

**SESODA CORPORATION****Parent Company Only Financial Statements****With Independent Auditors' Report  
For the Years Ended December 31, 2020 and 2019**

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The independent auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent company only financial statements, the Chinese version shall prevail.

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## Independent Auditors' Report

To the Board of Directors of SESODA CORPORATION:

### Opinion

We have audited the financial statements of SESODA CORPORATION (“the Company”), which comprise the balance sheets as of December 31, 2020 and 2019, the statements of comprehensive income, changes in equity and cash flows for the years then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the 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 Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### 1. Revenue recognition

Please refer to note 4(m) and note 6(n) for disclosures related to revenue recognition.

Description of key audit matter:

Revenue is the key indicator used by investors and management while evaluating the Company's finance and operating performance. In addition, since the Company is a listed company, there are risks of material misstatement due to revenue recognition. The accuracy of the timing and amount of revenue recognized have a significant impact on the financial statements. Therefore, we consider it as one of our key audit matters.

How the matter was addressed in our audit:

Testing the effectiveness of design and implementing the internal control of sales and collecting cycle; reviewing the revenue recognition of significant sales contracts to determine whether the accounting treatment key judgment and estimation are appropriate; analyzing the changes in the top 10 customers from the previous year to the most recent period, as well as the changes in the price and quantity of each category of product line to determine whether if there are any significant misstatements; selecting sales transactions from a period of time before and after the balance sheet date, and verifying the vouchers to determine the accuracy of the timing and amounts of revenue recognized; understanding whether if there is a significant subsequent sales return or discount; and reviewing whether the disclosure of revenue made by the management is appropriate.

## 2. Impairment of investments accounted for using equity method

Please refer to note 4(l), note 5, and note 6(e) for the disclosures related to impairment on investments accounted for using equity method.

Description of key audit matter:

Some subsidiaries accounted for using equity method are subject to impairment test when there are indications that vessels may have been impaired. Also, the impairment assessment is measured using the future cash flow of present discount value. Because the impairment assessment involved significant uncertainty and management's judgment. Therefore, we consider it one of our key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain audit procedures including, understanding the financial reporting process; evaluating the judgement made by the management in measuring the recoverable amount and the historical reasonableness of the management's estimates on business forecasts; verifying the key assumptions used by management to formulate future cash flow forecasts and calculate the recoverable amount; as well as performing a sensitivity analysis of key assumptions, and reviewing whether the relevant information has been properly disclosed.

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

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

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

As part of an audit in accordance with 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 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period 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 Ming-Hung Huang and Po-Shu Huang.

KPMG

Taipei, Taiwan (Republic of China)  
March 29, 2021

#### **Notes to Readers**

The accompanying parent company only financial statements are intended only to present the statement of financial position, financial performance and its cash flows in accordance with the 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 parent company only financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

## SESODA CORPORATION

## Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2020		December 31, 2019		Liabilities and Equity		December 31, 2020		December 31, 2019			
		Amount	%	Amount	%			Amount	%	Amount	%		
Current assets:						Current liabilities:							
1100	Cash and cash equivalents (note 6 (a))	\$	346,334	5	125,285	2	2100	Short-term borrowings (notes 6(h) and 8)	\$	620,000	9	430,100	6
1150	Notes receivable, net (note 6(c))		79,949	1	153,218	2	2170	Accounts payable		269,219	3	188,405	3
1170	Accounts receivable, net (note 6(c))		353,483	5	428,763	6	2200	Other payables (note 6(o))		105,304	2	145,867	2
1210	Other receivables from related parties (note 7)		13,961	-	7,565	-	2220	Other payables to related parties (note 7)		3,702	-	4,719	-
1220	Current tax assets		108	-	111	-	2230	Current tax liabilities		5,897	-	-	-
130X	Inventories (note 6(d))		312,112	4	421,895	6	2280	Lease liabilities-current (note 6(i))		2,305	-	3,204	-
1476	Other current financial assets (note 6(b))		16,280	-	23,723	-	2399	Other current liabilities		4,086	-	13,910	-
1470	Other current assets		50,303	1	57,460	1		Total current liabilities		1,010,513	14	786,205	11
	Total current assets		1,172,530	16	1,218,020	17		Non-Current liabilities:					
Non-current assets:							2645	Guarantee deposits received		242	-	-	-
1517	Non-current financial assets at fair value through other comprehensive income (note 6(b))		137,068	2	87,591	1	2570	Deferred tax liabilities (note 6(k))		433,929	6	434,722	6
1422	Prepayments for investments (note 6(b))		-	-	351	-	2580	Lease liabilities-non-current (note 6(i))		-	-	2,168	-
1550	Investments accounted for using equity method (note 6(e))		3,920,379	54	3,860,960	54		Total non-current liabilities		434,171	6	436,890	6
1600	Property, plant and equipment (notes 6(f), 8 and 9)		1,974,870	28	1,956,695	28		Total liabilities		1,444,684	20	1,223,095	17
1755	Right-of-use assets (note 6(g))		2,268	-	5,328	-		Equity (notes 6(b), (e), (j), (k) and (l)):					
1840	Deferred tax assets (note 6(k))		1,003	-	2,212	-	3100	Common stock		2,284,419	32	2,115,203	30
1915	Prepayments for business facilities (note 9)		240	-	-	-	3200	Capital surplus		102,594	1	17,420	-
1920	Refundable deposits		5,894	-	7,597	-	3310	Legal reserve		966,494	13	938,804	13
1975	Net defined benefit asset (note 6(j))		26,509	-	16,569	-	3320	Special reserve		163,741	2	131,930	2
	Total non-current assets		6,068,231	84	5,937,303	83	3350	Unappropriated retained earnings		2,537,958	35	2,760,702	39
										3,668,193	50	3,831,436	54
								Other equity interest:					
							3410	Exchange differences on translation of foreign financial statements		(242,652)	(3)	(68,465)	(1)
							3420	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income		(16,477)	-	36,634	-
										(259,129)	(3)	(31,831)	(1)
								Total equity		5,796,077	80	5,932,228	83
	Total assets	\$	7,240,761	100	7,155,323	100		Total liabilities and equity	\$	7,240,761	100	7,155,323	100

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

**SESODA CORPORATION****Statements of Comprehensive Income****For the years ended December 31, 2020 and 2019****(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)**

		<b>2020</b>		<b>2019</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4110	<b>Operating revenue (note 6(n))</b>	\$ 2,667,022	100	2,757,197	100
5111	<b>Operating cost (notes 6(d), (f), (j) and 7)</b>	<u>2,150,161</u>	<u>81</u>	<u>2,282,399</u>	<u>83</u>
	<b>Gross profit from operations</b>	<u>516,861</u>	<u>19</u>	<u>474,798</u>	<u>17</u>
6000	<b>Operating expenses (notes 6(c), (f), (g), (i), (j), (o) and 7):</b>				
6100	Selling expenses	335,721	13	302,756	11
6200	Administrative expenses	111,892	4	118,942	4
6450	Expected credit loss	-	-	1,303	-
	<b>Total operating expenses</b>	<u>447,613</u>	<u>17</u>	<u>423,001</u>	<u>15</u>
6900	<b>Net operating income</b>	<u>69,248</u>	<u>2</u>	<u>51,797</u>	<u>2</u>
7000	<b>Non-operating income and expenses (notes 6(e), (f), (i), (p) and 7):</b>				
7100	Interest income	172	-	271	-
7010	Other income	6,247	-	2,034	-
7020	Other gains and losses	13,679	1	28,621	1
7050	Finance costs	(4,010)	-	(4,730)	-
7060	Share of gains of subsidiaries and associates accounted for using equity method	<u>102,111</u>	<u>4</u>	<u>242,672</u>	<u>9</u>
	<b>Total non-operating income and expenses</b>	<u>118,199</u>	<u>5</u>	<u>268,868</u>	<u>10</u>
7900	<b>Income before tax</b>	<u>187,447</u>	<u>7</u>	<u>320,665</u>	<u>12</u>
7950	<b>Less: Income tax expenses (note 6(k))</b>	<u>13,318</u>	<u>-</u>	<u>46,024</u>	<u>2</u>
	<b>Net income</b>	<u>174,129</u>	<u>7</u>	<u>274,641</u>	<u>10</u>
8300	<b>Other comprehensive income (notes 6(e), (j), (k) and (l)):</b>				
8310	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>				
8311	Remeasurements of defined benefit plans	3,174	-	7,818	-
8316	Unrealized gains or losses from financial assets measured at fair value through other comprehensive income	(54,147)	(2)	35,515	1
8330	Share of other comprehensive income of subsidiaries and associates accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	(443)	-	(321)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>635</u>	<u>-</u>	<u>1,564</u>	<u>-</u>
	<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>	<u>(52,051)</u>	<u>(2)</u>	<u>41,448</u>	<u>1</u>
8360	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	(174,105)	(7)	(84,834)	(3)
8380	Share of other comprehensive income of subsidiaries and associates accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(82)	-	(348)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>	<u>(174,187)</u>	<u>(7)</u>	<u>(85,182)</u>	<u>(3)</u>
8300	<b>Other comprehensive income</b>	<u>(226,238)</u>	<u>(9)</u>	<u>(43,734)</u>	<u>(2)</u>
8500	<b>Total comprehensive income</b>	<u>\$ (52,109)</u>	<u>(2)</u>	<u>230,907</u>	<u>8</u>
9750	<b>Basic earnings per share (note 6(m)) (expressed in New Taiwan dollars)</b>	<u>\$ 0.76</u>		<u>1.20</u>	
9850	<b>Diluted earnings per share (note 6(m))(expressed in New Taiwan dollars)</b>	<u>\$ 0.76</u>		<u>1.20</u>	

See accompanying notes to parent company only financial statements.



(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

## SESODA CORPORATION

## Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings					Total other equity interest				
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total other equity interest	Total equity
<b>Balance at January 1, 2019</b>	\$ 2,014,479	15,924	903,685	215,821	2,636,494	3,756,000	16,717	(2,571)	14,146	5,800,549
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	35,119	-	(35,119)	-	-	-	-	-
Cash dividends	-	-	-	-	(100,724)	(100,724)	-	-	-	(100,724)
Stock dividends	100,724	-	-	-	(100,724)	(100,724)	-	-	-	-
Special reserve	-	-	-	(83,891)	83,891	-	-	-	-	-
Net income	-	-	-	-	274,641	274,641	-	-	-	274,641
Other comprehensive income	-	-	-	-	5,933	5,933	(85,182)	35,515	(49,667)	(43,734)
Total comprehensive income	-	-	-	-	280,574	280,574	(85,182)	35,515	(49,667)	230,907
Changes in associates accounted for using equity method	-	13	-	-	-	-	-	-	-	13
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(3,690)	(3,690)	-	3,690	3,690	-
Changes in capital surplus	-	1,483	-	-	-	-	-	-	-	1,483
<b>Balance at December 31, 2019</b>	2,115,203	17,420	938,804	131,930	2,760,702	3,831,436	(68,465)	36,634	(31,831)	5,932,228
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	27,690	-	(27,690)	-	-	-	-	-
Special reserve	-	-	-	31,831	(31,831)	-	-	-	-	-
Cash dividends	-	-	-	-	(169,216)	(169,216)	-	-	-	(169,216)
Stock dividends	169,216	-	-	-	(169,216)	(169,216)	-	-	-	-
Special reserve	-	-	-	(20)	20	-	-	-	-	-
Net income	-	-	-	-	174,129	174,129	-	-	-	174,129
Other comprehensive income	-	-	-	-	2,096	2,096	(174,187)	(54,147)	(228,334)	(226,238)
Total comprehensive income	-	-	-	-	176,225	176,225	(174,187)	(54,147)	(228,334)	(52,109)
Changes in capital surplus	-	504	-	-	-	-	-	-	-	504
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(1,036)	(1,036)	-	1,036	1,036	-
Changes in associates accounted for using equity method	-	84,670	-	-	-	-	-	-	-	84,670
<b>Balance at December 31, 2020</b>	<u>\$ 2,284,419</u>	<u>102,594</u>	<u>966,494</u>	<u>163,741</u>	<u>2,537,958</u>	<u>3,668,193</u>	<u>(242,652)</u>	<u>(16,477)</u>	<u>(259,129)</u>	<u>5,796,077</u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

**SESODA CORPORATION****Statements of Cash Flows****For the years ended December 31, 2020 and 2019****(Expressed in Thousands of New Taiwan Dollars)**

	<b>2020</b>	<b>2019</b>
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 187,447	320,665
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation expense	82,261	73,461
Expected credit loss	-	1,303
Net gain on financial assets at fair value through profit or loss	-	(224)
Interest expense	4,010	4,730
Interest income	(172)	(271)
Dividend income	(6,236)	(2,023)
Share of profit of subsidiaries and associates accounted for using equity method	(102,111)	(242,672)
Gain on disposal of property, plant and equipment	-	(58)
Property, plant and equipment transferred to expenses	23,615	39,625
Gain on disposal of investments accounted for using equity method	(4,978)	(1,197)
<b>Total adjustments to reconcile profit (loss)</b>	<b>(3,611)</b>	<b>(127,326)</b>
<b>Changes in operating assets and liabilities:</b>		
Decrease in financial assets at fair value through profit or loss	-	5,066
Decrease in notes receivable	73,269	23,533
Decrease (increase) in accounts receivable	75,280	(154,722)
Increase in accounts receivable from related parties	(6,396)	(942)
Decrease (increase) in inventories	109,507	(33,456)
Decrease (increase) in other current assets	7,157	(12,453)
Decrease (increase) in other current financial assets	3,495	(9,035)
Increase in net defined benefit assets	(6,766)	(4,091)
Increase (decrease) in accounts payable	80,814	(14,312)
Increase (decrease) in other payables	(33,349)	11,870
Decrease in other payables to related parties	(1,017)	(199)
Decrease in other current liabilities	(9,824)	(1,768)
<b>Total adjustments</b>	<b>288,559</b>	<b>(317,835)</b>
Cash inflow generated from operations	476,006	2,830
Interest received	160	271
Dividends received	24,950	11,539
Interest paid	(5,182)	(7,206)
Income taxes paid	(7,637)	(45,076)
<b>Net cash flows from (used in) operating activities</b>	<b>488,297</b>	<b>(37,642)</b>
<b>Cash flows from (used in) investing activities:</b>		
Proceeds from disposal of financial assets at fair value through other comprehensive income	4,029	-
Acquisition of investments accounted for using equity method	(177,905)	-
Proceeds from disposal of investments accounted for using equity method	13,559	2,954
Acquisition of property, plant and equipment	(126,454)	(178,186)
Proceeds from disposal of property, plant and equipment	-	58
Decrease in refundable deposits	1,703	4
<b>Net cash used in investing activities</b>	<b>(285,068)</b>	<b>(175,170)</b>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term loans	2,948,231	3,031,569
Decrease in short-term loans	(2,758,331)	(3,142,354)
Increase in guarantee deposits received	242	-
Payment of lease liabilities	(3,610)	(3,560)
Cash dividends paid	(169,216)	(100,724)
Other financing activities	504	1,483
<b>Net cash flows from (used in) financing activities</b>	<b>17,820</b>	<b>(213,586)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>-</b>	<b>(1,995)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>221,049</b>	<b>(428,393)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>125,285</b>	<b>553,678</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 346,334</b>	<b>125,285</b>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

## SESODA CORPORATION

### Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

#### (1) Company history

SESODA CORPORATION, formerly called SOUTH EAST SODA MANUFACTURING CO., LTD., (hereinafter referred to as the “Company”) was incorporated on March 2, 1957 as a corporation limited by shares under the Company Act of the Republic of China (R.O.C.). The major business activities of the Company are the manufacturing and sales of pure soda ash, sodium bicarbonate, hydrochloric acid, ammonium bicarbonate power and potassium sulfate.

#### (2) Approval date and procedures of the financial statements:

These financial statements were authorized for issue by the Board of Directors as of March 29, 2021.

#### (3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2020:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Company does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”

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## SESODA CORPORATION

### Notes to the Financial Statements

- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

#### **(4) Summary of significant accounting policies:**

The significant accounting policies presented in the parent company financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the parent company only financial statements.

##### **(a) Statement of compliance**

The parent company financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”).

##### **(b) Basis of preparation**

###### **(i) Basis of measurement**

Except for the following significant accounts, the financial statements have been prepared on a historical cost basis:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 3) The net defined benefit assets are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in note 4(n).

###### **(ii) Functional and presentation currency**

The functional currency of Company is determined based on the primary economic environment in which the Company operates. The parent company only financial statements are presented in New Taiwan Dollar (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

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## SESODA CORPORATION

### Notes to the Financial Statements

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currency using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currency using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for an investment in equity securities designated as at fair value through other comprehensive income which is recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into NTD at the exchange rates of the reporting date. The income and expenses of foreign operations are translated into NTD at the average rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of investment in an associate of joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences arising from such monetary items that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

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

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or

(Continued)

**SESODA CORPORATION**  
**Notes to the Financial Statements**

- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises of cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial assets

Accounts receivable is initially recognized when it is originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is an accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. An accounts receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income (FVOCI) –equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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**SESODA CORPORATION**  
**Notes to the Financial Statements**

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI )

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

(Continued)

**SESODA CORPORATION**  
**Notes to the Financial Statements**

4) Impairment of financial assets

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- Cash in bank, other receivable, other financial assets and refundable deposits for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

The Company holds time deposits for domestic financial institutions, it is considered to be low credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost is credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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**SESODA CORPORATION**  
**Notes to the Financial Statements**

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

5) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

(ii) Financial liabilities

1) Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

2) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

3) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

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**SESODA CORPORATION**  
**Notes to the Financial Statements**

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The parent company only financial statements include the Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align the accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

Unrealized gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated Company's interests in the associate.

When the Company's share of losses of an associate equals or exceeds its interest in associates, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. Moreover, a difference shall be debited to retained earnings when the balance of capital surplus resulting from investments accounted for using equity method is not sufficient to be written off. If the Company's ownership interest is reduced due to the additional subscription to the shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate shall be reclassified to profit or loss on the same basis as would be required if the associate or jointly controlled entity had directly disposed of the related assets or liabilities.

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**SESODA CORPORATION**  
**Notes to the Financial Statements**

(i) Investment in subsidiaries

When preparing the parent company only financial statements, the investments in subsidiaries, which are controlled by the Company, are accounted for using the equity method. Under the equity method, the profit or loss for the period and other comprehensive income presented in the parent company only financial statements should be the same as the allocations of profit or loss for the period and of other comprehensive income attributable to the owners of the parent presented in the financial statements prepared on a consolidated basis; and the owners' equity presented in the parent company only financial statements should be the same as the equity attributable to the owners of the parent presented in the financial statements prepared on a consolidated basis. The Company also recognized its shares in the changes in its equity of subsidiaries.

Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

1) Buildings	5~50 years
2) Machinery and equipment	5~15 years
3) Transportation equipment	3~5 years
4) Other equipment	2~15 years

(Continued)

**SESODA CORPORATION**  
**Notes to the Financial Statements**

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Leases

(i) Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the Company has the right to direct the use of the asset throughout the period of use only if either:
  - the Company has the right to direct how and for what purpose the asset is used throughout the period of use; or
  - the relevant decisions about how and for what purpose the asset is used are predetermined and:
    - the Company has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
    - the Company designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand alone prices.

(ii) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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**SESODA CORPORATION**  
**Notes to the Financial Statements**

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the assessment on whether it will have the option to exercise a purchase; or
- there is a change in the assessment on lease term as to whether it will be extended or terminated; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

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## SESODA CORPORATION

### Notes to the Financial Statements

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including office equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Company applies IFRS15 to allocate the consideration in the contract.

(l) Impairment of non financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, deferred tax assets and net defined benefit assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized in profit or loss if the carrying amount of an asset or CGU exceeds its recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(Continued)

**SESODA CORPORATION**  
**Notes to the Financial Statements**

(m) Revenue

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below:

1) Sale of goods

The Company recognizes revenue when control of the products has been transferred, when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered, as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

2) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are recognized as expense as the related services is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

(Continued)

## SESODA CORPORATION

### Notes to the Financial Statements

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

#### (iii) Short-term employee benefits

Short term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### (o) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations, or are recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the below exceptions:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

(Continued)



**SESODA CORPORATION**  
**Notes to the Financial Statements**

- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) the same taxable entity; or
  - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(p) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to common shareholders of the Company. Basic earnings per share are calculated as the profit attributable to common shareholders of the Company divided by the weighted average number of common shares outstanding. Diluted earnings per share are calculated as the profit attributable to common shareholders of the Company divided by the weighted average number of common shares outstanding after adjustment for the effects of all potentially dilutive common shares, such as employee compensation.

(q) Operating segments

The Company has disclosed information about operating segments in its consolidated financial statements. Hence no further information is disclosed in the parent company only financial statements.

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**SESODA CORPORATION**  
**Notes to the Financial Statements**

**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:**

The preparation of the parent company only financial statements in conformity with the Regulations requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the parent company only financial statements is as follows:

**(a) Judgment of whether the Company has substantive control over its investees**

As of December 31, 2020 and 2019, the Company holds 34.89% and 40.88%, respectively, of the outstanding voting shares of EAST TENDER OPTOELECTRONICS CORPORATION (EOC), and is the single largest shareholder of the investee. Although the remaining shares are not concentrated within specific shareholders, the Company still failed to obtain more than half of the total number of directors' seats of EOC, and it also failed to obtain more than half of the voting rights at a shareholders' meeting. Therefore, it is determined that the Company only has significant influence but not control over EOC.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows:

**(a) Impairment of investments accounted for using equity method**

The assessment of impairment of investments accounted for using equity method requires the Company to make subjective judgments to identify the cash-generating units and estimate the future cash flow and useful life of its related assets. Any changes in these estimates based on changed economic conditions or business strategies could result in significant adjustments in future years. Please refer to note 6(e) for further description.

**(6) Explanation of significant accounts:**

**(a) Cash and cash equivalents**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Petty Cash	\$ 380	280
Demand deposits	259,514	124,005
Time deposits	86,440	1,000
Cash and cash equivalents	<u><u>\$ 346,334</u></u>	<u><u>125,285</u></u>

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(b) Financial assets at fair value through other comprehensive income-non-current

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Domestic unlisted companies stocks	\$ 5,571	4,675
Foreign unlisted companies stocks	131,497	82,916
Total	<u>\$ 137,068</u>	<u>87,591</u>

(i) Equity instruments at fair value through other comprehensive income

The Company held equity securities for long term strategic purposes (and not for trading purposes) which have been designated as measured at fair value through other comprehensive income.

In 2019, due to the liquidation of WI Harper Investment Company, the Company expected to receive the amounts of \$3,959 thousand in cash and \$351 thousand in stocks, to be recognized as other financial assets and prepayments for investments, respectively, wherein the liquidated loss of \$3,690 thousand will be reclassified from other equity to retained earnings.

In 2020, the Company received the amount of \$4,029 thousand in cash, resulting in the gain of \$70 thousand to be reclassified from other equity to retained earnings.

(ii) For market risk, please refer to note 6(q).

(iii) The aforementioned financial assets were not pledged.

(c) Notes and accounts receivables

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Notes receivables	\$ 79,949	153,218
Accounts receivables—measured as amortized cost	364,786	440,066
Less: Loss allowance	(11,303)	(11,303)
Subtotals	<u>353,483</u>	<u>428,763</u>
Total	<u>\$ 433,432</u>	<u>581,981</u>

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The Company applies the simplified approach to provide for its loss allowance used for expected credit losses, which permit the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivable have been grouped based on shared credit risk characteristics and days past due, as well as incorporate forward looking information. The loss allowance provision were determined as follows:

<b>December 31, 2020</b>			
	<b>Gross carrying amount</b>	<b>Weighted-average expected credit loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 370,112	0.33 %	1,224
1 to 30 days past due	60,562	6.95 %	4,209
31 to 60 days past due	9,660	14.95 %	1,444
61 to 90 days past due	15	82.57 %	12
More than 90 days past due	4,386	100.00%	4,386
	<b>\$ 444,735</b>		<b>11,275</b>
<b>December 31, 2019</b>			
	<b>Gross carrying amount</b>	<b>Weighted-average expected credit loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 531,843	0.17 %	905
1 to 30 days past due	18,214	5.12 %	933
31 to 60 days past due	40,616	16.92 %	6,872
61 to 90 days past due	110	83.94 %	92
More than 90 days past due	2,501	100.00 %	2,501
	<b>\$ 593,284</b>		<b>11,303</b>

The movements in the allowance for notes and accounts receivable were as follows:

<b>For the years ended December 31,</b>		
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 11,303	10,000
Impairment losses recognized	-	1,303
Balance at December 31	<b>\$ 11,303</b>	<b>11,303</b>

As of December 31, 2020 and 2019, the notes and accounts receivable were not discounted and pledged. For other credit risk, please refer to note 6(q).

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(d) Inventories

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Merchandise	\$ 98,737	115,973
Finished goods	76,595	141,167
Raw materials	120,079	148,485
Fuel	2,262	3,115
Supplies	14,439	13,155
	<b><u>\$ 312,112</u></b>	<b><u>421,895</u></b>

Except for operating costs arising from the ordinary sale of inventories, other gains or losses directly recorded under operating cost were as follows:

	<b>2020</b>	<b>2019</b>
Unallocated overheads	\$ 29,983	51,264
Loss on valuation of inventories	275	-
Losses (gains) on inventories count	(1,635)	8
	<b><u>\$ 28,623</u></b>	<b><u>51,272</u></b>

As of December 31, 2020 and 2019, the inventories were not pledged.

(e) Investments accounted for using equity method

A summary of the Company's financial information for investments accounted for using the equity method (including prepayments for investments) at the reporting date was as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Subsidiaries	\$ 3,422,028	3,441,182
Associates	498,351	419,778
	<b><u>\$ 3,920,379</u></b>	<b><u>3,860,960</u></b>

(i) Subsidiaries

Please refer to 2020 and 2019 consolidated financial statements.

(ii) Associates

Name of Associates	Main business	Main operating location	Proportion of shareholding and voting rights	
			December 31, 2020	December 31, 2019
EOC	Manufacturing of DWDM filter components required for Optical communication	Yilan	34.89 %	40.88 %

(Continued)

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EOC became a listed company on July 1, 2020. The fair values of the Company's shares on EOC were \$696,859 thousand as of December 31, 2020.

The financial information of EOC was as follows::

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Current assets	\$ 642,144	372,966
Non-current assets	594,550	536,517
Current liabilities	(81,976)	(74,885)
Non-current liabilities	(105,234)	(116,612)
Net assets	<u><u>\$ 1,049,484</u></u>	<u><u>717,986</u></u>
Net assets attributable to the Company	<u><u>\$ 498,351</u></u>	<u><u>418,519</u></u>

	<b>2020</b>	<b>2019</b>
Operating revenue	<u><u>\$ 334,567</u></u>	<u><u>349,651</u></u>
Profit from continuing operations	\$ 51,124	55,880
Other comprehensive income	(1,585)	(1,624)
Total comprehensive income	<u><u>\$ 49,539</u></u>	<u><u>54,256</u></u>
Comprehensive income attributable to the Company	<u><u>\$ 15,924</u></u>	<u><u>17,594</u></u>

	<b>2020</b>	<b>2019</b>
Share of net assets of associates as of January 1	\$ 418,519	412,185
Comprehensive income attributable to the Company	15,924	17,594
Capital surplus arising from not participating in capital increase	86,571	-
Disposals	(10,490)	(1,757)
Dividends received from associates	(12,182)	(9,516)
Others	9	13
Share of net assets of associates as of December 31	<u><u>\$ 498,351</u></u>	<u><u>418,519</u></u>

The Company's financial information for investments accounted for using the equity method that are individually insignificant was as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Carrying amount of individually insignificant associates' equity	<u><u>\$ -</u></u>	<u><u>1,259</u></u>
	<b>2020</b>	<b>2019</b>
Attributable to the Company:		
Loss from continuing operations	\$ (1,259)	(1,999)
Other comprehensive income	-	-
Comprehensive income	<u><u>\$ (1,259)</u></u>	<u><u>(1,999)</u></u>

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(iii) The Company did not provide any investment accounted for using the equity method as collateral for its loans.

(iv) In 2020 and 2019, the Company sold its shares in EOC amounting to \$13,559 thousand and \$2,954 thousand, resulting in the gains on sale of shares to be \$4,978 thousand and \$1,197 thousand, respectively, recognized as other gains and losses under gains on disposals of investment.

(f) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2020 and 2019 were as follows:

	Land	Buildings	Machinery and equipment	Transportation equipment	Other facilities	Construction in progress	Total
<b>Cost:</b>							
Balance on January 1, 2020	\$ 1,205,356	695,719	1,369,648	25,766	136,353	121,649	3,554,491
Additions	-	64	1,942	-	41,422	76,743	120,171
Disposal	-	-	(13,549)	-	(121)	-	(13,670)
Reclassification	-	7,917	33,055	-	(37,604)	(26,706)	(23,338)
Balance on December 31, 2020	<u>\$ 1,205,356</u>	<u>703,700</u>	<u>1,391,096</u>	<u>25,766</u>	<u>140,050</u>	<u>171,686</u>	<u>3,637,654</u>
Balance on January 1, 2019	\$ 1,194,447	656,086	1,206,486	24,726	131,004	186,077	3,398,826
Additions	10,909	-	4,202	1,550	55,022	124,205	195,888
Disposal	-	-	(31)	(510)	(431)	-	(972)
Reclassification	-	39,633	158,991	-	(49,242)	(188,633)	(39,251)
Balance on December 31, 2019	<u>\$ 1,205,356</u>	<u>695,719</u>	<u>1,369,648</u>	<u>25,766</u>	<u>136,353</u>	<u>121,649</u>	<u>3,554,491</u>
<b>Depreciation and impairments loss:</b>							
Balance on January 1, 2020	\$ -	458,334	1,050,373	11,612	77,477	-	1,597,796
Depreciation	-	12,052	59,448	3,920	3,238	-	78,658
Disposal	-	-	(13,549)	-	(121)	-	(13,670)
Balance on December 31, 2020	<u>\$ -</u>	<u>470,386</u>	<u>1,096,272</u>	<u>15,532</u>	<u>80,594</u>	<u>-</u>	<u>1,662,784</u>
Balance on January 1, 2019	\$ -	447,144	998,990	8,358	74,419	-	1,528,911
Depreciation	-	11,190	51,414	3,764	3,489	-	69,857
Disposal	-	-	(31)	(510)	(431)	-	(972)
Balance on January 1, 2019	<u>\$ -</u>	<u>458,334</u>	<u>1,050,373</u>	<u>11,612</u>	<u>77,477</u>	<u>-</u>	<u>1,597,796</u>
<b>Carrying amounts:</b>							
Balance on December 31, 2020	<u>\$ 1,205,356</u>	<u>233,314</u>	<u>294,824</u>	<u>10,234</u>	<u>59,456</u>	<u>171,686</u>	<u>1,974,870</u>
Balance on January 1, 2019	<u>\$ 1,194,447</u>	<u>208,942</u>	<u>207,496</u>	<u>16,368</u>	<u>56,585</u>	<u>186,077</u>	<u>1,869,915</u>
Balance on December 31, 2019	<u>\$ 1,205,356</u>	<u>237,385</u>	<u>319,275</u>	<u>14,154</u>	<u>58,876</u>	<u>121,649</u>	<u>1,956,695</u>

(i) Impairment losses

For the years ended December 31, 2020 and 2019, the movements in accumulated impairment loss were as follows:

	2020	2019
Balance at January 1	\$ 1,731	3,335
Reclassified to accumulated depreciation	(1,203)	(1,604)
Balance at December 31	<u>\$ 528</u>	<u>1,731</u>

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(ii) Pledged information

Please refer to note 8 for the pledged and collateral information of the property, plant and equipment.

- (iii) For the years ended December 31, 2020 and 2019, the capitalized interest expenses amounted to \$1,331 thousand and \$1,480 thousand, with interest rates of 1.01% and 1.36%, respectively.

(g) Right-of-use assets

The Company leases buildings and transportation equipment. The movements in right-of-use assets were as follows:

	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
<b>Cost:</b>			
Balance at January 1, 2020	\$ 543	8,252	8,795
Additions	543	-	543
Disposal	(543)	-	(543)
Balance at December 31, 2020	<u>\$ 543</u>	<u>8,252</u>	<u>8,795</u>
Balance at January 1, 2019	\$ -	-	-
Effects of retrospective application for IFRS 16	137	8,252	8,389
Additions	543	-	543
Disposal	(137)	-	(137)
Balance at December 31, 2019	<u>\$ 543</u>	<u>8,252</u>	<u>8,795</u>
<b>Accumulated depreciation:</b>			
Balance at January 1, 2020	\$ 407	3,060	3,467
Depreciation	543	3,060	3,603
Disposal	(543)	-	(543)
Balance at December 31, 2020	<u>\$ 407</u>	<u>6,120</u>	<u>6,527</u>
Balance at January 1, 2019	\$ -	-	-
Effects of retrospective application for IFRS 16	-	-	-
Depreciation for the year	544	3,060	3,604
Disposal	(137)	-	(137)
Balance at January 1, 2019	<u>\$ 407</u>	<u>3,060</u>	<u>3,467</u>
<b>Carrying amounts:</b>			
Balance at December 31, 2020	<u>\$ 136</u>	<u>2,132</u>	<u>2,268</u>
Balance at December 31, 2019	<u>\$ 136</u>	<u>5,192</u>	<u>5,328</u>

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(h) Short-term and long-term borrowings

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Secured bank loans	\$ 290,000	260,000
Unsecured bank loans	330,000	170,100
	<u><b>\$ 620,000</b></u>	<u><b>430,100</b></u>
Unused credit lines	<u><b>\$ 710,000</b></u>	<u><b>949,900</b></u>
Range of interest rates	<u><b>0.42%~2.46%</b></u>	<u><b>0.98%~3.765%</b></u>

For the collateral for short-term borrowings, please refer to note 8.

(i) Lease liabilities

The carrying amounts of lease liabilities were as follow:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Current	<u><b>\$ 2,305</b></u>	<u><b>3,204</b></u>
Non-current	<u><b>\$ -</b></u>	<u><b>2,168</b></u>

For the maturity analysis, please refer to note 6(q).

The amounts recognized in profit or loss was as follows:

	<b>2020</b>	<b>2019</b>
Interest expenses on lease liabilities	<u><b>\$ 68</b></u>	<u><b>118</b></u>
Expenses relating to leases of low-value assets	<u><b>\$ 190</b></u>	<u><b>219</b></u>

The amounts recognized in the statement of cash flows were as follows:

	<b>2020</b>	<b>2019</b>
Total cash outflow for leases	<u><b>\$ 3,868</b></u>	<u><b>3,897</b></u>

(j) Employee benefits

(i) Defined benefit plans

Reconciliations of defined benefit obligation at present value and plan asset at fair value were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Present value of the defined benefit obligations	\$ 142,658	146,009
Fair value of plan assets	(169,167)	(162,578)
Net defined benefit assets	<u><b>\$ (26,509)</b></u>	<u><b>(16,569)</b></u>

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The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$169,167 thousand as of December 31, 2020. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligation

Movements in the present value of the defined benefit obligations were as follows:

	<b>2020</b>	<b>2019</b>
Defined benefit obligations at January 1	\$ 146,009	151,896
Current service costs and interest cost	1,619	2,386
Remeasurements of the net defined benefit asset:		
— Actuarial gains or losses arising from financial assumption	2,262	(2,175)
Benefits paid	(7,232)	(6,098)
Defined benefit obligations at December 31	<u><u>\$ 142,658</u></u>	<u><u>146,009</u></u>

3) The movements in fair value of the defined benefit plan assets

Movements in the fair value of the plan assets were as follows:

	<b>2020</b>	<b>2019</b>
Fair value of plan assets at January 1	\$ 162,578	156,556
Interest revenue	1,216	1,539
Remeasurements of the net defined benefit asset:		
— Actuarial gains or losses arising from financial assumption	5,436	5,643
Amounts contributed to plan	4,929	4,938
Benefits paid	(4,992)	(6,098)
Fair value of plan assets at December 31	<u><u>\$ 169,167</u></u>	<u><u>162,578</u></u>

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4) Expenses recognized in profit or loss

The expenses recognized in profit or losses were as follows:

	<u>2020</u>	<u>2019</u>
Current service costs	\$ 545	917
Net interest expense of net defined benefit assets	(142)	(70)
	<u>\$ 403</u>	<u>847</u>
	<u>2020</u>	<u>2019</u>
Operating cost	\$ 369	759
Operating expenses	34	88
	<u>\$ 403</u>	<u>847</u>

5) The remeasurements of net defined benefit liabilities (assets) recognized in other comprehensive income

The remeasurements of net defined benefit liabilities (assets) recognized in other comprehensive income were as follows:

	<u>2020</u>	<u>2019</u>
Balance at the beginning	\$ (7,321)	(15,139)
Recognized in the current period	3,174	7,818
Balance at the beginning	<u>\$ (4,147)</u>	<u>(7,321)</u>

6) Actuarial assumptions

The principal actuarial assumptions were as follows:

	<u>2020.12.31</u>	<u>2019.12.31</u>
Discount rate	0.500 %	0.750 %
Future salary increasing rate	3.000 %	3.000 %

The Company expects to make contributions of \$4,835 thousand to the defined benefit plans in the next year starting from December 31, 2020.

The weighted average duration of the defined benefit plans is 7.08 years.

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7) Sensitivity analysis

The changes in main actuarial assumptions might have an impact on the present value of the defined benefit obligation as follows:

	<b>Influences on defined benefit obligations</b>	
	<b>Increased</b>	<b>Decreased</b>
<b>December 31, 2020</b>		
Discount rate decrease (increase) 0.25%	\$ 2,107	(2,057)
Future salary increasing rate increase (decrease) 0.25%	1,991	(1,954)
<b>December 31, 2019</b>		
Discount rate decrease (increase) 0.25%	2,358	(2,298)
Future salary increasing rate increase (decrease) 0.25%	2,236	(2,192)

There is no change in other assumptions when performing the above mentioned sensitivity analysis. In practice, assumptions may be interactive with each other. The method used on sensitivity analysis is consistent with the calculation on the net pension liabilities.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2020 and 2019.

(ii) Defined contribution plans

The Company set aside 6% of the contribution rate of the employee's monthly wages to the Labor Pension personal account of the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. The Company set aside a fixed amount to the Bureau of Labor Insurance without the payment of additional legal or constructive obligations.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted for the years ended December 31, 2020 and 2019 were as follow:

	<b>2020</b>	<b>2019</b>
Operating cost	\$ 1,985	1,866
Operating expense	1,705	1,811
Total	<u><u>\$ 3,690</u></u>	<u><u>3,677</u></u>

(iii) Others

The Company paid and recognized the severance pay for the years ended December 31, 2020 and 2019 as follow:

	<b>2020</b>	<b>2019</b>
Operating cost	\$ 48	63
Operating expense	2,276	243
Total	<u><u>\$ 2,324</u></u>	<u><u>306</u></u>

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(k) Income taxes

(i) Income tax expense

The amounts of income tax for the years ended December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Current tax expense		
Current period	\$ 13,534	21,461
Adjustment for prior periods	<u>3</u>	<u>157</u>
	<u>13,537</u>	<u>21,618</u>
Deferred tax expense		
Origination and reversal of temporary differences	<u>(219)</u>	<u>24,406</u>
Income tax expense from continuing operations	<u><u>\$ 13,318</u></u>	<u><u>46,024</u></u>

The amounts of income tax recognized in other comprehensive income for the years ended December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit plans	<u><u>\$ 635</u></u>	<u><u>1,564</u></u>

Reconciliations of income tax expenses and profit before tax for the years ended December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Profit before tax	<u><u>\$ 187,447</u></u>	<u><u>320,665</u></u>
Income tax using the Company's domestic tax rate	\$ 37,489	64,133
The income tax effects on permanent difference	(4,866)	(5,611)
Change of temporary differences	(19,308)	(21,324)
Adjustment for prior periods	3	157
Undistributed earnings tax	<u>-</u>	<u>8,669</u>
	<u><u>\$ 13,318</u></u>	<u><u>46,024</u></u>

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(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The Company is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2020 and 2019. Also, management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Aggregate amount of temporary differences related to investments in subsidiaries	<b>\$ 397,529</b>	<b>390,182</b>
2) Recognized deferred tax assets and liabilities		

Deferred Tax Assets:

	<b>Refund liability</b>	<b>Unrealized exchange loss</b>	<b>Impairment loss of property, plant and equipment</b>	<b>Defined benefit plans</b>	<b>Total</b>
<b>Balance at January 1, 2020</b>	\$ 1,724	-	479	9	2,212
Recognized in profit or loss	(1,562)	332	-	21	(1,209)
<b>Balance at December 31, 2020</b>	<b>\$ 162</b>	<b>332</b>	<b>479</b>	<b>30</b>	<b>1,003</b>
<b>Balance at January 1, 2019</b>	\$ 1,358	-	479	-	1,837
Recognized in profit or loss	366	-	-	9	375
<b>Balance at December 31, 2019</b>	<b>\$ 1,724</b>	<b>-</b>	<b>479</b>	<b>9</b>	<b>2,212</b>

Deferred Tax Liability:

	<b>Land value increment tax</b>	<b>Investment income under equity method</b>	<b>Unrealized exchange gain</b>	<b>Defined benefit plans</b>	<b>Others</b>	<b>Total</b>
<b>Balance at January 1, 2020</b>	\$ 166,990	264,198	203	3,306	25	434,722
Recognized in profit or loss	-	(2,553)	(203)	1,353	(25)	(1,428)
Recognized in other comprehensive income	-	-	-	635	-	635
<b>Balance at December 31, 2020</b>	<b>\$ 166,990</b>	<b>261,645</b>	<b>-</b>	<b>5,294</b>	<b>-</b>	<b>433,929</b>
<b>Balance at January 1, 2019</b>	\$ 166,990	240,317	121	924	25	408,377
Recognized in profit or loss	-	23,881	82	818	-	24,781
Recognized in other comprehensive income	-	-	-	1,564	-	1,564
<b>Balance at December 31, 2019</b>	<b>\$ 166,990</b>	<b>264,198</b>	<b>203</b>	<b>3,306</b>	<b>25</b>	<b>434,722</b>

(iii) Assessment

The Company's income tax returns for all years through 2018 were assessed by the tax authorities.

(Continued)

**SESODA CORPORATION**  
**Notes to the Financial Statements**

(l) Capital and other equity

As of December 31, 2020 and 2019, the total number of authorized ordinary shares were 250,000 thousand shares, with a par value of \$10 per share, of which, 228,442 thousand shares and 211,520 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding was as follows:

(in thousands of shares)	<b>Ordinary Shares</b>	
	<b>2020</b>	<b>2019</b>
Balance on January 1	211,520	201,448
Capital increase by stock dividend	16,922	10,072
Balance on December 31	<b>228,442</b>	<b>211,520</b>

(i) Ordinary shares

A resolution was decided during the general meeting of the shareholders held on May 27, 2020 for a capital increase via stock dividends of 16,922 thousand shares amounting to \$169,216 thousand, with the base date set on July 17, 2020, which was approved by the FSC. All relevant registration procedures had been completed as of the reporting date.

A resolution was decided during the general meeting of the shareholders held on June 5, 2019 for a capital increase via stock dividends of 10,072 thousand shares amounting to \$100,724 thousand, with the base date set on July 28, 2019, which was approved by the FSC. All relevant registration procedures had been completed as of the reporting date.

(ii) Capital surplus

The detail of capital surplus were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
The subsidiaries acquired cash dividend from the Company	\$ 4,079	4,079
Gain on the subsidiaries sale of the Company's stock	2,379	2,379
Increase through changes in ownership interests in associates	91,152	6,482
Donation from shareholders	4,984	4,480
	<b>\$ 102,594</b>	<b>17,420</b>

In accordance with Company Act, realized capital reserves can only be reclassified as share capital or be distributed as cash dividends after offsetting against losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the actual amount of capital reserves to be reclassified under share capital shall not exceed 10% of the actual share capital amount.

(Continued)

## SESODA CORPORATION

### Notes to the Financial Statements

#### (iii) Retained earnings

The Company's Article of Incorporation stipulates that the Company's net earnings should first be used to offset the prior years' deficits, if any, after paying any income taxes, of the remaining balance 10% is to be appropriated as legal reserve until the accumulated legal reserve equals the Company's capital; a special reserve should also be set aside in accordance with the relevant regulations or as requested by the authorities. Any balance left over and the beginning balance of retaining earnings shall be distributed by way of cash or stock dividends; and the ratio for all dividends shall exceed 1% of the remaining earnings. The Company's appropriations of earnings are decided in the meeting of the Board of Directors and are presented for approval in the Company's shareholders' meeting.

However, dividends issued in cash may be approved by the Board of Directors with more than two thirds of the directors' attendance, and resolved by more than half of the directors; thereafter, reported in the shareholders' meeting.

In response to the Company's long-term development needs, the Company's capital structure and long term financial planning were taken into consideration. Therefore, the Company formulated its dividend policy based on its operating performance and principle of balanced dividend payments. Furthermore, the proportion of cash dividend payment shall be no less than 20% of the current year's dividend, which should all be distributed in cash.

##### 1) Legal reserve

The Company should contribute 10% of net profit after tax as legal reserve until it is equal to the capital. When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

##### 2) Special reserve

The Company applied for exemptions granted under IFRS 1 First time Adoption of International Financial Reporting Standards endorsed by the FSC. Upon the Company's initial adoption of the above standards, its unrealized revaluation increments and cumulative translation adjustments under shareholders' equity had been reclassified to retained earnings at the adoption date. In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, an increase in retained earnings, due to the first time adoption of the IFRSs endorsed by the FSC, shall be reclassified as a special reserve during earnings distribution. However, when the adjusted retained earnings, due to the first time adoption of the IFRSs endorsed by the FSC, are insufficient for the appropriation of special reserve at the transition date, the Company may appropriate a special reserve equals the amount of increase in retained earnings. Upon the use, disposal, or reclassification of its related assets, the Company may reverse the special reserve proportionately. As of December 31, 2020 and 2019, the special reserve were \$131,910 thousand and \$131,930 thousand, respectively.

(Continued)



**SESODA CORPORATION**  
**Notes to the Financial Statements**

A portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special reserve resulting from the first-time adoption of IFRSs and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. As of December 31, 2020 and 2019, the special reserve were \$31,831 thousand and \$0, respectively.

(iv) Earnings distribution

The appropriations of earning for 2019 and 2018 had been approved in shareholders' meetings held on May 27, 2020 and June 5, 2019, respectively. The relevant dividend distributions to shareholders were as follows:

	<b>2019</b>		<b>2018</b>	
	<b>Amount per share (Dollars)</b>	<b>Total amount</b>	<b>Amount per share (Dollars)</b>	<b>Total amount</b>
Dividends distributed to ordinary shareholders:				
Cash	\$ 0.80	169,216	0.50	100,724
Shares	0.80	<u>169,216</u>	0.50	<u>100,724</u>
Total		<u><b>\$ 338,432</b></u>		<u><b>201,448</b></u>

On March 29, 2021, the Company's Board of Directors resolved to appropriate the 2020 earnings. The earnings were appropriated as follows:

	<b>2020</b>	
	<b>Amount per share (Dollars)</b>	<b>Total amount</b>
Dividends distributed to ordinary shareholders:		
Cash	\$ 0.90	205,597
Shares	0.90	<u>205,598</u>
Total		<u><b>\$ 411,195</b></u>

(Continued)

**SESODA CORPORATION**  
**Notes to the Financial Statements**

(v) Other equity interests, net of tax

	Exchange differences on translation of foreign financial statements	Unrealized gains or losses on financial assets at fair value through other comprehensive income	Total
Balance as of January 1, 2020	\$ (68,465)	36,634	(31,831)
Exchange differences on foreign operations	(174,105)	-	(174,105)
Exchange differences on subsidiaries accounted for using equity method	(82)	-	(82)
Unrealized gains or losses from financial assets measured at fair value through other comprehensive income	-	(54,147)	(54,147)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	1,036	1,036
Balance as of December 31, 2020	<u>\$ (242,652)</u>	<u>(16,477)</u>	<u>(259,129)</u>

  

	Exchange differences on translation of foreign financial statements	Unrealized gains or losses on financial assets at fair value through other comprehensive income	Total
Balance as of January 1, 2019	\$ 16,717	(2,571)	14,146
Exchange differences on foreign operations	(84,834)	-	(84,834)
Exchange differences on subsidiaries accounted for using equity method	(348)	-	(348)
Unrealized gains or losses from financial assets measured at fair value through other comprehensive income	-	35,515	35,515
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	3,690	3,690
Balance as of December 31, 2019	<u>\$ (68,465)</u>	<u>36,634</u>	<u>(31,831)</u>

(m) Earnings per share

For the years ended December 31, 2020 and 2019, the Company's earnings per share were calculated as follows:

(i) Basic earnings per share

	2020	2019
Profit belonging to common shareholders	<u>\$ 174,129</u>	<u>274,641</u>
Weighted average number of outstanding shares of common stock (in thousands shares)	<u>228,442</u>	<u>228,442</u>
Basic earnings per share (expressed in New Taiwan dollars)	<u>\$ 0.76</u>	<u>1.20</u>

(Continued)

**SESODA CORPORATION**  
**Notes to the Financial Statements**

(ii) Diluted earnings per share

	<b>2020</b>	<b>2019</b>
Profit belonging to common shareholders	\$ <u><b>174,129</b></u>	<u><b>274,641</b></u>
Weighted average number of outstanding shares of common stock (in thousands shares)	228,442	228,442
Effect of potentially dilutive common stock employee remuneration (in thousands shares)	<u>553</u>	<u>720</u>
Weighted average number of common stock (diluted) (in thousands shares)	<u><b>228,995</b></u>	<u><b>229,162</b></u>
Diluted earnings per share (expressed in New Taiwan dollars)	\$ <u><b>0.76</b></u>	<u><b>1.20</b></u>

(n) Revenue from contracts with customers

	<b>2020</b>	<b>2019</b>
Primary geographical markets:		
Taiwan	\$ 1,033,559	1,254,761
Japan	302,964	249,990
Pakistan	182,665	130,015
Other countries	<u>1,147,834</u>	<u>1,122,431</u>
Total	\$ <u><b>2,667,022</b></u>	<u><b>2,757,197</b></u>

The Company was engaged in the sales of chemical products.

(o) Remuneration to employees and directors

In accordance with the articles of incorporation, the Company should contribute 1% of special bonus, 3.5% of employee remuneration, and less than 2% of directors' remuneration when there is profit for the year. However, if the Company has accumulated deficit, the profit should be reserved to offset the deficit.

For the years ended December 31, 2020 and 2019, the Company estimated its employee remuneration amounting to \$7,017 thousand and \$12,004 thousand, special bonus amounting to \$2,005 thousand and \$3,429 thousand, and directors' remuneration amounting to \$4,010 thousand and \$6,859 thousand, respectively. The estimated amounts mentioned above were calculated based on the net profit before tax, excluding the employee remuneration, special bonus and directors' remuneration of each period, multiplied by the percentage of employee remuneration, special bonus and directors' remuneration as specified in the Company's articles. These remunerations and bonuses were expensed under operating expenses for each period. Related information would be available at the Market Observation Post System website. The amounts stated in the parent company only financial statements are identical to those of the actual distributions for 2020 and 2019.

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**SESODA CORPORATION**  
**Notes to the Financial Statements**

(p) Non operating income and expenses

(i) Interest income

	<b>2020</b>	<b>2019</b>
Interest income from bank deposits	\$ <u>172</u>	<u>271</u>

(ii) Other income

	<b>2020</b>	<b>2019</b>
Rental income	\$ 11	11
Dividend income	<u>6,236</u>	<u>2,023</u>
Total	<u>\$ 6,247</u>	<u>2,034</u>

(iii) Other gains and losses

	<b>2020</b>	<b>2019</b>
Foreign exchange gains or losses	\$ (11,060)	1,498
Gains or losses on disposals of investments	4,978	1,197
Gains or losses on financial assets at fair value through profit or loss	-	224
Gains or losses on disposals of property, plant and equipment	-	58
Revenue from endorsement guarantee	14,594	15,610
Others	<u>5,167</u>	<u>10,034</u>
Total	<u>\$ 13,679</u>	<u>28,621</u>

(iv) Finance costs

	<b>2020</b>	<b>2019</b>
Interest expenses – bank loan	\$ (3,942)	(4,612)
Interest expenses – lease liabilities	<u>(68)</u>	<u>(118)</u>
Total	<u>\$ (4,010)</u>	<u>(4,730)</u>

(q) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

(Continued)

**SESODA CORPORATION**  
**Notes to the Financial Statements**

2) Concentration of credit risk

When financial commodity trading is relatively concentrated within a few trading partners, a significant concentration of credit risk is less likely to occur. However, if the trading partners who are mostly engaged in similar commercial activities and have similar economic characteristics are affected by economic or other conditions, the occurrence of a significant concentration of credit risk is certain. The Company's notes and accounts receivable which are concentrated within a few trading parties are as follow:

	<u>Amount</u>	<u>Percentage of notes and accounts receivable</u>
<b><u>December 31, 2019</u></b>		
D Company	\$ <u><u>58,630</u></u>	<u><u>10</u></u>

No such incident on December 31, 2020.

3) Receivables securities

For credit risk exposure of notes and accounts receivable, please refer to note 6(c).

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected credit losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(f).

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 year</u>	<u>2-5 year</u>	<u>Over 5 years</u>
<b>December 31, 2020</b>						
Non-derivative financial liabilities						
Short-term loans	\$ 620,000	620,597	620,597	-	-	-
Accounts payable	269,219	269,219	269,219	-	-	-
Other payables	105,304	105,304	105,304	-	-	-
Other payables to related parties	3,702	3,702	3,702	-	-	-
Lease liabilities	2,305	2,319	2,319	-	-	-
Guarantee deposits received	242	242	242	-	-	-
	<u><u>\$ 1,000,772</u></u>	<u><u>1,001,383</u></u>	<u><u>1,001,383</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
<b>December 31, 2019</b>						
Non-derivative financial liabilities						
Short-term loans	\$ 430,100	430,638	430,638	-	-	-
Accounts payable	188,405	188,405	188,405	-	-	-
Other payables	145,867	145,867	145,867	-	-	-
Other payables to related parties	4,719	4,719	4,719	-	-	-
Lease liabilities	5,372	5,450	3,268	2,182	-	-
	<u><u>\$ 774,463</u></u>	<u><u>775,079</u></u>	<u><u>772,897</u></u>	<u><u>2,182</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

(Continued)

**SESODA CORPORATION**  
**Notes to the Financial Statements**

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk were as follows:

	December 31, 2020			December 31, 2019		
	Foreign currency (thousand dollars)	Exchange rate	NTD	Foreign currency (thousand dollars)	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 14,060	28.48	400,429	10,867	29.98	325,793
<u>Non-monetary items</u>						
RMB	15,000	4.38	65,700	15,000	4.31	64,650
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	6,551	28.48	186,752	5,461	29.98	163,721

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable and accounts payable that are denominated in foreign currency. A weakening (strengthening) 1 % of NTD against the USD for the years ended December 31, 2020 and 2019 would have increased (decreased) the net profit before tax by \$2,137 thousand and \$1,621 thousand, respectively. The analysis assumes that all other variables remain constant.

The amount, expressed in functional currency, of foreign exchange gain and loss (including realized and unrealized portion) of the Company's monetary items, and the exchange rate used to translate the original amount to the Company's functional currency, NTD (also the expressed currency), were as follows:

	2020		2019	
	Foreign exchange gain (loss)	Average exchange rate	Foreign exchange gain (loss)	Average exchange rate
NTD	(11,060)	-	1,498	-

(iv) Interest rate risk

Please refer to the attached note for the liquidity risk and the Company's interest rate exposure to its financial assets and liabilities.

(Continued)

**SESODA CORPORATION**  
**Notes to the Financial Statements**

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 1% when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

If the interest rate increases (decreases) by 1%, the Company's net profit before tax would have decreased (increased) by \$6,200 thousand and \$4,301 thousand for the years ended December 31, 2020 and 2019, respectively, all other variable factors that remain constant. This is mainly due to the Company's borrowing in floating rates.

(v) Other market price risk

For the years ended December 31, 2020 and 2019, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

Prices of securities at the reporting date	2020		2019	
	Other comprehensive income before tax	Income before tax	Other comprehensive income before tax	Income before tax
Increasing 1%	\$ 1,371	-	876	-
Decreasing 1%	\$ (1,371)	-	(876)	-

(vi) Fair value of financial instruments

1) Categories and fair value of financial instruments

Except for the followings, carrying amount of the Company's financial assets and liabilities are valued approximately to their fair value, and are not based on observable market data and the value measurements which are not reliable. No additional fair value disclosure is required in accordance to the regulations.

	December 31, 2020				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through other comprehensive income</b>					
Domestic unlisted companies stocks	\$ 5,571	-	-	5,571	5,571
Foreign unlisted companies stocks	131,497	-	-	131,497	131,497
Subtotal	\$ 137,068	-	-	137,068	137,068

(Continued)

**SESODA CORPORATION**  
**Notes to the Financial Statements**

		December 31, 2019				
		Book Value	Fair Value			
			Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income						
Domestic unlisted companies stocks	\$	4,675	-	-	4,675	4,675
Foreign unlisted companies stocks		82,916	-	-	82,916	82,916
Subtotal	\$	87,591	-	-	87,591	87,591

2) Valuation techniques for financial instruments measured at fair value

Non-derivative financial instruments

The fair value of financial assets and liabilities traded in an active market is based on the quoted market prices. The quotation, which is published by the main exchange center or that which was deemed to be a public bond by the Treasury Bureau of Central Bank, is included in the fair value of the listed securities instruments and the debt instruments in active markets with open bid.

A financial instrument is regarded as the quoted price in an active market if the quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency; and if those prices represent the actual and regularly occurring market transactions on an arm's length basis.

Except for the above mentioned financial instruments traded in an active market, the fair value is based on the valuation techniques or the quotation from the counterparty. The fair value refers to the current fair value of the other financial instruments with similar conditions and characteristics, using a discounted cash flow analysis or other valuation techniques, such as calculations of using models (for example, applicable yield curve from Taipei Exchange, or average quoted price on interest rate of commercial paper from Reuters), based on the information acquired from the market at the balance sheet date.

When the financial instrument of the Company is not traded in an active market, its fair value is determined as follows:

- Unquoted equity instruments: The fair value is determined based on the ratio of the quoted market price of the comparative listed company and its book value per share. Also, the fair value is discounted for its lack of liquidity in the market.

3) Reconciliation of Level 3 fair values

	Fair value through other comprehensive income
	<u>Unquoted equity instrument</u>
Balance as of January 1, 2020	\$ 87,591
Total gains and losses recognized:	
In other comprehensive income	49,126
Reclassification	<u>351</u>
Balance as of December 31, 2020	<u>\$ 137,068</u>

(Continued)



**SESODA CORPORATION**  
**Notes to the Financial Statements**

	<u>Fair value through other comprehensive income</u> <u>Unquoted equity instrument</u>
Balance as of January 1, 2019	\$ 95,980
Total gains and losses recognized:	
In other comprehensive income	(389)
Disposals	<u>(8,000)</u>
Balance as of December 31, 2019	<u>\$ 87,591</u>

- 4) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company's financial instruments that use Level 3 inputs to measure fair value were "financial assets measured at fair value through other comprehensive income – equity investments".

Most of the Company's financial instruments that use level 3 inputs to measure fair value have multiple significant unobservable inputs. There is no correlation existence among the significant unobservable inputs of equity investments that have no active markets because they were independent of each other.

Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income equity investments without an active market	Comparable listed companies approach	· EBITDA Ratio (as of December 31, 2020 and 2019 was 13.2 and 8.1) · Market liquidity discount rate (as of December 31, 2020 and 2019 was 40% and 30%)	· The higher the EBITDA ratio, the higher the fair value · The higher the market liquidity discount rate, the lower the fair value

- 5) Sensitivity analysis of reasonably possible alternative assumptions for fair value measurements in Level 3 of the fair value hierarchy

The fair value measurements of the Company's financial instruments are reasonable. However, changes in the use of valuation models or valuation variables may affect the estimations. For fair value measurements in Level 3, changing one or more of the assumptions would have the following effect on other comprehensive income:

			<u>Effects on changes in fair value on other comprehensive income</u>	
	<u>Inputs</u>	<u>Increase or decrease</u>	<u>Favorable</u>	<u>Unfavorable</u>
<b>December 31, 2020</b>				
Financial assets at fair value through other comprehensive income	EBITDA ratio	10%	\$ 13,038	(13,038)
<b>December 31, 2019</b>				
Financial assets at fair value through other comprehensive income	EBITDA ratio	10%	8,256	(8,256)

(Continued)

## SESODA CORPORATION

### Notes to the Financial Statements

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the inter relationships with another input.

(r) Financial risk management

(i) Overview

The Company have exposures to the following risks from its financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The following likewise discusses the Company's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying financial statements.

(ii) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees how the supervision of the management is in compliance with the Company's risk management policies and procedures. It also reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Board of Directors is assisted in its oversight role by an internal auditor. An internal auditor undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investments.

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**SESODA CORPORATION**  
**Notes to the Financial Statements**

1) Notes and accounts receivable and other receivables

The credit risk exposure of the Company is mainly affected by the individual conditions of each customer.

The management also considers the statistical data of the Company's customer, including the default risk of the customer's industry and country, which may have an impact on credit risk.

Please refer to note 6(q) for the concentrated notes receivable and accounts receivable from transaction parties.

The Company has established a credit policy. According to this policy, the Company must analyze the credit rating of each new customer individually before granting standard payment and shipping conditions and terms. If the Company can obtain an external rating and in some other cases, the bank's notes will be reviewed. The credit limit, which is regularly reviewed, is established based on individual customers and need not be approved by the Board of Directors.

The Company monitors the credit risk of its customers according to their credit characteristics, including whether they are distributors or end users; location, industry, age, expiration date, and previous financial difficulties. The main target of the Company's notes, accounts receivable and other receivables is the Company's dealer customers. Customers who are assessed as high-risk are included in the restricted customer list and monitored by the authorized supervisor of the combined company. Future sales with these customers must be based on advance receipts.

The Company regularly evaluates the losses incurred in bills, accounts receivable and other receivables. The Company has set up an allowance and impairment loss account to reflect the estimation of the losses incurred in the bills, accounts receivable and other receivables. The main components of the allowance account include specific losses with individual customers and loss estimates measured by expected credit losses during the lifetime.

2) Investments

The exposure to credit risk for the bank deposits and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Company expects the counterparties above to meet their obligations; hence, there is no significant credit risk arising from these counterparties.

3) Guarantees

The Company's policy is to provide financial guarantees only to subsidiaries. Please refer to note 7 for related information.

(Continued)

**SESODA CORPORATION**  
**Notes to the Financial Statements**

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company calculates its cost of products and services by using the activity based costing, which assists in monitoring its cash flow requirements and optimizing its cash return on investments. Generally, the Company ensures that it maintains sufficient cash to meet expected operational expenses within 60 days.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, that will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The financial assets of the Company with fair value risk of interest rate changes are bank deposits; financial liabilities are long-term and short-term borrowings. The impact of changes in interest rates on the fair value of the relevant financial assets and liabilities is not significant.

(s) Capital management

The Company's policy is to keep a strong capital base in order to maintain its investors, creditors and market confidence, and to sustain future development of its business. Equity consists of common stock, capital surplus, retained earnings and other equity interest of the Company. The Board of Directors monitors the return on its capital as well as the level of dividends to its shareholders.

The Company's debt-to-equity ratio at the end of the reporting period was as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Total liabilities	\$ 1,444,684	1,223,095
Less: cash and cash equivalents	<u>346,334</u>	<u>125,285</u>
Net debt	<b><u>\$ 1,098,350</u></b>	<b><u>1,097,810</u></b>
Total equity	<b><u>\$ 5,796,077</u></b>	<b><u>5,932,228</u></b>
Debt-to-equity ratio	<b><u>18.95 %</u></b>	<b><u>18.51 %</u></b>

As of December 31, 2020, there were no material changes to the ratio.

(Continued)

**SESODA CORPORATION**  
**Notes to the Financial Statements**

(t) Financing activities not affecting current cash flow

Reconciliations of liabilities arising from financing activities for the years ended December 31, 2020 and 2019 were as follows:

	January 1, 2020	Cash flows	Non-cash changes		December 31, 2020
			Foreign exchange movement	Acquisition	
Short-term borrowing	\$ 430,100	189,900	-	-	620,000
Lease liabilities	5,372	(3,610)	-	543	2,305
Total liabilities from financing activities	<u>\$ 435,472</u>	<u>186,290</u>	<u>-</u>	<u>543</u>	<u>622,305</u>

  

	January 1, 2019	Cash flows	Non-cash changes		December 31, 2019
			Foreign exchange movement	Acquisition	
Short-term borrowing	\$ 542,880	(110,785)	(1,995)	-	430,100
Lease liabilities	8,389	(3,560)	-	543	5,372
Total liabilities from financing activities	<u>\$ 551,269</u>	<u>(114,345)</u>	<u>(1,995)</u>	<u>543</u>	<u>435,472</u>

**(7) Related-party transactions:**

(a) Names and relationship with related parties

The followings are entities that have transactions with the Company during the periods covered in the financial statements and the Company's subsidiaries.

<u>Name of related party</u>	<u>Relationship with the Company</u>
Sesoda Steamship Corporation (SSC)	Subsidiary
SS Marine Holding Corporation (SSMHC)	Subsidiary
EAST TENDER TRADING CO., LTD	Subsidiary
YUKARI GROUP CO., LTD.	Subsidiary
E-Teq Venture Co., Ltd.	Subsidiary
Sesoda Investment (BVI) Ltd. (SIL)	Subsidiary
Southeast Shipping Corp. (SESC)	Subsidiary
Southeast Marine Globe Corporation (SMGC)	Subsidiary
Southeast Marine Transport Corporation (SMTC)	Subsidiary
SE Harmony Corporation (SEHC)	Subsidiary
SE Bulker Corporation (SEBC)	Subsidiary
SE Apex Corporation (SEAC)	Subsidiary
SE Marine Corporation (SEMC)	Subsidiary
SE Carrier Corporation (SECC)	Subsidiary
Zai Feng Auto Transportation Co., Ltd.	Subsidiary
SE Delta Corporation (SEDC)	Subsidiary

(Continued)

**SESODA CORPORATION**  
**Notes to the Financial Statements**

<u>Name of related party</u>	<u>Relationship with the Company</u>
SE Evermore Corporation (SEEC)	Subsidiary
SE Fortune Corporation (SEFC)	Subsidiary
SE Glory Corporation (SEGC)	Subsidiary
SE Peace Corporation (SEPC)	Subsidiary
SE Royal Corporation (SERC)	Subsidiary
SE Victory Corporation (SEVC)	Subsidiary
SE Jasmine Corporation (SEJC)	Subsidiary

(b) Significant transactions with related parties

(i) Shipping expenses

	<u>2020</u>	<u>2019</u>
Subsidiaries	\$ <u>15,290</u>	<u>17,979</u>

(ii) Guarantees

The Company had provided a guarantee for loans as follow:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries	\$ <u>7,172,972</u>	<u>8,309,585</u>

The Company charges 0.25%~0.5% guarantee fee to its subsidiaries, wherein the guarantee revenues amounted to \$14,594 thousand and \$15,610 thousand for the years ended December 31, 2020 and 2019, respectively.

(iii) Payables to related parties

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other payables to related parties	Subsidiaries	\$ <u>3,702</u>	<u>4,719</u>

(iv) Receivables from related parties

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other receivables from related parties	Subsidiaries	\$ <u>13,961</u>	<u>7,565</u>

(c) Key management personnel compensation comprised:

	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 41,182	40,573
Post-employment benefits	6,323	455
	\$ <u>47,505</u>	<u>41,028</u>

(Continued)

**SESODA CORPORATION**  
**Notes to the Financial Statements**

**(8) Pledged assets:**

<b>Pledged assets</b>	<b>Object</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Property, plant and equipment			
— Land	Guarantees for long-term and short-term borrowing	\$ 678,737	678,737
— Buildings	Guarantees for long-term and short-term loans borrowing	12,520	10,623
		<u>\$ 691,257</u>	<u>689,360</u>

**(9) Significant commitments and contingencies:**

The Company entered into contracts with domestic and foreign vendors to purchase property, plant and equipment as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Total contract value	\$ <u>152,309</u>	<u>145,724</u>
Cumulative payments	\$ <u>98,819</u>	<u>67,130</u>

**(10) Losses Due to Major Disasters: None.**

**(11) Subsequent Events: None.**

**(12) Other:**

A summary of employee benefits, depreciation, and amortization, by function, is as follows:

<b>By item</b>	<b>By function</b>	<b>2020</b>			<b>2019</b>		
		<b>Operating cost</b>	<b>Operating expense</b>	<b>Total</b>	<b>Operating cost</b>	<b>Operating expense</b>	<b>Total</b>
Employee benefits							
Salary		75,336	48,652	123,988	70,653	55,343	125,996
Labor and health insurance		7,063	4,027	11,090	6,869	4,334	11,203
Pension		2,402	4,015	6,417	2,688	2,142	4,830
Remuneration of directors		-	23,480	23,480	-	21,419	21,419
Others		5,006	1,894	6,900	4,919	2,209	7,128
Depreciation		64,727	17,534	82,261	55,587	17,874	73,461
Depletion		-	-	-	-	-	-
Amortization		-	-	-	-	-	-

(Continued)

**SESODA CORPORATION**  
**Notes to the Financial Statements**

As of December 31, 2020 and 2019, the additional information for employee numbers and employee benefits was as follows:

	<b>2020</b>	<b>2019</b>
Average employee numbers	<u><u>169</u></u>	<u><u>157</u></u>
Average directors numbers without serving concurrently as employee	<u><u>7</u></u>	<u><u>7</u></u>
Average employee benefits	<u><u>\$ 916</u></u>	<u><u>994</u></u>
Average employee salaries	<u><u>\$ 765</u></u>	<u><u>840</u></u>
Average adjustment rate of employee salaries	<u><u>(8.93)%</u></u>	<u><u>(1.75)%</u></u>
Remuneration received by supervisors	<u><u>\$ -</u></u>	<u><u>-</u></u>

The Company's salary and remuneration policy (including directors, managers and employees) is as follows:

- (a) Remuneration to directors and managers is determined by the Remuneration Committee based on their participation and contribution to the Company's operations, and also with reference to the level of the industry.
- (b) For employee remuneration, the market competitive salary levels, reference to the same industry, the Company's overall operating performance, individual performance, and comprehensive contribution considerations are used as a bases for payment principal; and the basic salary of employees depends on their position, responsibility, and competitiveness of their position in the same industry; also, their year end bonus is distributed based on each year's operating performance, employee contribution, and achievement of their department goal. Furthermore, the employee benefits must first comply with the applicable laws, followed by the regulation requirements of the employees.

**(13) Other disclosures:**

- (a) Information on significant transactions: None

The following were the information on significant transactions required by the Regulations for the Company for the year ended December 31, 2020:

- (i) Loans to other parties: None.
- (ii) Guarantees and endorsements for other parties: Please refer to schedule A.
- (iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures): Please refer to schedule B.
- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

(Continued)



## SESODA CORPORATION

### Notes to the Financial Statements

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock: None.

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.

(ix) Trading in derivative instruments: None.

(b) Information on investees: Please refer to schedule C.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information: None.

(ii) Limitation on investment in Mainland China: None.

(iii) Significant transactions: None.

(d) Major shareholders:

<b>Shareholder's Name</b>	<b>Shareholding</b>	<b>Shares</b>	<b>Percentage</b>
Jian-Kai Property Management Co., Ltd.		16,808,755	7.35 %
Zhengbang Investment Co., Ltd.		14,758,338	6.46 %
Chu Ying-Piao		11,605,549	5.08 %

#### (14) Segment information:

Please refers to 2020 consolidated financial statements.

(Continued)

Schedule A Guarantees and endorsements for other parties:

Number (Note 1)	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 3)	Highest balance of guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to subsidiary	Subsidiary endorsements/ guarantees to parent company	Endorsements/ guarantees to the companies in mainland China
		Name	Relationship with the Company (Note 2)										
0	The Company	SSC	2	5,796,077	3,189,760	3,189,760	720,544	-	55.03%	17,388,231	Y	N	N
0	The Company	SMTC	2	5,796,077	604,912	128,160	-	-	2.21%	17,388,231	Y	N	N
0	The Company	SMGC	2	5,796,077	628,784	105,376	-	-	1.82%	17,388,231	Y	N	N
0	The Company	SEHC	2	5,796,077	521,056	-	-	-	0.00%	17,388,231	Y	N	N
0	The Company	SEBC	2	5,796,077	546,195	215,474	215,474	-	3.72%	17,388,231	Y	N	N
0	The Company	SECC	2	5,796,077	464,943	345,889	345,889	-	5.97%	17,388,231	Y	N	N
0	The Company	SEMC	2	5,796,077	465,850	302,770	302,770	-	5.22%	17,388,231	Y	N	N
0	The Company	SEDC	2	5,796,077	505,175	356,712	356,712	-	6.15%	17,388,231	Y	N	N
0	The Company	SEVC	2	5,796,077	497,310	383,631	383,631	-	6.62%	17,388,231	Y	N	N
0	The Company	SEEC	2	5,796,077	498,218	370,226	370,226	-	6.39%	17,388,231	Y	N	N
0	The Company	SEFC	2	5,796,077	499,125	455,680	455,680	-	7.86%	17,388,231	Y	N	N
0	The Company	SERC	2	5,796,077	514,250	420,402	420,402	-	7.25%	17,388,231	Y	N	N
0	The Company	SEGC	2	5,796,077	520,300	461,376	461,376	-	7.96%	17,388,231	Y	N	N
0	The Company	SEPC	2	5,796,077	520,300	437,516	437,516	-	7.55%	17,388,231	Y	N	N
						7,172,972							

Note 1: Company numbering as follows:

The Company – 0

Note 2: Relationship with the Company:

1. Ordinary business relationship.

2. An entity, directly and indirectly, owned more than 50% voting shares.

Note 3: The Company's operating procedures of guarantee were as follows:

The guarantees and endorsements limit provided by The Company to other parties should not exceed 300% of its equity based on the recent financial statements. The individual guarantee amount should not exceed 100% of its equity based on the recent financial statements.

Schedule B Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with the company	Account title	Ending balance				Remark
				Shares/ Units	Carrying value	Percentage of ownership	Fair value	
SSC	Open-end Funds : Schroder Maturity Asian Emerging Bond Fund	—	Non-current financial assets at fair value through profit or loss	10,000	2,970	-	2,970	
The Company	Stock : Pushi Venture Capital Co., Ltd.	—	Non-current financial assets at fair value through other comprehensive income	426,166	3,498	1.00%	3,498	
"	Puxun Venture Capital Co., Ltd.	—	"	126,566	2,073	0.63%	2,073	
"	COM2B	—	"	1,000,000	-	2.22%	-	
"	Qingdao Soda Ash Industrial Potassic Fertilizer Technology Co., Ltd.	—	"	-	130,384	15.00%	130,384	
"	StemCyte International, Ltd.	—	"	82,382	1,113	0.09%	1,113	
"	Others	—	Non-current financial assets at fair value through profit or loss	78,000	-	0.44%	-	
	Subtotal				137,068		137,068	
SIL	Hebei Oxen New Materials Co., Ltd.	—	Non-current financial assets at fair value through other comprehensive income	15,675,000	44,059	23.64%	44,059	
"	StemCyte International, Ltd.	—	"	18,070	247	0.02%	247	
"	Others	—	Non-current financial assets at fair value through profit or loss	2	-	-	-	
	Subtotal				44,306		44,306	
	Total				181,374		181,374	

## Schedule C Information on investments:

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		The ending balance at this period			Net income (losses) of investee	Investment income (losses)	Remark
				The ending balance at this year	The ending balance at the beginning	Shares	Percentage of	Carrying value			
The Company	SSC	Panama	Ship operation and chartering	1,696,437	1,696,437	10	100.00%	3,372,541	86,597	86,597	Subsidiary
"	East Tender Trading Co., Ltd.	Taipei	General trade and investments	38,023	38,023	3,200,000	100.00%	39,066	2,399	2,399	Subsidiary
"	SIL	BVI	Holding company	21,145	21,145	880	50.00%	(11,594)	(59)	(30)	Subsidiary
"	East Tender Optoelectronics Co., Ltd.	Yilan	Manufacturing of thin film filter components required for optical communication	97,142	99,227	9,316,297	34.89%	498,351	55,784	16,449	Associate
"	Yukari Group Co., Ltd.	Taipei	Wholesale of foods and groceries, sales of drinks, operation of restaurant	89,787	89,787	2,100,000	100.00%	18,280	253	253	Subsidiary
"	E-Teq Venture Co., Ltd.	Taipei	Electronics components manufacturing, data storage media manufacturing and duplicating, general investments	15,000	10,000	600,000	100.00%	3,735	(2,298)	(2,298)	Subsidiary
"	Other			25,000	25,000	2,500,000	25.00%	-	(10,894)	(1,259)	Associate
				1,982,534	1,979,619			3,920,379		102,111	
SSC	SESC	Panama	Ship operation and chartering	USD 20	USD 620	10	100.00%	184,260	8,126	8,126	Sub-Subsidiary
"	SIL	BVI	Holding company	USD 2,792	USD 2,792	880	50.00%	51,893	(59)	(29)	Sub-Subsidiary
"	SMGC	Panama	Ship operation and chartering	USD 14,981	USD 10,581	11	100.00%	252,953	(16,576)	(16,576)	Sub-Subsidiary
"	SEHC	Panama	Ship operation and chartering	USD 11,116	USD 9,546	10	100.00%	354,029	(35,151)	(35,151)	Sub-Subsidiary
"	SMTC	Panama	Ship operation and chartering	USD 20,690	USD 15,490	11	100.00%	368,568	(9,400)	(9,400)	Sub-Subsidiary
"	SEBC	Panama	Ship operation and chartering	USD 8,920	USD 8,420	10	100.00%	365,795	3,233	3,233	Sub-Subsidiary
"	SEAC	Panama	Ship operation and chartering	USD 7,501	USD 7,951	10	100.00%	209,618	(2,587)	(2,587)	Sub-Subsidiary
"	SEMC	Panama	Ship operation and chartering	USD 7,504	USD 7,104	10	100.00%	229,877	5,409	5,409	Sub-Subsidiary
"	SECC	Panama	Ship operation and chartering	USD 7,608	USD 7,608	10	100.00%	250,801	14,930	14,930	Sub-Subsidiary
"	SEEC	Panama	Ship operation and chartering	USD 8,451	USD 8,451	10	100.00%	259,098	18,914	18,914	Sub-Subsidiary
"	SEFC	Panama	Ship operation and chartering	USD 7,761	USD 7,761	10	100.00%	268,059	28,395	28,395	Sub-Subsidiary
"	SERC	Panama	Ship operation and chartering	USD 8,615	USD 8,615	10	100.00%	286,812	23,051	23,051	Sub-Subsidiary
"	SEDC	Panama	Ship operation and chartering	USD 8,828	USD 8,828	10	100.00%	254,215	7,258	7,258	Sub-Subsidiary
"	SEVC	Panama	Ship operation and chartering	USD 7,994	USD 7,994	10	100.00%	234,065	(36)	(36)	Sub-Subsidiary
"	SEGC	Panama	Ship operation and chartering	USD 8,311	USD 8,311	10	100.00%	286,282	27,126	27,126	Sub-Subsidiary
"	SEPC	Panama	Ship operation and chartering	USD 8,119	USD 8,119	10	100.00%	284,885	37,690	37,690	Sub-Subsidiary
"	SSMHC	Cayman Islands	Holding company	USD 34	USD 27	-	100.00%	191	(88)	(88)	Sub-Subsidiary
				USD 139,245	USD 128,218			4,141,401		110,265	
SSMHC	SEJC	Panama	Holding company	USD 4	USD 3	-	100.00%	(19)	(37)	(37)	Sub-Subsidiary
East Tender Trading Co., Ltd.	Zai Feng Auto Transportation Co., Ltd.	Yilan	Automobile cargo transportation business	20,381	20,381	12,000	100.00%	19,881	2,985	2,985	Sub-Subsidiary
"	Hing Dian Industrial Co., Ltd.	Chiayi	Basic chemical industrial 、 other chemical materials manufacturing and other chemical products manufacturing	5,870	5,870	587,000	48.92%	5,870	-	-	Associate
				26,251	26,251			25,751		2,985	

**SESODA CORPORATION**  
**Statement of cash and cash equivalents**  
**December 31, 2020**  
**(In thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Description</b>	<b>Amount</b>
Petty Cash	Petty Cash, etc.	\$ <u>380</u>
Bank Deposits:		
Demand deposits and check deposits		53,034
Foreign currency deposits	CNY 6,296 thousand , @28.48	179,300
	EUR 558 thousand , @35.02	19,546
	CNY 1,743 thousand , @4.38	<u>7,634</u>
		<u>259,514</u>
Time deposit (Note)		<u>86,440</u>
		<u><b>\$ 346,334</b></u>

Note: The time deposit period is one month, and the annual interest rate range is 0.24%~0.35%.

**Statement of notes receivable**

<b>Client name</b>	<b>Description</b>	<b>Account</b>	<b>Note</b>
D Company	Operating	\$ 23,597	
TM Company	"	6,475	
MT Company	"	4,812	
Others (each amount is less than 5%)	"	<u>45,065</u>	
		<u><b>\$ 79,949</b></u>	

# **SESODA CORPORATION**

## **Statement of accounts receivables**

**December 31, 2020**

**(In thousands of New Taiwan Dollars)**

<u>Client name</u>	<u>Description</u>	<u>Account</u>	<u>Note</u>
H Company	Operating	\$ 25,967	
SC Company	"	21,665	
HY Company	"	21,474	
Others (each amount is less than 5%)	"	295,680	
Less: Loss allowance		<u>(11,303)</u>	
		<u><b>\$ 353,483</b></u>	

## **Statement of inventories**

<u>Item</u>	<u>Description</u>	<u>Amount</u>		<u>Note</u>
		<u>Cost</u>	<u>Net realizable value</u>	
Merchandise		\$ 98,737	111,213	
Finished goods		76,595	96,453	
Raw materials		120,354	120,079	
Fuel		2,262	2,262	
Supplies		<u>14,792</u>	<u>14,439</u>	
Subtotal		312,740	<u><b>344,446</b></u>	
Less: allowance for inventory valuation losse		<u>(628)</u>		
Total		<u><b>\$ 312,112</b></u>		

**SESODA CORPORATION**

**Statement of other current financial assets**

**December 31, 2020**

**(In thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Purchase discount receivable		\$ 13,470	
Despatch receivable		1,038	
Others (each amount is less than 5%)		<u>1,772</u>	
		<u><b>\$ 16,280</b></u>	

**Statement of other current assets**

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Prepayment for purchases		\$ 30,630	
Refundable business tax		16,940	
Prepaid expenses		2,703	
Others (each amount is less than 5%)		<u>30</u>	
		<u><b>\$ 50,303</b></u>	

## SESODA CORPORATION

## Statement of changes in financial assets measured at fair value through other comprehensive income - non-current

For the year ended December 31, 2020

(In thousands of New Taiwan Dollars)

Name of financial instrument	Beginning balance		Addition		Decrease		Investment gains (loss) at fair value through other comprehensive income	Ending balance		Collateral	Note
	Shares or units	Fair value	Shares or units	Amount	Shares or units	Amount		Shares or units	Fair value		
Stocks:											
Pushi Venture Capital Co., Ltd.	426,166	\$ 2,908	-	-	-	-	590	426,166	3,498	None	
Puxun Venture Capital Co., Ltd.	126,566	1,767	-	-	-	-	306	126,566	2,073	"	
COM2B	1,000,000	355	-	-	-	-	(355)	1,000,000	-	"	
Qingdao Soda Ash Industrial Potassic Fertilizer Teehnolgy Co., Ltd.	-	82,561	-	-	-	-	47,823	-	130,384	"	
StemCyte International Ltd.	-	-	82,382	351	-	-	762	82,382	1,113	"	
Total		<u>\$ 87,591</u>		<u>351</u>		<u>-</u>	<u>49,126</u>		<u>137,068</u>		



## SESODA CORPORATION

## Statement of changes in investments accounted for using the equity method

For the year ended December 31, 2020

(In thousands of New Taiwan Dollars)

Name of investee	Beginning balance		Addition		Decrease		Ending balance			Market value or net assets value			Note
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Percentage of ownership	Amount	Unit price	Total amount	Collateral	
SSC	10	\$ 3,335,813	-	259,502	-	222,774	10	100.00 %	3,372,541	337,254,115	3,372,541	None	
East Tender Trading Co., Ltd.	3,200,000	40,404	-	2,399	-	3,737	3,200,000	100.00 %	39,066	12	39,066	"	
SIL	880	45,904	-	-	-	57,498	880	50.00 %	(11,594)	(13,175)	(11,594)	"	
EOC	9,516,297	418,519	-	103,030	200,000	23,198	9,316,297	34.89 %	498,351	75	696,859	"	
Yukari Group Co., Ltd.	2,100,000	18,027	-	253	-	-	2,100,000	100.00 %	18,280	9	18,280	"	
E-Teg Venture Co., Ltd.	500,000	1,034	500,000	5,000	400,000	2,299	600,000	100.00 %	3,735	6	3,735	"	
Others	2,500,000	1,259	-	-	-	1,259	2,500,000	25.00 %	-	-	-	"	
		<u>\$ 3,860,960</u>		<u>370,184</u>		<u>310,765</u>			<u>3,920,379</u>		<u>4,118,887</u>		

**SESODA CORPORATION**

**Statement of short-term borrowings**

**December 31, 2020**

**(In thousands of New Taiwan Dollars)**

<u>Type</u>	<u>Description</u>	<u>Ending balance</u>	<u>Contract period</u>	<u>Range of interest rate</u>	<u>Credit lines</u>	<u>Collateral</u>	<u>Note</u>
Short-term loans	Unsecured bank loans	\$ 330,000	2020.1.17~2021.8.12	0.42%~2.46%	950,000	None	
Short-term loans	Secured bank loans	290,000	2020.11.18~2021.3.17	0.88%~0.98%	380,000	Property, plant and equipment	
		<u>\$ 620,000</u>			<u>1,330,000</u>		

**Statement of accounts payable**

<u>Vendor name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
CA Company		\$ 122,335	
AN Company		58,209	
TF Company		23,382	
Others (Each amount is less than 5% of balance)		<u>65,293</u>	
		<u>\$ 269,219</u>	

**SESODA CORPORATION**  
**Statement of other payables**  
**December 31, 2020**  
**(In thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Freight payable		\$ 41,271	
Employee compensation and directors' remuneration payable		13,032	
Accrued payroll and bonus		11,549	
Equipment payment payable		6,596	
Others (each amount is less than 5%)		<u>32,856</u>	
		<u><b>\$ 105,304</b></u>	

**Statement of other current liabilities**

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Temporary receipts and receipts under custody		\$ 3,279	
Refund liability		<u>807</u>	
		<u><b>\$ 4,086</b></u>	

**SESODA CORPORATION**

**Statement of operating revenue**

**For the year ended December 31, 2020**

**(In thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Quantity (ton)</u>	<u>Amount</u>	<u>Note</u>
Potassium sulfate	137,358	\$ 1,716,870	
Pure soda ash	59,805	513,092	
Liquid calcium chloride	158,761	158,160	
Others	-	<u>285,413</u>	
Subtotal		2,673,535	
Less: sales return and discount		<u>6,513</u>	
		<u><u>\$ 2,667,022</u></u>	

**SESODA CORPORATION**  
**Statement of operating costs**  
**For the year ended December 31, 2020**  
**(In thousands of New Taiwan Dollars)**

Item	Amount
Cost of merchandise	
Beginning balance	\$ 115,973
Add: Purchase	573,777
Gain on inventory count	904
Other	45,968
Less: Ending balance	98,737
Transfer to finished goods	4,429
Transfer to raw materials	<u>475</u>
Subtotal	<u>632,981</u>
Cost of manufacturing:	
Beginning balance of raw materials	148,485
Add: Purchase	1,027,351
Gain on inventory count	731
Transfer from merchandise	475
Less: Ending balance of raw materials	120,354
Transfer to overhead	3,464
Transfer to merchandise	<u>30,282</u>
Consumed raw materials	1,022,942
Direct labor	34,982
Manufacturing overhead	310,716
Unallocated production overhead	<u>29,983</u>
Manufacturing cost	1,398,623
Other	<u>47,063</u>
Cost of goods manufactured	1,445,686
Add: Beginning balance of finished goods	141,167
Purchases	19,219
Transfer from merchandise	4,429
Less: Ending balance of finished goods	76,595
Other	<u>15,366</u>
Cost of finished goods sold	<u>1,518,540</u>
Add: Loss on valuation of inventories	275
Less: Gain on inventory count	<u>1,635</u>
Operating cost	<u><u>\$ 2,150,161</u></u>

**SESODA CORPORATION**  
**Statement of selling expenses**  
**For the year ended December 31, 2020**  
**(In thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Export cost		\$ 190,137	
Shipping cost		126,868	
Others (each amount is less than 5%)		<u>18,716</u>	
		<u><u>\$ 335,721</u></u>	

**Statement of administrative expenses**

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Payroll		\$ 38,742	
Depreciation expense		16,683	
Others (each amount is less than 5%)		<u>56,467</u>	
		<u><u>\$ 111,892</u></u>	

For statement of changes in property, plant and equipment, please refer to note 6(f) to the parent-company-only financial statements.

For statement of changes in right-of-use assets, please refer to note 6(g) to the parent-company-only financial statements.

For statement of other income, please refer to note 6(p) to the parent-company-only financial statements.

For statement of other gains and losses, please refer to note 6(p) to the parent-company-only financial statements.

For statement of finance costs, please refer to note 6(p) to the parent-company-only financial statements.