or equivalent position in the company or a spouse thereof (provided that if the position of an independent director is held concurrently for the company and its parent company, a subsidiary or a subsidiary of the same parent company according to this law or laws of the local country, such restriction shall not be applied).

(8) Not a director (managing director), supervisor (managing supervisor), managerial officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the company (provided that if the specific company or institution holds 20% or more and no more than 50% of the total number of issued shares of the company, and the position of an independent director is held concurrently for the company and its parent company, a subsidiary or a subsidiary of the same parent company according to this law or laws of the local country, such restriction shall not be applied).

(9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative remuneration exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or the Business Mergers and Acquisitions Act and related laws or regulations.

(10) The member is not a person subject to any conditions defined in Article 30 of the Company Law.

2. Operation Status of Remuneration Committee:

(1) The Company's Remuneration Committee consists of 4 members.

(2) Term of office of the current Committee members: From June 19, 2019 to June 18, 2022. The Remuneration Committee held 3 meetings (A) in the most recent year,

and details of members' eligibility and attendance are as follows:

Title	Name	Actual number of attendance	Number of attendances by proxy	Actual attendance rate (%)	Remarks
Convener	Ming-Tsai Lai	3	0	100%	June 28, 2019 Consecutive term of office
Committee member	Yung-Tzu Huang	3	0	100%	
Committee member	Te-Kuang Chou	2	1	67%	
Committee member	Wu-Jung Shih	1	2	33%	

Remuneration Committee Meeting Discussion Items and Resolution Result

Remuneration Committee	Discussion Items	Resolution Result
7th meeting of 3rd term March 18, 2019	1. 2018 Business outcome and appropriation plan for remuneration of directors and supervisors as well as employees' remuneration	Approved
	2. 2019 review of remuneration of directors, supervisors and managerial officers	Approved
	3. Proposal on amendment of the "Remuneration Committee Charter"	Approved

Remuneration Committee	Discussion Items	Resolution Result
1st Meeting of 4th Term June 28, 2019	1. Election of convener	Approved

Remuneration Committee	Discussion Items	Resolution Result
2nd Meeting of 4th Term November 11, 2019	1. 2019 Managerial officer annual salary adjustment plan	Approved
	2. Amendment of "Financing Guarantee Liability Remuneration and Remuneration of Directors Distribution Regulations"	Approved
	3. 2019 Policy, system, standard, structure and performance evaluation of remuneration of directors and managerial officers	Approved
	4. 2020 work plan	Approved

Other matters required to be recorded:

I. In the event where the Remuneration Committee's proposal is rejected or amended in a board of directors meeting, please describe the date and session of the meeting, details of the agenda, the board's resolution, and how the company had handled the Remuneration Committee's proposals (describe the differences and reasons, if any, should the board of directors approve a solution that was more favorable than the one proposed by the Remuneration Committee): None.

II. In cases where any member objected or expressed qualified opinions to the resolution made by the Remuneration Committee, whether on-record or in writing, please describe the date and session of the meeting, details of the agenda, the entire members' opinions, and how their opinions were addressed: None.

(V) Discrepancies between the implementation of social responsibility status and the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons:

Assessment Item	Operation Status: Yes	Operation Status: No	Operation Status: Summary	Discrepancies with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
I. Has the company conducted risk assessment on the environment, society and corporate governance issues related to the company's operation according to the materiality principle, and has the company established relevant risk management policy or strategy?	✓		Regarding the risk assessment on the topics of environment, society (safety, health) etc. related to the operation of the Company, internal and external topics as well as the matters concerned by stakeholders are reviewed to promote the ISO 14001 environmental management system and OHSAS 18001 occupational safety and health management system and management system, in order to perform the environmental determination and hazard identification. In addition, according to the assessment result, the environmental safety and health goals, subject matters and management plans are established and implemented as well as incorporated into the management system for periodic review and follow-up.	There are no major discrepancies with Article 3 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
II. Does the Company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management and does it report its progress to the board of directors?	✓		Although the Company has not established a corporate social responsibility dedicated unit, the administration department and industrial safety team are committed to the promotion of corporate social responsibility.	There are no major discrepancies with Article 9 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
III. Environmental topic (I) Does the Company have an appropriate environmental management system established in accordance with its industrial characteristics?	✓		(I) According to the industry characteristics of the Company, in terms of the promotion of the environmental safety and health system, in addition to the compliance with the domestic environmental safety and health related regulations, the system of the Company is also linked to the international standards, such that the Company has obtained the certifications of the environmental management system ISO14001(version 2015), occupational safety and health management system OHSAS18001 (version 2007) and TOSHMS (CNS15506) respectively, and the system has been operated continuously according to the PDCA system architecture.	(I) There are no major discrepancies with Article 14 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
(II) Is the Company committed to achieving efficient use of resources, and using renewable materials that produce less of an impact on the environment?	✓		(II) The Company is committed to the improvement of the source, increase the utilization of resources and recycling of resources as well as assessment of the low toxicity materials, in order to achieve	(II) There are no major discrepancies with Article 12 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed

Assessment Item	Operation Status			Discrepancies with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
			the goal of reduction of raw materials and wastes, thereby reducing environmental impacts.	Companies.
(III) Has the company evaluated the climate change on the present and future potential risks and opportunities of the corporation, and has the company adopted responsive actions on climate related issues?	✓		(III) According to ISO-14001 (version 2015), with regard to the topic of climate change, the Company performs assessment on the possible risks and opportunities, and also adopts handling measures, including the promotion of ISO-14064 greenhouse gas inventory taking and entrusting a third party (Bureau Veritas) for certification and performing annual review, establishing relevant emission reduction strategy. In addition, the Environmental Safety and Health Committee also performs periodic implementation outcome follow-up and review quarterly.	(III) There are no major discrepancies with Article 17 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
(IV) Has the company statistically analyzed the greenhouse gas emission, water usage and waste total weight over the past years, and has the company established policies for energy saving, carbon reduction, greenhouse emission reduction, reduction of water usage or other waste management?	✓		(IV) Statistical data of the Company for the last two years is as shown in Note 1	(IV) There are no major discrepancies with Articles 15, 16, 17 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
IV. Social topics (I) Does the Company have the relevant management policies and procedures stipulated in accordance with the relevant laws and regulations and international conventions on human rights?	✓		(I) The Company complies with relevant regulations and laws, and the employment, dismissal and remuneration of employees are handled according to the internal control management regulations of the Company in order to protect the basic rights and interests of employees. To ensure that each employee receives fair, humane treatment and respect, the "Sexual Harassment Preventive Measures, Complaint and Punishment Regulations" are established in order to protect the rights and interests of all employees.	(I) There are no major discrepancies with Article 18 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
(II) Has the company established and implemented reasonable employee welfare measures (including remuneration, leave and	✓		(II) The Company operation status and policy are promoted and conveyed through labor union meetings or labor management meetings regularly, and the rights and	(II) There are no major discrepancies with Article 22 of the Corporate Social Responsibility Best Practice

Assessment Item	Operation Status			Discrepancies with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
other welfare etc.), and has the company appropriately reflected the operation performance or outcome in the remuneration of employees?			interests of both the labor and management are coordinated through discussion and communication in order to achieve labor and management harmony. Employee complaint channels can express opinions and handling through the labor union, labor and management meetings, staff seminars, and management unit.	Principles for TWSE/GTSM Listed Companies.
(III) Does the Company provide employees with a safe and healthy work environment, and provide safety and health education to employees regularly?	✓		(III) The Company is committed to providing a safe and health working environment to employees, and labor safety education training sessions are held regularly. For physical health, employee health examinations are organized annually and diverse health seminars (including monthly periodic stationed physician consultation) are held to allow employees to further understand their health condition. For work safety, continuous educational training and promotion are implemented to cultivate employees' emergency response abilities and safety concept, thereby enhancing employees' awareness and abilities, and reducing the occurrence of accidents due to unsafe behaviors.	(III) There are no major discrepancies with Article 20 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
(IV) Does the Company have an effective career capacity development training program established for the employees?	✓		(IV) The Company regularly and irregularly implements employee occupational and professional operation training for cultivating competent personnel for job handling.	(IV) There are no major discrepancies with Article 21 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
(V) Has the company complied with laws and international standards with regards to the customer health and safety of products and services, customer privacy, marketing and labeling of products and services, and has the company established policies and reporting procedure related to consumer right and benefit protection?	✓		(V) The Company complies with the laws and international standards with regards to the marketing and labeling of products and service. Safety Data Sheets (SDS) are prepared for products according to domestic and foreign laws. In addition, for customer related safety, environment and health complaint procedures, the "Regulations for Environmental Safety and Health Communication" are also established.	(V) There are no major discrepancies with Article 24 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
(VI) Has the Company established the supplier management policy, requested suppliers to comply with relevant regulations with		✓	(VI) The Company is entitled to terminate supply agreements at any time with a supplier, if the supplier is found to have violated its corporate social responsibilities and caused significant impacts against the environment or the society.	(VI) There are no major discrepancies with Article 26 of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed

Assessment Item	Operation Status			Discrepancies with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
regards to the issues of the environmental protection, occupational safety and health or labor rights etc. and the implementation status thereof?				Companies.
V. Has the Company stipulated standards or guidelines according to the internationally accepted report, prepared corporate social responsibility report etc. and reports for disclosing non-financial information of the Company? Whether the assurance and guarantee opinions of a third party verification unit is obtained for the aforementioned report?		✓	The Company will further plan and prepare the corporate social responsibility report depending on the actual needs in the future.	The corporate social responsibility report will be further planned and prepared depending on the actual needs in the future.
VI. Where the Company establishes its own corporate social responsibilities according to the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies," please describe the discrepancy between its operation and the principles established: Although the Company has not established the Corporate Social Responsibility Best Practice Principles, the operation of the Company implements the corporate governance according to the Company Act and relevant laws of the Securities and Futures Bureau, and the main governance principles are also covered.				
VII. Other important information to facilitate the understanding of the status of corporate social responsibility operation: (I) The Company periodically reviews the environmental safety policy, and establishes the operational goals, subject matter and management solution as well as execution plan annually according to the environmental safety policy regulatory requirements and future trend, and the execution performance is also reviewed and inspected. Presently, the Company continues to promote the environmental management system, OHSAS18001 occupational safety and health management system and TOSHMS Taiwan occupational safety and health management system for achieving the goal of zero accidents and zero pollution. (II) The Company participates in various activities of "Taiwan Responsible Care Association" and takes on the role of "Society Care, Responsibility and Self-Discipline." (III) For communication and interaction with the neighborhood community, the Company actively participates in community welfare activities of the community cultural education, environmental protection and community development etc.				

Note 1: Regarding the greenhouse gas emission, water consumption and waste total weight of the Company in the last two years, the statistical data is as follows:

Year	Greenhouse gas emission (CO2e/year)	Water consumption of entire plant (tons/year)	Primary waste production quantity (tons/year)
2018	37,347.759	563,819	1,027.090
2019	36,743.367	538,371	1,043.780

Predefined goal (three-year reduction from the base year of 2018 to 2021)	Unit product greenhouse gas emission reduction by 3%	Unit product water consumption reduction by 3%	Unit product waste production quantity reduction by 3%
Measures for achieving the reduction	1. Inventory taking, renewal and replacement of high energy consumption equipment (1) replacement of public-use three cooling water pumps PU-971C/D/E and replacement of blades of two units of PU-971A/F; (2) replacement of the old waste pressure booster pumps PU-839A/B with new ones; (3) additionally purchase of 2 movable explosion-proof high pressure water guns to replace the high energy consumption pump. (4) Replacement of PU-961A/B, PU-974A/B, PU-962A/B, PU-951D with variable frequency pumps. 2. Replacement of LED energy-saving lighting fixtures.	1. Additional purchase of movable explosion-proof high-pressure water gun to place the existing water gun of larger aperture in order to reduce the water consumption. 2. Steam condensing water recycling and reuse.	1. Recycled use of recoverable materials and tailings. 2. Source waste concentration reduction assessment. 3. Assessment of replacement of dryer in order to increase operational efficiency.

(VI) Discrepancies between the implementation of ethical management status and the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons:

Assessment Item	Operation Status			Discrepancies with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
I. Establish ethical corporate management policy and solution (I) Has the Company stated in its Memorandum or external correspondence the policies and practices it has to maintain business integrity? Are the board of directors and the management committed to fulfilling this commitment? (II) Has the company established assessment mechanism for unethical conduct risk, performed periodic analysis and assessed operating activities of relatively higher unethical conduct risk in the scope of business, and has established unethical conduct solution accordingly, and at least covering the preventive measures for the conducts described in each subparagraph of Paragraph 2 of Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"? (III) Does the Company establish any operational procedures, behavioral guidelines, disciplinary actions and complaint systems in the plan for preventing unethical conducts, and is such plan implemented properly? In addition, is the aforementioned plan reviewed periodically before amendment?	✓ (I)	✓ (II, III)	(I) The Company complies with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, relevant regulations for TWSE/GTSM listed companies or other business activity related regulations, in order to use them as the basic principles for the implementation of ethical management. (II&III) To ensure the implementation of ethical management, the Company establishes an effective accounting system and internal control system. Internal auditors also conduct periodic audits on the compliance status of the aforementioned system. In addition, the internal auditors are under the board of directors and permitted to attend the board of directors meeting, and submit reports to the board of directors in order to ensure the consistency of the Company's operation and the resolution of the board of directors' meetings.	(I) There are no major discrepancies with Article 4 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies. (II&III) It will be established according to the Company's business status and scale.
II. Implement ethical management (I) Does the Company evaluate the integrity of all counter parties it has business relationships with? Are there		✓	(I) The Company has not established the ethical management principles; however, before the business dealings and	(I) There are no major discrepancies with Article 9 of the Ethical Corporate

Assessment Item	Operation Status			Discrepancies with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
any integrity clauses in the agreements it signs with business partners? (II) Does the Company have a unit that specializes (or is involved) in business integrity? Does this unit report its progress to the board of directors on a regular basis (at least once annually)?		✓	activities, the Company always considers the ethical conducts of the transaction counterparties in advance. (II) The Company has not established the ethical management principles; however, the audit service team conducts regular and irregular audits, and submits a report in the board of directors' meetings periodically.	Management Best Practice Principles for TWSE/GTSM Listed Companies. (II) It will be established according to the Company's business status and scale.
(III) Does the Company have any policy that prevents conflict of interest, and channels that facilitate the report of conflicting interests?		✓	(III&IV) To ensure the implementation of ethical management, the Company establishes an effective accounting system and internal control system. Internal auditors also conduct periodic audit on the compliance status of the aforementioned system. In addition, conflict of interest recusal rules are also explicitly specified in the Rules of Procedure for Board of Directors Meetings. In addition, the internal auditors are under the board of directors and permitted to attend the board of directors meeting, and submit reports to the board of directors in order to ensure the consistency of the Company's operation and the resolution of the board of directors' meetings.	(III&IV) There are no major discrepancies with Article 20 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
(IV) Has the company implemented effective accounting system and internal control system for the purpose of maintaining ethical operation? Has the internal audit unit established relevant audit plan according to the assessment result of unethical conduct risk and audit the status of compliance with the prevention against unethical conduct plan, or entrust a CPA to perform an audit?	✓			
(V) Has the Company provided internal and external training on ethical operation on a regular basis?		✓	(V) The Company requests all departments as well as auditing and internal control mechanisms to implement ethical management according to the scope of their duties with best effort.	(V)It will be established according to the Company's business status and scale.。
III. Reporting system operation status of the Company (I) Does the Company provide incentives and means for employees to report misconduct? Does the Company assign dedicated personnel to investigate the reported misconduct?		✓	The Company has not yet established the report and reward system for the ethical management best practice principles but has specified a general reward and punishment provisions in the management regulations of the Company.	It will be established according to the Company's business status and scale.

Assessment Item	Operation Status			Discrepancies with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Summary	
(II) Has the company established any investigation standard operation procedures for accepting reported misconducts, subsequent measures and relevant confidentiality measures required to be performed after the completion of the investigation? (III) Has the Company provided proper whistleblower protection from inappropriate handling?				
IV. Enhance information disclosure (I) Has the Company disclosed the content of the ethical operation guidelines and their implementation results on its website and the Market Observation Post System?		✓	The Company has not yet established the ethical management best practice principles, but relevant rules of the Company can be inquired on the Company's website.	It will be established according to the Company's business status and scale.
V. If the Company establishes its own ethical management best practice principles according to the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies," please describe the discrepancy between its operation and Company's ethical management best practice principles: The Company has not yet established the ethical management best practice principles; however, all of the operations of the Company comply with the regulatory requirements.				
VI. Other important information that is helpful in understanding the corporate ethical management operation of the Company (such as, the Company has the corporate ethical management best practice principles amended, etc.): 1. The Company complies with the relevant regulations of the Company Act, and Securities and Exchange Act of the competent authority, in order to use them as the basic principles for the implementation of ethical management. 2. The Company specifies the directors' conflict of interest recusal system in the "Rules of Procedure for Board of Directors Meetings." If a director or a juristic person represented by the director is an interested party with respect to any proposal for a board meeting, the director shall state the important aspects of the interested party relationship at the meeting. When the relationship is likely to prejudice the interests of the company, the director may not participate in discussion or voting on that proposal and shall enter recusal during the discussion and voting. In addition, the director may not act as another director's proxy to exercise voting rights on that matter.				

(VII) Where the company establishes corporate governance principles and relevant regulations, the inquiry method thereof shall be disclosed: relevant regulations are disclosed on the Company's website.

(VIII) Other information material to the understanding of corporate governance within the Company may be disclosed altogether:

To establish excellent internal material information handling and disclosure mechanism of the Company, to prevent improper leakage of information and to ensure the consistency and accuracy of the information announced by the

Company to the outside, the Company has established the “Internal Material Information Handling Operation Procedure,” explicitly specifying that insiders (including directors, supervisors, managers etc.) and employees shall perform duties as a prudent administrator with due care such that any internal material information learned shall not be disclosed. In addition, the Company also discloses the content of these rules on the intranet to enhance the education of employees.

(IX) Internal Control System Execution Status and Required Disclosure:

1. Internal Control System Declaration

NANTEX INDUSTRY CO., LTD.

Internal Control System Declaration

Date: March 16, 2020

The following declaration had been made based on the 2019 self-assessment result of the internal control policies of the Company:

I. The Company acknowledges and understands that establishment, implementation and maintenance of the internal control system are the responsibility of the board of directors and managerial officers, and that such a system has already been established throughout the Company. Its purpose is to promote the sound management of the Company in order to reasonably assure the achievement of the following goals. 1) Business performance and efficiency, 2) reliable, timely and transparent financial reporting and compliance with relevant regulations, and 3) compliance with relevant laws and regulations.

II. The internal control system has its inherent limitations, and regardless of how perfect the design is, the effectiveness of the internal control system can only provide reasonable assurance to the achievement of the aforementioned three objectives. In addition, due to the change of the environment and circumstances, the effectiveness of the internal control system may be changed. However, the internal control system of the Company is established with the self-supervision mechanism. Once a deficiency is identified, the Company will then adopt corrective actions.

III. The Company evaluates the effectiveness of its internal control policy design and execution based on the criteria specified in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations"). The criteria introduced by the "Regulations" consists of five major elements, each representing a different stage of internal control: 1. Control environment, 2. Risk evaluation and response, 3. Procedural control, 4. Information and communication, 5. Supervision. Each major elements further comprises several items. For the aforementioned items, please refer to the requirements of the "Regulations".

IV. The Company has adopted the system determination items of the aforementioned internal control system in order to examine the design of the internal control system and the effectiveness of the execution.

V. Based on the assessments described above, the Company considers the design and execution of its internal control system to be effective as at December 31, 2019. This system (including the supervision and management of subsidiaries) has provided assurance with regards to the business results of the Company, objective accomplishments, reliability of the financial report and relevant regulatory compliance related to the design of the internal control system and the effectiveness of the execution.

VI. This declaration will become the main content of the annual report and prospectus of the Company and will be disclosed to the outside. In case of any illegal conducts of severe false, concealing etc. in the aforementioned publicly disclosed content, the Company shall bear the legal liabilities specified in Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.

VII. This declaration was approved at the Company's board of directors meeting held on March

16, 2020. None of the 20 directors present at the meeting held any objections, and unanimously agreed to the contents of this declaration.

NANTEX INDUSTRY CO., LTD.

Chairman: Tung-Yuan Yang signature

President: Chien-Chu Hsu signature

2. If the internal control policy was reviewed by an external auditor, the result of such review must be disclosed: None.

(X) Penalties imposed against the Company for regulatory violation, or penalties against employees for violation of internal control policy in the most recent year up till the publication date of this annual report; If the result of the punishment may have a significant impact on shareholders 'equity or securities prices, the content of the punishment shall be specified describe areas of weakness and any corrective actions taken: None.

(XI) Major resolutions made by the Shareholders' Meeting and the Board of Directors during the latest financial year, up till the publication date of this annual report:

1. Major resolutions made by the Shareholders' Meeting and execution status for the latest financial year, up till the publication date of this annual report:
   (1) 10:00 a.m., June 19, 2019 (ordinary shareholders' meeting)
      (A) For the 2018 earnings distribution, a cash dividend of NT$1.8 per share was distributed.
      Execution status: Issuance was completed on September 10, 2019.
      (B) Approved the amendment to the "Articles of Incorporation" of the Company.
      Execution status: Change registration approved by the MOEA on August 5, 2019 and published on the Company's website.
      (C) Approved the amendment to the "Rules of Procedure for Shareholder Meetings" of the Company.
      Execution status: After the amendment on August 21, 2019, it was published in the work rules of the Company.
      (D) Approved the amendment to the "Procedures Governing the Acquisition or Disposal of Assets" of the Company.
      Execution status: After the amendment on June 21, 2019, it was published in the work rules of the Company.
      (E) Approved the amendment to the "Operational Procedures for Loaning Funds to Others" of the Company.
      Execution status: After the amendment on June 21, 2019, it was published in the work rules of the Company.
      (F) Approved the amendment to the "Operational Procedures for Endorsements and Guarantees" of the Company.
      Execution status: After the amendment on June 21, 2019, it was published in the work rules of the Company.
      (G) Re-election of 15th term of Directors of the Company
      Execution status: Election result announced on June 19, 2019.

2. Major resolutions made by the Board of Directors during the latest financial year, up till the publication date of this annual report:
   (1) 10:30 a.m., March 18, 2019
      (A) Approved 2018 business report, standalone financial statements and consolidated financial statements of the Company.
      (B) Approved 2018 earnings distribution proposal was approved for the distribution of a cash dividend of NT$1.8 per share.

(C) Approved the amendments to the "Articles of Incorporation" of the Company.
(D) Approved the amendment to the "Rules of Procedure for Shareholder Meetings" of the Company.
(E) Approved the amendment to the "Rules of Procedure for Board of Directors Meetings" of the Company.
(F) Approved the amendment to the "Procedures for Acquisition or Disposal of Assets" of the Company.
(G) Approved the amendment to the "Operational Procedures for Loaning Funds to Others" of the Company.
(H) Approved the amendment to the "Operational Procedures for Endorsements and Guarantees" of the Company.
(I) Approved the re-election of 15th term of Directors of the Company.
(J) Approved the acceptance of shareholders' proposal and nomination related matters.
(K) Approved the cancellation of non-compete restriction for new directors of the Company.
(L) Approved the convention of the 2019 Annual General Meeting at 10:00 a.m. June 19, 2019., at No. 261, Nanmen Road, Tainan City (1F Conference Hall, Labor Recreation Center).
(M) Approved the 15th term of director candidate list nominated by the board of directors.
(N) Approved the 2019 entrusted certified public accountant audit proposal of the Company.
(O) Approved the certified public accountant independence assessment proposal.
(P) Approved the proposal of the 2018 remuneration of employees and remuneration of directors and supervisors of the Company.
(Q) Approved the 2019 remuneration appropriateness of directors, supervisors and managers.
(R) Approved the amendment to the "Remuneration Committee Charter" of the Company.
(S) Approved the preparation of the 2018 internal control declaration of the Company according to the regulations of the "Regulations Governing Establishment of Internal Control Systems by Public Companies."
(T) Approved the proposal on amendment of MM05 internal control system.
(U) Approved the proposal of "PM006 internal audit management regulations"
(V) Approved the consultant employment proposal of the Company.
(W) Approved the proposal on the adjustment of the seal custodian and its deputy of the Company.

(2) 10:30 a.m., May 9, 2019
(A) Approved the establishment of the "Standard Operation Procedure for Handling Directors' Requests" of the Company.
(B) Approved the establishment of the "Audit Committee Charter" of the Company.
(C) Approved the amendment to the "Regulations Governing Scope of Responsibility of Independent Directors" of the Company.

(3) 11:00 a.m., June 19, 2019
(A) Election of the Chairman of the Company.

(4) 10:30 a.m., June 28, 2019
(A) Approved the proposal of President's reappointment.
(B) Approved the issuance of cash dividends and specified the ex-dividend date.

(C) Approved the proposal of cancellation of the non-compete restriction on the President.
(D) Approved the amendment to the "Internal Material Information Handling Operation Procedure" of the Company.
(E) Approved the amendment to the "Regulations Governing Shareholders' Services" of the Company.
(F) Approved the amendment to the "Application for Suspension and Resume of Transaction Operation Procedure" of the Company.
(G) Proposal on the employment of the 4th term of Remuneration Committee members of the Company.
(H) Approved the proposal on the establishment of the 1st term of the Audit Committee.
(I) Approved the legal consultant appointment proposal.
(J) Approved the consultant appointment proposal.
(K) Approved the amendment to parts of the provisions of the "Organization Charter" and "Work Rules."

(5) 10:30 a.m., August 9, 2019
(A) Approved proposal on the appointment of the Group Chairman.
(B) Approved the proposal on the annual salary adjustment.
(C) Approved the change of representative of corporate shareholder of the subsidiary Intermedium International Ltd.

(6) 10:45 a.m., November 11, 2019
(A) Approved the proposal on the 2020 audit work plan of the Company.
(B) Approved the amendment of parts of provisions of "Financing Guarantee Liability Remuneration and Remuneration of Directors Distribution Regulations" of the Company.
(C) Approved the 2019 Managerial officer annual salary adjustment plan.
(D) Approved the proposal on the 2019 policy, system, standard, structure and performance evaluation of remuneration of directors and managers reviewed by the Remuneration Committee.
(E) Approved the proposal on 2020 annual work plan of the Remuneration Committee of the Company.

(7) 10:30 a.m., March 16, 2020
(A) Approved the 2019 business report, standalone financial statements and consolidated financial statements of the Company.
(B) Approved 2019 earnings distribution proposal was approved for the distribution of a cash dividend of NT$1.8 per share.
(C) Approved the amendment to the "Rules of Procedure for Shareholder Meetings" of the Company.
(D) Approved the amendment to the "Rules of Procedure for Board of Directors Meetings" of the Company.
(E) Approved the convention of the 2020 Annual General Meeting at 10:00 a.m. June 16, 2020., at No. 261, Nanmen Road, Tainan City (First Conference Hall, 1F, Labor Recreation Center).
(F) Approved the amendment to the "Audit Committee Charter" of the Company.
(G) Approved the 2020 entrusted certified public accountant audit proposal of the Company.
(H) Approved the certified public accountant independence assessment proposal. 。
(I) Approved the 2020~2021 entrusted certified public accountant audit certification fee of the Company.

(J) Approved the preparation of the 2019 internal control declaration of the Company according to the regulations of the "Regulations Governing Establishment of Internal Control Systems by Public Companies."
(K) Approved the amendment to the "Remuneration Committee Charter" of the Company.
(L) Approved the amendment to the "Financing Guarantee Liability Remuneration and Remuneration of Directors Distribution Regulations" of the Company.
(M) Approved the proposal of 2019 remuneration of employees and remuneration of directors of the Company.
(N) Approved the 2020 remuneration appropriateness of directors and managers.
(O) Approved the proposal on the appointment of the head of governance of the Company.
(P) Approved the proposal on the appointment of the representative of Lushun Warehouse Co., Ltd. Invested by the Company.
(Q) Approved the proposal on the appointment of the representative of Nanmat Technology Co., Ltd. Invested by the Company.
(R) Approved the amendments to the "Articles of Incorporation" of the Company.

(XII) Documented opinions or declarations made by Directors or Supervisors against board resolutions in the most recent year, up till the publication date of this annual report: None.

(XIII) Resignation or dismissal of the Chairman, President, head of accounting, head of finance, chief internal auditor, corporate head of governance or head of R&D in the most recent year up till the publication date of this annual report:

April 30, 2020

Title	Name	Date of Job Assumption	Date of Dismissal	Reason of Resignation or Dismissal
Head of finance	Shen Chiu	—	May 31, 2019	Resigned

IV. Information of Independent Auditor's Fee

Independent Auditor's Fee Information Range

Name of Accounting Firm	Name of CPA		Audit Period	Remarks
PricewaterhouseCoopers (PwC) Taiwan	Tzu-Yu Lin	Tzu-Meng Liu	2019	

Unit: In Thousand New Taiwan Dollars

Fee Range	Fee Item	Audit Fee	Non-Audit Fee	Total
1	Under NT$ 2,000,000	–	–	–
2	NT$ 2,000,000 (inclusive) ~ 4,000,000	2,440	735	3,175
3	NT$ 4,000,000 (inclusive) ~ 6,000,000	–	–	–
4	NT$ 6,000,000 (inclusive) ~ 8,000,000	–	–	–
5	NT$ 8,000,000 (inclusive) ~ 10,000,000	–	–	–
6	Over NT$ 10,000,000 (inclusive)	–	–	–

(I) The content of the amounts of both audit and non-audit fees and the details of the non-audit services for non-audit fees paid to the CPA, to the accounting firm of the CPA, and to any affiliated enterprise of such accounting firm are equivalent to one quarter or more of the audit fees paid:

Unit: In Thousand New Taiwan Dollars

Name of Accounting Firm	Name of CPA	Audit Fee	Non-Audit Fee					Audit Period	Remarks
			System Design	Company Registration	Human resource	Others	Sub-total		
PricewaterhouseCoopers (PwC) Taiwan	Tzu-Yu Lin Tzu-Meng Liu	2,440	–	–	–	300	2,740	2019	Others refer to the financial statement's translation fee
PricewaterhouseCoopers (PwC) Taiwan	Ying-Hsun Liu	–	–	155	–	280	435	2019	Others for transfer pricing report

(II) When the accounting firm is changed and the audit fees paid for the financial year in which the change took place are lower than those paid for the financial year immediately preceding the change, the amount of the audit fees reduced and the reason shall be disclosed: None.

(III) When the audit fees paid for the current financial year are lower than those paid for the immediately preceding financial year by 15 percent or more, the amount and percentage of and reason for the reduction in audit fees: None.

V. Change of CPA’s Information: None

VI. The Company’s Chairman, President and Managers in charge of its finance and accounting operations holding any positions within the independent audit firm or its affiliates in the most recent year:

None.

VII. Transfer or pledge of shares owned by directors, supervisors, managerial officers, shareholders with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report

(I) Equity transfer and change status of directors, supervisors, managerial officers and major shareholders

(Unit: Shares)

Title	Name	2019		Up to the publication date	
		Increase (decrease) of shareholding	Increase (decrease) of pledged shares	Increase (decrease) of shareholding	Increase (decrease) of pledged shares
Chairman (Major Shareholder)	Tainan Spinning Co., Ltd. Representative: Tung-Yuan Yang	–	–	–	–
Director	Tainan Spinning Co., Ltd. Representative: Po-Ming Hou	–	–	–	–
Director	Li-Ling Cheng	–	–	–	–
Director	Tainan Spinning Co., Ltd. Representative: Liang-Hung Wu	–	–	55,000	–
Director	Tainan Spinning Co., Ltd. Representative: Po-Yu Hou	–	–	–	–
Director	SHIN HO SING INVESTMENT CO., LTD. Representative: Ching-Feng Wu	–	–	–	–
Director	Ta Chen Construction & Engineering Corp. Representative: Ming-Fan Hsieh	–	–	–	–
Director	RuiXing International Investment Co., Ltd. Representative: Ying-Chih Chuang	850,000	–	500,000	–
Director	YoungYun Investment Co., Ltd. Representative: Chung-Ho Wu	–	–	–	–
Director	Pi-Ying Cheng	3,942,940	–	–	–
Director	Tainan Spinning Co., Ltd. Representative: Chih-Yuan Hou	–	–	–	–
Director	Tainan Spinning Co., Ltd. Representative: Li-Fan Wang	–	–	–	–
Director	Tainan Spinning Co., Ltd. Representative:	–	–	–	–

	Ching-Yao Chuang				
Director	Jiu Fu Investment Co., Ltd. Representative: Po-Tsang Tu	–	–	–	–
Director	HON HAN ENTERPRISE CORPORATION Representative: Meng-Sheng Liao	–	–	27,000	–
Director	Wen-Teng Hou	–	–	–	–
Independent director	Te-Kuang Chou	–	–	–	–
Independent director	Yung-Tzu Huang	–	–	–	–
Independent director	Ming-Tsai Lai	–	–	–	–
Independent director	Wu-Jung Shih	–	–	–	–

Title	Name	2019		Up to the publication date	
		Increase (decrease) of shareholding	Increase (decrease) of pledged shares	Increase (decrease) of shareholding	Increase (decrease) of pledged shares
President	Chien-Chu Hsu	–	–	–	–
Vice President	Wen-Hsin Huang	–	–	–	–
Factory Director	Chih-Ho Shih	–	–	–	–
Assistant President	Yu-Chen Chung	–	–	–	–
Assistant President	Yao-Te Huang	–	–	–	–
Assistant President	Han-Yang Wang	–	–	–	–
Assistant President	Chi-Tsang Chen	37,977	–	–	–
Assistant President and Accounting Manager	Sheng-Chung Huang	–	–	–	–
Financial Manager	Hsin-Fu Tai	–	–	–	–

Note: Tainan Spinning Co., Ltd. holds more than 10% of the total shares of the Company and is recognized as a major shareholder.

(II) Equity transfer related party information: None

(III) Equity pledge related party information: None

VII.Information on relationship among shareholders of top 10 highest shareholder percentages:

April 18, 2020

Name	Current Shareholding		Shares held by spouse and minor children		Shareholding by Nominee Arrangement		Company name or individual name and relationship of related parties or spouse or kinship within the second degree among the top 10 major shareholders		Remarks
	Number of Shares	Shareholding percentage	Number of Shares	Shareholding percentage	Number of Shares	Shareholding percentage	Company name (or individual name)	Relationship	
Tainan Spinning Co., Ltd.	105,549,052	21.43%	—	—	—	—	Nanfang Construction Co., Ltd.	Parent company	—
Representative: Yupeng Investment Company	—	—	—	—	—	—	—	—	
Nanfang Construction Co., Ltd.	27,362,884	5.56%	—	—	—	—	Tainan Spinning Co., Ltd.	Re-invested company	—
Representative: Po-Ming Hou	2,334,311	0.47%	—	—	—	—	—	—	
Jiu Fu Investment Co., Ltd.	23,960,668	4.87%	—	—	—	—	—	—	—
Representative: Chao-uan Cheng	8,16,199	0.17%	—	—	—	—			
Ta Chen Construction & Engineering Corp.	13,327,483	2.71%	—	—	—	—	Prince Housing and Development Corp.	Second-tier subsidiary	—
Representative: Jung-Tien Chang	—	—	—	—	—	—	—	—	
Guang wei Investment Co., Ltd.	11,494,717	2.33%	—	—	—	—	—	—	—
Representative: Ying-nan Zhuang	865, 355	0. 18%	—	—	—	—	—	—	
HON HAN ENTERPRISE CORPORATION	10,734,869	2.18%	—	—	—	—	—	—	—
Representative: Ching-Chang Huang	669,639	0.14%	—	—	—	—	—	—	
SHIN HO SING INVESTMENT CO., LTD.	10,129,684	2.06%	—	—	—	—	—	—	—
Representative: Ching-Feng Wu	100,840	0.02%	390,004	0.08%	—	—	—	—	
T.H. Wu Foundation (Note)	10,109,302	2.05%	—	—	—	—	—	—	—
Prince Housing and Development Corp.	7,564,988	1.54%	—	—	—	—	Ta Chen Construction & Engineering Corp.	Parent company	—

Representative: Chih-Hsien Lo	–	–	–	–	–	–	–	–	–
Li-Ling Cheng	7,493,782	1.52%	129,572	0.03%	–	–	–	–	–
Hsin-Liang Hou (Note)	7,234,952	1.47%	–	–	–	–	–	–	–

Note: Information on the shares not held by the directors, supervisors of the Company, or their spouse, minors and shares held under the name of others cannot be obtained.

IX. Comprehensive Shareholding Percentage Status:

December 31, 2019

Re-invested business	Investment of the Company		Investment of directors, supervisors, managers and direct or indirect controlled business		Consolidated investment	
	Number of Shares	Shareholding percentage	Number of Shares	Shareholding percentage	Number of Shares	Shareholding percentage
NANMAT TECHNOLOGY CO., LTD.	16,054,238	44.20%	770,476	2.13 %	16,824,714	46.33%
INTERMEDIUM INTERNATIONAL LIMITED (BVI)	55,503,757	100%	—	—	55,503,757	100%
ZHENJIANG NANTEX CHEMICAL INDUSTRY CO., LTD.	—	100%	—	—	—	100%
Micro Sova Co., Ltd.	1,021,317	0.52%	100,800	0.04 %	1,122,117	0.56%
President International Development Corporation	8,820,000	0.67%	—	—	8,820,000	0.67%
Grand Bills Finance Corp.	720,345	0.13%	3,653,290	0.67%	4,373,635	0.80%
Lushun Warehouse Co., Ltd.	2,700,000	15.00%	—	—	2,700,000	15.00%

Four. Status on Financing:

I. Capital and shares:

(I) Source of capital

April 18, 2020

Year/Month	Issued price (NTS)	Authorized capital		Paid-in capital		Remarks		
		Number of shares (thousand shares)	Amount (NT$ thousand dollars)	Number of shares (thousand shares)	Amount (NT$ thousand dollars)	Source of capital	Paid-in properties other than cash	Others
2018/08	10	492,417	4,924,167	492,417	4,924,167	Capitalization of earnings of NT$ 234,484,130 (Approved by MOEA Jing-Shou-Shang-Zi No. 10701103530 Letter dated 2018.08.16)	None	None

Shares Type	Authorized capital			Remarks
	Outstanding capital stock	Unissued stocks	Total	
Common share	492,416,659 shares	0	492,416,659 shares	Listed stocks

(II) Shareholders structure

April 18, 2020

Shareholders structure / Quantity	Government agency	Financial institution	Other juridical person	Individual	Foreign institution and natural person	Total
Number of shareholders	—	1	162	31,010	147	31,320
Number of shares held	—	313	251,848,360	196,475,078	44,092,908	492,416,659
Shareholding percentage	—	0.0%	51.15%	39.90%	8.95%	100%

(III) Shareholding Distribution Status

1. Common share

April 18, 2020

Class of shareholding (shares)	Number of shareholders	Number of shares held	Shareholding percentage
1 to 999	19,363	2,242,796	0.45 %
1,000 to 5,000	8,214	17,416,590	3.54 %
5,001 to 10,000	1,669	12,448,348	2.53 %
10,001 to 15,000	622	7,680,132	1.56 %
15,001 to 20,000	310	5,563,182	1.13 %
20,001 to 30,000	349	8,691,923	1.76 %
30,001 to 40,000	183	6,374,829	1.30 %
40,001 to 50,000	101	4,614,598	0.94 %
50,001 to 100,000	213	14,807,103	3.00 %
100,001 to 200,000	119	17,226,632	3.50 %
200,001 to 400,000	67	18,748,800	3.81 %
400,001 to 600,000	28	13,591,623	2.76 %
600,001 to 800,000	20	13,897,009	2.82 %
800,001 to 1,000,000	7	6,116,204	1.24 %
1,000,001 or above	55	342,996,890	69.66 %
Total	31,320	492,416,659	100.00 %

2. Preferred stocks: None

(IV) List of Major Shareholders (Name, shareholding quantity and percentage of shareholders with shareholding percentage reaching above 5% or shareholders of top 10 shareholding percentage)

April 18, 2020

Name of major shareholder / Shares	Number of shares held	Shareholding percentage
Tainan Spinning Co., Ltd.	105,549,052	21.43%
Nanfang Construction Co., Ltd.	27,362,884	5.56%
Jiu Fu Investment Co., Ltd.	23,960,668	4.87%
Ta Chen Construction & Engineering Corp.	13,327,483	2.71%
Guang wei Investment Co., Ltd.	11,494,717	2.33%
HON HAN ENTERPRISE CORPORATION	10,734,869	2.18%
SHIN HO SING INVESTMENT CO., LTD.	10,129,684	2.06%
T.H. Wu Foundation	10,109,302	2.05%
Prince Housing and Development Corp.	7,564,988	1.54%
Li-Ling Cheng	7,493,782	1.52%

(V) Price per share, net value, surplus, dividend information for the last two years

Item / Year			2019	2018	2020 up to March 31 (Note 8)
Market Price per share (Note 1)	Highest		37.70	33.25	31.75
	Lowest		27.50	21.50	22.40
	Average		32.44	27.31	29.12
Net worth per share (Note 2)	Before distribution		17.01	16.16	17.72
	After distribution		—	14.36	—
Earnings per share (EPS)	Weighted average shares outstanding		492,416,659	492,416,659	492,416,659
	Earnings per share (Note 3)	Before adjustment	2.90	3.12	0.73
		After adjustment	—	3.12	—
Dividend per share	Cash dividend		2.10	1.80	—
	Free gratis dividends	Dividends from retained earnings	0.00	0.00	—

		Dividends from capital surplus	－	－	－
	Accumulated retained dividends (Note 4)		－	－	－
Return on Investment (ROI) analysis	Price-to-Earnings Ratio (PER) (Note 5)		11.19	8.75	－
	Price-to-Dividend Ratio (PDR) (Note 6)		15.45	15.17	－
	Cash dividend yield rate (Note 7)		6.47%	6.59%	－

* 2019 dividends are yet to be resolved by the ordinary shareholders' meeting
* If shares are distributed in connection with a capital increase out of earnings or capital reserve, further disclose information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution.

Note 1: Indicates the highest and lowest market price in each year, and the average market price of each year is calculated according to the closing trading value and trading volume of each year.

Note 2: Please use the number of shares already issued by the end of year and provide information according to the distribution status of the shareholders' meeting resolution of the following year.

Note 3: In case of any issuance of bonus stock dividends such that there is a need for retroactive adjustment, the earnings per share before and after the adjustment shall be indicated.

Note 4: If the issuance criteria of equity securities specify that dividends undistributed in the current year are to be accumulated to the year with earnings for issuance, then the accumulated unissued dividends up to the current year shall be disclosed, respectively.

Note 5: Price-to-Earing Ratio (PER) = Average stock closing price of current year / Earnings Per Share (EPS)

Note 6: Price-to-Dividend Ratio (PDR) = Average stock closing price of current year / Cash dividend per share.

Note 7: Cash dividend yield = Cash dividend per share / Average stock closing price of the current year.

Note 8: PBR, EPS shall indicate the information audited by CPA for the most recent quarter up to the publication date of the annual report; the remaining fields shall be indicated with the current year information up to the publication date of the annual report.

(VI) Dividend Policy and Implementation Status

1. Dividend policy of the Company

The industrial environment of the Company is close related to the overall domestic and foreign economies, and the industry growth cycle is at the stage of heading toward maturity; therefore, regarding the determination on the proposal of earnings distribution, the board of directors shall consider the future capital expense budget and demand of fund of the Company and shall also evaluate the necessity to fulfill the demand of fund with the surplus earnings in order to determine the amount of earnings to be reserved or distributed as well as the amount of distribution of dividends or bonuses in cash to shareholders.

Where the Company has a surplus earnings after closing of accounts in each fiscal year, the amount shall be appropriate to pay the profit-seeking enterprise income tax according to the laws and make up the accumulated loss from the past years, followed by setting aside 10% thereof as the legal reserve first. In addition, after further appropriating or reversing special reserve according to the laws, the balance shall be the current distributable earnings, and after the accumulated retained earnings from the last year is added to the current distributable earnings, the sum thereof refers to the accumulated distributable earnings.

Shareholders' bonus shall be 50% to 100% of the accumulated distributable earnings, and the cash dividend ratio shall not be less than 30% of the total dividend distribution amount of the current year. Board of directors shall prepare the earnings distribution proposal according to relevant factors of the future business or re-investment needs and submit the proposal to the shareholders' meeting for resolution, followed by executing the distribution accordingly.

2. Execution status:

   2019 earnings distribution proposal to be resolved in this shareholders' meeting of the Company is: Distribution of bonus cash dividend of NT$2.1 per share.

3. In accordance with the revision of the company law, it is proposed to amend Article 31 of the company's articles of association and authorize the board of directors to resolve the cash dividend distribution; and adjust the dividend payment policy.

(VII) Effect upon business performance and earnings per share of bonus stock dividend distribution proposed in this shareholders' meeting: According to the regulation specified in (89)Tai-Tsai-Zhen(1)-Zi No. 00371 Letter of the Securities and Futures Bureau dated February 1, 2000, since the Company has not prepared and announced the 2019 financial forecast previously, the Company is not required to disclose such information.

(VIII) Employees' remunerations and remuneration of directors and supervisors

1. Information on the percentage or range of employees', directors' and supervisors' remunerations in the Articles of Incorporation:

   According to Article 32 of the Articles of Incorporation of the Company:

   Where the Company has a profit in a fiscal year, it shall allocate 2% of the profit as employees' remuneration and no more than 3% of the profit as the remuneration of directors and supervisors. However, where the Company still has accumulated losses, amount shall be reserved to make up the accumulated loss first.

   The term of the "current-year profit" described above refers to the profit before subtracting the employees' remuneration and the remuneration of directors and supervisors from the current-year income before tax.

2. The estimated basis for calculation of employees', directors' and supervisors' remunerations, the share calculation basis for the distribution of employees' remuneration in the form of bonus shares and the accounting handing for any discrepancy between the actual distribution amount and the estimated value:

   Any discrepancy between the actual distribution amount resolved by the shareholders' meeting and the estimated amount, it is recognized as the profit/loss of the following year.

3. Board of Directors approves distribution of compensation:

   A. Distribution of employees' remuneration, bonus shares and remunerations of directors: Distributed the employees' remuneration of NT$ 35,986,308 and the remuneration of directors of NT$ 53,979,461.

   B. Number of employees' bonus shares for distribution and its ratio over the capitalization of earnings: None

4. The actual distribution of employees' compensation, directors' and supervisors' compensation in the previous year:

		Amount
Employees' remuneration - cash	$	37,987,102

Remuneration of directors and supervisors	56,980,654
	$ 94,967,756

The difference between the 2018 actual earning distribution of employees' remuneration of NT$ 37,987,102 and the remuneration of directors and supervisors of NT$ 56,980,653, and the employees' remuneration of NT$ 38,220,000 and the remuneration of directors and supervisors of NT$ 57,330,000 recognized in 2018 financial statements was NT$ 582,244. This mainly referred to the difference in the income before tax estimation; therefore, it was adjusted and recognized as the 2019 profit/loss.

Note: The original distribution planned and approved by the board of directors was the same as the actual amount of the distribution.

(IX) Repurchase of the Company's shares: None

II. Issuance of Corporate Bonds: None

III. Issuance of preferred shares: None.

IV. Issuance of global depository receipts: None

V. Employee stock option certificates and handling of new shares that restrict employee rights: None

VI. Issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies: None

VII. Capital plans and execution:

(I) Plan content: 1. Replace old equipment with new in order to maintain and increase production capacity. 2. Issuance of cash dividends.

(II) Execution status: 1. Due to old and obsolete machineries, invest in the replacement operation of old production and R&D equipment with new ones in order to increase the production capacity.

2. Issuance of 2018 cash dividend at NT$ 1.8 per share, for approximately NT$ 890 million.

Five. Operation Overview

I. Business content:

(I) Scope of Business (business content described in the Articles of Incorporation as follows)

1. C303010 Non-woven Fabrics Mills
2. C601020 Paper Manufacturing
3. C601030 Paper Containers Manufacturing
4. C601040 Processed Paper Manufacturing
5. C801020 Petrochemical Manufacturing
6. C801060 Synthetic Rubber Manufacturing
7. C801100 Synthetic Resin & Plastic Manufacturing
8. C804020 Industrial Rubber Products Manufacturing
9. C804990 Other Rubber Products Manufacturing
10. C805050 Industrial Plastic Products Manufacturing
11. CK01010 Footwear Manufacturing
12. F401010 International Trade
13. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

Main products and operating revenue percentages thereof:

Key products	Operating revenue percentages
SBR synthetic rubber latex (synthetic latex)	84.1%
NBR synthetic rubber latex (synthetic latex)	
NBR synthetic rubber (NBR rubber)	11.9%
Carbon Master Batch	1.3%
Thermoplastic rubber	2.7%
Total	100.0%

(II) Industry Overview

1. Industry Current Status and Development:

(1) Synthetic latex

With the continuous raise of the health standards, particularly to the further raise in the awareness on the gloves for medical environment use, it is expected that the glove manufacturing process and demand for NBR synthetic latex will continue to maintain a double-digit growth.

(2) NBR rubber

NBR rubber will develop its own market in view of the increasing popularity of electric cars.

(3) Thermoplastic rubber

Nantex needs to find relevant applications for DYNAPRENE TPV in the auto industry.

2. Correlation among upstream, midstream and downstream in the industry:

(1) Synthetic Latex: The upstream of the synthetic latex industry belongs to a part of the petrochemical industry, and its downstream mainly relates to the glove manufacturers and coated art paper related industries. The finished products of latex are provided to the downstream in order to be further manufactured into end products for sale in the market.

(2) NBR rubber: The upstream of the NBR rubber industry belongs to a part of the petrochemical industry, and its downstream mainly relates to the auto parts, industrial parts, sports goods and soles related industries. The finished products of NBR rubber are provided to the downstream for further manufacturing and sale.

(3) Thermoplastic rubber: The upstream of the thermoplastic rubber industry belongs to a part of the petrochemical industry, and its downstream mainly relates to the auto parts, industrial parts, sports goods and soles related industries. The finished products of thermoplastic rubber are provided to the downstream for further manufacturing and sale.

3. Overall economic and product development trend and competition status:

Product development trend and competition status: NBR glove demand continues to growth, which in turn causing the competitive opponents to increase their production capacities. Nantex needs to implement proper production capacity expansion plan in order to cope with the increasing competition and the growth of the industry.

NBR rubber will face the upcoming era of electric cars. With regard to the consequence of the reduction of the use of NBR rubber in the auto parts of electric cars, how to transform and find new applications for NBR rubber will be the challenges for Nantex and competitive opponents in the market.

The global production capacity for thermoplastic rubber will continue to expand. Nevertheless, its scope of application is not increased, such that the its price will continue to face challenges.

(III) Technology and Research and Development Overview

1. In the last two years, the R&D expenses were: The first quarter of 2022 is NT$ 16,121,000； In 2019, it was NT$ 64,933,000 ; in 2018, it was NT$ 63,377,000.

2. Existing core technology platform derivatives and innovations:

With the technologies accumulated over the last 30 years, Nantex has developed and improved the existing synthetic latex and rubber. The Company will continue to innovate and develop new applications in order to satisfy the market demands.

3. Research and Development Overview:

(1) NBR synthetic latex for disposable gloves: Develop synthetic latex for manufacturing of thinner and more suitable gloves and satisfy the customer demands for gloves whitening.

(2) NBR synthetic latex for industrial gloves: Continue to develop latex for industrial gloves to satisfy the demands for solvent resistance and chemical resistance etc.

(3) NBR rubber for bonding purposes: Develop rubber with high molecular weight

and high viscosity for use of adhesive bonding agent.

(4) Rubber for electronics: For special purpose rubber with high added value, continue to cooperate with customers in development and product optimization.

(5) High flowability rubber: Develop rubber with excellent flowability and processability.

(IV) Long-term and Short-term Business Development Plan

Goal and positioning: Nancar® NBR has become one of the main NBR rubber suppliers and brands in the Asian region. Nantex® synthetic latex is the worldwide leading brand for NBR glove synthetic latex. Thermoplastic rubber TPV Dynaprene® and Nancar® Carbon Master Batch are the first brand in the advanced materials in Taiwan.

1. Synthetic latex long- and short-term development plan

   Short-term development plan

   (1) Link the Zhengjiang Nantex synthetic latex system with the Linyuan Nantex system.

   (2) Continue to plan the upcoming expansion of production capacity.

   (3) Securing and maintaining the currently existing customers and advantages.

   Long-term development plan

   Establish relationship between Nantex and leading companies in the glove industry.

2. Long- and short-term development plans for NBR rubber:

   Short-term development plan

   (1) Launch new appropriate NBR rubber satisfying the market demands.

   (2) Enhance customer cooperation in terms of technology and service.

   Long-term development plan

   Discover more applications other than the auto industry for NBR rubber in order to cope with the coming era of electric cars.

3. Long- and short-term development plans for thermoplastic rubbers

   Short-term development plan

   (1) Continue to develop new customers for traditional usage.

   (2) Continue to develop new customers for non-traditional usage.

   Long-term development plan

   Develop non-traditional products and non-traditional applications.

II. Market and Production/Sales Overview:

(I) Market Analysis

Synthetic latex: Nantex's synthetic latex faces great challenges on how to balance ->continue to increase glove demands vs. increase of synthetic latex production capacity vs. price competition encountered vs. Nantex without support from upstream companies.

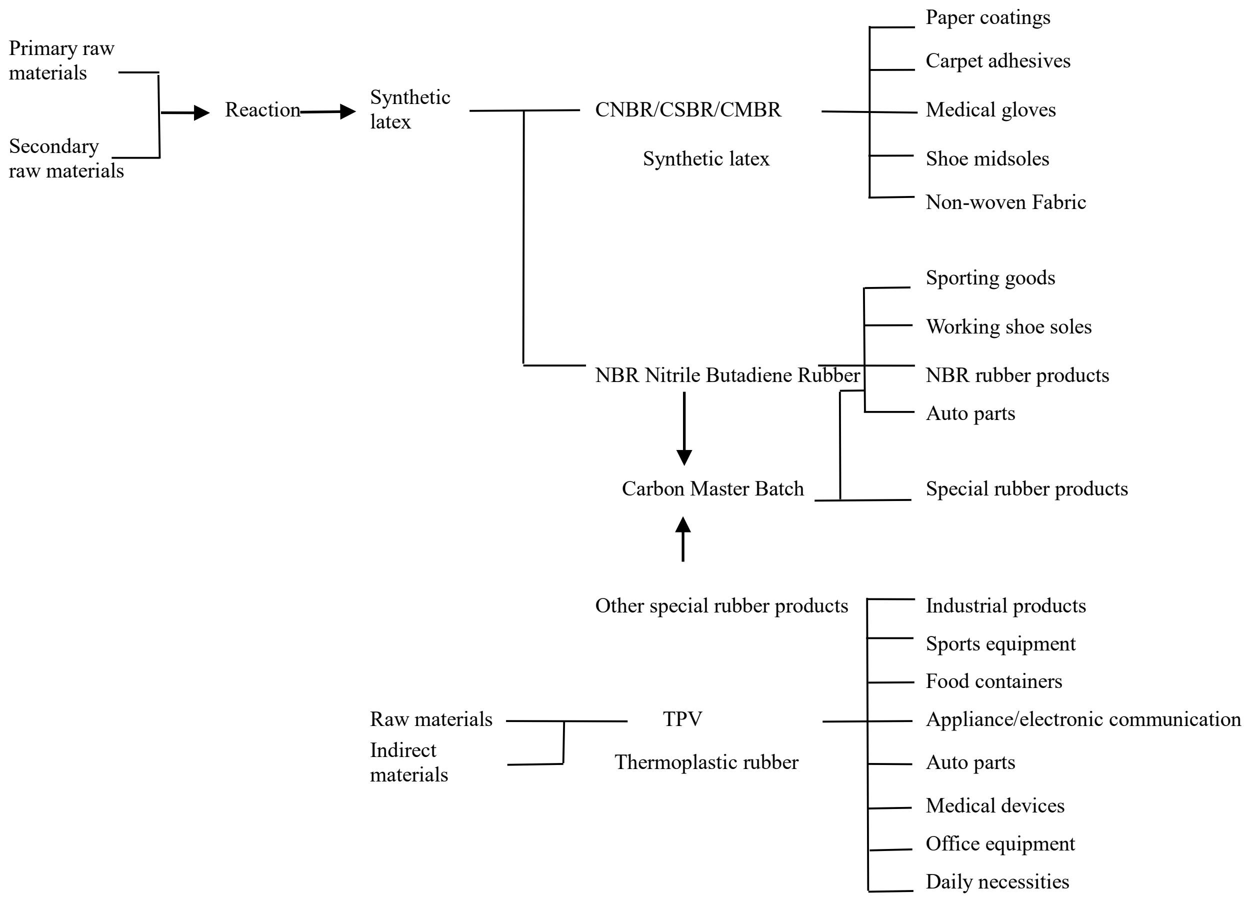
NBR rubber/Polymer bend: For such type of NBR rubber, with the emerging electric cars, it will be an important subject to find new applications for NBR rubber or how to use the currently existing production capacity.

Thermoplastic rubber TPV: Seek new applications for Nantex' DYNAPRENE TPV.

(II) Key purpose and manufacturing process of main products

Key products	Product application
SBR synthetic rubber latex (synthetic latex)	Art papers, whiteboard coating, carpet adhesive, shoe midsole, non-woven fabric soaking, bonding agent, plastic modifier, building materials
NBR synthetic rubber latex (synthetic latex)	Lining fabric, non-woven fabric base soaking for faux leather, medical materials
NBR synthetic rubber (NBR rubber)	Oil seal, gasket, NBR rubber hose, shoe sole, auto parts, insulation equipment, sports goods, rollers, and electronic component parts
Carbon Master Batch	Oil seal, gasket, NBR rubber hose, shoe sole, auto parts
Thermoplastic rubber	Auto parts, building curtain wall construction, food industry, sports equipment, living supplies, industrial products, office equipment, electronics industry, medical devices, plastic modifier

Manufacturing Process:



(III) Primary raw material supply status:

The primary raw materials of the Company include butadiene, styrene, and propenenitrile etc. Among the primary raw materials, except that butadiene relies on importation, all of styrene and propenenitrile are purchased domestically.

(IV) Name of customers who accounted for more than 10% of total purchase/sales amount of the company in the last two years or in any year and the purchase/sales amount and ratio thereof:

1. Information of main suppliers of the Company in the last two years:

Unit: in NT$ thousand dollars

Year / Category / Name	2019			2018			2020 up to the end of 1st quarter		
	Amount	%	Relationship	Amount	%	Relationship	Amount	%	Relationship
D00001	1,231,989	21.62%	None	1,470,741	25.22	None	218,008	19.91	None
D00002	958,373	16.82%	None	1,222,299	20.96	None	223,966	20.46	None
D00619	—	—	None	817,919	14.02	None	176,032	16.08	None
D00620	633,643	11.12%	None	726,864	12.46	None	139,516	12.74	None
D15135	771,303	13.54%	None	—	—	—	—	—	—
Others	2,102,388	36.90%	—	1,594,938	27.34	—	337,309	30.81	—
Net purchase amount	5,697,696	100.00 %	—	5,832,761	100.00	—	1,094,831	100.00	—

2. Information of main customers of sales of the Company in the last two years:

Unit: in NT$ thousand dollars

Year / Category / Name	2019			2018			2020 up to the end of 1st quarter		
	Amount	%	Relationship	Amount	%	Relationship	Amount	%	Relationship
Customer A	1,433,114	20.60	None	2,293,895	29.57	None	378,277	22.85	None
Customer B	1,561,124	22.44	None	1,482,262	19.11	None	433,063	26.16	None
Customer C	725,060	10.42	None	—	—	—	—	—	—
Customer D	723,413	10.40	None	—	—	—	195,706	11.82	None
Others	2,514,309	36.14	—	3,981,305	51.32	—	648,290	39.17	—
Net sales amount	6,457,021	100.00	—	7,757,462	100.00	—	1,655,336	100.00	—

(V) Consolidated production quantity table in the last two years:

Unit: Tons, NT$ thousand dollars

Year / Production quantity / Key products	2019			2018		
	Production capacity	Production quantity	Production value	Production capacity	Production quantity	Production value
Synthetic latex	265,000	227,910	5,297,990	205,600	231,642	6,494,911
NBR rubber	76,000	56,639	3,724,281	80,000	55,907	4,477,296
Carbon Master Batch	2,000	889	69,576	2,000	970	79,287
Thermoplastic rubber	7,000	2,033	185,227	7,000	2,127	190,442
Organic/inorganic materials	1,580	600	335,643	1,580	610	367,011
Screw machining	9,200	8,420	82,073	9,200	8,700	83,454
Total	360,780	296,491	9,694,790	305,380	299,956	11,692,401

(VI) Consolidated sales quantity table in the last two years:

Unit: Tons, NT$ thousand dollars

Year / Sales quantity / Key products	2019				2018			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
Product	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Synthetic latex	40,542	1,165,420	187,273	5,846,525	44,200	1,464,843	186,436	6,478,156
NBR rubber	49,306	3,764,868	7,409	576,216	43,967	3,884,574	10,594	885,511
Carbon Master Batch	203	24,628	668	66,488	197	26,383	727	72,593
Thermoplastic rubber	285	31,731	1,743	156,687	273	36,913	1,881	159,796
Organic/inorganic materials	397	544,038	174	81,811	418	572,385	134	85,255
Screw machining	8,380	132,667	0	0	7,929	132,988	863	747
Others	7	755	0	0	0	1	196	9,687
Total	99,120	5,664,108	197,266	6,727,727	96,984	6,118,087	200,831	7,691,745

III. Number of employees in the last two years and the number of employees, average service year, average age, and educational level distribution ratio up to the publication date of annual report:

Year		2019	2018	March 31, 2020
No. of employees		302	297	301
Average age		46.71	46.59	46.45
Average service year		20.08	20.01	19.78
Education background distribution ratio	Doctoral Degree	0%	0%	0%
	Master	13.58%	11.4%	13.6%
	College	43.71%	43.5%	44.2%
	Senior High School	41.39%	43.5%	40.9%
	Under Senior High School	1.32%	1.6%	1.3%

IV. Information on Environmental Protection Expense:

Loss due to environmental contamination in the last year and up to the publication date of the annual report:

(I) Loss status and responsive strategies:

	2019	2018	Up to the publication date of 2020 Up to the publication date
Contamination Status (Type, Level)	1. On 2018.02.25, Southern Branch, Bureau of Environmental Inspection arrived at the factory to conduct a random inspection on equipment without early warning, and the inspection result indicated that the equipment exceeded the Kaohsiung City equipment and component volatile organic control and emission standard by 2000ppm. 2. Environmental Protection Bureau of Kaohsiung City audited the waste report status on 2019/03/12, and errors were found in the 2018 waste report documents.	1. On 2018.01.17, a waste control facility regenerative thermal oxidation (RTO) abnormality occurred, causing a rupture of air ducts and gas spreading into the air, and the factory failed to report to the Environmental Protection Bureau of Kaohsiung City within one hour. 2. On 2018.06.15, the Environmental Protection Bureau of Kaohsiung City arrived at the factory to conduct a random inspection on equipment without early warning, and the inspection result indicated that the equipment exceeded the Kaohsiung City equipment and component volatile organic control and emission standard by 2000ppm. 3. On 12/09, due to long-time and large-scale power outage of	No violations

		Taiwan Power Company, an ammonia gas leakage occurred.	
Compensation Subject and Penalty Unit	Environmental Protection Bureau of Kaohsiung City	Environmental Protection Bureau of Kaohsiung City	None
Compensation Amount and Penalty Status	1. NT$ 100,000 2. NT$ 60,000	1. NT$ 1,000,000 2. NT$ 100,000 3. None	No fines
Other loss	None	1. Equipment loss: 2. NT$ 4,050,000 3. None 4. Product and operation suspension loss: 5. NT$ 50,430,000	None
Responsive Strategy	1. Enhance the patrol and inspection of equipment components underneath the cover layer. 2. Construct balance verification tool and perform re-confirmation within the improvement period after the report.	1-1 Enhance personnel operational training and responsive handling mechanism. 1-2 Enhance equipment and pipeline periodic maintenance and inspection. 1-3 Additional weak point design for air ducts and gas detection control interlock. 2-1 Equipment change to sealed operation. 3-1 Re-inspect power outage responsive mechanism (including reaction heat suppression, electric equipment gas source). 3-2 Establish equipment pipeline valve installation replacement regulations.	None

(II) Expected significant environmental protection capital expense in the next two years:

Year	Contamination control equipment to be purchased or expense content	Expected improvement status	Amount (NT$ thousand dollars)
2020	PLY tank cleaning wastewater pipeline modification.	Prevent spreading of VOC.	3,000
2020	PNR plant drying area airtight system improvement.	Airtight system improvement to prevent spreading of VOC.	4,000
2020	Additional construction of one RTO furnace exhaust gas buffer tank.	2 unit type of RTO VOC switch valve for instant BY PASS exhaust gas collection and treatment, for increasing the exhaust gas control facility treatment efficiency.	2,000
2020	Additional installation of selective denitration equipment at the rear end of once-through boiler.	Treatment for nitrogen oxides exhausted by the boiler to enhance the air pollution reduction outcome.	9,000
2020	Additional purchase of infrared VOCs imaging instrument	Enhance the internal autonomous inspection one equipment element VOCs effusion in order to prevent effusion of air pollution.	4,000

2020	New installation of liquid nitrogen storage tank	Stabilize emergency handling and support AI operation responsive action.	1,800
2020	Installation of emergency stop agent automatic filling system	Prevent continuous high temperature failure and out of control of reaction tank due to emergencies	5,150
2020	Replacement of cooling water tower pumps and blades with new ones	Reduce energy consumption and reduce greenhouse gas emission.	3,460
2020	Replace with high pressure anti-explosion mini water gun	Reduce energy consumption and reduce greenhouse gas emission.	490

(III) The Company has established the "Regulations Governing Customer Environmental Safety and Health Requests" according to the principles of ISO14001 (version 2015), and all relevant environmental protection requests of customers on the products of the Company are handled according to these Regulations. Presently, shipping is only made after the products exporting to Europe or other countries have satisfied such requirements.

(IV) To cooperate with the climate change, energy saving, and carbon reduction works promotion, starting from the year of 2015, the Company has continuously performed the greenhouse gas inventory taking and entrusted a third party Bureau Veritas (BV) to conduct audits annually. The audit results for the last 2 years are as follows. The 2017 greenhouse gas reasonable level of assurance declaration (No.TWN4346978GT Rev.1) indicated the total greenhouse gas emission of 38,551.056 tons of carbon dioxide equivalent (including direct greenhouse gas emission of 1,488.8227 tons of carbon dioxide equivalent and energy indirect greenhouse gas emission of 37,062.2334 tons of carbon dioxide equivalent); The audit results for the last 2 years are as follows. The 2018 greenhouse gas reasonable level of assurance declaration (No.TWN4346978GY Rev.1) indicated the total greenhouse gas emission of 37,347.759 tons of carbon dioxide equivalent (including direct greenhouse gas emission of 1,070.6759 tons of carbon dioxide equivalent and energy indirect greenhouse gas emission of 36,277.0826 tons of carbon dioxide equivalent).

V. Labor Management Relationship:

(I) Various welfare measures, continuing education, training, retirement system and implementation status

1. Employee welfare measures:

Since the establishment, the Company has upheld the business philosophy of sustainable operation and fulfillment of social responsibility and considers the achievement of employees a fortune and the development of the company as the goal. Accordingly, in return for employees' dedication to the work, the Company values the employees' benefits and welfare with implementation of measures; the actual methods adopted include:

(1) Sound system: All of the salary, promotion, welfare, reward and punishment, leave, retirement and pension etc., are implemented with the consideration of being superior than the basic principles specified in the Labor Standards Act in order to achieve the objective of caring for the employees.

(2) Complete welfare measures:

① The Company appropriates 15% of the revenue as the employee welfare fund according to the laws in order to allow the occupation welfare committee to provide compensation to employees for birthdays, child birth, condolences to injuries, traveling, club activities as well as the bonuses for employee marriage/funeral events, three major holidays, retirement gifts, child scholarships, emergency expenses etc.

② On the holidays of the Dragon Boat Festival, Moon Festival and Chinese New Year Holiday etc., the Company issues the holiday bonuses according to the “Holiday and Year-End Bonus Issuance Regulations” of the Company.

③ Since 1996, the Company has purchased the employee group insurance: General employee life insurance of NT$ 1 million, accident insurance of NT$ 1 million; life insurance for sales of NT$ 1million, accident insurance of NT$10 million; life insurance for overseas stationed personnel of NT$ 5 million, accident insurance of 10 million, in order to provide greater protection and welfare to employees.

(3) The Company makes adjustments to the employees’ salaries according to the business permanence and outcome appropriateness. 2018 salary adjustment level of 3.0%; 2019 salary adjustment level of 3.5%.

2. Educational Training Plan and Implementation of the Company

(1) Employee educational training philosophy

According to the Company’s development, annual plan and compliance with government’s regulations, a department and personal training plan and courses are implemented. The knowledge, skills, competence and attitude of all employees are increased for the three aspects of professional training, education and development, in order to improve individual and team performance, thereby achieving the goal of corporate sustainable operation.

(2) The Company considers training as the basis for occupational safety, and through training operators are able to understand relevant safety knowledge and awareness, thereby preventing the occurrence of accidents due to lack of knowledge and awareness. In 2019, the educational training sessions implemented are summarized in the following:

Internal training of the Company	Number of course hours (Hr)	Number of trainees	External training of the Company	Number of course hours (Hr)	Number of trainees	Training expense (NT$ thousand dollars)
	3,293	843		1,171	152	2,001

3. The Company’s Employee Safety, Health and Environmental Protection, Plan and Implementation

(1) The Company establishes the Industrial Safety Department to be responsible for the industrial safety, health and environmental protection planning, supervision, and management works. In addition, occupational safety and health committee meetings, environmental safety and health management committee meetings are held periodically to discuss and review the implementation and effective operation of the safety, health and environmental protection works of the Company.

(2) The Company has established the emergency responsive plan and at least 3~4 instances of emergency responsive drills and periodic fire safety training for all employees and has actively assigned personnel to participate in the TRCA responsive action professional personnel training. Through regular drills, personnel are able to become familiar with the emergency responsive

procedure and responsive abilities, such that in case of emergency, they are able to react swiftly to perform rescue handling, thereby preventing expansion of incidents and reducing damages. In addition, the internal of plant is installed with various protective gears, gas detectors, firefighting equipment, leakage handling equipment and AED etc. in order to provide the equipment for emergency use.

(3) The Company also establishes the regional joint defense and toxic accident joint defense organizations with the neighboring factories and petroleum operators in the industry, and support agreements are signed. Accordingly, in case of occurrence of emergency, plants can provide support to each other in order to achieve the maximum handling energy and capacity.

(4) Regarding the supplier management, hazardous operation, machinery and equipment, exhaust gas, wastewater, wastes, toxic substances etc., the Company has established relevant management inspection plans and procedures (including hazard identification, environmental consideration etc.) For all relevant operations and operators, professional licenses have been obtained and on-job training is implemented periodically. In addition, protective measures are adopted according to the operation characteristics in order to comply with the regulatory requirements and to ensure operational safety.

(5) For operation management of the exhaust gas, wastewater, wastes and toxic substance generated from the manufacturing process, the Company actively implements quantity reduction reviews and installs control facilities for treatment (waste gas incineration equipment, wastewater treatment plant) in order to ensure proper treatment and compliance with regulatory requirements.

(6) Industrial safety personnel, environmental safety officer and field supervisor irregularly perform audit and safety observation on the industrial safety, environment and health, and all units are notified to enhance the management improvement at all times, thereby preventing the occurrence of accidents.

(7) Through the activities of promoting the 5S event, false alarm incident reporting, improvement proposal, safety observation and monthly topic early warning etc., the safe operating environment is maintained continuously, and employee hazard awareness is increased.

(8) Employee general health examination and special operation personnel health examination are conducted annually.

(9) The Company establishes full-time nursing personnel and contracted professional physicians stationed in the plant monthly to perform health promotion consultations periodically.

(10) Various environment safety incentive systems are established, and quarterly unit environmental safety performance evaluation is conducted in order to encourage employees to participate and perform environmental safety work properly.

(11) Enhance process safety management capability, including general training on process safety for all employees (2019 specialized course training of 40 hours) and external professional trainings for process, equipment maintenance related personnel (such as process safety assessment and API-570 license etc.), and continue to entrust external vendor to provide guidance and enhancement of process safety management system.

(12) The Company has obtained the certifications of ISO14001 (version 2015), OHSAS 18001 (version 2007) and TOSHMS (CNS15506). In addition, the

Company also plans to acquire the certification for the revision of OHSAS 18001 into ISO 45001 in 2020.

4. Retirement system:

   (1) The Company has a defined benefit pension plan in accordance with the “Labor Standards Law”, 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 Law. Under the defined benefit pension plan, 2 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, an addition of 20% is paid to compulsory retirement due to work-related injuries.

   (2) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the “Labor Pension Act” (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes an amount monthly 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.

   (3) The Company further establishes “Regulations Governing Labor Retirement” such that in addition to the retirement qualification according to the Labor Standards Act, for employees with years of service above 15 years and age reaching 55 years old and employees with the sum of the years of service and age reaching 60 or employees with consecutive years of service reaching 15 years or above, such employees may voluntarily apply for early retirement.

   (4) The Company contributes monthly an amount equal to 15% of the employees’ monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. In 2019, the number of employees satisfying the retirement application qualification were 5 employees, and the amount was NT$ 14.96 million dollars.

5. Communication channel:

   Employees of the Company can promptly provide feedback on opinion and communication through staff seminars periodically, establishes employee welfare committee, pension supervision committee, labor safety and health committee, labor and management meeting and industry labor union, administrative system, employee complaint channel etc., in order to promptly provide feedback on opinion and communication. In addition, in April 1995, the Company signed the group agreement with the labor union, and it was submitted to the competent authority for recordation.

   Labor-management harmony is the cornerstone of an enterprise and is the source of employees’ fortune. If such harmony can be achieved, it is advantageous to both parties; otherwise, it is harmful to both parties. Both the labor and management parties of the Company are committed to cooperating with each other in order to achieve a greater outlook.

(II) For most recent years and up to the publication date of the annual report, the loss due to labor-management disputes and possible future loss estimated amount and countermeasures:

The operation of the labor-management relationship of the Company has always been focused on the principles of respect, communication and harmony, such that there have been no major labor-management dispute events occurring in the Company.

VI. Important Contracts:

Contract type	Contracting parties	Contract starting and end date	Main content	Restrictions
Purchase Agreement	CPC Corporation Taiwan	From January 1, 2019 until December 31, 2020	Purchase of butadiene	Prohibited to resell to others
Purchase Agreement	Formosa Petrochemical Corporation	From January 1, 2019 until December 31, 2020	Purchase of butadiene	Own use only, resale prohibited
Purchase Agreement	Taiwan Styrene Monomer Corporation	From January 1, 2019 until December 31, 2020	Purchase of styrene	–
Purchase Agreement	China Petrochemical Development Corporation	From January 1, 2019 until December 31, 2020	Purchase of acrylonitrile	Own use only, resale prohibited
Sales Agreement	Sohryu	2007/01/01 to the date of termination notified (notification 90 days before termination)	NBR agency	Japan
Sales Agreement	E. Chang Trading Co., Ltd. Kuo Chi Trading Co., Ltd.	From January 1, 2019 until December 31, 2020 (notification 90 days before termination)	Agency for sales of NBR rubber	Domestic agency sales

Six. Financial Information

I. Condensed Balance Sheet and Comprehensive Income Statement for the Most Recent Five Years and Audit Opinion of Auditors:

Standalone Condensed Balance Sheet Unit: In Thousands of New Taiwan Dollars

Item \ Year		Financial information for the latest 5 years (Note)				
		2019	2018	2017	2016	2015
Current assets		3,425,892	3,255,678	2,432,885	2,318,794	2,547,752
Property, plant, and equipment		1,219,773	1,291,606	1,396,585	1,402,102	1,441,989
Right-of-use assets		66,034	–	–	–	–
Intangible asset		1,062	2,083	2,962	3,907	4,720
Other assets		5,016,522	4,705,423	4,123,085	3,897,498	4,015,250
Total Assets		9,729,283	9,254,790	7,955,517	7,622,301	8,009,711
Current liability	Before distribution	928,052	896,236	646,641	595,827	672,014
	After distribution	928,052	1,782,586	1,115,609	1,042,463	1,522,750
Non-current liability		423,928	399,418	392,607	416,995	403,202
Total liabilities	Before distribution	1,351,980	1,295,654	1,039,248	1,012,822	1,075,216
	After distribution	1,351,980	2,182,004	1,508,216	1,459,459	1,925,952
Equity attributable to stockholders of the parent		8,377,303	7,959,136	6,916,269	6,609,479	6,934,495
Share capital		4,924,167	4,924,167	4,689,683	4,466,364	4,253,680
Additional paid-in capital		–	–	–	–	–
Retained earnings	Before distribution	3,765,367	3,219,932	2,372,663	2,224,565	2,550,512
	After distribution	3,765,367	2,333,582	1,669,211	1,554,609	1,487,092
Other equity		(312,231)	(184,963)	(146,077)	(81,450)	130,303
Treasury shares		–	–	–	–	–
Non-controlling interest		–	–	–	–	–
Total Equity	Before distribution	8,377,303	7,959,136	6,916,269	6,609,479	6,934,495
	After distribution	8,377,303	7,072,786	6,447,301	6,162,842	5,871,075

Standalone Condensed Income Statement Unit: In Thousands of New Taiwan Dollars

Item \ Year	Financial information for the latest 5 years (Note)				
	2019	2018	2017	2016	2015
Operating Revenue	6,957,021	7,757,462	6,849,350	5,696,523	5,919,538
Gross profit	1,935,906	1,772,643	1,271,890	1,376,483	1,682,888
Operating Income (Loss)	1,259,620	1,060,686	661,822	810,766	1,049,270
Non-operating Income and Expenses	449,181	743,119	252,933	92,465	303,653
Income before income tax	1,708,801	1,803,805	914,755	903,231	1,352,923
Net income of continuing business unit	1,426,780	1,534,951	813,950	764,658	1,158,746
Loss of discontinued unit	–	–	–	–	–
Net income (loss)	1,426,780	1,534,951	813,950	764,658	1,158,746
Other comprehensive income (net, after tax)	(122,263)	(25,604)	(60,523)	(238,938)	(57,817)
Total Comprehensive Income	1,304,517	1,509,347	753,427	525,720	1,100,929
Net income attributed to shareholders of the parent	1,426,780	1,534,951	813,950	764,658	1,158,746
Net profit attributable to non-controlling interests	–	–	–	–	–
Comprehensive income attributable to owners of the Parent	1,304,517	1,509,347	753,427	525,720	1,100,929
Total Comprehensive Income (Loss) Attributable to Non-controlling Interests	–	–	–	–	–
Earnings per Share (EPS) (NT$)	2.90	3.12	1.65	1.55	2.47

Note: The financial data of the last five years has been audited and certified by the CPA.

Consolidated Condensed Balance Sheet

Unit: In Thousands of New Taiwan Dollars

Item \ Year		Financial information for the latest 5 years (Note 1)					Financial information up to March 31, 2020 of current year (Note 2)
		2019	2018	2017	2016	2015	
Current assets		7,321,001	6,988,650	5,585,964	5,134,702	5,202,506	7,490,650
Property, plant, and equipment		2,313,901	2,483,167	2,582,021	2,728,908	3,008,675	2,303,061
Right-of-use assets		121,852	—	—	—	—	115,668
Intangible asset		11,499	12,876	14,008	7,220	7,694	11,619
Other assets		625,725	672,086	640,313	433,058	406,551	901,482
Total Assets		10,671,130	10,156,779	8,822,306	8,303,888	8,625,426	10,822,480
Current liability	Before distribution	1,474,767	1,448,377	1,220,276	1,040,001	1,059,052	1,262,232
	After distribution	1,474,767	2,334,727	1,689,244	1,486,638	1,909,788	—
Non-current liability		450,704	415,423	407,888	439,508	439,518	449,987
Total liabilities	Before distribution	1,925,471	1,863,800	1,628,164	1,479,509	1,498,570	1,712,219
	After distribution	1,925,471	1,863,800	2,097,132	1,926,146	2,349,306	—
Equity attributable to stockholders of the parent		8,377,303	7,959,136	6,916,269	6,609,479	6,934,495	8,727,128
Share capital		4,924,167	4,924,167	4,689,683	4,466,364	4,253,680	4,924,167
Additional paid-in capital		—	—	—	—	—	—
Retained earnings	Before distribution	3,765,367	3,219,932	2,372,663	2,224,565	2,550,512	4,126,478
	After distribution	3,765,367	3,219,932	1,669,211	1,554,609	1,487,092	—
Other equity		(312,231)	(184,963)	(146,077)	(81,450)	130,303	(323,517)
Treasury shares		—	—	—	—	—	—
Non-controlling interest		368,356	333,843	277,873	214,900	192,361	383,133
Total Equity	Before distribution	8,745,659	8,292,979	7,194,142	6,824,379	7,126,856	9,110,261
	After distribution	8,745,659	7,406,629	6,725,174	6,377,742	6,276,120	—

Consolidated Condensed Income Statement

Unit: In Thousands of New Taiwan Dollars

Item \ Year	Financial information for the latest 5 years (Note 1)					Financial information up to March 31, 2020 of current year (Note 2)
	2019	2018	2017	2016	2015	
Operating Revenue	12,391,836	13,809,832	11,647,603	9,502,051	9,665,791	2,647,984
Gross profit	3,220,716	3,254,607	2,225,388	1,999,875	2,452,764	740,589
Operating Income (Loss)	1,979,134	1,939,898	1,145,309	974,535	1,421,153	416,552
Non-operating Income and Expenses	50,892	190,162	(53,581)	9,078	119,465	55,829
Income before income tax	2,030,026	2,130,060	1,091,728	983,613	1,540,618	472,381
Net income of continuing business unit	1,481,452	1,591,730	877,901	801,916	1,194,261	375,888
Loss of discontinued unit	—	—	—	—	—	—
Net income (loss)	1,481,452	1,591,730	877,901	801,916	1,194,261	375,888
Other comprehensive income (net, after tax)	(122,155)	(26,413)	(61,501)	(238,917)	(58,651)	(11,286)
Total Comprehensive Income	1,359,297	1,565,317	816,400	562,999	1,135,610	364,602
Net income attributed to shareholders of the parent	1,426,780	1,534,951	813,950	764,658	1,158,746	361,111
Net profit attributable to non-controlling interests	54,672	56,779	63,951	37,258	35,515	14,777
Comprehensive income attributable to owners of the Parent	1,304,517	1,509,347	753,427	525,720	1,100,929	349,825
Total Comprehensive Income (Loss) Attributable to Non-controlling Interests	54,780	55,970	62,973	37,279	34,681	14,777
Earnings per Share (EPS) (NT$)	2.90	3.12	1.65	1.55	2.47	0.73

Note 1: The financial data of the last five years has been audited and certified by the CPA.

Note 2: The financial data up to March 31 of the current year has been audited and verified by the CPA.

(II) Names of auditors and audit opinions for the last five years

Year	Name of Auditor	Audit opinion
2019	Tzu-Yu Lin, Tzu-Meng Liu	Unqualified opinion.
2018	Tzu-Yu Lin, Tzu-Meng Liu	Unqualified opinion.
2017	Tzu-Meng Liu, Tzu-Yu Lin	Unqualified opinion.
2016	Chien-Chih Wu, Tzu-Meng Liu	Unqualified opinion.
2015	Chien-Chih Wu, Tzu-Meng Liu	Unqualified opinion.

II. Financial analysis for the last five years

Standalone Financial Analysis

Analysis Item (Note 3) \ Year (Note 1)			Financial analysis for the last five years				
			2019	2018	2017	2016	2015
Financial structure (%)	Debt to assets ratio		13.90	14.00	13.06	13.29	13.42
	Long-term capital to property, plant & equipment ratio		684.49	647.14	523.34	501.14	508.86
Debt servicing capability (%)	Current ratio		369.15	363.26	376.23	389.17	379.12
	Quick ratio		308.08	283.79	265.83	223.66	284.04
	Interest earned ratio (times)		1,283.88	–	35,183.00	301,078.00	2,127.95
Management capacity	Accounts receivable turnover (times)		6.70	7.37	8.08	9.45	11.56
	Average collection period		54.48	49.53	45.17	38.62	31.57
	Inventory turnover (times)		10.89	12.68	10.84	7.58	7.70
	Accounts payable turnover (times)		17.69	18.61	17.53	18.00	19.42
	Average days in sales		33.52	28.79	33.67	48.15	47.40
	Property, plant and equipment turnover (times)		5.40	5.77	4.89	4.01	3.96
	Total asset turnover (times)		0.73	0.90	0.88	0.73	0.79
Profitability	Return on asset (%)		15.04	17.84	10.45	9.78	15.44
	Return of shareholders' equity (%)		17.47	20.64	12.04	11.29	18.00
	Paid-in capital ratio (%)	Operating Profit	25.58	21.54	14.11	18.15	24.67
		Net profit before tax	34.70	36.63	19.51	20.22	31.81
	Net Profit Margin (%)		20.51	19.79	11.88	13.42	19.57
	Earnings per Share (EPS) (NT$)		2.90	3.12	1.65	1.55	2.35
Cash flow	Cash flow ratio (%)		143.78	128.14	100.06	28.29	186.05
	Cash flow adequacy ratio (%)		141.79	149.68	124.28	84.16	163.55
	Cash reinvestment ratio (%)		3.84	6.08	2.03	(7.17)	11.79
Leverage	Operating leverage		1.12	1.14	1.22	1.18	1.15
	Financial leverage		1.00	1.00	1.00	1.00	1.00

Explanations for the variations of financial ratios for the last 2 years. (If the change of increase/decrease is less than 20%, analysis may be exempted)

1. Debt servicing capability:
   (1) Increase of Interest earned ratio: Mainly applied in 108 IFRS16, resulting in interest expense for lease liabilities.
2. Cash flow:
   (1) Decrease of cash reinvestment ratio: Mainly due to the increase of the cash dividend issuance in 2019 from the amount in 2018, such that the reinvestment ratio was decreased.

Consolidated Financial Analysis

Analysis Item (Note 3) / Year (Note 1)			Financial analysis for the last five years					Up to March 31, 2020 of current year (Note 2)
			2019	2018	2017	2016	2015	
Financial structure (%)	Debt to assets ratio		18.04	18.35	18.46	17.82	17.37	15.82
	Long-term capital to property, plant & equipment ratio		377.56	350.70	294.42	266.18	251.49	395.26
Debt servicing capability (%)	Current ratio		496.42	482.52	457.76	493.72	491.24	593.44
	Quick ratio		412.25	387.85	344.44	343.43	377.10	489.53
	Interest earned ratio (times)		774.92	1,813.71	716.26	600.35	326.85	668 18
Management capacity	Accounts receivable turnover (times)		7.86	8.82	8.55	8.56	10.37	2.01
	Average collection period		46.43	41.38	42.69	42.64	35.20	44.78
	Inventory turnover (times)		9.08	10.34	9.25	7.17	6.87	1.87
	Accounts payable turnover (times)		26.42	28.08	29.00	26.08	25.23	5.36
	Average days in sales		40.19	35.30	39.46	50.91	53.13	48.13
	Property, plant and equipment turnover (times)		5.04	5.45	4.39	3.31	3.09	1.09
	Total asset turnover (times)		1.19	1.46	1.36	1.12	1.18	0.25
Profitability	Return on asset (%)		14.25	16.78	10.26	9.49	14.58	3.50
	Return of shareholders' equity (%)		17.39	20.56	12.52	11.50	18.04	4.21
	Paid-in capital ratio (%)	Operating Profit	40.19	39.40	24.42	21.82	33.41	8.46
		Net profit before tax	41.23	43.26	23.28	22.02	36.22	9.59
	Net Profit Margin (%)		11.96	11.11	6.99	8.05	11.99	14.20
	Earnings per Share (EPS) (NT$)		2.90	3.12	1.65	1.55	2.35	0.73
Cash flow	Cash flow ratio (%)		134.37	128.68	102.34	41.40	164.29	44.89
	Cash flow adequacy ratio (%)		196.90	215.49	205.62	106.70	186.01	162.36
	Cash reinvestment ratio (%)		7.39	9.81	6.25	(3.43)	13.21	3.72
Leverage	Operating leverage		1.16	1.16	1.28	1.37	1.29	1.19
	Financial leverage		1.00	1.00	1.00	1.00	1.00	1.00

Explanations for the variations of financial ratios for the last 2 years. (If the change of increase/decrease is less than 20%, analysis may be exempted)

1. Solvency: The interest protection multiple decreased, and the main department began to apply IFRS16 in 108, resulting in an increase in interest expenses.

Except for the interest earned ratio, the reasons of each item change are generally the same as the ones of the standalone financial analysis of the Company. Please refer to the standalone financial analysis - Explanation of changes according to International Financial Reporting Standards (IFRSs).

Note 1: The financial data of each year has been audited and certified by the CPA.
Note 2: The financial data up to March 31 of the current year has been audited and verified by the CPA.
Note 3: Calculation formulas of the analysis items are as follows:

1. Financial structure
   (1) Debt to total assets ratio = Total debt/Total assets.
   (2) Ratio of long-term capital to property, plant & equipment = (Total equity + Non-current liability) / Net worth of property, plant and equipment.
2. Debt servicing capability
   (1) Current ratio = Current assets / Current liabilities.
   (2) Quick ratio = (Current assets - Inventory - Pre-payment) / Current liabilities.
   (3) Interest earned ratio = Profit before income tax and interest expense / Interest expense.
3. Management capacity
   (1) Accounts receivable (include receivable amounts and receivable bills from operation) turnover = Net sales / Average accounts receivable in each period (include receivable amounts and receivable bills from operation) balance.
   (2) Average collection period = 365 / Accounts receivable turnover.
   (3) Inventory turnover = Sales cost / average inventory amount.
   (4) Accounts payable (include payable amounts and payable bills from operation) turnover = Sales cost / Average accounts payable in each period (include payable amounts and payable bills from operation) balance.
   (5) Average days in sales = 365 / Inventory turnover.
   (6) Property, plant and equipment turnover = Net sales / Average net worth of property, plant and equipment.
   (7) Total assets turnover = Net sales / Average total assets.
4. Profitability
   (1) Return on asset = [Earnings after tax + Interest expense × (1－Interest rate)] / Average total assets.
   (2) Return on shareholders' equity = Earnings (loss) after tax / Average total equity.
   (3) Profit ratio = Earnings (loss) after tax / Net sales.
   (4) Earnings per share = (Earnings of parent company owner － Preference dividends) / weighted average number of shares outstanding.
5. Cash flow
   (1) Cash flow adequacy ratio = Net cash flow from operating activities / Current liabilities
   (2) Net cash flow adequacy ratio = Net cash flows from operating activities in the last five years / (Capital expenditure + Inventory increase + Cash dividends) in the last five years.
   (3) Cash flow reinvestment ratio = (Cash provided by operating activities - Cash dividends) / (Gross property, plant and equipment + Long-term investments + Other non-current assets + Working capital).
6. Leverage:
   (1) Operating leverage = (Net sales - Variable cost and expenditure) / Income from operations.
   (2) Financial leverage = Income from operations / (income from operations － Interest expense).

III. Audit Committee’s review report for the most recent year’s financial statement

NANTEX INDUSTRY CO., LTD.

Audit Committee’s Review Report

The board of directors has prepared the 2019 business report, standalone and consolidated financial statement and earnings distribution proposal, in which the standalone and consolidated financial statement have been audited and certified by Pricewaterhouse Coopers Taiwan, and unqualified opinion audit report has been issued. The aforementioned Business Plan, Standalone and Consolidated Financial Statements and Earnings Distribution table have been Audit by the Audit Committee, considering it to be of conformity. Accordingly, report is prepared as disclosed above according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please review.

NANTEX INDUSTRY CO., LTD.

Chairman of the Audit Committee

March 16, 2020

NANTEX INDUSTRY CO., LTD.

Audit Committee's Review Report

The board of directors prepared the revised surplus distribution table of the company for the 108th year of the Republic of China. The above-mentioned revised surplus distribution table was checked by the audit committee and found that there is no discrepancy. The provisions of the article, prepare a report, please review.

NANTEX INDUSTRY CO., LTD.

Chairman of the Audit Committee

May 4, 2020

IV. Financial Statements of the Most Recent Year: Please refer to Page 114

V. Standalone Financial Statements of the most recent year audited by auditors: Please refer to Page 185.

VI. Summary of any Financial Difficulty of the Company or Its Affiliates in the Most Recent Year and Impact of such Difficulty on the Company: None

Seven. Review and Analysis of Financial Status and Financial Performance and Risk Management

I. Financial Status:

Financial Status Comparison and Analysis Table

Unit: In Thousands of New Taiwan Dollars

Item \ Year	2019	2018	No difference	
			Amount	%
Current assets	7,321,001	6,988,650	332,351	4.76
Non-current assets	3,350,129	3,168,129	182,000	5.74
Total Assets	10,671,130	10,156,779	514,351	5.06
Current liability	1,474,767	1,448,377	26,390	1.82
Non-current liability	450,704	415,423	35,281	8.49
Total liabilities	1,925,471	1,863,800	61,671	3.31
Share capital	4,924,167	4,924,167	0	0
Retained earnings	3,765,367	3,219,932	545,435	16.94
Other equity	(312,231)	(184,963)	(127,268)	(68.81)
Non-controlling interest	368,356	333,843	34,513	10.34
Total Equity	8,745,659	8,292,979	452,680	5.46

Analysis and explanation for change of ratio increase/decrease:

(1) Increase in retained earnings:

Mainly due to the decline in the dividend distribution rate this year.

(2) Decrease of other equity:

Mainly due to the impact of the differences in the exchange rate conversion of the subsidiaries' statements in this year.

II. Financial Performance:

Financial Performance Comparison Analysis Table Unit: In Thousands of New Taiwan Dollars

Item \ Year	2019	2018	Increase (Decrease) amount	Change Percentage (%)
Operating Revenue	$ 12,391,836	$ 13,809,832	(1,417,996)	(10.27)
Operating costs	(9,171,120)	(10,555,225)	1,384,105	13.11
Gross profit	3,220,716	3,254,607	(33,891)	(1.04)
Operating expenses	(1,241,582)	(1,314,709)	73,127	5.56
Operating Profit	1,979,134	1,939,898	39,236	2.02
Non-operating Income and Expenses	50,892	190,162	(139,270)	(73.24)
Income before income tax	2,030,026	2,130,060	(100,034)	(4.70)
Income tax expense	(548,574)	(538,330)	(10,244)	(1.90)
Net income	$ 1,481,452	$ 1,591,730	(110,278)	(6.93)
Other comprehensive income	(122,155)	(26,413)	(95,742)	(362.48)
Other comprehensive income of current period	$ 1,359,297	$ 1,565,317	(206,020)	(13.16)

Analysis and explanation for change of ratio increase/decrease:

(1) Decrease of operating income:

Mainly due to the decline in sales unit prices of various categories.

(2) Increase of operating costs:

Mainly due to raw material price drop.

(3) Decrease of non-operating income and expenses:

Mainly due to the appreciation of the Taiwan dollar, resulting in foreign currency exchange losses, resulting in a decrease in non-operating income.

(4) Decrease of other comprehensive income:

Mainly due to foreign exchange calculation of the statements of overseas subsidiaries.

III. Cash flow:

(I) Liquidity analysis for the last 2 years:

Item / Year	2019	2018	Increase (decrease) percentage (%)
Cash flow ratio (%)	134.37	128.68	4.42
Cash flow adequacy ratio (%)	196.90	215.49	(8.63)
Cash reinvestment ratio (%)	7.39	9.81	(24.67)
Explanation on increase (decrease) percentage change: Please refer to the explanation for the changes of each financial ratio analysis.			

(II) Cash liquidity analysis for the next year:

Unit: In Thousands of New Taiwan Dollars

Cash balance at the beginning of the year	Annual net cash flow from operating activities	Annual cash inflow (outflow)	Cash surplus (deficit) amount	Remedy for cash deficit	
				Investment plan	Financial management plan
$ 3,109,762	$ 997,170	$ 964,346	$ 3,142,586	—	—

1. Analysis of current year cash flow change status of this year (2020):

(1) Operating activities: Operating income and relevant adjustment items will generate net cash flow in.

(2) Investment activities: Purchase of property, plant and equipment will generate net cash flow out.

(3) Financing activities: Issuance of cash dividends will generate net cash flow out.

2. Analysis on remedy for estimated cash shortage and liquidity: Not applicable.

IV. Impact of Significant Capital Expenditures in the Most Recent Year on the Financial and Operating Conditions of the Company:

There were no major capital expenditures for the Company in this year

V. Investment Policy for the Last Year, Main Causes of Profits or Losses, Improvement Plans and Investment Plans for the Coming Year:

Unit: In Thousands of New Taiwan Dollars

Item	Book value (NT$ thousand dollars)	Policy	Main cause of profit or loss
INTERMEDIUM INTERNATIONAL LIMITED (BVI)	4,430,506	Reinvestment in Zhenjiang Nantex	Zhenjiang Nantex continued to profit.
Micro Sova Co., Ltd.	368	Investment in high-tech industry	Continued to profit.
NANMAT TECHNOLOGY CO., LTD.	291,780	Investment in high-tech industry	Continued to profit.
President International Development Corporation	83,720	Cooperated with affiliates in major investments	Continued to profit.
Grand Bills Finance Corp.	8,641	Financial business	Continued to profit.
Lushun Warehouse Co., Ltd.	130,513	Cooperated with the Company’s operational needs	Continued to profit.

VI. Risk Analysis and Assessment:

(I) Impact of interest rate, exchange rate fluctuation and inflation condition on the profit/loss of the company and future countermeasures:

1. Since the market interest rate fluctuation is small and the Company adopts the debt-free operation method, interest rate change has no significant impacts on the profit/loss of the Company.
2. Understand relevant exchange rate trend at all time and adopt average exchange to cope with the demands for NTD.
3. The quotations provided by the Company to customers are appropriately adjusted according to the market fluctuation; therefore, inflation has no significant impact on the Company.

(II) Policies on engaging in high risk, high leverage investments, loaning funds to others, endorsement and guarantee as well as derivative transactions, main causes of profit and loss as well as future countermeasures:

The Company does not engage in any high risk, high leverage investments, loaning funds to others, endorsement and guarantee, as well as derivatives.

(III) Future R&D projects and expected investment in R&D budget:

1. Future R&D plan:
   (1) Focus on the market trend and cooperate with customer demands. With the advantages of the currently existing products, continue to improve the product competitiveness. In addition, exploit the cross-strait advantage to engage in joint development, and to implement works according to the most advantageous and beneficial sequence.
   (2) Cope with the new product future trend, gradually introduce waste reduction in the processes of customers and the Company. In addition to the introduction of special units, research and develop cleaner products in order to achieve greater processability. Furthermore, pay attention to the requirements for environmental protection and mitigate the burden in the treatment of process wastes.
2. Expected investment in R&D budget: Estimated to be NT$54.80 million.
   (1) Optimization of NBR synthetic latex for disposable gloves: Continue to develop and implement mass production; expected investment of approximately NT$ 20 million.
   (2) NBR synthetic latex for industrial gloves: Continue development for mass production and expected investment of approximately NT$10 million.
   (3) Rubber for electronics application: Continue to develop and implement mass production; expected investment of approximately NT$15 million.
   (4) NBR rubber for bonding purpose: Expected investment of approximately NT$9 million.
   (5) High flowability rubber: Expected investment of approximately NT$5 million.
   (6) Trial run synthesis related equipment: Expected investment of approximately NT$ 6 million.

(IV) Impacts of domestic/foreign important policies and changes of laws on the financial business of the company and countermeasures:

No impacts on financial status of the Company.

(V) Impacts of changes in technology and industry on the financial business of

the Company and countermeasures:

No impacts on financial status of the Company.

(VI) Impacts of change of cooperate image on the cooperate crisis management and countermeasures:

The Company upholds the business philosophy of "Continuous Improvement, Excel for Excellence" with system operation and continuous innovation to seek sustainable operation in order to gain the maximum benefits for customers, shareholders and employees. In addition, the Company fulfills the social responsibility with excellent corporate image to expand business, and the Company has no adverse corporate image in any relevant reports or news.

(VII) Expected benefit, possible risk and countermeasure for merger: None

(VIII) Expected benefit, possible risk and countermeasure for expansion of facilities: None

(IX) Risks faced during material incoming and sales centralization as well as countermeasure: None

(X) Impacts, risks and countermeasures of directors, supervisors or shareholders with shareholding percentage exceeding 10%, large equity transfer or change on the company: None

(XI) Impacts, risks and countermeasures of change in management rights: None

(XII) Litigation or non-litigation events: None

(XIII) Other significant risks and countermeasure: None

VII. Other significant risks and countermeasure: None

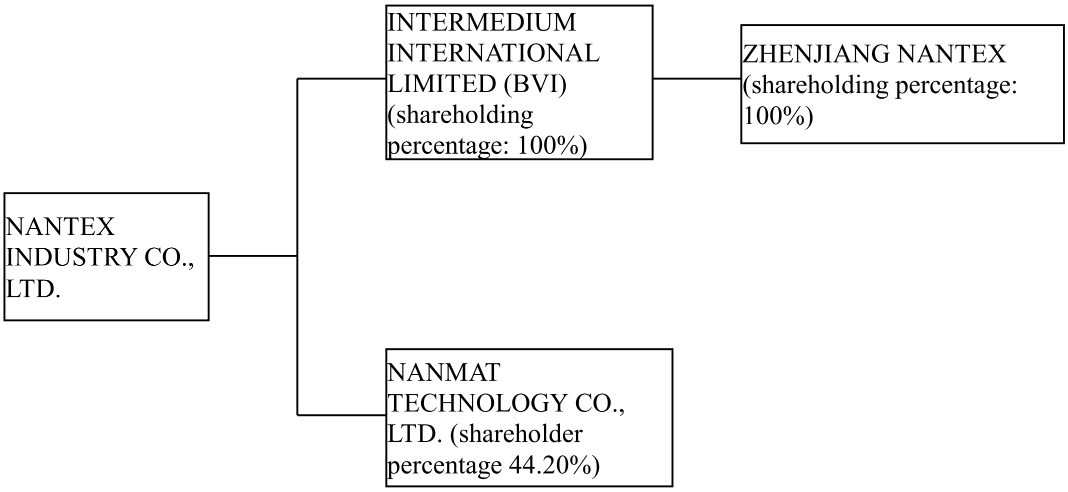
Eight. Special Disclosure

I. Group Company Information

(I) Affiliated enterprise consolidated business report

1. Affiliated enterprise overview

A. Affiliated enterprise organizational chart



B. Affiliated enterprise basic information

December 31, 2019

Enterprise name	Establishment date	Address	Paid-up capital	Primary business or production item
INTERMEDIUM INTERNATIONAL LIMITED (BVI)	April 22, 1997	Offshore Incorporation Limited P.O.Box 957, Offshore Incorporation Centre, Road Town, Tortola, British Virgin Islands	US$ 55,503,757	General investment business
ZHENJIANG NANTEX CHEMICAL INDUSTRY CO., LTD.	October 29, 2001	No. 99 Linjiang West Road, Zhenjiang New District, Zhenjiang City, Jiangsu Province	US$ 67,600,000	Production and sales business of rubber and synthetic latex
NANMAT TECHNOLOGY CO., LTD.	July 7, 1997	No. 36, central Road, Nanzi Export Processing Zone, Kaohsiung City	NT$ 363,210,300	CVD Material Metal Surface Treatment Solution

C. According to Article 369-3 of the Company Act, enterprises concluded to be as the existence of the controlling and subordinate relation are: Intermedium International Ltd. (BVI), Zhenjiang Nantex Chemical Co., Ltd., Nanmat Technology Co., Ltd.

D. Businesses covered by the business operated by the overall affiliated enterprises: Please refer to Item (B).

E. For overall affiliated enterprises with business relation to each other, the status of business dealing allocation shall be explained:

To cope with the increasing market demand in the Mainland China market, the Company invested in the factory construction through Intermedium International Ltd. and also established Zhenjiang Nantex in order to expand the sales in the Mainland China market and to service customers locally.

F. Director, Supervisor, and Managerial officer Information of Affiliated Enterprises

April 30, 2020

Enterprise name	Title	Name or representative	Shareholding	
			Number of Shares	Shareholding percentage %
ZHENJIANG NANTEX CHEMICAL INDUSTRY CO., LTD.	 Chairman Director Director Director Director Director Director Supervisor	Nantex Industry Co., Ltd. Representative: Chien-Chu Hsu Po-Ming Hou Tung-Yuan Yang Li-Ling Cheng Li-Fan Wang Yao-Te Huang Sheng-Chung Huang Meng-Sheng Liao	–	100%
INTERMEDIUM INTERNATIONAL LIMITED (BVI)	 Chairman Director Director Director Director Director Director Director	Nantex Industry Co., Ltd. Representative: Tung-Yuan Yang Li-Ling Cheng Po-Ming Hou Chien-Chu Hsu Li-Fan Wang Yao-Te Huang Meng-Sheng Liao Sheng-Chung Huang	–	100%
NANMAT TECHNOLOGY CO., LTD.	 Chairman Director Director Director Director Director Director	Nantex Industry Co., Ltd. Representative: Tung-Yuan Yang Li, Shun-Hsing Po-Ming Hou Chien-Chu Hsu Shen Chiu Sheng-Chung Huang Yao-Te Huang	16,054,238	44.20%
	Director	Prince Housing and Development Corp. Representative: Ming-Fan Hsieh	1,648,563	4.54%
	Director	Jiu Fu Investment Co., Ltd. Representative: Li-Ling Cheng	451,250	1.24%
	Director	Hua Chi Venture Investment Co., Ltd. Representative: Yin-Chuan Ho	125,000	0.34%
	Director	Meng-Sheng Liao	365,300	1.01%
	Supervisor	San Shing Spinning Co., Ltd. Representative: Chung-Ho Wu	246,513	0.68%
	Supervisor	Yuan-Hung Peng	0	0

2. Operation summary of each affiliated enterprise

December 31, 2019

Enterprise name	Registered Capital	Total Assets	Total liabilities	Net worth	Operating Revenue	Operating Profit	Profit or loss	Earnings per share (EPS)
INTERMEDIUM INTERNATIONAL LIMITED (BVI)	US 56,500,000	US 148,134,460	US 352,401	US 147,782,059	US 0	US (632,525)	US 13,005,998	US 0.23
ZHENJIANG NANTEX	US 67,600,000	RMB 743,695,391	RMB 75,153,303	RMB 668,542,088	RMB 1,046,622,590	RMB 131,717,930	RMB 102,120,406	—
NANMAT TECHNOLOGY CO., LTD.	NTD 363,210,300	NTD 920,958,323	NTD 260,822,398	NTD 660,135,925	NTD 758,515,763	NTD 125,150,096	NTD 97,977,941	NTD 2.70

(II) Affiliated Enterprise Consolidated Financial Statements

NANTEX INDUSTRY CO., LTD.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2019, pursuant to "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," the companies that are required to be included in the consolidated financial statements of affiliates, are the same as the Company required to be included in the consolidated financial statements under International Financial Reporting Standard 10. And if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare consolidated financial statements of affiliates.

Hereby declare,

NANTEX INDUSTRY CO., LTD.

March 16, 2020

(III) Affiliation Report: None.

II. Any Private Placement of Securities within the Latest Fiscal Year and as of the Publication Date of the Annual Report: None

III. Any Share Ownership and Disposal of Shares of the Company by Subsidiaries within the Latest Fiscal Year and as of the Publication Date of the Annual Report: None

IV. Additional Information Required to be Disclosed: None

V. For the most recent year and up to the publication date of the annual report, events having material impact on shareholders' rights and interests or securities prices: Financial statements of the most recent year not available

南帝化學工業股份有限公司
NANTEX INDUSTRY CO., LTD.

Chairman Tung-Yuan Yang

NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2019 AND 2018

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

NANTEX INDUSTRY CO., LTD.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2019, pursuant to "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," the companies that are required to be included in the consolidated financial statements of affiliates, are the same as the Company required to be included in the consolidated financial statements under International Financial Reporting Standard 10. And if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare consolidated financial statements of affiliates.

Hereby declare,

NANTEX INDUSTRY CO., LTD.

March 16, 2020

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

Opinion

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

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

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (R.O.C. GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group’s consolidated financial statements of the current period are stated as follows:

Evaluation of inventories

Description

Refer to Note 4(10) to accounting policies on inventory, Note 5 for accounting estimates and assumptions uncertainty in relation to inventory valuation, and Note 6(5) for description of inventory. As of December 31, 2019, the balances of inventories and allowance for valuation losses were NT$942,742 thousand and NT$59,182 thousand, respectively.

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

How our audit addressed the matter

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

A. Examined whether the evaluation of inventories was implemented based on the Group's accounting policies, and assessed the reasonableness of policies and procedures related to the provision for inventory valuation losses.

B. Assessed the appropriateness of provision for inventory valuation loss based on our evaluation and sampling on documents related to the net realisable value of inventories.

Cut off of operating revenue recognition from export sales in Taiwan region

Description

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

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

How our audit addressed the matter

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

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

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

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of NANTEX INDUSTRY CO., LTD. as at and for the years ended December 31, 2019 and 2018.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor’s responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with R.O.C. GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

A. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Lin, Tzu-Shu

Independent Accountants

Liu, Tzu-Meng

PricewaterhouseCoopers, Taiwan
Republic of China
March 16, 2020

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

	Assets	Notes	December 31, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 3,109,762	29	$ 3,042,715	30
1110	Current financial assets at fair value through profit or loss	6(2)	-	-	9,563	-
1136	Current financial assets at amortised cost	6(1)(3) and 8	1,404,920	13	814,566	8
1150	Notes receivable, net	6(4)	169,508	2	185,160	2
1170	Accounts receivable, net	6(4) and 12	1,305,801	12	1,487,136	15
1200	Other receivables		89,794	1	81,767	1
130X	Inventories	5 and 6(5)	883,560	8	1,016,681	10
1410	Prepayments		357,656	4	351,062	3
11XX	**Total current assets**		7,321,001	69	6,988,650	69
	Non-current assets					
1517	Non-current financial assets at fair value through other comprehensive income	6(6)	326,268	3	278,583	3
1535	Non-current financial assets at amortised cost	6(1)(3)	214,657	2	-	-
1600	Property, plant and equipment	6(7) and 8	2,313,901	22	2,483,167	24
1755	Right-of-use assets	3(1), 6(8) and 7	121,852	1	-	-
1780	Intangible assets	6(9)	11,499	-	12,876	-
1840	Deferred income tax assets	6(23)	66,415	1	60,668	1
1915	Prepayments for equipment	6(7)	17,838	-	10,449	-
1920	Guarantee deposits paid	8	547	-	628	-
1985	Long-term prepaid rent	3(1) and 6(10)	-	-	39,394	-
1990	Other non-current assets		277,152	2	282,364	3
15XX	**Total non-current assets**		3,350,129	31	3,168,129	31
1XXX	**Total assets**		$ 10,671,130	100	$ 10,156,779	100

(Continued)

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

	Liabilities and Equity	Notes	December 31, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(11)	$ 190,000	2	$ 70,000	1
2110	Short-term notes and bills payable	6(12)	9,997	-	9,984	-
2130	Current contract liabilities	6(17)	81,019	1	47,044	-
2150	Notes payable		-	-	187	-
2170	Accounts payable		340,321	3	353,714	4
2200	Other payables		632,585	6	727,454	7
2230	Current income tax liabilities	6(23)	199,423	2	239,994	2
2280	Current lease liabilities	3(1), 6(8) and 7	21,422	-	-	-
21XX	**Total current liabilities**		1,474,767	14	1,448,377	14
	Non-current liabilities					
2570	Deferred income tax liabilities	6(23)	309,384	3	305,881	3
2580	Non-current lease liabilities	3(1), 6(8) and 7	64,948	-	-	-
2640	Net defined benefit liabilities	6(13)	76,372	1	109,542	1
25XX	**Total non-current liabilities**		450,704	4	415,423	4
2XXX	**Total liabilities**		1,925,471	18	1,863,800	18
	Equity					
	Equity attributable to owners of the parent					
	Share capital					
3110	Share capital - common stock	6(14)	4,924,167	46	4,924,167	49
	Retained earnings	6(14)(15)				
3310	Legal reserve		1,185,566	11	1,032,070	10
3320	Special reserve		433,442	4	433,442	5
3350	Unappropriated retained earnings		2,146,359	20	1,754,420	17
	Other equity interest					
3400	Other equity interest	6(6)(16)	(312,231)	(2)	(184,963)	(2)
31XX	**Total equity attributable to owners of the parent**		8,377,303	79	7,959,136	79
36XX	**Non-controlling interest**		368,356	3	333,843	3
3XXX	**Total equity**		8,745,659	82	8,292,979	82
	Significant Contingent Liabilities and Unrecognised Contract Commitments	6(25), 7 and 9				
3X2X	**Total liabilities and equity**		$ 10,671,130	100	$ 10,156,779	100

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

NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

	Items	Notes	2019 AMOUNT	2019 %	2018 AMOUNT	2018 %
4000	**Operating revenue**	6(17)	$ 12,391,836	100	$ 13,809,832	100
5000	**Operating costs**	6(5)(9)(13)(21)(22)(25) and 7	(9,171,120)	(74)	(10,555,225)	(76)
5950	**Net operating margin**		3,220,716	26	3,254,607	24
	Operating expenses	6(9)(10)(13)(21)(22)(25) and 12				
6100	Selling expenses		(488,652)	(4)	(502,320)	(4)
6200	General and administrative expenses		(661,607)	(5)	(722,652)	(5)
6300	Research and development expenses		(92,136)	(1)	(88,461)	(1)
6450	Expected credit impairment gain (loss)		813	-	(1,276)	-
6000	**Total operating expenses**		(1,241,582)	(10)	(1,314,709)	(10)
6900	**Operating profit**		1,979,134	16	1,939,898	14
	Non-operating income and expenses					
7010	Other income	6(3)(18)	104,547	1	94,677	-
7020	Other gains and losses	6(2)(19) and 12	(51,074)	(1)	96,534	1
7050	Finance costs	6(7)(8)(20) and 7	(2,581)	-	(1,049)	-
7000	**Total non-operating income and expenses**		50,892	-	190,162	1
7900	**Profit before income tax**		2,030,026	16	2,130,060	15
7950	Income tax expense	6(23)	(548,574)	(4)	(538,330)	(4)
8200	**Profit for the year**		$ 1,481,452	12	$ 1,591,730	11
	Other comprehensive income (loss)					
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311	Actuarial gains on defined benefit plans	6(13)	$ 6,391	-	$ 6,392	-
8316	Unrealised gains on financial assets measured at fair value through other comprehensive income	6(6)(16)	23,791	-	19,018	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(23)	(1,278)	-	(527)	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(16)	(151,059)	(1)	(51,296)	-
8300	**Other comprehensive loss for the year**		($ 122,155)	(1)	($ 26,413)	-
8500	**Total comprehensive income for the year**		$ 1,359,297	11	$ 1,565,317	11
	Profit attributable to:					
8610	Owners of the parent		$ 1,426,780	12	$ 1,534,951	10
8620	Non-controlling interest		54,672	-	56,779	1
	Profit for the year		$ 1,481,452	12	$ 1,591,730	11
	Comprehensive income attributable to:					
8710	Owners of the parent		$ 1,304,517	11	$ 1,509,347	11
8720	Non-controlling interest		54,780	-	55,970	-
	Total comprehensive income for the year		$ 1,359,297	11	$ 1,565,317	11
	Earnings per share (in dollars)	6(24)				
9750	**Basic**		$	2.90	$	3.12
9850	**Diluted**		$	2.89	$	3.11

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

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

		Equity attributable to owners of the parent									
			Retained Earnings			Other Equity Interest					
	Notes	Share capital - common stock	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealised gain or loss on available-for-sale financial assets	Total	Non-controlling interest	Total equity
Year ended December 31, 2018											
Balance at January 1, 2018		$4,689,683	$ 950,675	$ 433,442	$ 988,546	($ 144,374)	$ -	($ 1,703)	$6,916,269	$ 277,873	$7,194,142
Effect of retrospective application	6(16)	-	-	-	9,096	-	(8,311)	1,703	2,488	-	2,488
Balance at January 1 after adjustments		4,689,683	950,675	433,442	997,642	(144,374)	(8,311)	-	6,918,757	277,873	7,196,630
Profit for the year		-	-	-	1,534,951	-	-	-	1,534,951	56,779	1,591,730
Other comprehensive income (loss) for the year	6(6)(16)	-	-	-	6,674	(51,296)	19,018	-	(25,604)	(809)	(26,413)
Total comprehensive income (loss)		-	-	-	1,541,625	(51,296)	19,018	-	1,509,347	55,970	1,565,317
Distribution of 2017 net income:											
Legal reserve		-	81,395	-	(81,395)	-	-	-	-	-	-
Stock dividends	6(14)(15)	234,484	-	-	(234,484)	-	-	-	-	-	-
Cash dividends	6(15)	-	-	-	(468,968)	-	-	-	(468,968)	-	(468,968)
Balance at December 31, 2018		$4,924,167	$1,032,070	$ 433,442	$1,754,420	($ 195,670)	$ 10,707	$ -	$7,959,136	$ 333,843	$8,292,979
Year ended December 31, 2019											
Balance at January 1, 2019		$4,924,167	$1,032,070	$ 433,442	$1,754,420	($ 195,670)	$ 10,707	$ -	$7,959,136	$ 333,843	$8,292,979
Profit for the year		-	-	-	1,426,780	-	-	-	1,426,780	54,672	1,481,452
Other comprehensive income (loss) for the year	6(6)(16)	-	-	-	5,005	(151,059)	23,791	-	(122,263)	108	(122,155)
Total comprehensive income (loss)		-	-	-	1,431,785	(151,059)	23,791	-	1,304,517	54,780	1,359,297
Distribution of 2018 net income:											
Legal reserve		-	153,496	-	(153,496)	-	-	-	-	-	-
Cash dividends	6(15)	-	-	-	(886,350)	-	-	-	(886,350)	-	(886,350)
Changes in non-controlling interests		-	-	-	-	-	-	-	-	(20,267)	(20,267)
Balance at December 31, 2019		$4,924,167	$1,185,566	$ 433,442	$2,146,359	($ 346,729)	$ 34,498	$ -	$8,377,303	$ 368,356	$8,745,659

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

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

	Notes	Year ended December 31 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 2,030,026	$ 2,130,060
Adjustments			
Adjustments to reconcile profit (loss)			
Gains on valuation of financial assets at fair value through profit or loss		(13,069)	(3,839)
Expected credit impairment (gain) loss	12	(813)	1,276
Reversal of inventory market price decline	6(5)	(874)	(481)
Depreciation	6(7)(8)(21)	309,699	283,900
Losses on disposals of property, plant and equipment	6(19)	1,671	610
Property, plant and equipment transferred to expenses	6(7)	3,299	1,879
Amortisation	6(9)(21)	2,640	2,693
Amortisation of long-term prepaid rent	6(10)	-	1,325
Interest income	6(18)	(86,170)	(63,379)
Dividend income	6(18)	(8,051)	(9,314)
Interest expense	6(20)	2,581	1,049
Changes in operating assets and liabilities			
Changes in operating assets			
Current financial assets at fair value through profit or loss		22,632	21,933
Notes receivable		15,652	15,493
Accounts receivable		182,202	(233,663)
Other receivables		(2,569)	(71,830)
Inventories		133,995	(112,784)
Prepayments		(6,594)	126,961
Other non-current assets		5,212	(45,561)
Changes in operating liabilities			
Current contract liabilities		33,975	(46,687)
Notes payable		(187)	1
Accounts payable		(13,393)	(43,876)
Other payables		(96,989)	229,930
Net defined benefit liability		(26,779)	(22,970)
Cash inflow generated from operations		2,488,096	2,162,726
Interest received		80,712	60,647
Dividends received		8,051	9,314
Interest paid		(2,545)	(1,023)
Income taxes paid		(592,667)	(367,858)
Net cash flows from operating activities		1,981,647	1,863,806

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

	Notes	Year ended December 31 2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash paid for acquisition of current financial assets at amortised cost		($ 3,744,842)	($ 3,109,407)
Proceeds from disposals of current financial assets at amortised cost		3,115,544	3,008,649
Decrease in other current assets		-	1,422
Acquisition of financial assets at fair value through other comprehensive income		(26,589)	(7,201)
Acquisition of non-current financial assets at amortised cost		(223,801)	-
Cash paid for acquisition of property, plant and equipment	6(26)	(127,238)	(94,652)
Interest paid for acquisition of property, plant and equipment	6(7)(20)(26)	(42)	(126)
Proceeds from disposal of property, plant and equipment		381	1,098
Increase in intangible assets	6(9)	(1,593)	(1,745)
Increase in prepayments for equipment		(35,669)	(67,754)
Decrease in guarantee deposits paid		81	14
Net cash flows used in investing activities		(1,043,768)	(269,702)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in short-term borrowings	6(27)	120,000	(30,000)
Decrease in short-term notes and bills payable	6(27)	-	(20,000)
Payment of lease liabilities	6(27)	(21,620)	-
Payment of cash dividends	6(15)	(886,350)	(468,968)
Decrease in non-controlling interest		(20,267)	-
Net cash flows used in financing activities		(808,237)	(518,968)
Effect of foreign exchange rate changes		(62,595)	(13,507)
Net increase in cash and cash equivalents		67,047	1,061,629
Cash and cash equivalents at beginning of year	6(1)	3,042,715	1,981,086
Cash and cash equivalents at end of year	6(1)	$ 3,109,762	$ 3,042,715

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

NANTEX INDUSTRY CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

(1) NANTEX INDUSTRY CO., LTD. (the "Company") was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) on January 10, 1979. The Company 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 authorised for issuance by the Board of Directors on March 16, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

IFRS 16, 'Leases'

A. IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a 'lease liability' (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the ‘modified retrospective approach’) when applying “IFRSs” effective in 2019 as endorsed by the FSC. Accordingly, the Group increased ‘right-of-use asset’ by $146,804, increased ‘lease liability’ by $107,410 and decreased ‘long-term prepaid rent’ by $39,394 with respect to the lease contracts of lessees on January 1, 2019.

C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:

(a) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.

(b) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

(c) The accounting for operating leases whose period will end before December 31, 2019 as short term leases and accordingly, rent expense of $365 was recognised in 2019.

(d) The exclusion of initial direct costs for the measurement of ‘right-of-use asset’.

(e) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

D. The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate ranging from 1.45% to 2.14%.

E. The Group recognised lease liabilities which had previously been classified as ‘operating leases’ under the principles of IAS 17, ‘Leases’. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	$ 120,843
Less: Short-term leases	(766)
Less: Low-value assets	(176)
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	$ 119,901
Incremental borrowing interest rate at the date of initial application	1.45%～2.14%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	$ 107,410

(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 2020 are as follows:

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

The above standards and interpretations have no significant impact to the 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 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by IASB
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2022

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", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(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 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:

			Ownership (%)		
Name of investor	Name of subsidiary	Business activities	December 31, 2019	December 31, 2018	Note
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%	—

(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.

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) <u>Classification of current and non-current items</u>

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.

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: 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.

(12) Impairment of financial assets

For 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	1 ～ 20 years

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

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the 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) Operating leases (lessee) (prior to 2018)

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

(17) Intangible assets

Trademarks, 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.

(18) 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.

(19) 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.

(20) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term accounts and notes payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(21) Derecognition of financial liabilities

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

(22) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plan

For 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.

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.

(23) 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 consolidate 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.

(24) Share capital

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

(25) Dividends

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

(26) Revenue recognition

A. Sales of goods:

(a) Sales are recognised when control of the products has transferred, being when the products are delivered to the external customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the 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, the Group does not adjusted 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.

(27) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

(28) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's 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 December 31, 2019, the carrying amount of inventories was $883,560.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash:		
Cash on hand	$ 372	$ 372
Checking accounts and demand deposits	1,343,852	1,237,326
	1,344,224	1,237,698
Cash equivalents:		
Time deposits	1,765,538	1,805,017
	$ 3,109,762	$ 3,042,715

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 December 31, 2019 and 2018, 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 $887,744 and $6,192, 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 $214,657 and $ —, 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

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

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

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

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

(3) Financial assets at amortised cost

	December 31, 2019	December 31, 2018
Current items:		
Time deposits over three months	$ 887,744	$ 6,192
Financial instruments	515,176	804,979
Demand and time deposits pledged	2,000	3,395
	$ 1,404,920	$ 814,566
Non-current items:		
Time deposits maturing in excess of one year	$ 214,657	$ -

A. The Group recognised interest income in profit or loss in relation to financial assets at amortised cost in the amount of $29,076 and $22,986 (listed as 'Other income') for the years ended December 31, 2019 and 2018, respectively.

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

C. As of December 31, 2019 and 2018, 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

	December 31, 2019	December 31, 2018
Notes receivable	$ 169,508	$ 185,160
Accounts receivable	$ 1,307,077	$ 1,489,279
Less: Loss allowance	(1,276)	(2,143)
	$ 1,305,801	$ 1,487,136

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

	December 31, 2019		December 31, 2018	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	$ 1,014,976	$ 169,508	$ 1,185,252	$ 185,160
Up to 90 days	276,728	-	285,914	-
Over 90 days	15,373	-	18,113	-
	$ 1,307,077	$ 169,508	$ 1,489,279	$ 185,160

The above ageing analysis was based on past due date.

B. As of December 31, 2019 and 2018, the balance of notes receivable and accounts receivable were all from contracts with customers. As of January 1, 2018, the balance of receivables from contracts with customers amounted to $1,456,269.

C. As of December 31, 2019 and 2018, 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

	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
	$ 942,742	($ 59,182)	$ 883,560

	December 31, 2018		
	Cost	Allowance for market price decline	Book value
Merchandise	$ 2,155	($ 633)	$ 1,522
Raw materials	440,113	(21,165)	418,948
Materials	37,273	(71)	37,202
Work in progress	132,779	(14,638)	118,141
Finished goods	464,417	(23,549)	440,868
	$ 1,076,737	($ 60,056)	$ 1,016,681

The cost of inventories recognised as expense for the year:

	Years ended December 31,	
	2019	2018
Cost of goods sold	$ 8,899,283	$ 10,478,639
Loss on physical inventory	1,356	3,318
Revenue from sale of scraps	(18,138)	(20,990)
Reversal of allowance for inventory market price decline (Note)	(874)	(481)
Loss on discarding inventory	862	82
Unallocated overhead expense	3,774	10,582
Total cost of goods sold	$ 8,886,263	$ 10,471,150

(Note) For the years ended December 31, 2019 and 2018, the Group reversed a previous inventory write-down which was accounted for as reduction of cost of goods sold because worldwide raw materials price rose.

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

	December 31, 2019	December 31, 2018
Equity instruments		
Unlisted stock	$ 265,766	$ 241,872
Valuation adjustments	60,502	36,711
	$ 326,268	$ 278,583

A. The Group has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $326,268 and $278,583 as at December 31, 2019 and 2018, respectively.

B. The Group recognised $23,791 and $19,018 in other comprehensive income in relation to the financial assets at fair value through other comprehensive income for the years ended December 31, 2019 and 2018, respectively.

C. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the 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

At January 1, 2019	Land	Land improvements	Buildings and structures	Machinery and equipment	Leasehold improvements	Other equipment	Unfinished construction and equipment under acceptance	Total
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)
	$ 461,888	$ 1,303	$ 676,797	$ 1,099,414	$ 5,728	$ 161,148	$ 76,889	$ 2,483,167
2019								
At January 1	$ 461,888	$ 1,303	$ 676,797	$ 1,099,414	$ 5,728	$ 161,148	$ 76,889	$ 2,483,167
Additions - cost	-	-	867	15,182	-	36,280	77,048	129,377
Transferred after acceptance inspection	-	-	2,581	38,628	-	396	(41,605)	-
Transfer from prepayment for equipment	-	-	1,209	18,312	-	8,759	-	28,280
Disposal - cost	-	-	(1,775)	(9,785)	-	(13,960)	-	(25,520)
- accumulated depreciation	-	-	1,775	8,290	-	13,403	-	23,468
Depreciation	-	(253)	(58,383)	(196,783)	(732)	(29,536)	-	(285,687)
Reclassifications (Note 1)	-	-	-	1,184	-	(4,410)	(73)	(3,299)
Net exchange differences	-	-	(12,060)	(21,069)	-	(1,418)	(1,338)	(35,885)
At December 31	$ 461,888	$ 1,050	$ 611,011	$ 953,373	$ 4,996	$ 170,662	$ 110,921	$ 2,313,901
At December 31, 2019								
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)
	$ 461,888	$ 1,050	$ 611,011	$ 953,373	$ 4,996	$ 170,662	$ 110,921	$ 2,313,901

At January 1, 2018	Land	Land improvements	Buildings and structures	Machinery and equipment	Leasehold improvements	Other equipment	Unfinished construction and equipment under acceptance	Total
Cost	$ 448,185	$ 14,580	$ 1,626,203	$ 5,122,636	$ 7,960	$ 602,830	$ 64,797	$ 7,887,191
Accumulated depreciation	-	(13,005)	(941,425)	(3,906,763)	(1,501)	(442,476)	-	(5,305,170)
	$ 448,185	$ 1,575	$ 684,778	$ 1,215,873	$ 6,459	$ 160,354	$ 64,797	$ 2,582,021
2018								
At January 1	$ 448,185	$ 1,575	$ 684,778	$ 1,215,873	$ 6,459	$ 160,354	$ 64,797	$ 2,582,021
Additions - cost	13,703	-	11,034	13,878	-	23,649	32,576	94,840
Transferred after acceptance inspection	-	-	17,174	275	-	2,995	(20,444)	-
Transfer from prepayment for equipment	-	-	26,831	85,242	-	3,148	-	115,221
Disposal - cost	-	-	(57)	(6,301)	-	(10,528)	-	(16,886)
- accumulated depreciation	-	-	54	5,757	-	9,367	-	15,178
Depreciation	-	(272)	(55,609)	(202,383)	(731)	(24,905)	-	(283,900)
Reclassifications (Note 2)	-	-	-	282	-	(2,161)	-	(1,879)
Net exchange differences	-	-	(7,408)	(13,209)	-	(771)	(40)	(21,428)
At December 31	$ 461,888	$ 1,303	$ 676,797	$ 1,099,414	$ 5,728	$ 161,148	$ 76,889	$ 2,483,167
At December 31, 2018								
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)
	$ 461,888	$ 1,303	$ 676,797	$ 1,099,414	$ 5,728	$ 161,148	$ 76,889	$ 2,483,167

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

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

A. 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:

	Years ended December 31,	
	2019	2018
Interest capitalisation	$ 42	$ 126
Interest rates for capitalisation	0.72%～1.56%	0.84%～1.56%

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 (effective 2019)

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 amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2019	Year ended December 31, 2019
	Carrying amount	Depreciation charge
Land	$ 53,223	$ 6,565
Buildings	54,904	3,955
Machinery and equipment	12,024	11,540
Transportation equipment (Business vehicles)	1,701	1,952
	$ 121,852	$ 24,012

C. For the year ended December 31, 2019, the additions to right-of-use assets was $580.

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

	Year ended December 31, 2019
Items affecting profit or loss	
Interest expense on lease liabilities	$ 1,644
Expense on short-term leases or leases of low-value assets	365

E. For the year ended December 31, 2019, the Group's total cash outflow for leases was $23,629.

(9) Intangible assets

	2019				
	Trademarks	Patents	Computer Software	Royalty Income	Total
At January 1, 2019					
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	$ 1,059	$ 795	$ 10,787	$ 235	$ 12,876
2019					
At January 1	$ 1,059	$ 795	$ 10,787	$ 235	$ 12,876
Additions - acquired separately	148	-	1,445	-	1,593
Amortisation	(241)	(75)	(2,178)	(146)	(2,640)
Disposal - cost	(100)	-	-	-	(100)
- accumulated amortisation	100	-	-	-	100
Net exchange differences	-	-	(330)	-	(330)
At December 31	$ 966	$ 720	$ 9,724	$ 89	$ 11,499
At December 31, 2019					
Cost	$ 1,956	$ 1,268	$ 23,441	$ 1,217	$ 27,882
Accumulated amortisation	(990)	(548)	(13,203)	(1,128)	(15,869)
Net exchange sdifferences	-	-	(514)	-	(514)
Net value	$ 966	$ 720	$ 9,724	$ 89	$ 11,499

	2018				
	Trademarks	Patents	Computer Software	Royalty Income	Total
At January 1, 2018					
Cost	$ 1,701	$ 1,154	$ 20,775	$ 1,217	$ 24,847
Accumulated amortisation	(827)	(398)	(8,806)	(808)	(10,839)
Net value	$ 874	$ 756	$ 11,969	$ 409	$ 14,008
2018					
At January 1	$ 874	$ 756	$ 11,969	$ 409	$ 14,008
Additions - acquired separately	410	114	1,221	-	1,745
Amortisation	(225)	(75)	(2,219)	(174)	(2,693)
Disposal - cost	(203)	-	-	-	(203)
- accumulated amortisation	203	-	-	-	203
Net exchange differences	-	-	(184)	-	(184)
At December 31	$ 1,059	$ 795	$ 10,787	$ 235	$ 12,876
At December 31, 2018					
Cost	$ 1,908	$ 1,268	$ 21,996	$ 1,217	$ 26,389
Accumulated amortisation	(849)	(473)	(11,025)	(982)	(13,329)
Net exchange sdifferences	-	-	(184)	-	(184)
Net value	$ 1,059	$ 795	$ 10,787	$ 235	$ 12,876

Details of amortisation on intangible assets are as follows:

	Years ended December 31,	
	2019	2018
Operating costs	$ 175	$ 39
Selling expenses	150	141
General and administrative expenses	2,085	2,255
Research and development expenses	230	258
	$ 2,640	$ 2,693

(10) Long-term prepaid rents (applicable for 2018)

	December 31, 2018
Land use right	$ 39,394

During 2001 and 2007, the Group signed land use right contracts with local government for the use of the land in Zhenjiang New District Dagang Area with a term of 46 ~ 50 years. All rentals had been settled on the contract date. The Group recognised rental expense of $1,325 for the year ended December 31, 2018 (listed as 'Operating expenses').

(11) Short-term borrowings

Type of borrowings	December 31, 2019	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	$ 190,000	0.99%～1.20%	None

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	$ 70,000	1.13%～1.20%	None

For the years ended December 31, 2019 and 2018, the Group recognised interest expenses in profit or loss. Please refer to Note 6(20) for details.

(12) Short-term notes and bills payable

Type of borrowings	December 31, 2019	Interest rate	Collateral
Commercial papers payable	$ 10,000	1.15%	None
Less: Unamortised discounts	(3)		
	$ 9,997		

Type of borrowings	December 31, 2018	Interest rate	Collateral
Commercial papers payable	$ 10,000	1.15%	None
Less: Unamortised discounts	(16)		
	$ 9,984		

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

B. For the years ended December 31, 2019 and 2018, the Group recognised interest expenses in profit or loss. Please refer to Note 6(20) for details.

(13) 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 were as follows:

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

	December 31, 2019	December 31, 2018
Present value of defined benefit obligations	($ 646,543)	($ 635,191)
Fair value of plan assets	570,171	525,649
Net defined benefit liability	($ 76,372)	($ 109,542)

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

2019	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	($ 635,191)	$ 525,649	($ 109,542)
Current service cost	(8,247)	-	(8,247)
Interest (expense) income	(4,764)	4,038	(726)
	(648,202)	529,687	(118,515)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	19,694	19,694
Change in financial assumptions	(3,355)	-	(3,355)
Experience adjustments	(9,948)	-	(9,948)
	(13,303)	19,694	6,391
Pension fund contribution	-	35,752	35,752
Paid pension	14,962	(14,962)	-
At December 31	($ 646,543)	$ 570,171	($ 76,372)

2018	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	($ 638,766)	$ 499,862	($ 138,904)
Current service cost	(9,280)	-	(9,280)
Interest (expense) income	(6,206)	4,981	(1,225)
	(654,252)	504,843	(149,409)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	14,852	14,852
Change in demographic assumptions	(3)	-	(3)
Change in financial assumptions	(13,488)	-	(13,488)
Experience adjustments	5,031	-	5,031
	(8,460)	14,852	6,392
Pension fund contribution	-	33,475	33,475
Paid pension	27,521	(27,521)	-
At December 31	$ 19,061	$ 525,649	($ 109,542)

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

(d) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2019	2018
Discount rate	0.70%～0.75%	0.75%～1.00%
Future salary increases	2.00%～3.00%	2.00%～3.00%

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

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2019				
Effect on present value of defined benefit obligation	($ 13,637)	$ 14,071	$ 13,726	($ 13,376)

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2018				
Effect on present value of defined benefit obligation	($ 14,245)	$ 14,719	$ 14,367	($ 13,981)

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

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

(e) Expected contributions to the defined benefit pension plans of the Group for the next year amount to $35,838.

(f) As of December 31, 2019, the weighted average duration of the retirement plan is 8～10 years.

The analysis of timing of the future pension payment was as follows:

Within 1 year	$ 38,595
1-2 years	21,560
2-5 years	124,268
Over 5 years	502,215
	$ 686,638

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 years ended December 31, 2019 and 2018 were $12,863 and $11,853, 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 years ended December 31, 2019 and 2018 were $15,616 and $14,574, respectively.

(14) Share capital

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

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

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

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

(15) Retained earnings

A. Pursuant to the amended R.O.C. Company Act, the current year's after-tax earnings should be used initially to cover any accumulated deficit; thereafter 10% of the remaining earnings should be set aside as legal reserve until the balance of legal reserve is equal to that of paid-in capital. The legal reserve shall be exclusively used to cover accumulated deficit, to issue new stocks, or to distribute cash to shareholders in proportion to their share ownership. The use of legal reserve for the issuance of stocks or cash dividends to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

B. Since the Company is in a changeable industry environment tied with international macroeconomics and the life cycle of the Company is in the mature stage, the appropriation of earnings should consider fund requirements and capital budget to decide how much earnings will be kept or distributed and how much cash dividends will be distributed. According to the Company's Articles of Incorporation, 10% of the annual net income, after offsetting any loss of prior years and paying all taxes and dues, shall be set aside as legal reserve. The remaining net income and the unappropriated retained earnings from prior years can be distributed in accordance with a resolution passed during a meeting of the Board of Directors and approved at the stockholders' meeting. Of the amount to be distributed by the Company, stockholders' dividends shall comprise 50% to 100% of the unappropriated retained earnings, and the percentage of cash dividends shall not be less than 30% of dividends distributed.

C. Special reserve

(a) In accordance with the regulations, the Company shall set aside special reserve for the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012 was $430,099, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

D. The Company recognised cash dividends distributed to owners amounting to $886,350 ($1.8 (in dollars) per share) for the year ended December 31, 2019. The Company recognised cash dividends and stock dividends distributed to owners amounting to $468,968 ($1.0 (in dollars) per share) and $234,484 ($0.5 (in dollars) per share) for the year ended December 31, 2018, respectively. On March 16, 2020, the Board of Directors proposed for the distribution of cash dividends of $886,350 ($1.8 (in dollars) per share) from 2019 earnings.

(16) Other equity interest

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

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

(17) 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:

	Year ended December 31, 2019			
	NANTEX	INTERMEDIUM	Nanmat	Total
Revenue from latex products	$ 5,840,504	$ 1,214,428	$ -	$ 7,054,932
Revenue from rubber products	1,102,497	3,468,503	-	4,571,000
Revenue from chemical vapor deposition	-	-	616,562	616,562
Others	7,388	-	141,954	149,342
	$ 6,950,389	$ 4,682,931	$ 758,516	$12,391,836

	Year ended December 31, 2018			
	NANTEX	INTERMEDIUM	Nanmat	Total
Revenue from latex products	$ 6,425,027	$ 1,521,599	$ -	$ 7,946,626
Revenue from rubber products	1,313,060	3,749,083	-	5,062,143
Revenue from chemical vapor deposition	-	-	645,548	645,548
Others	9,688	-	145,827	155,515
	$ 7,747,775	$ 5,270,682	$ 791,375	$13,809,832

B. Contract liabilities

(a) On December 31, 2019 and 2018, the Group has recognised the revenue-related contract liabilities amounting to $81,019 and $47,044, respectively.

(b) On January 1, 2019 and 2018, the contract liabilities were $47,044 and $93,731, respectively, and the contract liabilities at the beginning of 2019 and 2018 of $42,774 and $90,400 were recognized as revenue for the years ended December 31, 2019 and 2018, respectively.

(18) Other income

	Years ended December 31, 2019	Years ended December 31, 2018
Interest income:		
Interest income from bank deposits	$ 57,094	$ 40,393
Interest income from financial assets at amortised cost	29,076	22,986
Dividend income	8,051	9,314
Rent income	-	979
Grant income	-	14,815
Other income	10,326	6,190
	$ 104,547	$ 94,677

(19) Other gains and losses

	Years ended December 31, 2019	Years ended December 31, 2018
Net foreign exchange (losses) gains	($ 46,787)	$ 104,253
Gains (losses) on financial assets at fair value through profit or loss	161	(1,492)
Losses on disposals of property, plant and equipment	(1,671)	(610)
Other losses	(2,777)	(5,617)
	($ 51,074)	$ 96,534

(20) Finance costs

	Years ended December 31, 2019	Years ended December 31, 2018
Interest expense		
Bank loans	$ 979	$ 1,175
Lease liabilities	1,644	-
	2,623	1,175
Less: Capitalisation of qualifying assets	(42)	(126)
	$ 2,581	$ 1,049

(21) Expenses by nature

	Year ended December 31, 2019		
	Operating cost	Operating expense	Total
Employee benefit expense	$ 398,314	$ 613,864	$ 1,012,178
Depreciation	236,113	73,586	309,699
Amortisation	175	2,465	2,640
	$ 634,602	$ 689,915	$ 1,324,517

	Year ended December 31, 2018		
	Operating cost	Operating expense	Total
Employee benefit expense	$ 403,643	$ 585,316	$ 988,959
Depreciation	238,141	45,759	283,900
Amortisation	39	2,654	2,693
	$ 641,823	$ 633,729	$ 1,275,552

(22) Employee benefit expense

	Year ended December 31, 2019		
	Operating cost	Operating expense	Total
Salaries and wages	$ 334,404	$ 463,327	$ 797,731
Labour and health insurance expenses	24,980	24,664	49,644
Pension costs	20,901	16,551	37,452
Other personnel expenses	18,029	109,322	127,351
	$ 398,314	$ 613,864	$ 1,012,178

	Year ended December 31, 2018		
	Operating cost	Operating expense	Total
Salaries and wages	$ 341,364	$ 512,162	$ 853,526
Labour and health insurance expenses	23,393	20,800	44,193
Pension costs	21,519	15,413	36,932
Other personnel expenses	17,367	36,941	54,308
	$ 403,643	$ 585,316	$ 988,959

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

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

(23) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31, 2019	Years ended December 31, 2018
Current tax:		
Current tax on profits for the year	$ 508,257	$ 494,024
Tax on undistributed surplus earnings	27,518	13,460
Prior year income tax under (over) estimation	16,321	(978)
Total current tax	552,096	506,506
Deferred tax:		
Origination and reversal of temporary differences	(3,522)	9,650
Impact of change in tax rate	-	22,177
Effect of exchange rate changes	-	(3)
Total deferred tax	(3,522)	31,824
Income tax expense	$ 548,574	$ 538,330

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

	Years ended December 31, 2019	Years ended December 31, 2018
Remeasurement of defined benefit plan	$ 1,278	$ 1,279
Impact of change in tax rate	-	(752)
	$ 1,278	$ 527

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31, 2019	Years ended December 31, 2018
Tax calculated based on profit before tax and statutory tax rate	$ 589,531	$ 621,751
Effect from adjustment by tax regulation	(84,796)	(118,080)
Tax on undistributed surplus earnings	27,518	13,460
Prior year income tax under (over) estimation	16,321	(978)
Impact of change in tax rate	-	22,177
Income tax expense	$ 548,574	$ 538,330

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

2019	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets				
Temporary differences:				
Unrealised exchange loss	$ -	$ 7,866	$ -	$ 7,866
Allowance for doubtful accounts	4,183	-	-	4,183
Unrealised loss on inventory market value decline	12,011	(175)	-	11,836
Unused compensated absences	1,885	23	-	1,908
Pension cost	41,870	(497)	(1,278)	40,095
Interest capitalised	5	(5)	-	-
Unrealised exchange	714	(362)	-	352
Difference from adopting IFRS 16	-	175	-	175
	$ 60,668	$ 7,025	($ 1,278)	$ 66,415
Deferred tax liabilities				
Temporary differences:				
Unrealised exchange gain	($ 1,357)	$ 1,357	$ -	$ -
Pension cost	(22,460)	(4,860)	-	(27,320)
Investment gain	(189,597)	-	-	(189,597)
Provision for land increment tax	(92,467)	-	-	(92,467)
	($ 305,881)	($ 3,503)	$ -	($ 309,384)
	($ 245,213)	$ 3,522	($ 1,278)	($ 242,969)

	2018			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets				
Temporary differences:				
Unrealised exchange loss	$ 2,275	($ 2,275)	$ -	$ -
Allowance for doubtful accounts	3,535	648	-	4,183
Unrealised loss on inventory market value decline	11,308	703	-	12,011
Unused compensated absences	1,502	383	-	1,885
Pension cost	36,849	5,548	(527)	41,870
Interest capitalised	9	(4)	-	5
Unrealised exchange	647	67	-	714
	$ 56,125	$ 5,070	($ 527)	$ 60,668
Deferred tax liabilities				
Temporary differences:				
Unrealised exchange gain	$ -	($ 1,357)	$ -	($ 1,357)
Pension cost	(15,360)	(7,100)	-	(22,460)
Investment gain	(161,157)	(28,440)	-	(189,597)
Provision for land increment tax	(92,467)	-	-	(92,467)
	($ 268,984)	($ 36,897)	$ -	($ 305,881)
	($ 212,859)	($ 31,827)	($ 527)	($ 245,213)

D. The Company’s income tax returns through 2017 have been assessed and approved by the Tax Authority. The Company does not have any administrative remedy as of March 16, 2020.

E. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company’s applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Company has assessed the impact of the change in income tax rate.

(24) Earnings per share

	Year ended December 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 1,426,780	492,417	$ 2.90
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 1,426,780		
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,423	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 1,426,780	493,570	$ 2.89

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

(25) Operating leases (Applicable for 2018)

The subsidiary, Nanmat Technology Co., Ltd., leases land at Nantze Export Processing Zone under non-cancellable operating lease agreements. These leases have terms from July 1, 2007 to November 30, 2027, and all these lease agreements are renewable at the end of the lease period. Rents are paid monthly starting from the first day of lease. The rents per square metre per month shall be adjusted and paid based on the redefined land value from the 1st of the month following the land value announcement date, if the government redefined the land value in accordance with the law during the lease term. Rent expense recognised for the year ended December 31, 2018 was $5,082 (listed as 'Operating costs' of $2,120 and 'Operating expenses' of $2,962, respectively). The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2018
Within 1 year	$ 4,097
2-5 years	16,387
Over 5 years	16,045
	$ 36,529

(26) Supplemental cash flow information

A. Investing activities with partial cash payments

	Years ended December 31,	
	2019	2018
Purchase of property, plant and equipment	$ 129,377	$ 94,840
Add: Begining balance of payable for equipment	3,690	3,628
Less: Ending balance of payable on equipment	(5,787)	(3,690)
Interest capitalisation	(42)	(126)
Cash paid for purchase of property, plant and equipment	$ 127,238	$ 94,652

B. Investing activities with no cash flow effects

	Years ended December 31,	
	2019	2018
Prepayments for equipment transferred to property, plant and equipment	$ 28,280	$ 115,221

(27) Changes in liabilities from financing activities

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	-	(21,620)	98,380
Changes in unamortised discount or premium	-	13	-	13
Changes in other non-cash items	-	-	580	580
At December 31	$ 190,000	$ 9,997	$ 86,370	$ 286,367

2018	Short-term borrowings	Short-term notes and bills payable	Liabilities from financing activities-gross
At January 1	$ 100,000	$ 29,958	$ 129,958
Changes in cash flow from financing activities	(30,000)	(20,000)	(50,000)
Changes in unamortised discount or premium	-	26	26
At December 31	$ 70,000	$ 9,984	$ 79,984

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 (Effective 2019)

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

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

(c) Lease liabilities

(i) Outstanding balance

	December 31, 2019
Tainan Spinning	$ 54,009
Lushun Warehouse	11,420
	$ 65,429

(ii) Interest expense

	Year ended December 31, 2019
Tainan Spinning	$ 1,002
Lushun Warehouse	283
	$ 1,285

B. Rent expense (Applicable for 2018, listed as 'Operating cost')

	Leased object	Year ended December 31, 2018
Lushun Warehouse	Raw material tanks	$ 10,766

Rents were determined by negotiation between the Group and the abovementioned related party and are paid monthly.

C. Endorsements and guarantees

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

(3) Key management compensation

	Years ended December 31,	
	2019	2018
Salaries and other short-term employee benefits	$ 145,403	$ 136,527

8. PLEDGED ASSETS

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

Pledged asset	December 31, 2019	December 31, 2018	Purpose
Pledged demand deposits (Note 1)	$ -	$ 1,395	Performance guarantee
Pledged time deposits (Note 1)	2,000	2,000	Customs guarantee
Land (Note 2)	448,185	448,185	Collateral for borrowing facilities
Buildings and structures, net (Note 2)	16,837	20,474	Collateral for borrowing facilities
Guarantee deposits paid	413	423	Performance guarantee
	$ 467,435	$ 472,477	

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 December 31, 2019 and 2018, the Group's remaining balance due for construction in progress and prepayment for equipment were $47,285 and $13,698, respectively.

(2) As of December 31, 2019 and 2018, the Group's unused letters of credit amounted to $135,382 and $78,102, respectively.

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

			Purchase quantity (t)	
Suppliers	Items	Price	December 31, 2019	December 31, 2018
CPC Corporation, Taiwan	Butadiene (BD)	Floating	20,448	21,114
Formosa Petrochemical Corp.	Butadiene (BD)	Floating	14,400	14,400
NanJing GongXi Chemical Limited Company	Butadiene (BD)	Floating	13,800	10,400
BASF-YPC Company Limited	Butadiene (BD)	Floating	31,000	30,440
China Petrochemical Development Corp.	Acrylonitrile (AN)	Floating	12,000	12,000
YUGE (SHANGHAI) CHEMICAL CO., LTD.	Acrylonitrile (AN)	Floating	10,800	9,600
Formosa Plastics Corp.	Acrylonitrile (AN)	Floating	4,800	4,800
Shanghai Legend Petrochemical Co.,Ltd.	Acrylonitrile (AN)	Floating	4,200	3,600
WeiQiang International Trade (SHANGHAI) Co., Ltd.	Acrylonitrile (AN)	Floating	3,360	3,360
Taiwan Styrene Monomer Corp.	Styrene (SM)	Floating	1,800	1,800

For the year ended December 31, 2019, 95,521 tonnes of BD, 47,203 tonnes of AN and 1,001 tonnes of SM were purchased.

(4) Information on operating leases agreements, please refer to Note 6(25).

(5) Details of the Group's endorsements and guarantees are as follows:

Endorser/guarantor	Party being endorsed/ guaranteed	Purpose	December 31, 2019	December 31, 2018
INTERMEDIUM INTERNATIONAL LIMITED	Bao Minh Textile & Garment	Guarantee for borrowings	$ 95,866	$ 98,216

As of December 31, 2019 and 2018, Bao Minh Textile & Garment has drawn from the endorsements and guarantees in the amount of $70,078 and $71,796, 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

	December 31, 2019	December 31, 2018
Financial assets		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	$ -	$ 9,563
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	$ 326,268	$ 278,583
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	$ 3,109,762	$ 3,042,715
Financial assets at amortised cost	1,619,577	814,566
Notes receivable	169,508	185,160
Accounts receivable	1,305,801	1,487,136
Other receivables	89,794	81,767
Guarantee deposits paid	547	628
	$ 6,294,989	$ 5,611,972
Financial liabilities		
Financial liabilities at amortised cost		
Short-term borrowings	$ 190,000	$ 70,000
Short-term notes and bills payable	9,997	9,984
Notes payable	-	187
Accounts payable	340,321	353,714
Other payables	632,585	727,454
	$ 1,172,903	$ 1,161,339
Lease liability	$ 86,370	$ -

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:

	December 31, 2019		December 31, 2018	
	Foreign currency amount (in thousands)	Exchange rate	Foreign currency amount (in thousands)	Exchange rate
Financial assets				
Monetary items				
USD : NTD	$ 76,674	29.98	$ 65,744	30.72
USD : RMB	10,990	6.98	7,445	6.87
Financial liabilities				
Monetary items				
USD : NTD	851	29.98	776	30.72

Sensitivity analysis of foreign exchange risk is primarily for foreign currency monetary items at financial reporting date. If NTD had appreciated/ depreciated by 1% against USD, RMB and JPY, the Group's net profit after tax for the years ended December 31, 2019 and 2018 would have increased/decreased by $21,229 and $17,793, respectively.

(v) Total exchange (loss) gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2019 and 2018 amounted to ($46,787) and $104,253, 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 years ended December 31, 2019 and 2018 would have increased/decreased by $－ and $956, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by $32,627 and $27,858, 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 2019 and 2018, the Group's borrowings at floating rate were mainly denominated in New Taiwan dollars.

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

(b) Credit risk

I. Credit risk refers to the risk of financial loss to the 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.

II. The Group manages their 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 with 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:

	Years ended December 31,	
	2019	2018
At January 1	$ 2,143	$ 900
(Reversal of impairment loss) Provision for impairment	(813)	1,276
Effect of foreign exchange	(54)	(33)
At December 31	$ 1,276	$ 2,143

(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:

	December 31, 2019	December 31, 2018
Floating rate:		
Expiring within one year	$ 3,256,490	$ 2,940,056

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.

December 31, 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	$ 190,079	$ -	$ -	$ -
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

December 31, 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Non-derivative financial liabilities:				
Short-term borrowings	$ 70,165	$ -	$ -	$ -
Short-term notes and bills payable	10,000	-	-	-
Accounts payable	187	-	-	-
Other payables	353,714	-	-	-
Lease liability	727,454	-	-	-

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 is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the 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 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:

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income				
Equity securities	$ -	$ -	$ 326,268	$ 326,268

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ 9,563	$ -	$ -	$ 9,563
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	278,583	278,583
	$ 9,563	$ -	$ 278,583	$ 288,146

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:

	Listed shares
Market quoted price	Closing price

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

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

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

	Equity securities
At January 1, 2019	$ 278,583
Additions	26,589
Gains recognised in other comprehensive income	23,791
Net exchange differences	(2,695)
At December 31, 2019	$ 326,268

		Equity securities
At January 1, 2018	$	163,649
Effect of retrospective application		86,348
At January 1, 2018 after adjustments		249,997
Acquired		7,201
Gains recognised in other comprehensive income		19,018
Net exchange differences		2,367
At December 31, 2018	$	278,583

G. For the years ended December 31, 2019 and 2018, 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 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 December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 278,583	Discounted cash flow	Weighted average cost of capital	7.42%～10.25%	The higher the weighted average cost of capital, the lower the fair value
			Discount for lack of marketability	20%	The higher the discount for lack of marketability, the lower the fair value

J. The 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 of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

			Year ended December 31, 2019			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instruments	Weighted average cost of capital	±10%	$ -	$ -	$ 13,069	($ 10,501)
	Discount for lack of marketability	±10%	-	-	3,479	(3,479)
			$ -	$ -	$ 16,548	($ 13,980)

			Year ended December 31, 2018			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instruments	Weighted average cost of capital	±10%	$ -	$ -	$ 13,254	($ 10,381)
	Discount for lack of marketability	±10%	-	-	2,942	(2,942)
			$ -	$ -	$ 16,196	($ 13,323)

13. SUPPLEMENTARY DISCLOSURES

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

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: Please refer to table 1.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: Please refer to table 3.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: None.

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

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

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

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

14. SEGMENT INFORMATION

(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) Measurement of segment information

The chief operating decision-maker evaluates the performance of operating segments based on pretax income excluding non-recurring income. For details of operating segments' accounting policies, please refer to Note 4.

(3) Segment Information

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

	Year ended December 31, 2019			
	NANTEX	INTERMEDIUM	Nanmat	Total
Segment revenue	$ 6,957,021	$ 4,684,697	$ 758,516	$ 12,400,234
Inter-segment revenue	6,632	1,766	-	8,398
Revenue from external customers	6,950,389	4,682,931	758,516	12,391,836
Interest income	21,075	64,617	478	86,170
Depreciation and amortisation	152,646	112,543	47,150	312,339
Finance cost	1,332	-	1,249	2,581
Segment income before tax	1,708,801	640,603	125,966	2,475,370
Capital expenditure for non-current assets	66,462	71,942	26,138	164,542

The adoption of IFRS 16, 'Leases' had the following impact on the segment information in 2019:

	NANTEX	INTERMEDIUM	Nanmat	Total
Depreciation expense increased	$ 16,629	$ 1,384	$ 5,999	$ 24,012
Segment assets increased	$ 66,034	$ -	$ 19,328	$ 85,362
Segment liabilities increased	$ 66,908	$ -	$ 19,462	$ 86,370

	Year ended December 31, 2018			
	NANTEX	INTERMEDIUM	Nanmat	Total
Segment revenue	$ 7,757,462	$ 5,274,324	$ 791,375	$ 13,823,161
Inter-segment revenue	9,686	3,643	-	13,329
Revenue from external customers	7,747,776	5,270,681	791,375	13,809,832
Interest income	12,976	50,316	87	63,379
Depreciation and amortisation	130,668	119,449	36,476	286,593
Finance cost	-	-	1,049	1,049
Segment income before tax	1,803,805	795,871	137,747	2,737,423
Capital expenditure for non-current assets	27,342	61,434	75,501	164,277

(4) 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 years ended December 31, 2019 and 2018 is provided as follows:

	Years ended December 31	
	2019	2018
Reportable operating segments income before income tax	$ 2,475,370	$ 2,737,423
Segment loss	(445,344)	(607,363)
Profit before income tax	$ 2,030,026	$ 2,130,060

(5) Information on products and services

Revenue from external customers is mainly from manufacture, process and trade of latex, rubber, chemical materials and related products. Details of revenue are as follows:

	Years ended December 31	
	2019	2018
Revenue from latex products	$ 7,054,932	$ 7,946,626
Revenue from rubber products	4,571,000	5,062,143
Revenue from chemical vapor deposition	616,562	645,548
Services revenue	149,342	155,515
Total operating revenue	$ 12,391,836	$ 13,809,832

(6) Geographical information

Geographical information for the years ended December 31, 2019 and 2018 is as follows:

	Year ended December 31, 2019		Year ended December 31, 2018	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 1,178,643	$ 1,766,015	$ 1,287,192	$ 1,782,616
China	4,558,457	976,227	4,771,604	1,045,634
Malaysia	2,818,086	-	3,933,471	-
Thailand	2,719,824	-	2,266,061	-
Others	1,116,826	-	1,551,504	-
	$ 12,391,836	$ 2,742,242	$ 13,809,832	$ 2,828,250

(7) Major customer information

Major customer (revenue from the customer constituting more than 10% of consolidated operating revenue) information of the Group for the years ended December 31, 2019 and 2018 is as follows:

	Year ended December 31, 2019		Year ended December 31, 2018	
Client	Revenue	Segment	Revenue	Segment
A	$ 1,561,124	NANTEX	$ 1,482,262	NANTEX
B	1,433,114	NANTEX	2,293,895	NANTEX
	$ 2,994,238		$ 3,776,157	

NANTEX INDUSTRY CO., LTD. and Subsidiaries

Provision of endorsements and guarantees to others

Year ended December 31, 2019

Table 1

Expressed in thousands of NTD

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

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

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

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

NANTEX INDUSTRY CO., LTD. and Subsidiaries

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

Year ended December 31, 2019

Table 2

Expressed in thousands of NTD

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

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

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

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

NANTEX INDUSTRY CO., LTD. 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

Year ended December 31, 2019

Table 3

Expressed in thousands of NTD

					Balance as at January 1, 2019		Addition		Disposal				Balance as at December 31, 2019	
Investor	Type of securities	General ledger account	Counterparty	Relationship	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	–	–	$ 804,979	–	$ 2,506,568	–	$ 2,815,946	($ 2,796,371)	$ 19,575	–	$ 515,176

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

NANTEX INDUSTRY CO., LTD. and Subsidiaries

Significant inter-company transactions during the reporting period

Year ended December 31, 2019

Table 4

Expressed in thousands of NTD

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

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

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

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

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

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

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

NANTEX INDUSTRY CO., LTD. and Subsidiaries

Information on investees (not including investees in China)

Year ended December 31, 2019

Table 5 | Expressed in thousands of NTD

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

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

NANTEX INDUSTRY CO., LTD. and Subsidiaries

Information on investments in Mainland China

Year ended December 31, 2019

Table 6

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital (Note 1)	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year December 31, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee for the year ended December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019 (Note 3)	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Zhenjiang Nantex Chemical Industry., Ltd.	Manufacture and sales of rubber and latex	$ 2,026,648	Note 2	$ 1,657,894	$ -	$ -	$ 1,657,894	$ 443,260	100.00	$ 443,260	$ 2,870,142	$ -	

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

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

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

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

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

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

NANTEX INDUSTRY CO., LTD. and Subsidiaries

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

Year ended December 31, 2019

Table 7

Expressed in thousands of NTD

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

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

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

Opinion

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

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

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (R.O.C. GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

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

Evaluation of inventories

Description

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

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

How our audit addressed the matter

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

A. Examined whether the evaluation of inventories was implemented based on the Company's accounting policies, and assessed the reasonableness of policies and procedures related to the provision for inventory valuation losses.

B. Assessed the appropriateness of provision for inventory valuation loss based on our evaluation and sampling on related documents related to the net realisable value of inventories.

Cut off of operating revenue recognition from export sales

Description

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

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

How our audit addressed the matter

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

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

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

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

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

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

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

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

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

As part of an audit in accordance with R.O.C. GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

A. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

E. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

Lin, Tzu-Shu

Independent Accountants

Liu, Tzu-Meng

PricewaterhouseCoopers, Taiwan
Republic of China
March 16, 2020

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.
As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

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

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

(Continued)

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

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

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

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

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

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

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

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

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

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

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

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

NANTEX INDUSTRY CO., LTD.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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

1. HISTORY AND ORGANIZATION

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

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

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

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

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

IFRS 16, ‘Leases’

A. IFRS 16, ‘Leases’, replaces IAS 17, ‘Leases’ and related interpretations and SICs. The standard requires lessees to recognise a ‘right-of-use asset’ and a ‘lease liability’ (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

B. The Company has elected to apply IFRS 16 by not restating the comparative information (referred herein as the ‘modified retrospective approach’) when applying “IFRSs” effective in 2019 as endorsed by the FSC. Accordingly, the Company both increased ‘right-of-use asset’ and ‘lease liability’ by $82,663 with respect to the lease contracts of lessees on January 1, 2019.

C. The Company has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:

(a) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.

(b) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

(c) The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of $19 was recognised in 2019.

(d) The exclusion of initial direct costs for the measurement of ‘right-of-use asset’.

(e) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

D. The Company calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate ranging from 1.62% to 2.14%.

E. The Company recognised lease liabilities which had previously been classified as ‘operating leases’ under the principles of IAS 17, ‘Leases’. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

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

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

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

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

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

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

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

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint ventures'	To be determined by IASB
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2022

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

(a) Financial assets at fair value through profit or loss.

(b) Financial assets at fair value through other comprehensive income.

(c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

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

(3) Foreign currency translation

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

A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

B. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

C. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

D. All foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'Other gains and losses'.

(4) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

A. Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

B. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitment in operations are classified as cash equivalents.

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

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

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

(7) Financial assets at amortised cost

A. Financial assets at amortised cost are those that meet all of the following criteria:

(a) The objective of the Company's business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

D. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(8) Notes and accounts receivable

A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Inventories

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

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

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value: the changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(11) Impairment of financial assets

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

(12) Derecognition of financial assets

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

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has no retained control of the financial asset.

(13) Investments accounted for using equity method / subsidiaries

A. A subsidiary is an entity where the Company has the right to dominate its finance and operating policies (including special purpose entities), normally the Company owns more than 50% of the voting rights directly or indirectly in that entity. Subsidiaries are accounted for under the equity method in the Company's parent company only financial statements.

B. Unrealised gains or losses resulting from inter-company transactions with subsidiaries are eliminated. Necessary adjustments are made to the accounting policies of subsidiaries, to be consistent with the accounting policies of the Company.

C. After acquisition of subsidiaries, the Company recognises proportionately the share of profit and loss and other comprehensive income in the income statement as part of the Company’s profit and loss and other comprehensive income, respectively. When the share of loss from a subsidiary exceeds the carrying amount of Company’s interest in that subsidiary, the Company continues to recognise its share in the subsidiary's loss proportionately.

D. According to “Regulations Governing the Preparation of Financial Statements by Securities Issuers”, ‘Profit for the year’ and ‘Other comprehensive income for the year’ reported in an entity’s parent company only statement of comprehensive income, shall equal to ‘profit for the year” and “Other comprehensive income’ attributable to owners of the parent reported in that entity’s consolidated statement of comprehensive income. Total equity reported in an entity’s parent company only financial statements, shall equal to equity attributable to owners of parent reported in that entity’s consolidated financial statements.

(14) Property, plant and equipment

A. Aside from those assets which had been revaluated, property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

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

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

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable. The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

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

(a) The amount of the initial measurement of lease liability;

(b) Any lease payments made at or before the commencement date; and

(c) Any initial direct costs incurred by the lessee.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset’s useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

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

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

(17) Intangible assets

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

(18) Impairment of non-financial assets

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

(19) Borrowings

A. Borrowings comprise long-term and short-term banks loans and other short-term loans. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

B. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

(20) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(21) Derecognition of financial liabilities

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

(22) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plan

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

(b) Defined benefit plan

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

ii. Remeasurements arising on defined benefit plan are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

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

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

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

(23) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(24) Share capital

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

(25) Dividends

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

(26) Revenue recognition

A. Sales of goods

(a) Sales are recognised when control of the products has transferred, being when the products are delivered to the external customer, the customer has full discretion over the channel and price to sell the produts, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

(b) Revenue is recognised based on the price specified in the contract, net of the estimated sales return and volume discounts. The products are often sold with volume discounts based on estimated sales of each year. Accumulated experience is used to estimate and provide for the sales discounts and volume discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. The terms of receipt of sales transactions are consistent with market practice, the Company does not adjusted the transation price to reflect the time value of money.

(c) A receivable is recognised when the products are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Incremental costs of obtaining a contract

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

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

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

Evaluation of inventories

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

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

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

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

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

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

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

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

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

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

(3) Current financial assets at amortised cost

	December 31, 2019
Time deposits over three months	$ 299,800

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

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

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

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

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

(4) Notes and accounts receivable, net

	December 31, 2019	December 31, 2018
Notes receivable	$ 37,669	$ 52,700
Accounts receivable	$ 933,376	$ 1,053,257

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

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

The above ageing analysis was based on past due date.

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

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

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

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

(5) Inventories

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

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

The cost of inventories recognised as expense for the year:

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

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

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

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

A. The Company has elected to classify equity investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $223,242 and $199,451 as at December 31, 2019 and 2018, respectively.

B. The Company recognised $23,791 and $19,018 in other comprehensive income in relation to the financial assets at fair value through other comprehensive income for the years ended December 31, 2019 and 2018, respectively.

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

D. The Company has no financial assets at fair value through other comprehensive income pledged to others as collateral.

E. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2), 'Financial instruments'

(7) Investments accounted for under equity method

	2019	2018
At January 1	$ 4,443,969	$ 3,888,543
Share of profit or loss of investments accounted for under equity method	445,344	607,363
Other comprehensive income investments accounted for under equity method	86	(641)
Earnings distribution of investments accounted for under equity method	(16,054)	-
Changes in other equity items	(151,059)	(51,296)
At December 31	$ 4,722,286	$ 4,443,969

	December 31, 2019	December 31, 2018
Subsidiaries:		
INTERMEDIUM INTERNATIONAL LIMITED	$ 4,430,506	$ 4,179,527
Nanmat Technology Co., Ltd.	291,780	264,442
	$ 4,722,286	$ 4,443,969

A. For more information regarding the subsidiaries of the Company, please refer to Note 4(3), 'Basis of consolidation' of the 2019 consolidated financial statements.

B. As of December 31, 2019 and 2018, no investments accounted for under equity method held by the Company were pledged to others.

(8) Property, plant and equipment

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

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

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

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

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

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

(9) Leasing arrangements－lessee (Effective 2019)

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

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

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

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

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

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

(10) Intangible assets

	2019		
	Trademarks	Computer software	Total
At January1, 2019			
Cost	$ 624	$ 10,787	$ 11,411
Accumulated amortisation	(289)	(9,039)	(9,328)
Net value	$ 335	$ 1,748	$ 2,083
2019			
At January	$ 335	$ 1,748	$ 2,083
Addition-acquired separately	45	-	45
Amortisation	(104)	(962)	(1,066)
At December 31	$ 276	$ 786	$ 1,062
At December 31, 2019			
Cost	$ 669	$ 10,787	$ 11,456
Accumulated amortisation	(393)	(10,001)	(10,394)
Net value	$ 276	$ 786	$ 1,062

	2018		
	Trademarks	Computer software	Total
At January1, 2018			
Cost	$ 660	$ 10,714	$ 11,374
Accumulated amortisation	(392)	(8,020)	(8,412)
Net value	$ 268	$ 2,694	$ 2,962
2018			
At January	$ 268	$ 2,694	$ 2,962
Addition-acquired separately	165	73	238
Amortisation	(98)	(1,019)	(1,117)
Disposal-Cost	(201)	-	(201)
-Accumulated amortisation	201	-	201
At December 31	$ 335	$ 1,748	$ 2,083
At December 31, 2018			
Cost	$ 624	$ 10,787	$ 11,411
Accumulated amortisation	(289)	(9,039)	(9,328)
Net value	$ 335	$ 1,748	$ 2,083

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

(11) Short-term borrowings

Type of borrowings	December 31, 2019	Interest rate	Collateral
Bank borrowings			
Unsecured borrowings	$ 100,000	0.99%	None

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

For the year ended December 31, 2019, the Company recognised interest expense in profit or loss. Please refer to Note 6(19) for details.

(12) Pensions

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

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

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

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

	2019		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	($ 606,122)	$ 512,585	($ 93,537)
Current service cost	(7,838)	-	(7,838)
Interest (expense) income	(4,477)	3,895	(582)
	(618,437)	516,480	(101,957)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	19,192	19,192
Change in financial assumptions	(2,611)	-	(2,611)
Experience adjustments	(10,432)	-	(10,432)
	(13,043)	19,192	6,149
Pension fund contribution	-	32,718	32,718
Paid pension	14,962	(14,962)	-
At December 31	($ 616,518)	$ 553,428	($ 63,090)

	2018		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	($ 608,288)	$ 484,665	($ 123,623)
Current service cost	(8,774)	-	(8,774)
Interest (expense) income	(5,906)	4,825	(1,081)
	(622,968)	489,490	(133,478)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	14,468	14,468
Change in financial assumptions	(13,488)	-	(13,488)
Experience adjustments	7,156	-	7,156
	(6,332)	14,468	8,136
Pension fund contribution	-	31,805	31,805
Paid pension	23,178	(23,178)	-
At December 31	($ 606,122)	$ 512,585	($ 93,537)

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

(d) The principal actuarial assumptions used were as follows:

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

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

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2019				
Effect on present value of defined benefit obligation	($ 12,893)	$ 13,301	$ 12,967	($ 12,639)

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2018				
Effect on present value of defined benefit obligation	($ 13,488)	$ 13,934	$ 13,591	($ 13,229)

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

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

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

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

Within 1 year	$	37,313
1-2 years		20,570
2-5 years		121,474
Over 5 years		474,926
	$	654,283

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

(13) Share capital - Common stock

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

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

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

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

(14) Retained earnings

A. Pursuant to the amended R.O.C. Company Act, the current year's after-tax earnings should be used initially to cover any accumulated deficit; thereafter 10% of the remaining earnings should be set aside as legal reserve until the balance of legal reserve is equal to that of paid-in capital. The legal reserve shall be exclusively used to cover accumulated deficit, to issue new stocks, or to distribute cash to shareholders in proportion to their share ownership. The use of legal reserve for the issuance of stocks or cash dividends to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

B. Since the Company is in a changeable industry environment tied with international macroeconomics and the life cycle of the Company is in the mature stage, the appropriation of earnings should consider fund requirements and capital budget to decide how much earnings will be kept or distributed and how much cash dividends will be distributed. According to the Company's Articles of Incorporation, 10% of the annual net income, after offsetting any loss of prior years and paying all taxes and dues, shall be set aside as legal reserve. The remaining net income and the unappropriated retained earnings from prior years can be distributed in accordance with a resolution passed during a meeting of the Board of Directors and approved at the stockholders' meeting. Of the amount to be distributed by the Company, stockholders' dividends shall comprise 50% to 100% of the unappropriated retained earnings, and the percentage of cash dividends shall not be less than 30% of dividends distributed.

C. Special reserve

(a) In accordance with the regulations, the Company shall set aside special reserve for the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012 was $430,099, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

D. The Company recognised cash dividends distributed to owners amounting to $886,350 ($1.8 (in dollars) per share) for the year ended December 31, 2019. The Company recognised cash dividends and stock dividends distributed to owners amounting to $468,968 ($1.0 (in dollars) per share) and $234,484 ($0.5 (in dollars) per share) for the year ended December 31, 2018, respectively. On March 16, 2020, the Board of Directors proposed for the distribution of cash dividends of $886,350 ($1.8 (in dollars) per share) from the 2019 earnings.

(15) Other equity interest

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

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

(16) Operating revenue

A. Disaggregation of revenue from contracts with customers

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

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

B. Contract liabilities

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

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

(17) Other income

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

(18) Other gains and losses

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

(19) Finance costs

	Years ended December 31, 2019	Years ended December 31, 2018
Interest expense		
Bank loans	$ 8	$ -
Lease liabilities	1,324	-
	$ 1,332	$ -

(20) Expenses by nature

	Year ended December 31, 2019		
	Operating cost	Operating expense	Total
Employee benefits expense	$ 240,908	$ 321,913	$ 562,821
Depreciation	117,485	34,095	151,580
Amortisation	-	1,066	1,066
	$ 358,393	$ 357,074	$ 715,467

	Year ended December 31, 2018		
	Operating cost	Operating expense	Total
Employee benefits expense	$ 245,018	$ 398,364	$ 643,382
Depreciation	113,768	15,783	129,551
Amortisation	-	1,117	1,117
	$ 358,786	$ 415,264	$ 774,050

(21) Employee benefit expense

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

	Year ended December 31, 2018		
	Operating cost	Operating expense	Total
Salaries and wages	$ 219,369	$ 255,172	$ 474,541
Labour and health insurance expenses	12,284	11,915	24,199
Pension costs	8,408	7,152	15,560
Directors' and supervisors' remuneration	-	57,553	57,553
Other personnel expenses	4,957	16,365	21,322
	$ 245,018	$ 348,157	$ 593,175

A. For the years ended December 31, 2019 and 2018, the average amount of employees of the Company were 319 and 315, both including 20 non-employee directors, respectively.
Average employee benefit expense in 2019 and 2018 was $1,643 and $1,814, respectively and average wages and salaries in 2019 and 2018 was $1,435 and $1,607, respectively. Two-year difference decreased to 10.70 %.

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

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

(22) Income tax

A. Income tax expense

(a) Components of income tax expense:

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

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

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

B. Reconciliation between income tax expense and accounting profit:

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

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

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

	2018			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets				
Temporary differences:				
Allowance for doubtful accounts	$ 2,607	$ 461	$ -	$ 3,068
Unrealised loss on inventory market value decline	4,931	414	-	5,345
Unused compensated absences	753	131	-	884
Pension cost	34,337	5,253	(821)	38,769
Unrealised exchange loss	2,275	(2,275)	-	-
	$ 44,903	$ 3,984	($ 821)	$ 48,066
Deferred tax liabilities				
Temporary differences:				
Unrealised exchange gain	$ -	($ 1,357)	$ -	($ 1,357)
Pension cost	(15,360)	(7,100)	-	(22,460)
Investment gain	(161,157)	(28,440)	-	(189,597)
Provision for land increment tax	(92,467)	-	-	(92,467)
	($ 268,984)	($ 36,897)	$ -	($ 305,881)
	($ 224,081)	($ 32,913)	($ 821)	($ 257,815)

D. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority. The Company does not have any administrative remedy as of March 16, 2020.

E. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Company has assessed the impact of the change in income tax rate.

(23) Earnings per share

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

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

(24) Changes in liabilities from financing activities

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

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

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

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

(2) Significant transactions and balances with related parties

A. Sales of goods

	Years ended December 31, 2019	Years ended December 31, 2018
Subsidiay	$ 6, 632	$ 9, 686

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

B. Purchases of goods

	Years ended December 31, 2019	Years ended December 31, 2018
Subsidiary	$ 1,766	$ 3,643

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

C. Lease transactions－lessee (Effective 2019)

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

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

(c) Lease liabilities

(i) Outstanding balance

	December 31, 2019
Tainan Spinning	$ 54,009
Lushun Warehouse	11,420
	$ 65,429

(ii) Interest expense

	Year ended December 31, 2019
Tainan Spinning	$ 1,002
Lushun Warehouse	283
	$ 1,285

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

	Lease subject	Year ended December 31, 2018
Lushun Warehouse	Raw material tanks	$ 10,766

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

E. Royalty income (listed as 'Other income')

	Years ended December 31,	
	2019	2018
Zhenjiang Nantex	$ 24,402	$ 39,037

F. Other receivables from related parties

	December 31, 2019	December 31, 2018
Other receivables：		
Zhenjiang Nantex	$ 20,540	$ 32,857

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

(3) Key management compensation

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

8. PLEDGED ASSETS

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

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

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

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

A. As of December 31, 2019 and 2018, the Company's remaining balance due for construction in progress and prepayment for equipment were $7,633 and $－, respectively.

B. As of December 31, 2019 and 2018, the Company's unused letters of credit amounted to $127,874 and $61,826, respectively.

C. The significant purchase contracts entered by the Company are as follows:

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

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

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Financial instruments by category

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

B. Financial risk management policies

(a) The Company’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Company’s overall risk management programme focuses on unpredictable events in the financial market and seeks to reduce potential adverse effects on the Company’s financial position and financial performance.

(b) Risk management is carried out by a central treasury department (Company Finance Department) under policies approved by the board of directors. Company Finance Department identifies, evaluates and hedges financial risks in close cooperation with the Company’s operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

I. Foreign exchange risk

(i) The Company operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company used in various functional currency, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities and net investment in foreign operations.

(ii) Management has set up a policy to require the Company to manage its foreign exchange risk against the functional currency. The Company is required to hedge the entire foreign exchange risk exposure with the Company treasury. Foreign exchange rate risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency other than the entity's functional currency.

(iii) The Company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Company's foreign operations is managed primarily through liabilities denominated in the relevant foreign currencies.

(iv) The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

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

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

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

II. Price risk

(i) The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

(ii) The Company's investments in equity securities comprise shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 10% with all other variables held constant, post-tax profit for the years ended December 31, 2019 and 2018 would have increased/decreased by $－ and $956, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by $22,324 and $19,945, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

III. Cash flow and fair value interest rate risk

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

(b) Credit risk

I. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.

II. The Company manages its credit risk taking into consideration the entire Company's concern. According to the Company's credit policy, the Company is responsible for managing and analysing the credit risk for each of its new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management. The utilisation of credit limits is regularly monitored.

III. The Company adopts the assumption under IFRS 9, that is, if the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

IV. The Company adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days..

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

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

(c) Liquidity risk

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

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

III. The Company has the following undrawn borrowing facilities:

	December 31, 2019	December 31, 2018
Floating rate:		
Expiring within one year	$ 2,100,000	$ 1,382,175

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

December 31, 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	$ 100,003	$ -	$ -	$ -
Accounts payable	270,721	-	-	-
Other payables	365,403	-	-	-
Lease liability	16,722	3,959	11,918	44,616

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

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

(3) Fair value information

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

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

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

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

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

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

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

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

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

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

	Listed shares
Market quoted price	Closing price

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

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

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

	Equity securities
At January 1, 2019	$ 199,451
Gains recognised in other comprehensive income	23,791
At December 31, 2019	$ 223,242

	Equity securities
At January 1, 2018	$ 94,085
Effect of retrospective application	86,348
At January 1, 2018 after adjustments	180,433
Gains and losses recognised in other comprehensive income	19,018
At December 31, 2018	$ 199,451

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

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

I. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

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

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

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

	Input	Change	Year ended December 31, 2019			
			Recognised in profit or loss		Recognised in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Weighted average cost of capital	±10%	$ -	$ -	$ 13,069	($ 10,501)
	Discount for lack of marketability	±10%	-	-	3,479	(3,479)
			$ -	$ -	$ 16,548	($ 13,980)

	Input	Change	Year ended December 31, 2018			
			Recognised in profit or loss		Recognised in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Weighted average cost of capital	±10%	$ -	$ -	$ 13,254	($ 10,381)
	Discount for lack of marketability	±10%	-	-	2,942	(2,942)
			$ -	$ -	$ 16,196	($ 13,323)

13. SUPPLEMENTARY DISCLOSURES

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

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: Please refer to table 1.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company’s paid-in capital: Please refer to table 3.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: None.

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

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

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

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

14. SEGMENT INFORMATION

Not applicable.

NANTEX INDUSTRY CO., LTD.

Provision of endorsements and guarantees to others

Year ended December 31, 2019

Table 1

Expressed in thousands of NTD

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

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

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

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

NANTEX INDUSTRY CO., LTD.

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

Year ended December 31, 2019

Table 2

Expressed in thousands of NTD

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

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

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

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

NANTEX INDUSTRY CO., LTD.

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

Year ended December 31, 2019

Table 3

Expressed in thousands of NTD

Investor	Type of securities	General ledger account	Counterparty	Relationship	Balance as at January 1, 2019		Addition		Disposal				Balance as at December 31, 2019	
					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	－	－	$ 804,979	－	$ 2,506,568	－	$ 2,815,946	($ 2,796,371)	$ 19,575	－	$ 515,176

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

NANTEX INDUSTRY CO., LTD.

Significant inter-company transactions during the reporting period

Year ended December 31, 2019

Table 4

Expressed in thousands of NTD

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

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

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

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

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

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

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

NANTEX INDUSTRY CO., LTD.

Information on investees

Year ended December 31, 2019

Table 5

Expressed in thousands of NTD

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

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

NANTEX INDUSTRY CO., LTD.

Information on investments in Mainland China

Year ended December 31, 2019

Table 6

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital (Note 1)	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year December 31, 2019: Remitted to Mainland China	Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee for the year ended December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019 (Note 3)	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Footnote
Zhenjiang Nantex Chemical Industry., Ltd.	Manufacture and sales of rubber and latex	$ 2,026,648	Note 2	$ 1,657,894	$ -	$ -	$ 1,657,894	$ 443,260	100.00	$ 443,260	$ 2,870,142	$ -	

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

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

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

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

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

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

NANTEX INDUSTRY CO., LTD.

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

Year ended December 31, 2019

Table 7

Expressed in thousands of NTD

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

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