Stock Symbol:
1307

San Fang Chemical Industry Co., Ltd. and Subsidiaries

Consolidated Financial Statements and Independent Auditor's Report

2020 and 2019

Address: No. 120, Tonghua St., Sanmin District, Kaohsiung City

Telephone: (07)371-2111

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Respresentation Letter

Companies that must be included in the consolidated financial statements of affiliates according to the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliates" are the same as those that must be included in the consolidated financial statements of parent company and subsidiaries according to IFRS 10 in 2020 (from 2020/1/1 to 2020/12/31). Information that must be disclosed in the consolidated financial statements of affiliates is already disclosed in the consolidated financial statements of the parent company and subsidiaries. Hence, the Company will not separately prepare consolidated financial statements of affiliates.

Hereby declared that

Company name: San Fang Chemical Industry Co., Ltd.

Legal Representative: Mun-Jin, Lin

March 16, 2021

Independent Auditor's Report

To San Fang Chemical Industry Co., Ltd.:

Audit Opinion

We have audited the consolidated balance sheet, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement, and consolidated notes to financial statements (including a summary of major accounting policies) of San Fang Chemical Industry Co., Ltd. and its subsidiaries (San Fang Group) for the years ended December 31, 2020 and 2019.

In our opinion, the consolidated financial statements above were prepared, in all material aspects, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, and explanations/interpretations approved and announced by FSC, and therefore are sufficient to present the financial position of the San Fang Group as at December 31, 2020 and 2019, as well as its consolidated financial performance and consolidated cash flow for the years ended December 31, 2020 and 2019.

Basis of Audit 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. We will further explain our responsibilities under the regulations in the section on the independent auditor's responsibilities relating to consolidated financial statements. Personnel of our firm who are required to maintain independence according to the Code of Professional Ethics have maintained independence from the San Fang Group, and also fulfill other responsibilities set forth by the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are the most important matters in the 2020 consolidated financial statements of the San Fang Group determined based on our professional judgment. We have already responded to the matters in the process of auditing the consolidated financial statements and forming an audit opinion, and will not express opinions on individual matters.

Key audit matters in the 2020 consolidated financial statements of the San Fang Group are as follows:

Authenticity of sales revenue from specific products

According to Note 21 to the consolidated financial statements, the San Fang Group's revenue is mainly from the sale of artificial leather, in which the unit price of some items had a relatively large difference from the average unit price of the product category. Hence, the default is to set the risk as high according to the Statement of Auditing Standards, and the authenticity of sales revenue from specific products was thus listed as a key audit matter.

We have carried out the following audit procedures in response to the specific aspect described in Key Audit Matters above, including:

I. Understanding and testing internal controls related to the authenticity of revenue recognition, including whether or not purchase order and delivery related internal controls are effective, and if operating revenue is recognized accordingly.

II. We conducted a sampling inspection to see if operating revenue details were consisted with finished product shipping orders and the customers and amounts on invoices, and also checked if finished product shipping orders were signed by customers or are attached with documentation of delivery, such as export customs declaration.

III. We conducted a sampling inspection to see if operating revenue details matched the amount of accounts receivables, and if the customers are the same.

Other Matters

San Fang Chemical Industry Co., Ltd. has prepared standalone financial statements for the years 2020 and 2019, on which we have issued an audit report containing an unqualified opinion for reference.

Management and the Governance Department's Responsibility for the Consolidated Financial Statements

The responsibility of management is to prepare fairly presented consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, and explanations/interpretations approved and announced by FSC, and to maintain necessary internal controls related to the preparation of consolidated financial statements, in order to ensure that the consolidated financial statements are free of material misstatements, whether due to fraud or error.

When preparing the consolidated financial statements, it is also the responsibility of management to evaluate the San Fang Group's ability to continue as a going concern, disclosures, and going concern basis of accounting, unless management intends to liquidate or permanently shut down the San Fang Group, or there are no feasible options other than liquidation or termination.

The governance department (including Audit Committee) of the San Fang Group is responsible for supervising the financial reporting process.

The Independent Auditor's Responsibility when Auditing the Consolidated Financial Statements

The purpose for auditing the consolidated financial statements is to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to fraud or error, and to issue an audit report. Reasonable assurance means high level of assurance. However, audits conducted according to generally accepted auditing standards do not guarantee the detection of material misstatements in the consolidated financial statements. Material misstatements may be due to fraud or error. A misstatement is deemed material if the individual amount or total amount can be reasonably expected to affect the economic decision made by users of the consolidated financial statements.

We utilized our professional judgment and maintained professional skepticism during the audit according to the generally accepted auditing standards. We also performed the following work:

I. Identified and evaluated material misstatements in the consolidated financial statements, whether due to fraud or error. Designed and implemented appropriate countermeasures for the risks that we evaluated. Obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion. Since fraud may involve conspiracy, falsification, intentional omission, false statements, or overriding internal controls, the risk of failing to detect material misstatements due to fraud is higher than the risk of failing to detect material misstatements due to error.

II. Designed appropriate audit procedures to gain necessary understanding of internal controls for the audit. However, the purpose is not to express any opinions on the effectiveness of the San Fang Group's internal controls.

III. Evaluated the appropriateness of management policies adopted by management, as well as the reasonableness of accounting estimates and related disclosures.

IV. Based on the audit evidence we obtained, we reached a conclusion on the appropriateness of management's going concern basis of accounting, and whether or not there are material uncertainties that will lead to events or situations that are cause for serious concern about the San Fang Group's ability to continue as a going concern. If we believe there are material uncertainties about such events or situations, we are required to provide a reminder in the audit report for users of the consolidated financial statements to pay attention to related disclosures, or modify our audit opinion when the disclosures are inappropriate. Our conclusion is based on the audit evidence we obtained as of the the audit report date. However, future events or situations may cause the San Fang Group to no longer be able to continue as a going concern.

V. Evaluated the overall presentation, structure, and contents of the consolidated financial statements (including related notes), and whether or not the consolidated financial statements fairly present related transactions and events.

VI. Obtained sufficient and appropriate audit evidence of financial information on companies in the group, and expressed our opinion on the consolidated financial statements. We are responsible for guidance, supervision, and implementation of the audit, and for forming an audit opinion on the San Fang Group.

Matters we communicated with the governance department include the scope and time of the audit, as well as major findings in the audit (including significant deficiencies in internal control identified in the audit process).

We also provided the governance department with a statement that personnel of our firm who are required to maintain independence according to the Code of Professional Ethics have maintained independence, and communicated all relationships and other matters (including related preventive measures) that may affect the independence of auditors with the governance department.

Among the matters we communicated with the governance department, we decided on key audit matters in the 2020 consolidated financial statements of the San Fang Group. The matters are described in the audit report, unless they are specifically prohibited by law from being disclosed, or, under extremely rare circumstances, we decided not to disclose the matters in the audit report because the negative impact can reasonably be expected to be greater than the public benefit it will provide.

Deloitte Taiwan

CPA Chiu-Yen Wu

CPA Chia-Ling Chiang

Securities and Futures Commission Approval No.
Tai-Cai-Zheng(6)-Zi No. 0920123784

Securities and Futures Commission Approval No.
Tai-Cai-Zheng(6)-Zi No. 0920123784

March 16, 2021

San Fang Chemical Industry Co., Ltd. and Subsidiaries
Consolidated Balance Sheet
December 31, 2020 and 2019

Unit: Thousand NTD

Code	Assets	December 31, 2020 Amount	%	December 31, 2019 Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 4, 6)	$ 5,203,876	34	$ 3,761,456	25
1150	Notes receivable (Note 4, 9)	20,845	-	34,351	-
1170	Net accounts receivable (Note 4, 9)	873,526	6	941,321	6
1180	Accounts receivable – related parties (Note 4, 9, 27)	282,899	2	430,724	3
1220	Current income tax assets (Note 23)	54,897	-	15,079	-
130X	Inventories (Note 4, 5, 10)	1,598,611	10	2,054,915	13
1410	Advance payments	146,945	1	104,184	1
1476	Other financial assets – current (Note 11)	713,520	5	899,420	6
1479	Other current assets	64,170	-	95,567	1
11XX	Total current assets	8,959,289	58	8,337,017	55
	Non-current assets				
1517	Financial assets at fair value through other comprehensive income (Note 4, 8)	56,648	1	60,912	-
1600	Property, plant and equipment (Note 4, 13, 28)	5,861,061	38	6,203,791	41
1755	Right-of-use assets (Note 4, 14)	167,598	1	177,985	1
1760	Investment properties (Note 4, 15, 28)	111,790	1	112,657	1
1801	Computer software – net (Note 4)	28,365	-	33,219	-
1805	Goodwill (Note 4)	35,759	-	35,759	-
1840	Deferred income tax assets (Note 4, 5, 23)	69,886	1	74,431	1
1915	Advance payments for equipment	21,383	-	68,905	1
1920	Refundable deposits	25,269	-	25,894	-
1990	Other non-current assets	3,841	-	5,501	-
15XX	Total non-current assets	6,381,600	42	6,799,054	45
1XXX	Total assets	$ 15,340,889	100	$ 15,136,071	100
Code	**Liabilities and equity interests**				
	Current liabilities				
2100	Short-term borrowing (Note 16, 28)	$ 1,450,000	10	$ 1,700,000	11
2110	Short-term notes and bills payable (Note 16)	49,972	-	99,988	1
2120	Financial liabilities at fair value through profit or loss – current (Note 4, 7)	4,843	-	-	-
2130	Current contract liabilities (Note 4, 21)	21,356	-	6,103	-
2170	Accounts payable (Note 17)	601,074	4	599,701	4
2219	Other payables (Note 18)	712,418	5	720,021	5
2230	Current income tax liabilities (Note 23)	125,670	1	100,008	1
2280	Current lease liabilities (Note 4, 14)	6,936	-	7,562	-
2320	Current portion of long-term liabilities (Note 16, 28)	744,000	5	553,500	3
2399	Other current liabilities	49,238	-	59,257	-
21XX	Total current liabilities	3,765,507	25	3,846,140	25
	Non-current liabilities				
2540	Long-term borrowings (Note 16, 28)	2,437,000	16	1,756,875	12
2570	Deferred income tax liabilities (Note 4, 5, 23)	1,131,251	7	1,115,659	7
2580	Non-current lease liabilities (Note 4, 14)	7,850	-	9,153	-
2640	Net defined benefit liability – non-current (Note 4, 19)	110,887	1	124,467	1
2645	Guarantee deposits received	15,268	-	19,692	-
25XX	Total non-current liabilities	3,702,256	24	3,025,846	20
2XXX	Total liabilities	7,467,763	49	6,871,986	45
	Equity attributable to owners of the Company (Note 20)				
3110	Capital stock – common	3,978,181	26	3,978,181	26
3200	Capital surplus	142,438	1	141,101	1
	Retained earnings				
3310	Legal reserve	1,454,758	10	1,412,298	9
3320	Special reserve	504,790	3	504,790	4
3350	Undistributed Earnings	2,306,787	15	2,439,395	16
3300	Total retained earnings	4,266,335	28	4,356,483	29
3400	Other equity interest	(513,828)	(4)	(211,680)	(1)
3XXX	Total equity	7,873,126	51	8,264,085	55
	Total liabilities and equity interests	$ 15,340,889	100	$ 15,136,071	100

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

（參閱勤業眾信聯合會計師事務所民國 110 年 3 月 16 日查核報告）

Chairperson: Meng-Jing Lin Manager: Chih-I Lin Head of accounting: Hua-Hsing Wang

San Fang Chemical Industry Co., Ltd. and Subsidiaries

Consolidated Statement of Comprehensive Income

Years ended December 31, 2020 and 2019

Unit: Thousand NTD, EPS in NTD

		2020		2019	
Code		Amount	%	Amount	%
4000	Net operating revenues (Note 4, 21, 27)	$ 8,441,756	100	$ 10,271,411	100
5000	Operating costs (Note 10, 22)	6,578,085	78	7,904,038	77
5900	Operating margin	1,863,671	22	2,367,373	23
	Operating expenses (Note 9, 22)				
6100	Selling expenses	509,481	6	642,166	6
6200	Administrative expenses	547,952	6	624,749	6
6300	Research and development expenses	309,365	4	448,154	5
6450	Expected credit impairment loss (gain)	(1,478)	-	1,214	-
6000	Total operating expenses	1,365,320	16	1,716,283	17
6900	Operating net profit	498,351	6	651,090	6
	Non-operating income and expenses (Note 22)				
7100	Interest income	27,165	-	41,290	-
7010	Other income	37,920	1	18,677	-
7020	Other profits and losses	(171,562)	(2)	(27,558)	-
7050	Financial costs	(47,621)	(1)	(42,853)	-
7000	Total non-operating income and expenses	(154,098)	(2)	(10,444)	-
7900	Pre-tax profit	344,253	4	640,646	6
7950	Income tax expense (Note 4, 5, 23)	126,241	1	210,226	2
8200	Net profit for the year	218,012	3	430,420	4

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Code		2020 Amount	2020 %	2019 Amount	2019 %
	Other comprehensive income				
	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Remeasurements of the net defined benefit (Note 19)	$ 12,699	-	($ 7,096)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (Note 20)	(4,264)	-	10,193	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 23)	(2,605)	-	1,284	-
8310		5,830	-	4,381	-
	Components of other comprehensive income that will be reclassified to profit or loss				
8361	Exchange differences arising from the translation of the financial statements of foreign operations (Note 20)	(297,884)	(4)	(189,493)	(2)
8300	Other consolidated income (net income after tax)	(292,054)	(4)	(185,112)	(2)
8500	Total comprehensive income	($ 74,042)	(1)	$ 245,308	2
8600	Profit attributable to:				
8610	Owners of the company	$ 218,012	3	$ 430,420	4
8700	Comprehensive income attributable to:				
8710	Owners of the company	($ 74,042)	(1)	$ 245,308	2
	EPS (Note 24)				
9750	Basic	$ 0.55		$ 1.08	
9850	Diluted	$ 0.55		$ 1.08	

The accompanying notes are an integral part of these consolidated financial statements.
（參閱勤業眾信聯合會計師事務所民國 110 年 3 月 16 日查核報告）

Chairperson: Meng-Jing Lin Manager: Chih-I Lin Head of accounting: Hua-Hsing Wang

San Fang Chemical Industry Co., Ltd. and Subsidiaries

Consolidated Statement of Changes in Equity

Years ended December 31, 2020 and 2019

Unit: Thousand NTD, dividend per share is in NTD

		Equity attributable to shareholders of the Company								
				Retained earnings			Other equity interests			
Code		Capital stock – common	Capital surplus	Legal reserve	Special reserve	Undistributed Earnings	Exchange differences on from the translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Subtotal	Total equity
A1	Balance as at January 1, 2019	$ 3,978,181	$ 140,028	$ 1,382,005	$ 504,790	$ 2,243,989	($ 37,272)	$ 4,892	($ 32,380)	$ 8,216,613
	Appropriation and distribution of 2018 earnings (Note 20)									
B1	Legal reserve	-	-	30,293	-	(30,293)	-	-	-	-
B5	Cash dividend – NT$0.5 per share	-	-	-	-	(198,909)	-	-	-	(198,909)
		-	-	30,293	-	(229,202)	-	-	-	(198,909)
C17	Dividends not collected by shareholders before the deadline (Note 20)	-	1,073	-	-	-	-	-	-	1,073
D1	Net profit - 2019	-	-	-	-	430,420	-	-	-	430,420
D3	Other comprehensive income after tax - 2019	-	-	-	-	(5,812)	(189,493)	10,193	(179,300)	(185,112)
D5	Total comprehensive income - 2019	-	-	-	-	424,608	(189,493)	10,193	(179,300)	245,308
Z1	Balance as at December 31, 2019	3,978,181	141,101	1,412,298	504,790	2,439,395	(226,765)	15,085	(211,680)	8,264,085
	Appropriation and distribution of 2019 earnings (Note 20)									
B1	Legal reserve	-	-	42,460	-	(42,460)	-	-	-	-
B5	Cash dividend – NT$0.8 per share	-	-	-	-	(318,254)	-	-	-	(318,254)
		-	-	42,460	-	(360,714)	-	-	-	(318,254)
C17	Dividends not collected by shareholders before the deadline (Note 20)	-	1,337	-	-	-	-	-	-	1,337
D1	Net profit - 2020	-	-	-	-	218,012	-	-	-	218,012
D3	Other comprehensive income after tax - 2020	-	-	-	-	10,094	(297,884)	(4,264)	(302,148)	(292,054)
D5	Total comprehensive income - 2020	-	-	-	-	228,106	(297,884)	(4,264)	(302,148)	(74,042)
Z1	Balance as at December 31, 2020	$ 3,978,181	$ 142,438	$ 1,454,758	$ 504,790	$ 2,306,787	($ 524,649)	$ 10,821	($ 513,828)	$ 7,873,126

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

（參閱勤業眾信聯合會計師事務所民國 110 年 3 月 16 日查核報告）

Chairperson: Meng-Jing Lin Manager: Chih-I Lin Head of accounting: Hua-Hsing Wang

San Fang Chemical Industry Co., Ltd. and Subsidiaries

Consolidated Cash Flow Statement

Years ended December 31, 2020 and 2019

Unit: Thousand NTD

Code		2020	2019
	Cash flow from operating activities		
A10000	Net profit before tax	$ 344,253	$ 640,646
A20010	Revenues and expenses		
A20100	Depreciation expense	766,254	762,406
A20200	Amortization expense	7,923	4,120
A20300	Expected credit impairment loss (gain)	(1,478)	1,214
A20400	Net losses (gains) on financial liabilities at fair value through profit or loss	4,784	(201)
A20900	Financial costs	47,621	42,853
A21200	Interest income	(27,165)	(41,290)
A21300	Dividend income	(334)	(5,328)
A22500	Net losses (gains) on disposal of property, plant and equipment	27,420	(4,934)
A23700	Loss on inventory devaluation	37,640	61,174
A29900	Loss on physical inventory	4,779	14,445
A29900	Other	1,660	2,636
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	13,506	43,625
A31150	Accounts receivable	69,273	85,760
A31160	Accounts receivable – related parties	147,825	59,223
A31200	Inventories	413,885	(76,023)
A31230	Advance payments	(39,696)	(48,460)
A31240	Other current assets	37,955	21,165
A32110	Financial liabilities held for trading	59	201
A32125	Contract liabilities	15,253	(85)
A32150	Accounts payable	1,373	(78,486)
A32180	Other payables	18,728	20,732
A32230	Other current liabilities	(10,019)	14,220
A32240	Net defined benefit liability	(881)	3,272
A33000	Cash generated from operating activities	1,880,618	1,522,885
A33100	Interest received	27,165	41,290
A33200	Dividend received	334	5,328
A33300	Interest paid	(48,030)	(44,630)
A33500	Income tax paid	(122,865)	(179,313)
AAAA	Net cash inflow from operating activities	1,737,222	1,345,560

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Code		2020	2019
	Cash flow from investing activities		
B02700	Acquisition of property, plant and equipment	($ 520,311)	($ 787,018)
B02800	Proceeds from disposal of property, plant and equipment	5,247	20,487
B03700	Increase in guarantee deposits	(253)	(38)
B03800	Decrease in refundable deposits	283	229
B04500	Acquisition of intangible assets	(3,065)	(34,310)
B06500	Decrease (increase) of other financial assets	147,745	(3,146)
BBBB	Net cash outflow from investing activities	(370,354)	(803,796)
	Cash flow from financing activities		
C00100	Decrease in short-term borrowings	(250,000)	(160,000)
C00500	Increase in short-term notes and bills payable	(50,000)	-
C01600	Increase in long-term borrowing	1,540,000	900,000
C01700	Repayment of long-term borrowing	(669,375)	(248,500)
C03000	Increase in guarantee deposits	-	12,971
C03100	Decrease in guarantee deposits received	(3,969)	(4,636)
C04020	Repayments of lease liabilities	(8,920)	(8,798)
C04500	Distribution of cash dividends	(318,254)	(198,909)
C09900	Returned unclaimed dividends	1,337	1,073
CCCC	Net cash inflow from financing activities	240,819	293,201
DDDD	Effect of exchange rate changes on cash and cash equivalents	(165,267)	(157,373)
EEEE	Net increase in cash and cash equivalents	1,442,420	677,592
E00100	Cash and cash equivalents at beginning of period	3,761,456	3,083,864
E00200	Cash and cash equivalents at end of period	$ 5,203,876	$ 3,761,456

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

（參閱勤業眾信聯合會計師事務所民國 110 年 3 月 16 日查核報告）

Chairperson: Meng-Jing Lin Manager: Chih-I Lin Head of accounting: Hua-Hsing Wang

San Fang Chemical Industry Co., Ltd. and Subsidiaries

Notes to the Consolidated Financial Statements

Years ended December 31, 2020 and 2019

(All amounts are in thousand NTD, unless otherwise specified)

I. Company History

San Fang Chemical Industry Co., Ltd. (hereinafter referred to as the "Company") was established in June 1973, and main business items include the manufacturing and sales of artificial leather, synthetic resin, and other materials.

The Company was approved to be listed on the Taiwan Stock Exchange in November 1985.

The consolidated financial statements are presented in the Company's functional currency NTD.

II. The Authorization of Financial Statements

The consolidated financial statements were approved by the Board of Directors on March 16, 2021.

III. Application of New Standards, Amendments, and Interpretations

(I) Application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations, and SIC Interpretations (hereinafter collectively referred to as the "IFRSs") as endorsed and announced by the Financial Supervisory Commission (FSC) for the first time

The application of the IFRSs endorsed and announced by the FSC will not result in any major changes to the accounting policy of the Company and entities controlled by the Company (hereinafter referred to as the "Consolidated Entity").

(II) Application of the IFRSs as endorsed by the FSC in 2021

New, Revised or Amended Standards and Interpretations	Effective date of the IASB
Extension of the temporary exemption from applying IFRS 9 (amendments to IFRS 4)	Effective on the date of announcement
Interest rate benchmark reform – Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16)	Effective at the beginning of the annual reporting period after January 1, 2021
Leases regarding COVID-19-related rent concessions (amendment to IFRS 16)	Effective at the beginning of the annual reporting period after June 1, 2020

As of the date the consolidated financial statements were passed, the Consolidated Entity has determined that the abovementioned amendments to standards and interpretations will not have a material impact on its financial position and financial performance.

(III) New standards, interpretations, and amendments were issued by IASB but not yet included in the IFRSs as endorsed and announced by the FSC

New, Revised or Amended Standards and Interpretations	Effective date of the IASB (Note 1)
"Annual Improvements to IFRSs 2018-2020 Cycle"	January 1, 2022 (Note 2)
Amendments to references to the conceptual framework (amendments to IFRS 3)	January 1, 2022 (Note 3)
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Not determined
IFRS 17 Insurance Contracts	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	January 1, 2023
Disclosure of Accounting Policies (Amendments to IAS 1)	January 1, 2023 (Note 6)
Definition of Accounting Estimates (Amendments to IAS 8)	January 1, 2023 (Note 7)
Property, Plant and Equipment: Proceeds before Intended Use (Amendments IAS 16)	January 1, 2022 (Note 4)
Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)	January 1, 2022 (Note 5)

Note 1: Unless otherwise specified, the new, revised or amended standards and interpretations are effective at the beginning of the annual reporting period after the dates above.

Note 2: The amendment to IFRS 9 is applicable to the exchange or revision of clauses for financial liabilities that occur in the annual reporting period beginning after January 1, 2022.

Note 3: The amendment to acquisition date is applicable to mergers during annual reporting periods that begin after January 1, 2022.

Note 4: The amendment is applicable to property, plant and equipment that reach the required location and status expected by management after January 1, 2021.

Note 5: The amendment is applicable to contracts that have not been fully performed as of January 1, 2022.

Note 6: Prospective application of the amendment in the annual reporting period starting after January 1, 2023.

Note 7: The amendment is applicable to changes in accounting estimates that occur after the beginning of the annual reporting period after January 1, 2023.

As of the date the consolidated financial statements were passed, the Consolidated Entity has determined that other amendments to standards and interpretations will not have a material impact on its financial position and financial performance.

IV. Summary　Remarks on Significant Accounting Policies

(I) Statement of compliance

The consolidated financial statements were prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the IFRSs endorsed and announced by the FSC.

(II) Basis of preparation

Except for financial instruments measured at fair value and net defined benefit liability recognized at defined benefit liabilities less fair value of assets of the defined benefit plans, these consolidated financial statements have been prepared based on historical cost.

Fair value measurement can be divided into levels 1 to 3 based on the observability and importance of input values:

1. Level 1 input values: Refers to quoted prices (unadjusted) in active markets for identical assets or liabilities on the measurement date.
2. Level 2 input values: Refers to directly (i.e., prices) or indirectly (i.e., derived from prices) observable input values of assets or liabilities other than level 1 quoted prices.
3. Level 3 input values: Refers to unobservable input values of assets or liabilities.

(III) Classification of current and non-current assets and liabilities

Current assets include:

1. Assets that are held mainly for trading purposes;
2. Assets that are expected to be realized within twelve months from the balance sheet date; and
3. Cash and cash equivalents (except those that are restricted as they will be swapped or used to repay liabilities more than 12 months after the balance sheet date)

Current liabilities include:

1. Liabilities that are held mainly for trading purposes;
2. Liabilities that are to be paid off within twelve months from the balance sheet date; and
3. Liabilities for which the repayment term cannot be extended unconditionally beyond 12 months after the balance sheet date.

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

(IV) Basis of consolidation

These consolidated financial statements include financial statements of the Company and entities (subsidiaries) controlled by the Company. Financial statements of subsidiaries have been appropriately adjusted to align their accounting policy with the Consolidated Entity's accounting policy. Transactions, account balances, gains, and losses between individual entities were eliminated when preparing the consolidated financial statements. Changes in the Consolidated Entity's ownership interest in a subsidiary that do not result in the loss of control over the subsidiary are equity transactions.

Please refer to Note 12, Note 6, and Note 7 for the detailed list, shareholding ratio, and business items of subsidiaries included in the consolidated financial statements.

(V) Foreign currencies

When each entity is preparing financial statements, transactions denominated in currencies other than the functional currency (i.e., foreign currencies) are recorded after conversion into the functional currency using the exchange rate on the transaction date.

Foreign currency-denominated monetary items are converted using the closing rate on each balance sheet date. The currency translation difference resulting from settlement or conversion of monetary items is recognized as income or loss in the current year.

Foreign currency-denominated non-monetary items carried at fair value are converted at exchange rates on the date of fair value measurement. Currency translation differences are also recognized in current profit or loss; for items that have fair value changes recognized in other comprehensive income, currency translation differences are recognized in other comprehensive income.

Foreign currency-denominated non-monetary items carried at historical costs are converted on the transaction date and are not re-converted.

When preparing the consolidated financial statements, assets and liabilities of overseas operations (including country of operations and subsidiaries that use different currencies than the Company) are converted to NTD using the exchange rate on each balance sheet date. Revenues and expenses/losses are converted using average exchange rate of the current period, with currency translation differences recognized in other comprehensive income.

(VI) Inventories

Inventory includes raw materials, raw materials, work in process, and finished goods. Inventories are measured at cost and net realizable value, whichever is lower. Unless the inventories are in the same category, the cost and net realizable value is compared for each individual item. Net realizable value is the estimated selling price under normal circumstances, less the estimated cost of completion and selling expenses. Inventories are usually calculated at standard cost, and then adjusted to its weighted average cost when settling accounts.

(VII) Property, plant and equipment

Property, plant and equipment are recognized at cost after accumulated depreciation.

Property, plant and equipment under construction are recognized at cost after accumulated impairment losses. Costs include professional service fees and borrowing costs that meet the conditions for capitalization. When assets are completed and reach the expected state of use, they are classified to a suitable category under property, plant and equipment, and depreciation expenses are recognized.

Depreciation is not recognized for self-owned land

Depreciation is separately recognized for each major part of property, plant and equipment on a straight line method over its useful life. If the lease tenor is shorter than the useful life in years, then depreciation is recognized over the lease tenor. The Consolidated Entity reviews methods for estimating useful life in years, residual value, and depreciation, at a minimum, on the last day of each year, as well as the effect of prospective application of changes to accounting estimates.

When derecognizing property, plant and equipment, the difference between net disposal proceeds and the book value is recognized as gains or losses in the current period.

(VIII) Investment properties

Investment properties are real estate properties held for rental income or capital gain, or both.

Self-owned investment property is initially measured at cost (including transaction cost), and is subsequently measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation of investment property is recognized on a straight-line basis.

When property under property, plant and equipment is no longer for self-use, its book value is transferred to investment property.

When derecognizing investment property, the difference between net disposal proceeds and the book value is recognized as gains or losses.

(IX) Goodwill

With regard to goodwill obtained by San Fang Development from acquiring 40% of San Fang International's outstanding shares in 2003, the amount of goodwill recognized on the acquisition date is used as the cost. Goodwill is subsequently measured at cost less accumulated impairment loss.

The purpose of impairment testing is to allocate goodwill to cash-generating units or cash-generating groups (collectively referred to as "Cash-Generating Units") expected by the Consolidated Entity to benefit from synergistic effects of the merger.

Impairment testing is carried out by comparing the book value of a cash-generating unit to which goodwill has been allocated with its recoverable value each year (and when there are signs indicating that the unit may already be impaired). If the goodwill allocated to the cash-generating unit or cash-generating group was obtained from a merger that year, then impairment testing must be conducted for the unit or group before the end of the year. If the recoverable amount of a cash generating unit to which goodwill has been allocated falls below its book value, the impairment loss will first be charged against the book value of the goodwill that has been allocated, and any remaining impairment losses will then be allocated proportionally to reduce book values of all assets under the unit. Any impairment loss is directly recognized as loss in the current period. Goodwill impairment may not be reversed in subsequent periods.

When disposing of an operation in a cash-generating unit to which goodwill has been allocated, then the gain or loss from disposal of the operation is determined by including the amount of goodwill allocated to the operation in the book value of the operation.

(X) Intangible assets

1. Independently acquired

   Independently acquired intangible assets (computer software) with a limited useful life is initially measured at cost, and subsequently measured at cost less accumulated amortization. Intangible assets are amortized on a straight-line basis during their useful life. The Consolidated Entity reviews methods for estimating useful life in years, residual value, and amortization, at a minimum, on the last day of each year, as well as the effect of prospective application of changes to accounting estimates.

2. Internal production – R&D expenses

   Research expenses are recognized as expenses when incurred.

3. Derecognition

When derecognizing intangible assets, the difference between net disposal proceeds and the book value is recognized as gains or losses in the current period.

(XI) Impairment of property, plant and equipment, right-of-use assets, and intangible assets (except for goodwill)

The Consolidated Entity evaluates if there are any signs of impairment of property, plant and equipment, right-of-use assets, and intangible assets (except for goodwill) on each balance sheet date. If any signs of impairment exist, then estimate the asset's recoverable amount. If the recoverable amount cannot be estimated on an individual basis, the Consolidated Entity will instead estimate recoverable amounts for the entire cash-generating unit. Depreciation of corporate assets may be allocated to the smallest identifiable cash-generating group with a reasonable and consistent basis.

Recoverable amounts are determined as the higher of "fair value less cost to sell" or the "utilization value." If the recoverable amount of an individual asset or cash-generating unit is expected to be lower than its book value, the Company will reduce the book value of the asset or cash-generating unit down to the recoverable amount and recognize impairment loss.

When impairment losses are reversed, the book value of the asset or cash-generating unit is increased to the revised recoverable amount. However, the increased book value may not exceed the asset or cash-generating unit's book value in the previous year before impairment loss was recognized (less depreciation or amortization). Reversal of impairment losses is listed in income.

(XII) Financial instruments

When the Company is a party to the contract, financial assets and financial liabilities are recognized in the consolidated balance sheet.

If financial assets and financial liabilities being recognized for the first time are not measured at fair value through profit or loss, then the are measured at fair value plus transaction costs that can be directly attributed to the acquisition or issuance of financial assets or financial liabilities. Transaction costs that can be directly attributed to the acquisition or issuance of financial assets or financial liabilities are immediately recognized as profit or loss.

1. Financial assets

Regular transactions of financial assets are recognized and derecognized using transaction date accounting.

(1) Type of measurement

Financial assets held by the Consolidated Entity include financial assets at fair value through profit or loss, financial assets at amortized cost, and equity instruments measured at fair value through other comprehensive income.

A. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets for which the fair value is required to be measured through profit or loss.

For "financial assets at fair value through profit or loss," any profit or loss from the remeasurement of fair value is listed in income.

B. Financial assets at amortized cost

Financial assets that the Consolidated Entity invests in are classified as financial assets at amortized cost if they meet both of the conditions below:

a. Held under a certain business model that aims to collect cash flow from the financial asset; and
b. The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After recognizing financial assets at amortized cost (including cash and cash equivalents, notes and accounts receivable at amortized cost, other receivables, other financial assets, and refundable deposits), they are measured at book value determined using the effective interest rate method less any impairment losses. Any foreign exchange gains/losses are recognized in profit and loss. Interest income is calculated by multiplying the effective interest rate with the financial asset's total book value.

Cash equivalents include highly liquid time deposits and bonds issued under repurchase agreement that can be converted into a specific amount of cash with low risk of value change within 3 months after being acquired. Cash equivalents are used to meet short-term cash commitments.

Credit-impaired financial assets mean that the debtor has encountered major financial difficulties, defaulted, may very likely declare bankruptcy or other financial restructuring, or an active market for the financial asset has disappeared due to financial difficulties.

C. Equity instruments measured at fair value through other comprehensive income

The Consolidated Entity may make an irreversible decision during initial recognition to measure equity instruments, which are not held for trading and not recognized from mergers and acquisitions, at fair value through other comprehensive income.

Investments in equity instruments measured at fair value through other comprehensive income are measured at fair value, and subsequent changes to fair value are listed in other comprehensive income and accumulated in other equity. When disposing of investments, accumulated gains is directly transferred to retained earnings and not reclassified as income.

Dividends from equity instruments measured at fair value through other comprehensive income are recognized in income when the Consolidated Entity is determined to have the right to receive the dividends, unless the dividends clearly represent the recovery of partial investment costs.

(2) Impairment of financial assets

The Consolidated Entity evaluates the impairment loss of financial assets at amortized cost (including accounts receivable) using ECL on each balance sheet date.

A loss provision is recognized for lifetime ECL for accounts receivables. For other financial assets, whether or not credit risk has significantly increased after the financial asset was recognized is first evaluated. If it has not significantly increased, then a loss provision is recognized for 12-month ECL. If it has significantly increased, then a loss provision is recognized for lifetime ECL.

ECL is the weighted average credit loss using the risk of default as weights. 12-Month ECL is the ECL from potential default on the financial instrument within 12 months after the reporting date. Lifetime ECL is the ECL from potential default during the expected lifetime of the financial instrument.

For the purpose of internal credit risk management, the Consolidated Entity may deem a financial asset to be in default in the event of any one of the following situations without considering collateral:

A. There is internal or external information showing that the debtor is no longer able to repay debts.

B. More than 180 days late, unless there is reasonable information with evidence supporting that it is better to extend the deadline for determining default.

The impairment loss on all financial assets is recognized by lowering the book value of the loss provision.

(3) Derecognition of financial assets

The Consolidated Entity derecognizes financial assets when the contractual rights to the cash inflow from the financial asset are terminated or when the Consolidated Entity transfers the financial assets with substantially all the risks and rewards of ownership to other enterprises.

When derecognizing financial assets at amortized cost, the difference between book value and consideration received is recognized in gains or losses. When derecognizing investments in equity instruments at fair value through other comprehensive income, accumulated gains is directly transferred to retained earnings and not reclassified as income.

2. Equity instruments

Equity instruments issued by the Consolidated Entity are recognized at the price amount obtained less the direct flotation costs.

3. Financial liabilities

(1) Subsequent measurement

Financial liabilities are measured at amortized cost using the effective interest rate method.

(2) Derecognition of financial liabilities

When a financial liability is derecognized, any difference between its carrying amount and the paid consideration (including any transferred non-cash assets or liabilities assumed) is recognized in income or loss.

4. Derivatives

Contracts for derivatives signed by the Consolidated Entity include contracts for the purchase of foreign exchange options and FX swaps, and are used to manage the Company's foreign exchange risk.

When a contract is signed for derivatives, the derivatives are initially recognized at fair value, and then remeasured at fair value on the balance sheet date. Any gains or losses from the remeasurement are directly listed in income or loss. For derivatives that are designated as effective hedging tools, however, the time point for recognizing income or loss will be determined based on the nature of the hedging relationship. Derivatives are listed as financial assets when their fair value is positive; Derivatives are listed as financial liabilities when their fair value is negative.

(XIII) Revenue recognition

After the Consolidated Entity identifies its contractual obligations with each customer, it allocates the transaction price to each contractual obligation, and then recognizes revenue when each contractual obligation is fulfilled.

1. Income from sale of merchandise

Income from sale of merchandise comes from the sale of synthetic leather. According to the contract, when synthetic leather is delivered to customers, customers have the right to set prices and use the products, and bear the responsibility of sales and risk of products becoming obsolete. The Consolidated Entity recognizes accounts receivable upon delivery. Unearned revenues from sale of goods is recognized as contract liabilities.

2. Service revenue

Service revenues from leather processing for customers are recognized when the provision of services is completed.

(XIV) Lease

On the date a contract is formed, the Consolidated Entity evaluates if the contract is (or includes) a lease.

1. Where the Consolidated Entity is the lessor

A lease arrangement is classified as a finance lease if the terms involve a transfer of virtually all risks and returns associated with ownership to the lessee. All other lease arrangements are classified as operating lease.

Under an operating lease arrangement, the proceeds received are recognized as income on a straight-line basis over the lease tenor.

2. Where the Company is the lessee

Except for low value asset leases and short-term leases, for which lease payments are recognized as expenses on a straight-line basis over the lease tenor, other leases are all recognized as right-of-use assets and lease liabilities from the start date of the lease.

Right-of-use assets are initially measured at cost, and are subsequently measured at cost less accumulated depreciation and accumulated impairment loss, with adjustments made to the remeasurement of lease liabilities. Right-of-use assets are independently presented in the consolidated balance sheet.

Depreciation of right-of-use assets is recognized on a straight-line method from the start date of the lease until the expiry of its useful life or lease tenor, whichever is earlier.

Lease liabilities are initially measured at the present value of lease payments. If the interest rate implicit in a lease is easy to determine, then lease payments will be discounted using the interest rate. If the interest rate is not easy to determine, then the lessee's incremental borrowing rate of interest is used.

In subsequent periods, lease liabilities is measured at amortized cost using the effective interest rate method, and interest expense is recognized over the lease term. Lease liabilities are independently presented in the consolidated balance sheet.

(XV) Borrowing costs

Borrowing costs that can be directly attributed to the acquisition, construction, or production of qualified assets shall be recognized as a part of asset costs, until almost all necessary activities for the asset to reach its expected state of use or sale.

If a specific loan is used for a temporary investment and obtains investment gains before a qualified capital expenditure occurs, the gains shall be deducted from borrowing costs that qualify for capitalization.

All other borrowing costs are recognized as losses in the period they occur.

(XVI) Government subsidies

Government grants shall not be recognized until there is reasonable assurance that the Consolidated Entity will comply with the attached conditions and that the grants will be received.

If income-related government subsidies are provided in the period that the costs they intend to cover are recognized by the Consolidated Entity as expenses, they are systematically recognized by reducing the costs or recognized in other income.

If the government subsidies are compensation for expenses or losses that have already occurred, or aim to provide the Consolidated Entity with immediate financial support and do not have any related costs in the future, then they are recognized as income in the period they are received.

(XVII) Employee benefits

1. Short-term employee benefits

   Short-term employee benefits-related liabilities are measured at the undiscounted amount of the benefits expected to be paid in exchange for employee services.

2. Post-employment benefit

   For defined contribution plans, pension contributions made by the Company over the course of employment are listed as expenses; net defined benefit liability is the deficit of contributions to defined benefit plans.

   The cost of defined benefits (including service cost, net interest, and number of remeasurement) for defined benefit plans is calculated using the projected unit credit method. Service costs (including service costs in the current and previous periods) and net interest accrued on net defined benefit liabilities (assets) are recognized as employee benefit expenses when they occur. The number of remeasurement (including calculation of income and losses, changes in asset limit effects, return on assets of the plans less interest) is recognized in other comprehensive income when it occurs and listed in retained earnings, and is not reclassified to profit or loss.

(XVIII) Income tax

Income tax expense is the sum of current income tax and deferred income tax.

1. Current income tax

   The Consolidated Entity determines current income (loss) according to the regulations enacted by each income tax reporting jurisdiction, and calculates the income tax payable (recoverable) on this basis.

   Income tax on undistributed earnings is calculated in accordance with the Income Tax Act of the R.O.C. and recognized in the year the resolution is adopted by the shareholders' meeting.

   An adjustment to the income tax payable in the previous year is listed as the current income tax.

2. Deferred income tax

   Deferred income tax is calculated based on the temporary difference between the book value of assets and liabilities on the consolidated financial statements from the taxable income that was calculated.

Deferred income tax liabilities are generally recognized based on the taxable temporary difference, and deferred income tax assets are recognized when there is likely to be taxable income to offset the temporary difference and income tax deductibles from losses carried forward.

Taxable temporary differences relating to subsidiaries are recognized as deferred income tax liabilities, except in cases where the Consolidated Entity is able to control the timing of which temporary differences are reversed, and that such temporary differences are highly unlikely to reverse in the foreseeable future. Deductible temporary differences relating to these investments are recognized as deferred income tax assets only to the extent that sufficient taxable income can be earned to offset the temporary differences, and that reversal is expected to occur in the foreseeable future.

The book value of deferred income tax assets is reexamined on each balance sheet date, and the book value is reduced if it is not very likely there will be sufficient taxable income to recover all or a part of the assets. Those that were not recognized as deferred income tax assets are also reexamined on each balance sheet date, and the book value is increased if it is very likely there will be sufficient taxable income to recover all or a part of the assets.

Deferred income tax assets and liabilities are measured using the tax rate in the period in which liabilities are expected to be paid off or assets are expected to be realized. The tax rate is based on the tax rate and tax law that has been enacted or substantially enacted on the balance sheet date. The measurement of deferred income tax liabilities and assets reflects on the tax effects of the ways the Consolidated Entity expects to recover or pay off the book value of its assets or liabilities on the balance sheet date.

3. Current and deferred income tax

Current and deferred income tax are recognized in profit or loss, except for items that are bound to be recognized under other comprehensive income or directly as other equity items.

V. Significant Accounting Judgments, Estimates and Main Uncertainty Assumptions

When the Consolidated Entity adopts an accounting policy, management must make judgments, estimates, and assumptions based on historical experience and other factors for information that is difficult to obtain from other sources. Actual results may be different from estimates.

The Consolidated Entity took into the consideration the economic impact caused by COVID-19 into its major accounting estimates, and management will continue to examine the estimates and basic assumptions. If the adjustment to estimates only affects the current period, then the adjustment is recognized in the current period. If the adjustment to estimates affects the current period and future periods, then the adjustment is recognized in the current period and future periods.

(1) Income tax

The tax effect of subsidiaries and unused tax losses as well as deductible temporary differences not recognized as deferred income tax assets was NT$29,488 thousand and NT$28,091thousand for the years ended December 31, 2020 and 2019. The realizability of deferred income tax assets mainly depends on whether or not there is sufficient profit or taxable temporary difference in the future. If actual profits exceed expectations, it may result in the recognition of significant deferred income tax assets and tax income.

With regard to taxable temporary differences related to investments in subsidiaries that were not recognized as deferred income tax liabilities, the effect on income tax was NT$473,349 thousand and NT$549,643 thousand for the years ended December 31, 2020 and 2019, respectively. If the taxable temporary difference is reversed in the future, it may result in major income tax liabilities, which are recognized as income tax expenses during the period that reversal occurs.

(2) Inventory impairments

Net realizable value of inventory is the estimated selling price during normal business operations, less the estimated cost of completion and selling expenses. The estimates are made based on the current market situation and previous sales experience of similar products. Changes in the market situation may have a material impact on the estimates.

VI. Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand and working capital	$ 2,321	$ 3,939
Bank check and demand deposits	3,723,696	2,536,872
Cash equivalents		
Time deposits within 3 months of its original maturity date	1,435,139	1,220,645
Bonds issued under repurchase agreement	42,720	-
	$ 5,203,876	$ 3,761,456

The market interest rate range for cash in banks on the balance sheet date is as follows:

	December 31, 2020	December 31, 2019
Cash equivalents		
Time deposits within 3 months of its original maturity date (%)	0.1-3	1.9-2.45
Bonds issued under repurchase agreement	0.55	-

VII. Financial instruments assets at fair value through profit or loss – Only December 31, 2020

Financial liabilities at fair value through profit or loss	Amount
Financial liabilities held for trading	
Derivatives (not designated for hedging)	
Foreign exchange (FX) swaps	$ 4,843

The Consolidated Entity mainly engages in FX options and swaps to avoid the risk of exchange rate fluctuations to foreign currency-denominated assets and liabilities. See Note 22 for details on the profit or loss from financial instruments at fair value through profit or loss

FX swaps that did not use hedge accounting and have not matured as of the balance sheet date are as follows:

December 31, 2020	Currency	Maturity date	Contract Amount
Foreign exchange (FX) swaps	NTD to USD	2021.03.10	TWD147,350/USD5,000

VIII. Non-current financial assets at fair value through other comprehensive income

Investments in equity instruments measured at fair value through other comprehensive income	December 31, 2020	December 31, 2019
Listed stock in Taiwan	$ 51,618	$ 56,245
Unlisted stock in Taiwan	5,030	4,667
	$ 56,648	$ 60,912

IX. Notes and accounts receivable

	December 31, 2020	December 31, 2019
Notes receivable – unrelated parties		
Measured at amortized cost		
Total book value	$ 20,845	$ 34,351

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	December 31, 2020	December 31, 2019
Accounts receivable – unrelated parties		
Measured at amortized cost		
Total book value	$ 887,647	$ 956,861
Less: Loss provision	14,121	15,540
	$ 873,526	$ 941,321
Accounts receivable – related parties		
Measured at amortized cost		
Total book value	$ 282,899	$ 430,724

The Consolidated Entity's average credit period for sale of goods is open account 30-120 days. Designated personnel of the Consolidated Entity are responsible for deciding the credit limit, approval, and other monitoring procedures to mitigate credit risk and ensure that appropriate action has been taken to recover overdue receivables. Furthermore, the Consolidated Entity will verify the recoverable amount of receivables on the balance sheet date to ensure that unrecoverable receivables already properly listed as impairment losses. On this basis, management of the Consolidated Entity believes that its credit risk has significantly decreased.

The Consolidated Entity recognizes a loss provision for lifetime ECLs for accounts receivables. Lifetime ECL takes into consideration the customer's previous default record, current financial position, and industrial and economic trends. Past experience of the Consolidated Entity relating to credit loss showed no significant difference in loss patterns between different customer groups. Hence, customers are not further divided into groups, and expected credit loss rate is only set by the number of days receivables are overdue.

The Consolidated Entity measures the loss provision for receivables as follows:

December 31, 2020

	Not past due	1-90 days late	91-180 days late	181-360 days late	More than 361 days late	Total
Expected credit loss rate (%)	0.5	0.5	1	10	100	
Total book value	$ 956,572	$ 226,496	$ 1,393	$ -	$ 6,930	$1,191,391
Loss provision (lifetime ECL)	(5,883)	(1,293)	(15)	-	(6,930)	(14,121)
Amortized cost	$ 950,689	$ 225,203	$ 1,378	$ -	$ -	$1,177,270

December 31, 2019

	Not past due	1-90 days late	91-180 days late	181-360 days late	More than 361 days late	Total
Expected credit loss rate (%)	0.5	0.5	1	10	100	
Total book value	$1,204,464	$ 198,004	$ 9,025	$ 4,441	$ 6,002	$1,421,936
Loss provision (lifetime ECL)	(7,524)	(1,448)	(91)	(475)	(6,002)	(15,540)
Amortized cost	$1,196,940	$ 196,556	$ 8,934	$ 3,966	$ -	$1,406,396

Information on changes to loss provision for receivables is as follows:

	December 31, 2020	December 31, 2019
Opening balance	$ 15,540	$ 14,540
Plus: Allocated (reversed) in the current year	(1,478)	1,214
Net currency translation difference	59	(214)
Closing balance	$ 14,121	$ 15,540

X. Inventories

	December 31, 2020	December 31, 2019
Raw materials	$ 763,091	$ 926,173
Supplies	20,882	30,127
Work in process	446,143	609,883
Finished goods	207,520	270,553
Inventory in transit	160,975	218,179
	$ 1,598,611	$ 2,054,915

Losses on inventory devaluation for the years ended December 31, 2020 and 2019 were NT$218,238 thousand and NT$180,665 thousand, respectively.

Inventory-related operating costs amounted to NT$6,578,085 thousand in 2020 and NT$7,904,038 thousand in 2019, including:

	2020	2019
Loss on inventory devaluation	$ 37,640	$ 61,174
Loss on physical inventory	4,779	14,445
Income from sale of scraps	(19,505)	(31,400)
	$ 22,914	$ 44,219

XI. Other financial assets – current

	December 31, 2020	December 31, 2019
Time deposits more than 3 months from its original maturity date	$ 713,520	$ 899,420
Annual interest rate (%)	0.06-0.3	0.09-2.27

XII. Subsidiary

The consolidated financial statements mainly discloses on formation on the following entities:

Name of investment company	Name of subsidiary	Main Business Activities	Ownership (%) December 31, 2020	Ownership (%) December 31, 2019	Description
The Company	San Fang Development Co., Ltd.	Investment	100	100	-
	San Fang Financial Holdings Co., Ltd.	Investment	100	100	-
	Grand Capital Limited (GCL)	Investment	100	100	-
	Forich Advanced Materials Co., Ltd.	Manufacturing and sales of chemical products	100	100	-
	Bestac Advanced Material Co., Ltd.	Manufacturing and sales of chemical products	100	100	Note
San Fang Development	San Fang International Co., Ltd.	Investment	100	100	-
	Brave Business Holding Limited(BBH)	Investment	100	100	-
GCL	Grand International Investment Corporation Limited (GII)	Investment	100	100	-
	Java Ocean Business Limited(JOB)	Investment	100	100	-
San Fang International	Megatrade Profits Limited (MPL)	Investment	100	100	-
	Giant Tramp Limited (GTL)	Investment	100	100	-
MPL	Dongguan Baoliang Material Technology Co., Ltd.	Manufacturing and sales of artificial leather, synthetic resin, and other materials	36.84	36.84	-
GTL	Dongguan Baoliang	Manufacturing and sales of artificial leather, synthetic resin, and other materials	7.02	7.02	-
BBH	Dongguan Baoliang	Manufacturing and sales of artificial leather, synthetic resin, and other materials	56.14	56.14	-

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Name of investment company	Name of subsidiary	Main Business Activities	Ownership (%) December 31, 2020	Ownership (%) December 31, 2019	Description
GII	San Fang Vietnam Corporation Limited(SFV)	Material processing	100	100	-
JOB	PT. San Fang Indonesia(PTS)	Manufacturing and sales of artificial leather, synthetic resin, and other materials	99.99	99.99	-
GII	PTS	Manufacturing and sales of artificial leather, synthetic resin, and other materials	0.01	0.01	-

Note: The Board of Directors of the Consolidated Entity adopted the resolution to merge Foretrol Precision Materials Co., Ltd. and Bestac Advanced Material Co., Ltd. and set October 1, 2019 as the merger record date. Bestac Advanced Material Co., Ltd. is the surviving company and Foretrol Precision Materials Co., Ltd. is the merged company.

XIII. Property, plant and equipment

2020

	Self-owned land	Buildings and structures	Machinery and equipment	Other facilities	Construction in progress and equipment under acceptance	Total
Cost						
Balance as at January 1, 2020	$ 1,587,546	$ 3,213,561	$ 6,963,394	$ 2,395,098	$ 202,298	$14,361,897
Addition	-	21,479	281,894	175,397	63,125	541,895
Disposal	-	(34,462)	(114,745)	(94,675)	(559)	(244,441)
Net currency translation difference	(4,074)	(66,494)	(110,823)	(54,207)	(8,205)	(243,803)
Balance as at December 31, 2020	$ 1,583,472	$ 3,134,084	$ 7,019,720	$ 2,421,613	$ 256,659	$14,415,548
Accumulated depreciation						
Balance as at January 1, 2020	$ -	$ 1,644,956	$ 4,936,531	$ 1,576,619	$ -	$ 8,158,106
Disposal	-	(27,617)	(88,797)	(85,737)	-	(202,151)
Depreciation expense	-	136,940	427,763	187,191	-	751,894
Net currency translation difference	-	(30,358)	(82,182)	(40,822)	-	(153,362)
Balance as at December 31, 2020	$ -	$ 1,723,921	$ 5,193,315	$ 1,637,251	$ -	$ 8,554,487
Net amount as at December 31, 2020	$ 1,583,472	$ 1,410,163	$ 1,826,405	$ 784,362	$ 256,659	$ 5,861,061

2019

	Self-owned land	Buildings and structures	Machinery and equipment	Other facilities	Construction in progress and equipment under acceptance	Total
Cost						
Balance as at January 1, 2019	$ 1,677,121	$ 3,179,870	$ 6,830,897	$ 2,199,644	$ 429,824	$14,317,356
Addition	-	141,535	659,656	267,372	(221,532)	847,031
Disposal	-	(15,113)	(466,258)	(44,671)	-	(526,042)
Reclassified to investment properties	(87,579)	(52,894)	-	-	-	(140,473)
Net currency translation difference	(1,996)	(39,837)	(60,901)	(27,247)	(5,994)	(135,975)
Balance as at December 31, 2019	$ 1,587,546	$ 3,213,561	$ 6,963,394	$ 2,395,098	$ 202,298	$14,361,897

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Accumulated depreciation	Self-owned land	Buildings and structures	Machinery and equipment	Other facilities	Construction in progress and equipment under acceptance	Total
Balance as at January 1, 2019	$ -	$ 1,556,648	$ 5,037,602	$ 1,440,135	$ -	$ 8,034,385
Disposal	-	(13,016)	(464,355)	(33,118)	-	(510,489)
Reclassified to investment properties	-	(27,383)	-	-	-	(27,383)
Depreciation expense	-	147,211	409,406	191,880	-	748,497
Net currency translation difference	-	(18,504)	(46,122)	(22,278)	-	(86,904)
Balance as at December 31, 2019	$ -	$ 1,644,956	$ 4,936,531	$ 1,576,619	$ -	$ 8,158,106
Net amount as at December 31, 2019	$ 1,587,546	$ 1,568,605	$ 2,026,863	$ 818,479	$ 202,298	$ 6,203,791

The increase in property, plant and equipment and adjustments to payment amounts on the cash flow statement are as follows:

	2020	2019
Investing activities that affect both cash and non-cash items		
Increase in property, plant and equipment	$ 541,895	$ 847,031
Decrease in advance payments for equipment	(47,522)	(33,498)
Decrease (Increase) in payables on equipment	26,601	(24,352)
Capitalization of interest	(663)	(2,163)
Payments in cash for the acquisition of property, plant and equipment	$ 520,311	$ 787,018

Depreciation of the Consolidated Entity's property, plant and equipment is recognized on a straight-line method according to the following useful life in years:

Buildings and structures	
Factory and office building	30-50 years
Construction system and enclosure wall	15-28 years
Other	2-10 years
Machinery and equipment	
Embossing machine, grinding machine, and thermal oil boiler	20-30 years
Non-woven fabric machine and its auxiliary facilities	8-19 years
Other	1-9 years
Other facilities	
Pond and gardening	30-48 years
Pipelines	20-28 years
Other	1-15 years

Please refer to Note 28 for property, plant and equipment pledged by the Consolidated Entity as collateral for loans.

XIV. Lease agreement

(I) Right-of-use assets

	December 31, 2020	December 31, 2019
Book value of right-of-use assets		
Land	$ 157,667	$ 162,075
Buildings	4,512	5,957
Transportation equipment	5,419	9,953
	$ 167,598	$ 177,985

	2020	2019
Addition of right-of-use assets	$ 6,991	$ 14,689
Depreciation expense of right-of-use assets		
Land	$ 6,521	$ 6,742
Buildings	1,445	1,771
Transportation equipment	5,527	4,963
	$ 13,493	$ 13,476

(II) Lease liabilities

	December 31, 2020	December 31, 2019
Book value of lease liabilities		
Current	$ 6,936	$ 7,562
Noncurrent	$ 7,850	$ 9,153

The discount rate of lease liabilities is 1.2-1.4%.

(III) Important lease activities and clauses

Right-of-use assets include the land of the following subsidiaries, in which the right to use the land was obtained from the local government, details are as follows:

	Cost of land use rights thousand	Years	Maturity date
SFV	US$4,023	36-48 years	June 2051
Dongguan Baoliang	RMB19,373	50 years	January 2060

(IV) Other lease information

	2020	2019
Short term lease expenses	$ 2,827	$ 3,595
Lease expenses of low value assets	$ 867	$ 846
Total cash outflow from leases	$ 12,808	$ 13,421

XV. Investment properties

2020

Cost	Completed investment properties
Balance at January 1 and December 31, 2020	$ 140,473

Accumulated depreciation	
Balance at January 1, 2020	$ 27,816
Depreciation expense	867
Balance at December 31, 2020	$ 28,683
Net amount at December 31, 2020	$ 111,790

2019

Cost	Completed investment properties
Balance as at January 1, 2019	$ -
Transferred from property, plant and equipment	140,473
Balance as at December 31, 2019	$ 140,473

Accumulated depreciation	
Balance as at January 1, 2019	$ -
Transferred from property, plant and equipment	27,383
Depreciation expense	433
Balance as at December 31, 2019	$ 27,816
Net amount as at December 31, 2019	$ 112,657

The lease term of investment property is 10 years. The tenant does not have right of first refusal over the investment property when the lease term expires.

The Company's investment property are its own equity, and depreciation of buildings and structures is recognized on a straight-line basis over a useful life of 60 years. Please refer to Note 28 for investment property provided as collateral for loans.

The sum of future lease payments for operating leases of investment property is as follows:

	December 31, 2020	December 31, 2019
Year 1	$ 9,351	$ 9,351
Year 2	9,351	9,351
Year 3	9,351	9,351
Year 4	9,493	9,351
Year 5	9,634	9,493
Over 5 years	34,297	43,931
	$ 81,477	$ 90,828

The Consolidated Entity implements a general risk management policy to reduce the residual asset risk of buildings when the lease term expires.

The fair value of the Consolidated Entity's investment properties was approximately NT$340 million and NT$360 million for the years ended December 31, 2020 and 2019, in which the fair value was estimated by the Consolidated Entity's management after referring to transactions in the nearby housing market.

XVI. Borrowings

(I) Short-term borrowing

	December 31, 2020	December 31, 2019
Secured loans (Note 28)		
Bank borrowings	$ 470,000	$ 970,000
Unsecured loans		
Credit loans	980,000	730,000
	$ 1,450,000	$ 1,700,000
Annual interest rate (%)	0.40-1	0.86-0.98

(II) Short-term notes and bills payable

Details of commercial paper payable that have not yet matured are as follows:

December 31, 2020

Guarantor/Acceptance agency	Face value	Discounted amount	Book value	Interest Rate (%)
Mega Bills	$ 50,000	$ 28	$ 49,972	0.72

December 31, 2019

Guarantor/Acceptance agency	Face value	Discounted amount	Book value	Interest Rate (%)
Mega Bills	$ 100,000	$ 12	$ 99,988	0.71

(III) Long-term borrowings

	December 31, 2020	December 31, 2019
Secured loans (Note 28)		
Bank borrowings – Reaches maturity before September 2025	$ 1,861,000	$ 1,360,375
Unsecured loans		
Bank borrowings – Reaches maturity before August 2024	1,320,000	950,000
	3,181,000	2,310,375
Less: Current portion	744,000	553,500
	$ 2,437,000	$ 1,756,875
Annual interest rate (%)	1.03-1.4	1.25-1.68

XVII. Accounts payable

The Consolidated Entity's accounts payable are all derived from its business and transaction terms are separately negotiated. The Consolidated Entity established a financial risk management policy to ensure all payables are repaid within the credit period agreed to in advance.

XVIII. Other payables

	December 31, 2020	December 31, 2019
Wages and salaries payable	$ 298,494	$ 338,896
Payables on equipment	77,291	103,892
Commissions payable	47,407	27,179
Utilities and fuel costs payable	24,657	26,884
Import/export charges payable	22,679	23,625
Taxes payable	21,220	18,374
Compensated absences	17,630	17,834
Employee bonuses and director remuneration payable	16,594	31,101
Air pollution and waste disposal fees payable	12,294	20,678
Labor insurance and National Health Insurance premiums payable	11,824	13,610
Other	162,328	97,948
	$ 712,418	$ 720,021

XIX. Post-employment benefits plan

(I) Defined contribution plan

In the Consolidated Entity, the Company, Forich Advanced Materials Co., Ltd., and Bestac Advanced Material Co., Ltd. use the defined contribution plan managed by the government according to the Labor Pension Act, and contribute 6% of employees' monthly salaries to their individual pension account at the Bureau of Labor Insurance.

In the Consolidated Entity, Dongguan Baoliang, PTS, and SFV make pension contributions according to local laws and regulations, which are classified as a defined contribution plan.

(II) Defined benefit plan

The pension system applicable to the Company according to the Labor Standards Act of the R.O.C. is the defined benefit plan managed by the government. Payment of employee pensions is calculated based on the employee's years of service and 6-month average wage before the approved date of retirement. The Company makes monthly contributions equal to 4% of employees' monthly salaries and wages to a dedicated account at the Bank of Taiwan under the name of the Supervisory Committee of Workers' Retirement Reserve Fund. Before the end of each year, if the balance in the dedicated account is insufficient to pay the retirement benefits of employees who are eligible for retirement in the following year, the deficit will be funded in one appropriation before the end of March in the following year. The dedicated account is managed by the Bureau of Labor Funds, Ministry of Labor. The Company does not have any right to influence its investment management strategy.

Our subsidiary PTS pays severance pay to qualified employees according to local laws and regulations, which is classified as a defined benefit plan.

The defined benefit plan amounts listed in the consolidated balance sheet is as follows:

	December 31, 2020	December 31, 2019
Present value of defined benefit liabilities	$ 133,888	$ 150,523
Fair value of assets of the plans	(23,001)	(26,056)
Net defined benefit liability	$ 110,887	$ 124,467

Changes in net defined benefit liabilities are as follows:

	Present value of defined benefit liabilities	Fair value of assets of the plans	Net defined benefit liability
Balance as at January 1, 2019	$ 193,641	($ 79,542)	$ 114,099
Service cost			
Service cost of the term	5,680	-	5,680
Interest expense (income)	3,503	(1,039)	2,464
Listed in income	9,183	(1,039)	8,144
Number of remeasurement			
Return on assets of the plans (except for amounts included in net interest)	-	(3,138)	(3,138)
Actuarial loss – Changes in demographic assumptions	6,799	-	6,799

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	Present value of defined benefit liabilities	Fair value of assets of the plans	Net defined benefit liability
Actuarial losses – experience adjustments	$ 3,435	$ -	$ 3,435
Recognized in other comprehensive income	10,234	(3,138)	7,096
Employer contributions	-	(4,427)	(4,427)
Benefits payment	(62,090)	62,090	-
Currency translation difference	(445)	-	(445)
Balance as at December 31, 2019	150,523	(26,056)	124,467
Service cost			
Service cost of the term	4,507	-	4,507
Service cost and settlement of benefits in the previous period	(2,375)	-	(2,375)
Interest expense (income)	2,508	(246)	2,262
Listed in income	4,640	(246)	4,394
Number of remeasurement			
Return on assets of the plans (except for amounts included in net interest)	-	(2,315)	(2,315)
Actuarial loss – Changes in financial assumption	5,862	-	5,862
Actuarial gains – experience adjustments	(16,246)	-	(16,246)
Recognized in other comprehensive income	(10,384)	(2,315)	(12,699)
Employer contributions	-	(2,946)	(2,946)
Benefits payment	(9,945)	8,562	(1,383)
Currency translation difference	(946)	-	(946)
Balance as at December 31, 2020	$ 133,888	($ 23,001)	$ 110,887

Summary of defined benefit plans recognized in income and loss by function:

	2020	2019
Operating costs	$ 2,703	$ 5,266
Selling expenses	504	620
Administrative expenses	848	1,828
Research and development expenses	339	430
	$ 4,394	$ 8,144

The Consolidated Entity is exposed to the following risks due to the pension system of the Labor Standards Act:

1. Investment risks

   The Bureau of Labor Funds (BLF), Ministry of Labor (MOL) invests the labor pension fund in domestic (overseas) equity securities, bonds, and bank deposits at its own discretion and through mandated investments. However, the distributable amount of assets may not be lower than gains calculated using the interest rate for 2-year time deposits at local banks.

2. Interest rate risk

   A decrease in bond interest rate will cause the present value of defined benefit liabilities to increase. However, the return on assets of defined benefit plans will also increase, and the effect of the two on defined benefit liabilities will offset each other.

3. Salary risk

   Calculation of the present value of defined benefit liabilities takes into consideration the future salaries of members of defined benefit plans. Hence, an increase in salaries of members of defined benefit plans will increase the present value of defined benefit liabilities.

The present value of defined benefit liabilities of the Consolidated Entity is calculated by a qualified actuary, and major assumptions on the measurement date are as follows:

	December 31, 2020	December 31, 2019
Discount rate (%)	0.5-7.02	0.875-7.81
Estimated salary growth ratio (%)	2-8	2-8

If a reasonable change to a significant actuarial assumption occurs while all other assumptions remain the same, the amount of increase (decrease) in the present value of defined benefit liabilities is as follows:

	December 31, 2020	December 31, 2019
Discount rate		
Increased 0.25%	($ 4,749)	($ 5,266)
Decreased 0.25%	$ 4,974	$ 5,519
Estimated salary growth ratio		
Increased 0.25%	$ 4,833	$ 5,382
Decreased 0.25%	($ 4,639)	($ 5,163)

Since actuarial assumptions may be related, it is unlikely that only one assumption will change at a time, so the sensitivity analysis above might not reflect on actual changes in present value of defined benefit liabilities.

	December 31, 2020	December 31, 2019
Amount expected to be allocated within 1 year	$ 2,834	$ 4,179
Average time to maturity of defined benefit liabilities	14-24.93 years	14.4-25.57 years

XX. Equity

(I) Capital stock – common

	December 31, 2020	December 31, 2019
Authorized shares (thousand shares)	460,000	460,000
Authorized share capital	$ 4,600,000	$ 4,600,000
Current outstanding shares (thousand shares)	397,818	397,818
Issued capital	$ 3,978,181	$ 3,978,181

The Company's common shares have a face value of NT$10. Each share is entitled to one voting right and the right to receive dividends.

(II) Capital surplus

	December 31, 2020	December 31, 2019
Contributed capital in excess of par	$ 135,000	$ 135,000
Gains on the disposal of fixed assets	2,497	2,497
Donated assets received	369	369
Other – Dividends not claimed by shareholders before the deadline	4,572	3,235
	$ 142,438	$ 141,101

Pursuant to the Company Act, capital surplus is from contributed capital in excess of par and donated assets received. Besides using capital surplus to offset losses, companies may also use capital surplus for distribution of cash dividends or capitalization. However, capitalization of capital surplus is limited to once a year. Capital surplus from gains on the disposal of fixed assets and unclaimed dividends may only be used to offset losses.

(III) Retained earnings and divided policy

Pursuant to the earnings distribution policy set forth in the Company's Articles of Incorporation before amendment, if there is a profit after year-end closing, the Company shall first set aside ten percent of such profits as a legal reserve after losses have been covered and all taxes and dues have been paid, and then allowance or reversal of a special reserve should be made in accordance with the law or the Company's operational needs. If there is still a surplus, it should be distributed together with accumulated retained earnings after the board of directors makes a proposal of distribution and submits the proposal to the shareholders' meeting for approval. Please refer to Note 22(7) for the employee bonus and directors' remuneration policy set forth in the Articles of Incorporation.

The amended Articles of Incorporation was passed by the shareholders' meeting on June 12, 2019. If the earnings distribution proposed by the Board of Directors distributes all or a part of dividends and bonuses in new shares, the proposal must be approved by the shareholders' meeting before distribution. The Board of Directors is authorized to distribute all or a part of dividends and bonuses in cash by a majority vote in a Board meeting with at least two thirds of directors in attendance, and the decision shall be reported during a shareholders' meeting.

The Company's dividend policy takes into consideration the Company's current and future investment environment, funding requirements, and financial plans, as well as the interests of shareholders and balanced dividends. At least 10% of distributable earnings is allocated for distribution. However, if the dividend per share is lower than NT$0.5 when all distributable earnings is distributed, then the distributable earnings are retained and not distributed. Cash dividends may not be less than 10% of all dividends. However, cash dividends are not distributed when dividends per share is lower than NT$0.3 (inclusive), and stock dividends are distributed instead.

Pursuant to the Company Act, the amount of legal reserve must, at a minimum, equal the Company's total capital. The legal reserve may be used to offset losses. When the Company does not have any losses, the amount of legal reserve that surpasses 25% of paid-up capital may be capitalized and may also be distributed in cash.

The Company allocates and reverses special reserve according to Letter Jin-Guan-Zheng-Fa-Zi No. 1010012865, Letter Jin-Guan-Zheng-Fa-Zi No. 1010047490, and "Q&A for the allocation of special reserve after adopting the IFRSs."

The Company passed the 2019 and 2018 earnings distribution below in the Board meeting on March 6, 2020 and annual shareholders' meeting on June 12, 2019:

	Dividend distribution proposal		Dividends per share (NTD)	
	2019	2018	2019	2018
Legal reserve	$ 42,460	$ 30,293		
Cash dividends	318,254	198,909	$ 0.8	$ 0.5

The Company passed the 2020 earnings distribution below in the Board meeting on March 16, 2021:

	Dividend distribution proposal	Dividends per share (NTD)
Legal reserve	$ 22,811	
Special reserve	9,038	
Cash dividends	198,909	$ 0.5

The 2020 dividend distribution proposal will be resolved on in the annual general meeting in June 2021.

(IV) Special reserve

When the Consolidated Entity adopted the IFRSs for the first time, it allocated NT$505,112 thousand from unrealized upward revaluation and cumulative translation adjustments of retained earnings to special reserve due to the transition to IFRSs. The reason for allocation was eliminated due to the subsequent sale of property, plant and equipment and reversed NT$322 thousand of special reserve in 2013. Hence, the special reserve as at December 31, 2020 and 2019 were both NT$504,790 thousand.

(V) Other equity interests

1. Exchange differences arising from the translation of the financial statements of foreign operations

	2020	2019
Opening balance	($ 226,765)	($ 37,272)
Currency translation difference resulting from the translation of assets of foreign operations	(297,884)	(189,493)
Closing balance	($ 524,649)	($ 226,765)

2. Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income

	2020	2019
Opening balance	$ 15,085	$ 4,892
Generated in the current year		
Equity instruments – unrealized gains	(4,264)	10,193
Closing balance	$ 10,821	$ 15,085

XXI. Revenues

	2020	2019
Revenue from contracts with customers		
Revenue from merchandise sales	$ 8,441,531	$ 10,269,364
Service revenue	225	2,047
	$ 8,441,756	$ 10,271,411

(I) Contract balance

	December 31, 2020	December 31, 2019	January 1, 2019
Net notes and accounts receivable (Note 9)	$ 1,177,270	$ 1,406,396	$ 1,596,218
Contract liabilities			
Merchandise sales	$ 21,356	$ 6,103	$ 6,188

Changes to contract assets and contract liabilities are mainly from the difference between the time contractual obligations are fulfilled and the customer makes payment. There are no other material changes.

(II) Detailed revenues from contracts with customers: Please refer to Note 33.

XXII. Pre-tax profit

Net income from continuing operations includes the following item:

(I) Interest income

	2020	2019
Cash in banks	$ 27,107	$ 41,290
Other	58	-
	$ 27,165	$ 41,290

(II) Other income

	2020	2019
Rental income	$ 9,668	$ 5,206
Government grants revenue	10,283	1,392
Dividend income	334	5,328
Other	17,635	6,751
	$ 37,920	$ 18,677

(III) Other profits and losses

	2020	2019
Net foreign exchange losses	($ 129,187)	($ 29,393)
Net profit (loss) from financial liabilities at fair value through profit or loss	(4,784)	201
Net gains (losses) on disposal of property, plant and equipment	(27,420)	4,934
Other	(10,171)	(3,300)
	($ 171,562)	($ 27,558)

(IV) Financial costs

	2020	2019
Interest on bank borrowings	$ 48,090	$ 44,834
Interest on lease liabilities	194	182
Less: Costs of qualifying assets listed	(663)	(2,163)
	$ 47,621	$ 42,853

Information on capitalization of interest is as follows:

	2020	2019
Amount of interest capitalized	$ 663	$ 2,163
Interest capitalization rate (%)	0.99-1.16	1.09-1.16

(V) Depreciation and amortization

	2020	2019
Property, plant and equipment	$ 751,894	$ 748,497
Right-of-use assets	13,493	13,476
Investment properties	867	433
Computer software	7,923	4,120
	$ 774,177	$ 766,526
Summary of depreciation expenses by function		
Operating costs	$ 696,090	$ 674,829
Operating expenses	70,164	87,577
	$ 766,254	$ 762,406
Summary of amortization expenses by function		
Operating costs	$ 429	$ 141
Operating expenses	7,494	3,979
	$ 7,923	$ 4,120

(VI) Employee benefit expenses

	2020	2019

Short-term employee benefits	$ 1,203,535	$ 1,400,588
Post-employment benefit		
Defined contribution plan	42,780	55,356
Defined benefit plans (Note 19)	4,394	8,144
	47,174	63,500
Total employee benefit expenses	$ 1,250,709	$ 1,464,088
Summary by function		
Operating costs	$ 798,026	$ 937,064
Operating expenses	452,683	527,024
	$ 1,250,709	$ 1,464,088

(VII) Employee bonuses and directors' remuneration

Of the Company's pre-tax profit before distribution of employee bonuses and directors' remuneration, the Company allocates 3-5% as employee bonuses and no more than 3% as directors' remuneration in accordance with the Articles of Incorporation.

2020 and 2019 employee bonuses were estimated at 3.5% of pre-tax profit mentioned above. The potential amount of director remuneration is estimated based on past experience. Employee bonuses and directors' remuneration in 2020 and 2019 will be distributed in cash according to resolutions adopted by the Board of Directors on March 16, 2021 and March 6, 2020:

	2020	2019
Employee bonuses	$ 10,313	$ 19,369
Directors' remuneration	6,187	11,621

Any changes to amounts after the consolidated financial statements are passed and announced will be handled as changes to accounting estimates, and will be adjusted and recognized in the following year.

There were no deviations in the actual amount of employee bonuses and directors' remuneration distributed from the amounts recognized in the consolidated financial statements in 2019 and 2018.

For information on Board resolutions relating to employee bonuses and directors' remuneration, please go to the Market Observation Post System of the Taiwan Stock Exchange.

(VIII) Foreign exchange gains (losses)

	2020	2019
Total foreign exchange gains	$ 177,746	$ 285,130
Total foreign exchange losses	(306,933)	(314,523)
Net loss	($ 129,187)	($ 29,393)

XXIII. Income tax

(I) Income tax recognized in profit or loss

Main income tax expenses are as follows:

	2020	2019
Current income tax		
Generated in the current year	$ 124,331	$ 170,467
Additional surtax on undistributed earnings	-	217
Adjustments in the previous year	(15,622)	(6,269)
	108,709	164,415
Deferred income tax		
Generated in the current year	17,532	45,811
Income tax expense recognized in profit or loss	$ 126,241	$ 210,226

Adjustments to accounting income and income tax expense are as follows:

	2020	2019
Pre-tax profit from continuing operations	$ 344,253	$ 640,646
Income tax expense on pre-tax profit calculated at the statutory tax rate	$ 135,177	$ 207,675
Tax effect of adjustments		
Non-deductible tax expenses	780	8,971
Unrecognized (not deducted) losses carried forward and temporary difference	5,906	(368)
Additional surtax on undistributed earnings	-	217
Adjustments in the current year to current income tax expense of the previous year	(15,622)	(6,269)
Income tax expense recognized in profit or loss	$ 126,241	$ 210,226

The President of the R.O.C. promulgated an amendment to the Statute for Industrial Innovation in July 2019, which specified assets or technologies constructed or purchased using undistributed earnings that may be listed as deductibles of undistributed earnings starting in 2018. When the Consolidated Entity was calculating undistributed earnings in 2020 and 2019, the amount of capital expenditures invested using 2019 and 2018 undistributed earnings were deducted.

Overseas subsidiaries pay taxes according to the tax rate prescribed by the local government, the tax rates are as follows:

	2020	2019
SFV	15%	15%
PTS	25%	25%
Dongguan Baoliang	25%	25%

(II) Income tax recognized in other comprehensive income

	2020	2019
Deferred income tax expense (gain)		
Generated in the current year		
Remeasurements of the net defined benefit	$ 2,605	($ 1,284)

(III) Current income tax assets and liabilities

	December 31, 2020	December 31, 2019
Current income tax assets		
Tax refunds receivable	$ 54,897	$ 15,079
Current income tax liabilities		
Income tax payable	$ 125,670	$ 100,008

(IV) Deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities are as follows:

2020

Deferred income tax assets	Opening balance	Listed in income	Recognized in other comprehensive income	Closing balance
Temporary difference				
Defined benefit plan	$ 21,337	($ 299)	($ 2,605)	$ 18,433
Inventory loss	29,897	5,235	-	35,132
Unrealized gains from subsidiaries	17,167	(10,581)	-	6,586
Other	6,030	3,705	-	9,735
	$ 74,431	($ 1,940)	($ 2,605)	$ 69,886

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	Opening balance	Listed in income	Recognized in other comprehensive income	Closing balance
Deferred income tax liabilities				
Temporary difference				
Overseas investment gains recognized under the equity method	$ 701,220	$ 15,592	$ -	$ 716,812
Provision for land value increment tax	414,430	-	-	414,430
Other	9	-	-	9
	$1,115,659	$ 15,592	$ -	$1,131,251

2019

	Opening balance	Listed in income	Recognized in other comprehensive income	Closing balance
Deferred income tax assets				
Temporary difference				
Defined benefit plan	$ 20,103	($ 50)	$ 1,284	$ 21,337
Inventory loss	19,170	10,727	-	29,897
Unrealized gains from subsidiaries	18,426	(1,259)	-	17,167
Other	2,620	3,410	-	6,030
	$ 60,319	$ 12,828	$ 1,284	$ 74,431
Deferred income tax liabilities				
Temporary difference				
Overseas investment gains recognized under the equity method	$ 642,430	$ 58,790	$ -	$ 701,220
Provision for land value increment tax	414,430	-	-	414,430
Other	160	(151)	-	9
	$1,057,020	$ 58,639	$ -	$1,115,659

(V) Items and amounts of deferred income tax assets not recognized in the consolidated balance sheet

	December 31, 2020	December 31, 2019
Losses carried forward		
Matures in 2020	-	$ 23,504
Matures in 2021	17,747	17,747
Matures in 2022	17,508	17,508
Matures in 2023	22,934	22,934
Matures in 2025	8,564	8,564
Matures in 2026	8,040	8,040
Matures in 2027	297	297
Matures in 2028	102	102
Matures in 2029	7,171	6,216
Matures in 2030	25,058	-
	$ 107,421	$ 104,912

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	December 31, 2020	December 31, 2019
Deductible temporary differences		
International investment impairment losses	$ 31,369	$ 31,369
Other	8,648	4,174
	$ 40,017	$ 35,543

(VI) Information on unused losses carried forward

As of December 31, 2020, information on losses carried forward is as follows:

Unused balance	Final year for the carry forward
$ 17,747	2021
17,508	2022
22,934	2023
8,564	2025
8,040	2026
297	2027
102	2028
7,171	2029
25,058	2030
$ 107,421	

(VII) Temporary difference in unrecognized deferred income tax liabilities related to investments in subsidiaries

The taxable temporary difference of unrecognized deferred income tax liabilities related to investments in subsidiaries was NT$2,366,744 thousand and NT$2,748,214 thousand as at December 31, 2020 and 2019, respectively.

(VIII) Approval of income tax

The Company's income tax returns up to 2018 have been approved by the tax authority.

XXIV. EPS

EPS and weighted average ordinary shares are calculated below:

(I) Net profit for the year – Net income attributable to owners of the Company

	2020	2019
Net profit for the year	$ 218,012	$ 430,420

(II) Shares (thousand shares)

	2020	2019
Number of shares used to calculate basic EPS	397,818	397,818
Plus: Employee bonuses	626	922
Number of shares used to calculate diluted EPS	398,444	398,740

If the Company choses to distribute employee bonuses in shares or cash, then it is assumed that all distribution will be in shares, which will dilute ordinary shares, and the diluted EPS is calculated based on the weighted-average number of ordinary shares outstanding. When calculating the diluted EPS before deciding to distribute employee bonuses in the following year, the potential dilution of ordinary shares will continue to be taken into consideration.

XXV. Capital risk management

The Consolidated Entity engages in capital management to ensure that companies in the group can maximize return for shareholders by optimizing the balance of liabilities and equity, under the premise that they are able to continue as a going concern.

The Consolidated Entity's capital structure consists of net liabilities (i.e., loans less cash and cash equivalents) and equity attributable to owners of the Company (i.e., share capital, capital surplus, retained earnings, and other equity interests).

The Consolidated Entity's management periodically examines the group's capital structure, and takes into consideration the cost of various capital and related risks. The Consolidated Entity will balance its overall capital structure via dividend distribution, issuance of new shares, borrowing new debt, and repaying old debt according to recommendations of management.

The Consolidated Entity is not required to comply with other external capital related regulations.

XXVI. Financial instruments

(I) Information on fair value – Financial instruments not measured at fair value

Management of the Consolidated Entity believes that the book value of financial assets and financial liabilities not measured at fair value is near the fair value.

(II) Information on fair value – Financial instruments measured at fair value on a recurring basis

1. Fair value level

	Level 1	Level 2	Level 3	Total
December 31, 2020				
Financial assets at fair value through other comprehensive income				
Securities of public company in Taiwan	$ 51,618	$ -	$ -	$ 51,618
Securities of non-public company in Taiwan	-	-	5,030	5,030
	$ 51,618	$ -	$ 5,030	$ 56,648
Financial liabilities at fair value through profit or loss				
Derivatives (not designated for hedging)	$ -	$ 4,843	$ -	$ 4,843
December 31, 2019				
Financial assets at fair value through other comprehensive income				
Securities of public company in Taiwan	$ 56,245	$ -	$ -	$ 56,245
Securities of non-public company in Taiwan	-	-	4,667	4,667
	$ 56,245	$ -	$ 4,667	$ 60,912

There was no transfer of level 1 and level 2 fair value measurements in 2020 and 2019.

2. Financial instruments are adjusted at level 3 fair value measurement.

Financial assets at fair value through other comprehensive income	2020	2019
Opening balance	$ 4,667	$ 4,945
Recognized in other comprehensive income	363	(278)
Closing balance	$ 5,030	$ 4,667

3. Valuation technique and input values for level 2 fair value

Type of financial instrument	Valuation technique and input values
Derivatives – FX swap	Discounted cash flow method: Future cash flows are estimated based on the forward exchange rate at the end of period and the exchange rate specified in the contract, and are discounted using a rate that reflects on the credit risk of each counterparty.

4. Valuation technique and input values for level 3 fair value

When the Consolidated Entity is measuring the fair value of stocks without a quoted price, the fair value is determined by management after referencing the company's net worth.

(III) Financial instruments by category

	December 31, 2020	December 31, 2019
Financial assets		
Financial assets at amortized cost (Note 1)	$ 7,119,935	$ 6,093,166
Financial assets at fair value through other comprehensive income (investment in equity instruments)	56,648	60,912
Financial liabilities		
Measured at amortized cost (Note 2)	6,009,732	5,449,777
Financial liabilities at fair value through profit or loss (held for trading)	4,843	-

Note 1: The balance includes cash and cash equivalents, notes and accounts receivable (including related parties), other financial assets – current, refundable deposits, and other financial assets at amortized cost.

Note 2: The balance includes short-term borrowings, short-term notes and bills payable, accounts payable, other accounts payable, long-term borrowings (including those that mature within one year), deposit received, and other financial liabilities at amortized cost.

(IV) The purpose and policy of financial risk management

The Consolidated Entity's main financial instruments include cash and cash equivalents, notes and accounts receivable, other financial assets, accounts payable, short-term notes and bills payable, other payables, long-term and short-term borrowings, and lease liabilities. The Consolidated Entity's financial management department provides services to sales units, coordinates operations in domestic and international financial markets, and analyzes exposure based on the level and extent of risks, in order to supervise and manage financial risks related to the Consolidated Entity's operations. Risks include market risk (including foreign exchange risk, interest rate risk, and other price risk), credit risk, and liquidity risk.

1. Market Risk

The main financial risk of the Consolidated Entity due to business activities is the risk of changes in exchange rates (please refer to (1) below) and changes in interest rates (please refer to (2) below).

(1) Foreign exchange risk

The Company and several subsidiaries engage in sales and purchase of goods denominated in foreign currencies, which expose the Consolidated Entity to the risk of exchange rate changes. The Consolidated Entity manages its exposure to foreign exchange risk using FX options and swaps within the scope permitted by policy.

Please see Note 31 for the book value of the Consolidated Entity's monetary assets and liabilities not denominated in the functional currency on the balance sheet date (including monetary items not denominated in the functional currency on the consolidated financial statements).

Sensitivity analysis

The sensitivity analysis mainly calculates foreign currency-denominated monetary items during the financial reporting period. The Consolidated Entity is mainly affected by exchange rate fluctuations of USD, RMB, IDR, and VND.

The sensitivity ratio used in reports on foreign exchange risk for management of the Consolidated Entity is 1%, which also represents management's evaluation of the reasonable scope of fluctuations in exchange rates. The sensitivity analysis only includes outstanding foreign currency-denominated monetary items, and the conversion at the end of period is adjusted using 1% change in exchange rates. The positive number in the table below is the amount that pre-tax profit will increase (decrease) when the functional currency depreciates 1% against related currencies. The effect on pre-tax profit will be negative (positive) the same amount when the functional currency appreciates 1% against related currencies.

	Effect on income	
	2020	2019
USD	$ 34,926	$ 13,726
RMB	755	525
IDR	88	50
VND	1,998	(397)

(2) Interest rate risk

The Consolidated Entity is exposed to interest rate risk when companies finance using both fixed and floating interest rates at the same time. The Consolidated Entity manages its interest rate risk by maintaining an appropriate portfolio of fixed and floating interest rates.

The book value of the Consolidated Entity's financial assets and liabilities that are exposed to interest rate risk on the balance sheet date is as follows:

	December 31, 2020	December 31, 2019
Has interest rate risk for cash flow		
Financial assets	$ 3,707,705	$ 2,526,187
Financial liabilities	3,381,000	2,410,375

The Consolidated Entity has also determined that the fair value risk of its fixed interest rate time deposits, bonds issued under repurchase agreement, short-term borrowings, short-term notes and bills payable, and lease liabilities is not material.

Sensitivity analysis

The following sensitivity analysis is determined based on the interest rate exposure of non-derivatives on the balance sheet date. The method for analyzing floating interest rate assets and liabilities assumes that the amount of assets and liabilities outstanding on the balance sheet date were outstanding throughout the reporting period.

The sensitivity ratio used in reports on interest rate risk for management of the Consolidated Entity is an increase or decrease of 1%, which also represents management's evaluation of the reasonable scope of fluctuations in interest rates.

If annual interest rate increases/decreases 1% while all other variables remain the same, the Consolidated Entity's pre-tax profit will increase/decrease NT$3,267 thousand and NT$1,158 thousand in 2020 and 2019, respectively, and is mainly due to the Consolidated Entity's floating interest rate bank deposits and loans.

(3) Other price risks

The Consolidated Entity is exposed to the risk of equity prices due to its investments in equity securities. The equity investments are strategic investments and not held for trading. The Consolidated Entity does not actively engage in such investments.

Sensitivity analysis

The following sensitivity analysis is conducted using the equity price on the balance sheet date.

If the price of equity increases/decreases by 1%, other comprehensive income in 2020 and 2019 will increase/decrease NT$566 thousand and NT$609 thousand, respectively, due to the increase/decrease in fair value of financial assets at fair value through other comprehensive income.

2. Credit risk

Credit risk refers to the risk of financial loss to the Group arising from default by counterparties. As of the balance sheet date, the Consolidated Entity's greatest credit risk exposure to financial losses caused by transaction counterparties failing to fulfill their obligations is in the book value of financial assets recognized on the consolidated balance sheet.

The Consolidated Entity's policy is to only engage in transactions with counterparties that have a good reputation, and also uses other financial information available to the public along with transaction records to evaluate major customers. The Consolidated Entity continues to monitor its exposure to credit risk and evaluates the credit of transaction counterparties, using annual credit limits with transaction counterparties to control credit risk exposure.

The Company's credit risk is mainly concentrated in accounts receivables of the following companies:

	December 31, 2020	December 31, 2019
Group A	$ 241,328	$ 358,284
Group B	128,683	127,685
Group C	89,633	146,395
	$ 459,644	$ 632,364

The abovementioned companies accounted for 39% and 46% of accounts receivable for the years ended December 31, 2020 and 2019, respectively.

3. Liquidity risk

The Consolidated Entity manages and maintains an adequate position of cash and cash equivalents to support the group's operations and mitigate the effect of cash flow fluctuations. Management of the Consolidated Entity supervises the usage of bank credit limit and ensures compliance with terms of loan agreements. Bank borrowings are an important source of the Consolidated Entity's liquidity. Unused long-term and short-term credit limits of the Consolidated Entity was NT$2,275,000 thousand and NT$2,045,000 thousand for the years ended December 31, 2020 and 2019, respectively.

Non-derivative financial liabilities and interest rate risk

Maturity analysis of remaining non-derivative financial liabilities is prepared based on the non-discounted cash flow (including principal and estimated interest) of financial liabilities up to the earliest date that the liabilities may need to be repaid by the Consolidated Entity. Hence, bank borrowings that the Consolidated Entity may be required to immediately repay are listed in the earliest period in the table below without considering the probability that the bank immediately exercises the right. Maturity analysis of other non-derivative financial liabilities is prepared according to the agreed repayment date.

For cash flow from interests paid using floating interest rates, the non-discounted amount of interest is estimated using the interest rate on the balance sheet date.

	Within 6 months	6 months to 1 year	1 year and above	Total
December 31, 2020				
Non-derivative financial liabilities				
No interest-bearing debt	$1,311,552	$ 1,940	$ 15,268	$1,328,760
Lease liabilities	4,160	2,920	7,954	15,034
Floating-rate tools	224,373	752,676	2,482,687	3,459,736
Fixed-rate tools	1,301,384	-	-	1,301,384
	$2,841,469	$ 757,536	$2,505,909	$6,104,914
December 31, 2019				
Non-derivative financial liabilities				
No interest-bearing debt	$1,308,715	$ 11,007	$ 19,692	$1,339,414
Lease liabilities	4,709	3,006	9,307	17,022
Floating-rate tools	117,578	566,130	1,793,903	2,477,611
Fixed-rate tools	1,701,707	-	-	1,701,707
	$3,132,709	$ 580,143	$1,822,902	$5,535,754

XXVII. Related Party Transactions

Transactions, account balances, gains, and losses between companies of the Consolidated Entity were eliminated and therefore not disclosed in this note. Transactions between the Consolidated Entity and related parties are as follows:

(I) Name and relationship of related parties

Name of related party	Relationship with the Consolidated Entity
Pou Chen Corporation	Parent company of investor with significant influence
Yue Yuen Industrial (Holdings) Ltd.	Investor with significant influence
Baoyuan Industrial (Group) Co., Ltd.	Subsidiary of investor with significant influence

(II) Operating revenue

General ledger account	Type/Name of related party	2020	2019
Sales revenue	Investor with significant influence		
	Yue Yuen Industrial (Holdings) Ltd.	$ 1,328,168	$ 1,803,716
	Parent company of investor with significant influence	315,936	407,280
		$ 1,644,104	$ 2,210,996

There are no significant differences in the prices of goods sold by the Consolidated Entity to the related parties above and terms of payment compared to other customers.

(III) Receivables from related parties (excluding loans to related parties)

General ledger account	Type/Name of related party	December 31, 2020	December 31, 2019
Accounts receivable – related parties	Investor with significant influence		
	Yue Yuen Industrial (Holdings) Ltd.	$ 241,328	$ 358,284
	Parent company of investor with significant influence	41,571	72,440
		$ 282,899	$ 430,724

(IV) Compensation for management

	2020	2019
Short-term employee benefits	$ 28,721	$ 36,884
Post-employment benefit	392	477
	$ 29,113	$ 37,361

Remuneration of directors and management is decided by the Remuneration Committee based on individual performance and market trends.

XXVIII. Pledged Assets

The Consolidated Entity provided the following assets as collateral for bank borrowings:

	December 31, 2020	December 31, 2019
Property, plant and equipment – net	$ 1,538,597	$ 1,548,665
Investment properties – net	111,790	112,657
	$ 1,650,387	$ 1,661,322

XXIX. Significant Contingent Liabilities and Unrecognized Contractual Commitments

The Consolidated Entity made the following major commitments on the balance sheet date:

(I) The Consolidated Entity's balance of issued but unutilized L/C for the purchase of raw materials is as follows:

Unit: Foreign currency (in thousands)

	December 31, 2020	December 31, 2019
JPY	$ -	$ 98,800
RMB	-	1,344

(II) Property, plant and equipment purchase contracts not listed by the Consolidated Entity are as follows:

	December 31, 2020	December 31, 2019
Acquisition of property, plant and equipment	$ 143,024	$ 318,842

XXX. Other Matters

The Consolidated Entity was impacted by the COVID-19 pandemic, some overseas subsidiaries suspended work in their factories and countries imposed lockdown, which resulted in a decrease in purchase orders placed by customers, and operating revenue in Q2 and Q3 2020 significantly decreased compared with the same period last year. As the pandemic has subsided and economic activity continues to pick up, operating revenue has stably increased in Q4 2020, and the Consolidated Entity expects business to gradually recover.

XXXI. Exchange Rate Information of on Foreign-Currency Financial Assets and Liabilities

The following information is a summary of foreign currencies that are not the functional currency of companies in the Consolidated Entity, and the exchange rate disclosed is the exchange rate for converting foreign currencies to the functional currency. Foreign currency assets and liabilities with a significant impact are as follows:

Unit: Foreign currencies (in thousands): Exchange rate: NTD

December 31, 2020	Foreign currencies	Exchange rate		Book value
Monetary financial assets				
USD	$ 111,066	28.48	(USD: NTD)	$ 3,163,160
USD	18,448	6.53061	(USD: RMB)	525,396
RMB	9,566	0.15313	(RMB: USD)	41,717
RMB	14,877	4.361	(RMB: NTD)	64,881
IDR	5,717,259	0.00007	(IDR: USD)	11,606
VND	216,511,920	0.00004	(VND: USD)	240,328
Monetary financial liabilities				
USD	3,427	28.48	(USD: NTD)	97,602
USD	3,455	6.53061	(USD: RMB)	98,390
RMB	7,135	0.15313	(RMB: USD)	31,114
IDR	1,381,775	0.00007	(IDR: USD)	2,805
VND	36,487,108	0.00004	(VND: USD)	40,501

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December 31, 2019	Foreign currencies	Exchange rate		Book value
Monetary financial assets				
USD	$ 62,082	29.98	(USD: NTD)	$ 1,861,232
USD	15,962	6.98997	(USD: RMB)	478,526
RMB	9,083	0.14306	(RMB: USD)	38,957
RMB	10,320	4.289	(RMB: NTD)	44,263
IDR	8,778,738	0.00007	(IDR: USD)	19,138
VND	8,186,078	0.00004	(VND: USD)	9,578
Monetary financial liabilities				
USD	28,355	29.98	(USD: NTD)	850,091
USD	3,904	6.98997	(USD: RMB)	117,052
RMB	7,153	0.14306	(RMB: USD)	30,679
IDR	6,492,356	0.00007	(IDR: USD)	14,153
VND	42,160,376	0.00004	(VND: USD)	49,327

The Consolidated mainly bears the foreign exchange risk above. The following information is a summary presented in the functional currency of individual companies that hold foreign currencies, and the exchange rate disclosed is the exchange rate for converting foreign currencies to the functional currency. Foreign exchange gain/loss (realized and unrealized) with a significant impact are as follows:

Functional currency	Functional currency to presentation currency		Net exchange gain (loss)
2020			
USD	29.549	(USD: NTD)	($ 5,102)
RMB	4.266	(RMB: NTD)	28,735
NTD	1	(NTD: NTD)	105,554
			($ 129,187)
2019			
USD	30.912	(USD: NTD)	$ 2,276
RMB	4.456	(RMB: NTD)	(7,028)
NTD	1	(NTD: NTD)	(24,641)
			($ 29,393)

XXXII. Additional Disclosures

(I) Information on major transactions and investees

1. Lending to others: See Table 1 for details.
2. Providing endorsements or guarantees to others: See Table 2 for details.
3. Holding of marketable securities at the end of the period (excluding investments in subsidiaries): See Table 3 for details.
4. Acquisition or sale of the same security with the accumulated cost exceeding NT$300 million or 20% of paid-in capital: None.

5. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.
6. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.
7. Purchase or sale of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: See Table 4 for details.
8. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: See Table 5 for details.
9. Derivatives trading: See Note 7 for details.
10. Other: The business relationship and major transactions between intra-group companies: See Table 8 for details.
11. Information on the investee: See Table 6 and Table 7 for details.

(II) Information on Investments in China

1. Name of investee in China, main business items, paid-in capital, investment style, outward/inward remittance, shareholding ratio, income on investment, book value of investments at end of period, income on investment remitted back to Taiwan, and limit on investments in China: See Table 7 for details.
2. Direct or indirect material transactions with investees in China through a third region, and the price, terms of payment, and unrealized gains:

(1) Amount and percentage of goods purchased and the ending balance and percentage of payables

	Purchase of goods		Accounts payable	
	Amount	As a percentage of the account (%)	Amount	As a percentage of the account (%)
Dongguan Baoliang	$ 56,493	1	$ 1,913	1

(2) Amount and percentage of goods sold and the ending balance and percentage of receivables

	Sales		Accounts receivable	
	Amount	As a percentage of the account (%)	Amount	As a percentage of the account (%)
Dongguan Baoliang	$ 502,688	7	$ 69,628	1

(3) Property transaction amount and the profit or loss amount: None.

(4) Ending balance and purpose of endorsements/guarantees or collateral: None.

(5) Highest balance, ending balance and interest rate range of financing and total interest in the current period: None.

(6) Other transactions, such as the providing or accepting services, that have a material impact on current profit or loss or financial position:

Purchased NT$111,178thousand (profit included) in raw materials for Dongguan Baoliang in 2020, and other receivables from Donguan Baoliang was NT$5,686 thousand as of December 31, 2020.

(III) Information on major shareholders: Name of shareholder with 5% shareholding or above, number of shares held, and ratio: See Table 9 for details.

XXXIII. Segment Information

Segment information is provided to the main decision-maker to allocate resources and assess segment performance. When preparing the consolidated financial statements, the Consolidated Entity considers region and products or services provided as factors for identifying operating segments, and views the operating segments as a single operating segment. The Consolidated Entity's operating segments are as follows, in which (I)-(IV) are reportable segments:

(I) San Fang Chemical Industry Co., Ltd. – Manufacturing and sales of artificial leather, synthetic resin, and other materials

(II) San Fang Development, BBH, San Fang International, and subsidiary MPL, Dongguan Baoliang, and GTL.

(III) GII and subsidiary SFV(GII).

(IV) JOB and subsidiary PTS (PTS).

(II)-(IV) above mainly engage in the production of PU synthetic leather and artificial leather, and the production and processing of synthetic resin and other materials.

(V) Foretrol Precision Materials Co., Ltd. and Bestac Advanced Material Co., Ltd.

(VI) Forich Advanced Materials Co., Ltd.

(V)-(VI) above is mainly in the business of chemical product manufacturing and sales.

(VII) San Fang Development, San Fang Financial Holdings, and GCL – Mainly in the financial holdings and investment business.

Department revenue and business results

The Consolidated Entity's revenue and operating results, as well as assets by reportable segment are analyzed below:

	San Fang Chemical Industry Co., Ltd.	San Fang Development	GII	PTS	Other	Adjustment and retired	Total
2020							
Revenue from customers other than the parent company and its subsidiaries	$ 5,446,912	$ 1,282,647	$ -	$ 1,585,484	$ 126,713	$ -	$ 8,441,756
Revenue from the parent company and its subsidiaries	1,339,934	47,393	752,319	96,537	158,810	(2,394,993)	-
Total revenue	$ 6,786,846	$ 1,330,040	$ 752,319	$ 1,682,021	$ 285,523	($ 2,394,993)	$ 8,441,756
Department income (loss)	$ 358,237	($ 3,815)	($ 107,369)	$ 269,491	($ 18,193)	$ -	$ 498,351
Interest income							27,165
Other income							37,920
Other profits and losses							(171,562)
Financial costs							(47,621)
Pre-tax profit							344,253
Income tax expense							126,241
Net profit after tax							$ 218,012
Identifiable assets	$ 8,064,904	$ 2,594,548	$ 3,681,012	$ 1,707,698	$ 704,222	($ 1,468,143)	$ 15,284,241
Non-current financial assets at fair value through other comprehensive income							56,648
Total assets							$ 15,340,889
2019							
Revenue from customers other than the parent company and its subsidiaries	$ 6,068,538	$ 2,110,921	($ 5,275)	$ 2,015,559	$ 81,668	$ -	$ 10,271,411
Revenue from the parent company and its subsidiaries	1,979,516	56,218	938,917	182,359	109,492	(3,266,502)	-
Total revenue	$ 8,048,054	$ 2,167,139	$ 933,642	$ 2,197,918	$ 191,160	($ 3,266,502)	$ 10,271,411
Department income (loss)	$ 291,428	$ 63,909	($ 45,525)	$ 349,378	($ 8,100)	$ -	$ 651,090
Interest income							41,290
Other income							18,677
Other profits and losses							(27,558)
Financial costs							(42,853)
Pre-tax profit							640,646
Income tax expense							210,226
Net profit after tax							$ 430,420
Identifiable assets	$ 7,670,232	$ 2,711,236	$ 3,981,827	$ 1,733,816	$ 403,787	($ 1,425,739)	$ 15,075,159
Non-current financial assets at fair value through other comprehensive income							60,912
Total assets							$ 15,136,071

Department income (loss) refers to the profits (losses) earned (generated) by each department, and does not include non-operating income and expenditure, as well as income tax expenses. This amount is mainly used by the primary business decision-maker for allocating resources to departments and evaluating their performance.

Furthermore, for the purpose of supervising segment performance and allocating resources to each segment, except for non-current financial assets at fair value through other comprehensive income, all assets are distributed to the department they should be reported by.

(I) Other segment information

	Depreciation and amortization	
	2020	2019
San Fang Chemical Industry Co., Ltd.	$ 414,324	$ 383,778
San Fang Development	79,661	79,164
GII	221,038	229,687
PTS	46,631	60,581
Other	12,523	13,316
	$ 774,177	$ 766,526

(II) Revenue from main products and services

Revenue from main products and services of the surviving company is analyzed below:

	2020	2019
Wet-processed synthetic leather	$ 4,703,136	$ 6,322,965
Dry-processed synthetic leather	1,944,070	2,206,301
Microfiber artificial leather	587,303	784,236
Other	1,207,247	957,909
	$ 8,441,756	$ 10,271,411

(III) Information by region

The Consolidated Entity's revenue from continuing operations of external customers is listed by the location of the customer's operations and the location of non-current assets:

	Revenue from external customers		Non-current assets	
	2020	2019	December 31, 2020	December 31, 2019
Taiwan	$ 828,038	$ 928,038	$ 4,000,877	$ 4,201,075
China and Hong Kong	1,470,370	2,415,425	339,774	407,233
Southeast Asia	5,850,215	6,850,765	1,853,387	1,993,750
Other	293,133	77,183	-	-
	$ 8,441,756	$ 10,271,411	$ 6,194,038	$ 6,602,058

Non-current assets include financial assets, deferred income tax assets, and goodwill.

(IV) Information on important customers

Individual customers that accounted for 10% and above of the Consolidated Entity's net operating revenues in 2020 and 2019 are as follows:

	2020		2019	
	Amount	As a percentage of net operating revenues (%)	Amount	As a percentage of net operating revenues (%)
Group A	$ 1,328,168	16	$ 1,803,716	18
Group B	1,128,261	13	1,226,332	12
	$ 2,456,429		$ 3,030,048	

San Fang Chemical Industry Co., Ltd. and Subsidiaries
Lending to others
From January 1 to December 31, 2020

Table1

Unit: All amounts are in thousand NTD, unless otherwise specified

No.	Lender	Borrower	General ledger account	Is it a related party	Highest balance in the current period	Closing balance	Actual amount drawn down	Interest rate range (%)	Nature of loan	Amount of transaction	Reason for short-term financing	Provision for doubtful debts	Collateral		Limit on loans granted to a single party	Limit on total lending	Remarks
													Name	Value			
1	GII	SFV	Long-term accounts receivable	Yes	$ 939,840	$ 939,840	$ 939,840	1	Short-term financing	$ -	Working capital	$ -	-	$ -	$ 3,239,546	$ 3,239,546	Note 1, Note 2, and Note 3

Note 1: Limit on lending to a single party: Lending due to business dealings may not exceed the total transaction amount in the most recent 1 year or in the current year up to the time the loan is approved. Lending to meet short-term financing needs may not exceed 10% of the company's net worth. If the Company directly or indirectly holds 100% of the overseas company's shares with voting rights, then the loan may not exceed the company's net worth.

Note 2: Limit on total lending: Total lending to a company may not exceed 40% of the company's net worth (lending due to business dealings may not exceed 30% of the company's net worth, short-term loans may not exceed 20% of the company's net worth). If the Company directly or indirectly holds 100% of the overseas company's shares with voting rights, then the loan may not exceed the company's net worth.

Note 3: Already written off when preparing the consolidated financial statements.

San Fang Chemical Industry Co., Ltd. and Subsidiaries
Providing endorsements/guarantees to others
From January 1 to December 31, 2020

Table 2

Unit: All amounts are in thousand NTD, unless otherwise specified

No.	Name of company	Entity for which the endorsement/guarantee is made: Company name	Entity for which the endorsement/guarantee is made: Relationship	Limit on endorsements/guarantees to a single enterprise	Maximum outstanding balance of endorsements/guarantees during the current period	Closing balance of endorsements/guarantees	Actual amount drawn down	Endorsed/Guaranteed amount with property as collateral	Cumulative endorsed/guaranteed amount as a percentage of the net worth in the most recent financial statements (%)	Maximum endorsed/guaranteed amount	Endorsement/Guarantee provided by parent company to subsidiary	Endorsement/Guarantee provided by subsidiary to parent company	Endorsement/Guarantee provided to China	Remarks
0	San Fang Chemical Industry Co., Ltd.	Bestac Advanced Material Co., Ltd.	Subsidiary	$ 397,818	$ 50,000	$ 50,000	$ 10,000	$ -	0.60	$ 1,989,090	Y	N	N	Note 1, Note 2

Note 1: The limit on guarantee to a single enterprise is paid-in capital × 10%.
Note 2: The limit on guarantees is paid-in capital × 50%.

San Fang Chemical Industry Co., Ltd. and Subsidiaries
Detailed list of securities held at the end of period
December 31, 2020

Table 3

Unit: All amounts are in thousand NTD, unless otherwise specified

Securities held by	Type and name of security	Relationship with securities issuer	General ledger account	End of period				Remarks
				Number of shares or units	Book value	Shareholding ratio (%)	Market price (net value of equity)	
San Fang Chemical Industry Co., Ltd.	Stock							
	Yuanta Financial Holding Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	534,834	$ 10,991	-	$ 10,991	
	Yeashin International Development Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	1,688,042	28,190	0.48	28,190	
	Liyu Venture Capital	The Company is an institutional director of Liyu Venture Capital	Non-current financial assets at fair value through other comprehensive income	558,255	5,030	4.76	5,030	
					$ 44,211		$ 44,211	
San Fang Financial Holdings Co., Ltd.	Stock							
	Yentai Wanhua Microfibre Co., Ltd.	-	Noncurrent financial assets at fair value through profit or loss	4,000,000	$ -	8	$ -	
	Taihuangdao Fusheng Chemical and Leather-making Co., Ltd.	-	Noncurrent financial assets at fair value through profit or loss		-	7.29	-	
					$ -		$ -	
Forich Advanced Materials Co., Ltd.	Stock							
	Yeashin International Development Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	744,684	$ 12,437	0.22	$ 12,437	

San Fang Chemical Industry Co., Ltd. and Subsidiaries
Purchase or sale of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more
From January 1 to December 31, 2020

Table 4

Unit: All amounts are in thousand NTD, unless otherwise specified

Purchaser/Seller	Counterparty	Relationship	Transaction: Purchases (sales)	Transaction: Amount	Transaction: Percentage of total purchases (sales) (%)	Transaction: Credit period	Differences in transaction terms compared to third party transactions: Unit price	Differences in transaction terms compared to third party transactions: Credit period	Notes/accounts receivable (payable): Balance	Notes/accounts receivable (payable): Percentage of total notes/accounts receivable (payable)	Remarks
San Fang Chemical Industry Co., Ltd.	PTS	Subsidiary	Sales	($ 805,274)	(12)	Open account 30-120 days	There are no general transaction terms for price comparison	The general transaction term is open account 120 days	$ 72,109	8	Note 1
	Dongguan Baoliang	Subsidiary	Sales	(502,688	(7)	Open account 30-90 days	There are no general transaction terms for price comparison	The general transaction term is open account 60 days	69,628	8	Note 1
	Pou Chen (Group)	Parent company of investor with significant influence	Sales	(315,936)	(5)	Open account 30-90 days	General transaction terms	General transaction terms	41,571	5	-
	Yue Yuen (Group)	Investor with significant influence	Sales	(678,774)	(10)	Open account 30-90 days	General transaction terms	General transaction terms	97,274	11	-
Dongguan Baoliang	San Fang Chemical Industry Co., Ltd.	Parent company	Sales	613,866	72	Open account 30-90 days	There are no general transaction terms for price comparison	The general transaction term is open account 60 days	(75,314)	(19)	Note 1 and Note 2
	Yue Yuen (Group)	Investor with significant influence	Sales	(235,449)	(17)	Open account 30-60 days	General transaction terms	General transaction terms	38,511	24	-
PTS	San Fang Chemical Industry Co., Ltd.	Parent company	Sales	906,271	88	Open account 30-120 days	There are no general transaction terms for price comparison	The general transaction term is open account 120 days	(137,458)	(53)	Note 1 and Note 2
	Yue Yuen (Group)	Investor with significant influence	Sales	(413,945)	(26)	Open account 30-60 days	General transaction terms	General transaction terms	105,543	37	-
Forich Advanced Materials Co., Ltd.	San Fang Chemical Industry Co., Ltd.	Parent company	Sales	(114,497)	(98)	Open account 60 days	There are no general transaction terms for price comparison	General transaction terms	12,868	97	Note 1
Bestac Advanced Material Co., Ltd.	San Fang Chemical Industry Co., Ltd.	Parent company	Sales	100,493	98	Open account 120 days	There are no general transaction terms for price comparison	General transaction terms	(99,012)	(90)	Note 1 and Note 2

Note 1: Already written off when preparing the consolidated financial statements.
Note 2: Includes the amount of raw materials purchased.

San Fang Chemical Industry Co., Ltd. and Subsidiaries
Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more
December 31, 2020

Table 5

Unit: All amounts are in thousand NTD, unless otherwise specified

Creditor	Counterparty	Relationship	Balance of receivables from related parties	Turnover rate	Overdue receivables from related parties		Amount of receivables from related parties collected subsequent to the balance sheet date	Provision for doubtful debts
					Amount	Action taken		
San Fang Chemical Industry Co., Ltd.	GCL	Subsidiary	$ 198,699 (Note 1 and Note 4)	-	$ -	-	$ -	$ -
	San Fang Development	Subsidiary	567,600 (Note 1 and Note 4)	-	-	-	567,600	-
	PTS	Subsidiary	137,458 (Note 2 and Note 4)	5.92	-	-	79,053	-
GII	SFV	Subsidiary	962,624 (Note 3 and Note 4)	-	-	-	783	-
PTS	Yue Yuen (Group)	Investor with significant influence	105,542	4.52	-	-	39,724	-
San Fang Development	San Fang International	Subsidiary	567,607 (Note 1 and Note 4)	-	-	-	567,607	-
GCL	GII	Subsidiary	198,697 (Note 1 and Note 4)	-	-	-	39,724	-

Note 1: Share subscriptions receivable.
Note 2: Includes NT$72,109,000 in accounts receivables and NT$65,349,000 in other receivables.
Note 3: Includes NT$939,840,000 in long-term accounts receivables and NT$22,784,000 in other receivables.
Note 4: Already written off when preparing the consolidated financial statements.

San Fang Chemical Industry Co., Ltd. and Subsidiaries
Information on the investee
From January 1 to December 31, 2020

Table 6

Unit: All amounts are in thousand NTD, unless otherwise specified

Name of investment company	Name of investee	Location	Main business items	Initial investment amount		Held at the end of period			Current profit (loss) of investee	Investment income (loss) recognized by the Company for the current period	Remarks
				End of current period	End of last year	Number of shares	Percentage (%)	Book value			
San Fang Chemical Industry Co., Ltd.	San Fang Development	British Virgin Islands	Investment	$ 687,435	$ 687,435	20,000,000	100.00	$ 1,709,387	($ 22,636)	($ 23,259)	Note 1 and Note 12
San Fang Chemical Industry Co., Ltd.	GCL	GCL	Investment	656,053	656,053	19,750,000	100.00	4,650,279	101,173	100,404	Note 1 and Note 12
San Fang Chemical Industry Co., Ltd.	San Fang Financial Holdings Co., Ltd.	British Virgin Islands	Investment	20,150	20,150	604,113	100.00	9,616	(577)	(577)	Note 12
San Fang Chemical Industry Co., Ltd.	Forich Advanced Materials Co., Ltd.	Taiwan	Manufacturing and sales of chemical products	76,985	76,985	7,698,545	100.00	97,647	5,525	5,525	Note 12
San Fang Chemical Industry Co., Ltd.	Bestac Advanced Material Co., Ltd.	Taiwan	Manufacturing and sales of chemical products	200,000	200,000	20,000,000	100.00	158,394	(46,416)	(46,416)	Note 12
San Fang Development	San Fang International	British Virgin Islands	Investment	717,696	755,496	25,200,010	100.00	964,470	(9,947)	(9,947)	Note 2 and Note 12
San Fang Development	BBH	Hong Kong	Investment	484,160	509,660	17,000,000	100.00	573,563	(4,018)	(4,018)	Note 3 and Note 12
San Fang International	MPL	British Virgin Islands	Investment	256,320	269,820	9,000,001	100.00	384,381	(640)	(640)	Note 4 and Note 12
San Fang International	GTL	British Virgin Islands	Investment	181,762	191,335	1	100.00	151,697	(16,645)	(16,645)	Note 5 and Note 12
GCL	GII	GCL	Investment	575,296	605,596	20,200,000	100.00	3,239,546	(96,165)	(96,165)	Note 6 and Note 12
GCL	JOB	GCL	Investment	1,039,449	1,094,195	36,497,500	100.00	1,421,395	197,813	197,813	Note 7 and Note 12
JOB	PTS	Indonesia	Manufacturing and sales of artificial leather, synthetic resin, and other materials	996,729	1,049,225	34,997,500	99.99	1,252,357	197,843	197,843	Note 8 and Note 12
GII	SFV	Vietnam	Material processing	256,320	269,820	-	100.00	582,616	(115,676)	(115,676)	Note 9 and Note 12
GII	PTS	Indonesia	Manufacturing and sales of artificial leather, synthetic resin, and other materials	71	75	2,500	0.01	69	197,843	-	Note 10 and Note 12

Note 1: Investment gains (losses) recognized in the current period include unrealized investment gains from upstream transactions and adjustment of unrealized sales between intra-group companies according to the buyer's tax rate.
Note 2: The original investment amount was both US$25,200,010 at the beginning and end of the current period.
Note 3: The original investment amount was both US$17,000,000 at the beginning and end of the current period.
Note 4: The original investment amount was both US$9,000,001 at the beginning and end of the current period.
Note 5: The original investment amount was both US$6,382,096 at the beginning and end of the current period.
Note 6: The original investment amount was both US$20,200,000 at the beginning and end of the current period.
Note 7: The original investment amount was both US$36,497,500 at the beginning and end of the current period.
Note 8: The original investment amount was both US$34,997,500 at the beginning and end of the current period.
Note 9: The original investment amount was both US$9,000,000 at the beginning and end of the current period.
Note 10: The original investment amount was both US$2,500 at the beginning and end of the current period.
Note 11: Please see Table 7 for information on investees in China.
Note 12: Already written off when subsidiaries were preparing the consolidated financial statements.

San Fang Chemical Industry Co., Ltd. and Subsidiaries
Information on Investments in China
From January 1 to December 31, 2020

Table 7

Unit: All amounts are in thousand NTD, unless otherwise specified

Name of investee in China	Main business items	Paid-in capital	Investment method	Accumulated investment amount remitted from Taiwan at the beginning of the period	Investment amount remitted from/to Taiwan in the current period: Remitted from Taiwan	Investment amount remitted from/to Taiwan in the current period: Remitted back to Taiwan	Accumulated investment amount remitted from Taiwan at the end of the period	Current profit (loss) of investee	Percentage of shares held directly or indirectly by the Company (%)	Investment income (loss) recognized by the Company for the current period	Closing book value of investments	Investment gains remitted back to Taiwan as of the end of the period	Remarks
Taihuangdao Fusheng Chemical and Leather-making Co., Ltd.	Manufacturing and sales of artificial leather, synthetic resin, and other materials	$ 371,379	2	$ 33,020	$ -	$ -	$ 33,020	$ -	7.29	$ -	$ -	$ -	
Yentai Wanhua Microfibre Co., Ltd.	Production and sales of microfiber synthetic leather, PU synthetic leather, PU resin, and additives	218,050	2	21,174	-	-	21,174	-	8.00	-	-	-	
Dongguan Huangjiang Baoliang Shoe Factory	Material processing	54,970	2	62,893	-	-	62,893	-	-	-	-	-	Note 1, Note 2, and Note 4
Dongguan Baoliang Material Technology Co., Ltd.	Manufacturing and sales of artificial leather, synthetic resin, and other materials	768,960	2	-	-	-	-	(7,291)	100.00	(7,291)	869,010	-	Note 3 and Note 4

Name of investment company	Accumulated investment amount remitted from Taiwan to China at the end of the current period	Investment amount approved by the Investment Commission, MOEA	The Company's limit on investments in China (Note 8)
San Fang Chemical Industry Co., Ltd.	$ 117,087	$ 1,075,685	$ -

Note 1: The Company reported in 2010 that Megatrade Profits Limited, its investee in the British Virgin Islands, has provided non-price setting machinery and equipment worth HKD14,966,000 to Dongguan Huangjiang Baoliang Shoes Material Factory since 1996, and gained approval from the Investment Commission, Ministry of Economic Affairs in March 2010.

Note 2: Megatrade Profits Limited holds 100% shares of Dongguan Huangjiang Baoliang Shoe Factory for its processing business, but it has not registered its shares.

Note 3: Megatrade Profits Limited (MPL) is an investee of San Fang International Co., Ltd., and then MPL invested US$3,484 thousand in cash and US$5,516 thousand in machinery to establish Dongguan Baoliang Material Technology Co., Ltd. Dongguan Baoliang acquired Dongguan Yuguo Shoe Materials Co., Ltd. in Q2 2018. San Fang International then invested US$6,182 thousand in cash in Giant Tramp Limited (GTL), and indirectly obtained 100% shares of Dongguan Yuguo in China. The Investment Commission, MOEA approved the additional investment of US$16,000 thousand in Dongguan Baoliang in October 2019.

Note 4: Investment gains and losses are recognized in the Company's financial statements that were audited by a CPA.

Note 5: Pursuant to the amendment to Article 3 of the Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China, which was announced in Order Shen-Zi No. 0970460680 from the MOEA dated August 29, 2008, the Company obtained documentation of its head office's scope of business (Letter Jing-Shou-Gong-Zi No. 1072042010 dated July 19, 2018) issued by the Industrial Development Bureau, MOEA, and therefore has no limit on investments in China.

San Fang Chemical Industry Co., Ltd. and Subsidiaries
Business Relationship and Major Transactions between the Parent Company and Subsidiaries
From January 1 to December 31, 2020

Table 8

Unit: All amounts are in thousand NTD, unless otherwise specified

No.	Company name	Counterparty	Relationship	Transactions status			
				Item	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (%)
0	San Fang Chemical Industry Co., Ltd.	Dongguan Baoliang	1	Sales revenue	$ 502,688	There are no general transaction terms for price comparison	(6.00)
0	San Fang Chemical Industry Co., Ltd.	Dongguan Baoliang	1	Accounts receivable	69,628	Open account 30-90 days	-
0	San Fang Chemical Industry Co., Ltd.	Dongguan Baoliang	1	Other receivables	5,686	Open account 30-90 days	-
0	San Fang Chemical Industry Co., Ltd.	PTS	1	Sales revenue	805,274	There are no general transaction terms for price comparison	(10.00)
0	San Fang Chemical Industry Co., Ltd.	PTS	1	Accounts receivable	72,109	Open account 30-120 days	-
0	San Fang Chemical Industry Co., Ltd.	PTS	1	Other receivables	65,349	Open account 30-120 days	-
0	San Fang Chemical Industry Co., Ltd.	Bestac Advanced Material Co., Ltd.	1	Sales revenue	71,523	There are no general transaction terms for price comparison	1.00
0	San Fang Chemical Industry Co., Ltd.	Bestac Advanced Material Co., Ltd.	1	Other income	18,616	There are no general transaction terms for price comparison	-
0	San Fang Chemical Industry Co., Ltd.	Bestac Advanced Material Co., Ltd.	1	Accounts receivable	40,365	Open account 30-120 days	-
0	San Fang Chemical Industry Co., Ltd.	Bestac Advanced Material Co., Ltd.	1	Other receivables	58,647	Open account 30-120 days	-
0	San Fang Chemical Industry Co., Ltd.	Forich Advanced Materials Co., Ltd.	1	Sales revenue	4,762	There are no general transaction terms for price comparison	-
0	San Fang Chemical Industry Co., Ltd.	Forich Advanced Materials Co., Ltd.	1	Other receivables	1,121	Open account 30-90 days	-
2	San Fang International	Dongguan Baoliang	3	Other receivables	34,367	Open account 30-90 days	-
3	GII	SFV	3	Interest income	9,623	According to the contract	-
3	GII	SFV	3	Other receivables	22,784	According to the contract	-
3	GII	SFV	3	Long-term accounts receivable	939,840	Lending, according to the contract	6.00
4	SFV	San Fang Chemical Industry Co., Ltd.	2	Revenue from processing	752,319	There are no general transaction terms for price comparison	(9.00)
5	Forich Advanced Materials Co., Ltd.	San Fang Chemical Industry Co., Ltd.	2	Sales revenue	114,497	There are no general transaction terms for price comparison	(1.00)
5	Forich Advanced Materials Co., Ltd.	San Fang Chemical Industry Co., Ltd.	2	Accounts receivable	12,868	Open account 60 days	-
6	PTS	San Fang Chemical Industry Co., Ltd.	2	Sales revenue	69,633	There are no general transaction terms for price comparison	(1.00)
6	PTS	Dongguan Baoliang	3	Sales revenue	26,904	There are no general transaction terms for price comparison	-

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No.	Company name	Counterparty	Relationship	Transactions status: Item	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (%)
7	Dongguan Baoliang	San Fang Chemical Industry Co., Ltd.	2	Sales revenue	$ 47,393	There are no general transaction terms for price comparison	(1.00)
7	Dongguan Baoliang	San Fang Chemical Industry Co., Ltd.	2	Other receivables	1,711	Open account 30-90 days	-
7	Dongguan Baoliang	MPL	3	Other receivables	37,002	Open account 30-90 days	-

San Fang Chemical Industry Co., Ltd.
Information on Major Shareholders
December 31, 2020

Table 9

Name of major shareholder	Shareholding	
	Shares Held (share)	Shareholding ratio (%)
i-Tech. Sporting Enterprise Ltd.	38,980,000	9.79
Pou Chien Enterprise Co., Ltd.	38,501,504	9.67
Yue Dean Technology Corporation	37,298,876	9.37
Pou Chien Technology Co., Ltd.	36,549,118	9.18
Beevest Securities Limited under the custody of CTBC Bank	26,578,577	6.68
Mun-Jin Lin	26,239,427	6.59
Meng-Yang Lin	19,935,265	5.01

Note 1: Information on major shareholders in this table is based data from Taiwan Depository and Clearing Corporation, which calculated shareholders with 5% or more of the Company's non-physical ordinary shares on the last business day of the quarter. The share capital specified on the Company's consolidated financial statements may be different from the actual number of non-physical shares due to different calculation basis.

Note 2: If the shareholder in the data above put shares into a trust, it is listed as a separate trust account of the shareholder opened by the trustee. For shareholders who are reported as insiders in accordance with Securities and Exchange Act for holding more than 10% of shares, the shareholdings include the shares held by the shareholder plus shares placed in a trust in which the shareholder has control over trust assets. Please refer to the Market Observation Post System for data on reporting insider shareholding.