# Eternal Materials Co., Ltd. and Subsidiaries

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

**DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The entities that are required to be included in the consolidated financial statements of affiliates under the "Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2019 are all the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard No.10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the consolidated financial statements of affiliates is included in the consolidated financial statements of Eternal Materials Co., Ltd. and its subsidiaries. Consequently, Eternal Materials Co., Ltd. and its subsidiaries did not prepare a separate set of combined financial statements.

Very truly yours,

Eternal Materials Co., Ltd.

By

________________________________
Kao, Kuo-Lun
Chairman

March 27, 2020

Deloitte.

勤業眾信

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# INDEPENDENT AUDITORS' REPORT

Eternal Materials Co., Ltd.

## Opinion

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

In our opinion, based on our audits and the reports of other auditors (refer to the Other Matter paragraph) the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2019 and 2018, and their consolidated financial performance and their consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

## Basis for Opinion

We conducted our audit of the consolidated financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No.1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020, and auditing standards generally accepted in the Republic of China. We conducted our audit of the consolidated financial statements for the year ended December 31, 2018 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

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

Key audit matters of the Company and its subsidiaries' consolidated financial statements for the year ended December 31, 2019 are stated as follows:

Revenue Recognition

1. Description

   Due to the industrial and economic downturn, sales revenue of Eternal Materials Co., Ltd and its subsidiaries decreased compared to the previous year. However, sales revenue from the high performance materials department not only did not decrease significantly, the gross profit margin increased substantially. Thus, the main risk of revenue recognition of Eternal Materials Co., Ltd and its subsidiaries is whether the sale revenue from the high performance materials department actually occurred. Therefore, revenue recognition from the high performance materials department is deemed as a key audit matter.

2. The audit procedures we performed in response to the above key audit matter are the following:

   a. We understood the internal controls on revenue recognition of high performance materials department and tested their effectiveness; the internal controls over the customer master file, ordering, shipping, accounting and receiving process.

   b. We obtained the major customer master file data for major customers and verified the data for the registered responsible person, business category, and business address etc. using publicly available information, and evaluated the reasonableness of credit limit relative to the company size.

   c. We evaluated the reasonableness of sales revenue, gross profit rate and transaction terms of major customers.

   d. We selected appropriate samples from the sales revenue receipts of the high performance materials department, examined the payment and goods delivery receipts, and verified that the payment receiver is the same as the transaction counterparty.

   e. We examined material subsequent events with respect to sales returns to verify that the sales transactions occurred before the balance sheet date.

**Other Matter**

The financial statements of some associates accounted for using the equity method were audited by other auditors. Therefore, our opinion on the amounts and disclosures of such investments included in the accompanying financial statements were based on the financial statements audited by other auditors. Such investments accounted for using the equity method amounted to NT$1,309,271 thousand and NT$1,229,360 thousand, both representing 2% of the Company and its subsidiaries' total assets as of December 31, 2019 and 2018, respectively; and the share of the profit of these associates amounted to NT$254,845 thousand and NT$214,645 thousand, representing 17% and 24% of the Company and its subsidiaries' total comprehensive income for the year ended December 31, 2019 and 2018, respectively.

We have also audited the standalone financial statements of the Company as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion with other matter paragraph.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Company and its subsidiaries' 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 and its subsidiaries 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 and its subsidiaries' financial reporting process.

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

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

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

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

2 Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and its subsidiaries' 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 and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Lee-Yuan Kuo and Chun-Chi Kung.

Lee-Yuan Kuo Chun-Chi Kung

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 27, 2020

<u>Notice to Readers</u>

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

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

## Eternal Materials Co., Ltd. and Subsidiaries

**CONSOLIDATED BALANCE SHEETS**
**(In Thousands of New Taiwan Dollars)**

| | December 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| **ASSETS** | **Amount** | **%** | **Amount** | **%** |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Notes 4 and 6) | $ 6,009,646 | 11 | $ 6,085,433 | 11 |
| Notes receivable, net (Notes 4, 7 and 30) | 4,489,199 | 8 | 3,149,642 | 6 |
| Notes receivable from related parties, net (Notes 4, 7 and 29) | 57,038 | - | 38,815 | - |
| Accounts receivable, net (Notes 4, 5, 7 and 30) | 10,591,238 | 20 | 11,361,017 | 21 |
| Accounts receivable from related parties, net (Notes 4, 5, 7 and 29) | 223,637 | 1 | 233,652 | - |
| Other receivables (Note 29) | 970,352 | 2 | 995,128 | 2 |
| Inventories (Notes 4, 5 and 8) | 7,181,706 | 13 | 7,917,850 | 15 |
| Non-current assets held for sale (Notes 4 and 9) | - | - | 9,243 | - |
| Other financial assets - current (Note 10) | 66,950 | - | 241,780 | - |
| Other current assets - others (Notes 24 and 29) | 637,750 | 1 | 634,011 | 1 |
| Total current assets | 30,227,516 | 56 | 30,666,571 | 56 |
| NONCURRENT ASSETS | | | | |
| Financial assets at fair value through profit or loss - noncurrent (Notes 4 and 11) | 12,483 | - | 7,341 | - |
| Financial assets at fair value through other comprehensive income - noncurrent (Notes 4 and 12) | 743,309 | 1 | 716,037 | 1 |
| Investments accounted for using the equity method (Notes 4 and 14) | 2,287,302 | 4 | 2,096,831 | 4 |
| Property, plant and equipment (Notes 4, 15, 29 and 30) | 17,435,546 | 33 | 18,792,384 | 35 |
| Right-of-use assets (Notes 4 and 16) | 1,037,179 | 2 | - | - |
| Investment properties (Notes 4 and 17) | 1,112,377 | 2 | 52,744 | - |
| Intangible assets (Notes 4 and 18) | 343,782 | 1 | 385,279 | 1 |
| Deferred tax assets ( Notes 4, 5 and 24) | 410,040 | 1 | 411,601 | 1 |
| Other noncurrent assets - others (Notes 16 and 29) | 187,195 | - | 1,231,491 | 2 |
| Total noncurrent assets | 23,569,213 | 44 | 23,693,708 | 44 |
| TOTAL | $ 53,796,729 | 100 | $ 54,360,279 | 100 |
| **LIABILITIES AND EQUITY** | | | | |
| CURRENT LIABILITIES | | | | |
| Short-term borrowings (Notes 4, 19 and 30) | $ 4,414,613 | 8 | $ 5,145,654 | 10 |
| Notes payable | 213,498 | - | 116,847 | - |
| Accounts payable | 4,311,495 | 8 | 3,132,664 | 6 |
| Other payables - others | 2,051,189 | 4 | 2,122,776 | 4 |
| Current tax liabilities (Note 24) | 204,777 | - | 211,607 | - |
| Lease liabilities - current (Notes 4 and 16) | 45,281 | - | - | - |
| Current portion of long-term borrowings (Notes 4, 19 and 30) | 4,546,891 | 9 | 3,676,052 | 7 |
| Other current liabilities - others (Note 22) | 40,906 | - | 77,201 | - |
| Total current liabilities | 15,828,650 | 29 | 14,482,801 | 27 |
| NONCURRENT LIABILITIES | | | | |
| Bonds payable (Notes 4 and 19) | 2,994,192 | 6 | - | - |
| Long-term borrowings (Notes 4, 19 and 30) | 8,929,545 | 17 | 14,165,861 | 26 |
| Deferred tax liabilities (Notes 4, 5 and 24) | 2,724,374 | 5 | 2,826,482 | 5 |
| Lease liabilities - noncurrent (Notes 4 and 16) | 108,755 | - | - | - |
| Other noncurrent liabilities (Notes 5, 14 and 20) | 1,291,478 | 2 | 1,259,966 | 2 |
| Total noncurrent liabilities | 16,048,344 | 30 | 18,252,309 | 33 |
| Total liabilities | 31,876,994 | 59 | 32,735,110 | 60 |
| EQUITY ATTRIBUTABALE TO OWNERS OF THE COMPANY (Note 21) | | | | |
| Ordinary shares | 12,402,795 | 23 | 12,402,795 | 23 |
| Capital surplus | 356,046 | 1 | 356,046 | 1 |
| Retained earnings | | | | |
| Legal reserve | 3,942,840 | 7 | 3,787,789 | 7 |
| Special reserve | 510,893 | 1 | 426,930 | 1 |
| Unappropriated earnings | 5,645,452 | 11 | 4,540,412 | 8 |
| Total retained earnings | 10,099,185 | 19 | 8,755,131 | 16 |
| Other equity | (1,442,689) | (3) | (510,893) | (1) |
| Total equity attributable to owners of the Company | 21,415,337 | 40 | 21,003,079 | 39 |
| NON-CONTROLLING INTERESTS (Note 21) | 504,398 | 1 | 622,090 | 1 |
| Total equity | 21,919,735 | 41 | 21,625,169 | 40 |
| TOTAL | $ 53,796,729 | 100 | $ 54,360,279 | 100 |

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

(With Deloitte & Touche auditors' report dated March 27, 2020)

## Eternal Materials Co., Ltd. and Subsidiaries

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

| | For the Year Ended December 31 | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| | Amount | % | Amount | % |
| OPERATING REVENUE (Notes 22 and 29) | $ 40,363,238 | 100 | $ 43,300,155 | 100 |
| OPERATING COSTS (Notes 8, 23 and 29) | 32,506,285 | 81 | 36,020,316 | 83 |
| GROSS PROFIT | 7,856,953 | 19 | 7,279,839 | 17 |
| OPERATING EXPENSES (Notes 23 and 29) | | | | |
| Selling and marketing expenses | 2,113,936 | 5 | 2,155,446 | 5 |
| General and administrative expenses | 2,078,380 | 5 | 1,940,713 | 5 |
| Research and development expenses | 1,368,464 | 3 | 1,292,744 | 3 |
| Expected credit loss (gain) | (38,877) | - | 77,931 | - |
| Total operating expenses | 5,521,903 | 13 | 5,466,834 | 13 |
| PROFIT FROM OPERATIONS | 2,335,050 | 6 | 1,813,005 | 4 |
| NON-OPERATING INCOME AND EXPENSES | | | | |
| Other income (Notes 23 and 29) | 386,927 | 1 | 355,657 | 1 |
| Other gains and losses (Notes 9 and 23) | 418,056 | 1 | 51,402 | - |
| Net foreign exchange gains and losses (Note 33) | (4,563) | - | 26,947 | - |
| Finance costs (Note 23) | (500,512) | (1) | (577,007) | (1) |
| Share of the profit of associates and joint ventures (Note 14) | 278,973 | - | 193,967 | - |
| Total non-operating income and expenses | 578,881 | 1 | 50,966 | - |
| PROFIT BEFORE INCOME TAX | 2,913,931 | 7 | 1,863,971 | 4 |
| INCOME TAX EXPENSE (Notes 4 and 24) | (485,850) | (1) | (371,648) | (1) |
| NET PROFIT FOR THE YEAR | 2,428,081 | 6 | 1,492,323 | 3 |

(Continued)

# Eternal Materials Co., Ltd. and Subsidiaries

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

| | For the Year Ended December 31 | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| | Amount | % | Amount | % |
| OTHER COMPREHENSIVE INCOME (LOSS) (Notes 21 and 24) | | | | |
| Items that will not be reclassified subsequently to profit or loss | | | | |
| Remeasurement of defined benefit plans | $ (95,636) | - | $ (8,195) | - |
| Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income | 166,030 | - | (161,312) | - |
| Remeasurement of defined benefit plans of associates and joint ventures accounted for using the equity method | - | - | 188 | - |
| Income tax relating to items that will not be reclassified subsequently to profit or loss | 23,070 | - | 20,508 | - |
| Items that may be reclassified subsequently to profit or loss | | | | |
| Exchange differences on translating foreign operations | (985,454) | (2) | (434,930) | (1) |
| Share of the other comprehensive income of associates and joint ventures | (53,883) | - | (16,276) | - |
| Other comprehensive loss for the year, net of income tax | (945,873) | (2) | (600,017) | (1) |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | $ 1,482,208 | 4 | $ 892,306 | 2 |
| NET PROFIT (LOSS) ATTRIBUTABLE TO: | | | | |
| Owners of the Company | $ 2,466,356 | | $ 1,550,515 | |
| Non-controlling interests | (38,275) | | (58,192) | |
| | $ 2,428,081 | | $ 1,492,323 | |
| TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO: | | | | |
| Owners of the Company | $ 1,531,715 | | $ 952,243 | |
| Non-controlling interests | (49,507) | | (59,937) | |
| | $ 1,482,208 | | $ 892,306 | |
| EARNINGS PER SHARE (Note 25) | | | | |
| Basic | $ 1.99 | | $ 1.25 | |
| Diluted | 1.98 | | 1.25 | |

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

(With Deloitte & Touche auditors' report dated March 27, 2020)

# Eternal Materials Co., Ltd. and Subsidiaries

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
**(In Thousands of New Taiwan Dollars, Except Dividends Per Share)**

| | Equity Attributable to Owners of the Company | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Capital Surplus | | | | Retained Earnings | | | Other Equity | | | | | | |
| | Ordinary Shares | Additional Paid-in Capital | Treasury Share Transactions | Share of Changes in Equities of Associates and Joint Ventures | Total Capital Surplus | Legal Reserve | Special Reserve | Unappropriated Earnings | Exchange Differences on Translating Foreign Operations | Unrealized Gains and Losses on Available-for-sale Financial Assets | Unrealized Gains and Losses on Financial Assets at Fair Value Through Other Comprehensive Income | Total Other Equity | Total | Non-controlling Interests | Total Equity |
| BALANCE AT JANUARY 1, 2018 | $ 11,591,397 | $ 309,017 | $ 19,642 | $ 31,241 | $ 359,900 | $ 3,596,826 | $ 426,930 | $ 4,473,325 | $ (206,864) | $ 265,246 | $ - | $ 58,382 | $ 20,506,760 | $ 561,351 | $ 21,068,111 |
| Effect of retrospective application and retrospective restatement | - | - | - | - | - | - | - | 97,371 | - | (265,246) | 295,375 | 30,129 | 127,500 | - | 127,500 |
| BALANCE AT JANUARY 1, 2018 AS RESTATED | 11,591,397 | 309,017 | 19,642 | 31,241 | 359,900 | 3,596,826 | 426,930 | 4,570,696 | (206,864) | - | 295,375 | 88,511 | 20,634,260 | 561,351 | 21,195,611 |
| Appropriation of the 2017 earnings (Note 21) | | | | | | | | | | | | | | | |
| Legal reserve | - | - | - | - | - | 190,963 | - | (190,963) | - | - | - | - | - | - | - |
| Cash dividends - NT$0.5 per share | - | - | - | - | - | - | - | (579,570) | - | - | - | - | (579,570) | - | (579,570) |
| Share dividends - NT$0.7 per share | 811,398 | - | - | - | - | - | - | (811,398) | - | - | - | - | - | - | - |
| | 811,398 | - | - | - | - | 190,963 | - | (1,581,931) | - | - | - | - | (579,570) | - | (579,570) |
| Net profit for the year ended December 31, 2018 | - | - | - | - | - | - | - | 1,550,515 | - | - | - | - | 1,550,515 | (58,192) | 1,492,323 |
| Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax | - | - | - | - | - | - | - | 6,918 | (449,601) | - | (155,589) | (605,190) | (598,272) | (1,745) | (600,017) |
| Total comprehensive income (loss) for the year ended December 31, 2018 | - | - | - | - | - | - | - | 1,557,433 | (449,601) | - | (155,589) | (605,190) | 952,243 | (59,937) | 892,306 |
| Disposal of investments accounted for using the equity method (Note 21) | - | - | - | (3,854) | (3,854) | - | - | - | - | - | - | - | (3,854) | - | (3,854) |
| Increase in non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | - | - | 120,676 | 120,676 |
| Disposals of investments in equity instruments designated as at fair value through other comprehensive income (Note 21) | - | - | - | - | - | - | - | (5,786) | - | - | 5,786 | 5,786 | - | - | - |
| BALANCE AT DECEMBER 31, 2018 | 12,402,795 | 309,017 | 19,642 | 27,387 | 356,046 | 3,787,789 | 426,930 | 4,540,412 | (656,465) | - | 145,572 | (510,893) | 21,003,079 | 622,090 | 21,625,169 |
| Appropriation of 2018 earnings (Note 21) | | | | | | | | | | | | | | | |
| Legal reserve | - | - | - | - | - | 155,051 | - | (155,051) | - | - | - | - | - | - | - |
| Special reserve | - | - | - | - | - | - | 83,963 | (83,963) | - | - | - | - | - | - | - |
| Cash dividends - NT$0.9 per share | - | - | - | - | - | - | - | (1,116,252) | - | - | - | - | (1,116,252) | - | (1,116,252) |
| | - | - | - | - | - | 155,051 | 83,963 | (1,355,266) | - | - | - | - | (1,116,252) | - | (1,116,252) |
| Net profit for the year ended December 31, 2019 | - | - | - | - | - | - | - | 2,466,356 | - | - | - | - | 2,466,356 | (38,275) | 2,428,081 |
| Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax | - | - | - | - | - | - | - | (75,640) | (1,028,443) | - | 169,442 | (859,001) | (934,641) | (11,232) | (945,873) |
| Total comprehensive income (loss) for the year ended December 31, 2019 | - | - | - | - | - | - | - | 2,390,716 | (1,028,443) | - | 169,442 | (859,001) | 1,531,715 | (49,507) | 1,482,208 |
| Decrease in non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | - | - | (68,185) | (68,185) |
| Disposals of investments in equity instruments designated as at fair value through other comprehensive income (Note 21) | - | - | - | - | - | - | - | 69,590 | - | - | (72,795) | (72,795) | (3,205) | - | (3,205) |
| BALANCE AT DECEMBER 31, 2019 | $ 12,402,795 | $ 309,017 | $ 19,642 | $ 27,387 | $ 356,046 | $ 3,942,840 | $ 510,893 | $ 5,645,452 | $ (1,684,908) | $ - | $ 242,219 | $ (1,442,689) | $ 21,415,337 | $ 504,398 | $ 21,919,735 |

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

(With Deloitte & Touche auditors' report dated March 27, 2020)

# Eternal Materials Co., Ltd. and Subsidiaries

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In Thousands of New Taiwan Dollars)**

| | For the Year Ended December 31 | |
|---|---|---|
| | **2019** | **2018** |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before income tax | $ 2,913,931 | $ 1,863,971 |
| Adjustments for: | | |
| Depreciation expense | 1,965,252 | 1,827,300 |
| Amortization expense | 52,666 | 39,039 |
| Expected credit loss (gain) | (38,877) | 77,931 |
| Net gain on fair value changes of financial assets designated as at fair value through profit or loss | (6,549) | (1,663) |
| Finance costs | 500,512 | 577,007 |
| Interest income | (120,498) | (112,028) |
| Dividend income | (23,945) | (49,519) |
| Share of the profit of associates and joint ventures | (278,973) | (193,967) |
| Gain (loss) on disposal of property, plant and equipment | (46,027) | 9,422 |
| Gain on disposal of non-current assets held for sale | (480,640) | - |
| Gain on disposal of investments | - | (167,537) |
| Impairment loss recognized on non-financial assets | 30,792 | 81,540 |
| Others | (99) | 26,092 |
| Changes in operating assets and liabilities | | |
| Financial assets mandatorily classified as at fair value through profit or loss | 1,132 | 732 |
| Notes receivable | (1,339,557) | (394,310) |
| Notes receivable from related parties | (18,223) | (16,345) |
| Accounts receivable | 541,424 | 361,105 |
| Accounts receivable from related parties | 8,040 | 924 |
| Other receivables | 10,123 | 88,797 |
| Inventories | 705,352 | (196,843) |
| Other current assets | 10,348 | 339,991 |
| Notes payable | 96,651 | 75,835 |
| Accounts payable | 1,278,201 | (396,841) |
| Other payables | 84,267 | (28,274) |
| Other current liabilities | 33,010 | 28,297 |
| Other noncurrent liabilities | (116,831) | (111,826) |
| Cash generated from operations | 5,761,482 | 3,728,830 |
| Interest received | 125,995 | 114,595 |
| Dividends received | 178,932 | 189,142 |
| Interest paid | (550,227) | (649,528) |
| Income taxes paid | (570,038) | (499,789) |
| Net cash generated from operating activities | 4,946,144 | 2,883,250 |

(Continued)

## Eternal Materials Co., Ltd. and Subsidiaries

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In Thousands of New Taiwan Dollars)**

| | For the Year Ended December 31 | |
|---|---|---|
| | **2019** | **2018** |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale of financial assets at fair value through other comprehensive income | $ 135,905 | $ - |
| Proceeds from capital reduction of financial assets at fair value through other comprehensive income | - | 3,333 |
| Acquisition of investments accounted for using the equity method | (90,626) | (101,815) |
| Proceeds from disposal of investments accounted for using the equity method | - | 270,455 |
| Proceeds from disposal of non-current assets held for sale | 489,883 | - |
| Acquisition of property, plant and equipment | (2,111,487) | (2,478,829) |
| Proceeds from disposal of property, plant and equipment | 142,167 | 24,662 |
| Decrease in other receivables from related parties | 6,442 | 86,763 |
| Acquisition of intangible assets | (10,797) | (101,511) |
| Decrease in long-term lease receivables | 37,590 | - |
| Decrease in other financial assets - current | 174,830 | 55,650 |
| Decrease in other noncurrent assets | 100,709 | 50,415 |
| Net cash used in investing activities | (1,125,384) | (2,190,877) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Decrease in short-term borrowings | (931,282) | (872,539) |
| Proceeds from issuance of bonds | 3,000,000 | - |
| Proceeds from long-term borrowings | 14,823,508 | 19,616,629 |
| Repayments of long-term borrowings | (19,120,166) | (20,954,094) |
| Increase in other payables | - | 211,779 |
| Increase in guarantee deposits received | 57,341 | 9,407 |
| Decrease in finance lease payables | - | (3,817) |
| Repayment of the principal portion of lease liabilities | (61,067) | - |
| Dividends paid | (1,116,252) | (579,570) |
| Increase (decrease) in non-controlling interests | (68,185) | 120,676 |
| Net cash used in financing activities | (3,416,103) | (2,451,529) |
| EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | (480,444) | (139,583) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (75,787) | (1,898,739) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 6,085,433 | 7,984,172 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | $ 6,009,646 | $ 6,085,433 |

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

(With Deloitte & Touche auditors’ report dated March 27, 2020)

## 1. GENERAL INFORMATION

Eternal Materials Co., Ltd. (the Company) was established in December 1964. The Company is mainly engaged in the research, manufacturing, processing, selling and trading of diversified industrial synthetic resins, epoxy resin, coating, molding compound, copper clad laminates, film materials, photovoltaic materials, photoresist materials, and electronic chemical materials.

The Company's shares have been listed on the Taiwan Stock Exchange (TWSE) since March 1994.

The consolidated financial statements are presented in the Company's functional currency, the New Taiwan dollar.

## 2. APPROVAL OF FINANCIAL STATEMENTS

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

## 3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

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

   IFRS 16 "Leases"

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

   1) Definition of a lease

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

   2) The Company and its subsidiaries as lessee

      The Company and its subsidiaries recognize right-of-use assets or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Company and its subsidiaries present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts, were recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights were recognized as prepayments for leases. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables were recognized on the consolidated balance sheets for contracts classified as finance leases.

The Company and its subsidiaries elected to apply IFRS 16 retrospectively. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Company and its subsidiaries applied IAS 36 to all right-of-use assets.

The Company and its subsidiaries also applied the following practical expedients:

a) The Company and its subsidiaries applied a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

b) The Company and its subsidiaries accounted for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

c) The Company and its subsidiaries excluded initial direct costs from the measurement of right-of-use assets on January 1, 2019.

d) The Company and its subsidiaries used hindsight, such as in determining lease terms, to measure lease liabilities.

For leases previously classified as finance leases under IAS 17, the carrying amount of right-of-use assets and lease liabilities on January 1, 2019 are determined as at the carrying amounts of the respective leased assets and finance lease payables on December 31, 2018.

The lessee’s weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 0.86%-6.66%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

| | |
|---|---|
| The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018 | $ 232,717 |
| Less: Recognition exemption for short-term leases and leases of low-value assets | (24,885) |
| Undiscounted amount on January 1, 2019 | $ 207,832 |

(Continued)

| | |
|---|---|
| Discounted amount using the incremental borrowing rate on January 1, 2019 | $ 169,748 |
| Add: Finance lease liabilities (excluding the amounts applied for the exemption for short-term leases and leases of low-value assets) on December 31, 2018 | 30,895 |
| Lease liabilities recognized on January 1, 2019 | $ 200,643 |

(Concluded)

3) The Company and its subsidiaries as lessor

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

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

| | As Originally Stated on January 1, 2019 | Adjustments Arising from Initial Application | Restated on January 1, 2019 |
|---|---|---|---|
| Prepayments for leases - noncurrent | $ 1,004,213 | $ (1,004,213) | $ - |
| Property, plant and equipment | 28,919 | (28,919) | - |
| Right-of-use assets | - | 1,202,880 | 1,202,880 |
| Total effect on assets | $ 1,033,132 | $ 169,748 | $ 1,202,880 |
| Lease liabilities - current | $ - | $ 65,238 | $ 65,238 |
| Lease liabilities - noncurrent | - | 135,405 | 135,405 |
| Finance lease payable-current | 3,831 | (3,831) | - |
| Finance lease payable-noncurrent | 27,064 | (27,064) | - |
| Total effect on liabilities | $ 30,895 | $ 169,748 | $ 200,643 |

b. The IFRSs endorsed by the FSC for application starting from 2020

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

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

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

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

1) Amendments to IFRS 3 “Definition of a Business”

The amendments clarify that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process applied to the input that together significantly contribute to the ability to create outputs. The amendments narrow the definitions of outputs by focusing on goods and services provided to customers, and the reference to an ability to reduce costs is removed. Moreover, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether or not an acquired set of activities and assets is a business.

2) Amendments to IAS 1 and IAS 8 “Definition of material”

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRSs. The concept of “obscuring” material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from “could influence” to “could reasonably be expected to influence”.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Company and its subsidiaries are continuously assessing the possible impact that the application of other standards and interpretations will have on the Company and its subsidiaries’ financial position and financial performance and will disclose the relevant impact when the assessment is completed.

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

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

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

1) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulate that, when the Company and its subsidiaries sell or contribute assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Company and its subsidiaries lose control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Company and its subsidiaries sell or contribute assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Company and its subsidiaries’ interest as an unrelated investor in the associate or joint venture, i.e., the Company and its subsidiaries’ share of the gain or loss is eliminated. Also, when the Company and its subsidiaries lose control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Company and its subsidiaries' interest as an unrelated investor in the associate or joint venture, i.e., the Company and its subsidiaries' share of the gain or loss is eliminated.

2) Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"

The amendments clarify that for a liability to be classified as non-current, the Company and its subsidiaries shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Company and its subsidiaries will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Company and its subsidiaries must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Company and its subsidiaries are continuously assessing the possible impact that the application of other standards and interpretations will have on the Company and its subsidiaries' financial position and financial performance and will disclose the relevant impact when the assessment is completed.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

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

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

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

c. Classification of current and noncurrent assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

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

3) Cash and cash equivalents unless the asset is restricted from being used for an exchange or used to settle a liability for more than 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

3) Liabilities without an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as noncurrent.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposals, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-Group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

When the Company and its subsidiaries lose control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Company and its subsidiaries account for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company and its subsidiaries had directly disposed of the related assets or liabilities.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the cost on initial recognition of an investment in an associate.

The detailed information of subsidiaries (including the percentages of ownership and main businesses) is provided in Note 13 and Tables 8 and 9.

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. Other types of non-controlling interests are measured at fair value.

When a business combination is achieved in stages, the Company and its subsidiaries' previously held equity interest in an acquiree is remeasured to fair value at the acquisition date, and the resulting gain or loss is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are recognized on the same basis as would be required if those interests were directly disposed of by the Company and its subsidiaries.

f. Foreign currencies

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

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

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

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

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

On the disposal of a foreign operation (i.e. a disposal of the Company and its subsidiaries' entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange closing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

g. Inventories

Inventories consist of raw materials, supplies, finished goods and inventory in transit. Inventories are stated at the lower of cost and net realizable value. Inventory write-downs are made by item. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost.

h. Investments in associates and joint ventures

An associate is an entity over which the Company and its subsidiaries have significant influence and that is neither a subsidiary nor an interest in a joint venture. A joint venture is a joint arrangement whereby the Company and its subsidiaries and other parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Company and its subsidiaries use the equity method to account for their investments in associates and joint ventures.

Under the equity method, an investment in an associate and a joint venture are initially recognized at cost and adjusted thereafter to recognize the Company and its subsidiaries' share of the profit or loss and other comprehensive income of the associate and joint venture. The Company and its subsidiaries also recognize the changes in the share of equity of associates and joint ventures.

Any excess of the cost of acquisition over the Company and its subsidiaries' share of the net fair value of the identifiable assets and liabilities of an associate or a joint venture at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company and its subsidiaries' share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company and its subsidiaries subscribe for additional new shares of an associate and joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company and its subsidiaries' proportionate interest in the associate and joint venture. The Company and its subsidiaries record such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - share of changes in equities of the associates and joint ventures and investments accounted for using the equity method. If the Company and its subsidiaries' ownership interest is reduced due to non-subscription of the new shares of the associate and joint venture, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and joint venture is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be a deduction to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is deducted from retained earnings.

When the Company and its subsidiaries' share of losses of an associate and joint venture equal or exceed their interest in that associate and joint venture (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company and its subsidiaries' net investment in the associate and joint venture), the Company and its subsidiaries discontinue recognizing their share of further losses. Additional losses and liabilities are recognized only to the extent that the Company and its subsidiaries have incurred legal obligations, or constructive obligations, or made payments on behalf of that associate and joint venture.

When impairment loss is evaluated, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment has subsequently increased.

The Company and its subsidiaries discontinue the use of the equity method from the date on which their investment cease to be an associates or joint venture. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associates and the joint ventures attributable to the retained interest and their fair value are included in the determination of the gains or losses on disposal of the associates and the joint ventures. The Company and its subsidiaries account for all amounts previously recognized in other comprehensive income in relation to these associates and joint ventures on the same basis as would be required if that associates and joint ventures had directly disposed of the related assets or liabilities.

When the Company and its subsidiaries transact with their associates and joint ventures, profits and losses on these transactions are recognized in the consolidated financial statements only to the extent of interests in the associates and joint ventures that are not related to the Company and its subsidiaries.

i. Property, plant, and equipment

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

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

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately.

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

j. Investment properties

Investment properties are properties held to earn rentals or land held for a currently undetermined future use. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Beginning January 1, 2019, investment properties used for subleases were initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made on or before the commencement date, plus initial direct costs incurred and an estimate of costs needed to restore the underlying assets, less any lease incentives received. These investment properties are subsequently measured at cost less accumulated depreciation and accumulated impairment loss and adjusted for any remeasurement of the lease liabilities.

Depreciation is recognized using the straight-line method.

For a transfer from the property, plant and equipment classification to investment properties, the deemed cost of the property for subsequent accounting is its carrying amount at the end of owner-occupation.

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

k. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Company and its subsidiaries' cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized on goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal.

l. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis.

2) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

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

m. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company and its subsidiaries review the carrying amounts of their tangible and intangible assets to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company and its subsidiaries estimate the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. The impairment loss is recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined for the asset or cash-generating unit (net of amortization and depreciation) had no impairment loss been recognized in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

n. Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within 1 year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Recognition of depreciation of those assets would cease.

o. Financial instruments

Financial assets and financial liabilities are recognized when the Company and its subsidiaries become a party to the contractual provisions of the instruments.

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

1) Financial assets

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

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

i Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The dividends and net gain or loss are recognized in profit or loss. Fair value is determined in the manner described in Note 28.

ii Financial assets at amortized cost

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

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

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

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

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

iii Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

The Company and its subsidiaries recognize a loss allowance for expected credit losses on financial assets at amortized cost, which are on trade receivables and finance lease receivables.

The Company and its subsidiaries recognize lifetime expected credit losses (i.e. ECLs) for trade receivables and finance lease receivables. For all other financial instruments, the Company and its subsidiaries recognize lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company and its subsidiaries measure the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. The risk of default of accounts receivable and finance lease receivables is assessed based on the number of days past due. The risk of default of other financial assets for the next 12 months is assessed based on internal or external information.

For internal credit risk management purposes, the Company and its subsidiaries determine that internal or external information that show that the debtor is unlikely to pay its creditors indicate that a financial asset is in default (without taking into account any collateral held by the Company and its subsidiaries).

c) Derecognition of financial assets

The Company and its subsidiaries derecognize a financial asset only when the contractual rights to the cash flows from the asset expire, or when they transfer the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

If the Company and its subsidiaries neither transfer nor retain substantially all the risks and rewards of ownership and continue to control the transferred asset, the Company and its subsidiaries recognize their retained interest in the asset and any associated liability for amounts they may have to pay. If the Company and its subsidiaries retain substantially all the risks and rewards of ownership of a transferred financial asset, the Company and its subsidiaries continue to recognize the financial asset and also recognize the proceeds received in accounts payable and collateralized borrowings.

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

2) Financial liabilities

a) Subsequent measurement

The Company and its subsidiaries measure all financial liabilities at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

p. Revenue recognition

The Company and its subsidiaries identify contracts with customers, allocate the transaction price to the performance obligations and recognize revenue when performance obligations are satisfied.

1) Revenue from the sale of goods

Revenue from the sale of goods is recognized when the committed goods are delivered from the Company and its subsidiaries to customers to satisfy performance obligations. Unearned sales revenues are recognized as contract liabilities until performance obligations are satisfied.

Revenue is measured at fair value, which is the transaction price (net of commercial discounts and quantity discounts) agreed to by the Company and its subsidiaries with customers. For a contract where the period between the date the Company and its subsidiaries transfer a promised good to a customer and the date the customer pays for that good is one year or less, the Company and its subsidiaries do not adjust the promised amount of consideration for any effect of a significant financing component.

2) Revenue from the rendering of services

The rendering of services of the Company and its subsidiaries pertain to logistics support. The service price is charged according to the basis of calculation as stated in the contract. Since the period between the date of service transferred and the date of collection is less than one year, the Company and its subsidiaries do not adjust the promised amount of consideration for any effect of a significant financing component.

q. Leasing

<u>2019</u>

At the inception of a contract, the Company and its subsidiaries assess whether the contract is, or contains, a lease.

1) The Company and its subsidiaries as lessor

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

When the Company and its subsidiaries sublease a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Company and its subsidiaries, as a lessee, have accounted for by applying the recognition exemption, the sublease is classified as an operating lease.

Under finance leases, the lease payments comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives payable. The net investment in a lease is measured at (a) the present value of the sum of the lease payments receivable by a lessor and any unguaranteed residual value accrued to the lessor plus (b) initial direct costs and is presented as a finance lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Company and its subsidiaries’ net investment outstanding in respect of leases.

Under operating leases, lease payments, less any lease incentives payable, are recognized as income on straight-line basis over the lease term.

2) The Company and its subsidiaries as lessee

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

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

Right-of-use assets are presented on a separate line in the consolidated balance sheets, except for those that meet the definition of investment properties. With respect to the recognition and measurement of right-of-use assets that meet the definition of investment properties, refer to the accounting policies for investment properties.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. However, if leases transfer ownership of the underlying assets to the Company and its subsidiaries by the end of the lease terms or if the costs of right-of-use assets reflect that the Company and its subsidiaries will exercise a purchase option, the Company and its subsidiaries depreciate the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Company and its subsidiaries are reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company and its subsidiaries use the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company and its subsidiaries remeasure the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

2018

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

Assets held under finance leases are initially recognized as assets of the Company and its subsidiaries at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheets as a finance lease obligation.

Finance expenses implicit in lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets; in which case, they are capitalized.

Operating lease payments are recognized as expenses over the lease term.

r. Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All borrowing costs other than those stated above are recognized in profit or loss in the period in which they are incurred.

s. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

t. Taxation

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

1) Current tax

According to the Income Tax Law, an additional tax on unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

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

Deferred tax liabilities are generally recognized on all taxable temporary differences. Deferred tax assets are generally recognized on deductible temporary differences provided there will be sufficient taxable profit against which the benefits of the temporary differences can be used.

Deferred tax liabilities are recognized on taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, except where the Company and its subsidiaries are able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company and its subsidiaries expect, at the balance sheet date, to recover or settle the carrying amount of the assets and liabilities.

3) Current and deferred taxes for the year

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

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Income taxes

The realizability of deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

Since a portion of the earnings is expected to be used for expanding foreign operation's, it will not be remitted in the foreseeable future. The realization of deferred income tax liabilities mainly depends on the scale of operation expansion in the future. If the actual investment amount in the future is less than the expected investment amount, an income tax reversal will occur and such reversal amount will be recognized in profit and loss upon occurrence.

b. Estimated impairment of accounts receivable

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

c. Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience with product sales of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

d. Recognition and measurement of defined benefit plans

The resulting defined benefit costs under the defined benefit pension plans and the net defined benefit liabilities (assets) are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rates, rates of employee turnover, future salary increases rate, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have an impact on the amount of expenses and liabilities.

## 6. CASH AND CASH EQUIVALENTS

| | December 31 | |
|---|---|---|
| | **2019** | **2018** |
| Cash on hand | $ 12,140 | $ 11,929 |
| Checking accounts and demand deposits | 2,716,535 | 3,290,802 |
| Cash equivalents (investments with original maturities of less than three months) | | |
| Time deposits | 3,280,971 | 2,782,702 |
| | $ 6,009,646 | $ 6,085,433 |

## 7. NOTES AND ACCOUNTS RECEIVABLE

| | December 31 | |
|---|---|---|
| | **2019** | **2018** |
| Notes receivable | $ 4,489,199 | $ 3,149,642 |
| Notes receivable from related parties | $ 57,038 | $ 38,815 |
| Accounts receivable | $ 10,804,812 | $ 11,633,903 |
| Less: Allowance for loss | (213,574) | (272,886) |
| | $ 10,591,238 | $ 11,361,017 |
| Accounts receivable from related parties | $ 231,780 | $ 239,820 |
| Less: Allowance for loss | (8,143) | (6,168) |
| | $ 223,637 | $ 233,652 |

The notes and accounts receivable of the Company and its subsidiaries are measured at amortized cost. For the related credit management policies, refer to Note 28.

The loss allowance of the Company and its subsidiaries' accounts receivable is recognized by using lifetime expected credit losses. The lifetime expected credit losses on accounts receivable are estimated using a provision matrix by reference to the past collection experience of the customers and an increase in late payments over the credit period.

The following table details the loss allowance of notes and accounts receivable based on the Company and its subsidiaries' provision matrix.

December 31, 2019

| | Not Past Due | 0 to 30 Days | 31 to 90 Days | 91 to 180 Days | Over 180 Days | Total |
|---|---|---|---|---|---|---|
| Gross carrying amount | $ 13,475,968 | $ 1,333,739 | $ 479,491 | $ 142,791 | $ 150,840 | $ 15,582,829 |
| Loss allowance (Lifetime ECL) | (10,937) | (11,807) | (20,083) | (30,547) | (148,343) | (221,717) |
| Amortized cost | $ 13,465,031 | $ 1,321,932 | $ 459,408 | $ 112,244 | $ 2,497 | $ 15,361,112 |

December 31, 2018

| | Not Past Due | 0 to 30 Days | 31 to 90 Days | 91 to 180 Days | Over 180 Days | Total |
|---|---|---|---|---|---|---|
| Gross carrying amount | $ 12,542,766 | $ 1,530,613 | $ 585,745 | $ 184,253 | $ 218,803 | $ 15,062,180 |
| Loss allowance (Lifetime ECL) | (12,764) | (11,071) | (23,140) | (41,076) | (191,003) | (279,054) |
| Amortized cost | $ 12,530,002 | $ 1,519,542 | $ 562,605 | $ 143,177 | $ 27,800 | $ 14,783,126 |

The movements of the allowance for doubtful accounts receivable were as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Balance at January 1, 2019 | $ 279,054 | $ 225,411 |
| Recognized (reversed) in current year | (38,877) | 77,931 |
| Written-off in current year | (11,601) | (19,560) |
| Effect of foreign currency exchange differences | (6,859) | (4,728) |
| Balance at December 31, 2019 | $ 221,717 | $ 279,054 |

Refer to Note 28 for the details on factoring agreements for accounts receivable from subsidiaries.

Refer to Note 30 for the details on the amount of notes receivable pledged as collateral for bank borrowings.

## 8. INVENTORIES

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Raw materials | $ 2,685,571 | $ 3,341,102 |
| Supplies | 178,990 | 216,823 |
| Finished goods | 4,159,467 | 4,103,832 |
| Inventory in transit | 157,678 | 256,093 |
| | $ 7,181,706 | $ 7,917,850 |

The cost of inventories recognized as operating costs for the years ended December 31, 2019 and 2018 was NT$32,506,285 thousand and NT$36,020,316 thousand, respectively, including write-down of inventories of NT$30,792 thousand and NT$81,540 thousand, respectively.

## 9. NON-CURRENT ASSETS HELD FOR SALE

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Land held for sale | $ - | $ 9,243 |

In consideration of asset management and financial planning, on March 2018, the board of directors of the Company approved to sell the land located in Daliao District of Kaohsiung City (previously classified as investment properties), and the land was reclassified as non-current assets held for sale in 2018. In February 2019, it was sold to a non-related party and the transfer was completed, the gain on disposal was NT$420,438 thousand net of land value increment tax.

## 10. OTHER FINANCIAL ASSETS - CURRENT

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Time deposits with original maturities of more than three months | $ 66,950 | $ 241,780 |

## 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - NONCURRENT

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Non-derivative financial assets | | |
| Mutual fund | | |
| Pacven Walden Ventures V, L.P. | $ 12,483 | $ 7,341 |

## 12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NONCURRENT

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Domestic investments | | |
| Listed shares | | |
| President Securities Corp. | $ 494,947 | $ 393,902 |
| Unlisted shares | | |
| The Orchard Corp. of Taiwan Ltd. | - | 41,556 |
| Universal Venture Capital Investment Corp. | 34,010 | 37,707 |
| Universal Development & Investment Capital I Co., Ltd. | 21,596 | 24,450 |
| Der Yang Biotechnology Venture Capital Co., Ltd. | 5,469 | 4,331 |
| Mega I Venture Capital Co., Ltd. | - | 2,609 |
| | 556,022 | 504,555 |
| Foreign investments | | |
| Listed shares | | |
| TBG Diagnostics Limited | 22,799 | 49,643 |
| Unlisted shares | | |
| Grace THW Holdings Limited | 164,488 | 130,624 |

(Continued)

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Certificate of interest | | |
| Orchard Decorative Materials (China) Co., Ltd. | $ - | $ 31,215 |
| | 187,287 | 211,482 |
| | $ 743,309 | $ 716,037 |

(Concluded)

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

## 13. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements were as follows:

| Investor | Investee | Main Businesses | Percentage of Ownership (%) December 31, 2019 | Percentage of Ownership (%) December 31, 2018 | Additional Descriptions |
|---|---|---|---|---|---|
| The Company | Eternal Global (BVI) Co., Ltd. | International investment | 100 | 100 | |
| | Eternal Holdings Inc. | International investment | 100 | 100 | |
| | Mixville Holdings Inc. | International investment | 100 | 100 | |
| | CHOU-KOU Materials Co., Ltd. | Selling, trading and providing service of resins material, electronic material and other related products | 100 | 100 | |
| | Nikko-Materials Co., Ltd. | Manufacturing and selling of dry film photoresist and vacuum laminator | 100 | 100 | |
| | Eternal Electronic Material (Thailand) Co., Ltd. | Trading service, cutting and selling of dry film photoresist | 75 | 75 | |
| | New E Materials Co., Ltd. | Researching, developing, manufacturing and selling of photoelectric, semiconductor process related electronic chemical materials and equipment spare parts | 62.80 | 62.80 | |
| | Eternal Capatech Co., Ltd. | Manufacturing and selling of electronic spare parts and related materials parts | 96.71 | 96.71 | 1) |
| | Eternal Materials (Malaysia) Sdn. Bhd. | Manufacturing, selling, trading and providing service of resins material related products | 90 | 90 | |
| | Elga Europe S.r.l. | Manufacturing, selling, dealing and processing of electronic-chemical products. | 72.68 | 72.68 | 2) |
| Eternal Global (BVI) Co., Ltd. | Eternal Chemical (China) Co., Ltd. | Manufacturing and selling of resins material and processing products | 100 | 100 | |
| | Changhe International Trading (GZFTZ) Co., Ltd. | International trading, commercial trading, entrepot trading, products displayed, bonded warehousing and business consulting service | 100 | 100 | |
| Eternal Holdings Inc. | Eternal International (BVI) Co., Ltd. | International investment | 100 | 100 | |
| | E-Chem Corp. | International investment | 100 | 100 | |
| Eternal International (BVI) Co., Ltd. | Eternal Technology Corporation | Manufacturing and selling of photoresist | 100 | 100 | |
| | Eternal (China) Investment Co., Ltd. | Managing, investing consulting service, researching, leasing, manufacturing and selling of resins material and photoelectric chemical materials | 100 | 100 | |
| E-Chem Corp. | Eternal Specialty Materials (Zhuhai) Co., Ltd. | Manufacturing and selling of acrylic resin and methacrylic acid | 90 | 90 | |
| Mixville Holdings Inc. | High Expectation Limited | International investment activities | 100 | 100 | |
| High Expectation Limited | Eternal Materials (Guangdong) Co., Ltd. | Manufacturing and selling of adhesives, resins material and processing of products | 100 | 100 | |
| Eternal (China) Investment Co., Ltd. | Eternal Optical Material (Suzhou) Co., Ltd. | Manufacturing and selling of optical film | 100 | 100 | |
| | Eternal Photoelectric Material Industry (Yingkou) Co., Ltd. | Researching, developing and manufacturing of photoresist dry film, liquid photo imaginable solder masks and printed circuit board related materials | 100 | 100 | |

(Continued)

| Investor | Investee | Main Businesses | Percentage of Ownership (%) December 31, 2019 | Percentage of Ownership (%) December 31, 2018 | Additional Descriptions |
|---|---|---|---|---|---|
| | Eternal Synthetic Resins (Changshu) Co., Ltd. | Manufacturing and selling of unsaturated polyester resin | 100 | 100 | |
| | Eternal Chemical (Chengdu) Co., Ltd. | Researching and developing resins material and products | 100 | 100 | |
| | Eternal Electronic (Suzhou) Co., Ltd. | Researching, developing, and manufacturing of dry film photoresist and dry film solder mask which used in electronic materials, researching resin materials and selling, providing after sales service of self-produced products | 100 | 100 | |
| | Eternal Electronic Material (Guangzhou) Co., Ltd. | Coating, slitting, cutting, processing, and selling of photoresist | 100 | 100 | |
| | Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. | Researching, developing, manufacturing and selling of electronic high-tech chemical and related products | 100 | 100 | |
| | Eternal Sun A. (Suzhou) Co., Ltd. | Researching, developing, and manufacturing of optical protective film which used in display, and selling, providing after sales service of self-produced products | 60 | 60 | |
| | Eternal Chemical (Tianjin) Co., Ltd. | Manufacturing and selling of adhesives, resins material and processing products | 100 | 100 | |
| | Eternal Specialty Materials (Suzhou) Co., Ltd. | Researching and developing chemical products, and selling, providing technical service of self-produced products | 100 | 100 | |
| | Eternal Photoelectric Material Industry (Kunshan) Co., Ltd. | Cutting and processing of dry film photoresist and selling self-products. | 84.06 | 84.06 | |
| | Elga Europe S.r.l. | Manufacturing, selling, agency and processing of electronic chemical products | 22.32 | 22.32 | 2) |
| | Eternal Materials (Changzhou) Co., Ltd. | Selling of fluorocarbon resin and polyester resin products | 100 | 100 | |
| Eternal Electronic Material (Guangzhou) Co., Ltd. | Eternal Photoelectric Material Industry (Kunshan) Co., Ltd. | Cutting and processing of dry film photoresist and selling self-produced products | 15.94 | 15.94 | |
| Nikko-Materials Co., Ltd. | Nikko Mechanics Co., Ltd. | Designing, manufacturing, selling of industrial machinery and machine tool | 80 | 80 | |

(Concluded)

1) Dissolved in December 2018 after resolution of the shareholders of the subsidiary in its shareholders' meeting. The liquidation process had been completed with the consent of the Taiwan Kaohsiung District Court in August 2019.

2) In 2018, the Company subscribed for a cash increase of EUR2,375 thousand (NT$84,241 thousand) in the subsidiary. The Company and its subsidiaries still own 95% of the equity of the subsidiary after the cash increase.

b. The Company and its subsidiaries did not have any subsidiary with material non-controlling interests.

## 14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (INCLUDING CREDIT BALANCE)

| | December 31 2019 | December 31 2018 |
|---|---|---|
| Investments accounted for using the equity method | | |
| Investments in associates | $ 2,287,302 | $ 2,101,788 |
| Investments in joint ventures | - | (4,957) |
| | $ 2,287,302 | $ 2,096,831 |

(Continued)

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Credit balance of investments accounted for using the equity method (recorded as other noncurrent liabilities) | | |
| Investments in associates | $ (2,296) | $ - |
| Investments in joint ventures | (26,299) | - |
| | $ (28,595) | $ - |

(Concluded)

a. Investments accounted for using the equity method

Investments in associates

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Associates that are not individually material | $ 2,287,302 | $ 2,101,788 |

Information about associates that are not individually material was as follows:

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| The Company and its subsidiaries' share of | | |
| Net profit for the year | $ 314,523 | $ 221,822 |
| Other comprehensive income | (54,093) | (15,713) |
| Total comprehensive income for the year | $ 260,430 | $ 206,109 |

Fair values (Level 1) of investments in associates with available published price quotation are summarized as follows:

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Daxin Materials Corporation | $ 2,122,197 | $ 2,178,415 |

The Company and its subsidiaries obtained significant influence over Polymer instrumentation and Consulting services, Ltd. (Polymics Ltd.), which was originally classified as financial assets at fair value through other comprehensive income - noncurrent, after increasing their percentage of ownership to 30% in May 2018, and Polymics Ltd. was subsequently accounted for using the equity method.

The Company and its subsidiaries held 50% ownership of DSM Eternal Resins (Kunshan) Co., Ltd., but had no control over it. Therefore, DSM Eternal Resins (Kunshan) Co., Ltd. was not included in the consolidated financial statements but was accounted for using the equity method.

Investments in joint ventures

| | December 31, 2018 |
|---|---|
| Joint ventures that are not individually material | $ (4,957) |

Information about joint ventures that are not individually material was as follows:

| | **For the Year Ended December 31, 2018** |
|---|---|
| The Company and its subsidiaries' share of | |
| Net loss for the year | $ (27,855) |
| Other comprehensive loss | (375) |
| Total comprehensive loss | $ (28,230) |

Eternal (China) Investment Co., Ltd. held 51% ownership of Hangzhou Yongxinyang Photoelectric Materials Co., Ltd. However, since the investment is under joint control in a joint venture agreement, the investment is accounted for using the equity method.

b. Credit balance of investments accounted for using the equity method

| | **December 31, 2019** |
|---|---|
| Associates that are not individually material | $ (2,296) |
| Joint ventures that are not individually material | (26,299) |
| | $ (28,595) |

Information about associates and joint ventures that are not individually material was as follows:

| | **For the Year Ended December 31, 2019** |
|---|---|
| The Company and its subsidiaries' share of | |
| Net loss for the year | $ (35,550) |
| Other comprehensive income | 210 |
| Total comprehensive loss for the year | $ (35,340) |

The Company and its subsidiaries' share of losses of the associates and joint ventures exceeded their equity in those associates and joint ventures. After reducing their equity to zero, the Company and its subsidiaries recognized additional losses to the extent that they have incurred legal obligations or constructive obligations, or made payments on behalf of those associates and joint ventures and transferred them to the credit balance of investments accounted for using the equity method (recorded as other noncurrent liabilities).

The investments accounted for using the equity method (including credit balance) and the share of profit and other comprehensive income of those investments are based on the associates' audited financial statements for the same period.

Refer to Tables 8 and 9 for the main businesses and countries of incorporation of the associates and joint ventures.

## 15. PROPERTY, PLANT AND EQUIPMENT

For the Year Ended December 31, 2019

| | Land | Buildings | Machinery and Equipment | Storage Equipment | Examination Equipment | Other Equipment | Construction in Progress and Equipment to be Inspected | Total |
|---|---|---|---|---|---|---|---|---|
| Carrying amount at January 1, 2019 | $ 2,723,150 | $ 5,814,166 | $ 6,653,866 | $ 672,805 | $ 456,207 | $ 301,543 | $ 2,170,647 | $ 18,792,384 |
| Cost | | | | | | | | |
| Balance at January 1, 2019 | $ 2,723,150 | $ 10,922,989 | $ 20,350,691 | $ 1,470,005 | $ 1,459,517 | $ 780,810 | $ 2,170,647 | $ 39,877,809 |
| Adjustments on initial application of IFRS 16 | - | - | - | - | - | (35,874) | - | (35,874) |
| Balance at January 1, 2019 (restated) | 2,723,150 | 10,922,989 | 20,350,691 | 1,470,005 | 1,459,517 | 744,936 | 2,170,647 | 39,841,935 |
| Additions | - | 1,705,322 | 1,022,328 | 78,563 | 146,146 | 162,427 | (953,094) | 2,161,692 |
| Disposals | - | (106,866) | (380,196) | (20,186) | (116,556) | (22,581) | - | (646,385) |
| Transferred to investment properties (Note 17) | - | (1,063,199) | - | - | - | - | - | (1,063,199) |
| Effect of foreign currency exchange difference | (9,397) | (277,501) | (405,422) | (28,161) | (13,824) | (22,109) | (11,999) | (768,413) |
| Balance at December 31, 2019 | $ 2,713,753 | $ 11,180,745 | $ 20,587,401 | $ 1,500,221 | $ 1,475,283 | $ 862,673 | $ 1,205,554 | $ 39,525,630 |
| Accumulated depreciation and impairment | | | | | | | | |
| Balance at January 1, 2019 | $ - | $ 5,108,823 | $ 13,696,825 | $ 797,200 | $ 1,003,310 | $ 479,267 | $ - | $ 21,085,425 |
| Adjustments on initial application of IFRS 16 | - | - | - | - | - | (6,955) | - | (6,955) |
| Balance at January 1, 2019 (restated) | - | 5,108,823 | 13,696,825 | 797,200 | 1,003,310 | 472,312 | - | 21,078,470 |
| Depreciation | - | 535,607 | 1,097,828 | 66,908 | 100,094 | 61,082 | - | 1,861,519 |
| Disposals | - | (70,639) | (249,964) | (18,445) | (91,312) | (21,391) | - | (451,751) |
| Effect of foreign currency exchange difference | - | (108,613) | (254,979) | (12,583) | (8,945) | (13,034) | - | (398,154) |
| Balance at December 31, 2019 | $ - | $ 5,465,178 | $ 14,289,710 | $ 833,080 | $ 1,003,147 | $ 498,969 | $ - | $ 22,090,084 |
| Carrying amount at December 31, 2019 | $ 2,713,753 | $ 5,715,567 | $ 6,297,691 | $ 667,141 | $ 472,136 | $ 363,704 | $ 1,205,554 | $ 17,435,546 |

For the Year Ended December 31, 2018

| | Land | Buildings | Machinery and Equipment | Storage Equipment | Examination Equipment | Other Equipment | Construction in Progress and Equipment to be Inspected | Total |
|---|---|---|---|---|---|---|---|---|
| Carrying amount at January 1, 2018 | $ 2,739,777 | $ 5,529,325 | $ 5,858,544 | $ 523,785 | $ 462,046 | $ 279,562 | $ 3,073,210 | $ 18,466,249 |
| Cost | | | | | | | | |
| Balance at January 1, 2018 | $ 2,739,777 | $ 10,317,482 | $ 19,003,472 | $ 1,281,760 | $ 1,427,589 | $ 721,974 | $ 3,073,210 | $ 38,565,264 |
| Additions | - | 962,763 | 2,039,490 | 226,375 | 103,116 | 90,497 | (890,925) | 2,531,316 |
| Disposals | - | (102,255) | (504,144) | (23,246) | (62,439) | (26,452) | (282) | (718,818) |
| Transferred to investment properties (Note 17) | (17,057) | (139,668) | - | - | - | - | - | (156,725) |
| Effect of foreign currency exchange difference | 430 | (115,333) | (188,127) | (14,884) | (8,749) | (5,209) | (11,356) | (343,228) |
| Balance at December 31, 2018 | $ 2,723,150 | $ 10,922,989 | $ 20,350,691 | $ 1,470,005 | $ 1,459,517 | $ 780,810 | $ 2,170,647 | $ 39,877,809 |
| Accumulated depreciation and impairment | | | | | | | | |
| Balance at January 1, 2018 | $ - | $ 4,788,157 | $ 13,144,928 | $ 757,975 | $ 965,543 | $ 442,412 | $ - | $ 20,099,015 |
| Depreciation | - | 533,743 | 1,066,346 | 66,357 | 98,248 | 62,200 | - | 1,826,894 |
| Disposals | - | (65,306) | (414,756) | (21,162) | (55,010) | (22,568) | - | (578,802) |
| Transferred to investment properties (Note 17) | - | (108,279) | - | - | - | - | - | (108,279) |
| Effect of foreign currency exchange difference | - | (39,492) | (99,693) | (5,970) | (5,471) | (2,777) | - | (153,403) |
| Balance at December 31, 2018 | $ - | $ 5,108,823 | $ 13,696,825 | $ 797,200 | $ 1,003,310 | $ 479,267 | $ - | $ 21,085,425 |
| Carrying amount at December 31, 2018 | $ 2,723,150 | $ 5,814,166 | $ 6,653,866 | $ 672,805 | $ 456,207 | $ 301,543 | $ 2,170,647 | $ 18,792,384 |

The above items of property, plant and equipment are depreciated on a straight-line basis over the following useful lives:

| | |
|---|---|
| Buildings | 5-50 years |
| Machinery and equipment | 3-20 years |
| Storage equipment | 5-20 years |
| Examination equipment | 5-15 years |
| Other equipment | 3-12 years |

Refer to Note 30 for the amounts of property, plant and equipment pledged by the Company and its subsidiaries as collateral for bank borrowings.

Land (including those recorded as investment properties) held by the Company was revalued in 1980, 1990, 1997 and 2004, and as of December 31, 2019 and 2018, the revaluation increments of the land was $1,977,218 thousand.

## 16. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

| | December 31, 2019 |
|---|---|
| Carrying amounts | |
| Land | $ 893,794 |
| Buildings | 88,425 |
| Machinery | 26,514 |
| Other equipment | 28,446 |
| | $ 1,037,179 |

| | For the Year Ended December 31, 2019 |
|---|---|
| Additions to right-of-use assets | $ 97,918 |
| | |
| Depreciation charge for right-of-use assets | |
| Land | $ 23,993 |
| Buildings | 44,952 |
| Machinery | 8,406 |
| Other equipment | 7,001 |
| | $ 84,352 |

In addition, part of the land use rights for land located in mainland China is subleased under operating leases, and the relevant right-of-use assets are recorded as investment properties, refer to Note 17 for the details.

b. Lease liabilities - 2019

| | December 31, 2019 |
|---|---|
| Carrying amounts | |
| Current | $ 45,281 |
| Non-current | $ 108,755 |

Range of discount rate (%) for lease liabilities was as follows:

| | December 31, 2019 |
|---|---|
| Land | 0.93-6.66 |
| Buildings | 0.86-5.35 |
| Machinery | 1.67-4.40 |
| Other equipment | 0.86-5.35 |

c. Material lease activities and terms (Subsidiary is lessee)

Major lease arrangements of the Company's subsidiaries are land use rights contracts with lease terms of 50 to 56 years. Balance of land use rights at December 31, 2018 was $1,093,000 thousand, recorded as other noncurrent assets - others. Rental expense for the year ended December 31, 2018 was $26,092 thousand.

d. Other lease information

2019

| | For the Year Ended December, 2019 |
|---|---|
| Expenses relating to short-term and low-value asset leases | $ 37,699 |
| Total cash outflow for all lease arrangements (including short-term and low-value asset leases) | $ 100,731 |

The Company and its subsidiaries leases certain assets which qualified as short-term leases and low-value asset leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

## 17. INVESTMENT PROPERTIES

For the Year Ended December 31, 2019

| | Land | Land Use Rights | Buildings | Right-of-use Assets | Total |
|---|---|---|---|---|---|
| Carrying amount at January 1, 2019 | $ 17,057 | $ 4,690 | $ 30,997 | $ - | $ 52,744 |
| Cost | | | | | |
| Balance at January 1, 2019 | $ 17,057 | $ 6,590 | $ 139,680 | $ - | $ 163,327 |
| Adjustments on initial application of IFRS 16 | - | (6,590) | - | 4,690 | (1,900) |
| Balance at January 1, 2019 (restated) | 17,057 | - | 139,680 | 4,690 | 161,427 |
| Transferred from property, plant and equipment | - | - | 1,063,199 | - | 1,063,199 |
| Transferred from right-of-use assets | - | - | - | 71,569 | 71,569 |
| Effects of foreign currency exchange differences | - | - | (55,635) | (3,758) | (59,393) |
| Balance at December 31, 2019 | $ 17,057 | $ - | $ 1,147,244 | $ 72,501 | $ 1,236,802 |

(Continued)

| | Land | Land Use Rights | Buildings | Right-of-use Assets | Total |
|---|---|---|---|---|---|
| Accumulated depreciation and impairment | | | | | |
| Balance at January 1, 2019 | $ - | $ 1,900 | $ 108,683 | $ - | $ 110,583 |
| Adjustments on initial application of IFRS 16 | - | (1,900) | - | - | (1,900) |
| Balance at January 1, 2019 (restated) | - | - | 108,683 | - | 108,683 |
| Depreciation | - | - | 18,056 | 1,325 | 19,381 |
| Transferred from right-of-use assets | - | - | - | 877 | 877 |
| Effect of foreign currency exchange differences | - | - | (4,441) | (75) | (4,516) |
| Balance at December 31, 2019 | $ - | $ - | $ 122,298 | $ 2,127 | $ 124,425 |
| Carrying amounts at December 31, 2019 | $ 17,057 | $ - | $ 1,024,946 | $ 70,374 | $ 1,112,377 |

(Concluded)

For the Year Ended December 31, 2018

| | Land | Land Use Rights | Buildings | Total |
|---|---|---|---|---|
| Carrying amounts at January 1, 2018 | $ 9,243 | $ - | $ - | $ 9,243 |
| Cost | | | | |
| Balance at January 1,2018 | $ 9,243 | $ - | $ - | $ 9,243 |
| Transferred from property, plant and equipment | 17,057 | - | 139,668 | 156,725 |
| Transferred from other noncurrent assets - others | - | 6,589 | - | 6,589 |
| Reclassified as non-current assets held for sale (Note 9) | (9,243) | - | - | (9,243) |
| Effect of foreign currency exchange differences | - | 1 | 12 | 13 |
| Balance at December 31, 2018 | $ 17,057 | $ 6,590 | $ 139,680 | $ 163,327 |
| Accumulated depreciation and impairment | | | | |
| Balance at January 1, 2018 | $ - | $ - | $ - | $ - |
| Depreciation | - | 12 | 394 | 406 |
| Transferred from property, plant and equipment | - | - | 108,279 | 108,279 |
| Transferred from other noncurrent assets - others | - | 1,888 | - | 1,888 |

(Continued)

| | Land | Land Use Rights | Buildings | Total |
|---|---|---|---|---|
| Effect of foreign currency exchange differences | $ - | $ - | $ 10 | $ 10 |
| Balance at December 31, 2018 | $ - | $ 1,900 | $ 108,683 | $ 110,583 |
| Carrying amounts at December 31, 2018 | $ 17,057 | $ 4,690 | $ 30,997 | $ 52,744 |

(Concluded)

The investment properties were leased for terms of 1 to 15 years with an option to extend for additional years. The lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The Company and its subsidiaries implement general risk management policies to reduce the residual asset risk related to assets at the end of the lease period.

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

| | 2019 |
|---|---|
| Year 1 | $ 193,599 |
| Year 2 | 203,333 |
| Year 3 | 173,227 |
| Year 4 | 85,852 |
| Year 5 | 62,608 |
| Year 6 onwards | 222,593 |
| | $ 941,212 |

Their fair values were not evaluated by an independent appraiser in 2019, except for part of the subsidiaries' land use rights and buildings located in China. The management of the Company used the valuation model that market participants would use in determining the fair value, and the fair value was measured by using Level 3 inputs, and it was arrived at by reference to market evidence of transaction prices for similar properties and by using income analysis. The fair values were NT$2,747,204 thousand and NT$403,682 thousand for the year ended December 31, 2019 and 2018, respectively.

The following items of investment properties are depreciated on a straight-line basis over their useful lives as follow:

| | |
|---|---|
| Buildings | 20-33 years |
| Right-of-use assets | 34-36 years |

## 18. INTANGIBLE ASSETS

For the Year Ended December 31, 2019

| | Goodwill | Expertise | Customer Relationships | Computer Software | Others | Total |
|---|---|---|---|---|---|---|
| Carrying amount at January 1, 2019 | $ 76,159 | $ 101,538 | $ 76,790 | $ 82,391 | $ 48,401 | $ 385,279 |
| Cost | | | | | | |
| Balance at January 1, 2019 | $ 76,159 | $ 127,513 | $ 104,038 | $ 82,736 | $ 139,804 | $ 530,250 |
| Additions | - | - | - | - | 10,797 | 10,797 |

(Continued)

| | Goodwill | Expertise | Customer Relationships | Computer Software | Others | Total |
|---|---|---|---|---|---|---|
| Disposals | $ - | $ - | $ - | $ - | $ (6,445) | $ (6,445) |
| Effect of foreign currency exchange differences | (309) | - | - | - | (15,434) | (15,743) |
| Balance at December 31, 2019 | $ 75,850 | $ 127,513 | $ 104,038 | $ 82,736 | $ 128,722 | $ 518,859 |
| Accumulated amortization and impairment | | | | | | |
| Balance at January 1, 2019 | $ - | $ 25,975 | $ 27,248 | $ 345 | $ 91,403 | $ 144,971 |
| Amortization expense | - | 14,168 | 14,863 | 4,137 | 17,339 | 50,507 |
| Disposals | - | - | - | - | (6,445) | (6,445) |
| Effect of foreign currency exchange differences | - | - | - | - | (13,956) | (13,956) |
| Balance at December 31, 2019 | $ - | $ 40,143 | $ 42,111 | $ 4,482 | $ 88,341 | $ 175,077 |
| Carrying amount at December 31, 2019 | $ 75,850 | $ 87,370 | $ 61,927 | $ 78,254 | $ 40,381 | $ 343,782 |

(Concluded)

For the Year Ended December 31, 2018

| | Goodwill | Expertise | Customer Relationships | Computer Software | Others | Total |
|---|---|---|---|---|---|---|
| Carrying amount at January 1, 2018 | $ 73,984 | $ 115,706 | $ 91,653 | $ - | $ 36,671 | $ 318,014 |
| Cost | | | | | | |
| Balance at January 1, 2018 | $ 73,984 | $ 127,513 | $ 104,038 | $ - | $ 131,758 | $ 437,293 |
| Additions | - | - | - | 82,736 | 18,775 | 101,511 |
| Disposals | - | - | - | - | (7,745) | (7,745) |
| Effect of foreign currency exchange differences | 2,175 | - | - | - | (2,984) | (809) |
| Balance at December 31, 2018 | $ 76,159 | $ 127,513 | $ 104,038 | $ 82,736 | $ 139,804 | $ 530,250 |
| Accumulated amortization and impairment | | | | | | |
| Balance at January 1, 2018 | $ - | $ 11,807 | $ 12,385 | $ - | $ 95,087 | $ 119,279 |
| Amortization expense | - | 14,168 | 14,863 | 345 | 6,747 | 36,123 |
| Disposals | - | - | - | - | (7,745) | (7,745) |
| Effect of foreign currency exchange differences | - | - | - | - | (2,686) | (2,686) |
| Balance at December 31, 2018 | $ - | $ 25,975 | $ 27,248 | $ 345 | $ 91,403 | $ 144,971 |
| Carrying amount at December 31, 2018 | $ 76,159 | $ 101,538 | $ 76,790 | $ 82,391 | $ 48,401 | $ 385,279 |

The Company and its subsidiaries' goodwill was tested for impairment at the end of the annual reporting period and the recoverable amount was determined based on the value in use. The value in use was calculated based on the cash flow forecast of the cash-generating units, and the Company used the weighted average cost of capital rate in its test of impairment. However, based on the estimation, the recoverable amount was still higher than the related carrying amount. For the years ended December 31, 2019 and 2018, the Company and its subsidiaries did not recognize any impairment loss on goodwill.

Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

| | |
|---|---|
| Expertise | 9 years |
| Customer relationships | 7 years |
| Computer software | 20 years |
| Other intangible assets | 3-20 years |

## 19. BORROWINGS

a. Short-term borrowings

| Type of Borrowings | Interest Rate Range (%) | Amount |
|---|---|---|
| December 31, 2019 | | |
| Mortgage secured loans | 0.57-4.28 | $ 299,817 |
| Unsecured loans | 1.60-4.35 | 2,184,558 |
| Purchase loans | 2.87-4.65 | 189,510 |
| Secured loans | 3.14-4.52 | 1,740,728 |
| | | $ 4,414,613 |
| December 31, 2018 | | |
| Unsecured loans | 2.95-5.22 | $ 3,114,594 |
| Purchase loans | 2.96-4.03 | 72,652 |
| Secured loans | 1.57-5.00 | 1,958,408 |
| | | $ 5,145,654 |

b. Long-term borrowings

| Type of Borrowings | Agreement Period and Interest Payable Schedule | Interest Rate Range (%) | Amount |
|---|---|---|---|
| December 31, 2019 | | | |
| Mortgage secured loans | From December 17, 2010 to December 31, 2025. Interest is paid based on schedule. | 0.86-2.70 | $ 106,154 |
| Secured loans | From August 5, 2016 to September 17, 2021. Interest is paid based on schedule. | 1.20-5.35 | 2,256,459 |
| Unsecured loans | From August 17, 2015 to October 2, 2023. Interest is paid based on schedule. | 0.80-4.30 | 10,214,673 |
| | | | 12,577,286 |
| Long-term bills payable | | | |
| Commercial paper | Revolving credit, the period of the agreement is five years. Maturity date is May 2023. Only banking surcharge and interests have to be paid before the maturity date. | 1.40 | 900,000 |

(Continued)

| Type of Borrowings | Agreement Period and Interest Payable Schedule | Interest Rate Range (%) | Amount |
|---|---|---|---|
| Less: Unamortized discounts | | | $ (850) |
| | | | 899,150 |
| | | | 13,476,436 |
| Less: Current portion of long-term borrowings | | | (4,546,891) |
| | | | $ 8,929,545 |
| December 31, 2018 | | | |
| Mortgage secured loans | From December 17, 2010 to December 31, 2025. Interest is paid based on schedule. | 0.86-2.70 | $ 141,790 |
| Secured loans | From July 15, 2016 to September 17, 2021. Interest is paid based on schedule. | 1.20-5.35 | 3,378,568 |
| Unsecured loans | From February 13, 2014 to October 2, 2023. Interest is paid based on schedule. | 0.85-4.30 | 13,422,590 |
| | | | 16,942,948 |
| Long-term bills payable | | | |
| Commercial paper | Revolving credit, the period of the agreement is five years. Maturity date is May 2023. Only banking surcharge and interests have to be paid before the maturity date. | 1.33 | 900,000 |
| Less: Unamortized discounts | | | (1,035) |
| | | | 898,965 |
| | | | 17,841,913 |
| Less: Current portion of long-term borrowings | | | (3,676,052) |
| | | | $ 14,165,861 |

(Concluded)

The above commercial paper was issued by Taiwan Cooperative Bills Finance Corporation and International Bills Finance Corporation and guaranteed by a syndicated credit line from 8 banks led by E.SUN Commercial Bank, Ltd.

c. Facility agreements and financial covenants

1) During the period of the credit facility agreements, the Company and its subsidiaries undertook with the creditors that the current ratio, liability ratio, interest coverage ratio and net tangible assets of the consolidated financial statements will be maintained within a certain specified ratio or amount and reviewed at least once a year. If the Company or its subsidiaries breach these clauses, the bank

and syndicated banks can cancel the credit line or declare that part or all of the loan together with accrued interest immediately due. The Company was in compliance with the syndicated credit facility agreements based on its consolidated financial statements for the years ended December 31, 2019 and 2018.

2) As of December 31, 2019, the Company and its subsidiaries utilized the credits under signed facility agreements of the following banks.

| Bank | Currency | Credit line |
|---|---|---|
| Bank SinoPac | NTD | $ 1,200,000 |
| E.SUN Commercial Bank, Ltd. | NTD | 400,000 |
| Taipei Fubon Commercial Bank Co., Ltd. | NTD | 350,000 |
| HSBC Bank (Taiwan) Limited | NTD | 75,000 |
| CTBC Bank Co., Ltd. | NTD | 300,000 |
| CTBC Bank Co., Ltd. | JPY | 417,604 |
| BNP Paribas (China) Limited | RMB | 8,271 |
| Taipei Fubon Commercial Bank Co., Ltd. | EUR | 5,000 |

3) As of December 31, 2019, the Company and its subsidiaries executed syndicated credit facility agreements with the following banks.

In July 2018, a subsidiary entered into a syndicated credit facility agreement with 5 banks led by Taipei Fubon Commercial Bank Co., Ltd. for a USD55,000 thousand credit line; the proceeds are for repaying liabilities and expanding medium-term working capital.

In November 2017, the Company entered into a syndicated credit facility agreement with 8 banks led by E.SUN Commercial Bank, Ltd. for a NT$4,200,000 thousand credit line; the proceeds are for repaying liabilities and expanding medium-term working capital.

In July 2015, the Company entered into a syndicated credit facility agreement with 11 banks led by Taipei Fubon Commercial Bank Co., Ltd. for a NT$4,500,000 thousand credit line; the proceeds are for repaying liabilities and expanding medium-term working capital.

In July 2016, a subsidiary entered into a syndicated credit facility agreement with BNP Paribas Malaysia Berhad, Mizuho Bank (Malaysia) Berhad and Sumitomo Mitsui Banking Corporation Malaysia Berhad for a MYR160,000 thousand credit line; the proceeds are for the capital expenditure of factory buildings.

4) Refer to Note 30 for the assets pledged as collateral for bank borrowings of the Company and its subsidiaries.

d. Bonds Payable

| | December 31, 2019 |
|---|---|
| 5 year secured bonds - issued at par value | |
| Issued in November 2019. Interest at 0.82%, bullet repayment, payable annually. | $ 3,000,000 |
| Less: Issuance cost | (5,808) |
| | $ 2,994,192 |

The above bonds payable’s proceeds are for repaying liabilities. In October 2019, the Company entered into a syndicated guarantee facility agreement with 4 banks led by Bank of Taiwan for a NT$3,024,600 thousand credit line.

## 20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company and its domestic subsidiaries adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Based on the LPA, the Company and its subsidiaries make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The subsidiaries in mainland China have defined contribution pension plans and contribute monthly an amount based on a certain percentage of employees' monthly salaries and wages. The plan is administered by the government of mainland China. Other than the monthly contributions, the subsidiaries do not have other pension liabilities.

b. Defined benefit plans

The Company has a defined benefit plan in accordance with the Labor Standards Law; the pension plan is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 10% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. The Company has no right to influence the investment policy and strategy of the pension fund. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year.

Some subsidiaries also have their own defined benefit plan as approved by each subsidiary. The contribution depends on employees' job level and age, and payment to the employee must be completed within two months after the employee has left the company.

The amounts included in the consolidated balance sheets in respect of the Company and its subsidiaries' defined benefit plans were as follows:

| | December 31 | |
|---|---|---|
| | **2019** | **2018** |
| Present value of defined benefit obligation | $ 2,142,823 | $ 2,227,098 |
| Fair value of plan assets | (1,120,831) | (1,187,487) |
| Net defined benefit liabilities | $ 1,021,992 | $ 1,039,611 |

Movements of net defined benefit liabilities (assets) were as follows:

| | **Present Value of the Defined Benefit Obligation** | **Fair Value of the Plan Assets** | **Net Defined Benefit Liabilities** |
|---|---|---|---|
| Balance at January 1, 2019 | $ 2,227,098 | $ (1,187,487) | $ 1,039,611 |
| Service cost | | | |
| Current service cost | 37,108 | - | 37,108 |
| Interest expense (income) | 24,459 | (13,062) | 11,397 |
| Recognized in profit or loss | 61,567 | (13,062) | 48,505 |

(Continued)

| | Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Net Defined Benefit Liabilities |
|---|---|---|---|
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | $ - | $ (41,601) | $ (41,601) |
| Actuarial loss - changes in financial assumptions | 96,522 | - | 96,522 |
| Actuarial gain - experience adjustments | 40,715 | - | 40,715 |
| Recognized in other comprehensive income | 137,237 | (41,601) | 95,636 |
| Contributions from the employer | - | (150,673) | (150,673) |
| Benefits paid | (282,641) | 271,992 | (10,649) |
| | (282,641) | 121,319 | (161,322) |
| Exchange differences | (438) | - | (438) |
| Balance at December 31, 2019 | $ 2,142,823 | $ (1,120,831) | $ 1,021,992 |
| Balance at January 1, 2018 | $ 2,283,351 | $ (1,097,861) | $ 1,185,490 |
| Service cost | | | |
| Current service cost | 40,919 | - | 40,919 |
| Interest expense (income) | 27,346 | (13,174) | 14,172 |
| Recognized in profit or loss | 68,265 | (13,174) | 55,091 |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (33,213) | (33,213) |
| Actuarial loss - changes in financial assumptions | 26,538 | - | 26,538 |
| Actuarial loss - experience adjustments | 14,870 | - | 14,870 |
| Recognized in other comprehensive income | 41,408 | (33,213) | 8,195 |
| Contributions from the employer | - | (198,564) | (198,564) |
| Benefits paid | (168,019) | 155,325 | (12,694) |
| | (168,019) | (43,239) | (211,258) |
| Exchange differences | 2,093 | - | 2,093 |
| Balance at December 31, 2018 | $ 2,227,098 | $ (1,187,487) | $ 1,039,611 |

(Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Operating costs | $ 22,784 | $ 24,474 |
| Operating expenses | 25,721 | 30,617 |
| | $ 48,505 | $ 55,091 |

Through the defined benefit plans under the Labor Standards Law, the Company and its subsidiaries are exposed to the following risks:

1) Investment risk

The plan assets are invested in domestic and foreign equity securities, debt securities, and bank deposits, etc. The investment is conducted at the discretion of the Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk

A decrease in the government and corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

| | December 31 | |
|---|---|---|
| | **2019** | **2018** |
| Discount rate (%) | 0.70 | 1.00-1.10 |
| Expected rate of salary increase (%) | 0.00-3.00 | 0.00-3.00 |
| Mortality rate (%) | Population was based on the 5th Taiwan Standard Ordinary Experience Mortality Table/85% of National Life Table | Population was based on the 5th Taiwan Standard Ordinary Experience Mortality Table/85% of National Life Table |
| Resignation rate (%) | 0.00-23.00 | 0.00-23.00 |
| Early retirement rate (%) | 0.1-99 | 0.1-99 |

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

| | December 31 | |
|---|---|---|
| | **2019** | **2018** |
| Discount rate | | |
| 0.25% increase | $ (61,054) | $ (64,402) |
| 0.25% decrease | $ 63,505 | $ 67,042 |

(Continued)

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Expected rate of salary increase | | |
| 0.25% increase | $ 55,109 | $ 58,675 |
| 0.25% decrease | $ (53,376) | $ (56,775) |

(Concluded)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| The expected contributions to the plan for the next year | $ 61,090 | $ 153,562 |
| The average duration of the defined benefit obligation | 12-13 years | 12-14 years |

## 21. EQUITY

a. Share capital

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Number of shares authorized (in thousands) | 1,800,000 | 1,800,000 |
| Shares authorized | $ 18,000,000 | $ 18,000,000 |
| Number of shares issued and fully paid (in thousands) | 1,240,280 | 1,240,280 |
| Shares issued | $ 12,402,795 | $ 12,402,795 |

In June 2018, the Company's shareholders resolved to issue share dividends of 81,140 thousand shares from the unappropriated earnings of NT$811,398 thousand, and the paid-in capital amounted to NT$12,402,795 thousand.

b. Capital surplus

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| May be used to offset deficit, distributed as cash or transferred to share capital (Note) | | |
| Additional paid-in capital | $ 309,017 | $ 309,017 |
| Treasury share transactions | 19,642 | 19,642 |
| | 328,659 | 328,659 |
| May be used to offset deficit only | | |
| Share of change in equities of associates or joint ventures | 27,387 | 27,387 |
| | $ 356,046 | $ 356,046 |

Note: The capital surplus could be used to offset a deficit and distribute as cash dividends or transfer to capital when the Company has no deficit (limited to a certain percentage of the Company's paid-in capital and once a year).

c. Retained earnings and dividend policy

The Company's Articles stipulate that annual profit should be utilized in the following order:

1) Pay for income tax.

2) Offset deficit of previous years.

3) Appropriate as legal reserve 10% of the remaining profit, until the accumulated legal reserve equals the paid-in capital.

4) Appropriate as special reserve in accordance with the shareholders' meeting or as requested by the authorities.

5) The remainder along with the unappropriated earnings are considered as distributable earnings. In accordance with dividend policy, the proposal of earnings appropriation is prepared by the board of directors and resolved in the shareholders' meeting.

The legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's fully paid share capital, the excess may be transferred to capital or distributed in cash.

Under Rule No. 1010012865 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate to or reverse a special reserve. Special reserve of NT$426,930 thousand was appropriated because of the exemptions from IFRS 1 elected by the Company. There is not any reversal of special reserve in 2019.

The appropriations of earnings for 2018 and 2017 had been approved in the shareholders' meetings in June 2019 and June 2018, respectively. The appropriations and dividends per share were as follows:

| | **Appropriations of Earnings** | | **Dividends Per Share (NT$)** | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| Legal reserve | $ 155,051 | $ 190,963 | | |
| Special reserve | 83,963 | - | | |
| Cash dividends | 1,116,252 | 579,570 | $ 0.9 | $ 0.5 |
| Share dividends | - | 811,398 | - | 0.7 |

The appropriations of earnings for 2019 which had been proposed by the Company's board of directors in March 2020 are as follows:

| | **Appropriation of Earnings** | **Dividend Per Share (NT$)** |
|---|---|---|
| Legal reserve | $ 246,031 | |
| Special reserve | 931,797 | |
| Cash dividends | 1,736,391 | $ 1.4 |

The appropriations of earnings for 2019 are subject to resolution in the shareholders' meeting to be held in June 2020.

d. Other equity items

1) Exchange differences on translating foreign operations

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Balance, beginning of the year | $ (656,465) | $ (206,864) |
| Recognized for the year | | |
| Exchange differences on translating foreign operations | (974,560) | (433,325) |
| Share of exchange differences of associates accounted for using the equity method | (53,883) | (16,276) |
| Balance, end of the year | $ (1,684,908) | $ (656,465) |

Exchange differences on translating foreign operations decreased because the subsidiaries in mainland China were affected by the large depreciation of the RMB to the NTD.

2) Unrealized gains and losses on financial assets at FVTOCI

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Balance, beginning of the year | $ 145,572 | $ 295,375 |
| Effect of change in tax rate | - | 4,166 |
| Recognized for the year | | |
| Unrealized gains and losses - equity instruments | 169,442 | (159,755) |
| Other comprehensive income recognized for the year | 169,442 | (155,589) |
| Reclassification adjustment | | |
| Cumulative unrealized gains and losses of equity instruments transferred to retained earnings due to disposal | (72,795) | 5,786 |
| Balance, end of the year | $ 242,219 | $ 145,572 |

e. Non-controlling interests

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Balance, beginning of the year | $ 622,090 | $ 561,351 |
| Share of net loss for the year | (38,275) | (58,192) |
| Other comprehensive income or loss during the year | | |
| Exchange differences on translating foreign operations | (10,894) | (1,605) |
| Remeasurement on defined benefit plans | (338) | (140) |
| Dividends distributed by subsidiaries | (5,874) | (5,636) |
| Non-controlling interest arising from issuing of shares proportional to holdings in subsidiaries | - | 126,312 |
| Non-controlling interest reducing from capital reduction and liquidation distribution of subsidiaries | (62,311) | - |
| Balance, end of the year | $ 504,398 | $ 622,090 |

## 22. REVENUE

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Revenue from contracts with customers | | |
| Revenue from the sale of goods | $ 40,269,900 | $ 43,300,081 |
| Revenue from the rendering of services | - | 74 |
| Lease revenue | 93,338 | - |
| | $ 40,363,238 | $ 43,300,155 |

| | December 31 | | |
|---|---|---|---|
| | 2019 | 2018 | 2017 |
| Notes and accounts receivable (Note 7) | $ 15,361,112 | $ 14,783,126 | $ 14,977,046 |
| Contract liabilities (recorded as other current liabilities - others) | | | |
| Sale of goods | $ 9,720 | $ 16,495 | $ 13,575 |

The changes in the balance of contract liabilities resulted primarily from the difference in timing between the satisfaction of performance obligations and customer payment, there were no other significant changes in 2019 and 2018.

Revenue of the reporting period recognized from the balance of contract liabilities at the beginning of the year is as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| From the balance of contract liabilities at the beginning of the year | | |
| Sale of goods | $ 16,470 | $ 13,533 |

## 23. PROFIT BEFORE INCOME TAX

a. Other income

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Interest income | $ 120,498 | $ 112,028 |
| Dividend income | 23,945 | 49,519 |
| Others | 242,484 | 194,110 |
| | $ 386,927 | $ 355,657 |

b. Other gains and losses

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Gains on disposal of non-current assets held for sale | $ 480,640 | $ - |
| Gains on disposal of investments | - | 167,537 |

(Continued)

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Gain (loss) on disposal of property, plant and equipment | $ 46,027 | $ (9,422) |
| Gains and losses on financial assets | | |
| Financial assets designated as at FVTPL | 6,549 | 1,663 |
| Others | (115,160) | (108,376) |
| | $ 418,056 | $ 51,402 |

(Concluded)

c. Finance costs

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Interest on bank loans | $ 531,408 | $ 644,693 |
| Interest on lease liabilities | 1,965 | - |
| Less: Amounts included in the cost of qualifying assets | (32,861) | (67,686) |
| | $ 500,512 | $ 577,007 |

Information about capitalized interest was as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Capitalized interest amount | $ 32,861 | $ 67,686 |
| Capitalization rates (%) | 1.56-5.56 | 1.48-5.35 |

d. Depreciation and amortization

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Property, plant and equipment | $ 1,861,519 | $ 1,826,894 |
| Investment properties | 19,381 | 406 |
| Right-of-use assets | 84,352 | - |
| Intangible assets | 50,507 | 36,123 |
| Other noncurrent assets - others | 2,159 | 2,916 |
| | $ 2,017,918 | $ 1,866,339 |
| Analysis of depreciation by function | | |
| Operating costs | $ 1,547,225 | $ 1,496,045 |
| Operating expenses | 418,027 | 331,255 |
| | $ 1,965,252 | $ 1,827,300 |
| Analysis of amortization by function | | |
| Operating costs | $ 1,894 | $ 1,914 |
| Operating expenses | 50,772 | 37,125 |
| | $ 52,666 | $ 39,039 |

f. Operating expenses directly related to investment properties

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Rental income | $ 98,448 | $ 425 |
| Direct operating expenses from investment properties | (53,417) | (406) |
| | $ 45,031 | $ 19 |

g. Employee benefits

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Short-term employee benefits | | |
| Salaries | $ 3,421,470 | $ 3,393,680 |
| Labor and health insurance | 299,582 | 302,940 |
| Others | 306,636 | 319,935 |
| | 4,027,688 | 4,016,555 |
| Post-employment benefits | | |
| Defined contribution plans | 194,982 | 196,775 |
| Defined benefit plans (Note 20) | 48,505 | 55,091 |
| | 243,487 | 251,866 |
| | $ 4,271,175 | $ 4,268,421 |
| Analysis by function | | |
| Operating costs | $ 1,897,532 | $ 1,860,470 |
| Operating expenses | 2,373,643 | 2,407,951 |
| | $ 4,271,175 | $ 4,268,421 |

h. Employees' compensation and remuneration of directors

The Company distributed employees' compensation and remuneration of directors at rates of 4.5% (inclusive)-5.5% and no higher than 1%, respectively, of pre-tax profit prior to the deduction of employees' compensation and remuneration of directors, which are as follows:

| | For the Year Ended December 31, 2019 | |
|---|---|---|
| | Accrual Amounts Recognized in the Financial Statements | Amounts Approved by the Company's Board of Directors |
| Employees' compensation - cash | $ 122,000 | $ 121,177 |
| Remuneration of directors - cash | $ 15,325 | $ 15,325 |

The difference between the amounts recognized and approved by Company's board of directors is recorded as a change in accounting estimate and will be adjusted in the next year.

The employees' compensation and remuneration of directors and supervisors (all in cash) approved by the Company's board of directors in March 2019 and 2018, and accrual amounts recognized in the consolidated financial statements, respectively, were as follows:

| | For the Year Ended December 31 | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| | Employees' Compensation | Remuneration of Directors | Employees' Compensation | Remuneration of Directors |
| Amounts approved in the board of directors' meeting | $ 72,181 | $ 14,400 | $ 94,538 | $ 14,400 |
| Amounts recognized in the annual financial statements | 77,544 | 14,400 | 95,490 | 14,400 |
| Difference | $ (5,363) | $ - | $ (952) | $ - |

The differences were adjusted to profit and loss for the years ended December 31, 2019 and 2018.

Information on the employees' compensation and remuneration of directors approved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 24. INCOME TAX

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Current tax | | |
| In respect of the current year | $ 492,735 | $ 497,602 |
| Land value increment tax | 60,202 | - |
| Adjustments for prior years | 13,554 | 6,496 |
| | 566,491 | 504,098 |
| Deferred tax | | |
| In respect of the current year | (80,641) | (104,017) |
| Effect of tax rate changes | - | (28,433) |
| | (80,641) | (132,450) |
| | $ 485,850 | $ 371,648 |

The reconciliation of accounting profit and income tax expense (benefit) was as follows:

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Profit before income tax | $ 2,913,931 | $ 1,863,971 |
| Income tax expense calculated at the statutory rate | $ 914,262 | $ 726,399 |
| Effect from items adjusted by regulation | (484,579) | (305,378) |
| Land value increment tax | 60,202 | - |
| Income tax on unappropriated earnings | 9,819 | 25,501 |
| Unrecognized loss carryforwards and investment credits | (27,408) | (52,937) |

(Continued)

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Effect of tax rate changes | $ - | $ (28,433) |
| Adjustments for prior years | 13,554 | 6,496 |
| | $ 485,850 | $ 371,648 |

(Concluded)

The Income Tax Act was amended in 2018 and the corporate income tax rate was adjusted from 17% to 20%. The effect of the change in tax rate on deferred tax had been recognized. In addition, the corporate tax rate on the unappropriated earnings in 2018 has been reduced from 10% to 5%.

As the status of the appropriation of earnings for 2020 is uncertain, the potential income tax consequences of the 2019 unappropriated earnings are not reliably determinable.

The tax rate applicable to most subsidiaries in China is 25%. However, some subsidiaries which are high-tech enterprises in China have a preferential tax rate of 15%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

b. Income tax recognized directly in equity

| | For the Year Ended December 31, 2019 |
|---|---|
| Current tax | |
| Disposal of investments in equity instruments designated as at FVTOCI | $ 3,205 |

c. Income tax expenses (benefit) recognized in other comprehensive income

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Current tax | | |
| Disposal of investments in equity instruments designated as at FVTOCI | $ 1,957 | $ - |
| Deferred tax | | |
| Effect of tax rate changes | | |
| Remeasurement of defined benefit plans | - | (12,899) |
| Remeasurement of defined benefit plans of subsidiaries, associates and joint ventures accounted for using the equity method | - | 17 |
| Unrealized gains and losses on financial assets at fair value through other comprehensive income | - | (4,166) |
| Recognized for the year | | |
| Remeasurement of defined benefit plans | (19,387) | (1,791) |
| Remeasurement of defined benefit plans of subsidiaries, associates and joint ventures accounted for using the equity method | (271) | (112) |
| Unrealized gains and losses on financial assets at fair value through other comprehensive income | (5,369) | (1,557) |
| | $ (23,070) | $ (20,508) |

d. Current tax assets and liabilities

| | December 31 2019 | December 31 2018 |
|---|---|---|
| Current tax assets | | |
| Prepaid income tax (recorded as other current assets - others) | $ 71,284 | $ 56,816 |
| Current tax liabilities | | |
| Income tax payable | $ 204,777 | $ 211,607 |

e. Deferred tax assets and liabilities

Movements of deferred tax assets and liabilities were as follows:

For the Year Ended December 31, 2019

| | Balance, Beginning of the Year | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Exchange Differences | Balance, End of the Year |
|---|---|---|---|---|---|
| Deferred tax assets | | | | | |
| Temporary differences | | | | | |
| Defined benefit plan | $ 176,326 | $ (22,129 ) | $ 18,638 | $ - | $ 172,835 |
| Loss carryforwards | 66,962 | (2,257 ) | - | 123 | 64,828 |
| Others | 168,313 | 3,670 | 5,637 | (5,243 ) | 172,377 |
| | $ 411,601 | $ (20,716 ) | $ 24,275 | $ (5,120 ) | $ 410,040 |
| Deferred tax liabilities | | | | | |
| Temporary differences | | | | | |
| Investment income | $ (2,185,302 ) | $ 100,916 | $ 3 | $ - | $ (2,084,383 ) |
| Gains on land revaluation | (640,717 ) | - | - | - | (640,717 ) |
| Unrealized gains on foreign exchange | (441 ) | 441 | - | - | - |
| Others | (22 ) | - | 749 | (1 ) | 726 |
| | $ (2,826,482 ) | $ 101,357 | $ 752 | $ (1 ) | $ (2,724,374 ) |

For the Year Ended December 31, 2018

| | Balance, Beginning of the Year | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Exchange Differences | Balance, End of the Year |
|---|---|---|---|---|---|
| Deferred tax assets | | | | | |
| Temporary differences | | | | | |
| Defined benefit plan | $ 194,054 | $ (32,052) | $ 14,324 | $ - | $ 176,326 |
| Loss carryforwards | 60,581 | 7,257 | - | (876) | 66,962 |
| Others | 147,029 | 18,969 | 5,723 | (3,408) | 168,313 |
| | $ 401,664 | $ (5,826) | $ 20,047 | $ (4,284) | $ 411,601 |
| Deferred tax liabilities | | | | | |
| Temporary differences | | | | | |
| Investment income | $ (2,318,420) | $ 133,023 | $ 95 | $ - | $ (2,185,302) |
| Gains on land revaluation | (640,717) | - | - | - | (640,717) |
| Unrealized gains on foreign exchange | (5,694) | 5,253 | - | - | (441) |
| Others | (369) | - | 366 | (19) | (22) |
| | $ (2,965,200) | $ 138,276 | $ 461 | $ (19) | $ (2,826,482) |

f. Income tax assessment

The Company's income tax returns through 2015 and 2017 have been assessed by the tax authorities.

## 25. EARNINGS PER SHARE

Unit: NT$ Per Share

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Basic earnings per share | $ 1.99 | $ 1.25 |
| Diluted earnings per share | $ 1.98 | $ 1.25 |

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

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Net profit for the year attributable to owners of the Company | $ 2,466,356 | $ 1,550,515 |

Number of ordinary shares

Unit: Thousand Shares

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Weighted average number of ordinary shares used in the computation of basic earnings per share | 1,240,280 | 1,240,280 |
| Effect of potentially dilutive ordinary shares | | |
| Employees' compensation | 5,263 | 3,977 |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | 1,245,543 | 1,244,257 |

Since the Company is allowed to settle the compensation paid to employees by cash or shares, the Company assumed that the entire amount of the compensation will be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the shares have a dilutive effect. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

## 26. CASH FLOW INFORMATION

a. Information on investment activities

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Acquisition of property, plant and equipment | $ 2,161,692 | $ 2,531,316 |
| Increase in finance lease payables | - | (35,004) |

(Continued)

| | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Decrease (increase) in payables for equipment | $ (15,050) | $ 50,203 |
| Increase in other noncurrent liabilities - others | (2,294) | - |
| | 2,144,348 | 2,546,515 |
| Capitalized interest | (32,861) | (67,686) |
| Cash paid | $ 2,111,487 | $ 2,478,829 |

(Concluded)

b. Changes in major liabilities arising from financing activities

For the year ended December 31, 2019

| | | | Non-cash Changes | | |
|---|---|---|---|---|---|
| | January 1, 2019 | Cash Flows | Exchange rate Adjustment | Issuance Cost | December 31, 2019 |
| Short-term borrowings | $ 5,145,654 | $ (931,282) | $ 200,241 | $ - | $ 4,414,613 |
| Long-term borrowings | 17,841,913 | (4,296,658) | (68,819) | - | 13,476,436 |
| Bonds payable | - | 3,000,000 | - | (5,808) | 2,994,192 |
| | $ 22,987,567 | $ (2,227,940) | $ 131,422 | $ (5,808) | $ 20,885,241 |

For the year ended December 31, 2018

| | | | Non-cash Changes | |
|---|---|---|---|---|
| | January 1, 2018 | Cash Flows | Exchange rate Adjustment | December 31, 2018 |
| Short-term borrowings | $ 6,104,636 | $ (872,539) | $ (86,443) | $ 5,145,654 |
| Long-term borrowings | 19,127,734 | (1,337,465) | 51,644 | 17,841,913 |
| | $ 25,232,370 | $ (2,210,004) | $ (34,799) | $ 22,987,567 |

## 27. CAPITAL MANAGEMENT

The Company and its subsidiaries' objectives in capital management are to safeguard the Company and its subsidiaries' ability to continue as a going concern and to provide reasonable returns to shareholders, to maintain an optimal capital structure and to reduce the cost of capital.

The Company's capital management policy is to maintain a strong capital base that maintains the confidence of investors, creditors and the market, as well as supports future operations. Capital includes the Company's shares, capital surplus, and retained earnings.

## 28. FINANCIAL INSTRUMENTS

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

Financial assets and liabilities that are not measured at fair value are of short-term duration and are usually repriced at the current market interest rate. Either their carrying amounts are close to their fair values, or their fair values could not be reliably measured.

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

1) Fair value hierarchy

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| December 31, 2019 | | | | |
| Financial instruments at FVTPL | | | | |
| Mutual funds | $ - | $ - | $ 12,483 | $ 12,483 |
| Financial instruments at FVTOCI | | | | |
| Equity instruments | | | | |
| Domestic and foreign listed shares | $ 517,746 | $ - | $ - | $ 517,746 |
| Domestic and foreign unlisted shares | $ - | $ - | $ 225,563 | $ 225,563 |
| December 31, 2018 | | | | |
| Financial instruments at FVTPL | | | | |
| Mutual funds | $ - | $ - | $ 7,341 | $ 7,341 |
| Financial instruments at FVTOCI | | | | |
| Equity instruments | | | | |
| Domestic and foreign listed shares | $ 443,545 | $ - | $ - | $ 443,545 |
| Domestic and foreign unlisted shares | $ - | $ - | $ 241,277 | $ 241,277 |
| Certificates of interest | $ - | $ - | $ 31,215 | $ 31,215 |

For listed shares, the Company and its subsidiaries use the published price quotations as fair value inputs (level 1). The market price of the listed shares is the closing price at the Taiwan Stock Exchange and the Australian Stock Exchange. Additionally, the Company and its subsidiaries use fair value inputs (level 3) to value unlisted shares, certificates of interest and mutual funds.

There was no transfer between Level 1 and Level 2 during the years ended December 31, 2019 and 2018, neither was there a transfer to Level 3.

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

For the Year Ended December 31, 2019

| Financial assets | Fund<br>Financial Assets at FVTPL | Stocks and Warrants<br>Financial Assets at FVTOCI | Total |
|---|---|---|---|
| Balance, beginning of the year | $ 7,341 | $ 272,492 | $ 279,833 |
| Recognized in profit or loss (recorded as other gains and losses) | 6,549 | - | 6,549 |
| Recognized in other comprehensive income | - | 91,830 | 91,830 |
| Disposal | (1,132) | (136,043) | (137,175) |
| Effect of foreign currency exchange differences | (275) | (2,716) | (2,991) |
| Balance, end of the year | $ 12,483 | $ 225,563 | $ 238,046 |
| Unrealized other gains and losses | $ 6,549 | | $ 6,549 |

For the Year Ended December 31, 2018

| Financial assets | Fund<br>Financial Assets at FVTPL | Stocks and Warrants<br>Financial Assets at FVTOCI | Total |
|---|---|---|---|
| Balance, beginning of the year | $ 6,189 | $ 356,265 | $ 362,454 |
| Recognized in profit or loss (recorded as other gains and losses) | 1,663 | - | 1,663 |
| Recognized in other comprehensive income | - | (56,482) | (56,482) |
| Disposal | (732) | (32,265) | (32,997) |
| Effect of foreign currency exchange differences | 221 | 4,974 | 5,195 |
| Balance, end of the year | $ 7,341 | $ 272,492 | $ 279,833 |
| Unrealized other gains and losses | $ 1,663 | | $ 1,663 |

3) Valuation techniques and inputs applied for level 3 fair value measurement

The fair values of domestic unlisted shares, foreign unlisted shares, certificates of interest and mutual funds were determined by the market approach and arrived at by reference to the type of industry, similar companies and the company's operations.

c. Categories of financial instruments

| | December 31 | |
|---|---|---|
| | **2019** | **2018** |
| Financial assets | | |
| Fair value through profit or loss | | |
| Mandatorily classified as at fair value through profit or loss | $ 12,483 | $ 7,341 |
| Financial assets at amortized cost (Note 1) | 22,480,298 | 22,184,025 |
| Financial assets at fair value through other comprehensive income - equity instruments | 743,309 | 716,037 |
| Financial liabilities | | |
| Financial liabilities at amortized cost (Note 2) | 27,547,882 | 28,388,973 |

Note 1: The balances included financial assets at amortized cost, including cash and cash equivalents, notes and accounts receivable (including related parties), other financial assets - current, other receivables and refundable deposits (recorded as other noncurrent assets - others).

Note 2: The balances included financial liabilities at amortized cost, which comprise short-term borrowings, notes and accounts payables, other payables - others, long-term borrowings (including current portion), bonds payable and guarantee deposit received (recorded as other noncurrent liabilities - others).

d. Financial risk management objectives and policies

The financial risk management objectives of the Company and its subsidiaries are mainly to manage the market risk, credit risk and liquidity risk related to operating activities and to verify, measure and manage the financial risks according to the policies. The Company and its subsidiaries have set up policies, procedures and internal controls to manage the risks in their financial activities. The significant financial activities of the Company and its subsidiaries are in accordance with relevant regulations and internal controls approved by the board of directors. During the execution of financial management activities, the Company and its subsidiaries should be in compliance with the relevant rules of financial risk management.

1) Market risk

a) Foreign currency risk

The Company and its subsidiaries' operating activities and net investments in foreign operations are denominated mainly in foreign currencies. Consequently, the Company and its subsidiaries are exposed to foreign currency risk. To protect against reductions in the value of foreign currency assets and against the volatility of future cash flows caused by changes in foreign exchange rates, the Company and its subsidiaries utilize derivative financial instruments, such as foreign exchange forward contracts, or maintain net foreign currency assets and liabilities. Foreign currency risk could be reduced but might not be fully eliminated by these methods.

For the carrying amounts of the Company and its subsidiaries' significant non-functional currency denominated monetary assets and liabilities (including those eliminated on consolidation) at the balance sheet date, refer to Note 33.

Sensitivity analysis

The following table details the sensitivity to a 1% change in the functional currencies against the relevant foreign currencies.

| Foreign Currencies : Functional Currencies | Impact on Profit or Loss | |
|---|---|---|
| | 2019 | 2018 |
| Financial assets | | |
| Monetary items | | |
| USD:NTD | $ 25,822 | $ 26,912 |
| USD:RMB | 12,748 | 16,651 |
| USD:MYR | 3,536 | 1,656 |
| USD:JPY | - | 1,357 |
| RMB:NTD | 4,523 | 5,220 |
| EUR:USD | 1,745 | 1,863 |
| JPY:NTD | 1,552 | 1,156 |
| Financial liabilities | | |
| Monetary items | | |
| USD:NTD | 22,386 | 22,651 |
| USD:RMB | 10,800 | 17,703 |
| USD:MYR | 3,691 | 2,786 |
| JPY:NTD | 1,538 | 1,584 |
| EUR:USD | 1,344 | 1,408 |

b) Interest rate risk

The borrowings of the Company and its subsidiaries with fixed interest rates were not exposed to cash flow risk. The borrowings with floating interest rates were exposed to cash flow risk as effective interest rates change.

The carrying amounts of the Company and its subsidiaries' financial assets and financial liabilities with exposure to interest rate risks at the balance sheet dates were as follows:

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Fair value interest rate risk | | |
| Financial assets | $ 3,347,921 | $ 3,024,482 |
| Financial liabilities | 9,794,192 | 8,839,000 |
| Cash flow interest rate risk | | |
| Financial assets | 2,528,614 | 3,160,727 |
| Financial liabilities | 11,091,049 | 14,402,994 |

If interest rates had been 1% higher and all other variables were held constant, the Company and its subsidiaries' cash flow interest rate risk from financial liabilities would have increased cash outflows by NT$110,910 thousand and NT$144,030 thousand for the years ended December 31, 2019 and 2018, respectively.

c) Other price risk

The Company and its subsidiaries were exposed to equity price risk through their investments in equity securities. If equity prices had been 1% higher/lower, other comprehensive income for the year ended December 31, 2019 and 2018 would have increased/decreased by NT$5,177 thousand and NT$4,435 thousand, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refer to the risk of financial loss to the Company and its subsidiaries arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Company and its subsidiaries' policy, each local entity in the Company and its subsidiaries is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. The Company and its subsidiaries assess the credit quality of the customers by taking into account their financial position, past experience and other factors to conduct internal risk management and in order to enhance credit guarantee, holding some collaterals of accounts receivable from part of distributors. While the Company and its subsidiaries have procedures to monitor and limit exposure to credit risk on accounts receivable, there can be no assurance that such procedures will effectively limit credit risk and avoid losses. This risk is heightened during periods when economic conditions worsen.

3) Liquidity risk

The Company and its subsidiaries manage its liquidity risk by maintaining adequate cash and cash equivalents, bank borrowings, and so on. The table below summarizes the maturity profile of the Company and its subsidiaries' financial liabilities based on contractual undiscounted payments, including principal and interest.

December 31, 2019

| | Less Than 1 Year | 1-2 Years | 2-3 Years | 3-5 Years | Over 5 Years | Total |
|---|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | | |
| Short-term borrowings | $ 4,432,687 | $ - | $ - | $ - | $ - | $ 4,432,687 |
| Notes payable | 213,498 | - | - | - | - | 213,498 |
| Accounts payable | 4,311,495 | - | - | - | - | 4,311,495 |
| Other payables | 2,051,189 | - | - | - | - | 2,051,189 |
| Lease liabilities | 53,936 | 38,846 | 22,437 | 34,587 | 11,655 | 161,461 |
| Long-term borrowings (including current portion) | 6,492,511 | 2,398,223 | 3,366,564 | 1,531,089 | 13,220 | 13,801,607 |
| Bonds payable | 24,600 | 24,600 | 24,600 | 3,045,493 | - | 3,119,293 |
| | $ 17,579,916 | $ 2,461,669 | $ 3,413,601 | $ 4,611,169 | $ 24,875 | $ 28,091,230 |

December 31, 2018

| | Less Than 1 Year | 1-2 Years | 2-3 Years | 3-5 Years | Over 5 Years | Total |
|---|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | | |
| Short-term borrowings | $ 5,193,785 | $ - | $ - | $ - | $ - | $ 5,193,785 |
| Notes payable | 116,847 | - | - | - | - | 116,847 |
| Accounts payable | 3,132,664 | - | - | - | - | 3,132,664 |
| Other payables | 2,122,776 | - | - | - | - | 2,122,776 |
| Long-term borrowings (including current portion) | 7,188,812 | 4,775,807 | 2,330,676 | 4,103,525 | 26,548 | 18,425,368 |
| | $ 17,754,884 | $ 4,775,807 | $ 2,330,676 | $ 4,103,525 | $ 26,548 | $ 28,991,440 |

e. Transfers of financial assets

As of December 31, 2019 and 2018, a subsidiary factored accounts receivable, discounted notes and transferred most of the banker's acceptance bills of receivables from China to vendors for repayment.

As of December 31, 2019 and 2018, factored accounts receivable amounted to US$473 thousand and US$1,496 thousand, respectively, and the advance cash proceeds obtained from banks amounted to US$426 thousand and US$1,346 thousand, respectively. According to the contract, if the accounts receivable are not paid at maturity, the bank has the right to request the subsidiary to pay the unsettled balance. If above financial assets are not paid at maturity, the bank and vendors have the right to request the subsidiary to pay the unsettled balance. As the subsidiary has not transferred the significant risks and rewards relating to these accounts receivable, it continues to recognize the full carrying amount of the financial assets and has recognized the cash received on the transfer as secured payables and borrowings.

As of December 31, 2019 and 2018, the carrying amount of the accounts receivable that have been transferred but have not been derecognized amounted to $1,844,859 thousand and $304,539 thousand, respectively, and the carrying amount of the related borrowings and accounts payables were $1,841,589 thousand and $296,927 thousand, respectively.

## 29. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Company and its subsidiaries and other related parties are disclosed below:

a. Related party names and relationships

| Related Party Name | Relationship |
|---|---|
| Allnex-Eternal Resins Corporation Limited | Associates |
| Allnex-Eternal Resins (Guangdong) Co., Ltd. | Associates |
| Eternal Electronic Materials (Kunshan) Co., Ltd. | Associates |
| Daxin Materials Corporation | Associates |
| Showa Denko New Material (Zhuhai) Co., Ltd. | Associates |
| ESCO Specialty Coatings (Shanghai) Co., Ltd. | Associates |
| Polymics Ltd. | Associates |
| DSM Eternal Resins (Kunshan) Co., Ltd. | Associates |
| Hangzhou Yongxinyang Photoelectric Materials Co., Ltd. | Joint venture |
| Kwang Yang Motor Co., Ltd. | Key management personnel |
| The Orchard Corp. of Taiwan Ltd. | Other related parties |
| Mitsubishi Polyester Film (Suzhou) Co., Ltd. | Other related parties |
| Li, Guang-Zheng | Second - degree relative of the chairman of the Company’s board of directors |
| LEEMAN MORGAN INTERNATIONAL LIMITED | Other related parties |

b. Operating revenue

| Account Item | Related Party Category | For the Year Ended December 31 2019 | 2018 |
|---|---|---|---|
| Revenue from sales of goods | Associates | $ 570,700 | $ 703,448 |
| | Joint ventures | 34,144 | 1,660 |
| | Key management personnel | - | 30 |
| | Other related parties | - | 444 |
| | | $ 604,844 | $ 705,582 |

Sales to related parties were made at prices similar to that of general transactions. The collection terms are 60-150 days from the end of the month.

c. Purchase of goods

| Related Party Category | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Joint ventures | $ 37,385 | $ 33,779 |
| Associates | 731 | 235 |
| Other related parties | 1,264 | 617 |
| | $ 39,380 | $ 34,631 |

Purchases from related parties were made at prices similar to that of general transactions. The payment terms are 30-120 days from the date the goods are received.

d. Other income

| Related Party Category/Name | For the Year Ended December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Associates | $ 38,285 | $ 40,084 |
| Key management personnel | - | 15 |
| | $ 38,285 | $ 40,099 |

Inclusive of rental income, service fees and so on.

e. Disposals of property, plant and equipment

| | Proceeds | | Gain (Loss) on Disposal | |
|---|---|---|---|---|
| | For the Year Ended December 31 | | For the Year Ended December 31 | |
| Related Party Category/Name | 2019 | 2018 | 2019 | 2018 |
| Associates - Allnex-Eternal Resins (Guangdong) Co., Ltd. | $ 97,614 | $ - | $ 24,720 | $ - |
| Joint venture - Hangzhou Yongxinyang Photoelectric Materials Co., Ltd. | 736 | 46,968 | 375 | 25,786 |
| | $ 98,350 | $ 46,968 | $ 25,095 | $ 25,786 |

The prices and payment terms of the sale of property, plant and equipment were determined in accordance with mutual agreements. The disposal gains and losses were deferred according to the percentage of ownership, and such gains and losses were recognized over the useful lives of the disposed of assets.

f. Disposal of financial assets

For the year ended December 31, 2019

| Related Party Category/Name | Line Item | Number of Shares | Underlying Assets | Proceeds | Gain on Disposal |
|---|---|---|---|---|---|
| Other related party | | | | | |
| Li, Guang-Zheng | Financial assets at FVTOCI | 2,296,285 | Stocks | $ 79,681 | Note |
| LEEMAN MORGAN INTERNATIONAL LIMITED | Financial assets at FVTOCI | - | Equity | 55,406 | Note |
| | | | | $ 135,087 | |

Note: The price and payment terms of the sale of financial assets were referenced net worth and determined in accordance with mutual agreement. The gain on disposal of $88,377 thousand was reclassified from other equity to retained earnings.

g. Receivables from related parties

| Account Item | Related Party Category | December 31 2019 | December 31 2018 |
|---|---|---|---|
| Notes and accounts receivable | Associates | $ 248,134 | $ 270,771 |
| | Joint ventures | 32,541 | 1,563 |
| | Other related parties | - | 133 |
| | | $ 280,675 | $ 272,467 |

The receivables arise mainly from sales transactions; the receivables were not guaranteed, pledged and are without interest. For the year ended December 31, 2019 and 2018, the balance of allowance for loss is NT$8,143 thousand and NT$6,168 thousand, respectively.

h. Loans to related parties

| Account Item | Related Party Category/Name | December 31 2019 | December 31 2018 |
|---|---|---|---|
| Other receivables | Associates | | |
| | ESCO Specialty Coatings (Shanghai) Co., Ltd. | $ 154,980 | $ 184,246 |
| | Eternal Electronic Materials (Kunshan) Co., Ltd. | 103,320 | 80,496 |
| | | $ 258,300 | $ 264,742 |

The Company and its subsidiaries provided loans to related parties at rates comparable to market interest rates.

i. Other prepayments

| Account Item | Related Party Category | December 31 2019 | December 31 2018 |
|---|---|---|---|
| Other prepayments from related parties (recorded as other current assets - others) | Associates | $ 1,062 | $ 29,800 |
| | Joint ventures | - | 15,952 |
| | | $ 1,062 | $ 45,752 |

Royalty fees, prices and payment terms are determined in accordance with mutual agreements.

j. Compensation of key management personnel

| | For the Year Ended December 31 2019 | For the Year Ended December 31 2018 |
|---|---|---|
| Short-term employee benefits | $ 104,833 | $ 88,064 |
| Post-employment benefits | 734 | 14,368 |
| | $ 105,567 | $ 102,432 |

k. Finance lease arrangements-The Company and its subsidiaries are lessors

In August 2019, the Company and its subsidiaries entered into a lease agreement with an associate Allnex - Eternal Resins (Guangdong) Co., Ltd. for the leasing out of machinery and equipment for ten years, and the implicit interest rate in the lease was 6.23%. This agreement was deemed as a sale agreement, and the carrying amount of the related equipment was $99,387 thousand. The gain on disposal was $29,152 thousand, and will be deferred and subsequently recognized as profit over the lease term.

The balance of finance lease receivables generated from the aforementioned transactions was NT$60,905 thousand as of December 31, 2019. The Company and its subsidiaries measured the loss allowance of the finance lease receivables based on lifetime expected credit losses, and no loss allowance was recognized for the year ended December 31, 2019.

The composition of finance lease receivables was as follows:

| | December 31, 2019 |
|---|---|
| Unamortized lease payments | |
| Year 1 | $ 26,004 |
| Year 2 | 11,045 |
| Year 3 | 10,586 |
| Year 4 | 10,126 |
| Year 5 | 2,301 |
| Year 6 onwards | 8,285 |
| | 68,347 |
| Loss: Unearned financial income | (7,442) |
| Net investment in leases (presented as finance lease receivables) | $ 60,905 |

## 30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The Company and its subsidiaries' assets mortgaged or pledged as collateral for bank borrowings and discounted notes were as follows:

| | December 31 | |
|---|---|---|
| | 2019 | 2018 |
| Accounts receivable | $ 14,297 | $ 47,224 |
| Notes receivable | 1,830,562 | 257,315 |
| Property, plant and equipment | 289,951 | 308,469 |
| | $ 2,134,810 | $ 613,008 |

## 31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. The Company and its subsidiaries have issued but unused letters of credit with an aggregate amount of NT$158,522 thousand as of December 31, 2019.

b. The Company and its subsidiaries have contracts that were not yet incurred to purchase property, plant and equipment and intangible assets of NT$171,122 thousand at December 31, 2019.

## 32. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

a. In order to repay its liabilities, a subsidiary entered into a syndicated credit facility agreement with 3 banks led by BNP Paribas Malaysia Berhad in January 2020 for a MYR160,000 thousand credit line for repaying liabilities.

b. In order to integrate group resources, the Company's board of directors had proposed that Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. merger Eternal Electronic Material (Guangzhou) Co., Ltd. In March 2020.

## 33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Company and its subsidiaries before elimination and the exchange rates between the foreign currencies and the respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

| December 31, 2019 | Foreign Currency (In Thousands) | Exchange Rate | | Carrying Amount |
|---|---|---|---|---|
| Financial assets | | | | |
| Monetary items | | | | |
| USD | $ 86,130 | 29.9800 | (USD:NTD) | $ 2,582,177 |
| USD | 42,523 | 6.9640 | (USD:RMB) | 1,274,840 |
| USD | 11,794 | 4.2628 | (USD:MYR) | 353,584 |
| RMB | 105,061 | 4.3050 | (RMB:NTD) | 452,288 |
| EUR | 5,196 | 1.1204 | (EUR:USD) | 174,534 |
| JPY | 562,233 | 0.2760 | (JPY:NTD) | 155,176 |

(Continued)

| | Foreign Currency (In Thousands) | Exchange Rate | | Carrying Amount |
|---|---|---|---|---|
| Non-monetary items | | | | |
| Financial assets at fair value through other comprehensive income | | | | |
| AUD | $ 1,085 | 21.0050 | (AUD:NTD) | $ 22,799 |
| Investments accounted for using the equity method | | | | |
| USD | 848,961 | 29.9800 | (USD:NTD) | 25,451,854 |
| RMB | 5,787,699 | 0.1436 | (RMB:USD) | 24,916,043 |
| JPY | 5,046,690 | 0.2760 | (JPY:NTD) | 1,392,887 |
| MYR | 95,024 | 7.0330 | (MYR:NTD) | 668,305 |
| EUR | 5,198 | 33.5900 | (EUR:NTD) | 174,610 |
| THB | 137,058 | 1.0098 | (THB:NTD) | 138,401 |
| Financial liabilities | | | | |
| Monetary items | | | | |
| USD | 74,670 | 29.9800 | (USD:NTD) | 2,238,607 |
| USD | 36,023 | 6.9640 | (USD:RMB) | 1,079,970 |
| USD | 12,311 | 4.2628 | (USD:MYR) | 369,084 |
| JPY | 557,203 | 0.2760 | (JPY:NTD) | 153,788 |
| EUR | 4,000 | 1.1204 | (EUR:USD) | 134,360 |
| December 31, 2018 | | | | |
| Financial assets | | | | |
| Monetary items | | | | |
| USD | 87,620 | 30.7150 | (USD:NTD) | 2,691,248 |
| USD | 54,210 | 6.8683 | (USD:RMB) | 1,665,060 |
| USD | 5,392 | 4.3188 | (USD:MYR) | 165,615 |
| USD | 4,419 | 110.4062 | (USD:JPY) | 135,730 |
| RMB | 116,718 | 4.4720 | (RMB:NTD) | 521,963 |
| EUR | 5,293 | 1.1460 | (EUR:USD) | 186,314 |
| JPY | 415,461 | 0.2782 | (JPY:NTD) | 115,581 |
| Non-monetary items | | | | |
| Financial assets at fair value through other comprehensive income | | | | |
| AUD | 2,291 | 21.6650 | (AUD:NTD) | 49,643 |
| RMB | 6,980 | 0.1456 | (RMB:USD) | 31,215 |
| Investments accounted for using the equity method | | | | |
| USD | 822,678 | 30.7150 | (USD:NTD) | 25,268,556 |
| RMB | 5,542,643 | 0.1456 | (RMB:USD) | 24,786,700 |
| JPY | 4,793,790 | 0.2782 | (JPY:NTD) | 1,333,632 |
| MYR | 125,610 | 7.1120 | (MYR:NTD) | 893,340 |
| EUR | 6,412 | 35.2000 | (EUR:NTD) | 225,694 |
| THB | 125,028 | 0.9532 | (THB:NTD) | 119,176 |

(Continued)

| | Foreign Currency (In Thousands) | Exchange Rate | | Carrying Amount |
|---|---|---|---|---|
| Financial liabilities | | | | |
| Monetary items | | | | |
| USD | $ 73,746 | 30.7150 | (USD:NTD) | $ 2,265,108 |
| USD | 57,637 | 6.8683 | (USD:RMB) | 1,770,320 |
| USD | 9,071 | 4.3188 | (USD:MYR) | 278,616 |
| JPY | 569,278 | 0.2782 | (JPY:NTD) | 158,373 |
| EUR | 4,000 | 1.1460 | (EUR:USD) | 140,800 |

(Concluded)

The total realized and unrealized foreign exchange gains and losses were a loss of NT$4,563 thousand and a gain of NT$26,947 thousand for the years ended December 31, 2019 and 2018, respectively. It is impractical to disclose net foreign exchange gains and losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of each entity.

## 34. ADDITIONAL DISCLOSURES

a. Information about significant transactions and investees:

1) Financing provided to others (Table 1)

2) Endorsements/guarantees provided (Table 2)

3) Marketable securities held (Table 3)

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

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital (Table 4)

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

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 5)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 6)

9) Trading in derivative instruments: None

10) Others: The business relationship between the parent company and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions (Table 7)

11) Information on investees (Table 8)

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment gain or loss, carrying amount of the

investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 9)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:

   a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period (Table 5)

   b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period (Table 5)

   c) The amount of property transactions and the amount of the resultant gains or losses (Note 29)

   d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes (Table 2)

   e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds (Table 1)

   f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services (Note 29 and Table 7)

## 35. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of industrial materials. Reported segments of the Company and its subsidiaries were as follows:

- Resins Materials.

  Mainly operating variety of industrial resins materials.

- Electronic Materials

  Mainly operating electronic and optoelectronic industry raw material.

- High Performance Materials

  Mainly operating UV - light curing raw material.

- Others

  The other operating segments which did not meet the quantitative threshold for separate reporting.

a. Segment revenues and operating results

   The Company and its subsidiaries' segment profit (loss) is used as the basis for assessing the performance of the operating segments. The following is an analysis of the Company and its subsidiaries' revenues and results of operations by reportable segment.

| | Resins Materials | Electronic Materials | High Performance Materials | Others | Adjustment and Elimination | Total |
|---|---|---|---|---|---|---|
| For the year ended December 31, 2019 | | | | | | |
| Revenue from the sale of goods | | | | | | |
| Revenues from external customers | $ 20,855,888 | $ 12,302,833 | $ 7,075,873 | $ 35,306 | $ - | $ 40,269,900 |
| Revenue from the rendering of service | - | - | - | 93,338 | - | 93,338 |
| Inter-segment revenues | 2,142,932 | 4,347,407 | 1,298,417 | 3,905 | (7,792,661) | - |
| Total revenue | $ 22,998,820 | $ 16,650,240 | $ 8,374,290 | $ 132,549 | $ (7,792,661) | $ 40,363,238 |
| Segment operating profit (loss) | $ 1,151,726 | $ 1,081,651 | $ 586,783 | $ (485,110) | $ - | $ 2,335,050 |
| For the year ended December 31, 2018 | | | | | | |
| Revenue from the sale of goods | | | | | | |
| Revenues from external customers | $ 23,026,621 | $ 13,128,780 | $ 7,091,305 | $ 53,375 | $ - | $ 43,300,081 |
| Revenue from the rendering of service | - | - | - | 74 | - | 74 |
| Inter-segment revenues | 1,337,743 | 2,398,479 | 623,761 | 1,828 | (4,361,811) | - |
| Total Revenue | $ 24,364,364 | $ 15,527,259 | $ 7,715,066 | $ 55,277 | $ (4,361,811) | $ 43,300,155 |
| Segment operating profit (loss) | $ 662,403 | $ 1,227,236 | $ 360,920 | $ (437,554) | $ - | $ 1,813,005 |

b. The Company and its subsidiaries' revenues from external customers and noncurrent assets by receipt were detailed below:

| | **Revenues from External Customers** | | **Noncurrent Assets** | |
|---|---|---|---|---|
| | **For the Year Ended December 31** | | **December 31** | |
| | **2019** | **2018** | **2019** | **2018** |
| Taiwan | $ 4,509,800 | $ 4,594,316 | $ 6,344,804 | $ 6,155,717 |
| China | 24,584,451 | 26,824,127 | 10,502,214 | 11,105,664 |
| Others | 11,268,987 | 11,881,712 | 3,135,918 | 3,121,959 |
| | $ 40,363,238 | $ 43,300,155 | $ 19,982,936 | $ 20,383,340 |

Noncurrent assets excluded those classified as financial assets and deferred tax assets.

c. Information about major customers

No revenue from any individual customer exceeded 10% of the Company and its subsidiaries' total revenue for the years ended December 31, 2019 and 2018.

# Eternal Materials Co., Ltd. and Subsidiaries

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

| No. (Note 1) | Lender | Borrower | Financial Statement Account | Related Party | Maximum Balance for the Period (Note 2) | Ending Balance (Note 3) | Actual Amount Drawn | Interest Rate (%) | Nature of Financing (Note 4) | Transaction Amount | Reason for Financing | Allowance for Bad Debt | Collateral | | Financing Limits for Each Borrowing Company | Financing Company's Total Financing Limit | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Item | Value | | | |
| 1 | Eternal Electronic Material (Guangzhou) Co., Ltd. | Eternal Photoelectric Material Industry (Kunshan) Co., Ltd. | Other receivables from related parties | Y | $ 172,200 | $ - | $ - | - | 2 | $ - | Operating needs | $ - | - | $ - | $ 10,041,577 | $ 10,041,577 | Note 5 |
| 1 | Eternal Electronic Material (Guangzhou) Co., Ltd. | Eternal Photoelectric Material Industry (Yingkou) Co., Ltd. | Other receivables from related parties | Y | 817,950 | 408,975 | 289,264 | 4.350 | 2 | - | Operating needs | - | - | - | 10,041,577 | 10,041,577 | Note 5 |
| 1 | Eternal Electronic Material (Guangzhou) Co., Ltd. | Eternal Optical Material (Suzhou) Co., Ltd. | Other receivables from related parties | Y | 861,000 | 430,500 | 308,506 | 4.350 | 2 | - | Operating needs | - | - | - | 10,041,577 | 10,041,577 | Note 5 |
| 1 | Eternal Electronic Material (Guangzhou) Co., Ltd. | Eternal Chemical (Tianjin) Co., Ltd. | Other receivables from related parties | Y | 344,400 | 344,400 | 344,400 | 4.275 | 2 | - | Operating needs | - | - | - | 10,041,577 | 10,041,577 | Note 5 |
| 1 | Eternal Electronic Material (Guangzhou) Co., Ltd. | Eternal (China) Investment Co., Ltd. | Other receivables from related parties | Y | 572,565 | - | - | - | 2 | - | Operating needs | - | - | - | 10,041,577 | 10,041,577 | Note 5 |
| 1 | Eternal Electronic Material (Guangzhou) Co., Ltd. | Eternal (China) Investment Co., Ltd. | Long-term receivables from related parties | Y | 731,850 | - | - | - | 2 | - | Operating needs | - | - | - | 10,041,577 | 10,041,577 | Note 5 |
| 1 | Eternal Electronic Material (Guangzhou) Co., Ltd. | Eternal Electronic (Suzhou) Co., Ltd. | Other receivables from related parties | Y | 129,150 | - | - | - | 2 | - | Operating needs | - | - | - | 10,041,577 | 10,041,577 | Note 5 |
| 1 | Eternal Electronic Material (Guangzhou) Co., Ltd. | Eternal Electronic (Suzhou) Co., Ltd. | Long-term receivables from related parties | Y | 430,500 | 430,500 | 430,500 | 4.750 | 2 | - | Operating needs | - | - | - | 10,041,577 | 10,041,577 | Note 5 |
| 1 | Eternal Electronic Material (Guangzhou) Co., Ltd. | Eternal Chemical (Chengdu) Co., Ltd. | Long-term receivables from related parties | Y | 731,850 | - | - | - | 2 | - | Operating needs | - | - | - | 10,041,577 | 10,041,577 | Note 5 |
| 1 | Eternal Electronic Material (Guangzhou) Co., Ltd. | Eternal Chemical (Chengdu) Co., Ltd. | Other receivables from related parties | Y | 731,850 | 731,850 | 731,850 | 4.275-4.750 | 2 | - | Operating needs | - | - | - | 10,041,577 | 10,041,577 | Note 5 |
| 1 | Eternal Electronic Material (Guangzhou) Co., Ltd. | ESCO Specialty Coatings (Shanghai) Co., Ltd. | Other receivables from related parties | Y | 354,732 | 154,980 | 154,980 | 4.350 | 2 | - | Operating needs | - | - | - | 2,008,315 | 2,008,315 | Note 6 |
| 1 | Eternal Electronic Material (Guangzhou) Co., Ltd. | Eternal Chemical (China) Co., Ltd. | Other receivables from related parties | Y | 861,000 | 430,500 | - | - | 2 | - | Operating needs | - | - | - | 10,041,577 | 10,041,577 | Note 5 |
| 1 | Eternal Electronic Material (Guangzhou) Co., Ltd. | Eternal Specialty Materials (Zhuhai) Co., Ltd. | Other receivables from related parties | Y | 430,500 | - | - | - | 2 | - | Operating needs | - | - | - | 2,008,315 | 2,008,315 | Note 6 |
| 2 | Eternal Chemical (China) Co., Ltd. | Eternal Chemical (Tianjin) Co., Ltd. | Other receivables from related parties | Y | 1,033,200 | 516,600 | 363,329 | 4.348 | 2 | - | Operating needs | - | - | - | 8,575,939 | 8,575,939 | Note 5 |
| 2 | Eternal Chemical (China) Co., Ltd. | Eternal Synthetic Resins (Changshu) Co., Ltd. | Other receivables from related parties | Y | 1,291,500 | 645,750 | 147,856 | 4.348 | 2 | - | Operating needs | - | - | - | 8,575,939 | 8,575,939 | Note 5 |
| 2 | Eternal Chemical (China) Co., Ltd. | Eternal Materials (Guangdong) Co., Ltd. | Other receivables from related parties | Y | 774,900 | 344,400 | - | - | 2 | - | Operating needs | - | - | - | 8,575,939 | 8,575,939 | Note 5 |
| 2 | Eternal Chemical (China) Co., Ltd. | Eternal Specialty Materials (Suzhou) Co., Ltd. | Other receivables from related parties | Y | 688,800 | 215,250 | 70,222 | 4.348 | 2 | - | Operating needs | - | - | - | 8,575,939 | 8,575,939 | Note 5 |
| 2 | Eternal Chemical (China) Co., Ltd. | Eternal Chemical (Chengdu) Co., Ltd. | Other receivables from related parties | Y | 1,248,450 | 731,850 | 517,085 | 4.348 | 2 | - | Operating needs | - | - | - | 8,575,939 | 8,575,939 | Note 5 |
| 2 | Eternal Chemical (China) Co., Ltd. | Eternal Electronic Materials (Kunshan) Co., Ltd. | Other receivables from related parties | Y | 180,810 | 103,320 | 103,320 | 4.350 | 2 | - | Operating needs | - | - | - | 1,715,188 | 1,715,188 | Note 6 |
| 2 | Eternal Chemical (China) Co., Ltd. | Eternal (China) Investment Co., Ltd. | Other receivables from related parties | Y | 301,350 | - | - | - | 2 | - | Operating needs | - | - | - | 8,575,939 | 8,575,939 | Note 5 |
| 2 | Eternal Chemical (China) Co., Ltd. | Eternal Electronic (Suzhou) Co., Ltd. | Other receivables from related parties | Y | 129,150 | 129,150 | 129,150 | 4.133 | 2 | - | Operating needs | - | - | - | 8,575,939 | 8,575,939 | Note 5 |
| 3 | Eternal Materials (Guangdong) Co., Ltd. | Eternal Chemical (China) Co., Ltd. | Other receivables from related parties | Y | 688,800 | 344,400 | - | - | 2 | - | Operating needs | - | - | - | 8,207,132 | 8,207,132 | Note 5 |
| 3 | Eternal Materials (Guangdong) Co., Ltd. | Eternal (China) Investment Co., Ltd. | Other receivables from related parties | Y | 2,087,925 | 904,050 | 543,047 | 4.350 | 2 | - | Operating needs | - | - | - | 8,207,132 | 8,207,132 | Note 5 |

(Continued)

| No. (Note 1) | Lender | Borrower | Financial Statement Account | Related Party | Maximum Balance for the Period (Note 2) | Ending Balance (Note 3) | Actual Amount Drawn | Interest Rate (%) | Nature of Financing (Note 4) | Transaction Amount | Reason for Financing | Allowance for Bad Debt | Collateral | | Financing Limits for Each Borrowing Company | Financing Company's Total Financing Limit | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Item | Value | | | |
| 3 | Eternal Materials (Guangdong) Co., Ltd. | Eternal Electronic (Suzhou) Co., Ltd. | Other receivables from related parties | Y | $ 430,500 | $ 86,100 | $ - | - | 2 | $ - | Operating needs | $ - | - | $ - | $ 8,207,132 | $ 8,207,132 | Note 5 |
| 4 | Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. | Eternal Optical Material (Suzhou) Co., Ltd. | Other receivables from related parties | Y | 904,050 | 559,650 | 559,650 | 4.350 | 2 | - | Operating needs | - | - | - | 7,553,832 | 7,553,832 | Note 5 |
| 4 | Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. | Eternal Electronic (Suzhou) Co., Ltd. | Other receivables from related parties | Y | 215,250 | 215,250 | 215,250 | 4.275 | 2 | - | Operating needs | - | - | - | 7,553,832 | 7,553,832 | Note 5 |
| 4 | Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. | Eternal Synthetic Resins (Changshu) Co., Ltd. | Other receivables from related parties | Y | 344,400 | 344,400 | 344,400 | 4.513 | 2 | - | Operating needs | - | - | - | 7,553,832 | 7,553,832 | Note 5 |
| 4 | Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. | Eternal Chemical (China) Co., Ltd. | Other receivables from related parties | Y | 430,500 | 215,250 | - | - | 2 | - | Operating needs | - | - | - | 7,553,832 | 7,553,832 | Note 5 |
| 5 | Eternal Holdings Inc. | Eternal Optical Material (Suzhou) Co., Ltd. | Other receivables from related parties | Y | 209,860 | - | - | - | 2 | - | Operating needs | - | - | - | 33,325,839 | 33,325,839 | Note 5 |
| 5 | Eternal Holdings Inc. | Eternal (China) Investment Co., Ltd. | Other receivables from related parties | Y | 299,800 | - | - | - | 2 | - | Operating needs | - | - | - | 33,325,839 | 33,325,839 | Note 5 |
| 5 | Eternal Holdings Inc. | Eternal Chemical (Tianjin) Co., Ltd. | Other receivables from related parties | Y | 149,900 | - | - | - | 2 | - | Operating needs | - | - | - | 33,325,839 | 33,325,839 | Note 5 |
| 5 | Eternal Holdings Inc. | Eternal Technology Corporation | Other receivables from related parties | Y | 479,680 | 479,680 | 239,840 | 3.487 | 2 | - | Operating needs | - | - | - | 33,325,839 | 33,325,839 | Note 5 |
| 5 | Eternal Holdings Inc. | Elga Europe S.r.l. | Other receivables from related parties | Y | 268,720 | 268,720 | 134,360 | 2.000 | 2 | - | Operating needs | - | - | - | 6,665,168 | 6,665,168 | Note 6 |
| 5 | Eternal Holdings Inc. | Eternal Sun A. (Suzhou) Co., Ltd. | Other receivables from related parties | Y | 215,856 | 107,928 | 107,928 | 3.612 | 2 | - | Operating needs | - | - | - | 6,665,168 | 6,665,168 | Note 6 |
| 5 | Eternal Holdings Inc. | Eternal Specialty Materials (Zhuhai) Co., Ltd. | Other receivables from related parties | Y | 149,900 | - | - | - | 2 | - | Operating needs | - | - | - | 6,665,168 | 6,665,168 | Note 6 |
| 5 | Eternal Holdings Inc. | Eternal Materials (Malaysia) Sdn. Bhd. | Other receivables from related parties | Y | 149,900 | - | - | - | 2 | - | Operating needs | - | - | - | 6,665,168 | 6,665,168 | Note 6 |
| 6 | Eternal Photoelectric Material Industry (Kunshan) Co., Ltd. | Eternal Chemical (Tianjin) Co., Ltd. | Other receivables from related parties | Y | 172,200 | 172,200 | 172,200 | 4.350 | 2 | - | Operating needs | - | - | - | 466,574 | 466,574 | Note 5 |

(Concluded)

Note 1: The representation of the numbers are as follows:

1. No. 0 represents the issuer.
2. Investees are numbered in order from No. 1.

Note 2: The maximum balance for the period is approved by the board of directors, and translated into NTD using the exchange rate at the balance sheet date.

Note 3: The ending balance for the period is approved by the board of directors, and translated into NTD using the exchange rate at the balance sheet date.

Note 4: Nature of financing is as follows:

1. Business relationship.
2. Short-term financing

Note 5: According to the financing company's Operation Procedures for Lending Funds to Others, either the financing limit for each borrowing company or financing company's total financing limits shall not exceed 200% of the net worth of the company as of December 31, 2019, and it should be translated into NTD using the exchange rate at the balance sheet date.

Note 6: According to the financing company's Operation Procedures for Lending Funds to Others, either the financing limit for each borrowing company or financing company's total financing limits shall not exceed 40% of the next worth of the company as of December 31, 2019, and it should be translated into NTD using the exchange rate at the balance sheet date.

Note 7: Amount was eliminated from the consolidated financial statements, except for investments accounted for using the equity method.

## Eternal Materials Co., Ltd. and Subsidiaries

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

| No. (Note 1) | Endorser/Guarantor | Endorsee/Guarantee Name | Endorsee/Guarantee Relationship (Note 2) | Limits on Endorsement/ Guarantee Given on Behalf of Each Party | Maximum Amount Endorsed/ Guaranteed During the Period (Note 4) | Outstanding Endorsement/ Guarantee at the End of the Period (Note 5) | Actual Amount Drawn | Amount Endorsed/ Guaranteed by Collaterals | Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements (%) | Maximum Endorsement/ Guarantee Amount Allowable | Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries | Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent | Endorsement/ Guarantee Given on Behalf of Companies in Mainland China | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 0 | Eternal Materials Co., Ltd. | Eternal Specialty Materials (Suzhou) Co., Ltd. | 2 | $ 21,415,337 | $ 876,120 | $ 86,100 | $ 35,602 | $ - | 0.40 | $ 21,415,337 | Y | N | Y | Notes 3 and 6 |
| 0 | Eternal Materials Co., Ltd. | Eternal (China) Investment Co., Ltd. | 2 | 21,415,337 | 465,600 | 209,860 | 209,860 | - | 0.98 | 21,415,337 | Y | N | Y | Notes 3 and 6 |
| 0 | Eternal Materials Co., Ltd. | Eternal Holdings Inc. | 2 | 21,415,337 | 1,707,200 | 1,648,900 | 482,078 | - | 7.70 | 21,415,337 | Y | N | N | Notes 3 and 6 |
| 0 | Eternal Materials Co., Ltd. | Eternal Technology Corporation | 2 | 21,415,337 | 310,400 | 299,800 | 239,840 | - | 1.40 | 21,415,337 | Y | N | N | Notes 3 and 6 |
| 0 | Eternal Materials Co., Ltd. | Nikko-Materials Co., Ltd. | 2 | 21,415,337 | 143,900 | 138,000 | - | - | 0.64 | 21,415,337 | Y | N | N | Notes 3 and 6 |
| 0 | Eternal Materials Co., Ltd. | Eternal Synthetic Resins (Changshu) Co., Ltd. | 2 | 21,415,337 | 861,740 | 775,640 | 234,747 | - | 3.62 | 21,415,337 | Y | N | Y | Notes 3 and 6 |
| 0 | Eternal Materials Co., Ltd. | Eternal Electronic (Suzhou) Co., Ltd. | 2 | 21,415,337 | 1,621,234 | - | - | - | - | 21,415,337 | Y | N | Y | Notes 3 and 6 |
| 0 | Eternal Materials Co., Ltd. | Eternal Chemical (Chengdu) Co., Ltd. | 2 | 21,415,337 | 522,000 | - | - | - | - | 21,415,337 | Y | N | Y | Notes 3 and 6 |
| 0 | Eternal Materials Co., Ltd. | Eternal Chemical (Tianjin) Co., Ltd. | 2 | 21,415,337 | 931,860 | 915,570 | 397,825 | - | 4.28 | 21,415,337 | Y | N | Y | Notes 3 and 6 |
| 0 | Eternal Materials Co., Ltd. | Eternal Sun A. (Suzhou) Co., Ltd. | 2 | 21,415,337 | 111,744 | 107,928 | 100,433 | - | 0.50 | 21,415,337 | Y | N | Y | Notes 3 and 6 |
| 0 | Eternal Materials Co., Ltd. | Eternal Materials (Malaysia) Sdn. Bhd. | 2 | 21,415,337 | 3,865,784 | 3,865,784 | 1,981,704 | - | 18.05 | 21,415,337 | Y | N | N | Notes 3 and 6 |
| 0 | Eternal Materials Co., Ltd. | Elga Europe S.r.l. | 2 | 21,415,337 | 204,719 | 167,950 | 167,950 | - | 0.78 | 21,415,337 | Y | N | N | Notes 3 and 6 |
| 1 | Eternal Chemical (China) Co., Ltd. | Eternal Chemical (Tianjin) Co., Ltd. | 4 | 4,287,969 | 130,500 | 129,150 | 26,476 | - | 3.01 | 4,287,969 | N | N | Y | Note 7 |
| 1 | Eternal Chemical (China) Co., Ltd. | Eternal Synthetic Resins (Changshu) Co., Ltd. | 4 | 4,287,969 | 87,000 | 86,100 | 40,037 | - | 2.01 | 4,287,969 | N | N | Y | Note 7 |
| 1 | Eternal Chemical (China) Co., Ltd. | Eternal Specialty Materials (Suzhou) Co., Ltd. | 4 | 4,287,969 | 87,000 | 86,100 | - | - | 2.01 | 4,287,969 | N | N | Y | Note 7 |
| 1 | Eternal Chemical (China) Co., Ltd. | Eternal Electronic (Suzhou) Co., Ltd. | 4 | 4,287,969 | 130,500 | 129,150 | - | - | 3.01 | 4,287,969 | N | N | Y | Note 7 |
| 1 | Eternal Chemical (China) Co., Ltd. | Eternal Chemical (Chengdu) Co., Ltd. | 4 | 4,287,969 | 43,500 | 43,050 | - | - | 1.00 | 4,287,969 | N | N | Y | Note 7 |
| 1 | Eternal Chemical (China) Co., Ltd. | Eternal Materials (Guangdong) Co., Ltd. | 4 | 4,287,969 | 87,000 | 86,100 | 4,606 | - | 2.01 | 4,287,969 | N | N | Y | Note 7 |
| 1 | Eternal Chemical (China) Co., Ltd. | Eternal Specialty Materials (Zhuhai) Co., Ltd. | 4 | 2,141,534 | 261,000 | 258,300 | 13,604 | - | 12.06 | 2,141,534 | N | N | Y | Note 8 |
| 1 | Eternal Chemical (China) Co., Ltd. | Eternal (China) Investment Co., Ltd. | 4 | 4,287,969 | 43,500 | 43,050 | - | - | 1.00 | 4,287,969 | N | N | Y | Note 7 |
| 2 | Eternal Chemical (Tianjin) Co., Ltd. | Eternal Chemical (China) Co., Ltd. | 4 | 749,316 | 130,500 | 129,150 | - | - | 17.24 | 749,316 | N | N | Y | Note 7 |
| 3 | Eternal Synthetic Resins (Changshu) Co., Ltd. | Eternal Chemical (China) Co., Ltd. | 4 | 185,223 | 87,000 | 86,100 | - | - | 46.48 | 185,223 | N | N | Y | Note 7 |
| 4 | Eternal Specialty Materials (Suzhou) Co., Ltd. | Eternal Chemical (China) Co., Ltd. | 4 | 1,191,978 | 87,000 | 86,100 | - | - | 7.22 | 1,191,978 | N | N | Y | Note 7 |
| 5 | Eternal Electronic (Suzhou) Co., Ltd. | Eternal Chemical (China) Co., Ltd. | 4 | 1,299,475 | 130,500 | 129,150 | - | - | 9.94 | 1,299,475 | N | N | Y | Note 7 |

(Continued)

| No. (Note 1) | Endorser/Guarantor | Endorsee/Guarantee | | Limits on Endorsement/ Guarantee Given on Behalf of Each Party | Maximum Amount Endorsed/ Guaranteed During the Period (Note 4) | Outstanding Endorsement/ Guarantee at the End of the Period (Note 5) | Actual Amount Drawn | Amount Endorsed/ Guaranteed by Collaterals | Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements (%) | Maximum Endorsement/ Guarantee Amount Allowable | Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries | Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent | Endorsement/ Guarantee Given on Behalf of Companies in Mainland China | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Name | Relationship (Note 2) | | | | | | | | | | | |
| 6 | Eternal Materials (Guangdong) Co., Ltd. | Eternal Chemical (China) Co., Ltd. | 4 | $ 4,103,566 | $ 174,000 | $ 172,200 | $ 18,210 | $ - | 4.20 | $ 4,103,566 | N | N | Y | Note 7 |
| 7 | Eternal Electronic Material (Guangzhou) Co., Ltd. | Eternal Chemical (China) Co., Ltd. | 4 | 5,020,788 | 87,000 | 86,100 | - | - | 1.71 | 5,020,788 | N | N | Y | Note 7 |
| 8 | Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. | Eternal Chemical (China) Co., Ltd. | 4 | 3,776,916 | 87,000 | 86,100 | - | - | 2.28 | 3,776,916 | N | N | Y | Note 7 |
| 9 | Eternal (China) Investment Co., Ltd. | Eternal Chemical (China) Co., Ltd. | 4 | 14,141,752 | 43,500 | 43,050 | - | - | 0.30 | 14,141,752 | N | N | Y | Note 7 |

(Concluded)

Note 1: The representation of the numbers are as follows:

1. No. 0 represents the issuer.
2. Investees are numbered in order from No. 1.

Note 2: Relationships between the endorser/guarantor and the party being endorsed/guaranteed are as follows:

1. Have a business relationship.
2. The company owns directly or indirectly more than 50% of the voting shares of the company.
3. Total ownership of more than 50% of the investee, either directly by the Company and/or indirectly by the Company’s subsidiaries.
4. Subsidiaries in which the Company owns directly or indirectly more than 90% of the voting shares.
5. Companies where the Company is required to provide guarantees or endorsements for the construction project based on the construction contract.
6. Companies where the shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership due to a joint venture.
7. According to the Consumer Protection Act, companies that are required to provide guarantees and endorsements for joint and several liabilities if involved in the business of pre-sale of real estate.

Note 3: In accordance with the parent company’s “Procedures for Provision of Endorsements and Guarantees”, limit on endorsement/guarantee given on behalf of each party is 100% of the parent company’s net worth based on financial statements for the year ended December 31, 2019.

Note 4: Maximum amount endorsed/guaranteed during the period is approved by the board of directors, and translated into NTD using the exchange rate at the balance sheet date.

Note 5: Outstanding endorsement/guarantee at the end of the period is approved by the board of directors, and translated into NTD using the exchange rate at the balance sheet date.

Note 6: In accordance with the parent company’s “Procedures for Provision of Endorsements and Guarantees”, maximum endorsement/guarantee amount allowable is 100% of the parent company’s net worth based on financial statements for the year ended December 31, 2019.

Note 7: In accordance with the subsidiary’s “Procedures for Provision of Endorsements and Guarantees”, the limit on endorsement/guarantee given on behalf of each party and the maximum amount endorsed/guaranteed is based on its net worth in the financial statements for the year ended December 31, 2019.

Note 8: When subsidiaries in which the Company owns directly or indirectly more than 90% of the voting shares, the limit on endorsement/guarantee given on behalf of each party is 10% or the parent company’s net worth. However, subsidiaries in which the Company own directly or indirectly 100% of the voting shares are not included.

## Eternal Materials Co., Ltd. and Subsidiaries

**MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)**
**DECEMBER 31, 2019**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2019 | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares/Units | Carrying Amount | Percentage of Ownership (%) | Fair Value | |
| Eternal Materials Co., Ltd. | President Securities Corp. (stock) | - | Financial assets at fair value through other comprehensive income - noncurrent | 34,252,383 | $ 494,947 | 2.50 | $ 494,947 | |
| | TBG Diagnostics Limited (stock) | - | Financial assets at fair value through other comprehensive income - noncurrent | 40,200,000 | 22,799 | 18.48 | 22,799 | Note 2 |
| | Universal Venture Capital Investment Corp. (stock) | - | Financial assets at fair value through other comprehensive income - noncurrent | 5,000,000 | 34,010 | 4.15 | 34,010 | |
| | Der Yang Biotechnology Venture Capital Co., Ltd. (stock) | - | Financial assets at fair value through other comprehensive income - noncurrent | 505,706 | 5,469 | 11.11 | 5,469 | |
| | Universal Development & Investment Capital I Co., Ltd. (stock) | - | Financial assets at fair value through other comprehensive income - noncurrent | 2,827,400 | 21,596 | 19.74 | 21,596 | |
| | Hwa Nan Venture Capital Co., Ltd. (stock) | - | Financial assets at fair value through other comprehensive income - noncurrent | 57,438 | - | 10.60 | - | |
| Mixville Holdings Inc. | Grace THW Holding Limited (stock) | - | Financial assets at fair value through other comprehensive income - noncurrent | 1,900,000 | 164,488 | Note 1 | 164,488 | Note 2 |
| | Pacven Walden Ventures V, L.P. (fund) | - | Financial assets at fair value through profit or loss - noncurrent | - | 12,483 | Note 1 | 12,483 | Note 2 |

Note 1: The percentage of ownership is less than 1%.

Note 2: Translated into NTD using the exchange rate at the balance sheet date.

**TABLE 4**

## Eternal Materials Co., Ltd.

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL**
**FOR THE YEAR ENDED DECEMBER 31, 2019**
**(In Thousands of New Taiwan Dollars)**

| Company Name | Property | Event Date | Transaction Amount | Payment Terms | Counterparty | Relationship | Information of Previous Title Transfer If Counterparty Is A Related Party | | | | Price Reference | Purpose of Acquisition | Other Terms |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Property - Owner | Relationship | Transfer Date | Amount | | | |
| Eternal (China) Investment Co., Ltd. | Stage II office building | December 30, 2011 (Note) | $ 1,466,017 | Payment in accordance with the terms | Zhejiang Jiannan Industrial, Suzhou Qingde and Shanghai Baoli Construction | Non-related party | - | - | - | $ - | Price negotiation in accordance with the terms | Rental purpose and private use | None |

Note: The building commissioning on the Company's own land was approved by the Company's board of directors in December 2011 and was accepted in June 2019 for operating and rental purposes, and recorded respectively as property, plant and equipment and investment properties.

**TABLE 5**

## Eternal Materials Co., Ltd. and Subsidiaries

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

| Company name | Related Party | Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/Accounts Receivable (Payable) | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchases/Sales (Note 2) | Amount | % to Total | Payment Terms | Unit Price | Payment Term | Ending Balance | % to Total | |
| Eternal Materials Co., Ltd. | Eternal Specialty Materials (Zhuhai) Co., Ltd. | Subsidiary | Sales | $ 674,210 | 5 | Note 1 | $ - | - | $ 121,302 | 3 | |
| | Eternal Chemical (China) Co., Ltd. | Subsidiary | Sales | 320,964 | 2 | Note 1 | - | - | 102,523 | 3 | |
| | Eternal Electronic Material (Thailand) Co., Ltd. | Subsidiary | Sales | 345,233 | 2 | Note 1 | - | - | 79,588 | 2 | |
| | CHOU-KOU Materials Co., Ltd. | Subsidiary | Sales | 249,366 | 2 | Note 1 | - | - | 65,809 | 2 | |
| | Eternal Materials (Guangdong) Co., Ltd. | Subsidiary | Sales | 295,516 | 2 | Note 1 | - | - | 60,801 | 2 | |
| | Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. | Subsidiary | Sales | 187,794 | 1 | Note 1 | - | - | 38,701 | 1 | |
| | Eternal Electronic Material (Guangzhou) Co., Ltd. | Subsidiary | Sales | 298,716 | 2 | Note 1 | - | - | 55,027 | 1 | |
| | Eternal (China) Investment Co., Ltd. | Subsidiary | Sales | 200,084 | 1 | Note 1 | - | - | 49,307 | 1 | |
| | Eternal Electronic (Suzhou) Co., Ltd. | Subsidiary | Sales | 174,788 | 1 | Note 1 | - | - | 60,354 | 2 | |
| | Eternal Technology Corporation | Subsidiary | Sales | 126,489 | 1 | Note 1 | - | - | 84,308 | 2 | |
| Eternal Materials (Guangdong) Co., Ltd. | Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. | Sister company | Sales | 240,005 | 5 | Note 1 | - | - | 41,844 | 2 | |
| | Eternal Electronic Material (Guangzhou) Co., Ltd. | Sister company | Sales | 201,374 | 4 | Note 1 | - | - | 46,859 | 2 | |
| | Allnex-Eternal Resins (Guangdong) Co., Ltd. | Associate | Sales | 218,940 | 5 | Note 1 | - | - | 80,434 | 4 | |
| Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. | Eternal Electronic (Suzhou) Co., Ltd. | Sister company | Sales | 677,218 | 24 | Note 1 | - | - | 391,352 | 21 | |
| | Eternal Electronic Material (Guangzhou) Co., Ltd. | Sister company | Sales | 541,457 | 19 | Note 1 | - | - | 217,920 | 12 | |
| Eternal Electronic Material (Guangzhou) Co., Ltd. | Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. | Sister company | Sales | 506,874 | 20 | Note 1 | - | - | 207,326 | 16 | |
| | Eternal Electronic (Suzhou) Co., Ltd. | Sister company | Sales | 103,087 | 4 | Note 1 | - | - | 66,189 | 5 | |
| Eternal Specialty Materials (Suzhou) Co., Ltd. | Eternal Electronic (Suzhou) Co., Ltd. | Sister company | Sales | 158,431 | 8 | Note 1 | - | - | 66,103 | 10 | |
| Nikko Mechanics Co., Ltd. | Nikko-Materials Co., Ltd. | Parent company | Sales | 505,551 | 90 | Note 1 | - | - | 221,200 | 100 | |
| Eternal Chemical (Tianjin) Co., Ltd. | Eternal Chemical (China) Co., Ltd. | Sister company | Sales | 149,024 | 7 | Note 1 | - | - | 54,287 | 6 | |

(Continued)

| Company name | Related Party | Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/Accounts Receivable (Payable) | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchases/Sales (Note 2) | Amount | % to Total | Payment Terms | Unit Price | Payment Term | Ending Balance | % to Total | |
| Eternal Chemical (China) Co., Ltd. | Eternal Chemical (Tianjin) Co., Ltd. | Sister company | Sales | $ 122,547 | 3 | Note 1 | $ - | - | $ 61,117 | 3 | |
| | Allnex - Eternal Resins (Guangdong) Co., Ltd. | Associate | Sales | 161,509 | 4 | Note 1 | - | - | 99,302 | 5 | |
| Eternal Specialty Materials (Zhuhai) Co., Ltd. | Eternal Materials Co., Ltd. | Ultimate parent Company | Sales | 110,841 | 3 | Note 1 | - | - | 11,677 | 1 | |

(Concluded)

Note 1: The terms are similar to that of non-related party transactions.

Note 2: For transactions between related parties, only one side of the transaction was disclosed.

Note 3: Amounts were eliminated from the consolidated financial statements, except for investment accounted for using the equity method.

## Eternal Materials Co., Ltd. and Subsidiaries

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL**
**DECEMBER 31, 2019**
**(In Thousands of New Taiwan Dollars)**

| Company Name | Related Party | Relationship | Ending Balance | Turnover Rate | Overdue | | Amounts Received in Subsequent Period | Allowance for Doubtful Accounts | Note |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Actions Taken | | | |
| Eternal Materials Co., Ltd. | Eternal Chemical (China) Co., Ltd. | Subsidiary | $ 102,523 | 3.36 | $ - | - | $ 19,532 | $ - | |
| Eternal Materials Co., Ltd. | Eternal Specialty Materials (Zhuhai) Co., Ltd. | Subsidiary | 121,302 | 6.01 | - | - | 60,739 | - | |
| Eternal Materials Co., Ltd. | Eternal (China) Investment Co., Ltd. | Subsidiary | 102,109 | - | - | - | - | - | Note 2 |
| Eternal Electronic Material (Guangzhou) Co., Ltd. | Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. | Sister company | 207,326 | 2.64 | 55,506 | Collected subsequently | 106,462 | - | |
| Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. | Eternal Electronic (Suzhou) Co., Ltd. | Sister company | 391,352 | 1.72 | 59,770 | Collected subsequently | 59,913 | - | |
| Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. | Eternal Electronic Material (Guangzhou) Co., Ltd. | Sister company | 217,920 | 2.59 | 59,960 | Collected subsequently | 113,165 | - | |
| Nikko Mechanics Co., Ltd. | Nikko-Materials Co., Ltd. | Parent company | 221,200 | 3.06 | - | - | 82,741 | - | |

Note 1: Amount was eliminated from the consolidated financial statements.

Note 2: Recorded as other accounts receivable.

TABLE 7

## Eternal Materials Co., Ltd. and Subsidiaries

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

| No. (Note 1) | Company Name | Counterparty | Relationship (Note 2) | Transactions Details | | | |
|---|---|---|---|---|---|---|---|
| | | | | Financial Statement Item (Note 6) | Amount | Terms | % to Total Revenues or Assets (Note 3) |
| 0 | Eternal Materials Co., Ltd. | Eternal Electronic Material (Thailand) Co., Ltd. | 1 | Revenue from sales of goods | $ 345,233 | Note 4 | 0.86 |
| 0 | Eternal Materials Co., Ltd. | Eternal Technology Corporation | 1 | Revenue from sales of goods | 126,489 | Note 4 | 0.31 |
| 0 | Eternal Materials Co., Ltd. | Eternal (China) Investment Co., Ltd. | 1 | Revenue from sales of goods | 200,084 | Note 4 | 0.50 |
| 0 | Eternal Materials Co., Ltd. | Eternal (China) Investment Co., Ltd. | 1 | Other receivables from related parties | 102,109 | Note 4 | 0.19 |
| 0 | Eternal Materials Co., Ltd. | Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. | 1 | Revenue from sales of goods | 187,794 | Note 4 | 0.47 |
| 0 | Eternal Materials Co., Ltd. | Eternal Electronic Material (Guangzhou) Co., Ltd. | 1 | Revenue from sales of goods | 298,716 | Note 4 | 0.74 |
| 0 | Eternal Materials Co., Ltd. | Eternal Chemical (China) Co., Ltd. | 1 | Accounts receivable | 102,523 | Note 4 | 0.19 |
| 0 | Eternal Materials Co., Ltd. | Eternal Chemical (China) Co., Ltd. | 1 | Revenue from sales of goods | 320,964 | Note 4 | 0.80 |
| 0 | Eternal Materials Co., Ltd. | Eternal Materials (Guangdong) Co., Ltd. | 1 | Revenue from sales of goods | 295,516 | Note 4 | 0.73 |
| 0 | Eternal Materials Co., Ltd. | CHOU-KOU Materials Co., Ltd. | 1 | Revenue from sales of goods | 249,366 | Note 4 | 0.62 |
| 0 | Eternal Materials Co., Ltd. | Eternal Specialty Materials (Zhuhai) Co., Ltd. | 1 | Revenue from sales of goods | 674,210 | Note 4 | 1.67 |
| 0 | Eternal Materials Co., Ltd. | Eternal Specialty Materials (Zhuhai) Co., Ltd. | 1 | Accounts receivable | 121,302 | Note 4 | 0.23 |
| 0 | Eternal Materials Co., Ltd. | Eternal Electronic (Suzhou) Co., Ltd. | 1 | Revenue from sales of goods | 174,788 | Note 4 | 0.43 |
| 1 | Eternal Holdings Inc. | Eternal Technology Corporation | 3 | Other receivables from related parties | 239,840 | Note 5 | 0.45 |
| 1 | Eternal Holdings Inc. | Elga Europe S.r.l. | 3 | Other receivables from related parties | 134,360 | Note 5 | 0.25 |
| 1 | Eternal Holdings Inc. | Eternal Sun A. (Suzhou) Co., Ltd. | 3 | Other receivables from related parties | 107,928 | Note 5 | 0.20 |
| 2 | Eternal Chemical (China) Co., Ltd. | Eternal Chemical (Tianjin) Co., Ltd. | 3 | Revenue from sales of goods | 122,547 | Note 4 | 0.30 |
| 2 | Eternal Chemical (China) Co., Ltd. | Eternal Chemical (Tianjin) Co., Ltd. | 3 | Other receivables from related parties | 363,329 | Note 5 | 0.68 |
| 2 | Eternal Chemical (China) Co., Ltd. | Eternal Synthetic Resins (Changshu) Co., Ltd. | 3 | Other receivables from related parties | 147,856 | Note 5 | 0.27 |
| 2 | Eternal Chemical (China) Co., Ltd. | Eternal Chemical (Chengdu) Co., Ltd. | 3 | Other receivables from related parties | 517,085 | Note 5 | 0.96 |
| 2 | Eternal Chemical (China) Co., Ltd. | Eternal Electronic (Suzhou) Co., Ltd. | 3 | Other receivables from related parties | 129,150 | Note 5 | 0.24 |
| 3 | Eternal Electronic Material (Guangzhou) Co., Ltd. | Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. | 3 | Revenue from sales of goods | 506,874 | Note 4 | 1.26 |
| 3 | Eternal Electronic Material (Guangzhou) Co., Ltd. | Eternal Electronic (Suzhou) Co., Ltd. | 3 | Revenue from sales of goods | 103,087 | Note 4 | 0.26 |

(Continued)

| No. (Note 1) | Company Name | Counterparty | Relationship (Note 2) | Transactions Details | | | |
|---|---|---|---|---|---|---|---|
| | | | | Financial Statement Item (Note 6) | Amount | Terms | % to Total Revenues or Assets (Note 3) |
| 3 | Eternal Electronic Material (Guangzhou) Co., Ltd. | Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. | 3 | Accounts receivable | $ 207,326 | Note 4 | 0.39 |
| 3 | Eternal Electronic Material (Guangzhou) Co., Ltd. | Eternal Photoelectric Material Industry (Yingkou) Co., Ltd. | 3 | Other receivables from related parties | 289,264 | Note 5 | 0.54 |
| 3 | Eternal Electronic Material (Guangzhou) Co., Ltd. | Eternal Optical Material (Suzhou) Co., Ltd. | 3 | Other receivables from related parties | 308,506 | Note 5 | 0.57 |
| 3 | Eternal Electronic Material (Guangzhou) Co., Ltd. | Eternal Chemical (Tianjin) Co., Ltd. | 3 | Other receivables from related parties | 344,400 | Note 5 | 0.64 |
| 3 | Eternal Electronic Material (Guangzhou) Co., Ltd. | Eternal Electronic (Suzhou) Co., Ltd. | 3 | Long-term receivables from related parties | 430,500 | Note 5 | 0.80 |
| 3 | Eternal Electronic Material (Guangzhou) Co., Ltd. | Eternal Chemical (Chengdu) Co., Ltd. | 3 | Other receivables from related parties | 731,850 | Note 5 | 1.36 |
| 4 | Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. | Eternal Electronic (Suzhou) Co., Ltd. | 3 | Revenue from sales of goods | 677,218 | Note 4 | 1.68 |
| 4 | Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. | Eternal Electronic Material (Guangzhou) Co., Ltd. | 3 | Revenue from sales of goods | 541,457 | Note 4 | 1.34 |
| 4 | Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. | Eternal Electronic (Suzhou) Co., Ltd. | 3 | Accounts receivable | 391,352 | Note 4 | 0.73 |
| 4 | Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. | Eternal Electronic Material (Guangzhou) Co., Ltd. | 3 | Accounts receivable | 217,920 | Note 4 | 0.41 |
| 4 | Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. | Eternal Optical Material (Suzhou) Co., Ltd. | 3 | Other receivables from related parties | 559,650 | Note 5 | 1.04 |
| 4 | Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. | Eternal Electronic (Suzhou) Co., Ltd. | 3 | Other receivables from related parties | 215,250 | Note 5 | 0.40 |
| 4 | Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. | Eternal Synthetic Resins (Changshu) Co., Ltd. | 3 | Other receivables from related parties | 344,400 | Note 5 | 0.64 |
| 5 | Eternal Materials (Guangdong) Co., Ltd. | Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. | 3 | Revenue from sales of goods | 240,005 | Note 4 | 0.59 |
| 5 | Eternal Materials (Guangdong) Co., Ltd. | Eternal Electronic Material (Guangzhou) Co., Ltd. | 3 | Revenue from sales of goods | 201,374 | Note 4 | 0.50 |
| 5 | Eternal Materials (Guangdong) Co., Ltd. | Eternal (China) Investment Co., Ltd. | 3 | Other receivables from related parties | 543,047 | Note 5 | 1.01 |
| 6 | Nikko Mechanics Co., Ltd. | Nikko-Materials Co., Ltd. | 2 | Revenue from sales of goods | 505,551 | Note 4 | 1.25 |
| 6 | Nikko Mechanics Co., Ltd. | Nikko-Materials Co., Ltd. | 2 | Accounts receivable | 221,200 | Note 4 | 0.41 |
| 7 | Eternal Chemical (Tianjin) Co., Ltd. | Eternal Chemical (China) Co., Ltd. | 3 | Revenue from sales of goods | 149,024 | Note 4 | 0.37 |

(Continued)

| No. (Note 1) | Company Name | Counterparty | Relationship (Note 2) | Transactions Details | | | |
|---|---|---|---|---|---|---|---|
| | | | | **Financial Statement Item (Note 6)** | **Amount** | **Terms** | **% to Total Revenues or Assets (Note 3)** |
| 8 | Eternal Specialty Materials (Suzhou) Co., Ltd. | Eternal Electronic (Suzhou) Co., Ltd. | 3 | Revenue from sales of goods | $ 158,431 | Note 4 | 0.39 |
| 9 | Eternal Specialty Materials (Zhuhai) Co., Ltd. | Eternal Materials Co., Ltd. | 2 | Revenue from sales of goods | 110,841 | Note 4 | 0.27 |
| 10 | Eternal Photoelectric Material Industry (Kunshan) Co., Ltd. | Eternal Chemical (Tianjin) Co., Ltd. | 3 | Other receivables from related parties | 172,200 | Note 5 | 0.32 |

(Concluded)

Note 1: The transaction information of the Company and its subsidiaries is numbered in column "No.". The representation of the numbers are as follows:

1. No. 0 represents the Company.
2. Subsidiaries are numbered in order from No. 1.

Note 2: The relationships among the transaction parties are as follows:

1. The parent company to subsidiary.
2. The subsidiary to the parent company.
3. The subsidiary to another subsidiary.

Note 3: The percentage of transaction amount over the consolidated total revenues or total assets is as follows: Assets and liabilities are calculated using the ending balance divided by the consolidated total assets at the end of the reporting period; income accounts are calculated using the accumulated amount for the year divided by the consolidated total revenue during the reporting period.

Note 4: The terms are similar to non-related party transactions.

Note 5: In accordance with the Operational Procedures for Lending Funds to Others.

Note 6: For transactions between related parties, only one side of the transaction was disclosed.

TABLE 8

## Eternal Materials Co., Ltd. and Subsidiaries

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

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of December 31, 2019 | | | Net Income (Loss) of the Investee | Investment Gain (Loss) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2019 | December 31, 2018 | Number of Shares | Percentage of Ownership (%) | Carrying Amount | | | |
| Eternal Materials Co., Ltd. | Eternal Holdings Inc. | Samoa | International investment | $ 6,603,283 | $ 6,512,657 | 216,303,859 | 100.00 | $ 16,716,598 | $ 773,410 | $ 769,438 | Note 1 |
| Eternal Materials Co., Ltd. | Eternal Global (BVI) Co., Ltd. | British Virgin Islands | International investment | 717,527 | 793,727 | 16,821,024 | 100.00 | 4,460,068 | 446,369 | 446,194 | Note 1 |
| Eternal Materials Co., Ltd. | Mixville Holdings Inc. | British Virgin Islands | International investment | 989,582 | 989,582 | 29,530,000 | 100.00 | 4,275,189 | 368,187 | 368,889 | Note 1 |
| Eternal Materials Co., Ltd. | Advanced PETFILM Investment Co., Ltd. | Japan | International investment | 788,630 | 788,630 | 270 | 20.00 | 406,576 | 127,965 | 26,617 | |
| Eternal Materials Co., Ltd. | Daxin Materials Corporation | Taiwan | Manufacturing and selling of chemical, resins materials and electronic materials. | 191,052 | 191,052 | 23,423,812 | 22.80 | 635,100 | 650,420 | 148,296 | |
| Eternal Materials Co., Ltd. | New E Materials Co., Ltd. | Taiwan | Researching, developing, manufacturing and selling of photoelectric, semiconductor process related electronic chemical materials and equipment spare parts | 82,322 | 185,936 | 6,907,585 | 62.80 | 59,124 | (14,531 ) | (9,126 ) | |
| Eternal Materials Co., Ltd. | DSM Resins (Far East) Co., Ltd. | Taiwan | Manufacturing and selling of powder coating resin | 36,400 | 36,400 | 3,660,000 | 40.00 | 129,546 | 140,733 | 56,293 | |
| Eternal Materials Co., Ltd. | Eternal Capatech Co., Ltd. | Taiwan | Manufacturing and selling of electronic spare parts and related materials parts | - | 147,000 | - | 96.71 | 4,315 | (64 ) | (62 ) | Note 4 |
| Eternal Materials Co., Ltd. | Eternal Electronic Material (Thailand) Co., Ltd. | Thailand | Trading service, cutting and selling of dry film photoresist | 90,919 | 90,919 | 937,500 | 75.00 | 138,401 | 26,392 | 22,648 | Note 1 |
| Eternal Materials Co., Ltd. | CHOU-KOU Materials Co., Ltd. | Japan | Selling, trading and providing service of resins material, electronic material and other related products | 60,431 | 60,431 | 4,000 | 100.00 | 79,729 | (4,513 ) | (6,818 ) | Note 1 |
| Eternal Materials Co., Ltd. | Nikko-Materials Co., Ltd. | Japan | Manufacturing and selling of dry film photoresist and vacuum laminator | 257,657 | 257,657 | 11,520 | 100.00 | 906,581 | 168,671 | 170,914 | Note 1 |
| Eternal Materials Co., Ltd. | Eternal Materials (Malaysia) Sdn. Bhd. | Malaysia | Manufacturing, selling, trading and providing service of resins material related products | 1,322,305 | 1,322,305 | 165,855,600 | 90.00 | 668,305 | (242,699 ) | (219,335 ) | Note 1 |
| Eternal Materials Co., Ltd. | Elga Europe S.r.l. | Italy | Manufacturing, selling, agency and processing of electronic chemical products | 287,169 | 287,169 | - | 72.68 | 174,611 | (48,152 ) | (48,047 ) | Note 1 |
| Eternal Holdings Inc. | Eternal International (BVI) Co., Ltd. | British Virgin Islands | International investment | 6,550,737 | 6,550,737 | 211,823,592 | 100.00 | 14,112,838 | 505,703 | - | Note 2 and3 |
| Eternal Holdings Inc. | E-Chem Corp. | Samoa | International investment | 165,608 | 165,608 | 4,990,000 | 100.00 | 2,027,439 | 220,984 | - | Note 2 and3 |
| Eternal Holdings Inc. | Allnex-Eternal Resins Corporation Limited | Hong Kong | Trading and international investment | 246,495 | 155,870 | 7,791,000 | 49.00 | 378,636 | 111,195 | - | Note 2 and3 |
| Eternal Holdings Inc. | Polymer Instrumentation and Consulting Services, Ltd. | United States | Plastic products manufacturing | 121,913 | 121,913 | 4,694,296 | 30.00 | 106,442 | (18,274 ) | - | Note 2 and3 |
| Eternal International (BVI) Co., Ltd. | Eternal Technology Corporation | United States | Manufacturing and selling of photoresist | 600,693 | 600,693 | 2,333 | 100.00 | (58,104 ) | (51,121 ) | - | Note 2 and3 |
| Mixville Holdings Inc. | High Expectation Limited | Cayman Islands | International investment | 871,519 | 871,519 | 26,005,000 | 100.00 | 4,106,018 | 361,709 | - | Note 2 and3 |
| Eternal (China) Investment Co., Ltd. | Elga Europe S.r.l. | Italy | Manufacturing, selling, agency and processing of electronic chemical products | 58,610 | 58,610 | - | 22.32 | 14,747 | (48,152 ) | - | Note 2 and3 |
| Nikko-Materials Co., Ltd. | Nikko Mechanics Co., Ltd. | Japan | Designing, manufacturing, selling of industrial machinery and machine tool | 107,897 | 107,897 | 5,248 | 80.00 | 191,155 | 44,641 | - | Note 2 and3 |

Note 1: The difference between the net income (loss) of investees and the investment income or loss recognized by the Company is the unrealized gains and losses from the intercompany transaction and the amortization of the investment cost premium.

Note 2: It had been consolidated into the net income (loss) of investees recognized by the Company using the equity method, and also considered into the calculation of the Company’s investment income or loss.

Note 3: Translated into NTD using the average exchange rate for the reporting period and exchange rate at the balance sheet date.

Note 4: The liquidation process had been completed in August 2019 and the balance at the end of the year was the remaining liquidation amount.

**TABLE 9**

# Eternal Materials Co., Ltd. and Subsidiaries

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

| Investee Company | Main Businesses and Products | Total Amount of Paid-in Capital | Method of Investment (Note 1) | Accumulated Outward Remittance for Investments from Taiwan as of January 1, 2019 (Note 8) | Investment Flows | | Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2019 | Net Income (Loss) of the Investee | % of Ownership of Direct or Indirect Investment | Investment Gain (Loss) | Carrying Amount as of December 31, 2019 | Accumulated Repatriation of Investment Income as of December 31, 2019 | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outward | Inward | | | | | | | |
| Eternal Chemical (China) Co., Ltd. | Manufacturing and selling of resins material and processing products | $ 755,651 | 2 | $ 625,549 | $ - | $ - | $ 625,549 | $ 398,480 | 100.00 | $ 398,480 | $ 4,287,969 | $ 741,842 | Notes 2 and 4 |
| DSM Eternal Resins (Kunshan) Co., Ltd. | Manufacturing and selling of powder coating resin | 183,470 | 2 | 91,735 | - | - | 91,735 | 94,220 | 50.00 | 46,657 | 347,093 | 479,187 | Note 3 |
| Changhe International Trading (GZFTZ) Co., Ltd. | International trading, commercial trading, entrepot trading, products displayed, bonded warehousing and business consulting service | 13,661 | 2 | 7,020 | - | - | 7,020 | 540 | 100.00 | 540 | 21,400 | - | Notes 2 and 4 |
| Eternal Photoelectric Material Industry (Kunshan) Co., Ltd. | Cutting and processing of dry film photoresist and selling self-products. | 191,777 | 2 | 15,364 | - | - | 15,364 | (3,813) | 100.00 | (3,813) | 233,287 | 165,880 | Notes 2 and 4 |
| Eternal Electronic Material (Guangzhou) Co., Ltd. | Coating, slitting, cutting, processing, and selling of photoresist | 1,259,046 | 2 | 444,685 | - | - | 444,685 | 292,884 | 100.00 | 292,884 | 5,020,788 | 983,767 | Notes 2 and 4 |
| Eternal Optical Material (Suzhou) Co., Ltd. | Manufacturing and selling of optical film | 614,887 | 2 | - | - | - | - | (77,044) | 100.00 | (77,044) | (599,999) | - | Notes 2 and 4 |
| Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. | Researching, developing, manufacturing and selling of electronic high-tech chemical and related products | 997,694 | 2 | - | - | - | - | 473,325 | 100.00 | 473,325 | 3,776,916 | - | Notes 2 and 4 |
| Eternal Photoelectric Material Industry (Yingkou) Co., Ltd. | Researching, developing and manufacturing of photoresist dry film, liquid photo imaginable solder masks and printed circuit board related materials | 124,282 | 2 | - | - | - | - | (6,396) | 100.00 | (6,396) | (198,803) | - | Notes 2 and 4 |
| Eternal Electronic Materials (Kunshan) Co., Ltd. | Manufacturing and selling of epoxy molding compound which used in electronic parts and related products | 524,337 | 2 | 456,427 | - | - | 456,427 | 7,702 | 40.00 | 3,599 | 197,532 | - | Notes 3 and 4 |
| Eternal Synthetic Resins (Changshu) Co., Ltd. | Manufacturing and selling of unsaturated polyester resin | 726,426 | 2 | 279,811 | - | - | 279,811 | 58,584 | 100.00 | 58,584 | 185,223 | - | Notes 2 and 4 |
| Eternal Chemical (Tianjin) Co., Ltd. | Manufacturing and selling of adhesives, resins material and processing products | 1,008,004 | 2 | 599,320 | - | - | 599,320 | 87,069 | 100.00 | 87,069 | 749,316 | - | Notes 2 and 4 |
| Eternal Specialty Materials (Zhuhai) Co., Ltd. | Manufacturing and selling of acrylic resin and methacrylic acid | 611,011 | 2 | 243,540 | - | - | 243,540 | 237,967 | 90.00 | 220,715 | 2,014,262 | 607,788 | Notes 2 and 4 |
| ESCO Specialty Coatings (Shanghai) Co., Ltd. | Researching, manufacturing and selling of processing electronic high-tech chemical, high performance coating, material and products | 403,180 | 2 | 196,680 | - | - | 196,680 | (53,304) | 40.00 | (13,566) | (2,296) | - | Notes 2 and 4 |
| Eternal Materials (Guangdong) Co., Ltd. | Manufacturing and selling of adhesives, resins material and processing products | 1,297,259 | 2 | 868,175 | - | - | 868,175 | 361,881 | 100.00 | 361,881 | 4,103,566 | 683,460 | Notes 2 and 4 |
| Eternal (China) Investment Co., Ltd. | Managing, investing consulting service, researching, leasing, manufacturing and selling of resins material and photoelectric chemicals materials | 8,369,307 | 2 | 5,061,184 | - | - | 5,061,184 | 556,113 | 100.00 | 556,113 | 14,141,752 | - | Notes 2, 4 and 5 |

(Continued)

| Investee Company | Main Businesses and Products | Total Amount of Paid-in Capital | Method of Investment (Note 1) | Accumulated Outward Remittance for Investments from Taiwan as of January 1, 2019 (Note 8) | Investment Flows | | Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2019 | Net Income (Loss) of the Investee | % of Ownership of Direct or Indirect Investment | Investment Gain (Loss) | Carrying Amount as of December 31, 2019 | Accumulated Repatriation of Investment Income as of December 31, 2019 | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outward | Inward | | | | | | | |
| Eternal Chemical (Chengdu) Co., Ltd. | Researching and developing resins material and products | $ 450,351 | 2 | $ - | $ - | $ - | $ - | $ (169,266) | 100.00 | $ (169,266) | $ (247,237) | $ - | Notes 2 and 4 |
| Eternal Electronic (Suzhou) Co., Ltd. | Researching, developing, and manufacturing of dry film photoresist and dry film solder mask which used in electronic materials, researching resin materials and selling, providing after sales service of self-produced products | 1,381,040 | 2 | - | - | - | - | 53,422 | 100.00 | 53,422 | 1,299,475 | - | Notes 2 and 4 |
| Eternal Sun A. (Suzhou) Co., Ltd. | Researching, developing, and manufacturing of optical protective film which used in display, and selling, providing after sales service of self-produced products | 751,443 | 2 | - | - | - | - | (97,204) | 60.00 | (58,322) | 150,641 | - | Notes 2 and 4 |
| Eternal Specialty Materials (Suzhou) Co., Ltd. | Researching and developing chemical products, and selling, providing technical service of self-produced products | 1,199,225 | 2 | - | - | - | - | 105,045 | 100.00 | 105,045 | 1,191,978 | - | Notes 2 and 4 |
| Eternal Materials (Changzhou) Co., Ltd. | Selling of fluorocarbon resin and polyester resin products | 602,000 | 2 | - | - | - | - | 28,746 | 100.00 | 28,746 | 633,350 | - | Notes 2 and 4 |
| Showa Denko New Material (Zhuhai) Co., Ltd. | Manufacturing and selling and manufacturing of functional resins, resins composite material and providing technical service. | 366,881 | 2 | - | - | - | - | 4,912 | 30.00 | 1,201 | 86,376 | - | Notes 2 and 4 |
| Hangzhou Yongxinyang Photoelectric Materials Co. Ltd. | Researching, developing, selling and manufacturing optical film for liquid-crystal display | 45,170 | 2 | - | - | - | - | (45,296) | 51.00 | (21,985) | (26,299) | - | Notes 2 and 4 |
| Orchard Decorative Materials (China) Co., Ltd. | Printing and selling of industrial paper which used in plastic furniture and manufacturing and selling of plastic film | 549,118 | 2 | 19,392 | - | 19,392 | - | - | - | - | - | 32,871 | Notes 4 and 9 |

| Investor Company | Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2019 (Notes 6 and 8) | Investment Amount Authorized by the Investment Commission, MOEA (Note 6) | Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA (Note 7) |
|---|---|---|---|
| Eternal Materials Co., Ltd. | $ 8,895,642 | $ 24,921,091 | $ - |

Note 1: Investment methods are classified into the following three categories:

1. Direct investment in a company in mainland China.
2. Investing through companies in a third region (Eternal Holdings Inc., Eternal Global (BVI) Co., Ltd and Mixville Holdings Inc.).
3. Others.

Note 2: The investment gains and losses were recognized according to SAS No. 54 “Special Consideration - Audits of Group Financial Statements” from the financial statements audited by the parent company’s CPA in the ROC.

Note 3: The investment gains and losses were recognized from the financial statements audited by other CPAs.

Note 4: The difference between the outward remittance of investments and the company’s paid-in capital was the capital transferred from retained earnings or the investment of the Company’s other subsidiaries in China.

Note 5: The investment gains and losses of Eternal (China) Investment Co., Ltd. included investment income (loss) recognized by the invested company.

(Continued)

Note 6: The amounts included the transfer of retained earnings into capital by the invested company in mainland China and the investor company's dividends that were indirectly invested in another invested company in mainland China approved by the Investment Commission, MOEA, which were translated into NTD using the current exchange rate.

Note 7: According to the "Regulation Governing the Approval of Investment or Technical Cooperation in Mainland China", modified on August 29, 2008, the Company obtained the approval of the operational headquarters from the Industrial Development Bureau of Ministry of Economic Affairs. There is no ceiling for the investment amount.

Note 8: The difference between the summary and details of accumulated outward remittance for investments in mainland China at the end of the reporting period was mainly due to the capital from the disposal of subsidiaries not remitted back to the Company but remaining on the accounts of the holding company.

Note 9: The investment had been disposed in September 2019, refer to Note 29 for the details.

(Concluded)