Jinan Acetate Chemical Co., Ltd. and Subsidiaries

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Jinan Acetate Chemical Co., Ltd.

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Key audit matters of the Group's consolidated financial statements for the year ended December 31, 2019 are stated as follows:

<u>Impairment Assessment of Accounts Receivable</u>

The allowance for impairment loss of accounts receivable of the Group was recognized according to the assessed recoverability of the receivables and the collection experience of the management. Due to the significance of loss allowance and the material impact accounts receivable could have on the Group's financial performance and condition, we consider the impairment assessment of accounts receivable as a key audit matter. The related significant accounting assessment and judgments are disclosed in Notes 4 and 5 to the consolidated financial statements.

The key audit procedures performed in respect of the above area included the following:

1. We obtained an understanding of the Group's policies and procedures and internal controls for accounts receivable and tested the effectiveness and efficiency of operations of the key controls over the impairment of accounts receivable.

2. We verified the correctness of the aging of accounts receivable through audit sampling.

3. We assessed the appropriateness of the assumptions used in the evaluation of the recoverability of overdue accounts and possible uncollectible receivables, and verified the collection after the reporting period.

4. We have evaluated the reasonableness of the loss allowance recognized by management.

<u>Recognition of Operating Revenue</u>

According to IFRS 15 "Revenue from Contracts with Customers", the Group recognizes revenue when the ownership and significant risks and rewards on the goods or services have been transferred to the customer. We, therefore, consider the recognition of operating revenue as a key audit matter. Please refer to Note 4 to the consolidated financial statements for the relevant accounting policy.

The key audit procedures performed in respect of the above area included the following:

1. We obtained an understanding of the Group's policies and procedures and internal controls for revenue accounting and tested the effectiveness and efficiency of operations of the key controls over the timing of revenue recognition.

2. We selected sample transactions in the sales records for substantive tests and confirmed them against the supporting documents.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Tung-Feng Lee and Ching-Cheng Yang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 27, 2020

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

JINAN ACETATE CHEMICAL CO., LTD. AND SUBSIDIARIES

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

	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 589,261	23	$ 369,078	16
Financial assets at amortized cost - current (Notes 4, 9 and 29)	98,106	4	616	-
Notes and accounts receivable, net (Notes 4, 10 and 22)	350,644	14	262,913	11
Accounts receivable from related parties (Notes 4, 10, 22 and 28)	87,249	3	49,150	2
Other receivables (Notes 4 and 28)	26,128	1	16,511	1
Current tax assets (Notes 4 and 24)	14,028	-	5,447	-
Inventories, net (Notes 4 and 11)	242,969	9	320,695	14
Prepayments (Notes 16 and 29)	54,319	2	85,674	4
Other current assets (Notes 4, 28 and 29)	67,065	3	123,590	5
Total current assets	1,529,769	59	1,233,674	53
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	31,716	1	-	-
Property, plant and equipment (Notes 4, 13 and 29)	826,705	32	863,830	37
Right-of-use assets (Notes 3, 4, 5, 14 and 29)	55,248	2	-	-
Investment properties, net (Notes 4, 15 and 29)	100,220	4	104,108	5
Deferred tax assets (Notes 4 and 24)	21,533	1	37,550	2
Prepayments for equipment	19,679	1	6,409	-
Refundable deposits (Notes 4 and 27)	26	-	41	-
Long-term prepayments for leases (Notes 3, 16 and 29)	-	-	57,448	2
Other non-current assets (Note 16)	1,378	-	13,638	1
Total non-current assets	1,056,505	41	1,083,024	47
TOTAL	$ 2,586,274	100	$ 2,316,698	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 17 and 29)	$ 299,800	12	$ 116,717	5
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 18)	46,300	2	-	-
Contract liabilities - current (Note 22)	16,450	1	7,196	-
Notes payable	68,234	3	92,131	4
Notes payable to related parties (Note 28)	13,561	-	31,416	2
Accounts payable	140,591	5	121,652	5
Other payables (Notes 19 and 28)	157,288	6	157,379	7
Current portion of bonds payable (Notes 4 and 18)	456,564	18	-	-
Other current liabilities	5,382	-	2,733	-
Total current liabilities	1,204,170	47	529,224	23
NON-CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - non-current (Notes 4, 7 and 18)	-	-	46,400	2
Bonds payable (Notes 4 and 18)	-	-	439,842	19
Deferred tax liabilities (Notes 4 and 24)	9,420	-	9,785	-
Total non-current liabilities	9,420	-	496,027	21
Total liabilities	1,213,590	47	1,025,251	44
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 21)				
Share capital				
Ordinary Shares	510,767	20	464,800	20
Capital surplus	433,575	17	479,542	21
Retained earnings				
Legal reserve	100,620	4	78,110	3
Special reserve	21,406	1	2,344	-
Unappropriated earnings	332,779	13	228,542	10
Total retained earnings	454,805	18	308,996	13
Other equity				
Exchange differences on translating the financial statements of foreign operations	(130,806)	(5)	(84,208)	(4)
Unrealized valuation loss on financial assets at fair value through other comprehensive income	(10,597)	-	-	-
Revaluation surplus	65,146	2	65,146	3
Total other equity	(76,257)	(3)	(19,062)	(1)
Treasury shares	(63,586)	(3)	(52,124)	(2)
Total equity attributable to owners of the Company	1,259,304	49	1,182,152	51
NON-CONTROLLING INTERESTS	113,380	4	109,295	5
Total equity	1,372,684	53	1,291,447	56
TOTAL	$ 2,586,274	100	$ 2,316,698	100

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

JINAN ACETATE CHEMICAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4, 22 and 28)	$ 2,174,990	100	$ 1,739,194	100
OPERATING COSTS (Notes 11, 23 and 28)	(1,501,761)	(69)	(1,317,839)	(76)
GROSS PROFIT	673,229	31	421,355	24
OPERATING EXPENSES (Notes 23 and 28)				
Selling and marketing expenses	(116,685)	(5)	(84,843)	(5)
General and administrative expenses	(68,725)	(3)	(63,860)	(4)
Research and development expenses	(96,675)	(5)	(110,484)	(6)
Total operating expenses	(282,085)	(13)	(259,187)	(15)
PROFIT FROM OPERATIONS	391,144	18	162,168	9
NON-OPERATING INCOME AND EXPENSES (Note 23)				
Other income	29,692	1	12,659	1
Other gains and losses	(19,128)	(1)	52,006	3
Finance costs (Note 4)	(23,347)	(1)	(16,781)	(1)
Total non-operating income and expenses	(12,783)	(1)	47,884	3
PROFIT BEFORE INCOME TAX	378,361	17	210,052	12
INCOME TAX BENEFIT (EXPENSE) (Notes 4 and 24)	(47,104)	(2)	14,039	1
NET PROFIT FOR THE YEAR	331,257	15	224,091	13
OTHER COMPREHENSIVE INCOME (LOSS) (Note 4)				
Items that will not be reclassified subsequently to profit or loss				
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(13,246)	(1)	-	-
Exchange differences arising on translation to the presentation currency	(51,226)	(2)	(23,281)	(1)
Total other comprehensive income (loss)	(64,472)	(3)	(23,281)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 266,785	12	$ 200,810	12

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JINAN ACETATE CHEMICAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ 329,677	15	$ 225,098	13
Non-controlling interests	1,580	-	(1,007)	-
	$ 331,257	15	$ 224,091	13
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	$ 272,482	12	$ 204,091	12
Non-controlling interests	(5,697)	-	(3,281)	-
	$ 266,785	12	$ 200,810	12
EARNINGS PER SHARE (NT$, Note 25)				
Basic	$ 6.52		$ 4.41	
Diluted	$ 6.40		$ 3.43	

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

JINAN ACETATE CHEMICAL CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company														
								Other Equity							
	Share Capital			Retained Earnings				Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Gains on Property Revaluation					
	Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total				Total	Treasury Shares	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2018	46,480	$ 464,800	$ 479,542	$ 60,908	$ 2,344	$ 253,046	$ 316,298	$ (63,201)	$ -	$ 65,146	$ 1,945	$ -	$ 1,262,585	$ 112,576	$ 1,375,161
Appropriation of 2017 earnings															
Legal reserve	-	-	-	17,202	-	(17,202)	-	-	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(232,400)	(232,400)	-	-	-	-	-	(232,400)	-	(232,400)
	-	-	-	17,202	-	(249,602)	(232,400)	-	-	-	-	-	(232,400)	-	(232,400)
Net profit (loss) for the year ended December 31, 2018	-	-	-	-	-	225,098	225,098	-	-	-	-	-	225,098	(1,007)	224,091
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	-	(21,007)	-	-	(21,007)	-	(21,007)	(2,274)	(23,281)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	225,098	225,098	(21,007)	-	-	(21,007)	-	204,091	(3,281)	200,810
Buy-back of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	(52,124)	(52,124)	-	(52,124)
BALANCE AT DECEMBER 31, 2018	46,480	464,800	479,542	78,110	2,344	228,542	308,996	(84,208)	-	65,146	(19,062)	(52,124)	1,182,152	109,295	1,291,447
Appropriation of 2018 earnings															
Legal reserve	-	-	-	22,510	-	(22,510)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	19,062	(19,062)	-	-	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(183,868)	(183,868)	-	-	-	-	-	(183,868)	-	(183,868)
	-	-	-	22,510	19,062	(225,440)	(183,868)	-	-	-	-	-	(183,868)	-	(183,868)
Net profit (loss) for the year ended December 31, 2019	-	-	-	-	-	329,677	329,677	-	-	-	-	-	329,677	1,580	331,257
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	-	-	(46,598)	(10,597)	-	(57,195)	-	(57,195)	(7,277)	(64,472)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	329,677	329,677	(46,598)	(10,597)	-	(57,195)	-	272,482	(5,697)	266,785
Issuance of share dividends from capital surplus	4,597	45,967	(45,967)	-	-	-	-	-	-	-	-	-	-	-	-
Buy-back of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	(11,462)	(11,462)	-	(11,462)
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	9,782	9,782
BALANCE AT DECEMBER 31, 2019	51,077	$ 510,767	$ 433,575	$ 100,620	$ 21,406	$ 332,779	$ 454,805	$ (130,806)	$ (10,597)	$ 65,146	$ (76,257)	$ (63,586)	$ 1,259,304	$ 113,380	$ 1,372,684

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

JINAN ACETATE CHEMICAL CO., LTD. AND SUBSIDIARIES

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

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 378,361	$ 210,052
Adjustments for:		
Depreciation expenses	98,227	86,707
Amortization expenses	-	2,403
Net gain on fair value changes of financial liabilities at fair value through profit or loss	(100)	(55,000)
Finance costs	23,347	16,781
Interest income	(2,833)	(4,013)
Loss on disposal of property, plant and equipment	34	-
Write-downs (reversal) of inventories	657	(490)
Changes in operating assets and liabilities		
Notes receivable	(15,768)	(4,907)
Accounts receivable	(71,963)	63,987
Accounts receivable from related parties	(38,099)	6,843
Other receivables	(8,741)	(481)
Inventories	77,069	95,368
Prepayments	28,999	15,592
Other current assets	56,525	(23,613)
Contract liabilities	9,254	(26,972)
Notes payable	(23,897)	52,415
Notes payable to related parties	(17,855)	31,416
Accounts payable	18,939	(127,446)
Other payables	22,654	5,654
Other current liabilities	1,331	2,129
Cash generated from operations	536,141	346,425
Interest paid	(6,625)	(671)
Income taxes refund (paid)	(41,048)	221
Net cash generated from operating activities	488,468	345,975
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(47,308)	-
Purchase of financial assets at amortized cost	(98,106)	(616)
Proceeds from disposal of financial assets at amortized cost	633	184,496
Payments for property, plant and equipment	(107,198)	(183,644)
Proceeds from disposal of property, plant and equipment	14	-
Decrease in refundable deposits	15	158
Decrease (increase) in other non-current assets	12,260	(14,172)
Increase in prepayments for equipment	(20,442)	(6,535)
Interest received	1,957	5,445
Net cash used in investing activities	(258,175)	(14,868)

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JINAN ACETATE CHEMICAL CO., LTD. AND SUBSIDIARIES

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

	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	$ 191,654	$ 116,717
Proceeds (refund) of guarantee deposits received	1,318	(6)
Dividends paid to owners of the Company	(183,868)	(232,400)
Payments for buy-back of ordinary shares	(11,462)	(52,124)
Increase in non-controlling interests	9,782	-
Net cash generated from (used in) financing activities	7,424	(167,813)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(17,534)	(462)
NET INCREASE IN CASH AND CASH EQUIVALENTS	220,183	162,832
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	369,078	206,246
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 589,261	$ 369,078

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

JINAN ACETATE CHEMICAL CO., LTD. AND SUBSIDIARIES

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

1. GENERAL INFORMATION

Jinan Acetate Chemical Co., Ltd. (the "Company") was incorporated in Cayman Islands on September 25, 2014. The Company was established mainly for organizational restructuring. In accordance with the equity exchange agreement, the Company has become the holding company of the consolidated entities after the organizational restructuring have been completed on September 25, 2014.

The Company's shares have been listed on the Taiwan Stock Exchange (TSE) since November 9, 2015.

The Company's functional currency is Renminbi. However, due to the listing in the TSE, the consolidated financial statements are presented in New Taiwan dollars for greater comparability and consistency of financial reporting.

The consolidated financial statements include the accounts of the Company and its subsidiaries (collectively referred to as the "Group"). See Note 4.d for the basis of consolidation, and Note 12. Tables 6 and 7 for the detailed information of subsidiaries (including percentages of ownership and main business).

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on March 27, 2020.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRS Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC).

   Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group's accounting policies.

   IFRS 16 "Leases"

   IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

   Definition of a lease

   The Group elected to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights in China were recognized as prepayments for leases. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows.

The Group also applies the following practical expedients:

1) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

2) The Group accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

3) The Group excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.

4) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

The difference between the lease liabilities recognized and operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 465
Less: Recognition exemption for short-term leases	(458)
Less: Recognition exemption for leases of low-value assets	(7)
Undiscounted amounts on January 1, 2019	$ -

The Group as lessor

The Group does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	**Adjustments Arising from Initial Application**	**Restated on January 1, 2019**
Prepayments for leases (prepayments)	$ 2,356	$ (2,356)	$ -
Prepayment for long term leases	57,448	(57,448)	-
Right-of-use assets	-	59,804	59,804
Total effect on assets	$ 59,804	$ -	$ 59,804

b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

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

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

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

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

Note: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the financial instruments and investment properties which are measured at fair value.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Basis of consolidation

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

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

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

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

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

See Note 12, Tables 6 and 7 for the detailed information of subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the functional currencies of the Company and the other entities in the Group (including subsidiaries and branches in other countries that use currency which are different from the currency of the Company) are translated into the presentation currency - the New Taiwan dollar as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

f. Inventories

Inventories consist of raw materials, supplies, finished goods and work in progress and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

g. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

The depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs, and are subsequently measured using the fair value model. Changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

i. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category

Financial assets are classified into the following categories: Financial assets at amortized cost and financial assets at FVTOCI.

i. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes receivable, accounts receivable, other receivables, other current financial assets and refundable deposits, are measured at amortized cost, which equals to gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, expect for:

i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and

ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when the disappearance of an active market for that financial asset because of financial difficulties have occurred.

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

ii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group’s right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

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

The Group always recognizes lifetime expected credit losses (ECLs) for accounts receivable. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group determines that internal or external information show that the debtor is unlikely to pay its creditors indicate that a financial asset is in default.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through loss.

2) Equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company’s own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company’s own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except the following situations, all financial liabilities are measured at amortized cost using the effective interest method:

<u>Financial liabilities at FVTPL</u>

Financial liabilities are classified as at FVTPL when such financial liabilities are either held for trading or are designated as at FVTPL. Fair value is determined in the manner described in Note 27.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Convertible bonds

The conversion option component of the convertible bonds issued by the Group, which will be settled other than by the exchange of a fixed amount of cash or other financial assets for a fixed number of the Company's own equity instruments, is classified as a derivative financial liability.

On initial recognition, the derivative financial liability component of the convertible bonds is recognized at fair value, and the initial carrying amount of the non-derivative financial liability component is determined by deducting the amount of the derivative financial liability component from the fair value of the hybrid instrument as a whole. In subsequent periods, the non-derivative financial liability component of the convertible bonds is measured at amortized cost using the effective interest method. The derivative financial liability component is measured at fair value, and the changes in fair value are recognized in profit or loss. Transaction costs that relate to the issuance of the convertible notes are allocated to the derivative financial liability component and the non-derivative financial liability component in proportion to their relative fair values.

j. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

Revenue from the sale of goods comes from sales of cellulose acetate tow and cellulose acetate. Sales of cellulose acetate tow and cellulose acetate are recognized as revenue when the goods are shipped because it is the time when the customer has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

k. Leasing

<u>2019</u>

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

1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

<u>2018</u>

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Group as lessor

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

2) The Group as lessee

Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

3) Leasehold land for own use

Operating leasehold land of the Group refers to land use rights of land located in China. The lease payments are amortized on a straight-line basis over the operating term according to the Articles of Incorporation.

l. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

m. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

n. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

The Group participates in the local government pension plans in accordance with local regulations, contributing pension regularly to the government according to a certain percentage of the employee's salary. Payments to defined contribution retirement benefit plans are recognized as expenses for the current period when employees have rendered services entitling them to the contributions.

o. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the People's Republic of China (PRC) Enterprise Income Tax Law, the tax rate is 25%. Jinan Acetate Chemical Co., Ltd (China) of the Group has acquired the High-tech Enterprise Certificate in 2019 and 2018; Acetek Material Co., Ltd (China) of the Group has acquired the High-tech Enterprise Certificate in 2019. The applicable tax rate for both companies is 15%. The High-tech Enterprise Certificate of Jinan Acetate Chemical Co., Ltd (China) will expire in November 2021. Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. If investment properties measured using the fair value model are non-depreciable assets, the carrying amounts of such assets are presumed to be recovered entirely through sale.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Estimated impairment of financial assets

The provision for impairment of accounts receivable is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 10. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	**2018**
Cash on hand	$ 162	$ 119
Demand deposits	453,953	353,601
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	135,146	15,358
	$ 589,261	$ 369,078

Annual yield rates for bank deposits are 0.001%-1.92% and 0.001%-2.84% at December 31, 2019 and 2018, respectively.

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2019	**2018**
Financial liabilities held for trading - current		
Derivative financial liabilities		
Convertible options	$ 46,300	$ -
Financial liabilities held for trading - non-current		
Derivative financial liabilities		
Convertible options	$ -	$ 46,400

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2019	**2018**
Non-current		
Investments in equity instruments at fair value through other comprehensive income (FVTOCI)	$ 31,716	$ -

Investments in equity instruments at FVTOCI

	December 31	
	2019	**2018**
Non-current		
Foreign investments		
Unlisted shares		
Ordinary shares - ELEUNG LIMITED	$ 31,716	$ -

The Group holds 25% of the ordinary shares of ELEUNG LIMITED. However, according to the shareholders' agreement, the owner shareholders shall have the control in the composition of company's board of directors, moreover, the Group has no authority to participate in the investee's financial and operating policy decisions; therefore, the investment is not accounted for as an associated company.

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2019	**2018**
Current		
Domestic investments		
Time deposits with original maturities of more than 3 months	$ 98,106	$ 616

a. The ranges of interest rates for time deposits with original maturities of more than 3 months were approximately 1.69%-2.85% and 2.75% per annum as of December 31, 2019 and 2018, respectively.

b. Refer to Note 29 for information relating to investments in financial assets at amortized cost pledged as security.

10. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	December 31 2019	December 31 2018
Notes receivable		
At amortized cost		
Gross carrying amount	$ 22,501	$ 6,733
Less: Allowance for impairment loss	-	-
	$ 22,501	$ 6,733
Accounts receivable (including related parties)		
At amortized cost		
Gross carrying amount	$ 415,392	$ 305,330
Less: Allowance for impairment loss	-	-
	$ 415,392	$ 305,330

The Group takes advance payments for the sales of goods through letters of credit. The credit period of sales of goods was between 30 and 180 days. No interest was charged on trade and notes receivable. The Group adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The following table details the loss allowance of accounts receivable based on the Group's provision matrix.

December 31, 2019

	1 to 30 Days	31 to 60 Days	61 to 90 Days	91 to 120 Days	121 to 180 Days	181 to 360 Days	Total
Expected credit loss rate	0%	0%	0%	0%	0%	0%	
Gross carrying amount	$ 191,560	$ 109,729	$ 33,355	$ 43,659	$ 59,590	$ -	$ 473,893
Loss allowance (Lifetime ECL)	-	-	-	-	-	-	-
Amortized cost	$ 191,560	$ 109,729	$ 33,355	$ 43,659	$ 59,590	$ -	$ 473,893

December 31, 2018

	1 to 30 Days	31 to 60 Days	61 to 90 Days	91 to 120 Days	121 to 180 Days	181 to 360 Days	Total
Expected credit loss rate	0%	0%	0%	0%	0%	0%	
Gross carrying amount	$ 154,113	$ 84,321	$ 36,487	$ 10,160	$ 26,982	$ -	$ 312,063
Loss allowance (Lifetime ECL)	-	-	-	-	-	-	-
Amortized cost	$ 154,113	$ 84,321	$ 36,487	$ 10,160	$ 26,982	$ -	$ 312,063

The total balance of accounts receivable increased by $125,830 thousand and decreased $65,923 thousand as of December 31, 2019 and 2018 compared to the beginning balance, respectively. After the assessment, the Group did not recognize allowance for impairment loss on receivables as of December 31, 2019 and 2018.

11. INVENTORIES

	December 31	
	2019	2018
Finished goods	$ 77,927	$ 146,642
Work in progress	17,648	13,919
Raw materials	125,622	142,677
Supplies	21,772	17,457
	$ 242,969	$ 320,695

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 was $1,501,761 thousand and $1,317,839 thousand, respectively. The inventory write-downs (reversals of inventory write-downs) was $657 thousand and $(490) thousand, respectively. The reversals in 2018 of previous write-downs resulted from sales of old-age inventories.

12. SUBSIDIARIES

a. Entities included in the consolidated financial statements:

			Proportion of Ownership December 31	
Investor	Investee	Nature of Activities	2019	2018
The Company	My Parents Living Technology Limited (Hong Kong) ("My Parents")	Investments	100.00	100.00
My Parents	Jinan Acetate Chemical Co., Ltd. (China) ("Jinan Acetate Chemical")	Production and sales of cellulose acetate tow	100.00	100.00
Jinan Acetate Chemical	Acetek Material Co., Ltd. (China) ("Acetek Material")	Production and sales of cellulose acetate	52.80	52.80
My Parents	Acetek Material Co., Ltd. (China) ("Acetek Material")	Production and sales of cellulose acetate	27.20	27.20
My Parents	Acetek Chemical Co., Ltd. (China) ("Acetek Chemical")	Investments	80.00 (Note)	-

Note: The Group invested in Acetek Chemical in March 2019.

b. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Principal Place of Business	Proportion of Ownership and Voting Rights Held by Non-controlling Interests December 31 2019	2018
Acetek Material	Mainland China	20.00%	20.00%

Summarized financial information in respect of Acetek Material that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

	December 31 2019	2018
Current assets	$ 238,642	$ 273,692
Non-current assets	765,513	835,666
Current liabilities	(481,296)	(577,343)
Equity	$ 522,859	$ 532,015

	For the Year Ended December 31 2019	2018
Equity attributable to:		
Owners of the Company	$ 418,287	$ 425,612
Non-controlling interests of Acetek Material	104,572	106,403
	$ 522,859	$ 532,015
Revenue	$ 1,042,238	$ 726,431
Profit (loss) for the year	$ 11,126	$ (20,108)
Other comprehensive income for the year	20,283	11,086
Total comprehensive income (loss) for the year	$ 31,409	$ (9,022)
Profit (loss) attributable to:		
Owners of the Company	$ 8,901	$ (16,086)
Non-controlling interests of Acetek Material	2,225	(4,022)
	$ 11,126	$ (20,108)
Total comprehensive income (loss) attributable to:		
Owners of the Company	$ 25,127	$ (7,218)
Non-controlling interests of Acetek Material	6,282	(1,804)
	$ 31,409	$ (9,022)

(Continued)

	For the Year Ended December 31	
	2019	2018
Net cash inflow from:		
Operating activities	$ 53,119	$ 434,135
Investing activities	(69,555)	(144,955)
Financing activities	-	(250,604)
Effects of exchange rate changes	6,950	(2,924)
Net cash inflow (outflow)	$ (9,486)	$ 41,500

(Concluded)

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Equipment	Transportation Equipment	Other Equipment	Construction in Progress Equipment	Total
Cost						
Balance at January 1, 2018	$ 197,784	$ 925,657	$ 9,032	$ 7,113	$ 39,283	$ 1,178,869
Additions	6,750	73,766	228	573	50,444	131,761
Reclassification	-	4,375	-	-	-	4,375
Effect of foreign currency exchange differences	(4,160)	(20,366)	(188)	(156)	(1,874)	(26,744)
Balance at December 31, 2018	$ 200,374	$ 983,432	$ 9,072	$ 7,530	$ 87,853	$ 1,288,261
Accumulated depreciation						
Balance at January 1, 2018	$ 35,752	$ 306,424	$ 3,667	$ 612	$ -	$ 346,455
Depreciation expenses	11,548	71,991	1,698	1,470	-	86,707
Effect of foreign currency exchange differences	(951)	(7,632)	(107)	(41)	-	(8,731)
Balance at December 31, 2018	$ 46,349	$ 370,783	$ 5,258	$ 2,041	$ -	$ 424,431
Carrying amounts at December 31, 2018	$ 154,025	$ 612,649	$ 3,814	$ 5,489	$ 87,853	$ 863,830
Cost						
Balance at January 1, 2019	$ 200,374	$ 983,432	$ 9,072	$ 7,530	$ 87,853	$ 1,288,261
Additions	25,596	42,756	279	-	15,822	84,453
Disposals	-	(1,240)	-	-	-	(1,240)
Reclassification	4,924	87,133	2,205	-	(87,553)	6,409
Effect of foreign currency exchange differences	(8,621)	(41,507)	(432)	(281)	(593)	(51,434)
Balance at December 31, 2019	$ 222,273	$ 1,070,574	$ 11,124	$ 7,249	$ 15,229	$ 1,326,449
Accumulated depreciation						
Balance at January 1, 2019	$ 46,349	$ 370,783	$ 5,258	$ 2,041	$ -	$ 424,431
Depreciation expenses	12,224	80,442	1,733	1,472	-	95,871
Disposals	-	(1,192)	-	-	-	(1,192)
Effect of foreign currency exchange differences	(2,188)	(16,785)	(262)	(131)	-	(19,366)
Balance at December 31, 2019	$ 56,385	$ 433,248	$ 6,729	$ 3,382	$ -	$ 499,744
Carrying amounts at December 31, 2019	$ 165,888	$ 637,326	$ 4,395	$ 3,867	$ 15,229	$ 826,705

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

Buildings	20 years
Equipment	3-10 years
Transportation equipment	4-5 years
Other equipment	5 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 29.

14. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
Carrying amounts	
Land	$ 55,248

	For the Year Ended December 31, 2019
Depreciation charge for right-of-use assets	
Land	$ 2,356

b. Material leasing activities and terms

As lessees, Jinan Acetek Chemical Co., Ltd. and Acetek Material Co., Ltd. are leasing certain lands for the use of factory with lease terms of 20 to 30 years. These arrangements do not contain purchase options at the end of the lease terms.

c. Other lease information

As lessor, the Group's operating leases of investment properties and freehold property, plant and equipment are set out in Notes 15, and finance leases of assets are set out in Note 29.

2019

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	$ 411
Expenses relating to low-value asset leases	$ 12
Total cash outflow for leases	$ (423)

As lessee, the Group leases certain office equipment which qualify as short-term leases and certain computer equipment which qualify as low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

2018

The future minimum lease payments of non-cancellable operating lease commitments are as follows:

	December 31, 2018
Not later than 1 year	$ 465

15. INVESTMENT PROPERTIES

	Total
December 31, 2019	
Measured at fair value	$ 100,220
December 31, 2018	
Measured at fair value	$ 104,108

As lessor, the Group is leasing the abovementioned investment properties for 9 years. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating leases of investment properties at December 31, 2019 was as follows:

	December 31, 2019
Year 1	$ 4,535
Year 2	4,671
Year 3	4,671
Year 4	4,905
Year 5	4,905
Year 6 onwards	10,299
	$ 33,986

The future minimum lease payments of non-cancellable operating lease commitments at December 31, 2018 are as follows:

	December 31, 2018
Not later than 1 year	$ 4,625
Later than 1 year and not later than 5 years	19,152
Later than 5 years	15,503
	$ 39,280

a. Investment properties measured at fair value

	Total
Balance at January 1, 2019	$ 104,108
Effects of foreign currency exchange differences	(3,888)
Balance at December 31, 2019	$ 100,220
Balance at January 1, 2018	$ 106,273
Effects of foreign currency exchange differences	(2,165)
Balance at December 31, 2018	$ 104,108

The fair values of investment properties were measured on a recurring basis as follows:

	December 31	
	2019	2018
Independent valuation	$ 100,220	$ 104,108

The fair values of a single investment property with a carrying amount at least 20% of the paid-in capital at December 31, 2019 and 2018 were based on the valuations carried out on March 9, 2020 and January 7, 2018, respectively, by an independent qualified professional valuer, Mr. Yi-chuan Chang, from Da-Hua Real Estate Appraisal Firm, a Certified Real Estate Appraiser in the ROC.

The movements in the fair value of investment properties within Level 3 of the hierarchy were as follows:

	Total
Balance at January 1, 2019	$ 104,108
Recognized in other comprehensive income (exchange differences on translating the financial statements of foreign operations)	(3,888)
Balance at December 31, 2019	$ 100,220
Balance at January 1, 2018	$ 106,273
Recognized in other comprehensive income (exchange differences on translating the financial statements of foreign operations)	(2,165)
Balance at December 31, 2018	$ 104,108

The fair value of investment properties, except for undeveloped land, was measured using the income approach. The significant assumptions used are as follows:

	December 31	
	2019	2018
Expected future cash inflows	$ 262,310	$ 287,172
Expected future cash outflows	(5,841)	(6,136)
Expected future cash inflows, net	$ 256,469	$ 281,036
Discount rates	6%	6%

The market rentals in the area where the investment property is located were between RMB7.77 per square meter. The market rentals for comparable properties were between RMB7.50 and RMB9.00 per square meter.

The investment property has 1 floor above ground level, and the floor had been leased out under operating leases. The rental income generated for the years ended December 31, 2019 and 2018 was $4,479 thousand and $4,433 thousand, respectively.

The expected future cash inflows to be generated by investment properties include rental income, interest income on rental deposits and disposal value. The rental income was extrapolated using the Group’s current rental rate, taking into account the annual rental growth rate; the income analysis covers a 10-year period, the interest income on rental deposits was extrapolated using the time deposit interest rate for 1-year period; there was no disposal value since after the land lease expires, no land owner will be paid back the above-ground houses. The expected future cash outflows incurred by investment properties included the expenditures such as enterprise-establishing brokerage fee, related taxes and management costs, insurance premiums and maintenance costs. These expenditures were extrapolated on the basis of the current level of expenditures, taking into account the future adjustments.

The discount rate of 6% was determined using the interest rate for 3-year time deposits as posted by The People’s Bank of China of 2.75% and any asset-specific risk premiums of 3.25%.

The Group has free hold interests in all of its investment properties. The investment properties pledged as collateral for bank borrowings are set out in Note 29.

16. OTHER ASSETS

	December 31	
	2019	**2018**
Current		
Prepayments		
Prepayment	$ 39,100	$ 63,229
Advanced payments	5,992	5,109
Prepayments for lease (Note)	-	2,356
Others	9,227	14,980
	$ 54,319	$ 85,674
Non-current		
Prepayments for long term lease (Note)	$ -	$ 57,448
Other non-current assets		
Prepayments for house	$ 1,378	$ 13,638

Note: As of December 31, 2018, prepaid lease payments include land use rights, which are located in mainland China. The prepayments for leases pledged as collateral for bank borrowings are set out in Note 29.

17. BORROWINGS

Short-term Borrowings

	December 31	
	2019	2018
Unsecured borrowings		
Line of credit borrowings	$ 299,800	$ 116,717

The range of interest rates on bank loans was 2.52%-3.05% and 3.18%-3.67% per annum at December 31, 2019 and 2018, respectively.

18. BONDS PAYABLE

	December 31	
	2019	2018
First-time unsecured domestic convertible bonds (ROC)	$ 456,564	$ 439,842

As of June 9, 2017, the Company issued $500,000 thousand, 0% NTD-denominated unsecured convertible bonds in Taiwan, with a total issue amount of $500,000 thousand.

Each bond entitles the holder to convert it into ordinary shares of the Company at a conversion price of $173. In case of ex-right or ex-dividend, the price should be adjusted according to the conversion price adjustment formula. The conversion price as of December 31, 2019 was $142.3. Conversion may occur at any time between September 10, 2017 and June 9, 2022. If the bonds have not been converted and the closing price of ordinary shares has exceeded 30% of the current conversion price for 30 consecutive business days, the Company may send a copy of “Debt Rebate Notice” with expiration of one month by registered mail within the next 30 business days. The aforementioned period is calculated from the delivery of mail, and the expiration date of the period is determined as the base date for recovery of bonds. The Company redeems the bonds at their par value within 5 business days following the base date.

The convertible bonds shall be resold in advance by bondholders on the date of the issuance of 3 years (June 9, 2020) and the date of the issuance of 4 years (June 9, 2021). The Company should send a copy of “Notice of Put Provision” to the bondholders by registered mail in 40 days before the base date of resale. The bondholders may require the Company to add interest compensation to the par value of the bonds (101.5075% for 3 years and 102.0151% for 4 years) and to redeem the bonds in cash. Upon receiving the request for resale, the Company shall redeem the bonds in cash within 5 business days after the resale date.

The components of liabilities are classified as embedded derivatives and non-derivative liabilities. The embedded derivatives are measured at fair value of $46,300 thousand on December 31, 2019; the non-derivative liabilities are measured at amortized cost of $456,564 thousand on December 31, 2019. The original effective interest rate was 3.7371%.

Proceeds from issuance (less transaction costs of $4,499 thousand)	$ 500,501
Liability component at the date of issue	$ 500,501
Liability component at January 1, 2018 (bonds payable of $423,732 thousand and financial liabilities at fair value through profit or loss - non-current of $101,400 thousand)	$ 525,132
Interest charged at an effective interest rate of 3.7371%	16,110
Valuation profit on financial investments	(55,000)
Liability component at December 31, 2018 (bonds payable of $439,842 thousand and financial liabilities at fair value through profit or loss - non-current of $46,400 thousand)	$ 486,242
Liability component at January 1, 2019 (bonds payable of $439,842 thousand and financial liabilities at fair value through profit or loss - non-current of $46,400 thousand)	$ 486,242
Interest charged at an effective interest rate of 3.7371%	16,722
Valuation profit on financial investments	(100)
Liability component at December 31, 2019 (bonds payable of $456,564 thousand and financial liabilities at fair value through profit or loss - current of $46,300 thousand)	$ 502,864

19. OTHER PAYABLES

	December 31	
	2019	**2018**
Payables for purchases of equipment	$ 48,579	$ 71,324
Payables for salaries	21,244	21,827
Payables for steam fee	20,606	14,127
Payables for security production fee	13,389	-
Payables for freight	11,897	13,133
Accrued remuneration to employees and directors	5,351	5,536
Others	36,222	31,432
	$ 157,288	$ 157,379

20. RETIREMENT BENEFIT PLANS

Jinan Acetate Chemical and Acetek Material of the Group adopted a defined contribution plan. Under the plan, an entity makes contributions to employees’ pension account at percentages of the salary of employees. The pension account is managed by the authorized insurance institution located in China. The employees can withdraw the pension contributed by the Company and by themselves as well as the interest upon retirement.

21. EQUITY

a. Ordinary shares

	December 31	
	2019	2018
Number of shares authorized (in thousands)	100,000	100,000
Shares authorized	$ 1,000,000	$ 1,000,000
Number of shares issued and fully paid (in thousands)	51,077	46,480
Shares issued	$ 510,767	$ 464,800

On March 26, 2019, the Company's board of directors resolved to issue 4,597 thousand ordinary shares from capital surplus with a par value of $10, of which increased the share capital issued and fully paid to $510,767 thousand.

b. Capital surplus

	December 31	
	2019	2018
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Issuance of ordinary shares	$ 416,034	$ 462,001
<u>May be used to offset a deficit only</u>		
Changes in percentage of ownership interest in subsidiary (2)	17,541	17,541
	$ 433,575	$ 479,542

1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

2) Such capital surplus arises from the effect of changes in ownership interest in a subsidiary that resulted from equity transactions other than actual acquisition.

c. Retained earnings and dividend policy

The Company is in the growing stage. According to the Articles of Incorporation, the board of directors should propose the distribution of shareholders' dividends and submit it to the shareholders' meeting for appropriations of earnings, only after taking into consideration the Company's earnings, overall development, financial planning, capital requirements, industry outlook and future prospects of the Company for each of the fiscal year.

During the period when the shares are listed or traded in Taipei Exchange or Taiwan Stock Exchange, the board of directors when making proposal for distribution of earnings shall first appropriate the earnings in each fiscal year as follows: (i) reserve for tax of the relevant fiscal year; (ii) amount to offset past losses; (iii) from the remaining amount, 10% for legal reserve; and (iv) special reserve required by the securities authorities of the Republic of China in accordance with the rules of a public company. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 23-7.

After considering the financial, business and operational factors, according to the Cayman Company Law and the Public Company Rules, all or parts of the unappropriated earnings accumulated in previous years, plus no less than 10% of the after-tax earnings in the current year, can be distributed as shareholders' dividends according to the shareholding ratio. Shareholders' dividends are distributed as stock dividends, cash dividends, or both; cash dividends must not be less than 10% of total dividends.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1030006415 issued by the FSC should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2018 and 2017 approved in the shareholders' meetings on June 28, 2019 and June 22, 2018, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31	
	2018	**2017**
Legal reserve	$ 22,510	$ 17,202
Special reserve	$ 19,062	$ -
Cash dividends	$ 183,868	$ 232,400
Cash dividends per share (NT$)	$ 4	$ 5

The Company's board of directors at the meeting on March 26, 2018, also resolved to transfer capital surplus of $45,967 thousand to capital.

The appropriations of earnings for 2019 had been proposed by the Company's board of directors on March 27, 2020. The appropriations and dividends per share were as follows:

	For the Year Ended December 31, 2019
Legal reserve	$ 32,968
Special reserve	$ 57,195
Cash dividends	$ 237,649
Cash dividends per share (NT$)	$ 4.7

The appropriation of earnings for 2019 are subject to the resolution in the shareholders' meeting to be held on June 23, 2020.

d. Special reserves

	For the Year Ended December 31	
	2019	**2018**
Beginning at January 1	$ 2,344	$ 2,344
Appropriations in respect of		
Debits to other equity items	19,062	-
Balance at December 31	$ 21,406	$ 2,344

On the initial application of the fair value model to investment properties, the Company appropriated to retained earnings a special reserve in the amount of $2,344 thousand that was the same as the net increase in the fair value. Additional special reserve should be appropriated for the amount equal to the difference between net debit balance reserves and the special reserve appropriated on the first-time adoption of IFRSs. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and is thereafter distributed.

e. Non-controlling interests

	For the Year Ended December 31	
	2019	**2018**
Balance at January 1	$ 109,295	$ 112,576
Share in profit (loss) for the year	1,580	(1,007)
Other comprehensive loss during the year		
Exchange differences on translating the financial statements of foreign entities	(4,628)	(2,274)
Unrealized loss on financial assets at FVTOCI	(2,649)	-
Acquisition of non-controlling interests in subsidiaries	9,782	-
Balance at December 31	$ 113,380	$ 109,295

f. Treasury shares

Purpose of Buy-back	**Shares Transferred to Employees (In Thousands of Shares)**
Number of shares at January 1, 2019	426
Increase during the year	87
Number of shares at December 31, 2019	513
Number of shares at January 1, 2018	-
Increase during the year	426
Number of shares at December 31, 2018	426

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

22. REVENUE

	For the Year Ended December 31	
	2019	**2018**
Revenue from contracts with customers		
Revenue from sale of goods	$ 2,174,990	$ 1,739,194

a. Contract information

The goods are sold at the fair value of the consideration received or receivable. The Company eliminates the estimated customer returns, discounts and other similar discounts from the amount of goods sold to determine the revenue from sale of goods.

b. Contract balances

	December 31, 2019	December 31, 2018	January 1, 2018
Accounts receivables (Note 10)	$ 415,392	$ 305,330	$ 376,160
Contract liabilities - current	$ 16,450	$ 7,196	$ 34,168

c. Disaggregation of revenue

Refer to Note 34 for information about disaggregation of revenue.

23. NET PROFIT

a. Other income

	For the Year Ended December 31	
	2019	2018
Government subsidy income	$ 13,147	$ -
Rental income	4,479	4,433
Interest income	2,833	4,013
Miscellaneous income	9,233	4,213
	$ 29,692	$ 12,659

b. Other gains and losses

	For the Year Ended December 31	
	2019	2018
Gain on financial liabilities at FVTPL	$ 100	$ 55,000
Net foreign exchange loss	(16,503)	(1,472)
Loss on disposal of property, plant and equipment	(34)	-
Others	(2,691)	(1,522)
	$ (19,218)	$ 52,006

c. Finance costs

	For the Year Ended December 31	
	2019	2018
Interest on bonds	$ 16,722	$ 16,110
Interest on bank loans	6,625	671
	$ 23,347	$ 16,781

d. Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
An analysis of depreciation by function		
Operating costs	$ 91,266	$ 74,951
Operating expenses	6,961	11,756
	$ 98,227	$ 86,707
An analysis of amortization by function		
Operating costs	$ -	$ 2,403

e. Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2019	2018
Direct operating expenses of investment properties generating rental income	$ 555	$ 566

f. Employee benefits expense

	For the Year Ended December 31	
	2019	2018
Short-term benefits	$ 90,035	$ 94,330
Post-employment benefits	7,681	8,180
Other employee benefits	4,435	4,700
Total employee benefits expense	$ 102,151	$ 107,210
An analysis of employee benefits expense by function		
Operating costs	$ 55,271	$ 55,939
Operating expenses	46,880	51,271
	$ 102,151	$ 107,210

g. Employees' compensation and remuneration of directors and supervisors

According to the Articles of Incorporation of the Company, the Company accrues employees' compensation at a rate of no less than 1% when the Company earned profits in the year. Employees' compensation is paid to employees of subordinate companies that meet certain conditions. When the Company is able to increase the amount of profit, it accrues directors' remuneration at a rate of no more than 3% of the profit of the year. However, if the Company has accumulated losses, it should first retain the amount to offset the losses before accruing employees' and directors' remuneration in accordance with the above-mentioned proportion. The aforementioned profit refers to the Company's pre-tax net profit. To avoid confusion, the pre-tax net profit refers to the amount before the accrual for employees and directors' remuneration.

The employees’ compensation and the remuneration of directors for the years ended December 31, 2019 and 2018, which were approved by the Company’s board of directors on March 27, 2020 and March 26, 2019, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2019	**2018**
Employees’ compensation	1.00%	1.20%
Remuneration of directors	0.60%	1.20%

Amount

	For the Year Ended December 31	
	2019	**2018**
	Cash	**Cash**
Employees’ compensation	$ 3,351	$ 2,768
Remuneration of directors	2,000	2,768

If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimate in the subsequent period.

There is no difference between the actual amounts of employees’ compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2018 and 2017.

Further information on the employees’ compensation and remuneration of directors approved in the meetings of the board of directors in 2019 and 2018 is available at the “Market Observation Post System” website of the TSE.

h. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2019	**2018**
Foreign exchange gains	$ 11,059	$ 4,787
Foreign exchange losses	(27,562)	(6,259)
Net loss	$ (16,503)	$ (1,472)

24. INCOME TAXES

a. Income tax benefit (expense) recognized in profit or loss

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current year	$ (33,256)	$ (8,161)
Adjustments for prior year	1,333	1,549
Deferred tax		
In respect of the current year	(241)	21,128
Adjustments for prior year	(36)	(477)
Change in tax rate	(14,904)	-
Income tax benefit (expense) recognized in profit or loss	$ (47,104)	$ 14,039

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

	For the Year Ended December 31	
	2019	2018
Profit before income tax	$ 378,361	$ 210,052
Income tax expense calculated at the statutory rate	$ (64,166)	$ (18,369)
Research and development credits	27,883	31,491
Nondeductible expenses in determining taxable income	396	(563)
Tax-exempt income	1,973	-
Change in tax rate	(14,904)	-
Adjustments for prior years' tax	1,297	1,072
Others	417	408
Income tax benefit (expense) recognized in profit or loss	$ (47,104)	$ 14,039

b. Current tax assets and liabilities

	December 31	
	2019	2018
Current tax assets		
Tax refund receivable	$ 14,028	$ 5,447

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities are as follows:

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Closing Balance
Deferred tax assets				
Temporary differences				
Allowance for inventory valuation and obsolescence loss	$ 87	$ (51)	$ (1)	$ 35
Unrealized compensation	168	386	(20)	534
Tax losses	37,295	(15,516)	(815)	20,964
	$ 37,550	$ (15,181)	$ (836)	$ 21,533
Deferred tax liabilities				
Temporary differences				
Unrealized revaluation increments	$ 9,785	$ -	$ (365)	$ 9,420

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Closing Balance
Deferred tax assets				
Temporary differences				
Allowance for inventory valuation and obsolescence loss	$ 162	$ (74)	$ (1)	$ 87
Unrealized compensation	342	(171)	(3)	168
Tax losses	17,154	20,896	(755)	37,295
	$ 17,658	$ 20,651	$ (759)	$ 37,550
Deferred tax liabilities				
Temporary differences				
Unrealized revaluation increments	$ 9,989	$ -	$ (204)	$ 9,785

d. Income tax declarations

The income tax declarations of Jinan Acetate Chemical and Acetek Material of the Group have been completed within the deadlines set by the local tax collection office.

25. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2019	**2018**
Basic earnings per share	$ 6.52	$ 4.41
Diluted earnings per share	$ 6.40	$ 3.43

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on September 10, 2019. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2018 are as follows:

Unit: NT$ Per Share

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	$ 4.85	$ 4.41
Diluted earnings per share	$ 3.76	$ 3.43

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share are as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2019	**2018**
Profit for the year attributable to owners of the Company	$ 329,677	$ 225,098
Effect of potentially dilutive ordinary shares		
Interest and evaluation of convertible bonds	16,622	(38,890)
Earning used in the computation of diluted earnings per share	$ 346,299	$ 186,208

Number of Shares

Unit: Thousand Shares

	For the Year Ended December 31	
	2019	**2018**
Weighted average number of ordinary shares used in the computation of basic earnings per share	50,567	51,084
Effect of potentially dilutive ordinary shares		
Convertible bonds	3,514	3,106
Employees’ compensation or bonuses issued to employees	32	29
Weighted average number of ordinary shares used in the computation of diluted earnings per share	54,113	54,219

If the Group offered to settle the compensation or bonuses paid to employees in cash or shares, then the Group should assume that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

26. CAPITAL MANAGEMENT

The Group manages its capital to ensure that it has the necessary financial resources and operating plans to meet the working capital, capital expenditure and debt repayment requirements for the next 12 months, and that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

Key management personnel of the Group review the capital structure on a regular basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

27. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

In the management's opinion, the carrying value of financial instruments that are not measured at fair value approximates the fair value of the financial instruments.

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

1) Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments	$ -	$ -	$ 31,716	$ 31,716
Financial liabilities at FVTPL				
Held for trading	$ -	$ 46,300	$ -	$ 46,300

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Held for trading	$ -	$ 46,400	$ -	$ 46,400

There were no transfers between Levels 1 and 2 for the years ended December 31, 2019 and 2018.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2019

Financial Assets	Financial Assets at FVTOCI Equity Instruments
Balance at January 1, 2019	$ -
Purchases	47,308
Recognized in profit or loss (included in other gains and losses)	(2,346)
Recognized in other comprehensive income (included in unrealized loss on investments in equity instruments at FVTOCI)	(13,246)
Balance at December 31, 2019	$ 31,716

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

Financial Instruments	Valuation Techniques and Inputs
Convertible bonds	The convertible bonds are assumed to be redeemed on June 9, 2022, and the discount rate is calculated by the 5-year public bond yield by the differential method.

4) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of unlisted equity securities - ROC were determined using the income approach. In this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees.

c. Categories of financial instruments

	December 31	
	2019	2018
Financial assets		
Financial assets at amortized cost (Note 1)	$ 1,218,478	$ 821,896
Financial assets at FVTOCI		
Equity instruments	31,716	-
Financial liabilities		
Financial liabilities at amortized cost (Note 2)	1,137,946	959,727
Financial liabilities at FVTPL	46,300	46,400

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable and accounts receivable, other receivables, other current assets (pledged deposits) and refundable deposits.

2) The balances include financial liabilities at amortized cost, which comprise short-term borrowings, notes payable, accounts and other payables, bonds issued and guarantee deposit received.

d. Financial risk management objectives and policies

The Group's major financial instruments include cash and cash equivalents, debt investments, accounts receivable, borrowings, accounts payable and bonds payable. The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

Several subsidiaries have foreign currency sales and purchases, which exposes the Group to foreign currency risk. Exchange rate exposures are managed within approved policy parameters utilizing foreign exchange forward contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 32.

Sensitivity analysis

The Group is mainly exposed to the USD.

The following table details the Group's sensitivity to a 1% increase and decrease in the RMB (i.e. the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates a decrease in pre-tax profit and other equity associated with the RMB strengthening 1% against the relevant currency. For a 1% weakening of the RMB against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

	USD Impact	
	For the Year Ended December 31	
	2019	**2018**
Profit or loss	$ 3,786	$ 3,030

The above impact was mainly attributable to the exposure on outstanding receivables and payables in USD which were not hedged at the end of the reporting period.

In the management's opinion, the sensitivity analysis is not representative of the inherent foreign currency risk because the exposure at the end of the reporting period does not reflect the exposure during the period.

b) Interest rate risk

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

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

	December 31	
	2019	**2018**
Fair value interest rate risk		
Financial assets	$ 233,253	$ 20,955
Financial liabilities	741,374	531,987
Cash flow interest rate risk		
Financial assets	520,584	471,761
Financial liabilities	14,990	24,572

Sensitivity analysis

The sensitivity analysis below was based on the Group's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2019 and 2018 would have increased/decreased by $5,056 thousand and $4,472 thousand, which was mainly attributable to the Group's exposure to interest rates of its variable-rate bank deposits and borrowings.

c) Price risk

The Group was exposed to equity price risk through its investments in equity securities. Equity investments are held for strategic rather than for trading purposes, the Group does not actively trade these investments.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the year. If equity prices had been 1% higher/lower, the pre-tax other comprehensive income for the year ended December 31, 2019 would have increased/decreased by $317 thousand, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation, could be equal to the carrying amount of the respective recognized financial assets as stated in the balance sheets.

In order to mitigate credit risk, the management of the Group assigns a team responsible for credit facilities, credit approvals and other monitoring procedures to ensure that appropriate actions are taken for the recovery of overdue receivables. In addition, the Group reviews the recoverable amount of the receivables on the date of the financial statements to ensure that receivables that cannot be recovered have been provided with allowance for impairment loss. Accordingly, the management reckons that the credit risk of the Group has been significantly reduced.

Accounts receivable cover a wide range of customers and are spread across different industries and geographic regions. The Company continuously evaluates the financial position of customers.

In addition, since the counterparty of current funds are financial institutions and companies with good credit ratings, the credit risk is limited.

The Group transacts with a large number of unrelated customers and, thus, no concentration of credit risk was observed.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2019 and 2018, the Group had available unutilized short-term bank loan facilities as set out in (b) below.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2019

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Total
Non-derivative financial liabilities					
Non-interest bearing	$ 102,248	$ 127,139	$ 155,175	$ -	$ 384,562
Variable interest rate liabilities	14,990	-	-	-	14,990
Fixed interest rate liabilities	165,384	89,940	529,980	-	785,304
	$ 282,622	$ 217,079	$ 685,155	$ -	$ 1,184,856

December 31, 2018

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Total
Non-derivative financial liabilities					
Non-interest bearing	$ 101,902	$ 144,791	$ 158,467	$ -	$ 405,160
Variable interest rate liabilities	13	24,572	-	-	24,585
Fixed interest rate liabilities	92,283	-	-	500,000	592,283
	$ 194,198	$ 169,363	$ 158,467	$ 500,000	$ 1,022,028

The amount of the variable interest rate liabilities will vary depending on the floating interest rate and the interest rate estimated on the reporting date.

b) Financing facilities

	December 31	
	2019	2018
Unsecured bank loan facilities which may be extended by mutual agreement:		
Amount used	$ 366,501	$ 264,075
Amount unused	380,399	407,598
	$ 746,900	$ 671,673
Secured bank loan facilities which may be extended by mutual agreement:		
Amount used	$ 51,826	$ 95,436
Amount unused	107,889	43,644
	$ 159,715	$ 139,080

28. TRANSACTIONS WITH RELATED PARTIES

The Company's ultimate parent is Jinan Acetate Chemical Co., Ltd.

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

a. Related party and relationship with the Group

Related Party Name	Relationship with the Group and Other Related Parties
Global Filter S.A (GF)	Substantive related party
Tabacalera Hernandarias S.A. (TH)	Substantive related party
SAF - INDUSTRIA E COMERCIO DE FILTEROS LTDA (SAF)	Substantive related party
Yankuang Lunan Chemical Co., Ltd. (Yankuang Lunan Chemical)	Substantive related party (shareholder of a subsidiary)
JINAN HEZHEN INDUSTRY AND TRADE CO., LTD. (HEZHEN)	Substantive related party (with the same chairman)
Wang, Ke-Chang	Key management

b. Operating revenue

Line Item	Related Party Category/Name	For the Year Ended December 31 2019	2018
Sales	Substantive related party		
	GF	$ 258,583	$ 235,596
	Others	43,084	91,267
		$ 301,667	$ 326,863

The selling prices and payment period in related-party transactions were not significantly different from those for transactions with third parties.

c. Purchases of goods

Related Party Category	For the Year Ended December 31 2019	2018
Substantive related party/Yankuang Lunan Chemical	$ 151,741	$ 222,745

The purchase prices in related-party transactions were not significantly different from those for transactions with third parties.

d. Receivables from related parties

Line Item	Related Party Category/Name	December 31 2019	December 31 2018
Accounts receivable	Substantive related party		
	GF	$ 67,972	$ 26,133
	TH	16,136	19,710
	SAF	3,141	3,307
		$ 87,249	$ 49,150
Other receivables	Substantive related party/ Yankuang Lunan Chemical	$ -	$ 22

The outstanding receivables from related parties were unsecured. For the years ended December 31, 2019 and 2018, no impairment loss was recognized on accounts receivable from related parties.

e. Payables to related parties

Line Item	Related Party Category/Name	December 31 2019	December 31 2018
Notes payable	Substantive related party/ Yankuang Lunan Chemical	$ 13,561	$ 31,416
Other payables	Substantive related party/ Yankuang Lunan Chemical	20,606	14,127
		$ 34,167	$ 45,543

The outstanding payables to related parties were unsecured.

f. Refundable deposits (other current assets)

Related Party Category	December 31 2019	December 31 2018
Substantive related party/Yankuang Lunan Chemical	$ 431	$ 447

g. Other transactions with related parties

Line Item	Related Party Category/Name	For the Year Ended December 31 2019	For the Year Ended December 31 2018
Manufacturing expense - steam fee	Substantive related party/ Yankuang Lunan Chemical	$ 188,906	$ 169,001
Research and development expense - steam fee	Substantive related party/ Yankuang Lunan Chemical	8,323	10,226
Operating expense - rental	Key management	360	360
Operating expense - rental	Substantive related party/ Yankuang Lunan Chemical	89	142
		$ 197,678	$ 179,729

The substantive related party provides steam to the Company for use in production and provides rental service.

The key management provides rental service to the Company.

h. Endorsements and guarantees

Endorsements and guarantees given by related parties

	December 31	
	2019	2018
Substantive related party/HEZHEN		
Amount endorsed	$ 25,830	$ 26,832
Amount utilized (reported as secured bank loans)	-	-
	$ 25,830	$ 26,832

i. Compensation of key management personnel

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	$ 15,652	$ 18,418
Post-employment benefits	88	91
	$ 15,740	$ 18,509

The remunerations of directors and key executives were determined by the remuneration committee on the basis of individual performance and market trends.

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings, letters of credit and bank's acceptance bills:

	December 31	
	2019	2018
Financial assets at amortized cost	$ 1,050	$ -
Pledge deposits (classified as other current assets)	66,632	123,141
Property, plant and equipment, net	57,001	54,005
Right-of-use assets	55,248	-
Prepayments for leases	-	17,324
Investment properties, net	73,655	76,513
	$ 253,586	$ 270,983

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

As of December 31, 2019 and 2018, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately $0 thousand and $124,879 thousand, respectively.

Unrecognized commitments were as follows:

	December 31	
	2019	2018
Payments for property, plant and equipment	$ 25,659	$ 4,622

31. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

In order to motivate employees and enhance their cohesion, the Group decided to implement the buy-back of 1,000 thousand shares for the purpose of transferring to employees from March 18, 2020 to May 17, 2020, as determined by the board of directors on March 17, 2020 according to the provisions of Article 28-2 of the Securities Exchange Law. In accordance with the provisions of Article 2 of the Measures for Listed OTC Companies to Buy Back the Company 's Shares, the price range for buying back shares is set at NT$95 to NT$190.

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

	Foreign Currencies	Exchange Rate	Carrying Amount
December 31, 2019			
Financial assets			
Monetary items			
USD	$ 25,091	6.976 (USD:RMB)	$ 753,472
Financial liabilities			
Monetary items			
USD	12,498	6.976 (USD:RMB)	374,828
December 31, 2018			
Financial assets			
Monetary items			
USD	16,428	6.863 (USD:RMB)	505,054
Financial liabilities			
Monetary items			
USD	6,579	6.863 (USD:RMB)	202,013

The significant (realized and unrealized) foreign exchange gain (losses) were as follows:

	For the Year Ended December 31			
	2019		2018	
Functional Currency	**Exchange Rate**	**Net Foreign Exchange Losses**	**Exchange Rate**	**Net Foreign Exchange Losses**
USD	6.897 (USD:RMB)	$ (16,503)	6.612 (USD:RMB)	$ (1,472)

33. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and investees:

1) Financing provided to others. (Table 1)

2) Endorsements/guarantees provided. (Table 2)

3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures). (Table 3)

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital. (None)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital. (None)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital. (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital. (Table 4)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital. (None)

9) Trading in derivative instruments. (None)

10) Intercompany relationships and significant intercompany transactions. (Table 5)

11) Information on investees. (Table 6)

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 7)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (None)

   a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

   b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

   c) The amount of property transactions and the amount of the resultant gains or losses.

   d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

   e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

   f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

34. SEGMENT INFORMATION

a. Financial information of the operating segment

Information reported to the chief operating decision maker for resource allocation and assessment of segment performance focuses on the types of goods and services to be delivered. The Group focuses its business mainly on the manufacturing and sales of cellulose acetate products. According to IFRS 8, the Group has organized management and resource allocation in a single department. The operating activities are related to R&D and manufacturing of acetate products, and the operating income of the operating activities accounts for more than 90% of the total revenue.

b. Revenue from major products and services

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

	For the Year Ended December 31	
	2019	**2018**
Cellulose acetate tow	$ 1,548,017	$ 1,309,752
Cellulose acetate	626,973	429,442
	$ 2,174,990	$ 1,739,194

c. Geographical information

The Group operates in four principal geographical areas - Asia, Africa, America and Europe.

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

	Revenue from External Customers	
	For the Year Ended December 31	
	2019	2018
Asia	$ 1,487,505	$ 1,236,829
America	461,674	351,951
Europe	172,105	10,883
Africa	53,706	139,531
	$ 2,174,990	$ 1,739,194

d. Information about major customers

Single customers contributing 10% or more to the Group's revenue were as follows:

	For the Year Ended December 31	
	2019	2018
Customer A	$ 258,583	$ 235,596

JINAN ACETATE CHEMICAL CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period (Note 1)	Ending Balance (Note 1)	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
0	Jinan Acetate Chemical Co., Ltd.	My Parents Living Technology Limited (Hong Kong)	-	Y	$ 23,984 (US$ 800 thousand)	$ -	$ -	-	Short-term financing	$ -	Operation turnover	$ -	-	$ -	$ 377,791	$ 1,259,304	Note 2
1	My Parents Living Technology Limited (Hong Kong)	Acetek Material Co., Ltd. (China)	-	Y	$ 23,984 (US$ 800 thousand)	$ -	$ -	-	Short-term financing	-	Operation turnover	-	-	-	618,257	824,342	Note 3
2	Jinan Acetate Chemical Co., Ltd.	Acetek Material Co., Ltd. (China)	-	Y	$ 172,200 (RMB 40,000 thousand)	$ 172,200 (RMB 40,000 thousand)	$ 172,200 (RMB 40,000 thousand)	5.0	Short-term financing	-	Operation turnover	-	-	-	604,232	805,643	Note 3

Note 1: The maximum balance for the period and ending balance represent the amounts approved by the board of directors.

Note 2: For foreign subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company, when the funds are used for financing, the total amount shall not exceed 100% of the net worth of the lender. The total amount for lending to a company for funding shall not exceed 30% of the net worth of the Company.

Note 3: For companies with short-term funding needs, the amount for lending to a company shall not exceed 30% of the net worth of the lender. The total amount for lending shall not exceed 40% of the net worth of the Company.

Note 4: The limit on the amount for lending is calculated according to the recent financial statements audited by the Company’s independent accountants.

Note 5: Spot buy/sell average exchange rates of Bank of Taiwan on December 31, 2019 are used to estimate the amount in New Taiwan dollar.

Note 6: All transactions listed in the table have been eliminated in the preparation of the consolidated statements.

JINAN ACETATE CHEMICAL CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Endorser/ Guarantor	Endorsee/Guarantee Receiver		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship (Note 2)											
0	Jinan Acetate Chemical Co., Ltd.	Jinan Acetate Chemical Co., Ltd. (China)	b	$ 3,148,260	$ 179,880	$ 179,880	$ -	$ -	14.28	$ 3,148,260	Y	N	Y	-
		Jinan Acetate Chemical Co., Ltd. (China)	b	3,148,260	86,100	86,100	66,701	-	6.84	3,148,260	Y	N	Y	-
		Acetek Material Co., Ltd. (China)	b	377,791	43,050	43,050	-	-	3.42	1,259,304	Y	N	Y	Note 4
		Acetek Material Co., Ltd. (China)	b	377,791	43,050	43,050	-	-	3.42	1,259,304	Y	N	Y	-
1	Jinan Acetate Chemical Co., Ltd. (China)	Acetek Material Co., Ltd. (China)	b	402,822	43,050	43,050	-	-	2.14	1,007,054	Y	N	Y	Note 4

Note 1: Significant transactions between the Company and its subsidiaries or among subsidiaries are numbered as follows:

a. “0” for the Company.
b. Subsidiaries are numbered from “1”

Note 2: Relationships between the endorser/guarantor and the endorsee/guarantee receiver:

a. The Company in relation to business.
b. The Company which holds, directly or indirectly, over 50% of the voting shares.
c. The Company which holds, directly or indirectly, over 50% of the shares.
d. The Company which holds, directly or indirectly, over 90% of the voting shares.
e. Based on contract projects among their peers in accordance with contract provisions which need mutual insurance company.
f. Owing to the joint venture funded by the shareholders on its endorsement of its holding company.
g. Compliance guarantees for the performance of the sales contracts of pre-sold homes within the same industry in accordance with the Consumer Protection Law.

Note 3: The calculation for the amount of endorsement is as follows:

a. The total amount of guarantee provided by the Company to any entity whose voting shares are 100% owned, directly and indirectly, shall not exceed two-hundred-and-fifty percent (250%) of the Company’s net worth.

b. The total amount of guarantee provided by the Company to any individual entity shall not exceed ten percent (10%) of the Company’s net worth. Except for the guarantee provided to any entity whose voting shares are 100% owned, the total balance of guarantee shall not exceed the Company’s total net worth.

c. The total amount of guarantee provided by Jinan Acetate Chemical Co., Ltd. (China) shall not exceed fifty percent (50%) of its net worth. The total amount of guarantee provided to any individual entity shall not exceed twenty percent (20%) of its net worth.

Note 4: The Company and Jinan Acetate Chemical Co., Ltd. (China) provide guarantees for Acetek Material Co., Ltd. (China). The balance is RMB10,000,000.

Note 5: The limit on the amount for lending is calculated according to the recent financial statements audited by the Company’s independent accountants.

Note 6: Spot buy/sell average exchange rates of Bank of Taiwan on December 31, 2019 are used to estimate the amount in New Taiwan dollar.

JINAN ACETATE CHEMICAL CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company (Note 2)	Financial Statement Account	December 31, 2019				Note (Note 4)
				Number of Shares	Carrying Amount (Note 3)	Percentage of Ownership (%)	Fair Value	
Acetek Chemical Co., Ltd. (China)	Stock ELEUNG LIMITED	-	Financial assets at fair value through other comprehensive income - non-current	333	$ 31,716	25	$ 31,716	-

Note 1: The marketable securities in this table are stocks, bonds and short-term investments accounted for under of “IFRS 9 Financial Instruments”.

Note 2: The parties in the transactions are not significant related parties so the space is empty.

Note 3: Carrying amounts is fair value adjusted for deduction of accumulated impairment loss; otherwise, original carrying amounts at amortized cost after deduction of accumulated impairment loss.

Note 4: Amounts pledged should be noted on the table.

Note 5: The information about subsidiaries, associates and joint ventures is provided in Tables 6 and 7.

TABLE 4

JINAN ACETATE CHEMICAL CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction (Note 1)		Notes/Accounts Receivable (Payable)		Notes
			Purchase/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Jinan Acetate Chemical Co., Ltd. (China)	Acetek Material Co., Ltd. (China)	Subsidiary	Purchase	$ 826,396	47.00	Same as those for unrelated parties	No significant difference	No significant difference	$ -	-	Note 2
Acetek Material Co., Ltd. (China)	Jinan Acetate Chemical Co., Ltd. (China)	Parent company	Sales	(826,396)	(27.00)	Same as those for unrelated parties	No significant difference	No significant difference	-	-	Note 3
Jinan Acetate Chemical Co., Ltd. (China)	Global Filters S.A.	Substantive related party	Sales	(258,583)	(9.00)	Same as those for unrelated parties	No significant difference	No significant difference	67,972	15.52	-
Acetek Material Co., Ltd. (China)	Yankuang Lunan Chemical Co., Ltd.	Substantive related party	Purchase	151,741	9.00	Same as those for unrelated parties	No significant difference	No significant difference	(13,561)	6.39	-

Note 1: Differences in the condition of transactions between related parties and general customers should be noted on the table.
.
Note 2: The prepayment of $184,943 thousand; purchase prices have no significant difference from general customers.

Note 3: The advance receipt of $184,943 thousand; sales prices are equivalent to the sales prices for general customers.

Note 4: Actual capital amount is the actual amount from the parent company, issuer of no par stock or par value stock less than $10 New Taiwan dollar shall follow the actual capital amount as 20% of transaction amount rule; equity is calculated at 10% of the equity in the parent company’s balance sheet.

Note 5: The transactions between the Company and investee companies have been already been eliminated in the preparation of the consolidated financial statements.

TABLE 5

JINAN ACETATE CHEMICAL CO., LTD. AND SUBSIDIARIES

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

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Total Sales or Assets (Note 3)
0	Jinan Acetate Chemical Co., Ltd.	Jinan Acetate Chemical Co., Ltd. (China)	1	Other current liabilities	$ 25,131	In accordance with mutual contracts	0.97
1	My Parents Living Technology Limited (Hong Kong)	Jinan Acetate Chemical Co., Ltd. (China)	3	Other non-current liabilities	223,740	In accordance with mutual contracts	8.65
2	Jinan Acetate Chemical Co., Ltd. (China)	Acetek Material Co., Ltd. (China)	3	Other receivables	172,200	In accordance with mutual contracts	6.66
		Acetek Material Co., Ltd. (China)	3	Prepayments	184,943	In accordance with mutual contracts	7.15
		Acetek Material Co., Ltd. (China)	3	Purchases	826,396	In accordance with mutual contracts	38.00

Note 1: Companies are identified by number, as follows:

a. “0” represents the parent company.
b. “1” represents the subsidiary.

Note 2: The flow of transactions is as follows:

a. 1 - from the parent company to the subsidiary.
b. 2 - from the subsidiary to the parent company.
c. 3 - between subsidiaries.

Note 3: Percentage of consolidated operating revenues or consolidated total assets: If the account is in the balance sheet, it was calculated by dividing the ending balance by the consolidated total assets; if the account is in the income statement, it was calculated by dividing the interim cumulative balance by the consolidated operating revenue.

Note 4: The important transactions listed accord with the materiality principle of the Company.

Note 5: All transactions listed in the table have been eliminated in the preparation of the consolidated statements.

JINAN ACETATE CHEMICAL CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Business and Product	Original Investment Amount		As of December 31, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 1)	Note
				December 31, 2019	December 31, 2018	Shares	%	Carrying Amount			
Jinan Acetate Chemical Co., Ltd.	My Parents Living Technology Limited (Hong Kong)	Hong Kong	Investments	$ 822,593	$ 822,593	Note 3	100	$ 2,060,855	$ 362,067	$ 362,067	-
My Parents Living Technology Limited (Hong Kong)	Acetek Chemical Co., Ltd. (China)	Hong Kong	Investments	39,196	-	Note 3	80	26,601	31	25	-

Note 1: The amount was calculated according to the investee company’s financial statement reviewed by accountants and the Company’s shareholding ratio.

Note 2: The share of profit or loss among investee companies and the net worth between investor and investee companies under the equity method are all eliminated at the time the consolidated financial statements are prepared.

Note 3: The investee company is limited and has no shares.

Note 4: Information on investments in Mainland China, please refer to Table 7.

JINAN ACETATE CHEMICAL CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2019	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee	Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2019	Accumulated Repatriation of Investment Income as of December 31, 2019	Note
					Outward	Inward							
Jinan Acetate Chemical Co., Ltd. (China)	Manufacturing and sales of cellulose acetate tow	$ 264,171 (RMB 62,593 thousand)	c	$ -	$ -	$ -	$ -	$ 369,542	100	$ 369,542 (Note 2 b (2))	$ 1,884,958	$ -	-
Acetek Material Co., Ltd. (China)	Manufacturing and sales of cellulose acetate	581,452 (RMB 125,000 thousand)	c	-	-	-	-	11,126	80	6,303 (Note 2 b (2))	426,920	-	Note 3

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$ -	$ -	$ -

Note 1: Investment is divided into the following three categories which can be marked:

a. Direct investment in mainland China.
b. Reinvestment in mainland China companies through the third region (please indicated the third area of investment company).
c. Others.

Note 2: The investment income (loss) recognized in current period:

a. No investment income (loss) has been recognized due to the investment is still in development stage.
b. The investment income (loss) was determined on the following basis:

1) The financial report was audited and certified by an international accounting firm in cooperation with accounting firm in the ROC.
2) The financial statements were audited by the CPA of the parent company in Taiwan.
3) Others.

Note 3: The realized and unrealized profits and losses among the companies were considered.