

Stock Code: 1717

# **Eternal Materials Co., Ltd.**

## **2018 Annual Report**

**Printed on May 18, 2019**

**Market Observation Post System: <http://mops.twse.com.tw>**

**Company Website: <http://www.eternal-group.com>**

**I. Name, Title, Telephone Number, and E-mail Address of Spokesperson and Deputy Spokesperson**

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Title: Vice President

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Deputy Spokesperson: Liu, Bing-Cheng

Title: Manager

Tel: (07) 383-8181 ext. 306

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**II. Address and Telephone Number of Headquarters, Branch Offices, and Factories**

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Tel: (07) 383-8181

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Tel: (07) 696-3331

Da-Fa Plant: No. 30, Yumin Street, Daliao District, Kaohsiung City (Dafa Industrial Park)

Tel: (07) 787-3645

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Tel: (08) 866-9009

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Tel: (03) 462-8088

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**III. Name, Address, E-mail Address, and Telephone Number of Stock Transfer Agent**

President Securities Corporation

Address: B1, No. 8, Dongxing Road, Songshan District, Taipei City

Tel: (02) 2746-3797

Website: <http://www.pscnet.com.tw>

**IV. Name of Certified Public Accountants Duly Auditing the Annual Financial Statements for the Most Recent Fiscal Year, and Name, Address and Telephone Number of Accounting Firm**

CPAs: Kuo, Li-Yuan and Kung, Chun-Chi

Deloitte Taiwan

Address: 3F, No. 88, Chenggong 2nd Road, Qianzhen District, Kaohsiung City

Tel: (07) 530-1888

Website: <http://www2.deloitte.com/tw>

**V. Name of Exchanges where the Company's Securities Are Traded Offshore: None**

Method by which to Access Information on Offshore Securities: None.

**VI. Address of the Company's Website: <http://www.eternal-group.com>**

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## Chapter 1 Report to the Shareholders

Shareholders' trust and support are highly appreciated. In retrospect of 2018, the Company faced challenges, such as fluctuations in prices of raw materials, tariff barriers in international trade, and global economic slowdown. Although the management continued to develop the market to drive the growth of revenue, the overall profit was not as expected due to the reduction in profit margins.

Looking ahead to 2019, the business operations are challenging as uncertainties, such as the global economic downturn, the China-US trade war, and Brexit, remain. In the face of such challenges, the Company seeks for business opportunities and develops the market in the ever-changing environment. The plant in Malaysia started production in 2018 and brought flexibility to the global supply chain under the China-US trade war. In terms of business management, the Company plans to establish "smart manufacturing" with the new ERP system to enhance corporate resilience, efficiency and competitiveness. The Company will continue to fulfill its corporate social responsibility and corporate governance to create greater value for shareholders and society.

The operating results in 2018 are reported as follows:

### I. 2018 Operating Results

#### (I) Implementation of the business plan

In 2018, consolidated net revenue of the Company was NT\$43.3 billion, an increase of 4.21% from 2017. In terms of operating profit, net profit before tax was NT\$1.864 billion, a decrease of 17.91% from the previous year; net profit after tax attributable to owners of the parent company was NT\$1.551 billion, with the earnings per share after tax at NT\$1.25.

#### (II) Implementation of the budget

As the Company did not disclose financial forecasts in 2018, the implementation of the budget was unavailable.

#### (III) Analysis of receipts, expenditures, and profitability

##### 1. Receipts and expenditures:

Unit: NT\$1,000

Item	Amount in 2018
Operating revenue	43,300,155
Operating gross profit	7,279,839
Operating profit or loss	1,813,005
Non-operating income and expenses	50,966
Net profit before tax	1,863,971
Net profit	1,492,323
Net comprehensive loss after tax	(600,017)
Total comprehensive income	892,306
Net profit attributable to owners of the parent company	1,550,515

Net profit attributable to non-controlling interests	(58,192)
Total comprehensive income attributable to owners of the parent company	952,243
Total comprehensive income attributable to non-controlling interests	(59,937)
Earnings per share (NT\$)	1.25

2. Profitability analysis:

Unit: %

Item	Percentage
Return on assets (ROA)	4
Return on equity (ROE)	7
Ratio of net profit before tax to paid-in capital	15
Profit margin	3
Earnings per share (NT\$)	1.25

(IV) Research and development

1. Research and development results in 2018:

- (1) Water-borne light-curing plastic cover
- (2) Bridging agent of high light anode electrophoretic coating
- (3) Water-borne passivation resin for galvanized steel plates
- (4) Visible-light photocatalyst antibacterial coating
- (5) Lightweight UP structural adhesive for FRP industry
- (6) Methylphenyl polyoxyalkylene microspheres for LED light
- (7) Accurate detection technology of fluorine content in water-borne fluorocarbon coating
- (8) Non-ionic self-extinguishing resin and coating
- (9) Eco-friendly high solids fluoroester resin
- (10) High performance acrylate PSA glue for electronics
- (11) Gel for cosmetic raw materials

2. Future research and development:

- (1) Biomedical testing materials
- (2) Green energy / energy storage materials
- (3) Soft electronic materials
- (4) Semiconductor packaging materials
- (5) High performance engineering plastic materials
- (6) Sustainable environmentally-friendly materials

## II. Summary of 2019 Business Plan

### (I) Estimated sales volume

The Company's 2019 business plan is to perform better than the average revenue growth rate of the most recent three years. The management team will actively achieve the operational goals and work together to enhance corporate value.

### (II) Business policy and production and marketing strategy

1. The product structure will focus on the development of high-end products, such as functional resins, rubber materials, and membrane materials required for industrial applications (including coating, PCB, optoelectronics, semiconductor packaging, and biomedical technology). The Company will also accelerate the commercialization of New Products Development (NPD) and New Business Development (NBD) to obtain a higher market value.
2. Apart from enhancing China's market presence, the Company will actively expand the local operations in Northeast Asia, ASEAN, India, and other emerging markets. With the completion of the plant in Malaysia, the Company will continue to promote sales and strengthen its technology and market presence in Japan and Korea. At the same time, the Company will also strengthen the cooperation with multinational companies in Asia to drive business growth with a diversified product structure.

## III. Impact of External Competitive Environment, Regulatory Environment, and Overall Business Environment upon the Company's Future Development Strategy

The Fed of the U.S. is expected to end the interest rate hikes, and the global economic boom is about to come to an end. Due to the China-US trade war, the economy of China has slowed down, causing an impact on the business environment. The Company will continue to adjust the operating structure with pragmatic and prudent principles, and will be committed to the development of business diversification with flexible and steady strategies and optimized allocation of resources. The Company will also redouble its efforts in research, development and commercialization of key materials to satisfy future market demand and ensure the competitive advantage in long-term development.

We wish all shareholders good health, happiness, and success.

Chairman: Kao, Kuo-Lun

President: Hsieh, Chin-Kun

## Chapter 2 Company Profile

I. Date of Incorporation: December 3, 1964

II. Brief History of the Company

In 1964, the Company was founded in Kaohsiung City with the initial capital of NT\$800,000.

In 1965, the plant in Kaohsiung was completed and began to produce resin products.

In 1973, Lu-Chu Plant was completed and relocated.

In 1988, the Company and the Netherlands' DSM jointly established DSM Resins (Far East) Co., Ltd. in Pingtung.

In 1994, the Company's stock was listed on the Taiwan Stock Exchange on March 31.

In 1995, Eternal Chemical (China) Co., Ltd. was established in Jiangsu, China.

In 1995, Eternal Chemical (Guangzhou) Co., Ltd. was established in Guangdong, China.

In 1996, Eternal Chemical (Japan) Co., Ltd. was established in Japan.

In 1996, Eternal Electronic Materials (Kunshan) Co., Ltd. was established in Jiangsu, China.

In 1997, Eternal Corporation of America was established in the United States (U.S.).

In 1997, the Company and the Netherlands' DSM Resins B.V. jointly established DSM Eternal Resins (Kunshan) Co., Ltd. in Jiangsu, China.

In 1998, Eternal Technologies (Shanghai) Co., Ltd. was established in Shanghai, China.

In 1999, Eternal Technology Corporation was established in the U.S.

In 1999, Shanghe International Trading (Shanghai) Co., Ltd. was established in Shanghai, China.

In 1999, Eternal Photoelectric Material Industry (Kunshan) Co., Ltd. was established in Jiangsu, China.

In 2000, Eternal Chemical (Guangdong) Co., Ltd. was established in Guangdong, China.

In 2000, Lu-Chu Plant was shut down for three months due to the Gaoping River water pollution incident.

In 2001, Eternal Electronic Material (Guangzhou) Co., Ltd. was established in Guangdong, China.

In 2001, Changhe International Trading (GZFTZ) Co., Ltd. was established in Guangdong, China.

In 2003, the U.S. subsidiary, Eternal Technology Corporation acquired the Dry Film business of Shipley Company L.L.C.

In 2003, Eternal Specialty Chemical (Zhuhai) Co., Ltd. was established in Guangdong, China.

In 2003, ESCO Specialty Coatings (Guangzhou) Co., Ltd. was established in Guangdong, China.

In 2003, Eternal Development Technology Co., Ltd. was established in Southern Taiwan Science Park (STSP) in Kaohsiung.

In 2004, Eternal Photosensitive Liquid Materials (Kunshan) Co., Ltd. was established in



Jiangsu, China.

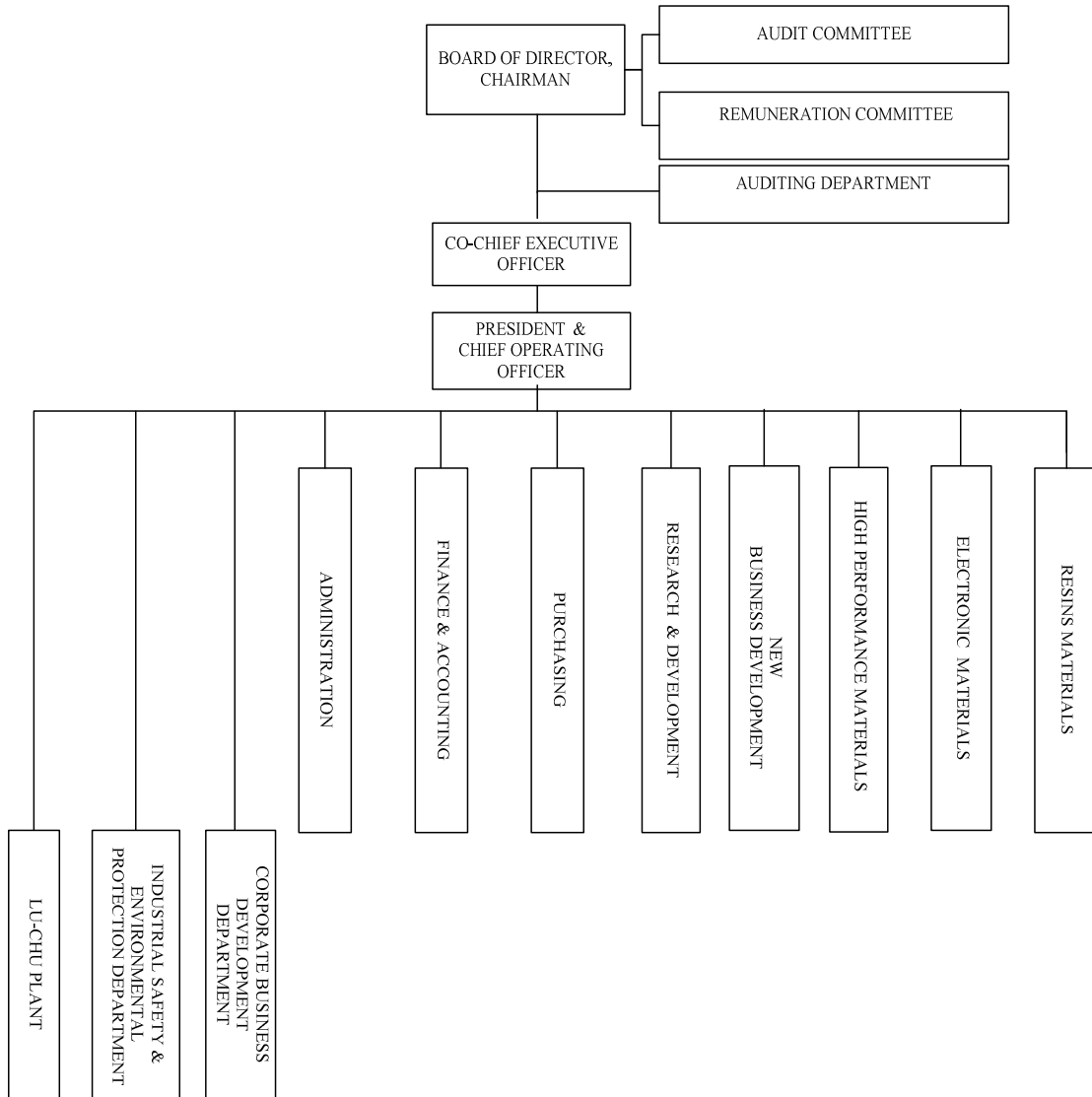
- In 2004, a Dutch company, Cognis B.V., invested and acquired 10% shares in Eternal Specialty Chemical (Zhuhai) Co., Ltd.
- In 2006, Eternal Optical Material (Suzhou) Co., Ltd. was established in Jiangsu, China.
- In 2006, Eternal Chemical Industry (China) Co., Ltd. invested and established Eternal Synthetic Resins (Changshu) Co., Ltd. in Jiangsu, China.
- In 2006, the Company and AU Optronics Corporation formed a joint venture to establish Daxin Materials Corporation in Hsinchu.
- In 2006, Eternal Photoelectric Materials (Guangzhou) Co., Ltd. was established in Guangdong, China.
- In 2007, ESCO Specialty Coatings (Shanghai) Co., Ltd. was established in Shanghai, China.
- In 2007, Eternal Photoelectric Material Industry (Yingkou) Co., Ltd. was established in Liaoning, China.
- In 2008, the Company invested and acquired 75% shares in Eternal Electronic Materials (Thailand) Co., Ltd. in Thailand.
- In 2008, Eternal Photosensitive Liquid Materials (Kunshan) Co., Ltd. was liquidated in China.
- In 2008, Eternal Chemical Europe B.V. was established in the Netherlands.
- In 2009, Shanghe International Trade (Shanghai) Co., Ltd. was liquidated in China.
- In 2009, Eternal Chemical (Tianjin) Co., Ltd. was established in Tianjin, China.
- In 2009, the Company and Kwang Yang Motor Co., Ltd., etc. formed a joint venture to establish New E Materials Co., Ltd. in STSP in Kaohsiung.
- In 2010, the equity held in Eternal Development Technology Co., Ltd. was completely disposed.
- In 2010, the Company (holding 20% of the shares) and Mitsubishi Plastics, Inc. formed a joint venture to establish Advanced PETFILM Investment Co., Ltd.
- In 2011, Eternal (China) Investment Co., Ltd. was established in Shanghai, China.
- In 2011, Eternal (Guangzhou) Chemical Industry Co., Ltd. was merged into Eternal (Guangzhou) Electronic Material Co., Ltd. in China.
- In 2011, Eternal Electronic (Suzhou) Co., Ltd. was established in Jiangsu, China.
- In 2011, Eternal Chemical (Chengdu) Co., Ltd. was established in Sichuan, China.
- In 2012, Eternal Technology (Shanghai) Co., Ltd. was merged into Eternal (China) Investment Co., Ltd. in China.
- In 2012, Eternal Corporation of America was merged into the Eternal Technology Corporation.
- In 2013, the Company and Sun A. Kaken Co., Ltd. formed a joint venture to establish Eternal Sun A. (Suzhou) Co., Ltd. in Jiangsu, China.
- In 2013, the Company invested and acquired 100% shares in Nichigo-Morton Co., Ltd. in Japan.
- In 2013, Eternal invested and acquired 35% shares in Elga Europe S.R.L.

- In 2014, Eternal Specialty Chemical (Suzhou) Co., Ltd. was established in Jiangsu, China.
- In 2014, the Company, Eternal Chemical Co., Ltd. was renamed as Eternal Materials Co., Ltd.
- In 2014, the Company and Gemmy Electronics Co., Ltd. formed a joint venture to establish Eternal Capatech Co., Ltd. in Kaohsiung.
- In 2015, the Company and Allnex S.a.r.l formed a joint venture to establish Allnex-Eternal Resins Corporation Ltd. in Hong Kong.
- In 2015, the Company and Showa Denko Co., Ltd. formed a joint venture to establish Showa Denko New Material (Zhuhai) Co., Ltd. in China.
- In 2015, the Company and Tong Seng Holdings Pte. Ltd. formed a joint venture to establish Eternal Materials (Malaysia) Sdn. Bhd. in Malaysia.
- In 2015, the Company invested and 18.48% shares in TBG Diagnostics Ltd (an affiliated company of Medigen Biotech Corporation) in Australia.
- In 2017, the Company increased its investment in Elga Europe S.R.L. to 95% of shares in Italy.
- In 2017, the Company and Zhejiang Nanyang Technology Co., Ltd. formed a joint venture to establish Hangzhou Yongxin Yangguang Electronic Material Co., Ltd. in China.
- In 2018, the Company increased its investment in Polymer Instrumentation and Consulting Services, Ltd. to 30% of shares in the U.S.
- In 2018, Eternal Materials (Changzhou) Co., Ltd. was established in Jiangsu, China.

# Chapter 3 Corporate Governance Report

## I. Organizational System

### (I) Company's Structure



(II) Tasks of Principal Departments

Department	Main Responsibility
Resins Materials	Responsible for supervising the implementation of the business development strategies and the completion of business objectives of various business divisions and subsidiaries.
Electronic Materials	Responsible for supervising the implementation of the business development strategies and the completion of business objectives of various business divisions and subsidiaries.
High Performance Materials	Responsible for supervising the implementation of the business development strategies and the completion of business objectives of various business divisions and subsidiaries.
New Business Development	Responsible for planning the development strategies of various business divisions and the achievement of development and business objectives of new high-end products and services.
Research & Development	Responsible for new product development and technical quality improvement, integration of core technologies, resource expansion of relevant domestic and international research and development, planning of medium and long-term research and development direction, nurturing new ventures, engineering and technical data management, production improvement projects, supervising various mechanical equipment maintenance, maintenance planning, repair as well as assisting in engineering planning, design, supervision, testing, and acceptance.
Purchasing	Responsible for the planning and execution of domestic and international raw materials, machinery and equipment procurement, engineering contracting, and long-term contracts for important raw materials.
Finance & Accounting	Responsible for supervising the financial and accounting units under its supervision in order to integrate and audit their management performance domestically and internationally.
Administration	Responsible for supervising the human resources management, information management, administrative services, legal affairs, and other units under its supervision.
Corporate Business Development Department	Responsible for research in industry development trends and business opportunities in emerging markets, determining market feasibility of new research and development topics, evaluation of new business establishments, expansion planning and management of operating locations.
Industrial Safety & Environmental Protection Department	Responsible for planning the industrial safety and environmental protection system, supervising the implementation of the industrial and environmental protection at various factories domestically and internationally, and regularly audit their operations.
Lu-Chu Plant	Responsible for the health, safety, and environmental protection issues, coordination of general affairs, and the maintenance of public facilities in Lu-Chu Plant.
Auditing Department	Responsible for the audit of various operational activities.

## II. Information on Directors, Supervisors, and Managerial Officers

### (I)

#### 1. Information on Directors and Supervisors

April 28, 2019; Unit: Thousand Shares, %

Title	Nationality/ Country of Origin	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position (Notes 2 & 3)	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Chairman	Republic of China	Kao, Kuo-Lun	Male	1050615	3 years	810715	42,701	4.18	50,139	4.04	5,731	0.46	0	0	-Master of Business Administration, University of Southern California -President of the Company	-Co-Chief Executive Officer of the Company	None	None	None
Director	Republic of China	Yang, Huai-Kung	Male	1050615	3 years	610514	14,199	1.39	16,176	1.30	0	0	0	0	-Bachelor of Accounting, Soochow University -Vice President of the Company	-Supervisor of China FRP Corp.	None	None	None
Director	Republic of China	Kao, Ying-Chih	Male	1050615	3 years	990615	16,361	1.60	19,852	1.60	1,047	0.08	6,349	0.51	-Bachelor of Physics, Chung Yuan Christian University -Chairman of Orchard Taiwan Co., Ltd.	-Supervisor of Chengfu International Investment Co., Ltd.	None	None	None
Director	Republic of China	Huang, Wu-Tung	Male	1050615	3 years	650523	3,231	0.32	3,921	0.32	2,257	0.18	0	0	-Bachelor of Chemical Engineering, National Cheng Kung University -Vice President of the Company	None	None	None	None
Director	Republic of China	Kwang Yang Motor Co., Ltd.	—	1050615	3 years	840428	101,371	9.92	123,002	9.92	N/A	N/A	0	0	N/A	N/A	N/A		
		Representative: Ko, Chun-Ping	Male				0	0	0	0	0	0	0	0	0	0	0	0	Master of Management Science, Tamkang University
Director	Republic of China	Hsieh, Chin-Kun	Male	1050615	3 years	930414	596	0.06	723	0.06	0	0	0	0	-Master of Business Administration, National Sun Yat-sen University -Vice President of the Company	-President, Chief Executive Officer, and Chief Operating Officer of the Company	None	None	None
Director	Republic of China	Shiao, Tzu-Fei	Male	1050615	3 years	870410	460	0.05	558	0.05	0	0	0	0	-Master of Business Administration, National Chengchi University -President of the Company	-Chief Strategy Officer of the Company	None	None	None
Independent Director	Republic of China	Chen, I-Heng	Male	1050615	3 years	1050615	327	0.03	472	0.04	82	0	0	0	-Professor of Institute of Human Resource Management, National Sun Yat-sen University	(Note 5)	None	None	None

Title	Nationality/ Country of Origin	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position (Notes 2 & 3)	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Independent Director	Republic of China	Hung, Leei-Jung	Female	1050615	3 years	1050615	0	0	0	0	0	0	0	0	-Certified Public Accountant and Partner of PricewaterhouseCoopers Taiwan	(Note 6)	None	None	None
Independent Director	Republic of China	Hsu, Jui-Yuan	Male	1050615	3 years	1050615	0	0	0	0	0	0	0	-Assistant Professor of Chung Yuan Christian University, Tamkang University, and Hsuan Chuang University	-Member of the Audit Committee and the Remuneration Committee of the Company	None	None	None	

- Note 1: Chairman Kao, Kuo-Lun was elected as a director of the Company for the first time on July 15, 1992 and has been elected by the Board of Directors as the Chairman since June 15, 2010.  
Director Hsieh, Chin-Kun was elected as the director of the Company for the first time from April 4, 2004 to April 13, 2007. He has been elected as a director of the Company since June 15, 2010.  
Director Kao, Ying-Chih has been elected as the supervisor of the Company since May 23, 1976 and has been elected as the director of the Company for the first time since June 15, 2010.
- Note 2: The directors of the Company have not been employed by the accounting firm or its affiliated companies.
- Note 3: Position(s) held concurrently in the Company and/or in any other companies: Please refer to the "Information on Directors, Supervisors, and Presidents of Affiliated Companies" on pages 302~308 of the Annual Report.
- Note 4: Director Ko, Chun-Ping: Director and Chief Executive Officer of Kwang Yang Motor Co., Ltd., Chairman of Kwang Xing Industrial Co., Ltd., Chairman of Kwang Da Trading Co., Ltd., Director of Shang Yang Venture Capital Co., Ltd., Director of New E Materials Co., Ltd., Chairman of Yu Ji Investment Co., Ltd., Chairman of Kwang Jie Co., Ltd., Chairman of Kwang Yang Investment Limited, Director of China Ocean Enterprise Co., Ltd., and Director of Changzhou Kwang Yang Motor Co., Ltd.
- Note 5: Director Chen, I-Heng: Member of the Audit Committee and Chairperson of the Remuneration Committee of the Company, and Independent Director of KHAM Inc.
- Note 6: Director Hung, Lee-Jung: Chairperson of the Audit Committee and Member of the Remuneration Committee of the Company, and Independent Director of Launch Tech International Technology Co., Ltd. and Advanced International Multitech Co., Ltd.

## 2. Major Shareholders of Institutional Shareholders

Name of Institutional Shareholder	Major Shareholders of Institutional Shareholder	Shareholding Percentage (%)
Kwang Yang Motor Co., Ltd.	Xinsheng Investment Co., Ltd.	11.31
	Hongguang Investment Co., Ltd.	7.99
	Daming Investment Co., Ltd.	6.54
	Yu Ji Investment Co., Ltd.	0.39
	Qingda Investment Co., Ltd.	0.31
	Mingfeng Investment Co., Ltd.	0.29
	Anhui Investment Co., Ltd.	0.26
	Qingsheng Investment Co., Ltd.	0.26
	Xindong Investment Co., Ltd.	0.25
	Minghe Investment Co., Ltd.	0.16

Note: The above table is based on the public information system of Department of Commerce, Ministry of Economic Affairs (MOEA) on business registration.

## 3. Ultimate Owners of Major Shareholders of Institutional Shareholders

Major Shareholder of Institutional Shareholder	Ultimate Owners	Shareholding Percentage (%)
Xinsheng Investment Co., Ltd.	Ko, Hung-Ming	0.005
	Ko, Hsing-Lang	0.005
	Ko Wang, Shu-Yuan	0.005
Hongguang Investment Co., Ltd.	Ko Wang, Shu-Yuan	20.00
	Ke, Hung-Ming	20.00
Daming Investment Co., Ltd.	Ko, Chung-Hsiung	4.95
	Ko, Jung-Chia	2.58
	Ko, Chia-Nan	0.71
	Ko, Chia-Hung	12.50
Yu Ji Investment Co., Ltd.	Ko, Chun-Ping	52.72
	Ko, Yi-Cheng	25.74
	Chiu, Ting-Feng	7.08
	Ko, Yi-Tzu	14.46
Qingda Investment Co., Ltd.	Ko, Tsung-Chih	12.13
	Ko, Tsung-Chun	8.80
	Ko, Po-Ren	8.77
	Ko, Chun-Nan	7.87
	Ko, Chia-Ling	7.17
	Ko, Meng-Chun	7.07
	Ko, Chun-Ming	6.00
	Tiao, Yi-Hsuan	3.60
	Liang Ssu	1.33
	Liu, Shu-Chuan	1.20
Mingfeng Investment Co., Ltd.	Ke Wang, Shu-Yuan	0.01
	Ke, Sheng-Feng	0.01
	Ke, Yu-Feng	0.01
	Ke, Hung-Ming	0.01
Anhui Investment Co., Ltd.	Chen, Chih-Shan	100.00
Qingsheng Investment Co., Ltd.	Ko, Ching-Tsung	24.00
Xindong Investment Co., Ltd.	Ko, Ching-Yao	43.50

Major Shareholder of Institutional Shareholder	Ultimate Owners	Shareholding Percentage (%)
	Tsai, Mei-Chu Ko, Chia-Wen Wang, Chung-Chih	43.00 12.50 0.50
Minghe Investment Co., Ltd.	Lu, Chung-Ming Lu, Chung-he	36.05 36.05

Note: The above table is based on the public information system of Department of Commerce, Ministry of Economic Affairs (MOEA) on business registration.

#### 4. Information on Directors and Supervisors

April 28, 2019

Name	Qualifications	Whether One of the Following Professional Qualifications Is Met, together with at Least 5 Years of Work Experience		Compliance with Independence Criteria										Number of Independent Directorships at Other Public Companies	
		Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Any Other Professional or Technical Specialist Having Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business Operations of the Company	Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business Operations of the Company	1	2	3	4	5	6	7	8	9	10		
Kao, Kuo-Lun		v					v	v	v	v	v	v	v	v	0
Shiao, Tzu-Fei		v				v	v	v	v	v	v	v	v	v	0
Yang, Huai-Kung		v	v			v	v	v	v	v	v	v	v	v	0
Huang, Wu-Tung		v	v			v	v	v	v	v	v	v	v	v	0
Hsieh, Chin-Kun		v				v	v	v	v	v	v	v	v	v	0
Kao, Ying-Chih		v	v			v	v	v	v	v	v	v	v	v	0



Kwang Yang Motor Co., Ltd. Representative: Ko, Chun-Ping			v	v		v	v				v	v	v		0
Chen, I-Heng	v		v	v	v	v	v	v	v	v	v	v	v	v	1
Hung, Lee-Jung		v	v	v	v	v	v	v	v	v	v	v	v	v	2
Hsu, Jui-Yuan	v	v	v	v	v	v	v	v	v	v	v	v	v	v	0

Note: During the 2 years prior to appointment or during the term of office, a mark "V" is indicated for each item below where applicable for the director or supervisor concerned. ✓

- (1) Has not been an employee of the Company or any of its affiliated companies.
- (2) Has not been a director or supervisor of the Company or any of its affiliated companies. However, this is not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary, as appointed in accordance with the Act or laws of the country where the parent or subsidiary is located.
- (3) Has not been a natural-person shareholder who (together with those held by the person's spouse, children of minor age, or in the name of another person (nominees)) holds an aggregate amount of 1 percent or more in the total number of issued shares of the Company, or ranks in top 10 in shareholding.
- (4) Has not been a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
- (5) Has not been a director, supervisor, or employee of an institutional shareholder that directly holds 5 percent or more in the total number of issued shares of the Company or ranks in the top 5 in shareholding.
- (6) Has not been a director, supervisor, managerial officer, or shareholder holding 5 percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company.
- (7) Has not been a professional individual or an owner, partner, director, supervisor, managerial officer, or a spouse thereof, of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, or accounting services or consultation to the Company or any of its affiliated companies. However, this restriction does not apply to remuneration committee members performing their official powers under Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.
- (8) Has not been a spouse or relative within the second degree of kinship of another director or supervisor.
- (9) Has not been subjected to any of the circumstances in the subparagraphs of Article 30 of the Company Act.
- (10) Has not been elected in the capacity of the government, a juridical person, or a representative thereof, as provided in Article 27 of the Company Act.

## (II) Information on managerial officers

April 28, 2019; Unit: Thousand shares, %

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Co-Chief Executive Officer	Republic of China	Kao, Kuo-Lun	Male	2016.11.11	50,139	4.04	5,731	0.46	0	0	Master of Business Administration, University of Southern California	(Notes 1 & 2)	None	None	None
Co-Chief Executive Officer and President	Republic of China	Hsieh, Chin-Kun	Male	2013.06.20	723	0.06	0	0	0	0	Master of Business Administration, National Sun Yat-sen University	(Notes 1 & 2)	None	None	None
Chief Strategy Officer	Republic of China	Shiao, Tzu-Fei	Male	2016.06.15	558	0.05	0	0	0	0	Master of Business Administration, National Chengchi University	(Note 1)	None	None	None
Vice President	Republic of China	Huang, Shun-Ren (Note 3)	Male	2000.12.12	729	0.06	462	0.04	0	0	Master of Chemical Engineering, National Tsing Hua University	None	None	None	None
Vice President	Republic of China	Chen, Ming-Jen	Male	2011.02.21	336	0.03	0	0	0	0	Bachelor of Chemistry, National Cheng Kung University	None	None	None	None
Vice President	Republic of China	Chen, Chin-Yuan	Male	2011.02.21	285	0.02	0	0	0	0	Bachelor of Chemical Engineering, National Taiwan University	(Notes 2 & 5)	None	None	None
Vice President	Republic of China	Yen, Shu-Fen (Note 3)	Female	2013.01.01	299	0.02	16	0	0	0	Bachelor of Business Administration, National Cheng Kung University	None	None	None	None
Vice President	Republic of China	Mao, Hui-Kuan	Male	2015.01.01	217	0.02	0	0	0	0	Master of Chemical Engineering, National Taiwan University	(Notes 2 & 6)	None	None	None
Vice President	Republic of China	Liao, Heng-Ning	Male	2017.01.01	253	0.02	0	0	0	0	Bachelor of Chemical Engineering, National Taiwan University	(Notes 2 & 7)	None	None	None

Assistant Vice President	Republic of China	Lin, Chih-Kuo	Male	1999.07.01	676	0.05	0	0	0	0	Doctor of Philosophy in Human Resource Management, National Sun Yat-sen University	(Note 2)	None	None	None
Assistant Vice President	Republic of China	Chuang, Shih-Hsien (Note 3)	Male	2000.12.12	202	0.02	81	0.01	0	0	Master of Chemical Engineering, National Cheng Kung University	(Note 2)	None	None	None
Assistant Vice President	Republic of China	Sung, Chun-Lung	Male	2003.01.01	0	0	0	0	0	0	Bachelor of Chemistry, National Cheng Kung University	None	None	None	None
Assistant Vice President	Republic of China	Yang, Ju-Tai (Note 3)	Male	2004.07.15	321	0.03	2	0	0	0	Master of Chemical Engineering, National Taiwan University	None	None	None	None
Assistant Vice President	Republic of China	Lee, Shan-Heng (Note 3)	Male	2006.01.01	101	0.01	0	0	0	0	Master of Business Administration, California State University	None	None	None	None
Assistant Vice President	Republic of China	Wen, Jung-Chuan (Note 3)	Male	1999.01.01	1,013	0.08	453	0.04	0	0	Bachelor of Physics, Chinese Culture University	None	None	None	None
Assistant Vice President	Republic of China	Lin, He-Hsing (Note 3)	Male	2010.01.01	112	0.01	3	0	0	0	Master of Chemical Engineering, National Tsing Hua University	None	None	None	None
Assistant Vice President	Republic of China	Hung, Chao-Cheng	Male	2010.01.01	259	0.02	0	0	0	0	Bachelor of Chemical Engineering, National Taiwan University	(Notes 2 & 8)	None	None	None
Assistant Vice President	Republic of China	Kao, Chih-Yu	Male	2010.01.01	63	0.01	10	0	0	0	Doctor of Philosophy in Chemical Engineering, National Taiwan University	(Note 9)	None	None	None
Assistant Vice President	Republic of China	Chao, Yu-Wen	Male	2012.01.01	278	0.02	25	0	0	0	Master of Mineral Science, National Cheng Kung University	(Note 2)	None	None	None
Assistant Vice President	Republic of China	Chang, Shih-Fang	Male	2014.01.01	98	0.01	483	0.04	0	0	Bachelor of Chemical Engineering, Tunghai University	(Notes 2 & 10)	None	None	None

Assistant Vice President	Republic of China	Huang, Chin-Lung	Male	2015.01.01	214	0.02	55	0	0	0	Bachelor of Chemical Engineering, Chung Yuan Christian University	None	None	None	None
Assistant Vice President	Republic of China	Su, Wen-Pin	Male	2015.01.01	53	0	39	0	0	0	Master of Industrial Engineering, Taiwan Institute of Technology	None	None	None	None
Assistant Vice President	Republic of China	Cheng, Yu-Cheng	Male	2017.01.01	1	0	0	0	0	0	Doctor of Philosophy in of Philosophy, Huazhong University of Science & Technology, China	(Note 2)	None	None	None
Assistant Vice President	Republic of China	Pan, Chin-Cheng	Male	2017.01.01	239	0.02	110	0.01	0	0	Master of Chemistry, National Cheng Kung University	(Notes 2 & 11)	None	None	None
Assistant Vice President	Republic of China	Wang, Mao-Yung	Male	2018.01.01	104	0.01	0	0	0	0	Master of Chemical Engineering, Tatung Institute of Technology	(Note 2)	None	None	None
Assistant Vice President	Republic of China	Yeh, Mao-Jung	Male	2019.01.01	0	0	0	0	0	0	Master of Chemical Engineering, National Tsing Hua University	None	None	None	None
Assistant Vice President	Republic of China	Weng, Chin-Yi	Male	2019.01.01	10	0	0	0	0	0	Master of Chemical Engineering, National Tsing Hua University	None	None	None	None
Finance Manager (Note 4)	Republic of China	Chang, Chia-Chuan	Male	2014.01.01	0	0	0	0	0	0	Master of Business Administration, York University, Canada	(Note 2)	None	None	None
	Republic of China	Su, Hui-Fang	Female	2018.05.12	0	0	0	0	0	0	Master of Accounting, National Cheng Kung University Master of Business Administration, National Sun Yat-sen University	(Notes 2 & 12)	None	None	None
	Republic of China	Liu, Bing-Cheng	Male	2018.12.01	0	0	0	0	0	0	Master of Science in Finance, National Taiwan University Master of Information Technology, Loughborough University	None	None	None	None

Accounting Manager	Republic of China	Su, Hui-Fang	Female	2014.07.01	0	0	0	0	0	0	Master of Accounting, National Cheng Kung University Master of Business Administration, National Sun Yat-sen University	(Notes 2 & 12)	None	None	None
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Note 1: Please refer to the section "Information on Directors and Supervisors".

Note 2: Position(s) held concurrently in the Company and/or in any other companies: Please refer to the "Information on Directors, Supervisors, and Presidents of Affiliated Companies" on pages 302~308 of the Annual Report.

Note 3: Huang, Shun-Ren, Yen, Shu-Fen, Yang, Ju-Tai, Wen, Jung-Chuan, Lee, Shan-Heng, Lin, He-Hsing, and Chuang, Shih-Hsien retired/were discharged on June 30, 2018, January 2, 2019, December 30, 2018, August 28, 2018, February 17, 2019, February 8, 2019, and April 1, 2018, respectively. Their shareholding was disclosed as of the month of their retirement/discharge.

Note 4: Due to a job adjustment of Finance Manager Chang, Chia-Chuan on May 12, 2018, Accounting Manager Su, Hui-Fang acted as Finance Manager concurrently. Their shareholding was disclosed as of the month of their discharge. New Finance Manager Liu, Bing-Cheng assumed office on December 1, 2018.

Note 5: Chen, Chin-Yuan: Director of Daxin Materials Corporation, Director of ESCO Specialty Coatings (Shanghai) Co., Ltd., and Director of Eternal Electronic Materials (Kunshan) Co., Ltd.

Note 6: Mao, Hui-Kuan: Supervisor of Advanced PETFILM Investment Co., Ltd.

Note 7: Liao, Heng-Ning: Director of Allnex-Eternal Resins Corporation Ltd. and Director of Allnex-Eternal Resins (Guangdong) Corporation Ltd.

Note 8: Hung, Chao-Cheng: Director of Hangzhou Yongxinyang Optoelectronics Materials Co., Ltd.

Note 9: Director of DSM Resins (Far East) Co., Ltd. and Director of DSM Eternal Resins (Kunshan) Co., Ltd.

Note 10: Chang, Shih-Fang: Director of Showa Denko New Material (Zhuhai) Co., Ltd.

Note 11: Pan, Chin-Cheng - Director of ESCO Specialty Coatings (Shanghai) Co., Ltd.

Note 12: Su, Hui-Fang: Director of Global Strategic Investment Fund, Supervisor of Hangzhou Yongxinyang Optoelectronics Materials Co., Ltd., Supervisor of DSM Resins (Far East) Co., Ltd., Supervisor of DSM Eternal Resins (Kunshan) Co., Ltd., Supervisor of Allnex-Eternal Resins (Guangdong) Corporation Ltd., Supervisor of ESCO Specialty Coatings (Shanghai) Co., Ltd., Supervisor of Eternal Electronic Materials (Kunshan) Co., Ltd., and Supervisor of Showa Denko New Material (Zhuhai) Co., Ltd.

### III. Remuneration Paid to Directors, Supervisors, President and Vice Presidents in the Most Recent Year

(I)

#### 1. Remuneration Paid to Directors

Unit: Thousand NT\$

Title	Name	Remuneration of Directors								Ratio of Total Remuneration (A, B, C, and D) to Net Income after Tax (NIAT)		Remuneration Paid to Concurrent Employees								Ratio of Total Remuneration (A, B, C, D, E, F, and G) to Net Income after Tax (NIAT)		Whether or Not the Person Receives Remuneration from Other Non-subsidiary Companies the Company Has Invested in
		Compensation (A)		Retirement Pension (B)		Director Remuneration (C) (Note 1)		Allowances (D)		The Company	All Companies in Financial Statements	Salary, Bonus, and Special Expenses (E) (Note 2)		Retirement Pension (F)		Employee Remuneration (G) (Note 3)				The Company	All Companies in Financial Statements	
		The Company	All Companies in Financial Statements	The Company	All Companies in Financial Statements	The Company	All Companies in Financial Statements	The Company	All Companies in Financial Statements			The Company	All Companies in Financial Statements	The Company	All Companies in Financial Statements	Amount of Cash	Amount of Stock	Amount of Cash	Amount of Stock			
Chairman	Kao, Kuo-Lun	3,000	3,000	-	-	14,400	14,400	750	753	1.17	1.17	34,345	34,345	-	-	5,415	-	5,415	-	3.73	3.73	-
Director	Hsieh, Chin-Kun																					
Director	Hsiao, Tzu-Fei																					
Director	Yang, Huai-Kung																					
Director	Huang, Wu-Tung																					
Director	Kao, Ying-Chih																					
Director	Kwang Yang Motor Co., Ltd. Representative: Ko, Chun-Ping																					
Independent Director	Chen, I-Heng																					
Independent Director	Hung, Lee-Jung																					
Independent Director	Hsu, Jui-Yuan																					

Note 1: The 2018 directors and supervisors' remuneration of NT\$14.4 million was approved by the Board of Directors on March 27, 2019.

Note 2: Company car dispatch expenses are included. Additionally, compensation paid to the drivers amounted to NT\$1,003 thousand, but this is not included in this type of remuneration.

Note 3: The Company's 2018 earnings to be distributed to employees in 2019 are provisional in nature.

\*The remuneration disclosed in this table is calculated based on a concept which is different from the concept of income stipulated in the Income Tax Act. Therefore, this table is only meant for information disclosure, not for taxation. When all directors and supervisors receive more than 2% of net income after tax (NIAT) of all directors and supervisors of all companies listed the financial statements, and when the remuneration paid to each individual director or supervisor exceeds NT\$15 million, the remuneration of that individual director or supervisor shall be disclosed.

### Range of Remuneration Paid to Directors

Range of Remuneration Paid to Each Director	Name of Director			
	A+B+C+D		A+B+C+D+E+F+G	
	The Company	All Companies in the Financial Statements (H)	The Company	All Companies in the Financial Statements (H)
Less than NT\$2 million	Yang, Huai-Kung, Huang, Wu-Tung, Shiao, Tzu-Fei, Hsieh, Chin-Kun, Kao, Ying-Chih, representative of Kwang Yang Motor Co., Ltd. Ko, Chun-Ping, Chen, I-Heng, Hung, Lee-Jung, and Hsu, Jui-Yuan	Yang, Huai-Kung, Huang, Wu-Tung, Shiao, Tzu-Fei, Hsieh, Chin-Kun, Kao, Ying-Chih, representative of Kwang Yang Motor Co., Ltd. Ko, Chun-Ping, Chen, I-Heng, Hung, Lee-Jung, and Hsu, Jui-Yuan	Yang, Huai-Kung, Huang, Wu-Tung, Kao, Ying-Chih, representative of Kwang Yang Motor Co., Ltd. Ko, Chun-Ping, Chen, I-Heng, Hung, Lee-Jung, and Hsu, Jui-Yuan	Yang, Huai-Kung, Huang, Wu-Tung, Kao, Ying-Chih, representative of Kwang Yang Motor Co., Ltd. Ko, Chun-Ping, Chen, I-Heng, Hung, Lee-Jung, and Hsu, Jui-Yuan
NT\$2 million (inclusive)~NT\$5 million (exclusive)	Kao, Kuo-Lun	Kao, Kuo-Lun	None	None
NT\$5 million (inclusive)~NT\$10 million (exclusive)	None	None	Shiao, Tzu-Fei	Shiao, Tzu-Fei
NT\$10 million (inclusive)~NT\$15 million (exclusive)	None	None	None	None
NT\$15 million (inclusive)~NT\$30 million (exclusive)	None	None	Kao, Kuo-Lun and Hsieh, Chin-Kun	Kao, Kuo-Lun and Hsieh, Chin-Kun
NT\$30 million (inclusive)~NT\$50 million (exclusive)	None	None	None	None
NT\$50 million (inclusive)~NT\$100 million (exclusive)	None	None	None	None
More than NT\$100 million	None	None	None	None
Total	10	10	10	10

2. Remuneration Paid to Co-Chief Executive Officers, President, Chief Strategy Officer, and Vice Presidents

Unit: Thousand NT\$

Title	Name	Salary (A)		Retirement Pension (B)		Bonus and Special Expenses (C) (Note 1)		Employee Remuneration (D) (Note 2)				Ratio of Total Remuneration (A, B, C, and D) to Net Income after Tax (NIAT)		Whether or Not the Person Receives Remuneration from Other Non-subsidiary Companies the Company Has Invested in
		The Company	All Companies in Financial Statements	The Company	All Companies in Financial Statements	The Company	All Companies in Financial Statements	The Company		All Companies in Financial Statements		The Company	All Companies in Financial Statements	
								Amount of Cash	Amount of Stock	Amount of Cash	Amount of Stock			
Co-Chief Executive Officer	Kao, Kuo-Lun	32,107	32,107	-	-	33,769	33,772	8,756	-	8,756	-	4.81	4.81	-
Co-Chief Executive Officer and President	Hsieh, Chin-Kun													
Chief Strategy Officer	Shiao, Tzu-Fei													
Vice President	Huang, Shun-Ren													
Vice President	Chen, Ming-Jen													
Vice President	Chen, Chin-Yuan													
Vice President	Yen, Shu-Fen													
Vice President	Mao, Hui-Kuan													
Vice President	Liao, Heng-Ning													

Note 1: Company car dispatch expenses are included. Additionally, compensation paid to the drivers amounted to NT\$1,003 thousand, but this is not included in this type of remuneration.

Note 2: The Company's 2018 earnings to be distributed to employees in 2019 are provisional in nature.

\*The remuneration disclosed in this table is calculated based on a concept which is different from the concept of income stipulated in the Income Tax Act. Therefore, this table is only meant for information disclosure, not for taxation.

Range of Remuneration Paid to Co-Chief Executive Officers, President, Chief Strategy Officer, and Vice Presidents

Range of Remuneration Paid to Co-Chief Executive Officers, President, Chief Strategy Officer, and Vice Presidents	Name of Co-Chief Executive Officer, President, Chief Strategy Officer, and Vice President	
	The Company	All Companies in Financial Statements
Less than NT\$2 million	None	None
NT\$2 million (inclusive)~NT\$5 million (exclusive)	Huang, Shun-Ren	Huang, Shun-Ren
NT\$5 million (inclusive)~NT\$10 million (exclusive)	Shiao, Tzu-Fei, Chen, Ming-Jen, Chen, Chin-Yuan, Yen, Shu-Fen, Mao, Hui-Kuan, and Liao, Heng-Ning	Shiao, Tzu-Fei, Chen, Ming-Jen, Chen, Chin-Yuan, Yen, Shu-Fen, Mao, Hui-Kuan, and Liao, Heng-Ning
NT\$10 million (inclusive)~NT\$15 million (exclusive)	None	None
NT\$15 million (inclusive)~NT\$30 million (exclusive)	Kao, Kuo-Lun and Hsieh, Chin-Kun	Kao, Kuo-Lun and Hsieh, Chin-Kun
NT\$30 million (inclusive)~NT\$50 million (exclusive)	None	None
NT\$50 million (inclusive)~NT\$100 million (exclusive)	None	None
More than NT\$100 million	None	None
Total	9	9



3. Employee Remuneration Paid to Managerial Officers

December 31, 2018; Unit: thousand NT\$

	Title	Name	Amount of Stock	Amount of Cash	Total	Ratio of Total Amount to Net Income after Tax (NIAT) (%)
Managerial Officer	Co-Chief Executive Officer	Kao, Kuo-Lun	0	13,831	13,831	0.89
	Co-Chief Executive Officer and President	Hsieh, Chin-Kun				
	Chief Strategy Officer	Shiao, Tzu-Fei				
	Vice President	Huang, Shun-Ren (Note 1)				
	Vice President	Chen, Ming-Jen				
	Vice President	Chen, Chin-Yuan				
	Vice President	Yen, Shu-Fen				
	Vice President	Mao, Hui-Kuan				
	Vice President	Liao, Heng-Ning				
	Assistant Vice President	Lin, Chih-Kuo				
	Assistant Vice President	Chuang, Shih-Hsien (Note 2)				
	Assistant Vice President	Sung, Chun-Lung				
	Assistant Vice President	Yang, Ju-Tai (Note 3)				
	Assistant Vice President	Lee, Shan-Heng				
	Assistant Vice President	Wen, Jung-Chuan (Note 4)				
	Assistant Vice President	Lin, He-Hsing				
Assistant Vice President	Hung, Chao-Cheng					

	Title	Name	Amount of Stock	Amount of Cash	Total	Ratio of Total Amount to Net Income after Tax (NIAT) (%)
	Assistant Vice President	Kao, Chih-Yu				
	Assistant Vice President	Chao, Yu-Wen				
	Assistant Vice President	Chang, Shih-Fang				
	Assistant Vice President	Huang, Chin-Lung				
	Assistant Vice President	Su, Wen-Pin				
	Assistant Vice President	Cheng, Yu-Cheng				
	Assistant Vice President	Pan, Chin-Cheng				
	Assistant Vice President	Wang, Mao-Yung				
	Finance Manager	Chang, Chia-Chuan (Note 5)				
		Su, Hui-Fang (Note 5)				
		Liu, Bing-Cheng (Note 5)				
	Accounting Manager	Su, Hui-Fang				

Note 1: Huang, Shun-Ren retired on June 30, 2018.

Note 2: Chuang, Shih-Hsien was discharged on April 1, 2018.

Note 3: Yang, Ju-Tai retired on December 30, 2018.

Note 4: Wen, Jung-Chuan retired on August 28, 2018.

Note 5: Due to a job adjustment of Finance Manager Chang, Chia-Chuan on May 12, 2018, Accounting Manager Su, Hui-Fang acted as Finance Manager concurrently. New Finance Manager Liu, Bing-Cheng assumed office on December 1, 2018.

- (II) Analysis of Ratio of Total Remuneration Paid in the Most Recent Two Years to Directors, Presidents, and Vice Presidents of the Company and all companies in the financial statements to Net Income after Tax (NIAT) in Standalone Financial Statements, and Correlation between Remuneration Policies, Standards, and Packages, as well as Procedures for Determining Remuneration, and Business Performance and Future Risk Exposure

1.

Target \ Year	Ratio of Total Remuneration to NIAT (%)			
	2018		2017	
	The Company	All Companies in Financial Statements	The Company	All Companies in Financial Statements
Directors (Note 1)	1.17	1.17	0.93	0.93
Presidents and Vice Presidents (Note 2)	4.81	4.81	5.00	5.00

Note 1: Employee remuneration paid to directors is not included.

Note 2: Regardless of job titles, positions equivalent to president and vice president (such as President, Chief Executive Officer, and Executive Director) shall be disclosed.

2. Remuneration paid to directors, presidents, and vice presidents shall be handled in accordance with Articles 14-1 and 17 of the Company's Articles of Incorporation. The rate of appropriation shall be limited to 1% of profit for the current year.

#### IV. State of Implementation of Corporate Governance

- (I) State of Operations of the Board of Directors

A total of 6 meetings (A) were held by the Board of Directors in the most recent year. The attendance of directors is as follows:

Title	Name	Times of Attendance in Person (B)	Times of Attendance by Proxy	Rate of Attendance in Person (%) [B/A]	Note
Chairman	Kao, Kuo-Lun	5	0	83	None
Director	Yang, Huai-Kung	6	0	100	
Director	Huang, Wu-Tung	6	0	100	
Director	Kao, Ying-Chih	6	0	100	
Director	Hsieh, Chin-Kun	6	0	100	
Director	Shiao, Tzu-Fei	6	0	100	
Director	Representative of Kwang Yang Motor Co., Ltd. Ko, Chun-Ping	6	0	100	
Independent Director	Chen, I-Heng	6	0	100	
Independent Director	Hung, Lee-Jung	6	0	100	
Independent Director	Hsu, Jui-Yuan	4	2	67	

Other items to be recorded:

- I. If any of the following applies to the operations of the Board of Directors, the date and session of the Board meeting, the content of the proposal, opinions of all Independent Directors and the Company's

actions in response to the opinions of Independent Directors shall be stated:

(I) Items listed in Article 14-3 of the Securities and Exchange Act: The Company has set up an Audit Committee. Please refer to other items that should be recorded in the section "State of Operations of the Audit Committee" below.

(II) In addition to the aforementioned items, other resolutions of the Board of Directors that have been objected or reserved by the independent directors and are documented or stated in writing: None.

II. In regard to the recusal of directors from voting due to conflict of interests, the name of the directors, the content of the proposal, reasons for abstention, and the results of voting counts shall be stated:

Proposals on managerial officers' annual salary adjustment, business operation performance bonus, profit performance bonus, annual performance bonus, regulations concerning remunerations, and managers' employee bonus distribution. Chairman Kao, Kuo-Lun, Director Hsieh, Chin-Kun, and Director Shiao, Tzu-Fei recused themselves from the discussion in accordance with interest avoidance regulations. Chairman Kao, Kuo-Lun then appointed Director Yang, Huai-Kung to preside as the acting chairman over the proposals. The acting chairman consulted all the remaining directors present without any dissenting opinion.

III. Targets for strengthening the functions of the Board of Directors in the current year and recent years (e.g., establishing an Audit Committee and enhancing information transparency) and evaluation thereof:

(I) The Company has established the "Procedural Rules for Board of Directors Meetings of Eternal Materials Co., Ltd." to comply with the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies" and enter the Board of Directors' attendance on the Market Observation Post System (MOPS). The Board of Directors has also disclosed material resolutions on the company website.

(II) The Company has formed a Remuneration Committee (three members) on October 21, 2011. It is responsible for assisting the Board of Directors in assessing the remuneration level of directors and managerial officers.

(III) To implement the spirit of corporate governance and effectively improve information transparency, the Company has fully disclosed various operational and financial information in the annual report, company website, and MOPS.

(IV) The Company has established an Audit Committee (comprised of all independent directors) in 2016 to strengthen internal control mechanism and assist the Board of Directors with decision-making process.

(II) State of Operations of the Audit Committee

A total of 6 meetings (A) were held by the Audit Committee in the most recent year.

The attendance of independent directors is as follows:

Title	Name	Times of Attendance in Person (B)	Times of Attendance by Proxy	Rate of Attendance (%) [B/A]	Note
Independent Director	Hung, Lee-Jung	6	0	100	None
Independent Director	Chen, I-Heng	6	0	100	None
Independent Director	Hsu, Jui-Yuan	6	0	100	None

Other items to be recorded:

I. If any of the following applies to the operations of the Audit Committee, the date and session of the Audit Committee meeting, contents of the proposal, and resolution of the Audit Committee as well as the Company's actions in response to the opinions of the Audit Committee shall be stated.

(I) Items listed in Article 14-5 of the Securities and Exchange Act:

Date of Meeting	Proposal and Subsequent Handling	Independent Directors' Opinion	Handling of Opinions of the Audit Committee
2018.03.09 12th Meeting	1. Cash capital increase of Hangzhou Yongxinyang Optoelectronics Materials Co., Ltd.	No dissenting opinion	N/A

of the 1st Audit Committee	2.	Application for cash capital increase from subsidiary Elga Europe S.R.L.	No dissenting opinion	N/A
	3.	Cash capital increase of subsidiary Eternal Sun A. (Suzhou) Co., Ltd.	No dissenting opinion	N/A
	4.	Discussion over the 2017 consolidated and standalone financial statements.	No dissenting opinion	N/A
	5.	Evaluation on the appointment and independence of CPAs from 2Q of 2018 to 1Q of 2019.	No dissenting opinion	N/A
	6.	2017 business report.	No dissenting opinion	N/A
	7.	2017 earnings distribution.	No dissenting opinion	N/A
	8.	2017 capital increase by earnings recapitalization.	No dissenting opinion	N/A
	9.	Agreement on the Company's 2017 internal control system's design and implementation proposal.	No dissenting opinion	N/A
	10.	Amendment to the Remuneration Committee Organization Charter.	No dissenting opinion	N/A
	11.	Amendment to the Procedures for Acquisition or Disposal of Assets.	No dissenting opinion	N/A
	12.	Provision of endorsements/guarantees for banks for the line of credit of subsidiaries.	No dissenting opinion	N/A
	13.	Annual review, update, and adjustment of loans and line of credit (HSBC Bank cash pooling) among subsidiaries.	No dissenting opinion	N/A
	14.	Annual review, update, and adjustment of loans and line of credit (BNP Paribas cash pooling) among subsidiaries.	No dissenting opinion	N/A
	15.	Loans and line of credit (adding Mizuho Bank cash pooling) among subsidiaries.	No dissenting opinion	N/A
	16.	Loans and line of credit (entrusted loans) among subsidiaries.	No dissenting opinion	N/A
	17.	Loans (external debt) among subsidiaries.	No dissenting opinion	N/A
	18.	Loans (entrusted loans) among affiliated companies.	No dissenting opinion	N/A
	19.	Proposed sale of shares of Daxin Materials Corporation.	No dissenting opinion	N/A
	20.	Sale of idle land in Daliao.	No dissenting opinion	N/A
	21.	Loans and line of credit among subsidiaries.	No dissenting opinion	N/A
	13th meeting of the 1st Audit Committee on May 2, 2018	1.	Expansion of the research and development center in Suzhou.	No dissenting opinion
2.		Expansion of Li-Yang Plant in Changzhou.	No dissenting opinion	N/A
3.		Provision of endorsements/guarantees for banks for the line of credit of subsidiaries.	No dissenting opinion	N/A
4.		Loans and line of credit (external debt) among subsidiaries.	No dissenting opinion	N/A
5.		Cash capital decrease in E-Chem Corp.	No dissenting opinion	N/A

	6. Transfer of the head of Finance Department.	No dissenting opinion	N/A
2018.06.20 14th meeting of the 1st Audit Committee	1. Provision of endorsements/guarantees for the syndicated loan to Eternal Holding Inc.	No dissenting opinion	N/A
	2. Loans (external debt) among subsidiaries.	No dissenting opinion	N/A
	3. Loans (entrusted loans) among affiliated companies.	No dissenting opinion	N/A
2018.07.31 15th meeting of the 1st Audit Committee	1. Consolidated financial statements for 2Q of 2018.	No dissenting opinion	N/A
	2. Provision of endorsements/guarantees for banks for the line of credit of subsidiaries.	No dissenting opinion	N/A
	3. Loans (entrusted loans) among subsidiaries.	No dissenting opinion	N/A
	4. Loans (external debt) among subsidiaries.	No dissenting opinion	N/A
2018.10.31 16th meeting of the 1st Audit Committee	1. Liquidation of Eternal Capatech Co., Ltd.	No dissenting opinion	N/A
	2. Cash capital decrease in Eternal Holdings Inc.	No dissenting opinion	N/A
	3. Cash capital decrease in Mixville Holdings Inc.	No dissenting opinion	N/A
	4. Provision of endorsements/guarantees among subsidiaries for the execution of the bill pool.	No dissenting opinion	N/A
	5. Loans (entrusted loans) among subsidiaries.	No dissenting opinion	N/A
	6. Appointment of the finance manager.	No dissenting opinion	N/A
2018.12.19 17th meeting of the 1st Audit Committee	1. Appointment of the audit manager.	No dissenting opinion	N/A
	2. Adjustment of the investment in Li-Yang Plant in Changzhou.	No dissenting opinion	N/A
	3. Termination of the investment in the expansion of Eternal Specialty Materials (Zhuhai) Co., Ltd. (south wing).	No dissenting opinion	N/A
	4. Loans and line of credit (external debt) among subsidiaries.	No dissenting opinion	N/A
	5. Loans (entrusted loans) among affiliated companies.	No dissenting opinion	N/A
	6. Amendment to the Ethical Corporate Management Principles.	No dissenting opinion	N/A
	7. Amendment to the Rules Governing the Candidate Nomination for Directors.	No dissenting opinion	N/A
108.03.19 18th meeting of the 1st Audit Committee	1. Discussion over the 2018 consolidated and standalone financial statements.	No dissenting opinion	N/A
	2. Evaluation on the appointment and independence of CPAs from 2Q of 2019 to 1Q of 2020.	No dissenting opinion	N/A
	3. 2018 business report.	No dissenting opinion	N/A
	4. 2018 earnings distribution.	No dissenting opinion	N/A
	5. Agreement on the Company's 2018 internal control system's design and implementation proposal.	No dissenting opinion	N/A
	6. Amendment to the Procedures for Acquisition or	No dissenting	N/A

	Disposal of Assets.	opinion	
7.	Provision of endorsements/guarantees for banks for the line of credit of subsidiaries.	No dissenting opinion	N/A
8.	Annual review, update, and adjustment of loans and line of credit (HSBC Bank cash pooling) among subsidiaries.	No dissenting opinion	N/A
9.	Annual review, update, and adjustment of loans and line of credit (BNP Paribas cash pooling) among subsidiaries.	No dissenting opinion	N/A
10.	Loans and line of credit (Mizuho Bank cash pooling) among subsidiaries.	No dissenting opinion	N/A
11.	Loans and line of credit (entrusted loans) among subsidiaries.	No dissenting opinion	N/A
12.	Loans and line of credit (external debt) among subsidiaries.	No dissenting opinion	N/A

(II) In addition to the aforementioned items, other resolutions passed by two-thirds of all the directors but yet to be approved by the Audit Committee: None.

II. In regard to the recusal of independent directors from voting due to conflict of interests, the name of the independent directors, the content of the proposal, reasons for abstention, and the results of voting counts shall be stated: None.

III. Communication between independent directors and internal audit manager, and CPAs (including material issues, methods, and results of communication regarding the Company's finance and business)

(I) Communication with the internal audit manager

1. In accordance with the law, the audit manager shall submit the audit report and follow-up reports on a monthly and quarterly basis to the independent directors.
2. The audit manager shall hold seminars with directors and independent directors before the Board meetings and make a record. The audit manager shall attend the regular Board meetings to report on audit operations.
3. Communication with the internal audit manager:

Date	Key Points of Communication
March 4, 2018	The audit manager reported the results on the effectiveness of internal control evaluation in the meeting of the Audit Committee.
March 20, 2018	<ol style="list-style-type: none"> <li>1. The audit manager's key point report to the Board of Directors focused on the audit operations between in December 2017.</li> <li>2. The audit manager reported to the Board of Directors in the seminar the internal audit defects and improvement plans of subsidiaries and the operations of continuous audit tools, and answered questions raised by and communicated with the independent directors.</li> </ol>
May 11, 2018	<ol style="list-style-type: none"> <li>1. The audit manager's key point report to the Board of Directors focused on the audit operations between January and March 2018.</li> <li>2. The audit manager reported to the Board of Directors in the seminar the internal audit defects of subsidiaries and the results of supplier audits with continuous audit software, and answered questions raised by and communicated with the independent directors.</li> </ol>
June 29, 2018	<ol style="list-style-type: none"> <li>1. The audit manager's key point report to the Board of Directors focused on the audit operations between April and May 2018.</li> <li>2. The audit manager reported to the Board of Directors in the seminar the results of financing cycle audits and the causes of waste penalties in Lu-Chu Plant and corrective measures, and answered questions raised by and communicated with the independent directors.</li> </ol>
August 10, 2018	<ol style="list-style-type: none"> <li>1. The audit manager's key point report to the Board of Directors focused on the audit operations between June 2018.</li> <li>2. The audit manager reported to the Board of Directors in the seminar the review of managing controls, results of audits on the compliance with the amended Labor Standards Act, and EHS projects, and answered questions raised by and communicated with the independent directors.</li> </ol>

November 9, 2018	1. The audit manager's key point report to the Board of Directors focused on the audit operations between July and September 2018. 2. The audit manager reported to the Board of Directors in the seminar the management of investment returns and business operations, and answered questions raised by and communicated with the independent directors.
December 28, 2018	1. The audit manager's key point report to the Board of Directors focused on the audit operations between October and November 2018. 2. The audit manager reported to the Board of Directors in the seminar the results of audits on the information system access management, company seal management, and EHS projects, and answered questions raised by and communicated with the independent directors.

(II) Communication with the CPAs

The Audit Committee communicates with the CPAs annually on topics such as audit results of the Company's financial statements, implementation of internal control, estimates on material accounting, and the selection or change of the accounting principles, and major audit adjustments; the Audit Committee evaluates the CPAs regarding their selection and appointment.

(III) State of Operations of Corporate Governance, Any Departure from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and the Reason for Such Departure

Evaluation Item	State of Operations			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary	
I. Did the Company follow the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies to establish and disclose its corporate governance best practice principles?	V		The Company has established the Corporate Governance Regulations and disclosed it on the company website.	None
II. Shareholding structure & shareholders' rights				
(I) Did the Company have internal operating procedures for handling shareholders' suggestions, concerns, disputes and litigation matters? Were such matters handled according to the internal operating procedures?	V		(I) The Company has established the Regulations Governing Shareholder Service, appointed a spokesperson and a deputy spokesperson, and entrusted a professional stock transfer agent to handle shareholder-related matters. The Legal Affairs and System Department and the entrusted law firm can provide necessary consulting service and assistance for related legal affairs.	None
(II) Did the Company maintain a register of major shareholders with controlling power and a register of persons exercising ultimate control over those major shareholders?	V		(II) The Company maintained a register of major shareholders with controlling power and a register of persons exercising ultimate control over those major shareholders and designated President Securities Corporation as the stock transfer agent.	
(III) Did the Company establish	V		(III) The Company has established the Related Party	



Evaluation Item	State of Operations			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
and enforce risk control and firewall systems with its affiliated companies?  (IV) Did the Company establish internal rules to prohibit insiders from trading in securities using information not disclosed to the market?	V		Transaction Guidelines and the Regulations for Supervision and Management of Subsidiaries as the reference for business dealings with affiliated companies. In addition, the assets and finances of affiliated companies are independent and controlled by the designated personnel and audited by the parent company to avoid any risk of corporate fraud arising from affiliated companies.  (IV) The Company has established the Management Rules for Internal Material Information Handling and Insider Trading Prevention to prohibit insiders from trading in securities using information not disclosed to the market.	
III. Composition and responsibility of the Board of Directors (I) Did the Board of Directors establish and implement the diversification policy for its composition?	V		(I) The diversification policy is included in Chapter 3 (Enhancing the Functions of the Board of Directors) of the Corporate Governance Regulations established by the Company. According to the Regulations Governing the Election of Directors, the directors of the Board are nominated and elected based on the nomination system to ensure the diversification and independence of the directors of the Board. At present, the Company has 10 directors of the Board that are experienced industry players, professionals or professors, including 3 independent directors and 1 female director. For more information on the education and work experience of each director of the Board, refer to the section "Information on Directors, Supervisors, and Managerial Officers".	None  Other functional committees will be set up in the future as necessary.
(II) Did the Company set up other functional committees voluntarily in addition to the Remuneration Committee and the Audit Committee that had been established as required by the law?	V		(II) The Remuneration Committee and the Audit Committee were established in October 2011 and June 2016, respectively, to execute their respective authority. No other functional committee has been set up.	None None
(III) Did the Company establish the regulations and methods for evaluating the performance of the Board of Directors and evaluate the performance of the Board of Directors every year on a regular basis?	V		(III) The formulation of the Regulations Governing the Evaluation of the Board Performance has been passed by the Board of Directors on May 10, 2019. According to the regulations, the evaluation of the Board performance shall be completed by the first quarter of the following year.	

Evaluation Item	State of Operations			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
(IV) Did the Company evaluate the independence of CPAs on a regular basis?	V		(IV) 1. The Company reviews the independence of CPAs every year on a regular basis to check whether they are the directors of the Board or shareholders of the Company or receive remuneration from the Company and to ensure that they are not the stakeholders of the Company. CPAs are required to provide the statement of independence and report the results of audits to the Board of Directors every year. In addition, the replacement of CPAs also complies with related regulations. 2. In 2018, the independence of CPAs was verified to comply with the independence criteria and related laws and regulations.	
IV. Did the Company have an adequate number of corporate governance units or personnel to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors and supervisors, handling matters relating to the Board meetings and shareholders' meetings according to laws, handling business registration and change registration, and producing minutes of the Board meetings and shareholders' meetings)?	V		The Company has appointed the corporate governance officer on May 10, 2019 to be in charge of reviewing and improving the indicators for corporate governance evaluation and handling corporate governance affairs, including handling matters relating to the Board meetings and shareholders' meetings according to laws, producing minutes of the Board meetings and shareholders' meetings, assisting in on-boarding and continuous development of directors and supervisors, furnishing information required for business execution by directors and supervisors, assisting directors and supervisors with legal compliance, and other matters set out in the Articles of Incorporation or contracts.	None
V. Did the Company establish a means of communication with its stakeholders and create a stakeholder section on the company website to respond to stakeholders' questions about its corporate social responsibility?	V		1. The Company provides sufficient information for financial institutions and creditors and has established a means of communication with employees; in addition, information on the acquisition or disposal of assets and endorsements/guarantees is disclosed on the exchange website to maintain the rights and interests of stakeholders. 2. The Company has created a stakeholder section on the company website to appointed the designated personnel to respond to questions raised by stakeholders, including investors, customers, suppliers, and employees, in a proper manner.	None
VI. Did the Company entrust a professional stock transfer	V		The Company has designated the Shareholding Service Department of President Securities Corporation as the	None

Evaluation Item	State of Operations			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
agent to manage shareholders' meetings and other relevant affairs?			stock transfer agent.	
VII. Information disclosure				None
(I) Did the Company establish a company website to disclose information on its finances, business, and corporate governance?	V		(I) The Company has established the company website and created the stakeholder and corporate social responsibility sections to disclose its finances, business, and corporate governance.	
(II) Did the Company use other channels of information disclosure (e.g. maintaining an English website, designating persons to handling information collection and disclosure, appointing a spokesperson, and webcasting investor conferences)?	V		(II) 1. The Company has designated persons to collect and disclose company information, appointed a spokesperson, and disclosed investor conferences on the company website. 2. The Company has established the online information filing system in accordance with the Guidelines for Online Filing of Public Information by Public Companies to disclose material information.	
VIII. Did the Company have other important information that can facilitate the understanding of its operations of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relationships, stakeholder rights, continuing education of directors and supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, and purchase of liability insurance for directors and supervisors)?	V		(I) Employee rights and employee care: The Company offers a variety of employee benefits, including allowances for childbirth, marriage, and funerals, travel subsidies, group insurance, birthday and festival bonuses, senior employee reward, regular health examination, year-end bonus, employee cafeteria, shuttle bus service, dormitory, and library access. According to the Labor Standards Act, the years of service of regular employees before the implementation of the Labor Pension Act on July 1, 2005 and the years of service to which the regular employees choose to apply the Labor Standards Act after the implementation of the Labor Pension Act shall be included in the calculation of the years of service for retirement. In addition, the Company appropriates 10% of total salaries to the designated account at the Bank of Taiwan and reviews the balance every month. If the balance is insufficient to pay the statutory retired employees in the following year, the Company will complete the appropriation by the end of the following March to ensure the rights and interests of the retired employees. Since July 1, 2005, new recruits shall apply to the Labor Pension Act, which stipulates that the Company shall appropriate 6% of an employee's salary to the employee's account at the Bureau of Labor Insurance every	None

Evaluation Item	State of Operations		Summary	Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons																						
	Yes	No																								
			<p>month as the pension. In addition, subsidiaries in Mainland China are required to pay pension insurance every month in accordance with the local government regulations.</p> <p>A labor-management meeting is held on a regular basis to improve communication regarding agreements and maintenance of employee rights and ensure the harmonious labor relations.</p> <p>(II) Investor relations: The Company discloses material information on its finances and business on the company website and MOPS immediately to improve investors' understanding of the Company's directors and business strategies.</p> <p>(III) Supplier relationships: The Company has maintained a good relationship with suppliers and customers to create a business ecosystem of mutual trust.</p> <p>(IV) Stakeholder rights: The Company values stakeholder rights and has disclosed information on its finances, business, and corporate governance on the company website. Stakeholders may express their opinions by phone, E-mail or fax at any time.</p> <p>(V) The continuing education of directors in 2018 is tabulated below and disclosed on the Market Observation Post System (MOPS) according to the regulations.</p> <table border="1"> <thead> <tr> <th>Title/ Name</th> <th>Date</th> <th>Organizer</th> <th>Course Name</th> <th>Training Hour</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Independent Director Chen, I-Heng</td> <td>October 30</td> <td rowspan="2">Securities &amp; Futures Institute</td> <td>How Directors and Supervisors of Listed Companies Perform Duties</td> <td>3</td> </tr> <tr> <td>July 10</td> <td>Seminar on Legal Compliance of Insider Securities Trading</td> <td>3</td> </tr> <tr> <td rowspan="2">Independent Director Hung, Lee-Jung</td> <td>September 13</td> <td>Taiwan Institute of Directors</td> <td>Business Transformation and Brand Management in Taiwan - Case Study of Switzerland</td> <td>3</td> </tr> <tr> <td>April 25</td> <td>Taiwan Academy of Banking and Finance</td> <td>Corporate Governance and Corporate Sustainability Training</td> <td>3</td> </tr> </tbody> </table>	Title/ Name	Date	Organizer	Course Name	Training Hour	Independent Director Chen, I-Heng	October 30	Securities & Futures Institute	How Directors and Supervisors of Listed Companies Perform Duties	3	July 10	Seminar on Legal Compliance of Insider Securities Trading	3	Independent Director Hung, Lee-Jung	September 13	Taiwan Institute of Directors	Business Transformation and Brand Management in Taiwan - Case Study of Switzerland	3	April 25	Taiwan Academy of Banking and Finance	Corporate Governance and Corporate Sustainability Training	3	
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Evaluation Item	State of Operations				Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons												
	Yes	No	Summary														
			<table border="1"> <tr> <td rowspan="3">Independent Director Hsu, Jui-Yuan</td> <td>August 1</td> <td>Securities &amp; Futures Institute</td> <td>Discussion over Major Issues of the Latest Amendment to the Company Act</td> <td>3</td> </tr> <tr> <td>July 24</td> <td>Chinese National Association of Industry and Commerce, Taiwan</td> <td>How to Strengthen Corporate Governance through the Functions of Independent Directors</td> <td>3</td> </tr> <tr> <td>July 17</td> <td></td> <td>Development of Corporate Governance Evaluation and Countermeasures</td> <td>3</td> </tr> </table>	Independent Director Hsu, Jui-Yuan	August 1	Securities & Futures Institute	Discussion over Major Issues of the Latest Amendment to the Company Act	3	July 24	Chinese National Association of Industry and Commerce, Taiwan	How to Strengthen Corporate Governance through the Functions of Independent Directors	3	July 17		Development of Corporate Governance Evaluation and Countermeasures	3	
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	July 24	Chinese National Association of Industry and Commerce, Taiwan	How to Strengthen Corporate Governance through the Functions of Independent Directors		3												
	July 17		Development of Corporate Governance Evaluation and Countermeasures	3													
			<p>(VI) Implementation of risk management policies and risk measurement standards: The Company has established rules for risk assessment and measurement in accordance with laws and internal policies.</p> <p>(VII) Implementation of customer policies: The Company has established the Guidelines for Handling Customer Complaints to solve customers' problems in a quick and effective manner.</p> <p>(VIII) Purchase of liability insurance for directors and supervisors: The Company has purchased liability insurance for its directors and managerial officers.</p>														
<p>IX. State of improvements based on the result of the latest Corporate Governance Evaluation announced by Taiwan Stock Exchange Corporation and priorities for improvement (exempt if the Company is not included in the evaluation):</p> <p>The state of improvements based on the results of the 4th Corporate Governance Evaluation (2017) announced in April 2018 is as follows:</p> <p>(I) Improvements made:</p> <p>#2.8 Does the Company upload the English version of the annual report 7 days prior to the annual shareholders' meeting?</p> <p>#2.9 Does the Company upload the English version of the meeting notice 30 days prior to the annual shareholders' meeting?</p> <p>#2.15 Does the Company upload the English version of the meeting handbook and additional references 21 days prior to the annual shareholders' meeting?</p> <p>Starting from 2019, the Company expects to upload the English version of the annual report, meeting notice, and meeting handbook and additional references, respectively, within the given time limit above.</p> <p>#4.5 Does the Company disclose the English version of the financial report (including financial statements and notes) on the company website or MOPS?</p> <p>Starting from 2019, the Company expects to upload the English version of the financial report (including financial statements and notes) according to the regulations.</p> <p>#3.31 Does the Company conduct the evaluation of the Board performance on a regular basis (at least once every year) and disclose the result of the evaluation on the company website or in the annual report?</p>																	

Evaluation Item	State of Operations			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
<p>The Company has established the Regulations Governing the Evaluation of the Board Performance on May 10, 2019. According to the regulations, the evaluation of the Board performance shall be completed and disclosed by the first quarter of the following year.</p> <p>#4.18 Does the Company hold at least two investor conferences per request or on its own initiative? The Company held the investor conference in August and December 2018, respectively.</p> <p>(II) Priorities for improvement: The Company will review the evaluation items to be improved one by one in line with the spirit of corporate governance.</p>				

- (IV) Composition, Duties, and State of Operations of the Remuneration Committee  
The purpose of the Remuneration Committee is to assist the Board of Directors in evaluating the remuneration paid to directors and managerial officers. A total of 5 meetings were convened in 2018, and all members attended the meetings in person.

Information on the Members of the Remuneration Committee

Title	Qualifications	Whether One of the Following Professional Qualifications Is Met, together with at Least 5 Years of Work Experience			Compliance with Independence Criteria (Note 2)								Number of Other Public Companies where the Individual Concurrently Serves as a Member of the Remuneration Committee	Note (Note 3)	
		Instructor or Higher in a Department of Commerce, Law, Finance, Accounting, or Any Other Business-related Academic Department in a Public or Private College or University	Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Any Other Professional or Technical Specialist Having Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business Operations of the Company	Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business Operations of the Company	1	2	3	4	5	6	7	8			
Independent Director	Chen, I-Heng	V		V	V	V	V	V	V	V	V	V	V	1	None
Independent Director	Hung, Lee-Jung		V	V	V	V	V	V	V	V	V	V	V	2	None
Independent Director	Hsu, Jui-Yuan	V	V	V	V	V	V	V	V	V	V	V	V	0	None

Note 1: Information in the above table is disclosed as of December 31, 2018.

Note 2: During the 2 years prior to appointment or during the term of office, a mark "V" is indicated for each item below where applicable for the member concerned.

1. Has not been an employee of the Company or any of its affiliated companies.
2. Has not been a director or supervisor of the Company or any of its affiliated companies. However, this is not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary which the Company directly and indirectly holds more than 50% of its voting shares.
3. Has not been a natural-person shareholder who (together with those held by the person's spouse, children of minor age, or in the name of another person (nominees)) holds an aggregate amount of 1 percent or more in the total number of issued shares of the Company, or ranks in top 10 in shareholding.
4. Has not been a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Has not been a director, supervisor, or employee of an institutional shareholder that directly holds 5 percent or more in the total number of issued shares of the Company or ranks in the top 5 in shareholding.
6. Has not been a director, supervisor, managerial officer, or shareholder holding 5 percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Company.
7. Has not been a professional individual or an owner, partner, director, supervisor, managerial officer, or a spouse thereof, of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, or accounting services or consultation to the Company or any of its affiliated companies.
8. Has not been subjected to any of the circumstances in the subparagraphs of Article 30 of the Company Act.

#### State of Operations of the Remuneration Committee

1. The Remuneration Committee has three members.
2. The tenure of the incumbent members is from June 15, 2016 to June 14, 2019. A total of 5 meetings (A) were held by the Board of Directors in the most recent year. The qualifications and attendance of the members are as follows:

Title	Name	Times of Attendance in Person (B)	Times of Attendance by Proxy	Rate of Attendance (%) [B/A]	Note
Convener	Chen, I-Heng	5	0	100%	As of December 31, 2018
Member	Hung, Lee-Jung	5	0	100%	
Member	Hsu, Jui-Yuan	5	0	100%	

Other items to be recorded:

- I. The state of operations of the Remuneration Committee in 2018, including the date and session of the Remuneration Committee meeting, contents of the proposal, and resolution of the Remuneration Committee as well as the Company's actions in response to the opinions of the Remuneration Committee, is as follows:

Date of Meeting	Proposal	Resolution of the Remuneration Committee	Handling of Opinions of the Remuneration Committee
2018.03.09 6th Meeting of the 3rd Remuneration	1. Deliberation on remuneration-related regulations.	No dissenting opinion	Approved by the Board of Directors
	2. 2017 remuneration paid to directors and employees.	No dissenting opinion	Approved by the Board of Directors
	3. Deliberation on the adjustment of	No dissenting	Approved by the

Committee	managerial officers' allowances and salaries paid to newly promoted managerial officers.	opinion	Board of Directors
2018.05.02 7th Meeting of the 3rd Remunerati on Committee	1. Reasonableness of 2017 director remuneration distribution.	No dissenting opinion	Approved by the Board of Directors
2018.06.20 8th Meeting of the 3rd Remunerati on Committee	1. Distribution of 2017 employee remuneration paid to managerial officers.	No dissenting opinion	Approved by the Board of Directors
	2. Distribution of business performance bonuses paid to managerial officers for the first half of 2018.	No dissenting opinion	Approved by the Board of Directors
	3. Deliberation on salaries paid to managerial officers due to job adjustments.	No dissenting opinion	Approved by the Board of Directors
2018.10.31 9th Meeting of the 3rd Remunerati on Committee	1. Deliberation on the salary paid to the new finance manager due to a job adjustment.	No dissenting opinion	Approved by the Board of Directors
2018.12.19 10th Meeting of the 3rd Remunerati on Committee	1. Amendment to the Regulations Governing Company car Dispatch for Senior Executives.	No dissenting opinion	Approved by the Board of Directors
	2. Amendment to the Regulations Governing Distribution of Business Performance Bonuses.	No dissenting opinion	Approved by the Board of Directors
	3. Adjustment of salaries paid to managerial officers for 2019.	No dissenting opinion	Approved by the Board of Directors
	4. Distribution of 2018 performance bonuses and business performance bonuses paid to managerial officers.	No dissenting opinion	Approved by the Board of Directors
	5. Deliberation on the salaries paid to newly promoted managerial officers for 2019.	No dissenting opinion	Approved by the Board of Directors

- II. If the Board of Directors rejects or amends the suggestions of the Remuneration Committee, the date and session of the Board meeting, contents of the proposal, and resolution of the Board of Directors as well as the Company's actions in response to the opinions of the Remuneration Committee shall be stated: None.
- III. Regarding resolutions of the meeting of the Remuneration Committee, if there is any written record or statement pertaining to members' objections or reservations, the date and session of the Remuneration Committee meeting, contents of the proposal, the opinion of the said member, and the actions in response to the said opinion shall be stated: None.



(V) State of Performance of Corporate Social Responsibilities

Evaluation Item	State of Operations			Any Departure from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies and the Reason for Such Departure
	Yes	No	Summary	
I. Exercising corporate governance				
(I) Did the Company formulate CSR policies or systems and review the effectiveness of implementation?	V		(I) The Corporate Social Responsibility Guidelines of Eternal Materials Co., Ltd. have been formulated and published on the company website. The CSR policy is clearly stipulated to promote corporate governance, develop a sustainable environment, participate in social welfare engagement, and enhance the information disclosure pertaining to CSR. Please refer to the "Corporate Social Responsibility Report" on the company website for more detailed information. ( <a href="http://www.eternal-group.com/WebData/Director02">http://www.eternal-group.com/WebData/Director02</a> )	None
(II) Did the Company hold social responsibility education and training regularly?	V		(II) The Company attends annual training held by external professional units.	
(III) Did the Company establish a dedicated unit to implement CSR (operated by the senior management upon authorization by the Board of Directors) and report to the Board of Directors?	V		(III) The Administration and Service Department plans and implements initiatives relating to corporate governance, environmental protection, green products, energy management, employee well-being, and social welfare. Depending on the condition and authorization level, these initiatives are reported to the President, the Chairman, and the Board of Directors.	
(IV) Did the Company formulate a reasonable remuneration policy, combining the employee performance appraisal system with the CSR policy,	V		(IV) The Company has established a reasonable and competitive remuneration system, with clear performance appraisal, reward, and disciplinary schemes. In addition to the personal reward and disciplinary records as a reference for performance appraisal scores, there is also an incentive system for outstanding employees. While shareholders' interest and corporate sustainable development	

Evaluation Item	State of Operations			Any Departure from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies and the Reason for Such Departure
	Yes	No	Summary	
and establish a clear and effective reward and disciplinary system?			are given priority, nonetheless CSR is given adequate attention.	
<p>II. Fostering a sustainable environment</p> <p>(I) Was the Company dedicated to improving the utilization efficiency of various resources and using recycled materials with minimal adverse impact on the environment?</p> <p>(II) Did the Company establish a suitable environmental management system based on its industrial characteristics?</p> <p>(III) Was the Company aware of the impact of climate change on its operations and therefore implement greenhouse gas control, and formulate strategies regarding energy conservation and carbon reduction as well as greenhouse gas reduction?</p>	V	V	<p>(I) By using green production technology, the Company developed waste management measures to reduce raw materials used. The Company was also dedicated to the research and development of green products and green energy industrial products. Designing low-energy, low-pollution and high-efficiency applied materials have become the Company's actual practices in its green environmental efforts.</p> <p>(II) The Company has always paid high attention to environmental protection. It has implemented an environmental management system in accordance with ISO14001 international standards. After obtained ISO14001 environmental management system certification in 1999. In 2017, the Company further received ISO14001: 2015 revisited edition of certification.</p> <p>(III) In accordance with regulations of the Bureau of Energy, Ministry of Economic Affairs, the Company has pledged to save 1% of annual electricity, based on the total electricity consumption of 2014. Furthermore, in accordance with ISO14064-1 international regulations, the Company implemented the inspection on greenhouse gas emission baseline. The inspections for the years from 2005 to 2018 have been completed. Besides, the Company has also established an inventory of greenhouse gas emissions. In October 2010, Bureau Veritas Certification (Taiwan) Co., Ltd. was commissioned by the Company to verify the correctness of greenhouse gas emissions in</p>	None

Evaluation Item	State of Operations			Any Departure from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies and the Reason for Such Departure
	Yes	No	Summary	
			2005. In January 2011, the Company successfully obtained the "Greenhouse Gases Emissions Verification Opinion Statement", and passed the PAS2050 Carbon Footprint Verification for three products on November 15, 2013.	
<p>III. Preserving public welfare</p> <p>(I) Did the Company formulate relevant management policies and procedures in accordance with relevant laws and regulations, as well as international human rights conventions?</p> <p>(II) Did the Company establish employee complaint mechanism and platform to properly handle it?</p> <p>(III) Did the Company provide a safe and healthy working environment for employees, and regularly provide health and safety training for employees?</p>	V	V	<p>(I) The Company respects professionalism and cares for employee welfare, creating the value of humanity. The Company takes "compliance, trustworthiness, and morality (public morality, ethics, and personal morality)" as its corporate culture and core values. At the same time, the Company's system and management policies are in line with legal norms and the spirit of human rights.</p> <p>(II) The Company has formulated and announced the "Workplace Protection and Complaint Operating Procedures." The complaint mechanism and procedures have been established and any complaint shall be handled accordingly.</p> <p>(III) Every year, the health inspection requirements stipulated by the regulations are thoroughly implemented. The inspection report shall be provided and specialized personnel (factory medical staff) shall track and control any irregularities. Every year, special health inspections shall be conducted for personnel involved in special operations. Also, the health condition of staffs in each factory shall be measured and evaluated using health check software. Knowledge pertaining to health education shall be disseminated, and employees are encouraged to participate in hiking activities and sport groups. All factories have held health seminars to promote healthy concepts. Factory doctors</p>	None

Evaluation Item	State of Operations			Any Departure from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies and the Reason for Such Departure
	Yes	No	Summary	
(IV) Did the Company establish a regular communication mechanism for employees and notify any operational changes that might have a significant impact on employees in a reasonable manner?	V		<p>and experts are assigned regularly to the factories to conduct training related to occupational illness prevention and government health policies. Additionally, the factories will offer healthy lunches based on actual needs. At the same time, in conjunction with the government's policies in promoting healthiness, in terms of employees working overtime, ergonomics in workplace, and maternal protection upon female staff, the Company has organized relevant plans to prevent cardiovascular diseases and work-related musculoskeletal disorders, as well as strengthened the prevention of mother and child risks. Furthermore, smoke cessation and weight-loss programs have been arranged. Lu-Chu Plant, Da-Fa Plant, and Ping-Nan Plant were awarded the Healthy Workplace Certification - Health Promotion Badge in 2016. In 2017, Ping-Nan Plant was awarded the third place in the competition of "Corporate's Internal Promotion of Awareness towards Addictive Substance".</p> <p>(IV) The Company regularly holds a "labor meeting and high-level manager symposium" to enhance the communication between employers and employees and to ensure harmonious labor management relation. At the same time, significant information impacting employees has been publicly disclosed on information platform and bulletin boards.</p>	
(V) Did the Company establish an effective career development training program for	V		<p>(V) To adhere to corporate vision, mission, and annual operational goals, the Company has established an occupational talent development system and a career progression blueprint in</p>	

Evaluation Item	State of Operations			Any Departure from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies and the Reason for Such Departure
	Yes	No	Summary	
employees?			several aspects including core employment abilities, managerial skills, and professional capabilities. Based on this, training programs and projects for talent cultivation have been implemented to strengthen the professional abilities of employees, so that the idea of having “right person in the right place” can be achieved to attain the state of sustainable development.	
(VI) Did the Company formulate relevant customer protection policies and grievance procedures for research and development, procurement, production, operating and service workflows?	V		(VI) The Guidelines for Handling Customer Complaints have been formulated as a complaint channel.	
(VII) Did the Company comply with relevant regulations and international standards for the marketing and labeling of products and services?	V		(VII) This has been implemented by following relevant laws, regulations, and international standards.	
(VIII) Did the Company assess the suppliers' past records in environmental and social impacts before contacting the suppliers?	V		(VIII) Before dealing with suppliers, the Company takes into account the social responsibility as a listed company. In addition to assessing the quality of supply, delivery, and price, the Company also assesses whether the supplier has held any relevant records affecting the environment and society. Those who have been confirmed with serious matters will not be qualified as a supplier of the Company.	
(IX) Did the contract	V		(IX) The Company's raw material procurement contract is implemented on a monthly basis. In	

Evaluation Item	State of Operations			Any Departure from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies and the Reason for Such Departure
	Yes	No	Summary	
between the Company and its major suppliers include termination of the contract when the supplier violates CSR policies that cause major impacts on the environment and society?			the event the current suppliers are found to have violated their own social responsibility policies and have posed significant impacts on environment and society, the Company will replace the suppliers from the next month (or quarter) onward.	
IV. Enhancing disclosure of information (I) Did the Company disclose relevant and reliable information on CSR on its website and Market Observation Post System (MOPS)?	V		A CSR report has been prepared and disclosed on the company website, and is reported to MOPS as required.	None
V. If the Company has formulated the Corporate Social Responsibility Best Practice Principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, please specify the differences between the Principles and actual implementation: Executing corporate governance, fostering a sustainable environment, preserving public welfare, and enhancing disclosure of information. For the rest of the operations, please refer to the description of the above items. There is no departure from the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies".				
VI. Other important information that helps to understand the operations of CSR: The Company has set up an exclusive page regarding CSR on the company website, which states the Company's CSR promotion and performance and discloses the CSR report that covers the operations of each evaluation item.				
VII. If the Company's CSR report has passed the verification criteria of relevant verification agencies, it shall be stated: None.				

(VI) State of Performance of Ethical Corporate Management and Adoption of Related Measures

State of Performance of Ethical Corporate Management

Evaluation Item	State of Operations			Any Departure from the Ethical Corporate Management
	Yes	No	Summary	

			Best Practice Principles for TWSE/GTSM Listed Companies and the Reason for Such Departure
<p>I. Establishing ethical corporate management policies and measures</p> <p>(I) Did the Company express ethical corporate management policies in its internal regulations and external documents? Did the Board of Directors and Management actively implement such policies?</p> <p>(II) Did the Company formulate programs to prevent unethical conduct? Did it clearly specify and thoroughly implement the procedures, behavioral guidance, as well as disciplinary and appeal system for violation?</p> <p>(III) Did the Company adopt preventive measures for business activities within their business scope which are possibly at a higher risk of being involved in an unethical conduct specified in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?</p>	<p>V</p> <p>V</p> <p>V</p>	<p>(I) The "Ethical Corporate Management Principles" are stipulated with clear establishment of compliance, trustworthiness, and ethical corporate culture and ethical management and disclosed on the company website and reported to MOPS.</p> <p>(II) Relevant regulations are disclosed in the Company's internal system (for peers to review and execute at any time), strengthened and emphasized during education training, in order to be implemented thoroughly.</p> <p>(III) Employees of the Company and stakeholders (e.g., suppliers, contractors, etc.) shall abide by transparent, fair, legal, and ethical commercial behavior.</p>	None
<p>II. Implementing ethical corporate management</p> <p>(I) Did the Company evaluate ethical records of the transaction partners, and stipulate ethical behaviors clauses in the contract signed with transaction partners?</p> <p>(II) Did the Company establish a dedicated unit under the Board of Directors to implement ethical corporate management, and make regular reports to the Board of Directors?</p> <p>(III) Did the Company adopt policies to prevent conflict of interest, provide proper appeal method, and implement it thoroughly?</p>	<p>V</p> <p>V</p> <p>V</p>	<p>(I) Evaluations and credit investigations have been conducted upon all types of partners to avoid transaction with partners who have records of unethical behaviors.</p> <p>(II) The Company has established a dedicated unit to formulate and implement ethical corporate management principles, with the internal auditing unit regularly reports to the Board of Directors.</p> <p>(III) Relevant policies are contained in the rules and are being implemented. Communication and appeal mechanism are clear in daily operations.</p>	None

<p>(IV) Has the Company established an effective accounting system and internal control system to implement ethical corporate management? Did the Company regularly review these systems, either by its own internal auditing unit or by commissioning CPAs?</p>	<p>V</p>		<p>(IV) The Company has established an effective accounting system and internal control system. Based on the annual audit plan, the audit office conducts the internal audit review for effectiveness.</p>	
<p>(V) Did the Company regularly hold internal and external training in ethical corporate management?</p>	<p>V</p>		<p>(V) The Company takes "compliance, trustworthiness, and morality (public morality, ethics, and personal morality)" as its corporate culture. The Company conducts regular internal and external training programs, including courses related to intellectual rights regulations, basic legal knowledge on contract laws, contract management, and legal liability, to enhance employees' ethical management concept.</p>	
<p>III. Implementing the whistle-blowing system</p> <p>(I) Did the Company formulate concrete whistle-blowing and reward system, build convenient reporting channel, and assign appropriate personnel to investigate the reported party?</p> <p>(II) For reported misconducts, did the Company stipulate the standard operating procedures regarding investigation and related confidentiality mechanisms?</p> <p>(III) Did the Company adopt measures to protect whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing?</p>	<p>V</p> <p>V</p> <p>V</p>		<p>(I) The Company has established the "Ethical Corporate Management Principles" to regulate the relevant whistle-blowing system, establish a reporting channel, and assign appropriate personnel to investigate the reported party.</p> <p>(II) The implementation and management measures for the "whistle-blowing system" have been formulated and announced by the Company.</p> <p>(III) The Company has clearly adopted measures to protect whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing, assigned dedicated personnel or unit to investigate the reports, and kept the identity of the whistle-blower and content of the report confidential.</p>	<p>None</p>
<p>IV. Enhancing disclosure of information</p> <p>(I) Did the Company disclose the content and performance of the ethical management principles on its website and MOPS?</p>	<p>V</p>		<p>The information has been disclosed on the company website and MOPS.</p>	<p>None</p>
<p>V. If the Company has formulated the Ethical Corporate Management Principles based on the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", please specify the differences between the Principles and actual implementation: None.</p>				



VI. Other significant information that helps to understand the implementation of ethical corporate management (e.g. amendments to the Ethical Corporate Management Principles) has been disclosed on MOPS.

(VII) If the Company Has Adopted Corporate Governance Best-practice Principles or Related Bylaws, Disclose how These Are to Be Searched:  
Refer to the company website at [www.eternal-group.com](http://www.eternal-group.com).

(VIII) Other Significant Information that Provides Better Understanding of the State of Operations of Corporate Governance

Considering actual operational needs, the Company has formulated the "Procedures for Endorsements and Guarantees", the "Procedures for Lending Funds to External Parties", the "Procedures for Acquisition or Disposal of Assets", the "Corporate Governance Regulations", the "Management Rules for Internal Material Information Handling and Insider Trading Prevention", the "Corporate Social Responsibility Guidelines", and the "Ethical Corporate Management Principles". These documents have been published on the company website. Meanwhile, important resolutions passed during the meetings (of either shareholders or Board of Directors) were disclosed on the company website to provide more information on the operations of corporate governance.

(IX) State of Implementation of the Internal Control System

1. Statement of Internal Control

Eternal Materials Co., Ltd.

Statement of Internal Control

Date: March 27, 2019

The 2018 internal control performance of the Company, based on the results of the self-assessment, is as follows:

- I. The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. The Company has established such a system aimed at providing reasonable assurance in achieving the objectives of effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security), delivery of timely and reliable financial reporting, and compliance with applicable laws and regulations.
- II. Any internal control system has its inherent limitations. However perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishing the three goals mentioned above. Furthermore, the effectiveness of an internal control system may be affected by changes in environment or circumstances. Nevertheless, a self-monitoring mechanism has been built within the Company's internal control system. Therefore, whenever a deficiency or defect is identified, the Company will immediately take initiatives and action to correct it.
- III. Based on the criteria provided in the “Regulations Governing Establishment of Internal Control Systems by Public Companies” (the “Regulations”), the Company judges the design and operating effectiveness of its internal control system. The internal control system judgment criteria adopted by the Regulations divide internal control into five elements based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring of processes. Each element further contains several items. Please refer to the Regulations for details.
- IV. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforementioned criteria.
- V. Based on the findings of the evaluation mentioned in the preceding paragraph, the Company believes that as of December 31, 2018, its internal control system (including its supervision and management of its subsidiaries) is effectively designed and operated. The internal control system also reasonably assures the achievement of objectives, which include knowledge of the degree of achievement of operational effectiveness and efficiency objectives; reliability, timing, and transparency of financial reporting; as well as compliance with applicable laws and regulations.
- VI. This statement will become a major part of the Company's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This statement has been passed by the meeting of the Board of Directors of the Company held on March 27, 2019 where none of the 10 attending directors expressed dissenting opinions, and all attending directors affirmed the content of this statement.

Eternal Materials Co., Ltd.

Chairman Kao, Kuo-Lun

President Hsieh, Chin-Kun

2. Where a CPA Has Been Hired to Carry Out a Special Audit of the Internal Control System, the CPA Audit Report shall Be Disclosed: None.

(X) During the Current Year up to the Date of Publication of the Annual Report, Disclose Any Sanctions Imposed in Accordance with the Law upon the Company or Its Internal Personnel, Any Sanctions Imposed by the Company upon Its Internal Personnel for Violations of Internal Control System Provisions, Principal Deficiencies, and the State of Any Efforts to Make Improvements: None.

(XI) Material Resolutions of a Shareholders' Meeting or Board Meeting during the Most Recent Year up to the Date of Publication of the Annual Report

1. 2018 Annual Meeting of Shareholders

Proposal No.	Material Resolution	Status of Implementation
1	Proposal for the 2017 financial statements.	Implemented as proposed.
2	Proposal for the 2017 earnings distribution.	Cash dividends at NT\$0.5/share and stock dividends at NT\$0.7/share have been distributed as proposed. 1. Cash dividends were distributed on August 30, 2018. 2. The registration change regarding the issuance of 81,139,778 shares from earnings was approved by the Ministry of Economic Affairs on August 16, 2018, and shares were issued and listed on August 30, 2018.
3	Passage of capital increase from 2017 earnings.	To replenish working capital, capital increased by NT\$811,397,780 from 2017 earnings, with 81,139,778 shares of common stock issued at NT\$10/share; the rights and obligations of new shares were the same as original shares'.
4	Passage of the amendment to the Procedures for Acquisition or Disposal of Assets.	The acquisition or disposal of assets has been conducted in accordance with the amended Procedures for Acquisition or Disposal of Assets.

2. Meetings of the Board of Directors

Date	Resolutions
2018.03.20	<ol style="list-style-type: none"> <li>1. Passage of the 2017 business report.</li> <li>2. Passage of the discussion over the 2017 consolidated and standalone financial statements.</li> <li>3. Passage of the evaluation on the appointment and independence of CPAs from 2Q of 2018 to 1Q of 2019.</li> <li>4. Passage of the 2017 earnings distribution.</li> <li>5. Passage of the 2017 capital increase by earnings recapitalization.</li> <li>6. Passage of the 2017 remuneration paid to directors and employees.</li> <li>7. Passage of the convention of the 2018 annual meeting of shareholders.</li> <li>8. Passage of the amendment to the Procedures for Acquisition or Disposal of Assets.</li> <li>9. Passage of the cash capital increase of Hangzhou Yongxinyang Optoelectronics Materials Co., Ltd.</li> <li>10. Passage of the cash capital increase of subsidiary Eternal Sun A. (Suzhou) Co., Ltd.</li> <li>11. Passage of the application for cash capital increase from subsidiary Elga Europe S.R.L.</li> <li>12. Passage of the termination of slitting business of Eternal Photoelectric Material Industry (Kunshan) Co., Ltd.</li> <li>13. Passage of the sale of idle land in Daliao.</li> <li>14. Passage of the sale of shares of Daxin Materials Corporation.</li> <li>15. Passage of the provision of endorsements/guarantees for banks for the line of credit of subsidiaries.</li> <li>16. Passage of the annual review of loans and line of credit (HSBC Bank cash pooling) among subsidiaries.</li> <li>17. Passage of the annual review of loans and line of credit (BNP Paribas cash pooling) among</li> </ol>

	<p>subsidiaries.</p> <p>18. Passage of the loans and line of credit (Mizuho Bank cash pooling) among subsidiaries.</p> <p>19. Passage of the loans and line of credit (entrusted loans) among subsidiaries.</p> <p>20. Passage of the loans (external debt) among subsidiaries.</p> <p>21. Passage of the loans (entrusted loans) among affiliated companies.</p> <p>22. Passage of the loans and line of credit among subsidiaries.</p> <p>23. Passage of the issuance of the 2017 Statement of Internal Control.</p> <p>24. Passage of the amendment to the Regulations Governing Distribution of Business Performance Bonuses.</p> <p>25. Passage of the amendment to the Regulations Governing Distribution of Excess Profit Performance Bonuses.</p> <p>26. Passage of the amendment to the Guidelines for Distribution of Employee Remuneration.</p> <p>27. Passage of the amendment to the Regulations Governing Company car Dispatch for Senior Executives.</p> <p>28. Passage of the amendment to the Remuneration Committee Organization Charter.</p> <p>29. Passage of the deliberation on the salaries paid to newly promoted managerial officers for 2019.</p>
2018.05.11	<p>1. Passage of the expansion of the research and development center in Suzhou.</p> <p>2. Passage of the expansion of Li-Yang Plant in Changzhou.</p> <p>3. Passage of the cash capital decrease in E-Chem Corp.</p> <p>4. Passage of the provision of endorsements/guarantees for banks for the line of credit of subsidiaries.</p> <p>5. Passage of the loans and line of credit (external debt) among subsidiaries.</p> <p>6. Passage of the transfer of the head of Finance Department.</p> <p>7. Passage of the deliberation on salaries paid to managerial officers due to job adjustments.</p>
2018.06.29	<p>1. Passage of the amendment to the 2018 consolidated business plan.</p> <p>2. Passage of the amendment to 2018 mid-year cash flow plan.</p> <p>3. Passage of the additional budget for the Head Office Building at Caohejing Development Zone.</p> <p>4. Passage of the setting of the record date for capital increase from 2017 earnings.</p> <p>5. Passage of the loans (entrusted loans) among affiliated companies.</p> <p>6. Passage of the provision of endorsements/guarantees for subsidiaries.</p> <p>7. Passage of the loans (external debt) among subsidiaries.</p> <p>8. Passage of the change in the managerial officers.</p> <p>9. Passage of the deliberation on salaries paid to managerial officers due to job adjustments.</p> <p>10. Passage of the distribution of 2017 employee remuneration paid to managerial officers.</p> <p>11. Passage of the distribution of business performance bonuses paid to managerial officers for the first half of 2018.</p>
2018.08.10	<p>1. Passage of the provision of endorsements/guarantees for banks for the line of credit of subsidiaries.</p> <p>2. Passage of the loans (entrusted loans) among subsidiaries.</p> <p>3. Passage of the loans (external debt) among subsidiaries.</p>
2018.11.09	<p>1. Passage of the liquidation of Eternal Capatech Co., Ltd.</p> <p>2. Passage of the cash capital decrease in Eternal Holdings Inc.</p> <p>3. Passage of the cash capital decrease in Mixville Holdings Inc.</p> <p>4. Passage of the provision of endorsements/guarantees among subsidiaries for the execution of the bill pool.</p> <p>5. Passage of the loans (entrusted loans) among subsidiaries.</p> <p>6. Passage of the appointment of the finance manager.</p>
2018.12.28	<p>1. Passage of the 2019 consolidated business plan.</p> <p>2. Passage of the 2019 cash flow plan.</p> <p>3. Passage of the 2019 audit plan.</p> <p>4. Passage of the adjustment of the investment in Li-Yang Plant in Changzhou.</p> <p>5. Passage of the termination of the investment in the expansion of Eternal Specialty Materials (Zhuhai) Co., Ltd. (south wing).</p> <p>6. Passage of the loans and line of credit (external debt) among subsidiaries.</p> <p>7. Passage of the loans (entrusted loans) among affiliated companies.</p>

	<ol style="list-style-type: none"> <li>8. Passage of the Chairman's authority to approve the account opening or cancellation, deposits, and loans, including application for or renewal of amounts, with financial institutions in 2019.</li> <li>9. Passage of the amendment to the Rules Governing the Candidate Nomination for Directors.</li> <li>10. Passage of the amendment to the Ethical Corporate Management Principles.</li> <li>11. Passage of the retirement of Vice President Yen, Shu-Fen.</li> <li>12. Passage of the appointment of the audit manager.</li> <li>13. Passage of the amendment to the Regulations Governing Company car Dispatch for Senior Executives.</li> <li>14. Passage of the amendment to the Regulations Governing Distribution of Business Performance Bonuses.</li> <li>15. Passage of the adjustment of salaries paid to managerial officers for 2019.</li> <li>16. Passage of the distribution of 2018 performance bonuses and business performance bonuses paid to managerial officers.</li> <li>17. Passage of the deliberation on the salaries paid to newly promoted managerial officers for 2019.</li> </ol>
2019.01.31	<ol style="list-style-type: none"> <li>1. Passage of the plan for establishing a corporation in India.</li> </ol>
2019.03.27	<ol style="list-style-type: none"> <li>1. Passage of the 2018 business report.</li> <li>2. Passage of the discussion over the 2018 consolidated and standalone financial statements.</li> <li>3. Passage of the evaluation on the appointment and independence of CPAs from 2Q of 2019 to 1Q of 2020.</li> <li>4. Passage of the convention of the 2019 annual meeting of shareholders.</li> <li>5. Passage of the 2018 earnings distribution.</li> <li>6. Passage of the 2018 remuneration paid to directors and employees.</li> <li>7. Passage of the election of the 18th directors of the Board.</li> <li>8. Passage of the list of nominated candidates for directors of the Board (including independent directors).</li> <li>9. Passage of the release of the 18th directors of the Board from non-compete restrictions.</li> <li>10. Passage of the amendment to the Articles of Incorporation.</li> <li>11. Passage of the amendment to the Procedures for Acquisition or Disposal of Assets.</li> <li>12. Passage of the issuance of the 2018 Statement of Internal Control.</li> <li>13. Passage of the provision of endorsements/guarantees for banks for the line of credit of subsidiaries.</li> <li>14. Passage of the annual review, update, and adjustment of loans and line of credit (HSBC Bank cash pooling) among subsidiaries.</li> <li>15. Passage of the annual review, update, and adjustment of loans and line of credit (BNP Paribas cash pooling) among subsidiaries.</li> <li>16. Passage of the annual review, update, and adjustment of loans and line of credit (Mizuho Bank cash pooling) among subsidiaries.</li> <li>17. Passage of the loans and line of credit (entrusted loans) among subsidiaries.</li> <li>18. Passage of the loans (external debt) among subsidiaries.</li> <li>19. Passage of the 2018 excess profit performance bonuses for managerial officers.</li> <li>20. Passage of the deliberation on salaries paid to managerial officers due to job adjustments.</li> </ol>

(XII) Where, during the Most Recent Year up to the Date of Publication of the Annual Report, a Director or Supervisor Has Expressed a Dissenting Opinion, Recorded or Prepared in Writing, with Respect to a Material Resolution Passed by the Board of Directors, the Principal Content Shall Be Disclosed: None.

(XIII) Summary of Resignations and Dismissals, during the Most Recent Year up to the Date of Publication of the Annual Report, of the Company's Chairman, President, Accounting Manager, Finance Manager, Internal Audit Manager, and Research and Development Manager

Title	Name	Date of Office Assumption	Date of Dismissal	Reason for Resignation or Dismissal
Finance Manager	Chang, Chia-Chuan	2014.01.01	2018.05.12	Job adjustment
Research and Development Manager	Huang, Shun-Ren	2016.07.01	2018.07.01	Retirement
Finance Manager	Su, Hui-Fang	2018.05.12	2018.12.01	Job adjustment
Internal Audit Manager	Lee, Shan-Heng	2016.07.01	2019.02.01	Retirement

V. Information on CPA Professional Fees

- (I) When Non-audit Fees Paid to the CPA, to the Accounting Firm of the CPA, and to Any Affiliated Company of Such Accounting Firm Are One Quarter or More of the Audit Fees Paid, the Amounts of Both Audit and Non-audit Fees as Well as Details of Non-audit Services Shall Be Disclosed:

Accounting Firm	Name of CPA		Period of Audit	Note
Deloitte Taiwan	Kuo, Li-Yuan	Kung, Chun-Chi	2018.1.1~2018.12.31	None

Note: Where the Company replaces the CPA or accounting firm, the audit periods of the former and successor CPA or firm shall be specified separately. The reason for the replacement shall be provided in the note accordingly.

Unit: Thousand NT\$

Interval of Amount		Category of Fees	Audit Fees	Non-audit Fees	Total
1	Less than NT\$2,000 thousand		0	1,800	1,800
2	NT\$2,000 thousand (inclusive)~NT\$4,000 thousand		0	0	0
3	NT\$4,000 thousand (inclusive)~NT\$6,000 thousand		0	0	0
4	NT\$6,000 thousand (inclusive)~NT\$8,000 thousand		7,500	0	7,500
5	NT\$8,000 thousand (inclusive)~NT\$10,000 thousand		0	0	0
6	More than NT\$10,000 thousand (inclusive)		0	0	0

Unit: Thousand NT\$

Accounting Firm	Name of CPA	Audit Fees	Non-audit Fees					Period of Audit	Note
			System Design	Business Registration	Human Resources	Others	Subtotal		
Deloitte Taiwan	Kuo, Li-Yuan Kung, Chun-Chi	7,500	0	0	0	1,800	1,800	2018.01.01~2018.12.31	Others include provisional filing, capital increase by earnings, and transfer pricing.

Change in the Accounting Firm with the Audit Fees Paid for the Year of Such Change Lower than Those for the Previous Year: None.

- (II) Audit Fees Paid for the Current Year Lower than Those for the Previous Year by 15% or More: None.

## VI. Information on Replacement of CPA

- (I) Replacement of CPA within the Most Recent Two Years or Any Subsequent Interim Period: None.
1. Regarding the Former CPA: None.
  2. Regarding the Successor CPA: None.
  3. Response by the Former CPA by Mail to the Disclosure under Items 1 and 2-3, Subparagraph 6, Article 10 of the Regulations: N/A.

VII. Chairman, President, or any Managerial Officer in Charge of Finance or Accounting Matters Having Held a Position at the Accounting Firm of Its CPA or at an Affiliated Company of Such Accounting Firm in the Most Recent Year: None.

VIII. Transfer of Equity Interests and/or Pledge of or Change in Equity Interests by a Director, Supervisor, Managerial Officer, or Shareholder with a Stake of More than 10% during the Recent Year up to the Date of Publication of the Annual Report

### (I) Transfer of Equity Interests

Title	Name	2018		As of April 28, 2019	
		Increase/Decrease in Number of Shares Held	Increase/Decrease in Number of Shares Pledged	Increase/Decrease in Number of Shares Held	Increase/Decrease in Number of Shares Pledged
Chairman & Co-Chief Executive Officer	Kao, Kuo-Lun	3,120,112	0	(160,000)	0
Director & President	Hsieh, Chin-Kun	47,272	0	0	0
Director & Chief Strategy Officer	Shiao, Tzu-Fei	36,531	0	0	0
Director	Yang, Huai-Kung	684,404	0	(400,000)	0
	Huang, Wu-Tung	256,514	0	0	0
	Kao, Ying-Chih	1,298,700	0	0	0
	Kwang Yang Motor Co., Ltd.	8,046,867	0	0	0
	Representative: Ko, Chun-Ping	0	0	0	0
Independent Director	Chen, I-Heng	100,863	0	0	0
	Hung, Lee-Jung	0	0	0	0
	Hsu, Jui-Yuan	0	0	0	0
Vice President	Huang, Shun-Ren (Note)	101,007	0	N/A	N/A
	Chen, Ming-Jen	21,981	0	0	0

	Chen, Chin-Yuan	18,614	0	0	0	
	Yen, Shu-Fen (Note)	19,576	0	0	0	
	Mao, Hui-Kuan	14,218	0	0	0	
	Liao, Heng-Ning	16,577	0	0	0	
Assistant Vice President	Lin, Chih-Kuo	29,277	0	0	0	
	Chuang, Shih-Hsien (Note)	0	0	N/A	N/A	
	Sung, Chun-Lung	0	0	0	0	
	Yang, Ju-Tai (Note)	20,984	0	N/A	N/A	
	Lee,Shan-Heng (Note)	(369,926)	0	0	0	
	Wen, Jung-Chuan (Note)	66,248	0	N/A	N/A	
	Lin, He-Hsing (Note)	7,296	0	0	0	
	Hung, Chao-Cheng	16,947	0	0	0	
	Kao, Chih-Yu	4,151	0	0	0	
	Chao, Yu-Wen	18,167	0	0	0	
	Chang, Shih-Fang	6,436	0	0	0	
	Huang, Chin-Lung	13,982	0	0	0	
	Su, Wen-Pin	3,493	0	0	0	
	Cheng, Yu-Cheng	47	0	0	0	
	Pan, Chin-Cheng	15,639	0	0	0	
	Wang, Mao-Yung	6,784	0	0	0	
	Yeh, Mao-Jung (Note)	N/A	N/A	0	0	
	Weng, Chin-Yi (Note)	N/A	N/A	0	0	
	Accounting Manager	Su, Hui-Fang	0	0	0	0
	Finance Manager	Chang, Chia-Chuan (Note)	0	0	N/A	N/A
Su, Hui-Fang (Note)		0	0	N/A	N/A	
Liu, Bing-Cheng		0	0	0	0	

Note: For discharged managers, the number of shares held at the end of the period shall refer to the number of shares held in the month of discharge. For new managers, the number of shares held at the beginning of the period shall refer to the number of shares held in the month of assumption of office.



## (II) Information on Related Parties of Transfer of Equity Interests

As of April 28, 2019

Name	Reason for Transfer of Equity Interests	Date of Transaction	Counterparty	Relationship between the Counterparty and the Company, Directors, Supervisors, and Shareholders with 10% of Shares or More	Number of Shares	Transaction Price
Yang, Huai-Kung	Bestowment	20180416	Yang, Chin-Ying	Father and daughter	200,000	N/A
Yang, Huai-Kung	Bestowment	20180416	Yang, Chin-Ning	Father and daughter	200,000	N/A
Yang, Huai-Kung	Bestowment	20190227	Yang, Chin-Ying	Father and daughter	200,000	N/A
Yang, Huai-Kung	Bestowment	20190227	Yang, Chin-Ning	Father and daughter	200,000	N/A

(III) Information on Related Parties of Pledge of Equity Interests: None.

## IX. Information on Relationship if among Top 10 Shareholders Any One Is a Related Party or a Relative within the Second Degree of Kinship of Another

## Information on Relationship between Top 10 Shareholders

Unit: Thousand shares, %

Name	Shares Held in Person		Shares Held by Spouse and Children of Minor Age		Shares Held in the Name of Another Person (Nominees)		Information on Relationship if among Top 10 Shareholders Any One Is a Related Party or a Relative within the Second Degree of Kinship of Another		Note
	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Title (or Name)	Relationship	
Kwang Yang Motor Co., Ltd.	123,002	9.92	0	0.00	0	0.00	Kwang Hsing Industrial Co., Ltd.	Parent company and subsidiary	None
Representative: Ko, Sheng-Feng	0	0.00	0	0.00	0	0.00	None	None	None
Kwang Hsing Industrial Co., Ltd.	71,199	5.74	0	0.00	0	0.00	Kwang Yang Motor Co., Ltd.	Parent company and subsidiary	None
Representative: Ko, Chun-Ping	0	0.00	0	0.00	0	0.00	None	None	None
Kao, Ying-Shih	69,384	5.59	20,221	1.63	0	0.00	Kao Cheng, Li-Hua Kao, Kuo-Lun Kao, Ying-Chih	Spouse Father and son Brother	None
Kao, Kuo-Lun	50,139	4.04	5,731	0.46	0	0.00	Kao, Ying-Shih Kao Cheng,	Father and son Mother and son	None

							Li-Hua		
Fubon Life Insurance Co., Ltd.	39,750	3.20	0	0.00	0	0.00	None	None	None
Representative: Tsai, Ming-Hsing	0	0.00	0	0.00	0	0.00	None	None	None
Cathay Life Insurance Co., Ltd.	27,752	2.24	0	0.00	0	0.00	None	None	None
Representative: Huang, Tiao-Kuei	0	0.00	0	0.00	0	0.00	None	None	None
LGT Bank entrusted to Standard Chartered Bank	22,775	1.84	0	0.00	0	0.00	None	None	None
Kao Cheng, Li-Hua	20,221	1.63	69,384	5.59	0	0.00	Kao, Ying-Shih Kao, Kuo-Lun Kao, Ying-Chih	Spouse Mother and son Brother-in-law and sister-in-law	None
Kao, Ying-Chih	19,852	1.6	1,047	0.08	6,349	0.51	Kao, Ying-Shih Kao Cheng, Li-Hua	Brother Brother-in-law and sister-in-law	None
Vanguard FTSE Emerging Market ETF entrusted to JP Morgan	18,017	1.45	0	0.00	0	0.00	None	None	None

X. Total Number of Shares held by the Company, Its Directors, Supervisors, Managerial Officers, and Businesses either Directly or Indirectly Controlled by the Company as a Result of Investment, and the Ratio of Consolidated Shares Held

Ratio of Consolidated Shares Held

December 31, 2018; Unit: Shares, %

Invested Company (Note1)	Investment of the Company		Investment of Directors, Supervisors, Managerial Officers, and Directly or Indirectly Controlled Businesses		Total Ownership	
	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage
Eternal Holdings Inc.	213,363,859	100.00	0	0	213,363,859	100.00
Eternal Global (BVI) Co., Ltd.	19,321,024	100.00	0	0	19,321,024	100.00
Mixville Holdings Inc.	29,530,000	100.00	0	0	29,530,000	100.00
Advanced PETFILM Investment Co., Ltd.	270	20.00	0	0	270	20.00
Daxin Materials Corporation	23,423,812	22.80	586,089 (Note 2)	0.57	24,009,901	23.37
New E Materials Co., Ltd.	17,268,963	62.80	3,000,000	10.91	20,268,963	73.71
DSM Resins (Far East) Co., Ltd.	3,660,000	40.00	0	0	3,660,000	40.00
Eternal Electronic Material (Thailand) Co.,Ltd.	937,500	75.00	0	0	937,500	75.00
CHOU-KOU Material Co., Ltd.	4,000	100.00	0	0	4,000	100.00
Nikko-Materials Co., Ltd.	11,520	100.00	0	0	11,520	100.00
Eternal Materials (Malaysia) Sdn. Bhd.	165,855,600	90.00	0	0	165,855,600	90.00
Eternal Capatech Co.,Ltd.	14,700,000	96.71	0	0	14,700,000	96.71
Elga Europe S.r.l.	(Note3)	72.68	(Note3)	22.32	(Note3)	95.00

Note 1: Long-term investment accounted for using the equity method.

Note 2: Book closure date on March 26, 2019.

Note 3: N/A (no share is issued).

## Chapter 4 Capital Raising Activities

### I. Capital and Shares

#### (I) Source of Capital

##### 1. Formation of Capital

April 28, 2019; Unit: Thousand shares

Type of Shares	Authorized Capital			Note
	Outstanding Shares	Unissued Shares	Total	
Common Stock	(Listed) 1,240,280	559,720	1,800,000	None

##### 2. Type of Shares

April 22, 2019; Unit: Thousand NT\$, thousand shares

Year/Month	Issue Price	Authorized Capital		Paid-in Capital		Note		
		Number of Shares	Amount	Number of Shares	Amount	Source of Capital	Issued for Consideration Other than Cash	Others
2018.08	—	1,800,000	18,000,000	1,240,280	12,402,795	Capital increase from earnings NT\$81,139,778 (Note)	None	None

Note: The registration change was approved by the Ministry of Economic Affairs in Jin-Shou-Shang-Zi No. 10701099770 dated August 16, 2018.

The registration change regarding the issuance of 81,139,778 shares from earnings was approved by the Ministry of Economic Affairs on August 16, 2018, and shares were issued and listed on August 30, 2018.

##### 3. Information on Offering and Issuance of Securities by the Shelf Registration System: None.

#### (II) Shareholder Structure

April 28, 2019; Unit: Thousand shares, %

Shareholder Structure Quantity	Government Agencies	Financial Institutions	Other Institutions	Individuals	Foreign Institutions and Individuals	Total
Number of individuals/entities	0	13	146	34,111	198	34,468
Number of shares held	0	93,200	304,624	662,427	180,029	1,240,280
Shareholding percentage	0	7.51	24.56	53.41	14.52	100

## (III) Diffusion of Ownership

## 1. Common Shares

April 28, 2019; Unit: NT\$10 per share, %

Class of Shareholding	Number of Shareholders	Number of Shares Held	Shareholding Percentage
1 to 999	11,335	2,580,052	0.208
1,000 to 5,000	12,988	29,491,837	2.378
5,001 to 10,000	4,043	28,423,089	2.292
10,001 to 15,000	2,015	24,290,561	1.958
15,001 to 20,000	870	14,932,357	1.204
20,001 to 30,000	1,036	25,115,830	2.025
30,001 to 50,000	847	32,685,809	2.636
50,001 to 100,000	627	43,234,667	3.486
100,001 to 200,000	322	43,821,811	3.533
200,001 to 400,000	175	49,426,077	3.985
400,001 to 600,000	44	21,414,001	1.727
600,001 to 800,000	24	16,549,787	1.334
800,001 to 1,000,000	18	16,162,687	1.303
1,000,001 or Above	124	892,150,890	71.93
Total	34,468	1,240,279,455	100.00

## 2. Preferred Shares: None.

## (IV) List of Major Shareholders: Shareholders with Shareholding of 5% or More or the Name of Top 10 Shareholders, the Number of Shares Held and Shareholding Percentage:

April 28, 2019; Unit: Shares, %

Name of Major Shareholder	Shareholding	Number of Shares Held	Shareholding Percentage
Kwang Yang Motor Co., Ltd.		123,002,116	9.92
Kwang Hsing Industrial Co., Ltd.		71,199,000	5.74
Kao, Ying-Shih		69,383,758	5.59
Kao, Kuo-Lun		50,138,856	4.04
Fubon Life Insurance Co., Ltd.		39,749,923	3.20
Cathay Life Insurance Co., Ltd.		27,751,687	2.24
LGT Bank entrusted to Standard Chartered Bank		22,774,610	1.84
Kao Cheng, Li-Hua		20,221,072	1.63
Kao, Ying-Chih		19,851,560	1.60
Vanguard FTSE Emerging Market ETF entrusted to JP Morgan		18,016,630	1.45

(V) Market Price, Net Worth, Earnings, and Dividends per Share and Related Information for the Most Recent Two Years

Year		Item	2017	2018	As of December 31, 2019 (Note 8)
Market Price per Share (Note 1)	Highest	Before retrospective adjustment	34.95	31.85	26.00
		After retrospective adjustment	32.66	(Note 9)	-
	Lowest	Before retrospective adjustment	30.00	22.90	23.30
		After retrospective adjustment	28.04	(Note 9)	-
	Average	Before retrospective adjustment	32.18	27.38	24.94
		After retrospective adjustment	30.07	(Note 9)	-
Net Worth per Share (Note 2)	Before distribution		17.69	16.93	18.19
	After distribution		16.53	(Note 9)	-
Earnings per Share	Weighted average number of shares (in thousand shares)		1,159,140	1,240,280	1,240,280
	Earnings per share (Note 3)	Before retrospective adjustment	1.65	1.25	0.59
		After retrospective adjustment	1.54	(Note 9)	-
Dividends per Share	Cash dividends		0.5	0.9	-
	Stock dividends	Stock dividends appropriated from earnings	0.7	0	-
		Stock dividends appropriated from capital reserve	0	0	-
	Accumulated undistributed dividends (Note 4)		0	0	-
Return on Investment	Price-to-earnings ratio (Note 5)		19.50	21.90	-
	Price-to-dividend ratio (Note 6)		64.36	30.42	-
	Cash dividend yield (Note 7)		1.55	3.29	-

- \* If there is a capital increase from earnings or capital reserve, the market price and cash dividends adjusted based on the number of shares issued shall be disclosed.
- Note 1: The highest and lowest market prices of common stock for each year are listed. The average market price for each year is calculated based on the transaction value and volume.
- Note 2: The number of shares that have been issued by the end of the year and the resolution at the shareholders' meeting in the following year shall apply.
- Note 3: If there is any retrospective adjustment required due to stock dividends, earnings per share before and after adjustment shall be listed.
- Note 4: If the equity securities issuance conditions specify that the undistributed dividends that are not distributed in a given year can be distributed in another year when the Company makes a profit, the accumulated undistributed dividends as of that given year shall be disclosed.
- Note 5: Price-to-earnings ratio = Average closing price per share for the year / Earnings per share.
- Note 6: Price-to-dividend ratio = Average closing price per share for the year / Cash dividends per share.
- Note 7: Cash dividend yield = Cash dividends per share / Average closing price per share for the year.
- Note 8: For the net worth per share and earnings per share, data from the most recent quarter that has been audited (reviewed) by the CPAs up to the date of publication of the Annual Report shall be filled in. For all other fields, the annual data up to the date of publication of the Annual Report shall be filled in.
- Note 9: The Company's 2018 earnings distribution has been approved by the Board of Directors but yet to be resolved in the shareholders' meeting.

#### (VI) Dividend Policy and Its Implementation

##### 1. Dividend Policy Stipulated in the Articles of Incorporation

Based on the principle of sustainable development and continuous growth, the Company expects to have a major expansion plan in the future. The dividends distributed to shareholders for the year shall not be less than 30% of the balance to be distributed for the year. Cash dividends shall not be less than 10% of the total dividends distributed for the year.

##### 2. Distribution of Dividends Proposed in the Shareholders' Meeting

- (1) The distribution of 2018 earnings is based on Article 18 of the Articles of Incorporation.
- (2) In 2018, the Company reported the earnings after tax of NT\$1,550,514,547, and distributable earnings of NT\$1,311,499,874 after appropriating 10% as legal reserve and appropriating special reserve. Plus undistributed earnings of NT\$2,989,896,835 at the beginning of 2018, the earnings distributable to shareholders amounted to NT\$4,301,396,709. The Company proposed distributing the cash dividends of NT\$1,116,251,510 at NT\$0.9 per share to shareholders.

##### 3. Any Expected Material Changes in the Dividend Policy: None.

#### (VII) Effect of Any Stock Dividends Distribution Proposed in the Shareholders' Meeting on Business Performance and Earnings per Share: N/A.

(In accordance with the "Regulations Governing the Publication of Financial Forecasts of Public Companies", the Company does not disclose the financial forecasts for 2019.)

#### (VIII) Remuneration Paid to Employees, Directors, and Supervisors

##### 1. Percentage or Range of Remuneration Paid to Employees and Directors under the Articles of Incorporation

If the Company makes a profit in the current year, 4.5% (inclusive) to 5.5% of

the profit shall be appropriated as remuneration to employees and no more than 1% as remuneration to directors and supervisors. However, if the Company has accumulated losses, the amount for offsetting the losses shall be reserved first.

The profit in the current year mentioned in Paragraph 1 shall refer to the profit before tax of the year before deducting the distribution of remuneration paid to employees and to directors.

2. Basis for Estimating the Amount of Remuneration Paid to Employees, Directors, and Supervisors, for Calculating the Number of Shares to Be Distributed as Employee Remuneration, and the Accounting Treatment of Any Discrepancy between the Actual Distributed Amount and the Estimated Figure for the Current Period

The discrepancy shall be treated in accordance with the changes in accounting estimates and recognized in the following year's profit or loss.

3. Distribution of Remuneration Approved by the Board of Directors

- (1) Amount of remuneration distributed to employees and directors in the form of cash or stock

There was a discrepancy (NT\$5,363,791) between the proposed distribution of remuneration to employees in cash (NT\$72,180,642) and the estimate (NT\$77,544,433) in 2018. Such discrepancy was treated in accordance with the changes in accounting estimates and recognized in the following year's profit or loss. The remuneration distributed to directors was NT\$14.4 million, which was the same as the estimated amount.

- (2) The ratio of “amount of remuneration distributed to employees in the form of stock” to the sum of “net income after tax (NIAT) specified in the standalone financial statements and total remuneration paid to employees”: The amount of stock dividends distributed to employees was NT\$0.

4. Actual Distribution of Remuneration to Employees and Directors and Supervisors for the Previous Year

- (1) The remuneration of NT\$94,538,366 was distributed to employees in the form of cash; the remuneration of NT\$14.4 million was distributed to directors and supervisors in the form of cash.

- (2) Where there is any discrepancy between the actual amount and the recognized amount of remuneration to employees, directors, and supervisors, the amount, cause, and treatment of such a discrepancy shall be stated:

There was a discrepancy (NT\$951,950) between the proposed distribution of remuneration to employees and the estimate (NT\$95,490,316) in 2017. This discrepancy was treated in accordance with the changes in accounting estimates and recognized in the following year's profit or loss. The remuneration distributed to directors and supervisors was NT\$14.4 million, which was the same as the estimated amount.

(IX) Repurchase of the Company's Shares: None.



- II. Issuance of Corporate Bonds: None.
- III. Preferred Shares: None.
- IV. Global Depository Receipts: None.
- V. Employee Share Subscription Warrants and New Restricted Employee Shares: None.
- VI. Issuance of New Shares in Connection with Mergers or Acquisitions or Acquisitions of Shares of Other Companies: None.
- VII. Implementation of Capital Allocation Plans: None.

## Chapter 5 Overview of Business Operations

### I. Description of Business

#### (I) Scope of Business

##### 1. Major Lines of Business

- (1) Synthetic resin manufacturing.
- (2) Electronic parts and components manufacturing.
- (3) Coating and paints manufacturing.
- (4) Industrial catalyst manufacturing.
- (5) Plastic materials manufacturing.
- (6) Other plastic products manufacturing (pressure sensitive tapes used in the manufacturing process of integrated circuit).
- (7) Other chemical materials manufacturing (photoresists, optoelectronic materials, packaging materials, and chemical mechanical planarization slurries).
- (8) Petrochemicals manufacturing.
- (9) Basic industrial chemical manufacturing.
- (10) Manufacturing and sale of photoresist materials.
- (11) Manufacturing and sale of electronic chemicals.
- (12) Manufacturing and sale of polyol.
- (13) Manufacturing and sale of methacrylate and acrylate.
- (14) All business items that are not prohibited or restricted by law, except those that are subject to special approval.

##### 2. Weight of Major Lines of Business in 2018

Product Name	Percentage (%)
Resins materials	53%
Electronic materials	30%
High Performance Materials	16%
Others	1%

##### 3. Products and Services

- (1) General resin
- (2) Coating resin
- (3) Polyester resin
- (4) Circuit substrate
- (5) Photoresist dry film
- (6) Optical film for liquid-crystal display (LCD)
- (7) Specialty chemicals
- (8) Packaging materials
- (9) Panel materials for solar module

4. New Products and Services Planned for Development
  - (1) Medical materials: Blood sugar test materials, molecular test enzymes, blood test enzymes, and dengue diagnostic reagents.
  - (2) Green energy/energy storage materials: Solar module materials, nano energy materials, silicon-carbon negative electrodes for lithium-ion batteries, lithium battery electrode adhesive, electrolyte additives, and conductive high-molecular materials, and solid capacitors.
  - (3) Soft electronic materials: Photoresist dry films, and polyimide and photosensitive polyimide for semiconductors and flexible printed circuit boards.
  - (4) Semiconductor packaging materials: 3D-IC/SIP high-end packaging materials and silicone packaging materials.
  - (5) High-performance engineering plastic materials: High-performance thermoplastic materials for aerospace, communication and medical treatment.
  - (6) Recyclable materials: Eco-friendly printing plates, water-based resin, UV materials, and non-lead/halogen-free/chromium-free materials.

(II) Industry Overview and Future Business Development Plans

1. Current Status and Development of the Industry

(1) Resins materials

A. General resin and coating resin

1) General resin

With the gradual recovery of the global economy, the rise of the red supply chain in mainland China has led to more intense competition. To expand the market share of existing products, the Company enhances after-sales and technical service in addition to real-time price adjustments with the market trends. In terms of investment in the new industries, currently PSA products have extended to protective films and tapes used in high-end electronic products, screen-print PSA, and Polyol for PU/PUD adhesives. In terms of new productions, chemical products used in the steel industry are being developed, such as quenching liquid and cutting oil. In response to the trend of environmental protection, acrylic adhesive, silane-terminated polyurethane (STPU) adhesive, and high polymer polyester adhesive for the solar energy industry are developed.

2) Coating resin

In the past year, market demand was affected by the high cost of petrochemical materials, more stringent environmental regulations, and the China-US trade war. To maintain the existing market, the Company sources raw materials from nearby suppliers to lower costs and improve services. The Company also adjusts prices up to market expectations, so as to stabilize the market share of the Company in the red sea market. Outside Mainland China, the Company's Resins materials production base in Malaysia has been fully put into operation in January 2018. The business scope covers Southeast Asian countries, India, Sri Lanka and Pakistan.

In terms of investment in the new industries, the Company continues to increase the fluorocarbon resin production line in response to the solar power and construction industries and market trends. In response to the trend of environmental protection, the coating industry begins to develop towards green energy and water-based products and has achieved breakthroughs and growth.

B. Unsaturated polyester resin

The prices of upstream petrochemical materials in the unsaturated polyester resin market had a big turn in the second half of 2018. In the face of the Blue Sky Protection Campaign and the China-US trade war, relevant industries in Mainland China shut down one after another. Compared to 2017, the unsaturated polyester resin market remained stagnant in 2018. Therefore, the Company focused on the infrastructure development and the demand for lightweight composite materials in the emerging markets. Market trends have also demanded control over volatile organic compounds (VOCs) and the development of eco-friendly products.

(2) Electronic materials

A. Photoresist materials

Photoresist dry film is a key material for Image transfer during the production process of printed circuit boards (PCB). In recent years, the product structure of the electronic industry is becoming more connected to HDI and high-density fine lines. This is in response to demand for light, thin and high-performance portable products, such as smart phones. Thus, the role of photoresist dry film becomes more important in image transfer of fine circuits. In addition, due to the increasing demand for product precision during the HDI manufacturing process, the application of LDI photoresist dry film will continue to increase in the future. Regarding the PCB industry in 2018, the Prismark report estimated a growth of 8.0% from 2017. Compared with the major driving forces, HDI and FPC, in 2017, general multi-layer boards and IC substrates were the major driving forces in 2018 due to the China-US trade war and the lower sales of smart phones in the second half of the year.

B. Prism film

According to a research report, in 2018, the global aggregate demand for prism film (also known as brightness enhancement film, BEF) was 280 million m<sup>2</sup>. Prism films are found in television, computer monitors, laptops, as well as small-and-medium sized LCDs. The main demand of prism film is to be used as a component in each of 220 million units of backlight module, found in televisions. The application of prism films to mobile phones has decreased because Samsung and Apple have switched to organic light-emitting diode (OLED). By applying quantum dots technology to televisions, Samsung improves LCD color saturation and hence reduces the chance of LCD being replaced by OLED. It is estimated that the market share of OLED televisions will be less than 2% by 2020. Besides, China continues to expand its production capacity for LCD panels, and will become the world's largest manufacturer by 2020. The supply of prism films by China will definitely become a trend.

### C. Circuit substrate

According to the market research report by Prismark, in 2018, the growth rate of output value of global PCB was approximately 6.0%, as compared to 2017. In particular, the growth rate of composite epoxy copper clad laminate (CEM-1) was 3.6%. Additionally, the total output value of paper phenolic copper clad laminate (FR-1) and CEM-1 in 2018 were US\$1,038 million and US\$2,011 million, respectively. In recent years, the business division has worked hard to reach out to television brands and electronics manufacturers. As a result, customers' orders have gradually increased. The Company expects to achieve the significant growth of CEM-1 in 2019.

## (3) High Performance Materials

### A. Special materials

Featuring the fast curing speed, energy conservation, eco-friendliness, high performance and high-speed automated production, ultraviolet curing (UV) products have a wide range of applications covering woods, inks, daily chemical products, electronic products, automobiles, and 3D printing. Against the backdrop of the global focus on 5e (efficiency, energy-efficient industries, economic considerations, energy saving, and environmental protection), as well as increasing pressure upon environmental protection in China, UV products are applied to more industries, replacing traditional highly-polluting processes, hence the industry outlook is promising.

### B. Special coating

It is estimated that the global UV coating market will grow at an annual rate of over 5%, with the growth in Asia reported to be the fastest. The Company has invested in distinctive, high-value UV coating products, including headlight coating, 3D printing, light concentrating film high refractive index UV resin, light guide film UV, molding glue, UV hardening coating, UV adhesive, and UV solvent-free spraying putty paint.

### C. Organic silicone materials

Organic silicone materials are new uniquely-structured chemical materials, having both organic and inorganic features, characterized by heat stability, durability, water resistance, physiological inertia, corrosion resistance, and insulation. With high market potential, they are widely used in LED, LCD, thin film, cosmetics, coating, and ink. The global market is expected to grow at an annual rate of 5%.

## 2. Links between the Upstream, Midstream, and Downstream Segments of the Industry Supply Chain

### (1) Resins materials

Resins materials is a midstream and downstream product of the petrochemical industry. It is an upstream material used for the necessities of life, such as clothing and housing. The upstream industry of Resins materials is the petroleum refining industry, and the downstream industry is the manufacturing industry. The upstream and downstream links are shown in the following table.

Upstream Industry	<ul style="list-style-type: none"> <li>Styrene, acrylic acid, benzene, phthalic anhydride, adipic acid, and xylene</li> <li>Major manufacturers: Formosa Plastics Group, TSMC, Formosa Chemicals &amp; Fibre Corporation and China Petroleum &amp; Chemical Corporation</li> </ul>
Midstream Industry	<ul style="list-style-type: none"> <li>Acrylic resin, polyester resin, fluorocarbon resin, alkyd resin, epoxy resin, PU resin, and unsaturated polyester resin</li> <li>Major manufacturers: Eternal Materials Co., Ltd., Qualipoly Chemical Corporations, Daily Polymer Corporation, and Yong Shun Chemical Co., Ltd.</li> </ul>
Downstream Industry	<ul style="list-style-type: none"> <li>Adhesives, industrial coating, automotive paint, wood paint, artificial stones, buttons, copper clad laminates, and electronic tapes</li> <li>Major manufacturers: 3M, AveryDennison, Yung Chi Paint &amp; Varnish MFG. Co., Ltd., San Fang Chemical Industry Co., Ltd., Nippon Paint, and Nanpao Resins Chemical Group</li> </ul>

(2) Electronic materials

A. Photoresist materials

The upstream materials of photoresist dry films are mainly composed of optical polyester films, polyethylene films, resins and photoinitiators.

The downstream materials of photoresist dry films are mainly PCB, FPC and packaging substrates.

B. Prism film

The upstream materials of prism films are mainly PET and UV glue; downstream customers are the cutting plants and assembly plants.

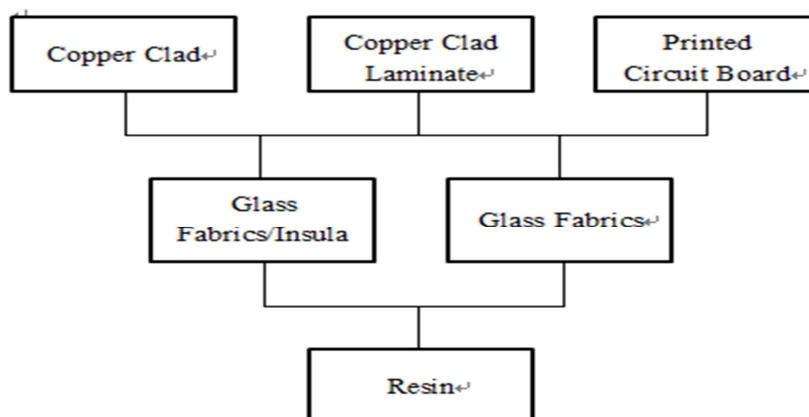
Upstream materials:

PET: Yihua Toray Polyester Film Co., Ltd. and Chinese manufacturers, such as Fuwei Films (Shandong) Co., Ltd., Hefei Lucky Science & Technology Industry Co., Ltd., and Kangdexin Composite Material Group, and new manufacturers, including, Zhejiang Nanyang Technology Co., Ltd., Jiangsu Shuangxing Color Plastic New Materials Co.,Ltd., Sichuan EM Technology, Zhejiang Great Southeast Packaging Co., Ltd., and Dongtong New Materials Co., Ltd. UV glue is dispensed by the Company or purchased from Mainland China.

Downstream customers:

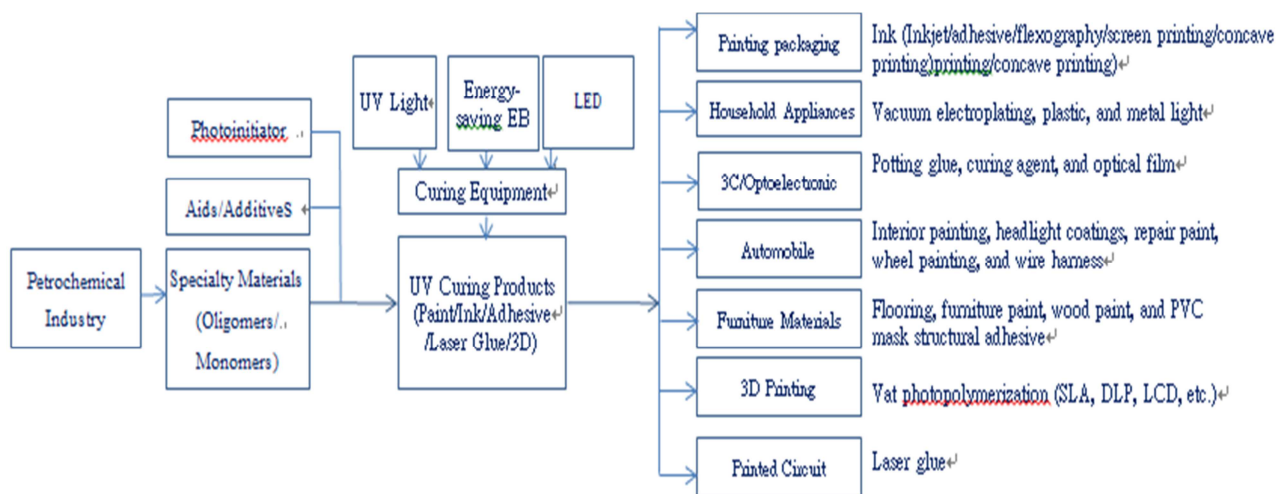
The direct customers are cutting plants, which will then forward products to television brands or assembly plants.

C. Circuit substrate



### (3) High Performance Materials

#### A. Special materials and coatings



#### B. Organic silicone materials

Upstream Industry	Methyl silicone, organic silicon monomer, and polyether
Midstream Industry	Organic silica microsphere and organic silicone auxiliary
Downstream Industry	LED, LCD, films, cosmetics, coating, and ink

### 3. Product Development Trends

#### (1) Resins materials

##### A. General resin and coating resin

##### 1) General resin

PSA products have extended to protective films and tapes used in high-end electronic products, screen-print PSA, and polyol for PU/PUD adhesives. In terms of new productions, products used in the steel industry are being developed. In response to the trend of environmental protection, acrylic adhesive, silane-terminated polyurethane (STPU) adhesive, and high polymer polyester adhesive for the solar energy industry are developed.

##### 2) Coating resin

Market demand has been affected by the stringent environmental and safety regulations in China and the China-US trade war, causing small and medium oil paint enterprises to shut down one after another. The coating industry has started to develop high-solids, water-based, UV and powder coating products, and has since achieved breakthroughs and growth.

##### B. Unsaturated polyester resin

##### 1) Constructable, automation-prone resin:

As automated production is required to reduce high labor costs today, developing unsaturated polyester resin that is suitable for automated production and saves subsequent manual work is the future trend.

2) High-solids, low-VOC resin:

In the 21st century when the awareness of environmental protection and the requirements for occupational safety and health are high, developing high-solids, low-VOC resins that are used to reduce the usage and evaporation of styrene monomer, as well as to maintain the quality of the working environment has become a global trend.

3) Composite materials are widely used in the highly demanding flame-retardant applications:

Flame retardant materials are used to slow down the burning process or minimize the likelihood of a fire. Therefore, demanding flame-retardant resins for building materials and transportation are developed to meet market demand.

(2) Electronic materials

A. Photoresist materials

1) Dry film photoresist is mainly applied to the production of PCB. Different PCB electronics have different requirements for dry film photoresist, which are divided into the following:

PWB for general PC, communications, automotive, and other consumer electronics: Mainly for multi-layer boards, this type of dry film photoresist is applied to different internal and external processes. In recent years, due to the development of smart cars and electric vehicles, the demand for dry film photoresist for automotive and communication will continue to grow in the next five years.

Mobile phones and some notebooks: As the smart phone market drives the rapid development of HDI/AnyLayer process, there is a growing demand for high-resolution dry film photoresists. In addition to high-resolution dry film photoresists, LDI-specific dry film with low exposure and high throughput will be the focus of future development.

Semiconductor packaging substrates: Most of the processes followed Japanese process technology in early days, so many direct and indirect materials were imported directly from Japan. In recent years, with the continuous efforts made by Taiwan's packaging and IC substrate manufacturers, most of the current processes have been directly developed by domestic manufacturers. High-resolution dry film photoresists for ball



grid array packages and wafer-sized packages will also be the focus of future development.

Other dry film photoresists for special uses, such as dry film used in electroplating or special dry and wet etching and FanOutWLCSP, thick film for special processes.

2) Prism film

For market segmentation, South Korean manufacturers provide laminates (consisting of multiple optical films) for South Korean TV brands. In 2019, the development trends of TV will continue to be high resolution (8K), high color saturation (quantum dots or panels), and large sizes.

B. Circuit substrate

The PCB industry has focused on the application of rigid-flexible PCBs in recent years. Although the current output value of rigid-flexible PCBs is only 2.7% of the total output value of the PCB industry, with the characteristics of wide applications, high technological threshold, high unit price and high gross profit margin, rigid-flexible PCBs are expected to show a high growth rate in the future. Therefore, low-flow films for rigid-flexible PCBs have been developed to tap into the field of high-end circuit substrates indirectly.

(3) High Performance Materials

Featuring high-solids (100%), fast hardening (in seconds), and solvent contamination-free, UV light curing coatings have advantages of environmental protection, energy conservation, and efficient production. The growth rate of UV light curing coatings remains about 5% in the global market. The average growth rate of UV light curing coatings in emerging markets, such as India and Southeast Asia, is more than 10%, making them the main regions for sustainable development and expansion in the future. As the world's major market for LED lighting and LCDs, China is growing at a rate of more than 10% per year with the strong demand for diffusing agents, driving the continued growth of PSQ microspheres. Due to the high growth of UV light curing coatings, it has attracted more competitors to expand production. In 2018, UV light curing coatings still showed oversupply in the global market.

4. Competition

(1) Resins materials

The Company has more than 50 years of experience in Resins materials. Regardless of many competitors, the Company has introduced advanced technology from Europe and the U.S. in addition to the sound foundation of research and development and marketed a variety of products worldwide to stay ahead of the competitors.

The major competitors and their main products are as follows:

The Company	General resin, coating resin, unsaturated polyester resin, photoresist, circuit substrate, prism film, UV light curing materials, epoxy resin packaging materials, and liquid packaging materials
Qualipoly Chemical Corporation	UV light curing materials, unsaturated polyester resin, coating resin, PU resin, and casting resin
Headway Group	Coating resin, leather resin, adhesive, hardener, polyol resin, ink resin, water-based PU resin, and anti-static resin
Daily Polymer Corporation	Coating resin, alkyd resin, textile resin, unsaturated polyester resin, and LCD materials
Young Shun Chemical Co., Ltd.	Unsaturated polyester resin, polyester polyol resin, and alkyd resin
Lidye Chemical Co., Ltd.	PU polymer resin, polymer emulsion (synthetic leather, insulation foam, textiles use), polymer resin for ink, and polymer resin for coating (automobile, 3C product, and special construction)
Quick Stick Enterprise Co, Ltd.	Adhesive tape, double-sided tape adhesive, self-adhesive label glue, glue for protection laminating tape, advertising stickers, and self-adhesive glue for shoes
Asia Titan Chemical Co., Ltd.	Electronic tape, conductive glue, thermal adhesive, temperature-sensitive glue, optoelectronic glue, acetate cloth tape, flame-retardant glue, and anti-static adhesive
BASF	Coating resin, acrylic resin, and unsaturated polyester resin
ALLNEX	Coating resin, acrylic resin, and amino resin
Sumei Chemical Co., Ltd.	Water/oil-based pressure-sensitive adhesive, vinyl acetate coating, and curing hot-melt pressure-sensitive adhesive
Covestro Taiwan	Polyurethane material and system, thermoplastic polyurethane, polycarbonate and polycarbonate blends, coating, adhesive and medical polymer, textile coating, elastomers, and cosmetic materials
Dow Chemical Company	Special polymer, adhesive, coating, water-based flooring and protection coating, and personal care products

(2) Electronic materials

A. Photoresist materials

- 1) Analysis of main products/sales territories/applications of the world's major dry film photoresist supplier:

Item	Supplier	Sales Territories	Products	Applications
1	The Company	Taiwan, China, Southeast Asia, Japan, Europe, and North America	Dry film photoresist for etching, electroplating, MSAP, SAP, selective plating, HDI, and bumping thick film	Rigid PCB, HDI, FPC, RFPCB, IC substrate, and packaging
2	Hitachi Chemical Company, Ltd.	Taiwan, China, Southeast Asia, and Japan	Dry film photoresist for etching, plating, MSAP, SAP, and HDI	Rigid PCB, HDI, FPC, and IC substrate
3	Asahi Kasei Corporation	Taiwan, China, Southeast Asia, and Japan	Dry film photoresist for etching, plating, SAP, and HDI	Rigid PCB and IC substrate
4	DuPont	North America	Electroplating and selective-based dry film photoresist	FPC
5	Others	China	Etching-based dry film photoresist	RPCB

2) Prism film

Due to the emergence of China's LCD TV prism film suppliers (Kangde Xin, Exciton Technology, Valence, Kaixinsheng, DXC), South Korean suppliers (LGE, Xinhe, and MNTech) has focused on laminates for market segmentation. With reduced competitive advantages, some Taiwanese manufacturers have quit the market or set up plants in Mainland China. In the future, price competition will continue in the general market and China, while South Korean suppliers will secure their positions in the high-end market for the time being.

B. Circuit substrate

Copper clad laminates include paper phenolic copper clad laminate (XPC, FR-1) and composite epoxy copper clad laminate (CEM-1, CEM-3), with FR-1 and CEM-1 being the main products. The monthly output of these two main products is about 600,000~650,000 square meters. As a key third party in the market, the Company has strengthened technical services and increased the price-performance ratio to differentiate from competitors.

(3) High Performance Materials

In response to an increasingly competitive environment, the Company has been committed to increasing the proportion of sales of high value-added products, reducing the production costs, and developing new industries and applications to secure its long-term competitive advantages and market presence.

Main Product	Key Competitors
High Performance Materials	Allnex, Sartomer, Miwon, BASF, Miki Kougyou Zairyu Co., Ltd., Litian Technology, and Qualipoly Chemical Corporation
Special Coatings	Qualipoly Chemical Corporation, Momentive, Fujikura, Cashew Co., Ltd., Sun Origin, and Nissei
Organic Silicone Materials	Samsung, Shin-Etsu, ABC, Dow Corning, Momentive, Changji, Xinjiayi, and Huisheng

(III) Overview of Technologies and Research and Development

1. Expenditures on Research and Development

In 2018, the expenditures on research and development amounted to NT\$1,293 million.

As of March 31, 2019, the expenditures on research and development have reached NT\$306 million.

2. Results of Research and Development in 2018

- (1) Water-borne light-curing plastic cover.
- (2) Bridging agent of high light anode electrophoretic coating.
- (3) Water-borne passivation resin for galvanized steel plates.
- (4) Visible-light photocatalyst antibacterial coating.
- (5) Lightweight UP structural adhesive for FRP industry.
- (6) Methylphenyl polyoxyalkylene microspheres for LED light.
- (7) Accurate detection technology of fluorine content in water-borne fluorocarbon coating.

- (8) Non-ionic self-extinguishing resin and coating.
- (9) Eco-friendly high solids fluoroester resin.
- (10) High performance acrylate PSA glue for electronics.
- (11) Gel for cosmetic raw materials.

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

1. Long-term Business Development Plans

(1) Resins materials

A. General resin and coating resin

- 1) Increasing R&D manpower and developing high value-added products.
- 2) Tapping into new industries, such as steel, solar power, and functional textile.
- 3) Cooperating with international major coating manufacturers to secure the Company's position as the key supplier and strategic partner in Asia.
- 4) Integrating polymer synthesis technology and strengthening the development of new process technologies, applications, and products.

B. Unsaturated polyester resin

- 1) Developing chemical materials required for the production of FRP composites.
- 2) Developing high-end resin for carbon fiber reinforced plastics (CFRP) and derivative heterogeneous composite.
- 3) Supplying raw materials required for composites as a world-class manufacturer and supplier in Asia.

(2) Electronic materials

A. Photoresist and prism film

- 1) Forming strategic alliances to develop markets in Japan and South Korea.
- 2) Expanding the application of vacuum laminating machines to substrate packaging, passive components, flexible PCBs, and semiconductors.
- 3) Maintaining the existing OEM customers and expanding the application of precision coating processing.
- 4) Improving the production capacity of precision coatings to meet customers' needs.
- 5) Seek for the cooperation with Chinese PET manufacturers in the development of diffuser film, reflective film, and brightness enhancement film.

B. Circuit substrate

- 1) Fully controlling changes in raw materials to stabilize the source of raw materials.
- 2) Establishing the certification of automotive electronic materials.
- 3) Expanding the production capacity to meet customers' needs.
- 4) Seeking for opportunities for OEM to build a foundation for future growth.

- (3) High Performance Materials
  - 1) Developing eco-friendly products, high-end products, and high value-added products.
  - 2) Developing new core technologies to achieve the diversification of business.
  - 3) Strengthening the development and application of products for emerging industries.
  - 4) Developing new products for LED curing, UV hot melt adhesive, UV pressure-sensitive adhesive, water-based UV materials and synthetic applications.
  - 5) Developing high-value silicon materials.
2. Short-term Business Development Plans
  - (1) Resins materials
    - A. General resin and coating resin
      - 1) Strengthening the development of Southeast Asian and South Asian markets in response to the advantages of production as a result of the construction of a new plant in Malaysia.
      - 2) Adjusting market prices in line with the changes in raw materials and exchange rates and expanding the market in Japan. Promoting high-end new products in Japan.
      - 3) Strengthening the development and sales of water-based, low-VOC and low-odor products, high-solids fluorocarbon, and oil-based acrylic acid.
    - B. Unsaturated polyester resin
      - 1) Promoting unsaturated polyester resin and vinyl resin worldwide.
      - 2) Establishing and expanding operations in Southeast Asia in response to the construction of a new plant in Malaysia.
      - 3) Strengthening the development and sales of niche-based (mechanical molding/eco-friendly) resins.
  - (2) Electronic materials
    - A. Photoresist and prism film
      - 1) Increasing market share in niche markets (such as DF, DFSM, and PIC/PSPI for LDI, HDI, FPC, IC substrate, and WLP processes).
      - 2) Strengthening the production and sales in Mainland China in response to the trend of market growth.
      - 3) Controlling the source of key materials to keep the cost of materials under control.
    - B. Circuit substrate
      - 1) Developing markets, such as Southeast Asia, India, and Turkey.
      - 2) Increasing the number of new customers.
      - 3) Expanding the applications of products.
      - 4) Adding the certification of new electronic plants.
  - (3) High Performance Materials
    - 1) Developing markets, such as Japan, South Korea, India, and Southeast Asia.
    - 2) Strengthen the expansion of overseas markets, such as Middle East, Europe, and South America.
    - 3) Integrating the technological resources of business units and

- enhancing the proportion of sales of high-value products.
- 4) Promoting plastic adhesives and expanding market share in traditional industries, such as plastic, wood, and ink.
  - 5) Securing the long-term customer relations with a full range of products and services.
  - 6) Adjusting the product structure of silicon materials and increasing the proportion of high value-added products.

## II. Analysis of Market and Production and Marketing Situation

### (I) Market Analysis

#### 1. Sales Territories of Main Products

Sales territories and sales of main products for the most recent two years are as follows:

Unit: Thousand NT\$

Sales Territory	2017		2018	
	Amount	%	Amount	%
Taiwan	4,576,332	11	4,594,316	11
Mainland China	25,720,001	62	26,824,127	62
Others	11,254,784	27	11,881,712	27
Total	41,551,117	100	43,300,155	100

#### 2. Main Competitors and Market Share

Main competitors of the Company include DOW, Miki Kougyou Zairyou Co., Ltd., Nan Ya, AKZO, Sartomer, Allnex, Asahi Kasei Corporation, Kingboard Holdings Limited (KB), and DuPont.

The Company's global market share is as follows:

Product	Market Share
Resins materials	2.50%
High Performance Materials	11.20%
Electronic Materials	17.00%

#### 3. Future Demand and Supply Conditions and Market's Growth Potential

The Company has a wide range of products that cover various industries and are closely related to the daily demand of the people. In response to the development of global mainstream industries, the Company has strived to develop related key materials, strengthen the supply chain, and provide services fast to stay competitive. The main products of the Company are described as follows:

##### (1) Resins materials

Resins materials is a midstream and downstream material in the petrochemical industry and an upstream material for daily necessities. The growth of demand can be expected according to the global population forecast. To accelerate the momentum of growth and realize the short-term and long-term business development plans, the Company will strengthen the integration of core technologies, develop special polymer synthesis technology and precision coating technology, and apply customized adhesives and special tapes to automotive, LCD, LED, and solar power industries; in addition, the Company will develop polyester polyol, acrylic acid, water-based PU, and wet-curing PU adhesives and accelerate the development of eco-friendly products, such as water-based anti-corrosive paint, water-based box paint, and

water-based wood paint. To keep products competitive and distinctive, the Company will develop high-performance products, such as anti-corrosive, weather-resistant, insulation, and self-cleaning products. With the increasing control over VOCs and hazardous goods, the Company will continue to develop green products.

(2) Electronic materials

Dry film photoresist and related chemical products: The demand for PCBs increases as portable electronics, information, home appliance, communications, and automotive electronics industries continue to grow every year. Important production bases around the world have been moved to Asia and Greater China, making Taiwan and China the important bases for production and sales. The Company has secured its market presence in Taiwan and China with market share increasing year by year. In 2018, market share of dry film photoresist reached 34% worldwide.

Prism film: Top three suppliers are LGE, Kangde Xin, and Exciton Technology, with market share accounting for about 60%. There is no challenger. The quality and price of prism film are market-oriented. In 2017, the Company transformed itself into the OEM due to the adjustment in the production capacity policy. The construction of a joint venture in China has been completed in the second quarter of 2019. The sales volume of TVs totaled 220 million in 2018, which remained flat, but the sales of large-size TVs increased. In 2018, the mainstream was 55", which would move toward 60" and 65" in the future.

Due to the slowdown in demand for most end products, PrisMark estimated the growth rate of the global output value of PCBs at about 3.5% in 2019. In terms of new product trends, high-frequency, high-speed HDI, FPC and ultra-fine line, multi-layer, and thin coreless IC substrate for 5G wireless communications and platforms will become the main driving force for future growth. In addition to seeking for the quantitative growth, the Company will continuously develop new products for different niche markets to ensure the quality and profitability.

(3) High Performance Materials

Featuring high-solids (100%), fast hardening (in seconds), and solvent contamination-free, UV light curing coatings have advantages of environmental protection, energy conservation, and efficient production. The growth rate of UV light curing coatings remains at 5%. The average growth rate of UV light curing coatings in emerging markets, such as Brazil, Russia, India and Southeast Asia, is more than 10%, making them the main regions for sustainable development and expansion in the future. As the world's major market for LED lighting and LCDs, China is growing at a rate of more than 10% per year with the strong demand for diffusing agents, driving the continued growth of PSQ microspheres. Due to the high growth of UV light curing coatings, it has attracted more competitors to expand production. In 2018, UV light curing coatings still showed oversupply in the global market. In response to an increasingly competitive environment, the Company has been committed to increasing the proportion of sales of high value-added products, reducing the production costs, and developing new industries and applications to secure its long-term competitive advantages and market presence.

4. Positive and Negative Factors for Future Development, and Response Measures
- (1) Positive factors
- A. The Company has a full range of products covering upstream, midstream, and downstream industries. In addition to integrating key technology, the Company has been developing new business units to facilitate transformation and distribute the negative effect of a single industry's downturn.
  - B. The Company has sound production facilities and operations, cost advantages, and good reputation for management both in Taiwan and in China. In response to the construction of a new plant in Malaysia, the Company can further strengthen its market presence in Asia-Pacific, ASEAN, South Asia, and India.
  - C. Products are exported to Asia, Europe, America, Africa, and Oceania. With the global network and a sound industry chain, the Company has forged strategic alliances with internationally renowned companies at a regional and global level. The Company has also established production bases in line with the needs of key accounts and markets to strengthen the strategic cooperation.
  - D. The Company focuses on the products with a higher price-performance ratio, accelerates the development of new industries, products, and process technologies, and strengthens the development of emerging markets worldwide to improve competitiveness, market share, and revenue and profitability.
  - E. The scale of business continues to grow, along with the market leadership. The quality of products remains competitive; the capacity for research and development of new products has been constantly strengthened. With the integration and development of core technologies, the Company plans to tap into high value-added products, such as specialty chemicals and key materials for mainstream industries.
  - F. The Company continues to accelerate the establishment of the ERP Core Network by material integration, strategic investments, and mergers and acquisitions and expand its presence in Taiwan, Asia and the world through the long-term development of human resources.
- (2) Negative factors
- A. Drastic changes in raw materials can affect the Company's operations and profitability. As a result, the Company has integrated raw materials and sourced from international major suppliers to strengthen its bargaining power. In terms of sales, the Company controls changes in the prices of raw materials at any time and adjusts the sales strategy in a timely manner.
  - B. The estimate of China's economic growth continues to fall. As revenue from China accounts for 60% of total revenue, the Company will increase exports to international markets and accelerate the construction of a new plant in Malaysia to reduce the dependence on China.
  - C. Some customers in downstream industries relocating to China and



Southeast Asia have sourced from local suppliers, or plants need to be set up overseas to serve customers due to high tariffs.

- D. The VAT rate of the manufacturing industry in China has dropped from 16% to 13%, increasing export rebate; due to an economic slowdown in China, regional competition may increase.

(II) Usage and Manufacturing Processes for Main Products

1. Usage

- (1) Coating resin: Water-based and oil-based coating for construction, wood coating, PU coating, coiled steel and can coating, automotive refinish coating, and solar power materials.
- (2) General resin: Water-based and oil-based adhesive, trademark and process protection oil glue, film lamination and adhesive, water-based polyurethane, glass fiber sizing agent, structural adhesive, rigid foam, TPU, shoe adhesive, fixing agent, paper varnishing/film agent, floor wax resin, printing and dyeing resin, and cosmetics.
- (3) Unsaturated polyester resin: Applied to chemical resistant FRP products, including surfboard, storage tank, yacht, fishing boat and winding, pultrusion, compression molding, corrosion and fire protection; button, artificial marble, injection molding, furniture coating, topcoat, and car fill.
- (4) Acrylic monomer & acrylic oligomer: Paper varnish, wood bottom/topcoat, plastic spray finish, plastic vacuum plating/topcoat, CD protective varnish, DVD adhesive, fiber coating, printing ink, PCB photoresist or anti-solder green paint, LCD color photoresist, optical film coating, and special optical adhesive.
- (5) Special coating: UV printing coating, vacuum plating and sputtering primers, headlight coating, film coating, UV pigmented coating, thermoset tinted coating, disc coating, UV metal coating, and UV light curing adhesive.
- (6) Organic silicone materials: Light diffusing agent, cosmetic grade organic silicone microsphere, and modified organic silicone products.
- (7) Circuit substrate: Applied to PCBs for high-end home appliances, such as computer, telephone, LCD TV, and remote control, keyboard, mouse, digital multi-purpose optical disc drive, LED and traditional lighting power supply board, and other electrical appliances.
- (8) Photoresist: Photoresist applied to image transfer processes, polyimide material, vacuum laminator, photoresist applied to image transfer processes, and optical films for display devices.

2. Manufacturing Processes

Resins are mostly polymer reactions such as condensation and free radical polymerization. Electronic materials and High Performance Materials are produced through precision dust-free film coating technology, polymerization, organic-inorganic hybridization or nanotechnology, depending on the products.

(III) Supply of Main Materials

Main Material	Source of Supply	State of Supply
SM - Styrene	Formosa Chemicals & Fibre Corporation, Taiwan Styrene Monomer Corporation, Grand Pacific Petrochemical Corporation, and Mainland China	Good
MPA - Phthalic Anhydride	UPC Technology Corporation, Nan Ya Plastics Corporation, and Mainland China	Good
AA - Acrylic	Formosa Plastics Corporation, Mainland China, Malaysia, and Japan	Good
Xylene	Hongyang Enterprise, Chi Mei Trading Co., Ltd., and Mainland China	Good
Polyester Film	Japan, Mainland China, and South Korea	Good
Methacrylate Monomer	Formosa Plastics Corporation, Kaohsiung Monomer Company, Nippon Shokubai Co., Ltd., Evonik Taiwan, and Mainland China	Good
MA - Maleic Anhydride	EXCEL Chemical Corporation, Nan Ya Plastics Corporation, Prosperity Dielectrics Co., Ltd., and Mainland China	Good
MPG - Propylene Glycol	Dow Chemical Company, Shell Taiwan Limited, LyondellBasell Industries, and Mainland China	Good
PENTA - Pentaerythritol	LCY Chemical Corporation and Mainland China	Good
AA - Adipic Acid	Mainland China	Good

(IV) List of Major Suppliers and Customers Accounting for 10% or More of Total Procurement (Sales) Amount in the Most Recent Two Years

- List of Major Suppliers Accounting for 10% or More of Total Procurement Amount in the Most Recent Two Years

Unit: Thousand NT\$

Item	2017				2018				1Q of 2019			
	Name	Amount	Percentage of Total Procurement in the Year	Relationship with the Issuer	Name	Amount	Percentage of Total Procurement in the Year	Relationship with the Issuer	Name	Amount	Percentage of Total Procurement in the First Quarter of the Year	Relationship with the Issuer
1	Supplier A	3,214,958	11%	None	Supplier A	2,628,176	9%	None	Supplier A	724,944	12%	None
	Others	26,662,108	89%	None	Others	27,418,950	91%	None	Others	5,378,632	88%	None
	Net procurement amount	29,877,066	100%	-	Net procurement amount	30,047,126	100%	-	Net procurement amount	6,103,576	100%	-

- List of Major Customers Accounting for 10% or More of Total Sales Amount in the Most Recent Two Years: None.

(V) Production Volume for the Most Recent Two Years

Unit: Thousand NT\$

Major Product	Year	2017			2018		
		Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Resins materials (ton)		561,485	477,860	19,164,199	601,031	440,663	19,945,547
Electronic Materials (KFT2)		5,379,460	4,300,881	7,810,580	5,456,140	4,550,819	8,575,258
High Performance Materials (ton)		92,499	64,971	5,944,182	93,374	60,744	5,776,895
Others (others)		-	-	51,634	-	-	4,239
Total				32,970,595			34,301,939

## (VI) Sales Volume for the Most Recent Two Years

Unit: Thousand NT\$

Year Major Product	2017				2018			
	Domestic Sales		Export		Domestic Sales		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Resins materials (ton)	48,407	2,644,161	378,071	19,944,322	48,487	2,679,168	359,384	20,347,453
Electronic Materials (KFT2)	522,594	1,130,447	3,773,217	9,594,278	516,462	1,103,369	4,082,289	10,602,155
Electronic Materials (others)	-	26,499	-	1,304,771	-	13,653	-	1,409,602
High Performance Materials (ton)	4,630	647,820	55,567	6,124,132	5,557	748,480	52,677	6,342,825
Others (others)	-	127,405	-	7,282	-	49,646	-	3,804
Total		4,576,332		36,974,785		4,594,316		38,705,839

Note: Domestic sales shall refer to sales in Taiwan; export shall refer to sales outside Taiwan.

## III. Number of Employees Employed

Year		2017	2018	As of March 31, 2019
Number of Employees (Note)	Direct labor	1,240	1,168	1,175
	Indirect labor	3,572	3,604	3,570
	Total	4,812	4,772	4,748
Average Age		37.96	38.46	38.59
Average Year of Services		9.64	10.03	10.11
Distribution Ratio of Education	Doctor	1.95%	2.04%	2.10%
	Master	12.37%	12.70%	12.77%
	Bachelor (University)	32.17%	33.02%	32.74%
	Bachelor (College)	16.83%	16.92%	16.99%
	Senior High School or Below	36.68%	35.31%	35.40%

Note: The number of employees includes regular employees, contract employees, and foreign employees (excluding temporary workers).

#### IV. Disbursements for Environmental Protection

##### (I) Total Losses and Fines for Violations of Environmental Regulations during the Current Year up to the Date of Publication of the Annual Report

1. In March 2018, Eternal Chemical (Tianjin) Co., Ltd. paid a fine of RMB120,000 for violation of the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution.
2. In March 2018, Eternal Chemical (China) Co., Ltd. paid a fine of RMB60,000 for violation of the Regulation of the People's Republic of China on the Safety Management of Hazardous Chemicals.
3. In April 2018, Lu-Chu Plant paid a fine of NT\$60,000 for violation of the Waste Disposal Act.
4. In May, Eternal Chemical (China) Co., Ltd. paid a fine of RMB20,000 for violation of the Technical Specifications for Centralized Incineration Facility Construction on Hazardous Waste.
5. In July 2018, Ping-Nan Plant paid a fine of NT\$60,000 for violation of the Occupational Safety and Health Act.
6. In July, Eternal Specialty Materials (Zhuhai) Co., Ltd. paid a fine of RMB20,000 for violation of the Regulations of Zhuhai Special Economic Zone on Fire Prevention and Control.
7. In July, Eternal Materials (Guangdong) Co., Ltd. paid a fine of RMB50,000 for violation of the .
8. In July, Eternal Specialty Materials (Zhuhai) Co., Ltd. paid a fine of RMB50,000 for violation of the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution.
9. In August 2018, Eternal Chemical (Tianjin) Co., Ltd. paid a fine of RMB30,000 for violation of the Production Safety Law of the People's Republic of China.
10. In September 2018, Eternal Chemical (Chengdu) Co., Ltd. paid a fine of RMB10,000 for violation of the Production Safety Law of the People's Republic of China.
11. In October 2018, Eternal Chemical (China) Co., Ltd. paid a fine of RMB85,000 for violation of the Regulation of the People's Republic of China on the Safety Management of Hazardous Chemicals.

##### (II) Measures and Possible Disbursements to Be Made in the Future

In compliance with the government's environmental regulations and self-regulation requirements, safety and environmental expenditures include the operation and maintenance of pollution prevention equipment, waste treatment, environmental monitoring and training. To the extent of technological feasibility, the Company will budget for purchase and replacement of related equipment. In 2019, the Company expects to invest NT\$276,882 thousand in reducing emissions, improving the efficiency of energy and resources, and strengthening production safety.

## V. Labor Relations

- (I) Any Employee Benefit Plans, Continuing Education, Training, Retirement Systems, and the Status of Implementation, and the Status of Labor-management Agreements and Measures for Preserving Employees' Rights and Interests

The Company offers a variety of employee benefits, including allowances for childbirth, marriage, and funerals, travel subsidies, group insurance, birthday and festival bonuses, senior employee reward, regular health examination, year-end bonus, employee cafeteria, shuttle bus service, dormitory, and library access.

According to the Labor Standards Act, the years of service of regular employees before the implementation of the Labor Pension Act on July 1, 2005 and the years of service to which the regular employees choose to apply the Labor Standards Act after the implementation of the Labor Pension Act shall be included in the calculation of the years of service for retirement. In addition, the Company appropriates 10% of total salaries to the designated account at the Bank of Taiwan and reviews the balance every month. If the balance is insufficient to pay the statutory retired employees in the following year, the Company will complete the appropriation by the end of the following March to ensure the rights and interests of the retired employees. Since July 1, 2005, new recruits shall apply to the Labor Pension Act, which stipulates that the Company shall appropriate 6% of an employee's salary to the employee's account at the Bureau of Labor Insurance every month as the pension. In addition, subsidiaries in Mainland China are required to pay pension insurance every month in accordance with the local government regulations.

A labor-management meeting is held on a regular basis to improve communication regarding agreements and maintenance of employee rights and ensure the harmonious labor relations.

1. In 2018, managerial officers attended continuing education and training as follows:

Title	Name	Date of Training	Organizer	Course Name	Training Hour
Vice President	Mao, Hui-Kuan	October 31, 2018	Human Resources Department	Business Operations and Financial Management	2
Vice President	Liao, Heng-Ning	September 7, 2018	Human Resources Department	Human Resource Management and Evaluation	1
		October 31, 2018	Human Resources Department	Business Operations and Financial Management	2
Vice President	Yen, Shu-Fen	September 7, 2018	Human Resources Department	Human Resource Management and Evaluation	1
Vice President	Chen, Chin-Yuan	September 7, 2018	Human Resources Department	Human Resource Management and Evaluation	1
		December 21, 2018	Accounting Research and Development Foundation	Effect of Global Anti-tax Avoidance Trend on Corporate Finance and Tax, and Countermeasures	3
		May 9, 2018	Taiwan Corporate Governance Association	Transfer of Equity Interests and Tax Planning from the Perspectives of Tax Reforms and	3

Title	Name	Date of Training	Organizer	Course Name	Training Hour
				Anti-tax Avoidance Measures	
Assistant Vice President	Wang, Mao-Yung	September 7, 2018	Human Resources Department	Human Resource Management and Evaluation	1
		October 31, 2018	Human Resources Department	Business Operations and Financial Management	2
Assistant Vice President	Lee,Shan-Heng	June 6, 2018	The Institute of Internal Auditors-Chinese Taiwan	Internal Auditor Training	6
		July 5, 2018	The Institute of Internal Auditors-Chinese Taiwan	Improvement in Governance Power by Analyzing Corporate Fraud	6
		July 19, 2018	The Institute of Internal Auditors-Chinese Taiwan	Major Financial Frauds and Legal Risks	6
Assistant Vice President	Hung, Chao-Cheng	September 7, 2018	Human Resources Department	Human Resource Management and Evaluation	1
		October 31, 2018	Human Resources Department	Business Operations and Financial Management	2
Assistant Vice President	Kao, Chih-Yu	September 7, 2018	Human Resources Department	Human Resource Management and Evaluation	1
		October 31, 2018	Human Resources Department	Business Operations and Financial Management	2
Assistant Vice President	Chang, Shih-Fang	October 31, 2018	Human Resources Department	Business Operations and Financial Management	2
		October 31, 2018	Human Resources Department	Business Operations and Financial Management	2
Assistant Vice President	Huang, Chin-Lung	September 7, 2018	Human Resources Department	Human Resource Management and Evaluation	1
Assistant Vice President	Yang, Ju-Tai	September 7, 2018	Human Resources Department	Human Resource Management and Evaluation	1
Assistant Vice President	Pan, Chin-Cheng	September 7, 2018	Human Resources Department	Human Resource Management and Evaluation	1
		October 31, 2018	Human Resources Department	Business Operations and Financial Management	2
Assistant Vice President	Cheng, Yu-Cheng	September 7, 2018	Human Resources Department	Human Resource Management and Evaluation	1
		October 31, 2018	Human Resources Department	Business Operations and Financial Management	2
Assistant Vice President	Su, Wen-Pin	September 7, 2018	Human Resources Department	Human Resource Management and Evaluation	1
Accounting Manager	Su, Hui-Fang	May 23, 2018	China Industrial & Commercial Research Institute	Legal Risks of Offshore Tax Avoidance and Case Study	6
		September 3, 2018	Accounting Research and Development Foundation	Continuing Education for Accounting Managers	12
		September 7, 2018	Human Resources Department	Human Resource Management and Evaluation	1
Finance Manager	Liu, Bing-Cheng	September 7, 2018	Human Resources Department	Human Resource Management and Evaluation	1
		September 25, 2018	Human Resources Department	Interview Skills for Performance Evaluation	4

2. Continuing Education and Training for Employees

The Company spares no effort in investing in employee development. In addition to a sound training system, the Company budgets for internal and external training and language training every year to improve employees' work skills and knowledge. Training required for each level and position is also clearly defined, including management training, functional training, and core competency training; in addition, differentiated personal development plans are made for specific employees. The Company has established related training regulations and makes and implements training plans on a yearly basis.

Training expenses in 2018 are as follows:

Unit: Thousand NT\$

Company	Training Expense	Percentage (%)
Head Office	4,456,455	39
Subsidiaries in Mainland China	5,996,837	52
Subsidiaries in Other Regions	981,844	9
Total	11,435,136	100

3. In 2018, persons in charge of financial information transparency obtained the following certificates designated by the regulators:

Certificate Name	Number of People
Certified Public Accountant (CPA) of the Republic of China	4
Accredited Bookkeeper of the Republic of China	1
CPA of the People's Republic of China	5
Certified Tax Agent (CTA) of the People's Republic of China	3
Certified Internal Auditor (CIA) organized by the Internal Audit Association	1
Basic Proficiency Test on Business Internal Control organized by Securities & Futures Institute	3

4. Code of Conduct or Code of Ethics:

The Company has established the following regulations based on the corporate culture of compliance, trust, and integrity to keep employees' conduct in line with its requirements. The regulations have been announced in the internal information platform for employees' access. The purpose of each regulation is described as follows:

- (1) Ethical Corporate Management Principles  
To develop a sound structure of business operations and fulfill the corporate culture of compliance, trust, and integrity.
- (2) Corporate Governance Regulations  
To develop a sound corporate governance system that ensures the rights and interests of shareholders, enhances the functions of the Board of

- Directors, and fulfills corporate social responsibility.
- (3) **Management Rules for Internal Material Information Handling and Insider Trading Prevention**  
To develop an internal material information handling and disclosure system that prevents the improper leak or use of information and ensures the consistence and correctness of information disclosure.
  - (4) **Regulations Governing Trade Secrets and Intellectual Property Rights**  
Trade secrets are the intellectual property of the Company. The regulations are established to protect trade secrets from leakage or disclosure, maintain competitiveness of the Company, and manage intellectual property rights in a proper manner.
  - (5) **Personal Information Protection Regulations**  
To comply with and implement the regulations relating to personal information protection and ensure that the collection, processing, and use of personal information is properly protected and managed.
  - (6) **Regulations Governing Safety and Health and Environmental Protection**  
The regulations define the overall principle of safety, health, and environmental requirements and the scope of safety, health, and environmental management, providing the guidelines for the structure of safety, health, and environmental management.
  - (7) **Procedures for Workplace Grievances**  
To provide employees a work environment free of violation and avoid any physical and mental abuse during the performance of duties; the procedures also define the preventive, corrective, and disciplinary action and response measures against sexual harassment to protect the rights and privacy of parties concerned.
  - (8) **Regulations Governing Rewards and Punishments**  
To regulate the rewards and punishments for employees' conduct.
- (II) **Losses Arising from Labor Disputes in the Most Recent Year up to the Date of Publication of the Annual Report, Estimated Amount of Losses, and Response Measures: None.**



## VI. Important Contracts

Nature of Contract	Contracting Party	Commencement Date and Expiration Date	Major Content	Restrictive Clause
Supply Contract	Grand Pacific Petrochemical Corporation	2019.01.01-2019.12.31	Supply of raw materials	None
	Formosa Chemicals & Fibre Corporation	2019.01.01-2019.12.31		None
	Taiwan Styrene Monomer Corporation	2019.01.01-2019.12.31		None
	Kunshan Juchuan Chemical Co., Ltd. (Note 1)	2019.02.01-2020.01.31		None
	Wanhua Petrochemical (Yantai) Co., Ltd. (Note 1)	2018.12.25-2019.12.31		None
	Kunshan Juchuan Chemical Co., Ltd. (Note 2)	2019.01.01-2019.12.31		None
	Methyl Trading (Shanghai) Co.,Ltd.	2019.01.01-2019.12.31		None
	Sinochem Petrochemical Distribution Co., Ltd. (Note 3)	2019.02.18-2020.01.31		None
	Wanhua Petrochemical (Yantai) Co., Ltd. (Note 3)	2019.01.01-2020.12.31		None
	Nantong Chemical & Light Industry Co., Ltd. (Note 3)	2019.03.01-2020.02.28		None
Syndicated Loan Contract	Syndicate banks, including Taipei Fubon Bank	2015.08.20~2020.08.20	Improvement in financial structure and replenishment of working capital	None
	Syndicate banks, including Taipei Fubon Bank (Note 4)	2018.08.27~2022.08.26	Replenishment of working capital	None
	Syndicate banks, including BNP Paribas Malaysia Berhad (Note 5)	2016.08.05~2020.02.04	Capital expenditure on plant construction	None
	Syndicate banks, including E.SUN Commercial Bank	2018.07.11~2023.07.10	Repayment of financial institution loans and replenishment of working capital	None
Loan Contract	Syndicate banks, including First Commercial Bank	2014.02.19~2023.10.02	Repayment of financial institution loans and replenishment of working capital	None

Note 1: Eternal Chemical (China) Co., Ltd. signed the contract with the contracting party.

Note 2: Eternal Synthetic Resins (Changshu) Co., Ltd. signed the contract with the contracting party.

Note 3: Eternal Materials (Guangdong) Co., Ltd. signed the contract with the contracting party.

Note 4: Eternal Holding Inc. signed the contract with the contracting party.

Note 5: Eternal Materials (Malaysia) Sdn. Bhd. signed the contract with the contracting party.

## VII. Work Environment and Personal Safety Protection Measures

### (I) Specific Measures for Safety and Health Management

#### 1. Safety and Health Policy

The Company has established the EHS policy based on the corporate culture and business philosophy and continuously improved with the idea of PDCA in the hope of minimizing the incidence of occupational disasters to zero.

#### 2. Regular Review of EHS Management System

The Company has received the certificates of OHSAS 18001, CNS15506:2011, and ISO 14001 from Bureau Veritas Taiwan Branch and participates in the evaluation every year on a regular basis.

#### 3. Risk Assessment and Countermeasure

The Company conducts risk assessment and makes EHS management plans or controls based on the requirements for work safety, and reports the results of assessment to the safety and health review meetings for review.

#### 4. Disaster Reduction

To promote safety in the work environment and minimize the incidence of occupational disasters, the Company encourages employees to improve hazardous factors in the work environment on their own initiative by proposing for improvement and reporting disaster-free working hours.

#### 5. Monitoring of Operating Environment

According to the Regulation Governing the Implementation of Environmental Monitoring, the Company has entrusted qualified environmental monitoring institutions to test for CO<sub>2</sub>, dust, organic solvents, specific chemicals, and noise in the work environment and determine on the compliance. Any abnormalities found in the test will be corrected to protect the health of employees.

#### 6. Health Care and Management

According to the Regulations of the Labor Health Protection, the Company organizes health examinations for general operations and special hazard operations, including chest X-ray, blood pressure, abdominal ultrasound, urine, and blood test. The Company also analyzes the results of health examinations and provides health promotion activities for employees with hypertension, hyperlipidemia, hyperglycemia, and abnormal body mass. For employees working in special hazard operations, such as noise, organic solvents, and specific chemicals, additional examination items will be provided, and the employees will be graded for health management based on the results of special health examinations. For employees overloaded with work or human factors engineering and female employees, health evaluation and protection are provided to avoid the incidence of cardiovascular diseases, musculoskeletal injuries, and harm to babies. On-site physicians are also employed to give follow-up checks and medical advice.

(II) Control over Work Safety

1. According to the safety and health regulations and the results of safety and health risk assessment, the Company implements work permission and special controls over hot work, limited space operation, pipe flanges or disassembly and blind sealing, power outage (electrical isolation) and hot line work, overhead operations, hoisting operations, excavation, and waterjet cutting.
2. Before daily operations, the Company organizes a toolbox talk to remind employees of hazards; safety and health supervisors are also appointed to oversee and ensure the work safety during construction.
3. Hazardous equipment is regularly examined according to the regulations. Operators are required to obtain professional licenses and attend retraining on a regular basis. The Company conducts risk assessment of Class A hazardous workplaces every five years to ensure the work safety.
4. The Company investigates into injuries, non-injury accidents, and false alarms and takes corrective measures to eliminate the hazards caused by humans and working environments; in addition, the Company conducts the ad hoc inspections of equipment and operations and makes corrective plans to avoid injuries.
5. To avoid musculoskeletal injuries caused by long-term work on-site and improve productivity at the same time, the Company makes improvement plans for operations and equipment based on the analysis of human factors engineering.
6. To ensure the production safety in the work environment, the Company has designed the explosion-proof areas, controlled the use and installation of electrical equipment, and evaluated the process safety; in addition, corrective action is taken against unacceptable risks.
7. In addition to external audits, the Industrial Safety & Environmental Protection Department organizes safety and health audits of the environment, equipment, and operations on a regular basis to ensure the compliance with operating procedures and work safety.

## Chapter 6 Overview of Financial Status

### I. Condensed Balance Sheets and Statements of Comprehensive Income for the Most Recent Five Years

#### (I) Condensed Balance Sheet - Consolidated

Unit: Thousand NT\$

Item	Year (Note 1)	Financial Information for the Most Recent Five Years					As of March 31, 2019
		2014	2015	2016	2017	2018	
Current assets		29,551,623	28,929,485	30,440,271	33,149,934	30,666,571	31,493,052
Property, plant and equipment		13,894,161	16,149,813	17,263,366	18,466,249	18,792,384	19,117,244
Intangible assets		60,292	49,428	38,266	318,014	385,279	376,702
Other assets		3,759,424	3,988,950	4,060,153	4,531,308	4,516,045	4,900,487
Total assets		47,265,500	49,117,676	51,802,056	56,465,505	54,360,279	55,887,485
Current liabilities	Before distribution	10,992,658	9,533,629	13,416,662	18,124,943	14,482,801	16,589,980
	After distribution	12,832,562	11,066,883	15,072,576	18,704,513	Note 2	Note 2
Non-current liabilities		14,281,257	17,196,292	17,146,165	17,272,451	18,252,309	16,121,553
Total liabilities	Before distribution	25,273,915	26,729,921	30,562,827	35,397,394	32,735,110	32,711,533
	After distribution	27,113,819	28,263,175	32,218,741	35,976,964	Note 2	Note 2
Equity attributable to owners of the parent company		21,475,466	21,865,027	20,692,420	20,506,760	21,003,079	22,554,529
Capital		10,221,690	10,221,690	11,039,425	11,591,397	12,402,795	12,402,795
Capital reserve		359,884	359,884	359,900	359,900	356,046	356,046
Retained earnings	Before distribution	7,746,537	8,691,967	8,868,023	8,497,081	8,755,131	9,486,572
	After distribution	5,906,633	6,340,978	6,660,137	7,106,113	Note 2	Note 2
Other equity		3,147,355	2,591,486	425,072	58,382	(510,893)	309,116
Treasury stock		0	0	0	0	0	0
Non-controlling interests		516,119	522,728	546,809	561,351	622,090	621,423
Total equity	Before distribution	21,991,585	22,387,755	21,239,229	21,068,111	21,625,169	23,175,952
	After distribution	20,151,681	20,854,501	19,583,315	20,488,541	Note 2	Note 2

Note 1: Financial information in the above table has been audited or reviewed by the CPAs.

Note 2: The 2018 earnings distribution is yet to be resolved in the shareholders' meeting.

## (II) Condensed Statement of Comprehensive Income - Consolidated

Unit: Thousand NT\$

Item \ Year (Note)	Financial Information for the Most Recent Five Years					As of March 31, 2019
	2014	2015	2016	2017	2018	
Operating revenue	40,343,325	38,486,943	38,679,640	41,551,117	43,300,155	9,437,817
Operating gross profit	7,779,559	8,746,889	8,582,499	7,438,276	7,279,839	1,591,578
Operating profit or loss	2,829,281	3,397,427	3,129,593	1,861,551	1,813,005	347,861
Non-operating income and expenses	182,067	93,693	62,718	409,058	50,966	464,602
Net profit before tax	3,011,348	3,491,120	3,192,311	2,270,609	1,863,971	812,463
Net income from continuing operation	2,316,164	2,872,776	2,606,155	1,864,100	1,492,323	719,310
Loss from discontinued departments	0	0	0	0	0	0
Net profit (loss)	2,316,164	2,872,776	2,606,155	1,864,100	1,492,323	719,310
Other comprehensive income (net after tax)	759,015	(654,615)	(2,313,351)	(494,191)	(600,017)	831,473
Total comprehensive income	3,075,179	2,218,161	292,804	1,369,909	892,306	1,550,783
Net profit attributable to owners of the parent company	2,306,614	2,871,636	2,626,384	1,909,634	1,550,515	731,441
Net profit attributable to non-controlling interests	9,550	1,140	(20,229)	(45,534)	(58,192)	(12,131)
Total comprehensive income attributable to owners of the parent company	3,050,600	2,229,465	357,343	1,416,409	952,243	1,551,450
Total comprehensive income attributable to non-controlling interests	24,579	(11,304)	(64,539)	(46,500)	(59,937)	(667)
Earnings per share (NT\$)	2.26	2.60	2.27	1.54	1.25	0.59

Note: Financial information in the above table has been audited or reviewed by the CPAs.

## (III) Condensed Balance Sheet - Standalone

Unit: Thousand NT\$

Item	Year (Note 1)	Financial Information for the Most Recent Five Years				
		2014	2015	2016	2017	2018
Current assets		7,780,501	7,628,781	8,073,286	8,649,017	7,847,541
Property, plant and equipment		5,371,254	5,516,439	5,639,478	5,909,844	6,034,560
Intangible assets		3,348	3,827	7,744	7,779	89,365
Other assets		25,940,742	28,380,877	27,958,658	29,823,490	29,612,160
Total assets		39,095,845	41,529,924	41,679,166	44,390,130	43,583,626
Current liabilities	Before distribution	4,672,894	4,810,135	6,861,704	8,209,256	7,720,218
	After distribution	6,512,798	6,343,389	8,517,618	8,788,826	Note 2
Non-current liabilities		12,947,485	14,854,762	14,125,042	15,674,114	14,860,329
Total liabilities	Before distribution	17,620,379	19,664,897	20,986,746	23,883,370	22,580,547
	After distribution	19,460,283	21,198,151	22,642,660	24,462,940	Note 2
Equity attributable to owners of the parent company		N/A	N/A	N/A	N/A	N/A
Capital		10,221,690	10,221,690	11,039,425	11,591,397	12,402,795
Capital reserve		359,884	359,884	359,900	359,900	356,046
Retained earnings	Before distribution	7,746,537	8,691,967	8,868,023	8,497,081	8,755,131
	After distribution	5,906,633	6,340,978	6,660,137	7,106,113	Note 2
Other equity		3,147,355	2,591,486	425,072	58,382	(510,893)
Treasury stock		0	0	0	0	0
Non-controlling interests		N/A	N/A	N/A	N/A	N/A
Total equity	Before distribution	21,475,466	21,865,027	20,692,420	20,506,760	21,003,079
	After distribution	19,635,562	20,331,773	19,036,506	19,927,190	Note 2

Note 1: Financial information in the above table has been audited by the CPAs.

Note 2: The 2018 earnings distribution is yet to be resolved in the shareholders' meeting.

## (IV) Condensed Statement of Comprehensive Income - Standalone

Unit: Thousand NT\$

Item	Year (Note)	Financial Information for the Most Recent Five Years				
		2014	2015	2016	2017	2018
Operating revenue		17,638,816	16,834,193	16,462,702	16,451,548	16,113,899
Operating gross profit		2,930,555	3,457,180	3,516,178	2,785,879	2,296,895
Operating profit or loss		578,961	925,002	980,013	304,297	(158,239)
Non-operating income and expenses		1,996,298	2,261,378	1,830,406	1,686,665	1,670,309
Net profit before tax		2,575,259	3,186,380	2,810,419	1,990,962	1,512,070
Net income from continuing operation		2,306,614	2,871,636	2,626,384	1,909,634	1,550,515
Loss from discontinued departments		0	0	0	0	0
Net profit (loss)		2,306,614	2,871,636	2,626,384	1,909,634	1,550,515
Other comprehensive income (net after tax)		743,986	(642,171)	(2,269,041)	(493,225)	(598,272)
Total comprehensive income		3,050,600	2,229,465	357,343	1,416,409	952,243
Net profit attributable to owners of the parent company		N/A	N/A	N/A	N/A	N/A
Net profit attributable to non-controlling interests		N/A	N/A	N/A	N/A	N/A
Total comprehensive income attributable to owners of the parent company		N/A	N/A	N/A	N/A	N/A
Total comprehensive income attributable to non-controlling interests		N/A	N/A	N/A	N/A	N/A
Earnings per share (NT\$)		2.26	2.6	2.27	1.54	1.25

Note: Financial information in the above table has been audited by the CPAs.

## (V) Name and Opinion of CPAs

Year	Accounting Firm	Name of CPA	Opinion
2014	PwC Taiwan	Liu, Tzu-Meng and Chang, Ming-Hui	Unqualified opinion with explanatory language
2015	PwC Taiwan	Liu, Tzu-Meng and Chang, Ming-Hui	Unqualified opinion with explanatory language
2016	Deloitte Taiwan	Kuo, Li-Yuan and Kung, Chun-Chi	Unqualified opinion with other matter paragraphs
2017	Deloitte Taiwan	Kuo, Li-Yuan and Kung, Chun-Chi	Unqualified opinion with other matter paragraphs
2018	Deloitte Taiwan	Kuo, Li-Yuan and Kung, Chun-Chi	Unqualified opinion with other matter paragraphs

## II. Financial Analysis for the Most Recent Five Years

### (I) Financial Analysis - Consolidated

Items for Analysis		Year	Financial Analysis for the Most Recent Five Years					As of March 31, 2019
			2014	2015	2016	2017	2018	
Financial Structure (%)	Debt-asset ratio		53	54	59	63	60	59
	Ratio of long-term capital to property, plant and equipment		261	245	222	208	212	206
Solvency (%)	Current ratio		269	303	227	183	212	190
	Quick ratio		198	228	170	133	151	138
	Interest coverage ratio		10	12	10	6	4	7
Operating Ability	Receivables turnover rate (times)		3.2	3.0	3.0	2.9	2.9	2.5
	Average collection days		116	122	120	125	128	149
	Inventory turnover rate (times)		4.7	4.4	4.6	4.6	4.5	4.0
	Payables turnover rate (times)		10	11	10	10	11	9
	Average days for sale		77	83	80	79	81	92
	Property, plant and equipment turnover rate (times)		3	3	2	2	2	2
	Total asset turnover rate (times)		1	1	1	1	1	1
Profitability	Return on assets (%)		6	6	6	4	4	6
	Return on equity (%)		11	13	12	9	7	13
	Ratio of net profit before tax to paid-in capital (Note 7)		29	34	29	20	15	26
	Profit margin (%)		6	7	7	4	3	8
	Earnings per share (NT\$)		2.26	2.60	2.27	1.54	1.25	0.59
Cash flow	Cash flow ratio (%)		26	62	21	-3	20	6
	Cash flow adequacy ratio (%)		67	92	90	60	58	56
	Cash flow reinvestment ratio (%)		3	7	2	-4	4	2
Leverage	Operating leverage		2	2	2	3	3	4
	Financial leverage		1	1	1	1	1	2



Reasons for the changes in the financial ratios (if the increase or decrease is less than 20%, the analysis can be exempted):

1. Reasons for changes in the most recent two years
  - (1) Interest coverage ratio: Due to an increase in raw material prices, a decrease in the gross profit margin, and an increase in interest expenses.
  - (2) Profitability: Mainly due to an increase in raw material prices and a decrease in the gross profit margin.
  - (3) Cash flow ratio and cash flow reinvestment ratio: Mainly due to an increase in net cash flows generated from operating activities.
2. Reasons for changes in 2018 and the first quarter of 2019
  - (1) Interest coverage ratio: An increase is mainly due to an increase in income before tax generated from the gains on sale of land in the first quarter.
  - (2) Profitability: An increase is mainly due to the gains on sale of land in the first quarter.
  - (3) Cash flow ratio and cash reinvestment ratio: Mainly due to a decrease in net cash flow from operating activities and an increase in current liabilities in the first quarter.
  - (4) Leverage: Mainly due to a low season in the first quarter.

## (II) Financial Analysis - Standalone

Items for Analysis		Year	Financial Analysis for the Most Recent Five Years				
			2014	2015	2016	2017	2018
Financial Structure (%)	Debt-asset ratio		45	47	50	54	52
	Ratio of long-term capital to property, plant and equipment		641	666	617	612	594
Solvency (%)	Current ratio		167	159	118	105	102
	Quick ratio		100	98	76	66	63
	Interest coverage ratio		14	17	13	9	6
Operating Ability	Receivables turnover rate (times)		4.7	4.6	4.5	4.1	3.9
	Average collection days		77	80	81	89	93
	Inventory turnover rate (times)		4.9	4.6	4.6	4.6	4.5
	Payables turnover rate (times)		10.2	11.1	10.5	9.9	9.5
	Average days for sale		74	79	79	80	81
	Property, plant and equipment turnover rate (times)		3	3	3	3	3
	Total asset turnover rate (times)		0.5	0.4	0.4	0.4	0.4
Profitability	Return on assets (%)		7	8	7	5	4
	Return on equity (%)		11	13	12	9	7
	Ratio of net profit before tax to paid-in capital (Note 7)		25	31	25	17	12
	Profit margin (%)		13	17	16	12	10
	Earnings per share (NT\$)		2.26	2.60	2.27	1.54	1.25
Cash flow	Cash flow ratio (%)		29	42	24	6	24
	Cash flow adequacy ratio (%)		62	84	94	66	64
	Cash flow reinvestment ratio (%)		0	0	0	-3	3
Leverage	Operating leverage		4	3	3	8	-12
	Financial leverage		1	1	1	5	0

Reasons for the changes in the financial ratios for the most recent two years (if the increase or decrease is less than 20%, the analysis can be exempted):

1. Interest coverage ratio: Due to an increase in raw material prices, a decrease in the gross profit margin, and an increase in interest expenses.
2. Ratio of net profit before tax to paid-in capital and earnings per share: Mainly due to an increase in raw material prices and a decrease in the gross profit margin.
3. Cash flow ratio and cash flow reinvestment ratio: Mainly due to an increase in net cash flows generated from operating activities.
4. Leverage: Mainly due to a decrease in the gross profit margin and a decrease in the operating profit.

## Calculation formulas:

### Financial Structure

Debt-asset ratio = Total liabilities / Total assets.

Ratio of long-term capital to property, plant and equipment = (Total equity + Non-current liabilities) / Net worth of property, plant and equipment.

### Solvency

Current ratio = Current assets / Current liabilities.

Quick ratio = (Current assets - Inventories - Prepaid expenses) / Current liabilities.

Interest coverage ratio = Net profit before income tax and interest expenses / Current interest expenses.

### Operating Ability

Receivables (including accounts receivable and notes receivable arising from business operations) turnover rate = Net sales / Average receivables (including accounts receivable and notes receivable arising from business operations) for each period.

Average collection days = 365 / Receivables turnover rate.

Inventory turnover rate = Cost of sales / Average inventory.

Payables (including accounts payable and notes payable arising from business operations) turnover rate = Cost of sales / Average payables (including accounts payable and notes payable arising from business operations) for each period.

Average days for sale = 365 / Inventory turnover rate.

Property, plant and equipment turnover rate = Net sales / Average net worth of property, plant and equipment.

Total asset turnover rate = Net sales / Average total assets.

### Profitability

Return on assets = [Net income + Interest expenses (1- tax rate)] / Average total assets.

Return on equity = Net income / Average total equity.

Profit margin = Net income / Net sales.

Earnings per share = (Profit or loss attributable to owners of the parent company – Dividends on preferred shares) / Weighted average number of issued shares.

### Cash Flow

Cash flow ratio = Net cash flow from operating activities / Current liabilities.

Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (Capital expenditures + Inventory increase + Cash dividends).

Cash flow reinvestment ratio = (Net cash flow from operating activities - Cash dividends) / Gross property, plant and equipment value + Long-term investment + Other non-current assets + Working capital).

### Leverage

Operating leverage = (Net operating revenue - Variable operating costs and expenses) / Operating profit.

Financial leverage = Operating profit / (Operating profit - Interest expenses).

III. Audit Committee's Review Report for the Most Recent Year's Financial Statements

**Eternal Materials Co., Ltd.**

Audit Committee's Review Report

Approved.

The Company's 2018 business report, earnings distribution, financial statements and consolidated financial statements submitted by the Board of Directors have been reviewed by the Audit Committee, and no irregularities were found. The review report is hereby presented in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

2019 Annual Meeting of Shareholders

Eternal Materials Co., Ltd.

Convener of the Audit Committee:

Hung, Lee-Jung

March 27, 2019

#### IV. Financial Statement for the Most Recent Year

##### **REPRESENTATION LETTER**

The entities that are required to be included in the combined financial statements of Eternal Materials Co., Ltd. as of and for the year ended December 31, 2018, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are 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 combined financial statements is included in the consolidated financial statements. Consequently, Eternal Materials Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

Eternal Materials Co., Ltd.

By

Kao, Kuo-Lun  
Chairman

March 27, 2019

## **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, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

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, 2018 and 2017, 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 audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the 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. Based on our audits and the reports of other auditors, 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, 2018. 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, 2018 are stated as follows:

## Revenue Recognition

### 1. Description

Due to pressure to meet management's projected targets and market expectations, there is a risk that reported operating revenue may be misstated. Therefore, revenue recognition 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 and tested their effectiveness; the internal controls cover customer master file, ordering, shipping, accounting and receiving.
- b. We obtained major customers' master file data and we verified the registered responsible person, business category, and business address, and so on, with public information, and we 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 moderate sample size from sales revenue details, and we examined the payments received and goods delivery receipts, and we verified that the remitter matched the customer.
- e. We examined material subsequent events with respect to sales returns to verify that the sales transactions occurred before balance sheet date.

## **Other Matter**

The financial statements of some associates which were used to account for investments by 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 financial statements audited by other auditors. Such investments accounted for using the equity method amounted to NT\$1,229,360 thousand and NT\$1,245,009 thousand, representing 2% of the Company and its subsidiaries' total assets as of December 31, 2018 and 2017, respectively, and the share of the profit of associates amounted to NT\$214,645 thousand and NT\$248,308 thousand, representing 24% and 18% of the Company and its subsidiaries' total comprehensive income for the year ended December 31, 2018 and 2017, respectively.

We have also audited the standalone financial statements of the Company as of and for the years ended December 31, 2018 and 2017 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, 2018 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.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 27, 2019

Notice to Readers

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

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

## Eternal Materials Co., Ltd. and Subsidiaries

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

ASSETS	December 31, 2018		December 31, 2017		LIABILITIES AND EQUITY	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 6,085,433	11	\$ 7,984,172	14	Short-term borrowings (Notes 4, 21 and 35)	\$ 5,145,654	10	\$ 6,104,636	11
Notes receivable, net (Notes 4, 7 and 35)	3,149,642	6	2,755,332	5	Notes payable	116,847	-	40,567	-
Notes receivable from related parties, net (Notes 4, 7 and 34)	38,815	-	22,470	-	Accounts payable (Note 34)	3,132,664	6	3,540,542	6
Accounts receivable, net (Notes 4, 7 and 35)	11,361,017	21	11,958,500	21	Other payables - other	2,122,776	4	2,016,929	4
Accounts receivable from related parties, net (Notes 4, 7 and 34)	233,652	-	240,744	-	Current tax liabilities (Note 26)	211,607	-	227,988	-
Other receivables (Note 34)	995,128	2	1,091,318	2	Current portion of long-term borrowings (Notes 21 and 35)	3,676,052	7	6,139,486	11
Inventories (Notes 4, 5 and 8)	7,917,850	15	7,802,547	14	Other current liabilities - other (Note 24)	77,201	-	54,795	-
Non-current assets held for sale (Notes 4 and 9)	9,243	-	-	-					
Other financial assets - current (Note 10)	241,780	-	297,430	1	Total current liabilities	14,482,801	27	18,124,943	32
Other current assets - other (Notes 26 and 34)	634,011	1	997,421	2					
Total current assets	30,666,571	56	33,149,934	59	<b>NONCURRENT LIABILITIES</b>				
<b>NONCURRENT ASSETS</b>					Long-term borrowings (Notes 4, 21 and 35)	14,165,861	26	12,988,248	23
Financial assets at fair value through profit or loss - noncurrent (Notes 3, 4 and 11)	7,341	-	-	-	Deferred tax liabilities (Notes 4 and 26)	2,826,482	5	2,965,200	5
Financial assets at fair value through other comprehensive income - noncurrent (Notes 3, 4 and 12)	716,037	1	-	-	Other noncurrent liabilities (Notes 5 and 22)	1,259,966	2	1,319,003	3
Available-for-sale financial assets - noncurrent (Notes 3, 4 and 13)	-	-	548,376	1	Total noncurrent liabilities	18,252,309	33	17,272,451	31
Financial assets measured at cost - noncurrent (Notes 3, 4 and 14)	-	-	234,954	-	Total liabilities	32,735,110	60	35,397,394	63
Investments accounted for using the equity method (Notes 4 and 16)	2,096,831	4	2,007,191	3	<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>				
Property, plant and equipment (Notes 4, 17, 34 and 35)	18,792,384	35	18,466,249	33	(Note 23)				
Investment properties (Notes 4 and 18)	52,744	-	9,243	-	Ordinary shares	12,402,795	23	11,591,397	20
Intangible assets (Notes 4 and 19)	385,279	1	318,014	1	Capital surplus	356,046	1	359,900	1
Deferred tax assets (Notes 4, 5 and 26)	411,601	1	401,664	1	Retained earnings				
Other noncurrent assets - other (Note 20)	1,231,491	2	1,329,880	2	Legal reserve	3,787,789	7	3,596,826	6
Total noncurrent assets	23,693,708	44	23,315,571	41	Special reserve	426,930	1	426,930	1
					Unappropriated earnings	4,540,412	8	4,473,325	8
					Total retained earnings	8,755,131	16	8,497,081	15
					Other equity	(510,893)	(1)	58,382	-
					Total equity attributable to owners of the Company	21,003,079	39	20,506,760	36
<b>TOTAL</b>	<b>\$ 54,360,279</b>	<b>100</b>	<b>\$ 56,465,505</b>	<b>100</b>	<b>NON-CONTROLLING INTERESTS (Note 23)</b>	<b>622,090</b>	<b>1</b>	<b>561,351</b>	<b>1</b>
					Total equity	21,625,169	40	21,068,111	37
					<b>TOTAL</b>	<b>\$ 54,360,279</b>	<b>100</b>	<b>\$ 56,465,505</b>	<b>100</b>

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

(With Deloitte & Touche auditors' report dated March 27, 2019)

## 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			
	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 24 and 34)	\$ 43,300,155	100	\$ 41,551,117	100
OPERATING COSTS (Notes 8, 25 and 34)	<u>36,020,316</u>	<u>83</u>	<u>34,112,841</u>	<u>82</u>
GROSS PROFIT	<u>7,279,839</u>	<u>17</u>	<u>7,438,276</u>	<u>18</u>
OPERATING EXPENSES (Notes 25 and 34)				
Selling and marketing expenses	2,155,446	5	2,296,882	6
General and administrative expenses	1,940,713	5	1,967,188	5
Research and development expenses	1,292,744	3	1,312,655	3
Expected credit loss	<u>77,931</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>5,466,834</u>	<u>13</u>	<u>5,576,725</u>	<u>14</u>
PROFIT FROM OPERATIONS	<u>1,813,005</u>	<u>4</u>	<u>1,861,551</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 25 and 34)	355,657	1	330,869	1
Other gains and losses (Note 25)	51,402	-	333,020	1
Net foreign exchange gains and losses (Note 38)	26,947	-	(31,210)	-
Finance costs (Note 25)	(577,007)	(1)	(494,018)	(1)
Share of the profit of associates and joint ventures (Note 16)	<u>193,967</u>	<u>-</u>	<u>270,397</u>	<u>-</u>
Total non-operating income and expenses	<u>50,966</u>	<u>-</u>	<u>409,058</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	1,863,971	4	2,270,609	5
INCOME TAX EXPENSE (Notes 4 and 26)	<u>(371,648)</u>	<u>(1)</u>	<u>(406,509)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>1,492,323</u>	<u>3</u>	<u>1,864,100</u>	<u>4</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 23 and 26)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(8,195)	-	(81,596)	-
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	(161,312)	-	-	-

(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			
	2018		2017	
	Amount	%	Amount	%
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	20,508	-	13,590	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	(434,930)	(1)	(433,051)	(1)
Unrealized gains and losses on available-for-sale financial assets	-	-	(7,801)	-
Share of the other comprehensive income of associates and joint ventures	(16,276)	-	(4,214)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	-	-	18,881	-
Other comprehensive loss for the year, net of income tax	<u>(600,017)</u>	<u>(1)</u>	<u>(494,191)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 892,306</u>	<u>2</u>	<u>\$ 1,369,909</u>	<u>3</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,550,515		\$ 1,909,634	
Non-controlling interests	<u>(58,192)</u>		<u>(45,534)</u>	
	<u>\$ 1,492,323</u>		<u>\$ 1,864,100</u>	
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 952,243		\$ 1,416,409	
Non-controlling interests	<u>(59,937)</u>		<u>(46,500)</u>	
	<u>\$ 892,306</u>		<u>\$ 1,369,909</u>	
EARNINGS PER SHARE (Note 27)				
Basic	\$ 1.25		\$ 1.54	
Diluted	1.25		1.53	

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

(Concluded)

(With Deloitte & Touche auditors' report dated March 27, 2019)

# 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											Non-controlling Interests	Total Equity		
	Capital Surplus					Retained Earnings			Other Equity						
	Ordinary Shares	Additional Paid-in Capital	Transaction of Treasury Share	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
BALANCE AT JANUARY 1, 2017	\$ 11,039,425	\$ 309,017	\$ 19,642	\$ 31,241	\$ 359,900	\$ 3,334,188	\$ 426,930	\$ 5,106,905	\$ 170,906	\$ 254,166	\$ -	\$ 425,072	\$ 20,692,420	\$ 546,809	\$ 21,239,229
Appropriation of 2016 earnings (Note 23)	-	-	-	-	-	262,638	-	(262,638)	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	(1,655,914)	-	-	-	-	(1,655,914)	-	(1,655,914)
Cash dividends - NT\$1.5 per share	-	-	-	-	-	-	-	(551,972)	-	-	-	-	-	-	-
Share dividends - NT\$0.5 per share	551,972	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	551,972	-	-	-	-	262,638	-	(2,470,524)	-	-	-	-	(1,655,914)	-	(1,655,914)
Net profit for the year ended December 31, 2017	-	-	-	-	-	-	-	1,909,634	-	-	-	-	1,909,634	(45,534)	1,864,100
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	-	-	(68,149)	(436,156)	11,080	-	(425,076)	(493,225)	(966)	(494,191)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	-	-	1,841,485	(436,156)	11,080	-	(425,076)	1,416,409	(46,500)	1,369,909
Disposal of subsidiaries	-	-	-	-	-	-	-	-	58,386	-	-	58,386	58,386	-	58,386
Changes in ownership of subsidiaries (Note 30)	-	-	-	-	-	-	-	(4,541)	-	-	-	-	(4,541)	4,541	-
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	56,501	56,501
BALANCE AT DECEMBER 31, 2017	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 (Note 3)	-	-	-	-	-	-	-	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 2017 earnings (Note 23)	-	-	-	-	-	190,963	-	(190,963)	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	(579,570)	-	-	-	-	(579,570)	-	(579,570)
Cash dividends - NT\$0.5 per share	-	-	-	-	-	-	-	(811,398)	-	-	-	-	-	-	-
Share dividends - NT\$0.7 per share	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 23)	-	-	-	(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 23)	-	-	-	-	-	-	-	(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

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

(With Deloitte & Touche auditors' report dated March 27, 2019)

## Eternal Materials Co., Ltd. and Subsidiaries

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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 1,863,971	\$ 2,270,609
Adjustments for:		
Depreciation expense	1,827,300	1,766,614
Amortization expense	39,039	47,388
Expected credit losses	77,931	-
Impairment loss recognized on accounts receivables	-	66,494
Net gain on fair value changes of financial assets designated as at fair value through profit or loss	(1,663)	-
Finance costs	577,007	494,018
Interest income	(112,028)	(86,259)
Dividend income	(49,519)	(3,475)
Share of the profit of associates and joint ventures	(193,967)	(270,397)
Loss on disposal of property, plant and equipment	9,422	23,569
Gain on disposal of investments	(167,537)	(515,624)
Impairment loss recognized on non-financial assets	81,540	105,228
Rental expense on land use rights	26,092	26,375
Others	-	573
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	732	-
Notes receivable	(394,310)	(466,238)
Notes receivable from related parties	(16,345)	(13,449)
Accounts receivable	361,105	(1,728,650)
Accounts receivable from related parties	924	51,329
Other receivables	88,797	(16,638)
Inventories	(196,843)	(1,106,215)
Other current assets	339,991	(143,778)
Derivative financial liabilities for hedging	-	639
Notes payable	75,835	(21,752)
Accounts payable	(396,841)	118,033
Other payables	(28,274)	(181,192)
Other current liabilities	28,297	(85,006)
Other noncurrent liabilities	(111,826)	(45,249)
Cash generated from operations	3,728,830	286,947
Interest received	114,595	101,306
Dividends received	189,142	135,438
Interest paid	(649,528)	(551,784)
Income taxes paid	(499,789)	(439,490)
Net cash generated from / (used in) operating activities	<u>2,883,250</u>	<u>(467,583)</u>

(Continued)

## Eternal Materials Co., Ltd. and Subsidiaries

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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	\$ 3,333	\$ -
Purchase of financial assets measured at cost	-	(35,121)
Proceeds from disposal of financial assets measured at cost	-	407
Proceeds from capital reduction of financial assets measured at cost	-	2,098
Acquisition of investments accounted for using the equity method	(101,815)	(44,602)
Proceeds from disposal of investments accounted for using the equity method	270,455	-
Acquisition of subsidiaries	-	(278,278)
Disposal of subsidiaries	-	623,415
Acquisition of property, plant and equipment	(2,478,829)	(3,002,934)
Proceeds from disposal of property, plant and equipment	24,662	31,477
Decrease (increase) in other receivables from related parties	86,763	(351,505)
Acquisition of intangible assets	(101,511)	(6,921)
Decrease in other financial assets - current	55,650	373,687
Decrease (increase) in other noncurrent assets	<u>50,415</u>	<u>(33,042)</u>
Net cash used in investing activities	<u>(2,190,877)</u>	<u>(2,721,319)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term borrowings	(872,539)	2,872,924
Proceeds from long-term borrowings	19,616,629	14,623,061
Repayments of long-term borrowings	(20,954,094)	(12,483,119)
Increase (decrease) in other payables	211,779	(109,846)
Increase in guarantee deposits received	9,407	888
Decrease in finance lease payables	(3,817)	-
Dividends paid	(579,570)	(1,655,914)
Increase in non-controlling interests	<u>120,676</u>	<u>30,092</u>
Net cash generated from (used in) financing activities	<u>(2,451,529)</u>	<u>3,278,086</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		
	<u>(139,583)</u>	<u>(371,874)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(1,898,739)	(282,690)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		
	<u>7,984,172</u>	<u>8,227,218</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 6,085,433</u>	<u>\$ 7,944,528</u>

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets at December 31, 2018 and 2017:

## Eternal Materials Co., Ltd. and Subsidiaries

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

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	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Cash and cash equivalents in the consolidated balance sheets	\$ 6,085,433	\$ 7,984,172
Cash and cash equivalents included in noncurrent assets held for sale, beginning of the year	<u>-</u>	<u>(39,644)</u>
Cash and cash equivalents in the consolidated statements of cash flows	<u>\$ 6,085,433</u>	<u>\$ 7,944,528</u>

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

(With Deloitte & Touche auditors' report dated March 27, 2019)



# Eternal Materials Co., Ltd. and Subsidiaries

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

Eternal Materials Co., Ltd. (the Company) was established in December, 1964. The Company mainly operates 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, 2019.

### 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), Interpretations of IFRS (IFRIC), 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 any material impact on the Company and its subsidiaries' accounting policies.

- 1) IFRS 9 "Financial Instruments" and related amendments

IFRS 9 "Financial Instruments" supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for the related accounting policies.

#### Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as of January 1, 2018, the Company and its subsidiaries have performed an assessment of the classification of recognized financial assets and have elected to not restate prior reporting periods.

The following table shows the original measurement categories and carrying amounts under IAS 39 and the new measurement categories and carrying amounts under IFRS 9 for each class of financial assets and financial liabilities as of January 1, 2018.

Financial Assets	Measurement Category		Carrying Amount		Remark
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Cash and cash equivalents	Loans and receivables	Amortized cost	\$ 7,984,172	\$ 7,984,172	a)
Notes receivable, net (including related parties)	Loans and receivables	Amortized cost	2,777,802	2,777,802	a)
Accounts receivable, net (including related parties)	Loans and receivables	Amortized cost	12,199,244	12,199,244	a)
Other receivables (including related parties)	Loans and receivables	Amortized cost	1,091,318	1,091,318	a)
Time deposits with original maturities of more than 3 months	Loans and receivables	Amortized cost	297,430	297,430	a)
Refundable deposits	Loans and receivables	Amortized cost	103,491	103,491	a)
Equity securities	Available-for-sale financial assets	Fair value through other comprehensive income (i.e. FVTOCI) equity instruments	548,376	548,376	b)
	Financial assets measured at cost	Fair value through other comprehensive income equity instruments	220,933	356,265	c)
Mutual funds	Financial assets measured at cost	Fair value through profit or loss (i.e. FVTPL)	14,021	6,189	d)

	Carrying Amount as of January 1, 2018 (IAS 39)	Reclassifications	Remeasurements	Carrying Amount as of January 1, 2018 (IFRS 9)	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
<b>Financial assets at fair value through profit or loss</b>							
Reclassification from financial assets measured at cost (IAS 39)	\$ -	\$ 14,021	\$ (7,832)	\$ 6,189	\$ (7,832)	\$ -	d)
<b>Financial assets at fair value through other comprehensive income</b>							
<b>Equity instruments</b>							
Reclassification from available-for-sale financial assets (IAS 39)	-	548,376	-	548,376	-	-	b)
Reclassification from financial assets measured at cost (IAS 39)	-	220,933	135,332	356,265	105,203	30,129	c)
	<u>-</u>	<u>769,309</u>	<u>135,332</u>	<u>904,641</u>	<u>105,203</u>	<u>30,129</u>	
<b>Financial assets measured at amortized cost</b>							
Reclassification from loans and receivables (IAS 39)	-	24,453,457	-	24,453,457	-	-	a)
	<u>\$ -</u>	<u>\$ 25,236,787</u>	<u>\$ 127,500</u>	<u>\$ 25,364,287</u>	<u>\$ 97,371</u>	<u>\$ 30,129</u>	

- a) Financial assets that had been previously classified as loans and receivables under IAS 39 were classified as at amortized cost under IFRS 9.
- b) As investments in equity securities that were previously classified as available-for-sale financial assets under IAS 39 are not held for trading, the Company and its subsidiaries elected to designate these investments as at FVTOCI under IFRS 9. As a result, the related other equity - unrealized gains and losses on available-for-sale financial assets of NT\$265,246 thousand were reclassified to other equity - unrealized gains and losses on financial assets at FVTOCI.
- c) Investments in unlisted shares and certificates of interest previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, an increase of \$30,129 thousand was recognized in both financial assets at FVTOCI and other equity - unrealized gains and losses on financial assets at FVTOCI on

January 1, 2018.

Impairment losses were recognized for those investments in equity securities previously classified as financial assets measured at cost under IAS 39. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted an increase of NT\$105,203 thousand in retained earnings on January 1, 2018.

- d) A mutual fund previously classified as financial assets measured at cost under IAS 39 was classified mandatorily as at FVTPL under IFRS 9, because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and it is not an equity instrument. Hence, an adjustment was made that resulted in a decrease of \$7,832 thousand in retained earnings on January 1, 2018.

2) IFRS 15 “Revenue from Contracts with Customers” and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers and supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations. Refer to Note 4 for the related accounting policies.

- b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019

<b>New, Amended or Revised Standards and Interpretations (the “New IFRSs”)</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The FSC permits the election for early adoption of the amendments starting from January 1, 2018.

Note 3: The Company and its subsidiaries shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Company and its subsidiaries will elect 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 will not be reassessed and will be accounted for in accordance with the transitional provisions under

## IFRS 16.

### The Company and its subsidiaries as lessee

Upon initial application of IFRS 16, the Company and its subsidiaries will 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 and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Company and its subsidiaries will 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 will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts are recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights of land located in foreign countries are recognized as prepayments for leases. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

The Company and its subsidiaries anticipate applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be 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 will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. Right-of-use assets are applied to impairment assessment under IAS 36.

The Company and its subsidiaries expect to apply the following practical expedients:

- 1) The Company and its subsidiaries will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Company and its subsidiaries will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- 3) The Company and its subsidiaries will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- 4) The Company and its subsidiaries will use hindsight, such as in determining the lease terms if the contract contains options to extend or terminate the lease.

For leases currently classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 will be determined as the carrying amounts of the leased assets and finance lease payables as of December 31, 2018.

### The Company and its subsidiaries as lessor

The Company and its subsidiaries will not make any adjustments for leases in which they are lessors and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

The anticipated impact of the initial application of the New IFRSs for application starting from 2019 is summarized below:

Anticipated impact on assets and liabilities

	Carrying Amount as of January 1, 2019	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of 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	<u>-</u>	<u>1,202,880</u>	<u>1,202,880</u>
Total effect on assets	<u>\$ 1,033,132</u>	<u>\$ 169,748</u>	<u>\$ 1,202,880</u>
Lease liabilities - current	\$ -	\$ 65,238	\$ 65,238
Lease liabilities - noncurrent	-	135,405	135,405
Finance lease payables - current	3,831	(3,831)	-
Finance lease payables - noncurrent	<u>27,064</u>	<u>(27,064)</u>	<u>-</u>
Total effect on liabilities	<u>\$ 30,895</u>	<u>\$ 169,748</u>	<u>\$ 200,643</u>

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Company and its subsidiaries assessed that application of other standards, amendments and interpretations will not have a significant impact on their financial position and financial performance.

- c. The IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 2)
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 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: 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 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 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 retain 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 (as defined in IFRS 3) 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 (as defined in IFRS 3) but retain 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 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 an acquired set of activities and assets is not a business.

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, amendments 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 POLICY

### 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 twelve 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 twelve months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities expected to be settled within twelve months after the reporting period; and
- 3) Liabilities without an unconditional right to defer settlement for at least twelve months after the reporting period.

Assets and liabilities that are not classified as above mentioned 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-Company and its subsidiaries 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 15 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 has 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 year in which they arise.

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

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

For the purpose of presenting consolidated financial statements, the functional currencies of the 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 or 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 associates and joint ventures. 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 (including assets held under finance leases) 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. If a lease term is shorter than the asset's useful life, such asset is depreciated over the lease term.

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. 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

2018

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and 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 net gain or loss recognized in profit or loss does not incorporate any dividends earned on such a financial asset. Fair value is determined in the manner described in Note 33.

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.

2017

Financial assets held by the Company and its subsidiaries are classified as available-for-sale financial assets and loans and receivables.

i Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other

comprehensive income and reclassified to profit or loss when the investments are disposed of or are determined to be impaired.

Dividends on available-for-sale equity instruments are recognized when the Company and its subsidiaries' right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less any identified impairment loss at the end of each reporting period and presented as a separate line item as financial assets measured at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and fair value of such financial assets is recognized in other comprehensive income. Any impairment loss is recognized in profit or loss.

ii Loans and receivables

Loans and receivables including cash and cash equivalents, notes and accounts receivable, net (including related parties), other financial assets - current, other receivables (including related parties), refundable deposits and so on, are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

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

b) Impairment of financial assets

2018

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

The Company and its subsidiaries recognize lifetime expected credit losses (i.e. ECLs) for trade 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. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that are expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

2017

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Financial assets at amortized cost, such as accounts receivable, are assessed for impairment on a collective basis even if there is no objective evidence of impairment individually. Objective evidence of impairment for a portfolio of receivables could include the Company and its subsidiaries' past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

For a financial asset at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For a financial asset at amortized cost, if, in the subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in profit or loss.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, the disappearance of an active market for that financial asset because of financial difficulties, or it becoming probable that the borrower will enter bankruptcy or financial re-organization.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

For a financial asset measured at cost, the amount of the impairment losses is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account.

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 a collateralized borrowing for the proceeds received.

Before 2017 (inclusive), on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, 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

### 2018

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 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.



## 2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated value-added tax, customer returns, rebates and other similar allowances.

### 1) Revenue from the sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods are transferred to the customers. Revenue is recognized because the earnings process is complete and revenue is realized or realizable.

### 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.

## q. Leasing

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 of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the 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 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 material 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.

b. Estimated impairment of accounts receivable

2018

The provision for impairment of accounts receivables 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.

2017

When there is objective evidence of impairment loss, the Company and its subsidiaries take into consideration the estimation of the future cash flows of such assets. The amount of the impairment loss is measured as the difference between an asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows 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 a material impact on the amount of expenses and liabilities.

**6. CASH AND CASH EQUIVALENTS**

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Cash on hand	\$ 11,929	\$ 12,495
Checking accounts and demand deposits	3,290,802	3,837,436
Cash equivalents (investments with original maturities of less than three months)		
Time deposits	<u>2,782,702</u>	<u>4,134,241</u>
	<u>\$ 6,085,433</u>	<u>\$ 7,984,172</u>

**7. NOTES AND ACCOUNTS RECEIVABLE**

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Notes receivable	<u>\$ 3,149,642</u>	<u>\$ 2,755,332</u>
Notes receivable from related parties	<u>\$ 38,815</u>	<u>\$ 22,470</u>
Accounts receivable	\$ 11,633,903	\$ 12,183,911
Less: Allowance for loss/doubtful accounts	<u>(272,886)</u>	<u>(225,411)</u>
	<u>\$ 11,361,017</u>	<u>\$ 11,958,500</u>
Accounts receivable from related parties	\$ 239,820	\$ 240,744
Less: Allowance for loss	<u>(6,168)</u>	<u>-</u>
	<u>\$ 233,652</u>	<u>\$ 240,744</u>

2018

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 33.

The loss allowance of the Company and its subsidiaries' accounts receivables are recognized by the use of lifetime expected credit loss prescribed by IFRS 9. The lifetime expected credit losses on accounts receivables 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.

	<b>Not Past Due</b>	<b>0 to 30 Days</b>	<b>31 to 90 Days</b>	<b>91 to 180 Days</b>	<b>Over 180 Days</b>	<b>Total</b>
Expected credit loss rate (%)	0.10	0.72	3.95	22.29	87.29	
Gross carrying amount	\$ 12,542,766	\$ 1,530,613	\$ 585,745	\$ 184,253	\$ 218,803	\$ 15,062,180
Loss allowance (Lifetime ECL)	<u>(12,764)</u>	<u>(11,071)</u>	<u>(23,140)</u>	<u>(41,076)</u>	<u>(191,003)</u>	<u>(279,054)</u>
Amortized cost	<u>\$ 12,530,002</u>	<u>\$ 1,519,542</u>	<u>\$ 562,605</u>	<u>\$ 143,177</u>	<u>\$ 27,800</u>	<u>\$ 14,783,126</u>

The movements of the loss allowance of accounts receivable were as follows:

	<b>2018</b>
Balance at January 1, 2018 (IAS 39)	\$ 225,411
Adjustment on initial application of IFRS 9	<u>-</u>
Balance at January 1, 2018 (IFRS 9)	225,411
Recognized in current year	77,931
Written off in current year	(19,560)
Effect of foreign currency exchange differences	<u>(4,728)</u>
Balance at December 31, 2018	<u>\$ 279,054</u>

#### 2017

Allowance for doubtful accounts is recognized based on estimated irrecoverable amounts determined by reference to the account aging analysis, past experience, customers' past credit records and current financial positions.

On December 31, 2017, the accounts receivables that were no allowance recognized because there were no significant change in credit quality and we had some collaterals to enhance credit guarantee. In management's opinion, the accounts receivable were still considered recoverable.

The aging of notes and accounts receivable was as follows:

	<b>December 31, 2017</b>
Not past due	\$ 13,163,477
0 to 30 days	1,355,525
31-90 days	438,857
91-180 days	130,438
More than 181 days	<u>114,160</u>
	<u>\$ 15,202,457</u>

The above aging schedule was based on the number of past due days from the end of the credit terms.

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

	<b>2017</b>
Balance at January 1, 2017	\$ 175,648
Recognized in current year	66,494
Acquisition of subsidiaries	23,255
	(Continued)

	<b>2017</b>
Effect of foreign currency exchange differences	\$ 742
Written-off in current year	(21,532)
Disposal of subsidiaries	<u>(19,196)</u>
Balance at December 31, 2017	<u>\$ 225,411</u> (Concluded)

Refer to Note 33 for the details on factoring agreements for accounts receivable from subsidiaries.

Refer to Note 35 for the details on the amount of notes receivable pledged as collateral for bank borrowings.

## 8. INVENTORIES

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Raw materials	\$ 3,341,102	\$ 3,282,320
Supplies	216,823	221,203
Finished goods	4,103,832	3,964,122
Inventory in transit	<u>256,093</u>	<u>334,902</u>
	<u>\$ 7,917,850</u>	<u>\$ 7,802,547</u>

The cost of inventories recognized as operating costs for the years ended December 31, 2018 and 2017 was NT\$36,020,316 thousand and NT\$34,112,841 thousand, respectively, including write-down of inventories of NT\$81,540 thousand and NT\$34,426 thousand, respectively.

## 9. NON-CURRENT ASSETS HELD FOR SALE

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Land held for sale	<u>\$ 9,243</u>	<u>\$ -</u>

In consideration of asset management and financial planning, on March 20, 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 November 2018, the Company signed a sales contract with a non-related party, refer to Table 4 for the details.

## 10. OTHER FINANCIAL ASSETS - CURRENT

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Time deposits with original maturities of more than three months	<u>\$ 241,780</u>	<u>\$ 297,430</u>

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

**December 31,  
2018**

Non-derivative financial assets

---

Mutual fund	
Pacven Walden Ventures V, L.P.	\$ <u>7,341</u>

The above mutual fund was previously classified as financial assets measured at cost under IAS 39. For information relating to its reclassification and comparative information for 2017, refer to Notes 3 and 14.

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

**December 31,  
2018**

Domestic investments	
Listed shares	
President Securities Corp.	\$ 393,902
Unlisted shares	
The Orchard Corp. of Taiwan Ltd.	41,556
Universal Venture Capital Investment Corp.	37,707
Universal Development & Investment Capital I Co., Ltd.	24,450
Der Yang Biotechnology Venture Capital Co., Ltd.	4,331
Mega I Venture Capital Co., Ltd.	<u>2,609</u>
	<u>504,555</u>
Foreign investments	
Listed shares	
TBG Diagnostics Limited	49,643
Unlisted shares	
Grace THW Holdings Limited	130,624
Certificate of interest	
Orchard Decorative Materials (China) Co., Ltd.	<u>31,215</u>
	<u>211,482</u>
	<u>\$ 716,037</u>

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. These investments in equity instruments were classified as available-for-sale financial assets - noncurrent and financial assets measured at cost - noncurrent under IAS 39. Refer to Notes 3, 13 and 14 for information relating to their reclassification and comparative information for 2017.

### 13. AVAILABLE-FOR-SALE FINANCIAL ASSETS - NONCURRENT

	December 31, 2017
Domestic investments - Listed shares	
President Securities Corp.	\$ 111,012
Foreign investments - Listed shares	
TBG Diagnostics Limited	<u>196,300</u>
	307,312
Valuation adjustment	<u>241,064</u>
	<u>\$ 548,376</u>

### 14. FINANCIAL ASSETS MEASURED AT COST - NONCURRENT

	December 31, 2017
Grace THW Holdings Limited	\$ 123,742
Universal Venture Capital Investment Corp.	51,500
Universal Development & Investment Capital I Co., Ltd.	47,838
Polymer Instrumentation and Consulting Services, Ltd.	34,720
Orchard Decorative Materials (China) Co., Ltd.	31,248
Mega I Venture Capital Co., Ltd.	16,537
Pacven Walden Ventures V, L.P.	14,021
The Orchard Corp. of Taiwan Ltd.	12,161
Der Yang Biotechnology Venture Capital Co., Ltd.	<u>8,390</u>
	340,157
Less: Accumulated impairment	<u>(105,203)</u>
	<u>\$ 234,954</u>

Since there are wide ranges of estimated fair values of the Company and its subsidiaries' investments, the Company concludes that the fair value cannot be reliably measured. Therefore, the investments are classified as financial assets measured at cost.

Based on the assessments of Universal Development & Investment Capital I Co., Ltd., Der Yang Biotechnology Venture Capital Co., Ltd., Mega I Venture Capital Co., Ltd., and Grace THW Holdings Limited, the Company and its subsidiaries recognized an impairment loss for the excess of carrying amounts over the estimated recoverable amounts.

### 15. SUBSIDIARIES

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

Investor	Investee	Main Businesses	Percentage of Ownership (%)		Additional Descriptions
			December 31, 2018	December 31, 2017	
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	

(Continued)



Investor	Investee	Main Businesses	Percentage of Ownership (%)		Additional Descriptions
			December 31, 2018	December 31, 2017	
	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	60	2) and Note 28
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, 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	
	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, 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	35	2) and Note 28
	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	Note 28

(Concluded)

- 1) Dissolved in December 2018 after resolution of the shareholders of the subsidiary in its shareholders' meeting.
- 2) In 2018, the Company subscribed for a cash increase of EUR 2,375 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.

## 16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31</u>	
	<b>2018</b>	<b>2017</b>
Investments in associates	\$ 2,101,788	\$ 1,983,918
Investments in joint ventures	<u>(4,957)</u>	<u>23,273</u>
	<u>\$ 2,096,831</u>	<u>\$ 2,007,191</u>

a. Investments in associates

	<u>December 31</u>	
	<b>2018</b>	<b>2017</b>
Associates that are not individually material	<u>\$ 2,101,788</u>	<u>\$ 1,983,918</u>

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

	<u>For the Year Ended December 31</u>	
	<b>2018</b>	<b>2017</b>
The Company and its subsidiaries' share of		
Net profit for the year	\$ 221,822	\$ 270,405
Other comprehensive income	<u>(15,713)</u>	<u>(4,459)</u>
Total comprehensive income for the year	<u>\$ 206,109</u>	<u>\$ 265,946</u>

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

	<u>December 31</u>	
	<b>2018</b>	<b>2017</b>
Daxin Materials Corporation	<u>\$ 2,178,415</u>	<u>\$ 1,647,159</u>

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 don't control it. Therefore, DSM Eternal Resins (Kunshan) Co., Ltd. was not included in the consolidated financial statements but was accounted for using the equity method.

b. Investments in joint ventures

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Joint ventures that are not individually material	\$ (4,957)	\$ <u>23,273</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
The Company and its subsidiaries' share of		
Net loss for the year	\$ (27,855)	\$ (8)
Other comprehensive income	<u>(375)</u>	<u>245</u>
Total comprehensive income	<u>\$ (28,230)</u>	<u>\$ 237</u>

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.

The Company and its subsidiaries' share of losses of the joint venture exceeded their interest in that joint venture. They 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 joint venture.

The investments accounted for using the equity method 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 business and country of incorporation of the associates and joint ventures.

## 17. PROPERTY, PLANT AND EQUIPMENT

### 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	<u>\$ 2,739,777</u>	<u>\$ 5,529,325</u>	<u>\$ 5,858,544</u>	<u>\$ 523,785</u>	<u>\$ 462,046</u>	<u>\$ 279,562</u>	<u>\$ 3,073,210</u>	<u>\$ 18,466,249</u>
<u>Cost</u>								
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 18)	(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	<u>\$ 2,723,150</u>	<u>\$ 10,922,989</u>	<u>\$ 20,350,691</u>	<u>\$ 1,470,005</u>	<u>\$ 1,459,517</u>	<u>\$ 780,810</u>	<u>\$ 2,170,647</u>	<u>\$ 39,877,809</u>
<u>Accumulated depreciation and impairment</u>								
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 18)	-	(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	<u>\$ -</u>	<u>\$ 5,108,823</u>	<u>\$ 13,696,825</u>	<u>\$ 797,200</u>	<u>\$ 1,003,310</u>	<u>\$ 479,267</u>	<u>\$ -</u>	<u>\$ 21,085,425</u>
Carrying amount at December 31, 2018	<u>\$ 2,723,150</u>	<u>\$ 5,814,166</u>	<u>\$ 6,653,866</u>	<u>\$ 672,805</u>	<u>\$ 456,207</u>	<u>\$ 301,543</u>	<u>\$ 2,170,647</u>	<u>\$ 18,792,384</u>

For the Year Ended December 31, 2017

	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, 2017	\$ 2,547,201	\$ 4,907,362	\$ 5,391,507	\$ 436,868	\$ 421,318	\$ 146,287	\$ 3,412,823	\$ 17,263,366
<u>Cost</u>								
Balance at January 1, 2017	\$ 2,547,201	\$ 9,184,577	\$ 17,437,858	\$ 1,154,441	\$ 1,459,242	\$ 559,506	\$ 3,412,823	\$ 35,755,648
Additions	-	1,283,849	1,622,009	153,623	157,814	185,532	(349,330)	3,053,497
Disposals	-	(49,786)	(183,843)	(18,795)	(154,380)	(21,746)	-	(428,550)
Effect of acquisition of subsidiaries	177,112	243,946	352,109	7,977	6,738	31,988	-	819,870
Effect of disposal of subsidiaries	-	(265,249)	(156,373)	(11,301)	(38,135)	(32,057)	(101)	(503,216)
Effect of foreign currency exchange differences	15,464	(79,855)	(68,288)	(4,185)	(3,690)	(1,249)	9,818	(131,985)
Balance at December 31, 2017	\$ 2,739,777	\$ 10,317,482	\$ 19,003,472	\$ 1,281,760	\$ 1,427,589	\$ 721,974	\$ 3,073,210	\$ 38,565,264
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2017	\$ -	\$ 4,277,215	\$ 12,046,351	\$ 717,573	\$ 1,037,924	\$ 413,219	\$ -	\$ 18,492,282
Depreciation	-	496,861	1,063,601	60,636	96,247	49,269	-	1,766,614
Disposals	-	(35,796)	(157,509)	(16,319)	(145,710)	(18,170)	-	(373,504)
Impairment losses	-	3,289	59,292	-	1,487	1,334	-	65,402
Effect of acquisition of subsidiaries	-	159,845	301,186	6,578	6,437	27,190	-	501,236
Effect of disposal of subsidiaries	-	(93,812)	(121,556)	(8,280)	(28,287)	(27,261)	-	(279,196)
Effect of foreign currency exchange differences	-	(19,445)	(46,437)	(2,213)	(2,555)	(3,169)	-	(73,819)
Balance at December 31, 2017	\$ -	\$ 4,788,157	\$ 13,144,928	\$ 757,975	\$ 965,543	\$ 442,412	\$ -	\$ 20,099,015
Carrying amount at December 31, 2017	\$ 2,739,777	\$ 5,529,325	\$ 5,858,544	\$ 523,785	\$ 462,046	\$ 279,562	\$ 3,073,210	\$ 18,466,249

The subsidiary Eternal Capatech Co., Ltd., estimated that the future economic benefits that are expected to arise from the related buildings and equipment would decrease, leading to the recoverable amount being lower than the carrying amount, thus an impairment loss of \$65,402 thousand was recognized in other gains and losses for the year ended December 31, 2017.

The Company and its subsidiaries determined the recoverable amount of the relevant assets on the basis of their fair value less costs of disposal. The fair value of the recoverable amount was determined by the cost method and categorized as a Level 3 measurement. Under the method, the fair value was the cost to purchase or build a new asset less physical devaluation, functional devaluation and economic devaluation.

The following 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 35 for the amounts of property, plant and equipment pledged by the Company and its subsidiaries as collateral for bank borrowings.

Land held by the Company was revalued in 1980, 1990, 1997 and 2004, as of December 31, 2018 and 2017, the revaluation increments of the land was \$1,977,218 thousand.

## 18. INVESTMENT PROPERTIES

For the Year Ended December 31, 2018

	<b>Land</b>	<b>Land Use Rights</b>	<b>Buildings</b>	<b>Total</b>
Carrying amounts at January 1, 2018	<u>\$ 9,243</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,243</u> (Continued)
	<b>Land</b>	<b>Land Use Rights</b>	<b>Buildings</b>	<b>Total</b>
<u>Cost</u>				
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 - other	-	6,589	-	6,589
Reclassified as non-current assets held for sale (Note 9)	(9,243)	-	-	(9,243)
Effect of foreign currency exchange differences	<u>-</u>	<u>1</u>	<u>12</u>	<u>13</u>
Balance at December 31, 2018	<u>\$ 17,057</u>	<u>\$ 6,590</u>	<u>\$ 139,680</u>	<u>\$ 163,327</u>
<u>Accumulated depreciation and impairment</u>				
Balance at January 1, 2018	\$ -	\$ -	\$ -	\$ -
Depreciation	-	12	394	406
Transferred from property, plant and equipment	-	-	108,279	108,279
Transferred from other noncurrent assets - other	-	1,888	-	1,888
Effect of foreign currency exchange differences	<u>-</u>	<u>-</u>	<u>10</u>	<u>10</u>
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 1,900</u>	<u>\$ 108,683</u>	<u>\$ 110,583</u>
Carrying amounts at December 31, 2018	<u>\$ 17,057</u>	<u>\$ 4,690</u>	<u>\$ 30,997</u>	<u>\$ 52,744</u> (Concluded)

For the Year Ended December 31, 2017

	<b>Land</b>
Cost	
Balance at January 1 and December 31, 2017	<u>\$ 9,243</u>

In consideration of the group's strategy, the Company's land located in Pingtung and the subsidiaries' land use rights and buildings located in China were transferred from property, plant and equipment and other noncurrent assets - other to investment properties in 2018. Their fair value were not evaluated by an independent appraiser. 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. The fair value of \$403,682 thousand was arrived at by reference to market evidence of transaction prices for similar properties and by using a discounted cash flow analysis.

On December 31, 2017, investment properties held by the Company and its subsidiaries are located where market transactions were not frequent and alternative reliable measurements of fair value were not available; therefore, the Company determined that the fair value of the investment properties cannot be reliably measured.

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

Land use right	50 years
Buildings	20 years

## 19. INTANGIBLE ASSETS

For the Year Ended December 31, 2018

	Goodwill	Expertise	Customer Relationships	Computer Software	Others	Total
Carrying amount at January 1, 2018	<u>\$ 73,984</u>	<u>\$ 115,706</u>	<u>\$ 91,653</u>	<u>\$ -</u>	<u>\$ 36,671</u>	<u>\$ 318,014</u>
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	<u>\$ 76,159</u>	<u>\$ 127,513</u>	<u>\$ 104,038</u>	<u>\$ 82,736</u>	<u>\$ 139,804</u>	<u>\$ 530,250</u>
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	<u>\$ -</u>	<u>\$ 25,975</u>	<u>\$ 27,248</u>	<u>\$ 345</u>	<u>\$ 91,403</u>	<u>\$ 144,971</u>
Carrying amount at December 31, 2018	<u>\$ 76,159</u>	<u>\$ 101,538</u>	<u>\$ 76,790</u>	<u>\$ 82,391</u>	<u>\$ 48,401</u>	<u>\$ 385,279</u>

For the Year Ended December 31, 2017

	Goodwill	Expertise	Customer Relationships	Others	Total
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Carrying amount at January 1, 2017	\$ -	\$ -	\$ -	\$ 38,266	\$ 38,266
<hr/>					
Cost					
Balance at January 1, 2017	\$ -	\$ -	\$ -	\$ 96,344	\$ 96,344
Additions	-	-	-	6,921	6,921
Disposals	-	-	-	(6,621)	(6,621)
Effect of acquisition of subsidiaries	75,202	127,513	104,038	8,723	315,476
Effect of disposal of subsidiaries	-	-	-	(1,801)	(1,801)
Effect of foreign currency exchange differences	(1,218)	-	-	28,192	26,974
Balance at December 31, 2017	\$ 73,984	\$ 127,513	\$ 104,038	\$ 131,758	\$ 437,293

(Continued)

	Goodwill	Expertise	Customer Relationships	Others	Total
<hr/>					
Accumulated amortization and impairment					
Balance at January 1, 2017	\$ -	\$ -	\$ -	\$ 58,078	\$ 58,078
Amortization expense	-	11,807	12,385	19,526	43,718
Disposals	-	-	-	(6,621)	(6,621)
Impairment losses recognized	-	-	-	5,400	5,400
Effect of disposal of subsidiaries	-	-	-	(1,108)	(1,108)
Effect of foreign currency exchange differences	-	-	-	19,812	19,812
Balance at December 31, 2017	\$ -	\$ 11,807	\$ 12,385	\$ 95,087	\$ 119,279
Carrying amount at December 31, 2017	\$ 73,984	\$ 115,706	\$ 91,653	\$ 36,671	\$ 318,014

(Concluded)

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 annual discount 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, 2018 and 2017, 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

## 20. OTHER NONCURRENT ASSETS - OTHER

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Land use rights	\$ 1,093,000	\$ 1,139,186
Other noncurrent assets	<u>138,491</u>	<u>190,694</u>
	<u>\$ 1,231,491</u>	<u>\$ 1,329,880</u>

The Company and its subsidiaries entered into contracts to obtain land use rights to use land for 50 to 56 years.

Rental expense for the years ended December 31, 2018 and 2017 was \$26,092 thousand and \$26,375 thousand, respectively.

## 21. BORROWINGS

### a. Short-term borrowings

	<b>Type of Borrowings</b>	<b>Interest Rate Range (%)</b>	<b>Amount</b>
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	<u>1,958,408</u>
			<u>\$ 5,145,654</u>
December 31, 2017			
Unsecured loans		0.55-5.50	\$ 4,093,391
Purchase loans		1.89-2.47	175,602
Secured loans		0.63-5.05	<u>1,835,643</u>
			<u>\$ 6,104,636</u>



b. Long-term borrowings

Type of Borrowings	Agreement Period and Interest Payable Schedule	Interest Rate Range (%)	Amount
December 31, 2018			
Mortgage secured loans	From December 17, 2010 to December 31, 2025. Interest payment by applicable interest period.	0.86-2.70	\$ 141,790
Secured loans	From July 15, 2016 to September 17, 2021. Interest payment by applicable interest period.	1.20-5.35	3,378,568
Unsecured loans	From February 13, 2014 to October 2, 2023. Interest payment by applicable interest period.	0.85-4.30	13,422,590
			<u>16,942,948</u>
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
			(Continued)
Type of Borrowings	Agreement Period and Interest Payable Schedule	Interest Rate Range (%)	Amount
Less: Unamortized discounts			<u>\$ (1,035)</u>
			<u>898,965</u>
			17,841,913
Less: Current portion of long-term borrowings			(3,676,052)
			<u>\$ 14,165,861</u>
			(Concluded)

The above commercial papers were 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..

Type of Borrowings	Agreement Period and Interest Payable Schedule	Interest Rate Range (%)	Amount
December 31, 2017			
Mortgage secured loans	From December 17, 2010 to December 31, 2025. Interest payment by applicable interest period.	0.86-2.70	\$ 162,879
Secured loans	From October 14, 2015 to February 4, 2020. Interest payment by applicable interest period.	1.30-5.35	3,741,128
Unsecured loans	From March 29, 2013 to October 2, 2023. Interest payment by applicable interest period.	0.71-3.68	15,223,727
			<hr/>
			19,127,734
Less: Current portion of long-term borrowings			(6,139,486)
			<hr/>
			<u>\$ 12,988,248</u>

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, 2018 and 2017.

- 2) As of December 31, 2018, the Company and its subsidiaries utilized the credits under signed facility agreements of the following banks.

Bank	Currency	Credit line
HSBC Bank (Taiwan) Limited	NTD	\$ 1,200,000
E.SUN Commercial Bank, Ltd.	NTD	600,000
O-Bank Co., Ltd.	NTD	600,000
Bank SinoPac	NTD	600,000
Taipei Fubon Commercial Bank Co., Ltd.	NTD	500,000
CTBC Bank Co., Ltd.	JPY	417,604
HSBC Bank (China) Company Limited	USD	2,100
BNP Paribas (China) Limited	RMB	40,000
Taipei Fubon Commercial Bank Co., Ltd.	EUR	5,000

- 3) As of December 31, 2018, the Company and its subsidiaries executed syndicated credit facility agreements with the following banks.

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 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 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 35 for the details of assets pledged as collateral for bank borrowings of the Company and its subsidiaries.

## 22. 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:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Present value of defined benefit obligation	\$ 2,227,098	\$ 2,283,351
Fair value of plan assets	<u>(1,187,487)</u>	<u>(1,097,861)</u>
Net defined benefit liabilities	<u>\$ 1,039,611</u>	<u>\$ 1,185,490</u>

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

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability</b>
Balance at January 1, 2018	<u>\$ 2,283,351</u>	<u>\$ (1,097,861)</u>	<u>\$ 1,185,490</u>
Service cost			
Current service cost	40,919	-	40,919
Interest expense (income)	<u>27,346</u>	<u>(13,174)</u>	<u>14,172</u>
Recognized in profit or loss	<u>68,265</u>	<u>(13,174)</u>	<u>55,091</u>
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	<u>14,870</u>	<u>-</u>	<u>14,870</u>
Recognized in other comprehensive income	<u>41,408</u>	<u>(33,213)</u>	<u>8,195</u>
Contributions from the employer	-	(198,564)	(198,564)
Benefits paid	<u>(168,019)</u>	<u>155,325</u>	<u>(12,694)</u>
	<u>(168,019)</u>	<u>(43,239)</u>	<u>(211,258)</u>

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability</b>
Exchange differences	\$ 2,093	\$ -	\$ 2,093
Balance at December 31, 2018	<u>\$ 2,227,098</u>	<u>\$ (1,187,487)</u>	<u>\$ 1,039,611</u>
Balance at January 1, 2017	<u>\$ 2,319,577</u>	<u>\$ (1,216,447)</u>	<u>\$ 1,103,130</u>
Effect of acquisition of subsidiaries	<u>38,851</u>	<u>-</u>	<u>38,851</u>
Service cost			
Current service cost	44,236	-	44,236
Interest expense (income)	<u>35,084</u>	<u>(18,247)</u>	<u>16,837</u>
Recognized in profit or loss	<u>79,320</u>	<u>(18,247)</u>	<u>61,073</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	7,230	7,230
Actuarial loss - changes in financial assumptions	78,323	-	78,323
Actuarial gain - experience adjustments	<u>(3,957)</u>	<u>-</u>	<u>(3,957)</u>
Recognized in other comprehensive income	<u>74,366</u>	<u>7,230</u>	<u>81,596</u>
Contributions from the employer	-	(82,696)	(82,696)
Benefits paid	<u>(227,701)</u>	<u>212,299</u>	<u>(15,402)</u>
	<u>(227,701)</u>	<u>129,603</u>	<u>(98,098)</u>
Exchange differences	<u>(1,062)</u>	<u>-</u>	<u>(1,062)</u>
Balance at December 31, 2017	<u>\$ 2,283,351</u>	<u>\$ (1,097,861)</u>	<u>\$ 1,185,490</u> (Concluded)

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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Operating costs	\$ 24,474	\$ 28,180
Operating expenses	<u>30,617</u>	<u>32,893</u>
	<u>\$ 55,091</u>	<u>\$ 61,073</u>

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:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Discount rate (%)	1.00-1.10	1.00-1.20
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:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Discount rate		
0.25% increase	<u>\$ (64,402)</u>	<u>\$ (67,787)</u>
0.25% decrease	<u>\$ 67,042</u>	<u>\$ 70,643</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 58,675</u>	<u>\$ 62,239</u>
0.25% decrease	<u>\$ (56,775)</u>	<u>\$ (60,157)</u>

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.

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
The expected contributions to the plan for the next year	<u>\$ 153,562</u>	<u>\$ 188,782</u>
The average duration of the defined benefit obligation	12-14 years	13-14 years

## 23. EQUITY

### a. Share capital

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Number of shares authorized (in thousands)	<u>1,800,000</u>	<u>1,200,000</u>
Shares authorized	<u>\$ 18,000,000</u>	<u>\$ 12,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>1,240,280</u>	<u>1,159,140</u>
Shares issued	<u>\$ 12,402,795</u>	<u>\$ 11,591,397</u>

In June 2017, the Company's shareholders resolved amendments to the Company's Articles of Incorporation (the "Articles"). The authorized shares are increased to NT\$18,000,000 thousand. In June 2018, the Company's shareholders resolved to issue share dividend of 81,140 thousand shares from unappropriated earnings of NT\$811,398 thousand, the paid-in capital amounted to NT\$12,402,795 thousand.

### b. Capital surplus

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
May be used to offset deficit, distribute cash or transfer to share capital (Note)		
Additional paid-in capital	\$ 309,017	\$ 309,017
Treasury share transactions	<u>19,642</u>	<u>19,642</u>
	<u>328,659</u>	<u>328,659</u>
May be used to offset deficit only		
Share of change in equities of associates or joint ventures	<u>27,387</u>	<u>31,241</u>
	<u>\$ 356,046</u>	<u>\$ 359,900</u>

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.

Appropriation of earnings to a legal reserve could be made until the legal reserve equals the Company's paid-in capital. 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 paid-in 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 2018.

The appropriations of earnings for 2017 and 2016 had been approved in the shareholders' meetings in June 2018 and June 2017, respectively. The appropriations and dividends per share were as follows:

	<b>Appropriations of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Legal reserve	\$ 190,963	\$ 262,638		
Cash dividends	579,570	1,655,914	\$ 0.5	\$ 1.5
Share dividends	811,398	551,972	0.7	0.5

The appropriations of earnings for 2018 which had been proposed by the Company's board of directors in March 2019 are as follows:

	<b>Appropriation of Earnings</b>	<b>Dividend Per Share (NT\$)</b>
Legal reserve	\$ 155,051	
Special reserve	83,963	
Cash dividends	1,116,252	\$ 0.9
Share dividends	-	-

The appropriations of earnings for 2018 are subject to resolution in the shareholders' meeting to be held in June 2019.



d. Other equity items

1) Exchange differences on translating foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Balance, beginning of the year	\$ (206,864)	\$ 170,906
Recognized for the year		
Exchange differences on translating foreign operations	(433,325)	(431,942) (Continued)

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Share of exchange differences of associates accounted for using the equity method	\$ (16,276)	\$ (4,214)
Reclassification adjustment		
Disposal of foreign operations	<u>-</u>	<u>58,386</u>
Balance, end of the year	<u>\$ (656,465)</u>	<u>\$ (206,864)</u> (Concluded)

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 available-for-sale financial assets

	<b>For the Year Ended December 31, 2017</b>
Balance, beginning of the year	\$ 254,166
Unrealized gains and losses for the year	<u>11,080</u>
Balance, end of the year	<u>\$ 265,246</u>

3) Unrealized gains and losses on financial assets at FVTOCI

	<b>For the Year Ended December 31, 2018</b>
Balance, beginning of the year (IAS 39)	\$ -
Adjustment on initial application of IFRS 9	<u>295,375</u>
Balance, beginning of the year (IFRS 9)	<u>295,375</u>
Effect of change in tax rate Recognized for the year	4,166
Unrealized gains and losses - equity instruments	<u>(159,755)</u>
Other comprehensive income recognized for the year	<u>(155,589)</u>
Reclassification adjustment Cumulative unrealized gains and losses of equity instruments transferred to retained earnings due to disposal	<u>5,786</u>
Balance, end of the year	<u>\$ 145,572</u>

e. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Balance, beginning of the year	\$ 561,351	\$ 546,809
Share of net loss for the year	(58,192)	(45,534)
Other comprehensive income or loss during the year		
Exchange differences on translating foreign operations	(1,605)	(1,109)
Remeasurement on defined benefit plans	(140)	143
Dividends distributed by subsidiaries	(5,636)	(4,865)
Non-controlling interests arising from issuing of shares not proportional to holdings in subsidiaries	-	4,541
Non-controlling interest arising from issuing of shares proportional to holdings in subsidiaries	126,312	30,416
Non-controlling interest arising from acquisition of subsidiaries (Note 28)	<u>-</u>	<u>30,950</u>
Balance, end of the year	<u>\$ 622,090</u>	<u>\$ 561,351</u>

**24. REVENUE**

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 43,300,081	\$ 41,550,821
Revenue from the rendering of services	<u>74</u>	<u>296</u>
	<u>\$ 43,300,155</u>	<u>\$ 41,551,117</u>

a. For information on customer contracts, refer to Note 4.

b. Contract balances

	<b>December 31, 2018</b>
Notes and accounts receivable (Note 7)	<u>\$ 14,783,126</u>
Contract liabilities (recorded as other current liabilities - other)	
Sale of goods	<u>\$ 16,495</u>

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 2018.

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

	<b>For the Year Ended December 31, 2018</b>
From the balance of contract liabilities at the beginning of the year	
Sale of goods	<u>\$ 13,533</u>

c. Disaggregation of revenue

	Reportable Segments				Total
	Resins Materials	Electronic Materials	High Performance Materials	Others	
For the year ended December 31, 2018					
Type of revenue					
Sale of goods	\$ 23,026,621	\$ 13,128,780	\$ 7,091,305	\$ 53,375	\$ 43,300,081
Rendering of services	<u>-</u>	<u>-</u>	<u>-</u>	<u>74</u>	<u>74</u>
	<u>\$ 23,026,621</u>	<u>\$ 13,128,780</u>	<u>\$ 7,091,305</u>	<u>\$ 53,449</u>	<u>\$ 43,300,155</u>

## 25. PROFIT BEFORE INCOME TAX

a. Other income

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Interest income	\$ 112,028	\$ 86,259
Dividend income	49,519	3,475
Others	<u>194,110</u>	<u>241,135</u>
	<u>\$ 355,657</u>	<u>\$ 330,869</u>

b. Other gains and losses

	<b><u>For the Year Ended December 31</u></b>	
	<b>2018</b>	<b>2017</b>
Gains on disposal of investments	\$ 167,537	\$ 515,624
Loss on disposal of property, plant and equipment	(9,422)	(23,569)
Gains and losses on financial assets		
Financial assets designated as at FVTPL	1,663	-
Impairment loss	-	(70,802)
Others	<u>(108,376)</u>	<u>(88,233)</u>
	<u>\$ 51,402</u>	<u>\$ 333,020</u>

c. Finance costs

	<b><u>For the Year Ended December 31</u></b>	
	<b>2018</b>	<b>2017</b>
Interest on bank loans	\$ 644,693	\$ 551,934
Less: Amounts included in the cost of qualifying assets	<u>(67,686)</u>	<u>(57,916)</u>
	<u>\$ 577,007</u>	<u>\$ 494,018</u>

Information about capitalized interest was as follows:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2018</b>	<b>2017</b>
Capitalized interest amount	<u>\$ 67,686</u>	<u>\$ 57,916</u>
Capitalization rates (%)	1.48-5.35	1.54-5.35

d. Impairment losses on non-financial assets

	<b><u>For the Year Ended December 31</u></b>	
	<b>2018</b>	<b>2017</b>
Inventories	\$ 81,540	\$ 34,426
Property, plant and equipment	-	65,402
Intangible assets	<u>-</u>	<u>5,400</u>
	<u>\$ 81,540</u>	<u>\$ 105,228</u>

e. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Property, plant and equipment	\$ 1,826,894	\$ 1,766,614
Investment properties	406	-
Intangible assets	36,123	43,718
Other noncurrent assets - other	<u>2,916</u>	<u>3,670</u>
	<u>\$ 1,866,339</u>	<u>\$ 1,814,002</u>
Analysis of depreciation by function		
Operating costs	\$ 1,496,045	\$ 1,447,357
Operating expenses	<u>331,255</u>	<u>319,257</u>
	<u>\$ 1,827,300</u>	<u>\$ 1,766,614</u>
Analysis of amortization by function		
Operating costs	\$ 1,914	\$ 1,890
Operating expenses	<u>37,125</u>	<u>45,498</u>
	<u>\$ 39,039</u>	<u>\$ 47,388</u>

f. Operating expenses directly related to investment properties

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Rental income	\$ 425	\$ -
Direct operating expenses from investment properties generating rental income	(47)	-
Direct operating expenses from investment properties not generating rental income	<u>(359)</u>	<u>-</u>
	<u>\$ 19</u>	<u>\$ -</u>

g. Employee benefits

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Short-term employee benefits		
Salaries	\$ 3,393,680	\$ 3,370,788
Labor and health insurance	302,940	296,915
Others	<u>319,935</u>	<u>306,170</u>
	<u>4,016,555</u>	<u>3,973,873</u>
Post-employment benefits		
Defined contribution plans	196,775	204,105
Defined benefit plans (Note 22)	<u>55,091</u>	<u>61,073</u>
	<u>251,866</u>	<u>265,178</u>
	<u>\$ 4,268,421</u>	<u>\$ 4,239,051</u>
Analysis by function		
Operating costs	\$ 1,860,470	\$ 1,799,475
Operating expenses	<u>2,407,951</u>	<u>2,439,576</u>
	<u>\$ 4,268,421</u>	<u>\$ 4,239,051</u>

h. Employees' compensation and remuneration of directors

The Company distributed employees' compensation and remuneration of directors at rates 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:

	<b>For the Year Ended December 31, 2018</b>	
	<b>Accrual Amounts Recognized in Financial Statements</b>	<b>Amounts Approved by the Company's Board of Directors</b>
Employees' compensation - cash	<u>\$ 77,544</u>	<u>\$ 72,181</u>
Remuneration of directors - cash	<u>\$ 14,400</u>	<u>\$ 14,400</u>

If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the difference is recorded as a change in accounting estimate and will be adjusted in next year.

The employees' compensation and remuneration of directors and supervisors (all in cash) approved by the Company's board of directors in March 2018 and 2017, and accrual amounts recognized in the consolidated financial statements, respectively, were as follows:

	<b>For the Year Ended December 31</b>			
	<b>2017</b>		<b>2016</b>	
	<b>Employees' Compensation</b>	<b>Remuneration of Directors</b>	<b>Employees' Compensation</b>	<b>Remuneration of Directors</b>
Amounts approved in the board of directors' meeting	\$ 94,538	\$ 14,400	\$ 133,030	\$ 8,000
Amounts recognized in the annual financial statements	<u>95,490</u>	<u>14,400</u>	<u>137,810</u>	<u>8,000</u>
Difference	<u>\$ (952)</u>	<u>\$ -</u>	<u>\$ (4,780)</u>	<u>\$ -</u>

The differences were adjusted to profit and loss for the years ended December 31, 2018 and 2017.

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.

## 26. INCOME TAX

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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Current tax		
In respect of the current year	\$ 497,602	\$ 420,282
Adjustments for prior years	<u>6,496</u>	<u>8,515</u>
	<u>504,098</u>	<u>428,797</u>
Deferred tax		
In respect of the current year	(104,017)	(22,288)
Effect of tax rate changes	<u>(28,433)</u>	<u>-</u>
	<u>(132,450)</u>	<u>(22,288)</u>
	<u>\$ 371,648</u>	<u>\$ 406,509</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Profit before income tax	<u>\$ 1,863,971</u>	<u>\$ 2,270,609</u>

(Continued)

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Income tax expense calculated at the statutory rate	\$ 726,399	\$ 669,550
Effect from items adjusted by regulation	(305,378)	(234,785)
Income tax on unappropriated earnings	25,501	5,652
Unrecognized loss carryforwards and investment credits	(52,937)	(42,423)
Effect of tax rate changes	(28,433)	-
Adjustments for prior years	<u>6,496</u>	<u>8,515</u>
	<u>\$ 371,648</u>	<u>\$ 406,509</u>

(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 tax rate of the corporate unappropriated earnings in 2018 will be reduced from 10% to 5%.

As the status of the appropriation of earnings for 2019 is uncertain, the potential income tax consequences of the 2018 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 expenses (benefit) recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
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	(1,791)	(13,687)
Remeasurement of defined benefit plans of subsidiaries, associates and joint ventures accounted for using the equity method	(112)	97
Unrealized gains and losses on financial assets at fair value through other comprehensive income	(1,557)	-
Unrealized gains and losses on available-for-sale financial assets	<u>-</u>	<u>(18,881)</u>
	<u>\$ (20,508)</u>	<u>\$ (32,471)</u>



c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Current tax assets		
Prepaid income tax (recorded as other current assets - other)	\$ <u>56,816</u>	\$ <u>76,658</u>
Current tax liabilities		
Income tax payable	\$ <u>211,607</u>	\$ <u>227,988</u>

d. Deferred tax assets and liabilities

Movements of deferred tax assets and liabilities were as follows:

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
<u>Deferred tax assets</u>					
Temporary differences					
Defined benefit plan	\$ 194,054	\$ (32,052)	\$ 14,324	\$ -	\$ 176,326
Loss carryforwards	60,581	7,257	-	(876)	66,962
Others	<u>147,029</u>	<u>18,969</u>	<u>5,723</u>	<u>(3,408)</u>	<u>168,313</u>
	<u>\$ 401,664</u>	<u>\$ (5,826)</u>	<u>\$ 20,047</u>	<u>\$ (4,284)</u>	<u>\$ 411,601</u>
<u>Deferred tax liabilities</u>					
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	<u>(369)</u>	<u>-</u>	<u>366</u>	<u>(19)</u>	<u>(22)</u>
	<u>\$ (2,965,200)</u>	<u>\$ 138,276</u>	<u>\$ 461</u>	<u>\$ (19)</u>	<u>\$ (2,826,482)</u>

For the Year Ended December 31, 2017

	Balance, Beginning of the Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Acquisition of Subsidiaries	Disposal of Subsidiaries	Exchange Differences	Balance, End of the Year
<u>Deferred tax assets</u>							
Temporary differences							
Defined benefit plan	\$ 186,550	\$ (6,551)	\$ 14,055	\$ -	\$ -	\$ -	\$ 194,054
Loss carryforwards	12,037	(240)	-	51,680	(7,663)	4,767	60,581
Others	<u>118,834</u>	<u>11,610</u>	<u>18,881</u>	<u>-</u>	<u>(272)</u>	<u>(2,024)</u>	<u>147,029</u>
	<u>\$ 317,421</u>	<u>\$ 4,819</u>	<u>\$ 32,936</u>	<u>\$ 51,680</u>	<u>\$ (7,935)</u>	<u>\$ 2,743</u>	<u>\$ 401,664</u>
<u>Deferred tax liabilities</u>							
Temporary differences							
Investment income	\$ (2,339,209)	\$ 20,886	\$ (97)	\$ -	\$ -	\$ -	\$ (2,318,420)
Gains on land revaluation	(640,717)	-	-	-	-	-	(640,717)
Unrealized gains on foreign exchange	(2,278)	(3,416)	-	-	-	-	(5,694)
Others	<u>-</u>	<u>(1)</u>	<u>(368)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(369)</u>
	<u>\$ (2,982,204)</u>	<u>\$ 17,469</u>	<u>\$ (465)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,965,200)</u>

e. Income tax assessment

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

- f. The Company is entitled to "the Incentive of a Five-Year Exemption from Corporate Income Tax on Investments Made by Enterprises in the Manufacturing Industry and the Technical Service Industry between July 1, 2008 and December 31, 2009", and has been eligible for five-year income tax exemption since 2014.

## 27. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Basic earnings per share	<u>\$ 1.25</u>	<u>\$ 1.54</u>
Diluted earnings per share	<u>\$ 1.25</u>	<u>\$ 1.53</u>

Because of issuance of share dividends, the weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2017 were as follows:

Unit: NT\$ Per Share

	<b>Before Retrospective Adjustment</b>	<b>After Retrospective Adjustment</b>
Basic earnings per share	<u>\$ 1.65</u>	<u>\$ 1.54</u>
Diluted earnings per share	<u>\$ 1.64</u>	<u>\$ 1.53</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Net profit for the year attributable to owners of the Company	<u>\$ 1,550,515</u>	<u>\$ 1,909,634</u>

Number of ordinary shares

Unit: Thousand Shares

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Weighted average number of ordinary shares used in computation of basic earnings per share before retrospective adjustment	1,240,280	1,159,140
Retrospective adjustment for share dividends	-	<u>81,140</u>
Weighted average number of ordinary shares used in the computation of basic earnings per share after retrospective adjustment	1,240,280	1,240,280

(Continued)

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Effect of potentially dilutive ordinary shares		
Employees' compensation	<u>3,977</u>	<u>3,933</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>1,244,257</u>	<u>1,244,213</u> (Concluded)

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.

## 28. BUSINESS COMBINATIONS

### a. Subsidiaries acquired

	<b>Principal Activity</b>	<b>Date of Acquisition</b>	<b>Proportion of Voting Equity Interests Acquired (%)</b>	<b>Consideration Transferred</b>
Elga Europe S.r.l. (Elga)	Refer to Note 15.	March 9, 2017	60	<u>\$ 202,927</u>
Nikko Mechanics Co., Ltd. (LX)	Refer to Note 15.	April 1, 2017	80	<u>\$ 107,897</u>

The Company indirectly owns 35% of the equity of Elga through its subsidiary Eternal (China) Investment Co., Ltd. Due to its global operation strategy, the Company acquired directly 60% ownership of Elga and Elga became a subsidiary of the Company.

On April 1, 2017, the Company acquired 80% ownership of LX through its subsidiary, Nikko-Materials Co., Ltd., in order to obtain the knowledge of assembly, design and technical know-how of vacuum laminators, and to increase capacity for future business expansion.

### b. Considerations transferred

	<b>Elga</b>	<b>LX</b>
Cash	<u>\$ 202,927</u>	<u>\$ 107,897</u>

### c. Assets acquired and liabilities assumed at the date of acquisition

	<b>Elga</b>	<b>LX</b>
Current assets		
Cash and cash equivalents	\$ 3,833	\$ 12,091
Accounts receivable and other receivables	95,741	158,201

(Continued)

	<b>Elga</b>	<b>LX</b>
Inventories	\$ 136,435	\$ 81,016
Other current assets	24,173	-
Noncurrent assets		
Property, plant and equipment	303,308	15,326
Intangible assets	239,918	356
Other noncurrent assets	51,455	5,340
Current liabilities		
Short-term borrowings	(118,581)	-
Accounts payable and other payables	(156,729)	(146,360)
Other current liabilities	(11,302)	-
Noncurrent liabilities		
Long-term borrowings	(245,023)	-
Other noncurrent liabilities	<u>(52,718)</u>	<u>(38,851)</u>
	<u>\$ 270,510</u>	<u>\$ 87,119</u>

(Concluded)

d. Goodwill recognized on acquisitions

	<b>Elga</b>	<b>LX</b>
Consideration transferred	\$ 202,927	\$ 107,897
Plus: Fair value of investments previously owned	91,057	-
Non-controlling interests	13,526	17,424
Less: Fair value of identifiable net assets acquired	<u>(270,510)</u>	<u>(87,119)</u>
Goodwill recognized on acquisitions	<u>\$ 37,000</u>	<u>\$ 38,202</u>

The goodwill recognized in the acquisition of Elga and LX mainly represents the control premium included in the cost of the combination. In addition, the consideration paid for the combination effectively included amounts attributed to the benefits of expected synergies.

The difference between the book value of \$39,179 thousand and fair value of \$91,057 thousand in the amount of \$51,878 thousand was recognized as other gains on investments at the acquisition date.

e. Net cash outflow on acquisition of subsidiaries

	<b>Elga</b>	<b>LX</b>
Consideration paid in cash	\$ 202,927	\$ 107,897
Less: Cash and cash equivalents acquired	(3,833)	(12,091)
Investments payable (recorded as other payables - other)	<u>(16,622)</u>	<u>-</u>
	<u>\$ 182,472</u>	<u>\$ 95,806</u>

f. Impact of acquisitions on the results of operations

Had these business combinations of Elga and LX been in effect at the beginning of the annual reporting period, the Company's revenue and net income for the year ended December 31, 2017 would have been NT\$41,627,305 thousand and NT\$1,849,067 thousand, respectively. This proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Company that actually would have been achieved had the acquisition been completed at the beginning of the year, nor is it intended to be a projection of future results.

## 29. DISPOSAL OF SUBSIDIARIES

On December 23, 2016, the Company's board of directors had approved to dispose of Eternal Electronic Materials (Kunshan) Co., Ltd. which was held by a subsidiary. The disposal of 60% ownership was completed and control was lost on March 7, 2017.

On August 11, 2017, the Company's board of directors had approved the disposal of 100% ownership of ESCO Specialty Coatings (Guangzhou) Co., Ltd. (ESCO (Guangzhou)), and 60% ownership of ESCO Specialty Coatings (Shanghai) Co., Ltd. (ESCO (Shanghai)). The disposals were completed on November 28, 2017 and December 28, 2017, respectively, on which dates control of ESC Co., Ltd. (Shanghai) and ESC Co., Ltd. (Guangzhou) passed to the acquirer.

### a. Consideration received from disposal

	<b>EEM (Kunshan)</b>	<b>ESCO (Guangzhou)</b>	<b>ESCO (Shanghai)</b>
Total consideration received - cash	<u>\$ 268,260</u>	<u>\$ 460,304</u>	<u>\$ 48,937</u>

### b. Analysis of assets and liabilities on the date control was lost

	<b>EEM (Kunshan)</b>	<b>ESCO (Guangzhou)</b>	<b>ESCO (Shanghai)</b>
<b>Current assets</b>			
Cash and cash equivalents	\$ 39,603	\$ 6,220	\$ 36,153
Notes and accounts receivable	183,797	58,228	173,011
Inventories	82,183	42,449	64,715
Other current assets	6,480	176,704	4,920
<b>Noncurrent assets</b>			
Property, plant and equipment	150,816	64,255	159,765
Intangible assets	429	668	24
Other noncurrent assets	18,010	32,454	58,968
<b>Current liabilities</b>			
Short-term borrowings	(143,072)	-	(470,195)
Payables	(36,055)	(19,795)	(54,112)
Other current liabilities	(27,264)	(14,052)	(10,153)
<b>Noncurrent liabilities</b>			
Guarantee deposits received	<u>(9)</u>	<u>(358)</u>	<u>-</u>
Net assets (liabilities) disposed of	<u>\$ 274,918</u>	<u>\$ 346,773</u>	<u>\$ (36,904)</u>

### c. Gain on disposal of subsidiaries

	<b>EEM (Kunshan)</b>	<b>ESCO (Guangzhou)</b>	<b>ESCO (Shanghai)</b>
Consideration received	\$ 268,260	\$ 460,304	\$ 48,937
Fair value of investment retained	178,840	-	32,625
Net (assets) liabilities disposed of	(274,918)	(346,773)	36,904
Effect of foreign currency exchange differences	<u>(728)</u>	<u>59,602</u>	<u>(488)</u>
	<u>\$ 171,454</u>	<u>\$ 173,133</u>	<u>\$ 117,978</u>

d. Net cash inflow (outflow) on disposal of subsidiaries

	<b>EEM (Kunshan)</b>	<b>ESCO (Guangzhou)</b>	<b>ESCO (Shanghai)</b>
Consideration received	\$ 268,260	\$ 460,304	\$ 48,937
Less: Cash and cash equivalents disposed of	(39,603)	(6,220)	(36,153)
Other receivables - non-related parties	<u>          -</u>	<u>     (23,173)</u>	<u>     (48,937)</u>
	<u>\$ 228,657</u>	<u>\$ 430,911</u>	<u>\$ (36,153)</u>

### 30. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In 2017, the Company subscribed for additional new shares of Eternal Capatech Co., Ltd. at a percentage different from its existing ownership percentage, and increased its continuing interest from 80% to 96.71%. The Company's unappropriated earnings reduced by NT\$ 4,541 thousand due to difference between the cost of the additional shares and the shares in the equity of the investee.

The above transactions were accounted for as equity transactions, since the Company did not cease to have control over the subsidiary.

### 31. CASH FLOW INFORMATION

a. Information on investment activities

	<b><u>For the Year Ended December 31</u></b>	
	<b>2018</b>	<b>2017</b>
Acquisition of property, plant and equipment	\$ 2,531,316	\$ 3,053,497
Increase in finance lease payables	(35,004)	-
Decrease in payables for equipment	<u>50,203</u>	<u>7,353</u>
	2,546,515	3,060,850
Capitalized interest	<u>(67,686)</u>	<u>(57,916)</u>
Cash paid	<u>\$ 2,478,829</u>	<u>\$ 3,002,934</u>
Costs of disposal of property, plant and equipment	\$ 718,818	\$ 428,550
Accumulated depreciation and impairment of property, plant and equipment disposed of	(578,802)	(373,504)
Loss on disposal of property, plant and equipment	(9,422)	(23,569)
Payables for disposal (recorded as other payables - other)	2,363	-
Receivables for disposal (recorded as other receivables)	<u>(108,295)</u>	<u>          -</u>
Cash received	<u>\$ 24,662</u>	<u>\$ 31,477</u>

b. Changes in liabilities arising from financing activities

For the year ended December 31, 2018

	January 1, 2018	Cash Flows	Non-cash Changes		December 31, 2018
			Exchange rate adjustment	New Leases	
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
Other payables - other	45,536	211,779	-	-	257,315
Guarantee deposits received (recorded as other noncurrent liabilities)	19,712	9,407	-	-	29,119
Finance lease payables (recorded as other current liabilities - other)	-	(3,817)	(292)	35,004	30,895
	<u>\$ 25,297,618</u>	<u>\$ (1,992,635)</u>	<u>\$ (35,091)</u>	<u>\$ 35,004</u>	<u>\$ 23,304,896</u>

### 32. 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.

### 33. 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 value, or their fair value 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
<u>December 31, 2018</u>				
Financial instruments at FVTPL				
Mutual funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,341</u>	<u>\$ 7,341</u>
Financial instruments at FVTOCI				
Equity instruments				
Domestic and foreign listed shares	<u>\$ 443,545</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 443,545</u>

(Continued)

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Domestic and foreign unlisted shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 241,277</u>	<u>\$ 241,277</u>
Certificates of interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,215</u>	<u>\$ 31,215</u>
<hr/>				
December 31, 2017				
Available-for-sale financial assets				
Equity instruments				
Domestic and foreign listed shares	<u>\$ 548,376</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 548,376</u>
				(Concluded)

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.

There was no transfer between Level 1 and Level 2 during the years ended December 31, 2018 and 2017, neither was there a transfer to Level 3.

2) 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.

3) Reconciliation of Level 3 fair value measurements of financial instrument

For the Year Ended December 31, 2018

	<u>Equity Instruments</u>		<b>Total</b>
	<b>Financial Assets at FVTPL</b>	<b>Financial Assets at FVTOCI</b>	
<u>Financial assets</u>			
Balance, beginning of the year (IAS 39)	\$ -	\$ -	\$ -
Adjustment on initial application of IFRS 9	<u>6,189</u>	<u>356,265</u>	<u>362,454</u>
Balance, beginning of the year (IFRS 9)	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	<u>221</u>	<u>4,974</u>	<u>5,195</u>
Balance, end of the year	<u>\$ 7,341</u>	<u>\$ 272,492</u>	<u>\$ 279,833</u>
Unrealized other gains and losses	<u>\$ 1,663</u>		<u>\$ 1,663</u>



c. Categories of financial instruments

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<b>Financial assets</b>		
<hr/>		
Fair value through profit or loss		
Mandatorily classified as at fair value through profit or loss	\$ 7,341	\$ -
Loans and receivables (Note 1)	-	24,453,457
Financial assets at amortized cost (Note 2)	22,184,025	-
Available-for-sale financial assets	-	548,376
Financial assets measured at cost	-	234,954
Financial assets at fair value through other comprehensive income - equity instruments	716,037	-
<hr/>		
<b>Financial liabilities</b>		
<hr/>		
Financial liabilities at amortized cost (Note 3)	28,359,854	30,830,408

Note 1: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable (including related parties), other financial assets - current, other receivables (including related parties) and refundable deposits.

Note 2: The balances included financial assets at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable (including related parties), other financial assets - current, other receivables (including related parties) and refundable deposits.

Note 3: The balances included financial liabilities at amortized cost, which comprise short-term borrowings, notes and accounts payables, other payables - other and long-term borrowings (including current portion).

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 operation 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 38.

#### Sensitivity analysis

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

	<b>Impact on Profit or Loss</b>	
	<b>2018</b>	<b>2017</b>
<u>Foreign Currencies : Functional Currencies</u>		
Financial assets		
Monetary items		
USD:NTD	\$ 26,912	\$ 28,558
USD:RMB	16,651	17,702
USD:MYR	1,656	-
USD:JPY	1,357	-
RMB:NTD	5,220	4,537
EUR:USD	1,863	2,791
JPY:NTD	1,156	1,300
THB:NTD	-	1,414
Financial liabilities		
Monetary items		
USD:NTD	22,651	26,205
USD:RMB	17,703	11,131
USD:MYR	2,786	-
JPY:NTD	1,584	1,421
EUR:USD	1,408	2,312

#### 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:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Fair value interest rate risk		
Financial assets	\$ 3,024,482	\$ 4,431,671
Financial liabilities	8,839,000	9,502,000
Cash flow interest rate risk		
Financial assets	3,160,727	3,481,055
Financial liabilities	14,402,994	15,775,778

If interest rates had been 1% higher and all other variables were held constant, the Company and its subsidiaries' cash flow interests rate risk from financial liabilities would have increased cash outflows by NT\$144,030 thousand and NT\$157,758 thousand for the years ended December 31,

2018 and 2017, 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, 2018 would have increased/decreased by \$4,435 thousand, as a result of the changes in fair value of financial assets at FVTOCI.

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, 2017 would have increased/decreased by \$5,484 thousand, as a result of the changes in fair value of available-for-sale financial assets.

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. 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, 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)	<u>7,188,812</u>	<u>4,775,807</u>	<u>2,330,676</u>	<u>4,103,525</u>	<u>26,548</u>	<u>18,425,368</u>
	<u>\$ 17,754,884</u>	<u>\$ 4,775,807</u>	<u>\$ 2,330,676</u>	<u>\$ 4,103,525</u>	<u>\$ 26,548</u>	<u>\$ 28,991,440</u>

December 31, 2017

	Less Than 1 Year	1-2 Years	2-3 Years	3-5 Years	Over 5 Years	Total
Non-derivative financial liabilities						
Short-term borrowings	\$ 6,171,252	\$ -	\$ -	\$ -	\$ -	\$ 6,171,252
Notes payable	40,567	-	-	-	-	40,567
Accounts payable	3,540,542	-	-	-	-	3,540,542
Other payables	2,016,929	-	-	-	-	2,016,929
Long-term borrowings (including current portion)	<u>9,472,425</u>	<u>3,565,024</u>	<u>4,451,306</u>	<u>2,128,079</u>	<u>100,041</u>	<u>19,716,875</u>
	<u>\$ 21,241,715</u>	<u>\$ 3,565,024</u>	<u>\$ 4,451,306</u>	<u>\$ 2,128,079</u>	<u>\$ 100,041</u>	<u>\$ 31,486,165</u>

e. Transfers of financial assets

As of December 31, 2018 and 2017, a subsidiary factored accounts receivable with an aggregate carrying amount of US\$1,496 thousand and US\$531 thousand, respectively, to a bank for cash proceeds of US\$1,346 thousand and US\$478 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. 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 receivables and has recognized the cash received on the transfer as a secured borrowing.

As of December 31, 2018 and 2017, the carrying amount of the accounts receivable that have been transferred but have not been derecognized amounted to \$47,224 thousand and \$15,715 thousand, respectively, and the carrying amount of the related borrowings was \$42,501 thousand and \$14,143 thousand, respectively.

### 34. 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 (Notes 29)
Daxin Materials Corporation	Associates
Showa Denko New Material (Zhuhai) Co., Ltd.	Associates
Elga Europe S.r.l.	Associates (Note 28)
ESCO Specialty Coatings (Shanghai) Co., Ltd.	Associates (Note 29)
DSM Resins (Far East) Co., Ltd.	Associates
Polymics Ltd.	Associates (Note 16)
Hangzhou Yongxinyang Photoelectric Materials Co., Ltd.	Joint venture
Kwang Yang Motor Co., Ltd.	Key management personnel
Orchard Decorative Materials (China) Co., Ltd.	Other related parties
The Orchard Corp. of Taiwan Ltd.	Other related parties
Mitsubishi Polyester Film (Suzhou) Co., Ltd.	Other related parties

b. Operating revenues

Account Item	Related Party Category	For the Year Ended December 31	
		2018	2017
Revenue from sales of goods	Associates	\$ 703,448	\$ 479,115
	Joint ventures	1,660	-
	Key management personnel	30	147
	Other related parties	<u>444</u>	<u>3,018</u>
		<u>\$ 705,582</u>	<u>\$ 482,280</u>

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	
	2018	2017
Associates	\$ 235	\$ 809
Joint ventures	33,779	-
Other related parties	<u>617</u>	<u>-</u>
	<u>\$ 34,631</u>	<u>\$ 809</u>

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. Compensation of key management personnel

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	\$ 88,064	\$ 97,957
Post-employment benefits	<u>14,368</u>	<u>1,985</u>
	<u>\$ 102,432</u>	<u>\$ 99,942</u>

e. Other income

Related Party Category/Name	For the Year Ended December 31	
	2018	2017
Associates		
Allnex-Eternal Resins (Guangdong) Co., Ltd.	\$ 32,394	\$ 51,154
Others	7,690	4,152
Key management personnel	<u>15</u>	<u>7</u>
	<u>\$ 40,099</u>	<u>\$ 55,313</u>

Inclusive of rental income, service fees and so on.

f. Receivables from related parties

Account Item	Related Party Category	December 31	
		2018	2017
Notes and accounts receivable	Associates	\$ 270,771	\$ 262,652
	Joint ventures	1,563	-
	Key management personnel	-	31
	Other related parties	<u>133</u>	<u>531</u>
		<u>\$ 272,467</u>	<u>\$ 263,214</u>

The receivables arise mainly from sales transactions; the receivables were not guaranteed, pledged and without interest. For the year ended December 31, 2018, the expected credit impairment loss of NT\$6,168 thousand was recognized on accounts receivables from related parties.

g. Payables to related parties

Account Item	Related Party Category	December 31	
		2018	2017
Accounts payable	Associates	\$ -	\$ 769

The payables arise mainly from purchase transactions; the payables were not guaranteed and without interest.

h. Disposals of property, plant and equipment

Related Party Category/Name	Proceeds		Gain (Loss) on Disposal	
	For the Year Ended		For the Year Ended	
	2018	2017	2018	2017
Joint venture - Hangzhou Yongxinyang Photoelectric Materials Co., Ltd.	\$ 46,968	\$ -	\$ 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.

i. Loans to related parties

Account Item	Related Party Category/Name	December 31	
		2018	2017
Other receivables	Associates		
	ESCO Specialty Coatings (Shanghai) Co., Ltd.	\$ 184,246	\$ 296,725
	Eternal Electronic Materials (Kunshan) Co., Ltd.	80,496	54,780
		<u>\$ 264,742</u>	<u>\$ 351,505</u>

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

j. Other prepayments

Account Item	Related Party Category	December 31	
		2018	2017
Other prepayments from related parties (recorded as other current assets - other)	Associates	\$ 29,800	\$ -
	Joint ventures	15,952	-
		<u>\$ 45,752</u>	<u>\$ -</u>

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

### 35. 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:

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Accounts receivable (Note 33)	\$ 47,224	\$ 15,715
Notes receivable	257,315	45,408
Property, plant and equipment	<u>308,469</u>	<u>316,189</u>
	<u>\$ 613,008</u>	<u>\$ 377,312</u>

### 36. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- a. The Company and its subsidiaries have issued but unused letters of credit with aggregate amount of NT\$105,771 thousand as of December 31, 2018.
- b. The Company and its subsidiaries have contracts that were not yet incurred to purchase property, plant and equipment and intangible assets with NT\$624,071 thousand at December 31, 2018.

### 37. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

None.

### 38. 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:

	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate</b>		<b>Carrying Amount</b>
<u>December 31, 2018</u>				
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	(THB:NTD)	115,581

(Continued)

	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate</b>		<b>Carrying Amount</b>
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
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)	140,880
<hr/> December 31, 2017 <hr/>				
Financial assets				
Monetary items				
USD	95,960	29.7600	(USD:NTD)	2,855,770
USD	59,481	6.5192	(USD:RMB)	1,770,155
RMB	99,387	4.5650	(RMB:NTD)	453,702
EUR	6,959	1.1952	(EUR:USD)	279,125
THB	154,131	0.9176	(THB:NTD)	141,431
JPY	492,234	0.2642	(JPY:NTD)	130,048
Non-monetary items				
Available-for-sale financial assets				
AUD	2,452	23.1850	(AUD:NTD)	56,854
Investments accounted for using the equity method				
USD	853,093	29.7600	(USD:NTD)	25,388,052
RMB	5,374,612	0.1534	(RMB:USD)	24,535,102
JPY	4,399,662	0.2642	(JPY:NTD)	1,162,391
MYR	148,814	7.0720	(MYR:NTD)	1,052,411
EUR	5,079	35.5700	(EUR:NTD)	180,676
THB	125,202	0.9176	(THB:NTD)	114,885
EUR	842	7.7919	(EUR:RMB)	29,938
Financial liabilities				
Monetary items				
USD	88,055	29.7600	(USD:NTD)	2,620,517
USD	37,402	6.5192	(USD:RMB)	1,113,084
EUR	6,500	1.1952	(EUR:USD)	231,205
JPY	537,981	0.2642	(JPY:NTD)	142,135
(Concluded)				



The total realized and unrealized foreign exchange gains and losses were a gain of NT\$26,947 thousand and a loss of NT\$31,210 thousand for the years ended December 31, 2018 and 2017, 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.

### 39. 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 and 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: None
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (Table 4)
- 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 34)
- 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 (Table 7)

#### 40. 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 - curable products.

- 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
<u>For the year ended December 31, 2018</u>						
Revenues from external customers	\$ 23,026,621	\$ 13,128,780	\$ 7,091,305	\$ 53,449	\$ -	\$ 43,300,155
Inter-segment revenues	<u>1,337,743</u>	<u>2,398,479</u>	<u>623,761</u>	<u>1,828</u>	<u>(4,361,811)</u>	<u>-</u>
Total Revenue	<u>\$ 24,364,364</u>	<u>\$ 15,527,259</u>	<u>\$ 7,715,066</u>	<u>\$ 55,277</u>	<u>\$ (4,361,811)</u>	<u>\$ 43,300,155</u>
Segment operating profit (loss)	<u>\$ 662,403</u>	<u>\$ 1,227,236</u>	<u>\$ 360,920</u>	<u>\$ (437,554)</u>	<u>\$ -</u>	<u>\$ 1,813,005</u>
<u>For the year ended December 31, 2017</u>						
Revenues from external customers	\$ 22,588,483	\$ 12,055,995	\$ 6,771,952	\$ 134,687	\$ -	\$ 41,551,117
Inter-segment revenues	<u>2,637,337</u>	<u>4,564,068</u>	<u>1,485,888</u>	<u>17,294</u>	<u>(8,704,587)</u>	<u>-</u>
Total revenue	<u>\$ 25,225,820</u>	<u>\$ 16,620,063</u>	<u>\$ 8,257,840</u>	<u>\$ 151,981</u>	<u>\$ (8,704,587)</u>	<u>\$ 41,551,117</u>
Segment operating profit (loss)	<u>\$ 1,025,954</u>	<u>\$ 1,017,810</u>	<u>\$ 190,142</u>	<u>\$ (372,355)</u>	<u>\$ -</u>	<u>\$ 1,861,551</u>

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

	<b>Revenues from External Customers</b>		<b>Noncurrent Assets</b>	
	<b>For the Year Ended December 31</b>		<b>December 31</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Taiwan	\$ 4,594,316	\$ 4,576,332	\$ 6,155,717	\$ 5,973,689
China	26,824,127	25,720,001	11,105,664	11,176,871
Others	<u>11,881,712</u>	<u>11,254,784</u>	<u>3,121,959</u>	<u>2,863,218</u>
	<u>\$ 43,300,155</u>	<u>\$ 41,551,117</u>	<u>\$ 20,383,340</u>	<u>\$ 20,013,778</u>

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, 2018 and 2017.

**TABLE 1**

**Eternal Materials Co., Ltd. and Subsidiaries**

**FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**(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)	Amount Actually Drawn	Interest Rate (%)	Nature of Financing (Note 4)	Transaction Amounts	Reasons for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Limits	Note
													Item	Value			
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Photoelectric Material Industry (Kunshan) Co., Ltd.	Other receivables from related parties	Y	\$ 365,200	\$ 178,880	\$ -	-	2	\$ -	Operating needs	\$ -	-	\$ -	\$ 13,243,536	\$ 13,243,536	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Photoelectric Material Industry (Yingkou) Co., Ltd.	Other receivables from related parties	Y	456,500	223,600	113,583	4.350	2	-	Operating needs	-	-	-	13,243,536	13,243,536	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Photoelectric Material Industry (Yingkou) Co., Ltd.	Other receivables from related parties	Y	205,425	201,240	201,240	4.275	2	-	Operating needs	-	-	-	13,243,536	13,243,536	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Optical Material (Suzhou) Co., Ltd.	Other receivables from related parties	Y	913,000	447,200	274,086	4.350	2	-	Operating needs	-	-	-	13,243,536	13,243,536	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Changhe International Trading (GZFTZ) Co., Ltd.	Other receivables from related parties	Y	164,340	-	-	-	2	-	Operating needs	-	-	-	13,243,536	13,243,536	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Changhe International Trading (GZFTZ) Co., Ltd.	Other receivables from related parties	Y	91,300	-	-	-	2	-	Operating needs	-	-	-	13,243,536	13,243,536	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Chemical (Tianjin) Co., Ltd.	Long-term receivables from related parties	Y	365,200	357,760	357,760	4.275	2	-	Operating needs	-	-	-	13,243,536	13,243,536	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal (China) Investment Co., Ltd.	Other receivables from related parties	Y	447,370	438,256	438,256	4.275-4.350	2	-	Operating needs	-	-	-	13,243,536	13,243,536	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal (China) Investment Co., Ltd.	Long-term receivables from related parties	Y	1,086,470	760,240	760,240	4.275-4.750	2	-	Operating needs	-	-	-	13,243,536	13,243,536	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	Other receivables from related parties	Y	134,160	134,160	134,160	4.275	2	-	Operating needs	-	-	-	13,243,536	13,243,536	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	Long-term receivables from related parties	Y	593,450	447,200	447,200	4.750	2	-	Operating needs	-	-	-	13,243,536	13,243,536	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Chemical (Chengdu) Co., Ltd.	Long-term receivables from related parties	Y	821,700	760,240	760,240	4.275-4.750	2	-	Operating needs	-	-	-	13,243,536	13,243,536	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	ESCO Specialty Coatings (Shanghai) Co., Ltd.	Other receivables from related parties	Y	347,853	184,246	184,246	4.350	2	-	Operating needs	-	-	-	2,648,707	2,648,707	Note 6
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	Other receivables from related parties	Y	456,500	447,200	-	-	2	-	Operating needs	-	-	-	13,243,536	13,243,536	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Specialty Materials (Zhuhai) Co., Ltd.	Other receivables from related parties	Y	456,500	447,200	-	-	2	-	Operating needs	-	-	-	2,648,707	2,648,707	Note 6
2	Eternal Chemical (China) Co., Ltd.	Eternal Chemical (Tianjin) Co., Ltd.	Other receivables from related parties	Y	1,095,600	536,640	404,768	4.348-4.354	2	-	Operating needs	-	-	-	8,601,881	8,601,881	Note 5
2	Eternal Chemical (China) Co., Ltd.	Eternal Synthetic Resins (Changshu) Co., Ltd.	Other receivables from related parties	Y	1,369,500	670,800	249,328	4.348-4.354	2	-	Operating needs	-	-	-	8,601,881	8,601,881	Note 5
2	Eternal Chemical (China) Co., Ltd.	Eternal Materials (Guangdong) Co., Ltd.	Other receivables from related parties	Y	684,750	447,200	-	-	2	-	Operating needs	-	-	-	8,601,881	8,601,881	Note 5
2	Eternal Chemical (China) Co., Ltd.	Eternal Specialty Materials (Suzhou) Co., Ltd.	Other receivables from related parties	Y	730,400	357,760	68,209	4.348-4.354	2	-	Operating needs	-	-	-	8,601,881	8,601,881	Note 5
2	Eternal Chemical (China) Co., Ltd.	Eternal Specialty Materials (Suzhou) Co., Ltd.	Other receivables from related parties	Y	136,950	134,160	134,160	4.275	2	-	Operating needs	-	-	-	8,601,881	8,601,881	Note 5
2	Eternal Chemical (China) Co., Ltd.	Eternal Chemical (Chengdu) Co., Ltd.	Other receivables from related parties	Y	913,000	536,640	448,343	4.348-4.354	2	-	Operating needs	-	-	-	8,601,881	8,601,881	Note 5
2	Eternal Chemical (China) Co., Ltd.	Eternal Electronic Materials (Kunshan) Co., Ltd.	Other receivables from related parties	Y	187,824	187,824	80,496	4.350	2	-	Operating needs	-	-	-	1,720,376	1,720,376	Note 6
2	Eternal Chemical (China) Co., Ltd.	Eternal (China) Investment Co., Ltd.	Other receivables from related parties	Y	319,550	313,040	-	-	2	-	Operating needs	-	-	-	8,601,881	8,601,881	Note 5

(Continued)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 2)	Ending Balance (Note 3)	Amount Actually Drawn	Interest Rate (%)	Nature of Financing (Note 4)	Transaction Amounts	Reasons for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Limits	Note
													Item	Value			
3	Eternal Materials (Guangdong) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	Other receivables from related parties	Y	\$ 502,150	\$ 357,760	\$ -	-	2	\$ -	Operating needs	\$ -	-	\$ -	\$ 8,292,171	\$ 8,292,171	Note 5
3	Eternal Materials (Guangdong) Co., Ltd.	Eternal (China) Investment Co., Ltd.	Other receivables from related parties	Y	730,400	715,520	424,840	4.275	2	-	Operating needs	-	-	-	8,292,171	8,292,171	Note 5
3	Eternal Materials (Guangdong) Co., Ltd.	Eternal (China) Investment Co., Ltd.	Other receivables from related parties	Y	1,232,550	670,800	510,456	4.350	2	-	Operating needs	-	-	-	8,292,171	8,292,171	Note 5
3	Eternal Materials (Guangdong) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	Other receivables from related parties	Y	730,400	357,760	3,375	4.350	2	-	Operating needs	-	-	-	8,292,171	8,292,171	Note 5
3	Eternal Materials (Guangdong) Co., Ltd.	ESCO Specialty Coatings (Shanghai) Co., Ltd.	Other receivables from related parties	Y	136,950	-	-	-	2	-	Operating needs	-	-	-	1,658,434	1,658,434	Note 6
4	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Optical Material (Suzhou) Co., Ltd.	Other receivables from related parties	Y	730,400	357,760	357,760	4.350	2	-	Operating needs	-	-	-	7,791,000	7,791,000	Note 5
4	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	Long-term receivables from related parties	Y	228,250	223,600	223,600	4.275	2	-	Operating needs	-	-	-	7,791,000	7,791,000	Note 5
4	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Synthetic Resins (Changshu) Co., Ltd.	Long-term receivables from related parties	Y	365,200	357,760	357,760	4.513	2	-	Operating needs	-	-	-	7,791,000	7,791,000	Note 5
4	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	Other receivables from related parties	Y	228,250	223,600	-	-	2	-	Operating needs	-	-	-	7,791,000	7,791,000	Note 5
5	Eternal Holdings Inc.	Eternal Optical Material (Suzhou) Co., Ltd.	Other receivables from related parties	Y	430,010	215,005	215,005	4.069	2	-	Operating needs	-	-	-	32,876,588	32,876,588	Note 5
5	Eternal Holdings Inc.	Eternal (China) Investment Co., Ltd.	Other receivables from related parties	Y	307,150	307,150	307,150	4.289	2	-	Operating needs	-	-	-	32,876,588	32,876,588	Note 5
5	Eternal Holdings Inc.	Eternal Chemical (Tianjin) Co., Ltd.	Other receivables from related parties	Y	307,150	153,575	153,575	4.307	2	-	Operating needs	-	-	-	32,876,588	32,876,588	Note 5
5	Eternal Holdings Inc.	Eternal Technology Corporation	Other receivables from related parties	Y	491,440	491,440	245,720	4.424	2	-	Operating needs	-	-	-	32,876,588	32,876,588	Note 5
5	Eternal Holdings Inc.	Elga Europe S.r.l.	Other receivables from related parties	Y	373,485	140,800	140,800	2.000	2	-	Operating needs	-	-	-	6,575,318	6,575,318	Note 6
5	Eternal Holdings Inc.	Eternal Sun A. (Suzhou) Co., Ltd.	Other receivables from related parties	Y	110,574	110,574	110,574	4.077	2	-	Operating needs	-	-	-	6,575,318	6,575,318	Note 6
5	Eternal Holdings Inc.	Eternal Specialty Materials (Zhuhai) Co., Ltd.	Other receivables from related parties	Y	153,575	153,575	-	-	2	-	Operating needs	-	-	-	6,575,318	6,575,318	Note 6
5	Eternal Holdings Inc.	Eternal Materials (Malaysia) Sdn. Bhd.	Other receivables from related parties	Y	153,575	153,575	-	-	2	-	Operating needs	-	-	-	6,575,318	6,575,318	Note 6

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 Operation Procedures for Lending Funds to Others of lender, 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, 2018 and be translated into NTD using the exchange rate at the balance sheet date.

(Continued)

Note 6: According to Operation Procedures for Lending Funds to Others of lender, either the financing limit for each borrowing company or financing company's total financing limits shall not exceed 40% of the net worth of the company as of December 31, 2018 and 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.

(Concluded)

## Eternal Materials Co., Ltd. and Subsidiaries

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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)	Amount Actually 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)											
0	Eternal Materials Co., Ltd.	Eternal Specialty Materials (Suzhou) Co., Ltd.	2	\$ 21,003,079	\$ 1,201,201	\$ 897,105	\$ 402,748	\$ -	4.27	\$ 21,003,079	Y	N	Y	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Eternal (China) Investment Co., Ltd.	2	21,003,079	460,725	460,725	245,720	-	2.19	21,003,079	Y	N	Y	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Eternal Holdings Inc.	2	21,003,079	3,225,075	1,689,325	1,154,270	-	8.04	21,003,079	Y	N	N	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Eternal Technology Corporation	2	21,003,079	307,150	307,150	245,720	-	1.46	21,003,079	Y	N	N	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Nikko-Materials Co., Ltd.	2	21,003,079	139,100	139,100	30,724	-	0.66	21,003,079	Y	N	N	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Eternal Synthetic Resins (Changshu) Co., Ltd.	2	21,003,079	701,035	701,035	389,159	-	3.34	21,003,079	Y	N	Y	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	2	21,003,079	2,746,022	1,640,282	555,872	-	7.81	21,003,079	Y	N	Y	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Eternal Chemical (Chengdu) Co., Ltd.	2	21,003,079	1,304,515	536,640	-	-	2.56	21,003,079	Y	N	Y	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Eternal Chemical (Tianjin) Co., Ltd.	2	21,003,079	952,590	947,235	615,441	-	4.51	21,003,079	Y	N	Y	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Eternal Sun A. (Suzhou) Co., Ltd.	2	21,003,079	405,438	110,574	50,065	-	0.53	21,003,079	Y	N	Y	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Eternal Materials (Malaysia) Sdn. Bhd.	2	21,003,079	2,116,266	2,116,266	1,698,081	-	10.08	21,003,079	Y	N	N	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Elga Europe S.r.l.	2	21,003,079	214,487	212,256	142,208	-	1.01	21,003,079	Y	N	N	Notes 3 and 6
1	Eternal Chemical (China) Co., Ltd.	Eternal Chemical (Tianjin) Co., Ltd.	4	4,300,940	136,950	134,160	-	-	3.12	4,300,940	N	N	Y	Note 7
1	Eternal Chemical (China) Co., Ltd.	Eternal Synthetic Resins (Changshu) Co., Ltd.	4	4,300,940	91,300	89,440	-	-	2.08	4,300,940	N	N	Y	Note 7
1	Eternal Chemical (China) Co., Ltd.	Eternal Specialty Materials (Suzhou) Co., Ltd.	4	4,300,940	91,300	89,440	-	-	2.08	4,300,940	N	N	Y	Note 7
1	Eternal Chemical (China) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	4	4,300,940	136,950	134,160	-	-	3.12	4,300,940	N	N	Y	Note 7
1	Eternal Chemical (China) Co., Ltd.	Eternal Chemical (Chengdu) Co., Ltd.	4	4,300,940	45,650	44,720	-	-	1.04	4,300,940	N	N	Y	Note 7
1	Eternal Chemical (China) Co., Ltd.	Eternal Materials (Guangdong) Co., Ltd.	4	4,300,940	91,300	89,440	-	-	2.08	4,300,940	N	N	Y	Note 7
1	Eternal Chemical (China) Co., Ltd.	Eternal Specialty Materials (Zhuhai) Co., Ltd.	4	2,100,308	273,900	268,320	-	-	12.78	2,100,308	N	N	Y	Note 7
1	Eternal Chemical (China) Co., Ltd.	Eternal (China) Investment Co., Ltd.	4	4,300,940	45,650	44,720	-	-	1.04	4,300,940	N	N	Y	Note 7
2	Eternal Chemical (Tianjin) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	4	692,546	136,950	134,160	-	-	19.37	692,546	N	N	Y	Note 7
3	Eternal Synthetic Resins (Changshu) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	4	134,309	91,300	89,440	-	-	66.59	134,309	N	N	Y	Note 7
4	Eternal Specialty Materials (Suzhou) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	4	1,132,980	91,300	89,440	-	-	7.89	1,132,980	N	N	Y	Note 7
5	Eternal Electronic (Suzhou) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	4	1,296,041	136,950	134,160	-	-	10.35	1,296,041	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)	Amount Actually 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	\$ 4,146,086	\$ 182,600	\$ 178,880	\$ -	\$ -	4.31	\$ 4,146,086	N	N	Y	Note 7
7	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	4	6,621,768	91,300	89,440	-	-	1.35	6,621,768	N	N	Y	Note 7
8	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	4	3,895,500	91,300	89,440	-	-	2.30	3,895,500	N	N	Y	Note 7
9	Eternal (China) Investment Co., Ltd.	Eternal Chemical (China) Co., Ltd.	4	14,133,708	45,650	44,720	-	-	0.32	14,133,708	N	N	Y	Note 7

(Concluded)

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

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

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

- Have a business relationship.
- The company owns directly or indirectly more than 50% of the voting shares of the company.
- Total ownership of more than 50% of the investee, either directly by the Company and/or indirectly by the Company's subsidiaries.
- Subsidiaries in which the Company owns directly or indirectly more than 90% of the voting shares.
- Companies where the Company is required to provide guarantees or endorsements for the construction project based on the construction contract.
- Companies where the shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership due to a joint venture.
- 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, 2018.

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, 2018.

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, 2018.

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% of 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, 2018**

**(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, 2018				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	\$ 393,902	2.46	\$ 393,902	Note 3
	TBG Diagnostics Limited (stock)	-	Financial assets at fair value through other comprehensive income - noncurrent	40,200,000	49,643	18.48	49,643	
	Universal Venture Capital Investment Corp. (stock)	-	Financial assets at fair value through other comprehensive income - noncurrent	5,000,000	37,707	4.15	37,707	
	Mega I Venture Capital Co., Ltd. (stock)	-	Financial assets at fair value through other comprehensive income - noncurrent	1,653,750	2,609	4.90	2,609	
	Der Yang Biotechnology Venture Capital Co., Ltd. (stock)	-	Financial assets at fair value through other comprehensive income - noncurrent	505,706	4,331	11.11	4,331	
	Universal Development & Investment Capital I Co., Ltd. (stock)	-	Financial assets at fair value through other comprehensive income - noncurrent	2,827,400	24,450	19.74	24,450	
	The Orchard Corp. of Taiwan Ltd. (stock)	Second degree relative of the Company's director.	Financial assets at fair value through other comprehensive income - noncurrent	2,296,285	41,556	11.26	41,556	
	Hwa Nan Venture Capital Co., Ltd. (stock)	-	Financial assets at fair value through other comprehensive income - noncurrent	57,438	-	10.60	-	
Eternal Global (BVI) Co., Ltd.	Orchard Decorative Materials (China) Co., Ltd.	Second degree relative of the Company's director.	Financial assets at fair value through other comprehensive income - noncurrent	Note 2	31,215	6.36	31,215	Note 3
Mixville Holdings Inc.	Grace THW Holding Limited (stock)	-	Financial assets at fair value through other comprehensive income - noncurrent	1,900,000	130,624	Note 1	130,624	Note 3
	Pacven Walden Ventures V, L.P. (fund)	-	Financial assets at fair value through profit or loss - noncurrent	-	7,341	Note 1	7,341	Note 3

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

Note 2: No share issued.

Note 3: Translated into NTD using the exchange rate at the balance sheet date.

**Eternal Materials Co., Ltd.**

**DISPOSAL 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, 2018**  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Seller	Property	Event Date	Original Acquisition Date	Carrying Amount	Transaction Amount	Collection	Gain (Loss) on Disposal	Counterparty	Relationship	Purpose of Disposal	Price Reference	Other Terms
Eternal Materials Co., Ltd.	No.2509-2516, at Zhuanzaiyao section in Daliao District, Kaohsiung	November 30, 2018 (Note)	October 1, 1977 April 1, 1989	\$ 9,243	\$ 500,000	Not settled yet	Not settled yet	Legal entity	No	Disposal of idle assets	Negotiated by reference to real estate appraiser report	NA

Note: The Company had signed a contract with a non-related party. The transaction was settled and a gain on disposal of NT\$ 420,438 thousand was recognized in February 2019.

## 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, 2018  
(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	\$ 551,017	3	Note 1	\$ -	-	\$ 103,222	3	
	Eternal Chemical (China) Co., Ltd.	Subsidiary	Sales	359,455	2	Note 1	-	-	88,521	2	
	Eternal Electronic Material (Thailand) Co., Ltd.	Subsidiary	Sales	373,749	2	Note 1	-	-	138,164	4	
	CHOU-KOU Materials Co., Ltd.	Subsidiary	Sales	296,822	2	Note 1	-	-	69,690	2	
	Eternal Materials (Guangdong) Co., Ltd.	Subsidiary	Sales	305,760	2	Note 1	-	-	65,596	2	
	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Subsidiary	Sales	244,712	2	Note 1	-	-	41,282	1	
	Eternal Electronic Material (Guangzhou) Co., Ltd.	Subsidiary	Sales	318,637	2	Note 1	-	-	57,100	1	
	Eternal (China) Investment Co., Ltd.	Subsidiary	Sales	261,936	2	Note 1	-	-	54,561	1	
	Eternal Electronic (Suzhou) Co., Ltd.	Subsidiary	Sales	166,441	1	Note 1	-	-	67,109	2	
	Eternal Technology Corporation	Subsidiary	Sales	131,252	1	Note 1	-	-	76,767	2	
Eternal Materials (Guangdong) Co., Ltd.	Eternal Electronic Material (Guangzhou) Co., Ltd.	Sister company	Sales	322,365	6	Note 1	-	-	58,768	3	
	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Sister company	Sales	307,270	6	Note 1	-	-	53,438	3	
	Allnex-Eternal Resins (Guangdong) Co., Ltd.	Associate	Sales	282,428	5	Note 1	-	-	98,690	5	
Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	Sister company	Sales	644,959	24	Note 1	-	-	396,073	21	
	Eternal Electronic Material (Guangzhou) Co., Ltd.	Sister company	Sales	429,694	16	Note 1	-	-	200,122	11	
Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Sister company	Sales	463,758	17	Note 1	-	-	175,981	12	
	Eternal Electronic (Suzhou) Co., Ltd.	Sister company	Sales	182,118	7	Note 1	-	-	90,209	6	
Eternal Specialty Materials (Suzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	Sister company	Sales	221,149	11	Note 1	-	-	56,199	9	
Eternal (China) Investment Co., Ltd.	Eternal Material Co., Ltd.	Ultimate parent company	Sales	213,265	16	Note 1	-	-	-	-	
	Eternal Electronic (Suzhou) Co., Ltd.	Sister company	Sales	113,688	8	Note 1	-	-	-	-	

(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	
Nikko Mechanics Co., Ltd.	Nikko-Materials Co., Ltd.	Parent company	Sales	\$ 628,399	94	Note 1	\$ -	-	\$ 109,128	97	
Eternal Chemical (Tianjin) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	Sister company	Sales	152,136	7	Note 1	-	-	53,480	7	
Eternal Chemical (China) Co., Ltd.	Eternal Chemical (Tianjin) Co., Ltd.	Sister company	Sales	140,356	3	Note 1	-	-	36,391	2	
	Allnex-Eternal Resins (Guangdong) Co., Ltd.	Associate	Sales	171,370	4	Note 1	-	-	68,867	4	
Eternal Specialty Materials (Zhuhai) Co., Ltd.	Eternal Material Co., Ltd.	Ultimate parent company	Sales	105,733	3	Note 1	-	-	24,394	2	

(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: Amount was eliminated from the consolidated financial statements except for investments 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, 2018  
(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
					Amount	Actions Taken		
Eternal Materials Co., Ltd.	Eternal Specialty Materials (Zhuhai) Co., Ltd.	Subsidiary	\$ 103,222	5.04	\$ -	-	\$ 19,943	\$ -
Eternal Materials Co., Ltd.	Eternal Electronic Material (Thailand) Co., Ltd.	Subsidiary	138,164	2.81	-	-	35,927	-
Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	Sister company	396,073	1.8	65,404	-	59,872	-
Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Electronic Material (Guangzhou) Co., Ltd.	Sister company	200,122	2.54	64,896	-	66,064	-
Nikko Mechanics Co., Ltd.	Nikko-Materials Co., Ltd.	Parent company	109,128	4.87	-	-	38,884	-
Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Sister company	175,981	3.13	-	-	56,651	-

Note: Amount was eliminated from the consolidated financial statements.

## Eternal Materials Co., Ltd. and Subsidiaries

INTERCOMPANY BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Amounts in Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counterparty	Relationship (Note 2)	Transactions Details			% to Total Revenues or Assets (Note 3)
				Financial Statement Item (Note 6)	Amount	Terms	
0	Eternal Materials Co., Ltd.	Eternal Specialty Materials (Zhuhai) Co., Ltd.	1	Revenue from sales of goods	\$ 551,017	Note 4	1.27
0	Eternal Materials Co., Ltd.	Eternal Chemical (China) Co., Ltd.	1	Revenue from sales of goods	359,455	Note 4	0.83
0	Eternal Materials Co., Ltd.	Eternal Electronic Material (Thailand) Co., Ltd.	1	Revenue from sales of goods	373,749	Note 4	0.86
0	Eternal Materials Co., Ltd.	Eternal Electronic Material (Guangzhou) Co., Ltd.	1	Revenue from sales of goods	318,637	Note 4	0.74
0	Eternal Materials Co., Ltd.	CHOU-KOU Materials Co., Ltd.	1	Revenue from sales of goods	296,822	Note 4	0.69
0	Eternal Materials Co., Ltd.	Eternal Materials (Guangdong) Co., Ltd.	1	Revenue from sales of goods	305,760	Note 4	0.71
0	Eternal Materials Co., Ltd.	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	1	Revenue from sales of goods	244,712	Note 4	0.57
0	Eternal Materials Co., Ltd.	Eternal (China) Investment Co., Ltd.	1	Revenue from sales of goods	261,936	Note 4	0.60
0	Eternal Materials Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	1	Revenue from sales of goods	166,441	Note 4	0.38
0	Eternal Materials Co., Ltd.	Eternal Technology Corporation	1	Revenue from sales of goods	131,252	Note 4	0.30
0	Eternal Materials Co., Ltd.	Eternal Specialty Materials (Zhuhai) Co., Ltd.	1	Accounts receivable	103,222	Note 4	0.19
0	Eternal Materials Co., Ltd.	Eternal Electronic Material (Thailand) Co., Ltd.	1	Accounts receivable	138,164	Note 4	0.25
0	Eternal Materials Co., Ltd.	Eternal (China) Investment Co., Ltd.	1	Other income	108,284	Note 4	0.25
0	Eternal Materials Co., Ltd.	Eternal (China) Investment Co., Ltd.	1	Other receivables from related parties	112,927	Note 4	0.21
1	Eternal Holdings Inc.	Eternal (China) Investment Co., Ltd.	3	Other receivables from related parties	307,150	Note 5	0.57
1	Eternal Holdings Inc.	Eternal Technology Corporation	3	Other receivables from related parties	245,720	Note 5	0.45
1	Eternal Holdings Inc.	Elga Europe S.r.l.	3	Other receivables from related parties	140,800	Note 5	0.26
1	Eternal Holdings Inc.	Eternal Optical Material (Suzhou) Co., Ltd.	3	Other receivables from related parties	215,005	Note 5	0.40
1	Eternal Holdings Inc.	Eternal Chemical (Tianjin) Co., Ltd.	3	Other receivables from related parties	153,575	Note 5	0.28
1	Eternal Holdings Inc.	Eternal Sun A. (Suzhou) Co., Ltd.	3	Other receivables from related parties	110,574	Note 5	0.20
2	Eternal Chemical (China) Co., Ltd.	Eternal Chemical (Tianjin) Co., Ltd.	3	Revenue from sales of goods	140,356	Note 4	0.32
2	Eternal Chemical (China) Co., Ltd.	Eternal Chemical (Tianjin) Co., Ltd.	3	Other receivables from related parties	404,768	Note 5	0.74
2	Eternal Chemical (China) Co., Ltd.	Eternal Synthetic Resins (Changshu) Co., Ltd.	3	Other receivables from related parties	249,328	Note 5	0.46
2	Eternal Chemical (China) Co., Ltd.	Eternal Chemical (Chengdu) Co., Ltd.	3	Other receivables from related parties	448,343	Note 5	0.82
2	Eternal Chemical (China) Co., Ltd.	Eternal Specialty Materials (Suzhou) Co., Ltd.	3	Other receivables from related parties	202,369	Note 5	0.25

(Continued)

No. (Note 1)	Company Name	Counterparty	Relationship (Note 2)	Transactions Details			% to Total Revenues or Assets (Note 3)
				Financial Statement Item (Note 6)	Amount	Terms	
3	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Optical Material (Suzhou) Co., Ltd.	3	Other receivables from related parties	\$ 274,086	Note 5	0.50
3	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Photoelectric Material Industry (Yingkou) Co., Ltd.	3	Other receivables from related parties	314,823	Note 5	0.58
3	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal (China) Investment Co., Ltd.	2	Other receivables from related parties	438,256	Note 5	0.81
3	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Chemical (Chengdu) Co., Ltd.	3	Long-term receivables from related parties	760,240	Note 5	1.40
3	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal (China) Investment Co., Ltd.	2	Long-term receivables from related parties	760,240	Note 5	1.40
3	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	3	Other receivables from related parties	134,160	Note 5	0.25
3	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	3	Long-term receivables from related parties	447,200	Note 5	0.82
3	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Chemical (Tianjin) Co., Ltd.	3	Long-term receivables from related parties	357,760	Note 5	0.66
3	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	3	Revenue from sale of goods	463,758	Note 4	1.07
3	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	3	Revenue from sale of goods	182,118	Note 4	0.42
3	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Photoelectric Materials (Guangzhou) Co., Ltd.	3	Accounts receivable	175,981	Note 4	0.32
4	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Optical Material (Suzhou) Co., Ltd.	3	Other receivables from related parties	357,760	Note 5	0.66
4	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Synthetic Resins (Changshu) Co., Ltd.	3	Long-term receivables from related parties	357,760	Note 5	0.66
4	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	3	Long-term receivables from related parties	223,600	Note 5	0.41
4	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	3	Revenue from sales of goods	644,959	Note 4	1.49
4	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Electronic Material (Guangzhou) Co., Ltd.	3	Revenue from sales of goods	429,694	Note 4	0.99
4	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	3	Accounts receivable	396,073	Note 4	0.73
4	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Electronic Material (Guangzhou) Co., Ltd.	3	Accounts receivable	200,122	Note 4	0.37

(Continued)

No. (Note 1)	Company Name	Counterparty	Relationship (Note 2)	Transactions Details			% to Total Revenues or Assets (Note 3)
				Financial Statement Item (Note 6)	Amount	Terms	
5	Eternal (China) Investment Co., Ltd.	Eternal Materials Co., Ltd.	2	Revenue from sales of goods	\$ 213,265	Note 4	0.49
5	Eternal (China) Investment Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	1	Revenue from sales of goods	113,688	Note 4	0.26
6	Eternal Materials (Guangdong) Co., Ltd.	Eternal (China) Investment Co., Ltd.	3	Other receivables from related parties	935,296	Note 5	1.72
6	Eternal Materials (Guangdong) Co., Ltd.	Eternal Electronic Material (Guangzhou) Co., Ltd.	3	Revenue from sales of goods	322,365	Note 4	0.74
6	Eternal Materials (Guangdong) Co., Ltd.	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	3	Revenue from sales of goods	307,270	Note 4	0.71
7	Eternal Specialty Materials (Suzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	3	Revenue from sales of goods	221,149	Note 4	0.51
8	Nikko Mechanics Co., Ltd.	Nikko-Materials Co., Ltd.	2	Revenue from sales of goods	628,399	Note 4	1.45
8	Nikko Mechanics Co., Ltd.	Nikko-Materials Co., Ltd.	2	Accounts receivable	109,128	Note 4	0.20
9	Eternal Chemical (Tianjin) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	3	Revenue from sales of goods	152,136	Note 4	0.35
10	Eternal Specialty Materials (Zhuhai) Co., Ltd.	Eternal Materials Co., Ltd.	2	Revenue from sales of goods	105,733	Note 4	0.24

(Concluded)

Note 1: The transaction information of the Company and its subsidiaries 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.



## Eternal Materials Co., Ltd. and Subsidiaries

INFORMATION ON INVESTEEES (EXCLUDING INVESTMENT IN MAINLAND CHINA)  
 FOR THE YEAR ENDED DECEMBER 31, 2018  
 (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, 2018			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2018	December 31, 2017	Shares	Percentage of Ownership	Carrying Amount			
Eternal Materials Co., Ltd.	Eternal Holdings Inc.	Samoa	International investment	\$ 6,512,657	\$ 6,669,271	213,363,859	100.00	\$ 16,496,052	\$ 345,426	\$ 337,232	Note 1
Eternal Materials Co., Ltd.	Eternal Global (BVI) Co., Ltd.	British Virgin Islands	International investment	793,727	793,727	19,321,024	100.00	4,495,084	373,800	376,692	Note 1
Eternal Materials Co., Ltd.	Mixville Holdings Inc.	British Virgin Islands	International investment	989,582	1,088,366	29,530,000	100.00	4,277,420	287,887	286,072	Note 1
Eternal Materials Co., Ltd.	Advanced PETFILM Investment Co., Ltd.	Japan	International investment	788,630	788,630	270	20.00	394,765	(106,840)	(19,677)	
Eternal Materials Co., Ltd.	Daxin Materials Corporation	Taiwan	Manufacturing and selling of chemical, resins materials and electronic materials.	191,052	210,453	23,423,812	22.80	603,924	655,535	153,563	
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	185,936	185,936	17,268,963	62.80	171,864	(3,613)	(2,269)	
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	109,973	91,284	36,514	
Eternal Materials Co., Ltd.	Eternal Capatech Co., Ltd.	Taiwan	Manufacturing and selling of electronic spare parts and related materials parts	147,000	147,000	14,700,000	96.71	31,568	(2,648)	(2,561)	
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	119,176	16,302	13,505	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	87,122	(262)	944	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	851,745	216,790	212,355	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	893,340	(183,603)	(166,597)	Note 1
Eternal Materials Co., Ltd.	Elga Europe S.r.l.	Italy	Manufacturing, selling, agency and processing of electronic chemical products	287,169	202,927	-	72.68	225,694	(59,140)	(23,288)	Note 1
Eternal Holdings Inc.	Eternal International (BVI) Co., Ltd.	British Virgin Islands	International investment	6,550,737	6,367,917	211,823,592	100.00	14,154,311	203,608	-	Notes 2 and 4
Eternal Holdings Inc.	E-Chem Corp.	Samoa	International investment	165,608	640,195	4,990,000	100.00	1,883,466	99,429	-	Notes 2, 3 and 4
Eternal Holdings Inc.	Allnex-Eternal Resins Corporation Limited	Hong Kong	Trading and international investment	155,870	140,851	4,851,000	49.00	263,947	87,488	-	Notes 2 and 4
Eternal Holdings Inc.	Polymer Instrumentation and Consulting Services, Ltd.	United states	Plastic products manufacturing	121,913	-	4,694,296	30.00	113,490	(40,160)	-	Notes 2 and 4
Eternal International (BVI) Co., Ltd.	Eternal Technology Corporation	United States	Manufacturing and selling of photoresist	600,693	600,693	2,333	100.00	(8,595)	(39,650)	-	Notes 2 and 4
Mixville Holdings Inc.	High Expectation Limited	Cayman Islands	International investment	871,519	871,519	26,005,000	100.00	4,148,776	285,520	-	Notes 2 and 4
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	26,113	(59,140)	-	Notes 2 and 4
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	168,288	42,978	-	Notes 2 and 4

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: The investment amounts included investments indirectly invested in another company by transferring retained earnings into capital or dividend distribution.

Note 4: Translated into NTD using the average exchange rate for the reporting period and exchange rate at the balance sheet date.

## Eternal Materials Co., Ltd. and Subsidiaries

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2018

(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, 2018 (Note 8)	Investment Flows		Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% of Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
					Outward	Inward							
Eternal Chemical (China) Co., Ltd.	Manufacturing and selling of resins material and processing products	\$ 755,651	2	\$ 625,549	\$ -	\$ -	\$ 625,549	\$ 352,631	100.00	\$ 352,631	\$ 4,300,940	\$ 504,616	Notes 2 and 4
DSM Eternal Resins (Kunshan) Co., Ltd.	Manufacturing and selling of powder coating resin	183,470	2	91,735	-	-	91,735	37,384	50.00	18,511	314,029	479,187	Note 3
Changhe International Trading (GZFTZ) Co., Ltd.	International trading, commercial trading, entrepot trading, products displayed, bounded warehousing and business consulting service	13,661	2	7,020	-	-	7,020	(4,506)	100.00	(4,506)	21,704	-	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	51,394	6.36	-	31,215	32,871	Note 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	(39,261)	100.00	(39,261)	246,132	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	356,415	100.00	356,415	6,621,768	983,767	Notes 2 and 4
Eternal Optical Material (Suzhou) Co., Ltd.	Manufacturing and selling of optical film	614,887	2	-	-	-	-	(73,770)	100.00	(73,770)	(546,219)	-	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	-	-	-	-	393,557	100.00	393,557	3,895,500	-	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	-	-	-	-	(7,169)	100.00	(7,169)	(200,070)	-	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	13,177	40.00	6,057	201,434	-	Notes 3 and 4
Eternal Synthetic Resins (Changshu) Co., Ltd.	Manufacturing and selling of unsaturated polyester resin	726,426	2	279,811	-	-	279,811	(45,723)	100.00	(45,723)	134,309	-	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	15,793	100.00	15,793	692,546	-	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	139,970	90.00	130,587	1,870,233	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	(27,679)	40.00	(20,657)	11,702	-	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	285,701	100.00	285,701	4,146,086	445,942	Notes 2 and 4

(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, 2018 (Note 8)	Investment Flows		Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% of Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
					Outward	Inward							
Eternal (China) Investment Co., Ltd.	Managing, investing consulting service, researching, manufacturing and selling of resins material and photoelectric chemicals materials	\$ 8,369,307	2	\$ 4,878,364	\$ 182,820	\$ -	\$ 5,061,184	\$ 242,641	100.00	\$ 242,641	\$ 14,133,708	\$ -	Notes 2, 4 and 5
Eternal Chemical (Chengdu) Co., Ltd.	Researching and developing resins material and products	450,351	2	-	-	-	-	(185,250)	100.00	(185,250)	(87,620)	-	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, and selling, providing after sales service of self-produced products	1,381,040	2	-	-	-	-	64,845	100.00	64,845	1,296,041	-	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	-	-	-	-	(145,317)	60.00	(87,190)	214,973	-	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	-	-	-	-	94,288	100.00	94,288	1,132,980	-	Notes 2 and 4
Eternal Materials (Changzhou) Co., Ltd.	Selling of fluorocarbon resin and polyester resin products	602,000	2	-	-	-	-	46,248	100.00	46,248	629,442	-	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	-	-	-	-	4,809	30.00	3,093	88,523	-	Notes 2 and 4
Hangzhou Yongxinyang Photoelectric Materials Co. Ltd.	Researching, developing, selling and manufacturing optical film for liquid-crystal display	45,170	2	-	-	-	-	(34,429)	51.00	(27,855)	(4,957)	-	Notes 2 and 4

Investor Company	Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2018 (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.	\$ 8,915,034	\$ 24,854,338	\$ -

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 is 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 transferring 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 wired back to the Company but remaining on the accounts of the holding company.

(Concluded)

## V. Standalone Financial Statements for the Most Recent Year, Audited by CPA

### INDEPENDENT AUDITORS' REPORT

Eternal Materials Co., Ltd.

#### Opinion

We have audited the accompanying standalone financial statements of Eternal Materials Co., Ltd. (the Company), which comprise the standalone balance sheets as of December 31, 2018 and 2017, and the standalone statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the standalone 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 standalone financial statements present fairly, in all material respects, the standalone financial position of the Company as of December 31, 2018 and 2017, and its standalone financial performance and its standalone cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and 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 Standalone Financial Statements section of our report. We are independent of the Company 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. Based on our audits and the reports of other auditors, 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 standalone financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the standalone 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's standalone financial statements for the year ended December 31, 2018 are stated as follows:

#### Revenue Recognition

##### 1. Description

Due to pressure to meet management's projected targets and market expectations, there is a risk that reported operating revenue may be misstated. Therefore, revenue recognition 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 and tested their effectiveness; the internal controls cover customer master file, ordering, shipping, accounting and receiving.
  - b. We obtained major customers' master file data and we verified the registered responsible person, business category, and business address, and so on, with public information, and we 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 moderate sample size from sales revenue details, and we examined the payments received and goods delivery receipts, and we verified that the remitter matched the customer.
  - e. We examined material subsequent events with respect to sales returns to verify that the sales transactions occurred before balance sheet date.

### **Other Matter**

The financial statements of some associates which were used to account for investments by 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 financial statements audited by other auditors. Such investments accounted for using the equity method amounted to NT\$1,229,360 thousand and NT\$1,245,009 thousand, representing 3% of the Company's total assets as of December 31, 2018 and 2017, respectively, and the share of the profit of associates amounted to NT\$214,645 thousand and NT\$248,308 thousand, representing 23% and 18% of the Company's total comprehensive income for the year ended December 31, 2018 and 2017, respectively.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the standalone 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 standalone 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 standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is

sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone 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 to express an opinion on the standalone financial statements. We are responsible for the direction, supervision, and performance of the Company's 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 standalone financial statements for the year ended December 31, 2018 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.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 27, 2019

Notice to Readers

*The accompanying standalone financial statements are intended only to present the standalone 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 standalone financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying standalone 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 standalone financial statements shall prevail.*



## Eternal Materials Co., Ltd.

### STANDALONE BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2018		December 31, 2017		LIABILITIES AND EQUITY	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 266,244	1	\$ 660,560	1	Short-term borrowings (Notes 4 and 18)	\$ 1,974,614	5	\$ 2,269,522	5
Notes receivable, net (Notes 4 and 7)	382,064	1	379,645	1	Notes payable (Note 4)	23,519	-	6,043	-
Notes receivable from related parties, net (Notes 4, 7 and 28)	133	-	325	-	Accounts payable (Note 28)	1,519,338	3	1,342,961	3
Accounts receivable, net (Notes 4, 5 and 7)	2,608,286	6	2,943,730	7	Other payables - other	817,306	2	850,511	2
Accounts receivable from related parties, net (Notes 4, 5, 7 and 28)	909,174	2	883,022	2	Current tax liabilities (Note 23)	74,713	-	88,045	1
Other receivables (Note 28)	619,801	1	504,013	1	Current portion of long-term borrowings (Note 18)	3,283,000	8	3,623,331	8
Inventories (Notes 4, 5 and 8)	2,875,556	7	3,129,254	7	Other current liabilities - other (Note 21)	<u>27,728</u>	-	<u>28,843</u>	-
Non-current assets held for sale (Notes 4 and 9)	9,243	-	-	-	Total current liabilities	<u>7,720,218</u>	<u>18</u>	<u>8,209,256</u>	<u>19</u>
Other financial assets - current (Note 10)	14,830	-	14,830	-	<b>NONCURRENT LIABILITIES</b>				
Other current assets - other (Note 23)	<u>162,210</u>	-	<u>133,638</u>	-	Long-term borrowings (Note 4 and 18)	11,021,142	25	11,559,000	26
Total current assets	<u>7,847,541</u>	<u>18</u>	<u>8,649,017</u>	<u>19</u>	Deferred tax liabilities (Notes 4 and 23)	2,826,460	7	2,964,831	7
<b>NONCURRENT ASSETS</b>					Other noncurrent liabilities (Notes 5 and 19)	<u>1,012,727</u>	<u>2</u>	<u>1,150,283</u>	<u>2</u>
Financial assets at fair value through other comprehensive income - noncurrent (Notes 3, 4 and 11)	554,198	1	-	-	Total noncurrent liabilities	<u>14,860,329</u>	<u>34</u>	<u>15,674,114</u>	<u>35</u>
Available-for-sale financial assets - noncurrent (Notes 4 and 12)	-	-	548,376	1	Total liabilities	<u>22,580,547</u>	<u>52</u>	<u>23,883,370</u>	<u>54</u>
Financial assets measured at cost - noncurrent (Notes 4 and 13)	-	-	99,031	-	<b>EQUITY (Note 20)</b>				
Investments accounted for using the equity method (Notes 4 and 14)	28,757,727	66	28,851,367	65	Ordinary shares	<u>12,402,795</u>	<u>28</u>	<u>11,591,397</u>	<u>26</u>
Property, plant and equipment (Notes 4 and 15)	6,034,560	14	5,909,844	14	Capital surplus	<u>356,046</u>	<u>1</u>	<u>359,900</u>	<u>1</u>
Investment properties (Notes 4 and 16)	17,057	-	9,243	-	Retained earnings				
Intangible assets (Notes 4 and 17)	89,365	-	7,779	-	Legal reserve	3,787,789	9	3,596,826	8
Deferred tax assets (Notes 4, 5 and 23)	260,998	1	263,517	1	Special reserve	426,930	1	426,930	1
Other noncurrent assets - other	<u>22,180</u>	-	<u>51,956</u>	-	Unappropriated earnings	<u>4,540,412</u>	<u>10</u>	<u>4,473,325</u>	<u>10</u>
Total noncurrent assets	<u>35,736,085</u>	<u>82</u>	<u>35,741,113</u>	<u>81</u>	Total retained earnings	<u>8,755,131</u>	<u>20</u>	<u>8,497,081</u>	<u>19</u>
					Other equity	<u>(510,893)</u>	<u>(1)</u>	<u>58,382</u>	<u>-</u>
					Total equity	<u>21,003,079</u>	<u>48</u>	<u>20,506,760</u>	<u>46</u>
<b>TOTAL</b>	<u>\$ 43,583,626</u>	<u>100</u>	<u>\$ 44,390,130</u>	<u>100</u>	<b>TOTAL</b>	<u>\$ 43,583,626</u>	<u>100</u>	<u>\$ 44,390,130</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 27, 2019)

## Eternal Materials Co., Ltd.

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

	For the Year Ended December 31			
	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 21 and 28)	\$ 16,113,899	100	\$ 16,451,548	100
OPERATING COSTS (Notes 8, 19, 22 and 28)	<u>13,817,004</u>	<u>86</u>	<u>13,665,669</u>	<u>83</u>
GROSS PROFIT	<u>2,296,895</u>	<u>14</u>	<u>2,785,879</u>	<u>17</u>
OPERATING EXPENSES (Notes 19 and 22)				
Selling and marketing expenses	745,922	5	827,663	5
General and administrative expenses	719,005	4	726,512	4
Research and development expenses	951,264	6	927,407	6
Expected credit loss	<u>38,943</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>2,455,134</u>	<u>15</u>	<u>2,481,582</u>	<u>15</u>
PROFIT/(LOSS) FROM OPERATIONS	<u>(158,239)</u>	<u>(1)</u>	<u>304,297</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 22 and 28)	548,620	4	456,607	3
Other gains and losses (Note 22)	185,818	1	13,996	-
Net foreign exchange gains and losses	19,739	-	(54,283)	-
Finance costs (Notes 4 and 22)	(286,353)	(2)	(244,201)	(2)
Share of the profit of subsidiaries, associates and joint ventures	<u>1,202,485</u>	<u>7</u>	<u>1,514,546</u>	<u>9</u>
Total non-operating income and expenses	<u>1,670,309</u>	<u>10</u>	<u>1,686,665</u>	<u>10</u>
PROFIT BEFORE INCOME TAX	1,512,070	9	1,990,962	12
INCOME TAX BENEFIT (EXPENSE) (Notes 4 and 23)	<u>38,445</u>	<u>1</u>	<u>(81,328)</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>1,550,515</u>	<u>10</u>	<u>1,909,634</u>	<u>12</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 19, 20 and 23)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(7,129)	-	(82,680)	-

(Continued)

## Eternal Materials Co., Ltd.

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

	For the Year Ended December 31			
	2018		2017	
	Amount	%	Amount	%
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	\$ (114,425)	(1)	\$ -	-
Remeasurement of defined benefit plans of subsidiaries, associates and joint ventures accounted for using the equity method	(372)	-	573	-
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	(46,887)	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	20,142	-	13,958	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	(433,325)	(3)	(431,942)	(3)
Unrealized gains and losses on available-for-sale financial assets	-	-	(7,801)	-
Share of the other comprehensive income of associates and joint ventures	(16,276)	-	(4,214)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	-	-	18,881	-
Other comprehensive loss for the year, net of income tax	<u>(598,272)</u>	<u>(4)</u>	<u>(493,225)</u>	<u>(3)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 952,243</u>	<u>6</u>	<u>\$ 1,416,409</u>	<u>9</u>
<b>EARNINGS PER SHARE (Note 24)</b>				
Basic	\$ 1.25		\$ 1.54	
Diluted	1.25		1.53	

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

(Concluded)

(With Deloitte & Touche auditors' report dated March 27, 2019)

# Eternal Materials Co., Ltd.

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

	Capital Surplus					Retained Earnings			Other Equity			Total Equity	
	Ordinary Shares	Additional Paid-in Capital	Transaction of Treasury Share	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
BALANCE AT JANUARY 1, 2017	\$ 11,039,425	\$ 309,017	\$ 19,642	\$ 31,241	\$ 359,900	\$ 3,334,188	\$ 426,930	\$ 5,106,905	\$ 170,906	\$ 254,166	\$ -	\$ 425,072	\$ 20,692,420
Appropriation of 2016 earnings (Note 20)													
Legal reserve	-	-	-	-	-	262,638	-	(262,638)	-	-	-	-	-
Cash dividends - NT\$1.5 per share	-	-	-	-	-	-	-	(1,655,914)	-	-	-	-	(1,655,914)
Share dividends - NT\$0.5 per share	551,972	-	-	-	-	-	-	(551,972)	-	-	-	-	-
	551,972	-	-	-	-	262,638	-	(2,470,524)	-	-	-	-	(1,655,914)
Net profit for the year ended December 31, 2017	-	-	-	-	-	-	-	1,909,634	-	-	-	-	1,909,634
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	-	-	(68,149)	(436,156)	11,080	-	(425,076)	(493,225)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	-	-	1,841,485	(436,156)	11,080	-	(425,076)	1,416,409
Disposal of subsidiaries (Note 20)	-	-	-	-	-	-	-	-	58,386	-	-	58,386	58,386
Changes in ownership of subsidiaries (Note 14)	-	-	-	-	-	-	-	(4,541)	-	-	-	-	(4,541)
BALANCE AT DECEMBER 31, 2017	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
Effect of retrospective application and retrospective restatement (Note 3)	-	-	-	-	-	-	-	97,371	-	(265,246)	295,375	30,129	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
Appropriation of 2017 earnings (Note 20)													
Legal reserve	-	-	-	-	-	190,963	-	(190,963)	-	-	-	-	-
Cash dividends - NT\$0.5 per share	-	-	-	-	-	-	-	(579,570)	-	-	-	-	(579,570)
Share dividends - NT\$0.7 per share	811,398	-	-	-	-	-	-	(811,398)	-	-	-	-	-
	811,398	-	-	-	-	190,963	-	(1,581,931)	-	-	-	-	(579,570)
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	-	1,550,515	-	-	-	-	1,550,515
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)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	-	1,557,433	(449,601)	-	(155,589)	(605,190)	952,243
Disposal of investments accounted for using the equity method (Note 20)	-	-	-	(3,854)	(3,854)	-	-	-	-	-	-	-	(3,854)
Disposal of investments in equity instruments designated as at fair value through other comprehensive income (Note 20)	-	-	-	-	-	-	-	(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

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

(With Deloitte & Touche auditors' report dated March 27, 2019)

## Eternal Materials Co., Ltd.

### STANDALONE STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 1,512,070	\$ 1,990,962
Adjustments for:		
Depreciation expense	645,182	612,033
Amortization expense	3,489	3,221
Expected credit losses	38,943	-
Impairment loss recognized on accounts receivables	-	15,999
Finance costs	286,353	244,201
Interest income	(775)	(1,031)
Dividend income	(42,861)	(1,250)
Share of the profit of subsidiaries, associates and joint ventures	(1,202,485)	(1,514,546)
Loss (gain) on disposal of property, plant and equipment	(9,462)	5,919
Gain on disposal of investments	(195,696)	(52,338)
Impairment loss recognized on non-financial assets	45,571	33,832
Others	-	573
Changes in operating assets and liabilities		
Notes receivable	(2,419)	22,832
Notes receivable from related parties	192	254
Accounts receivable	302,192	(678,464)
Accounts receivable from related parties	(31,843)	189,255
Other receivables	(38,540)	12,127
Inventories	208,127	(421,537)
Other current assets	(13,505)	(10,555)
Notes payable	17,476	(10,947)
Accounts payable	176,377	(32,527)
Other payables	(6,575)	(128,351)
Other current liabilities	4,714	(2,299)
Other noncurrent liabilities	(152,506)	(38,483)
Cash generated from operations	<u>1,544,019</u>	<u>238,880</u>
Interest received	775	1,129
Dividends received	694,158	600,115
Interest paid	(291,513)	(244,503)
Income taxes paid	<u>(104,667)</u>	<u>(121,875)</u>
Net cash generated from operating activities	<u>1,842,772</u>	<u>473,746</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	3,333	-
Proceeds from capital reduction of financial assets measured at cost	-	2,098
Acquisition of investments accounted for using the equity method	(368,876)	(1,245,753)
Proceeds from disposal of investments accounted for using the equity method	270,455	-
		(Continued)

## Eternal Materials Co., Ltd.

### STANDALONE STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Proceeds from capital reduction of investments accounted for using the equity method	\$ 540,034	\$ -
Acquisition of property, plant and equipment	(871,506)	(836,484)
Proceeds from disposal of property, plant and equipment	(5,685)	4,761
Acquisition of intangible assets	(85,075)	(3,256)
Decrease in other financial assets - current	-	9,170
Decrease in other noncurrent assets	<u>29,778</u>	<u>508</u>
Net cash used in investing activities	<u>(487,542)</u>	<u>(2,068,956)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term borrowings	(294,908)	905,578
Proceeds from long-term borrowings	13,836,765	9,365,239
Repayments of long-term borrowings	(14,713,919)	(7,264,667)
Increase in guarantee deposits received	2,086	8
Dividends paid	<u>(579,570)</u>	<u>(1,655,914)</u>
Net cash generated from (used in) financing activities	<u>(1,749,546)</u>	<u>1,350,244</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(394,316)</b>	<b>(244,966)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u><b>660,560</b></u>	<u><b>905,526</b></u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u><b>\$ 266,244</b></u>	<u><b>\$ 660,560</b></u>

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

(Concluded)

(With Deloitte & Touche auditors' report dated March 27, 2019)

# Eternal Materials Co., Ltd.

## NOTES TO STANDALONE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

Eternal Materials Co., Ltd. (the Company) was established in December, 1964. The Company mainly operates 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 standalone financial statements are presented in the Company's functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The standalone financial statements were approved by the Company's board of directors and authorized for issue on March 27, 2019.

### 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), Interpretations of IFRS (IFRIC), 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 any material impact on the Company's accounting policies.

- 1) IFRS 9 "Financial Instruments" and related amendments

IFRS 9 "Financial Instruments" supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for the related accounting policies.

#### Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as of January 1, 2018, the Company has performed an assessment of the classification of recognized financial assets and has elected to not restate prior reporting periods.

The following table shows the original measurement categories and carrying amounts under IAS 39 and the new measurement categories and carrying amounts under IFRS 9 for each class of financial assets and financial liabilities as of January 1, 2018.

Financial Assets	Measurement Category		Carrying Amount		Remark		
	IAS 39	IFRS 9	IAS 39	IFRS 9			
Cash and cash equivalents	Loans and receivables	Amortized cost	\$ 660,560	\$ 660,560	a)		
Notes receivable, net (including related parties)	Loans and receivables	Amortized cost	379,970	379,970	a)		
Accounts receivable, net (including related parties)	Loans and receivables	Amortized cost	3,826,752	3,826,752	a)		
Other receivables (including related parties)	Loans and receivables	Amortized cost	504,013	504,013	a)		
Time deposits with original maturities of more than 3 months	Loans and receivables	Amortized cost	14,830	14,830	a)		
Refundable deposits	Loans and receivables	Amortized cost	14,696	14,696	a)		
Equity securities	Available-for-sale financial assets	Fair value through other comprehensive income (i.e. FVTOCI) equity instruments	548,376	548,376	b)		
	Financial assets measured at cost	Fair value through other comprehensive income equity instruments	99,031	123,580	c)		
Investments accounted for using the equity method	-	-	28,851,367	28,954,318	d)		
	<b>Carrying Amount as of January 1, 2018 (IAS 39)</b>	<b>Reclassifi- cations</b>	<b>Carrying Amount as of January 1, 2018 (IFRS 9)</b>	<b>Retained Earnings Effect on January 1, 2018</b>	<b>Other Equity Effect on January 1, 2018</b>	<b>Remark</b>	
<u>Financial assets at fair value through other comprehensive income</u>							
Equity instruments							
Reclassification from available-for-sale financial assets (IAS 39)	\$ -	\$ 548,376	\$ -	\$ 548,376	\$ -	\$ -	b)
Reclassification from financial assets measured at cost (IAS 39)	-	99,031	24,549	123,580	37,396	(12,847)	c)
	<u>-</u>	<u>647,407</u>	<u>24,549</u>	<u>671,956</u>	<u>37,396</u>	<u>(12,847)</u>	
<u>Financial assets measured at amortized cost</u>							
Reclassification from loans and receivables (IAS 39)	-	5,400,821	-	5,400,821	-	-	a)
Investment accounted for using the equity method	28,851,367	-	102,951	28,954,318	59,975	42,976	d)
	<u>\$ 28,851,367</u>	<u>\$ 6,048,228</u>	<u>\$ 127,500</u>	<u>\$ 35,027,095</u>	<u>\$ 97,371</u>	<u>\$ 30,129</u>	

- a) Financial assets that had been previously classified as loans and receivables under IAS 39 were classified as at amortized cost under IFRS 9.
- b) As investments in equity securities that were previously classified as available-for-sale financial assets under IAS 39 are not held for trading, the Company elected to designate these investments as at FVTOCI under IFRS 9. As a result, the related other equity - unrealized gains and losses on available-for-sale financial assets of NT\$265,246 thousand were reclassified to other equity - unrealized gains and losses on financial assets at FVTOCI.
- c) Investments in unlisted shares previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, a decrease of \$12,847 thousand was recognized in both financial assets at FVTOCI and other equity - unrealized gains and losses on financial assets at FVTOCI on January 1, 2018.



Impairment losses were recognized for those investments in equity securities previously classified as financial assets measured at cost under IAS 39. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted an increase of NT\$37,396 thousand in retained earnings on January 1, 2018.

- d) Investments in unlisted shares and certificates of interest that were held by subsidiaries which are recorded as investments accounted for using the equity method by the Company previously measured at cost under IAS 39 had been designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in an increase of NT\$110,783 thousand in investments accounted for using the equity method, NT\$42,976 thousand in other equity - unrealized gains and losses on financial assets at FVTOCI, and NT\$67,807 thousand in retained earnings on January 1, 2018.

A mutual fund held by a subsidiary which are recorded as investments accounted for using the equity method by the Company previously classified as financial assets measured at cost under IAS 39 was classified mandatorily as at FVTPL under IFRS 9 and was remeasured at fair value, because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and it is not an equity instrument. Hence, an adjustment was made that based on percentage of ownership and resulted in a decrease of \$7,832 thousand in investments accounted for using the equity method and retained earnings on January 1, 2018.

2) IFRS 15 “Revenue from Contracts with Customers” and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers and supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations. Refer to Note 4 for the related accounting policies.

- b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019

<b>New, Amended or Revised Standards and Interpretations (the “New IFRSs”)</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The FSC permits the election for early adoption of the amendments starting from January 1, 2018.

Note 3: The Company shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

## IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations.

### Definition of a lease

Upon initial application of IFRS 16, the Company will elect 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 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

### The Company as lessee

Upon initial application of IFRS 16, the Company will recognize right-of-use assets and lease liabilities for all leases on the standalone balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the standalone statements of comprehensive income, the Company will 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 standalone statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts, are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the standalone statements of cash flows.

The Company anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be 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 will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. Right-of-use assets are applied to impairment assessment under IAS 36.

The Company expects to apply the following practical expedients:

- 1) The Company will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Company will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- 3) The Company will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- 4) The Company will use hindsight, such as in determining the lease terms if the contract contains options to extend or terminate the lease.

### The Company as lessor

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

The anticipated impact of the initial application of the New IFRSs for application starting from 2019 is summarized below:

Anticipated impact on assets and liabilities

	Carrying Amount as of January 1, 2019	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Prepayments for leases - noncurrent	\$ 4,641	\$ (4,641)	\$ -
Right-of-use assets	<u>-</u>	<u>39,292</u>	<u>39,292</u>
Total effect on assets	<u>\$ 4,641</u>	<u>\$ 34,651</u>	<u>\$ 39,292</u>
Lease liabilities - current	\$ -	\$ 11,583	\$ 11,583
Lease liabilities - noncurrent	<u>-</u>	<u>23,068</u>	<u>23,068</u>
Total effect on liabilities	<u>\$ -</u>	<u>\$ 34,651</u>	<u>\$ 34,651</u>

Except for the above impact, as of the date the standalone financial statements were authorized for issue, the Company assessed that application of other standards, amendments and interpretations will not have a significant impact on their financial position and financial performance.

- c. The IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 2)
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 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The Company 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 3: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

- 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 sells or contributes 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 loses 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 sells or contributes assets that do not constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Company's interest as an unrelated investor in the associate or joint venture, i.e. the Company's share of the gain or loss is eliminated. Also, when the Company loses control of a subsidiary that does not contain a business (as defined in IFRS 3) 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's interest as an unrelated investor in the associate or joint venture, i.e. the Company's share of the gain or loss is eliminated.

## 2) 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 an acquired set of activities and assets is not a business.

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

### a. Statement of compliance

The standalone financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### b. Basis of preparation

The standalone 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.

When preparing the standalone financial statements, the Company accounted for investments in subsidiaries and associates by using the equity method. In order for the amount of net income, other comprehensive income and equity in the standalone financial statements equal to those attributable to owners of the Company in the consolidated financial statements, the differences of the accounting treatment between the standalone basis and the consolidated basis are adjusted under the heading of investments accounted for using the equity method, share of profits of subsidiaries, associates and joint

ventures, share of other comprehensive income of subsidiaries, associates and joint ventures and capital surplus in the standalone financial statements.

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 twelve 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 twelve months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities expected to be settled within twelve months after the reporting period; and
- 3) Liabilities without an unconditional right to defer settlement for at least twelve months after the reporting period.

Assets and liabilities that are not classified as above mentioned are classified as noncurrent.

d. 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.

When a business combination is achieved in stages, the Company's 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 has 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.

e. Foreign currencies

In preparing the standalone financial statements of the Company, transactions in currencies other than the Company'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 year 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.

On the disposal of a foreign operation (i.e. a disposal of the Company's 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 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 included in the calculation of equity transactions but 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.

f. Inventories

Inventories consist of raw materials, supplies, finished goods and inventory in transit. Inventories are stated at the lower of cost or 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.

g. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company. Under the equity method, an investment is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the share of other equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control over the subsidiary are accounted for as equity transaction. Differences between the carrying amounts of the investment and the fair value of consideration paid or received are directly recognized in equity.

When the Company's share of loss of a subsidiary equals to or exceeds its interest in that subsidiary (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's net investment in the subsidiary), the Company continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary recognized 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's 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.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount of cash-generating units based on the entire financial statements of the invested company. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes

the profit for reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount (net of amortization) that had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in subsequent periods.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Unrealized profits or losses resulting from downstream transactions with subsidiaries are eliminated in the standalone financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the standalone financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

#### h. Investments in associates

The Company uses the equity method to account for its investments in associates.

An associate is an entity over which the Company has significant influence and that is not a subsidiary.

Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the share of equity of associates.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate 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's 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 subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - share of changes in equities of associates and investments accounted for using the equity method. If the Company's ownership interest is reduced due to non-subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate 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's share of losses of an associate equals or exceeds their interest in that associate (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's net investment in the associate), the Company discontinues recognizing their share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

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 deducted from investment and the carrying amount of investment is net of impairment loss. Any reversal of that impairment loss is recognized to the extent that the

recoverable amount of the investment has subsequently increased.

The Company discontinues the use of the equity method from the date on which the investment ceases to be an associate. 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 associate attributable to the retained interest and its fair value is included in the determination of the gains or losses on disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When the Company transacts with its associates, profits and losses on these transactions are recognized in the standalone financial statements only to the extent of interests in the associates that are not related to the Company.

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 net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Investment properties

Investment properties are land held for a currently undetermined future use. Investment properties are measured initially at cost, including transaction costs.

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. Intangible assets

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.

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.

l. Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its 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 estimates 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.

m. 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.

n. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or 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

2018

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

i Financial assets at amortized cost

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

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes 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.

- ii Investments in equity instruments at FVTOCI

On initial recognition, the Company 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's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

## 2017

Financial assets held by the Company are classified as available-for-sale financial assets and loans and receivables.

- i. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and reclassified to profit or loss when the investments are disposed of or are determined to be impaired.

Dividends on available-for-sale equity instruments are recognized when the Company's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less any identified impairment loss at the end of each reporting period and presented as a separate line item as financial assets measured at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and fair value of such financial assets is recognized in other comprehensive income. Any impairment loss is recognized in profit or loss.

ii. Loans and receivables

Loans and receivables including cash and cash equivalents, notes and accounts receivable, net (including related parties), other financial assets - current, other receivables (including related parties), refundable deposits and so on, are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

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

b) Impairment of financial assets

2018

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost which are expected credit loss on trade receivables.

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

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

2017

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Financial assets at amortized cost, such as accounts receivable, are assessed for impairment on a collective basis even if there is no objective evidence of impairment individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local

economic conditions that correlate with defaults on receivables.

For a financial asset at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For a financial asset at amortized cost, if, in the subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in profit or loss.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, the disappearance of an active market for that financial asset because of financial difficulties, or it becoming probable that the borrower will enter bankruptcy or financial re-organization.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

For a financial asset measured at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account.

c) Derecognition of financial assets

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

If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and any associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognize a collateralized borrowing for the proceeds received.

Before 2017 (inclusive), on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is

recognized in profit or loss. Starting from 2018, 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 measures 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.

o. Revenue recognition

2018

The Company identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes 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 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 transaction price (net of commercial discounts and quantity discounts) agreed to by the Company with customers. For a contract where the period between the date the Company transfers a promised good to a customer and the date the customer pays for that good is one year or less, the Company does 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 pertain to intangible asset licensing and 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 does not adjust the promised amount of consideration for any effect of a significant financing component.

2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated value-added tax, customer returns, rebates and other similar allowances.

1) Revenue from the sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods are transferred to the customers. Revenue is recognized because the earnings process is

complete and revenue is realized or realizable.

2) Revenue from the rendering of services

The rendering of services of the Company pertain to intangible asset licensing and logistics support. The service price is charged according to the basis of calculation as stated in the contract.

p. Leasing

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 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 standalone 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.

q. 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.

r. 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.

s. 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 of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the 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 and associates, except where the Company is 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 expects, 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's 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 material 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.

### b. Estimated impairment of accounts receivable

#### 2018

The provision for impairment of accounts receivables is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's 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.

#### 2017

When there is objective evidence of impairment loss, the Company takes into consideration the estimation of the future cash flows of such assets. The amount of the impairment loss is measured as the difference between an asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows 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 a material impact on the amount of expenses and liabilities.



## 6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<b>2018</b>	<b>2017</b>
Cash on hand	\$ 3,841	\$ 3,885
Checking accounts and demand deposits	<u>262,403</u>	<u>656,675</u>
	<u>\$ 266,244</u>	<u>\$ 660,560</u>

## 7. NOTES AND ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	<b>2018</b>	<b>2017</b>
Notes receivable	<u>\$ 382,064</u>	<u>\$ 379,645</u>
Notes receivable from related parties	<u>133</u>	<u>325</u>
Accounts receivable	\$ 2,679,047	\$ 2,993,903
Less: Allowance for loss/doubtful accounts	<u>(70,761)</u>	<u>(50,173)</u>
	<u>\$ 2,608,286</u>	<u>\$ 2,943,730</u>
Accounts receivable from related parties	\$ 914,865	\$ 883,022
Less: Allowance for loss	<u>(5,691)</u>	<u>-</u>
	<u>\$ 909,174</u>	<u>\$ 883,022</u>

### 2018

The notes and accounts receivable of the Company are measured at amortized cost. For the related credit management policies, refer to Note 27.

The loss allowance of the Company's accounts receivables is recognized by the uses of lifetime expected credit loss prescribed by IFRS 9. The lifetime expected credit losses on accounts receivables 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's provision matrix.

### December 31, 2018

	<b>Not Past Due</b>	<b>0 to 30 Days</b>	<b>31 to 90 Days</b>	<b>91 to 180 Days</b>	<b>Over 180 Days</b>	<b>Total</b>
Expected credit loss rate (%)	0.07	0.80	5.16	44.13	100	
Gross carrying amount	\$ 3,577,782	\$ 220,343	\$ 85,064	\$ 45,366	\$ 47,554	\$ 3,976,109
Loss allowance (Lifetime ECL)	<u>(2,722)</u>	<u>(1,770)</u>	<u>(4,386)</u>	<u>(20,020)</u>	<u>(47,554)</u>	<u>(76,452)</u>
Amortized cost	<u>\$ 3,575,060</u>	<u>\$ 218,573</u>	<u>\$ 80,678</u>	<u>\$ 25,346</u>	<u>\$ -</u>	<u>\$ 3,899,657</u>

The movements of the loss allowance of accounts receivable were as follows:

	<b>2018</b>
Balance at January 1, 2018 (IAS 39)	\$ 50,173
Adjustment on initial application of IFRS 9	<u>-</u>
Balance at January 1, 2018 (IFRS 9)	50,173
Recognized in current year	38,943
Written off in current year	<u>(12,664)</u>
Balance at December 31, 2018	<u>\$ 76,452</u>

### 2017

Allowance for doubtful accounts is recognized based on estimated irrecoverable amounts determined by reference to the account aging analysis, past experience, customers' past credit records and current financial positions.

On December 31, 2017, the accounts receivables that were no allowance recognized because there were no significant change in credit quality and we had some collaterals to enhance credit guarantee. In management's opinion, the accounts receivable were still considered recoverable.

The aging of notes and accounts receivable was as follows:

	<b>December 31, 2017</b>
Not past due	\$ 3,879,591
0 to 30 days	262,972
31-90 days	65,598
91-180 days	18,287
More than 181 days	<u>30,447</u>
	<u>\$ 4,256,895</u>

The above aging schedule was based on the number of past due days from the end of the credit terms.

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

	<b>2017</b>
Balance at January 1, 2017	\$ 45,610
Recognized in current year	15,999
Write-off in current year	<u>(11,436)</u>
Balance at December 31, 2017	<u>\$ 50,173</u>

## **8. INVENTORIES**

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Raw materials	\$ 1,291,423	\$ 1,368,442
Supplies	74,482	78,697

(Continued)

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Finished goods	\$ 1,420,209	\$ 1,497,534
Inventory in transit	<u>89,442</u>	<u>184,581</u>
	<u>\$ 2,875,556</u>	<u>\$ 3,129,254</u>

(Concluded)

The cost of inventories recognized as operating costs for the years ended December 31, 2018 and 2017 was NT\$13,817,004 thousand and NT\$13,665,669 thousand, respectively, including write-down of inventories of NT\$45,571 thousand and NT\$33,832 thousand, respectively.

## 9. NON-CURRENT ASSETS HELD FOR SALE

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Land held for sale	<u>\$ 9,243</u>	<u>\$ -</u>

In consideration of asset management and financial planning, on March 20, 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 November 2018, the Company signed a sales contract with a non-related party, refer to Table 4 for the details.

## 10. OTHER FINANCIAL ASSETS - CURRENT

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Time deposits with original maturities of more than three months	<u>\$ 14,830</u>	<u>\$ 14,830</u>

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

	<u>December 31,</u> <u>2018</u>
Domestic investments	
Listed shares	
President Securities Corp.	\$ 393,902
Unlisted shares	
The Orchard Corp. of Taiwan Ltd.	41,556
Universal Venture Capital Investment Corp.	37,707
Universal Development & Investment Capital I Co., Ltd.	24,450
Der Yang Biotechnology Venture Capital Co., Ltd.	4,331
Mega I Venture Capital Co., Ltd.	<u>2,609</u>
	<u>504,555</u>

(Continued)

	<b>December 31, 2018</b>
Foreign investments	
Listed shares	
TBG Diagnostics Limited	<u>\$ 49,643</u>
	<u>\$ 554,198</u>
	(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's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale financial assets - noncurrent and financial assets measured at cost - noncurrent under IAS 39. Refer to Notes 3, 12 and 13 for information relating to their reclassification and comparative information for 2017.

## 12. AVAILABLE-FOR-SALE FINANCIAL ASSETS - NONCURRENT

	<b>December 31, 2017</b>
Domestic investments - Listed shares	
President Securities Corp.	\$ 111,012
Foreign investments - Listed shares	
TBG Diagnostics Limited	<u>196,300</u>
	307,312
Valuation adjustment	<u>241,064</u>
	<u>\$ 548,376</u>

## 13. FINANCIAL ASSETS MEASURED AT COST - NONCURRENT

	<b>December 31, 2017</b>
Universal Venture Capital Investment Corp.	\$ 51,500
Universal Development & Investment Capital I Co., Ltd.	47,838
Mega I Venture Capital Co., Ltd.	16,537
The Orchard Corp. of Taiwan Ltd.	12,161
Der Yang Biotechnology Venture Capital Co., Ltd.	<u>8,390</u>
	136,426
Less: Accumulated impairment	<u>(37,395)</u>
	<u>\$ 99,031</u>

Since there are wide ranges of estimated fair values of the Company's investments, the Company concludes that the fair value cannot be reliably measured. Therefore, the investments are classified as financial assets measured at cost.

Based on the assessments of Universal Development & Investment Capital I Co., Ltd., Der Yang Biotechnology Venture Capital Co., Ltd. and Mega I Venture Capital Co., Ltd., the Company recognized an impairment loss for the excess of carrying amounts over the estimated recoverable amounts.

#### 14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Investments in subsidiaries	\$ 27,649,065	\$ 27,686,064
Investments in associates	<u>1,108,662</u>	<u>1,165,303</u>
	<u>\$ 28,757,727</u>	<u>\$ 28,851,367</u>

##### Investments in subsidiaries

	<b>December 31</b>			
	<b>2018</b>		<b>2017</b>	
	<b>Amount</b>	<b>Percentage</b>	<b>Amount</b>	<b>Percentage</b>
Eternal Holdings Inc.	\$ 16,496,052	100	\$ 16,614,663	100
Eternal Global (BVI) Co., Ltd.	4,495,084	100	4,442,340	100
Mixville Holdings Inc.	4,277,420	100	4,331,049	100
Eternal Materials (Malaysia) Sdn. Bhd.	893,340	90	1,052,411	90
Nikko-Materials Co., Ltd.	851,745	100	658,318	100
Elga Europe S.r.l.	225,694	72.68	180,676	60
New E Materials Co., Ltd.	171,864	62.80	175,808	62.80
Eternal Electronic Material (Thailand) Co., Ltd.	119,176	75	114,885	75
CHOU-KOU Materials Co., Ltd.	87,122	100	81,785	100
Eternal Capatech Co., Ltd.	<u>31,568</u>	96.71	<u>34,129</u>	96.71
	<u>\$ 27,649,065</u>		<u>\$ 27,686,064</u>	

The Company indirectly owns 35% of the equity of Elga Europe S.r.l (Elga) through its subsidiary Eternal (China) Investment Co., Ltd. Due to its global operation strategy, the Company acquired directly 60% ownership of Elga in 2017 and Elga became a subsidiary of the Company. In 2018, the Company subscribed for a cash increase of EUR 2,375 thousand (NT\$84,241 thousand) of the subsidiary. The Company and its subsidiaries still own 95% of the equity of the subsidiary after cash increase.

In 2017, the Company acquired 80% ownership of Nikko-Mechanics Co., Ltd. through its subsidiary, Nikko-Materials Co., Ltd., in order to obtain the knowledge of assembly, design and technical know-how of vacuum laminators, and to increase capacity for future business expansion.

In 2017, the Company subscribed for additional new shares of Eternal Capatech Co., Ltd. at a percentage different from its existing ownership percentage, and increased ownership from 80% to 96.71%. The Company's unappropriated earnings reduced by the difference between the cost of the additional shares and the shares in the equity of the investee.

##### Investments in associates

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Associates that are not individually material	<u>\$ 1,108,662</u>	<u>\$ 1,165,303</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
The Company's share of		
Net profit for the year	\$ 170,400	\$ 187,926
Other comprehensive income	<u>(7,658)</u>	<u>2,261</u>
 Total comprehensive income for the year	 <u>\$ 162,742</u>	 <u>\$ 190,187</u>

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

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Daxin Materials Corporation	<u>\$ 2,178,415</u>	<u>\$ 1,647,159</u>

The investments accounted for using the equity method 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 Table 8 for the main business and country of incorporation.

## 15. PROPERTY, PLANT AND EQUIPMENT

### 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	<u>\$ 2,494,660</u>	<u>\$ 912,591</u>	<u>\$ 1,612,525</u>	<u>\$ 127,713</u>	<u>\$ 303,847</u>	<u>\$ 43,696</u>	<u>\$ 414,812</u>	<u>\$ 5,909,844</u>
<u>Cost</u>								
Balance at January 1, 2018	\$ 2,494,660	\$ 3,158,939	\$ 8,385,073	\$ 586,326	\$ 1,012,916	\$ 128,774	\$ 414,812	\$ 16,181,500
Additions	-	248,415	548,818	54,999	47,323	18,438	(71,451)	846,542
Transferred to investment properties (Note 16)	(17,057)	-	-	-	-	-	-	(17,057)
Disposals	<u>-</u>	<u>(30,513)</u>	<u>(166,219)</u>	<u>(10,647)</u>	<u>(23,055)</u>	<u>(2,939)</u>	<u>-</u>	<u>(233,373)</u>
Balance at December 31, 2018	<u>\$ 2,477,603</u>	<u>\$ 3,376,841</u>	<u>\$ 8,767,672</u>	<u>\$ 630,678</u>	<u>\$ 1,037,184</u>	<u>\$ 144,273</u>	<u>\$ 343,361</u>	<u>\$ 16,777,612</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2018	\$ -	\$ 2,246,348	\$ 6,772,548	\$ 458,613	\$ 709,069	\$ 85,078	\$ -	\$ 10,271,656
Depreciation	-	168,627	372,798	24,838	65,664	13,255	-	645,182
Disposals	<u>-</u>	<u>(24,507)</u>	<u>(114,338)</u>	<u>(10,284)</u>	<u>(21,858)</u>	<u>(2,799)</u>	<u>-</u>	<u>(173,786)</u>
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 2,390,468</u>	<u>\$ 7,031,008</u>	<u>\$ 473,167</u>	<u>\$ 752,875</u>	<u>\$ 95,534</u>	<u>\$ -</u>	<u>\$ 10,743,052</u>
Carrying amount at December 31, 2018	<u>\$ 2,477,603</u>	<u>\$ 986,373</u>	<u>\$ 1,736,664</u>	<u>\$ 157,511</u>	<u>\$ 284,309</u>	<u>\$ 48,739</u>	<u>\$ 343,361</u>	<u>\$ 6,034,560</u>

### For the Year Ended December 31, 2017

	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, 2017	<u>\$ 2,494,660</u>	<u>\$ 901,298</u>	<u>\$ 1,548,526</u>	<u>\$ 115,722</u>	<u>\$ 262,197</u>	<u>\$ 37,946</u>	<u>\$ 279,129</u>	<u>\$ 5,639,478</u>
<u>Cost</u>								
Balance at January 1, 2017	\$ 2,494,660	\$ 3,026,349	\$ 7,991,799	\$ 556,994	\$ 1,034,154	\$ 112,375	\$ 279,129	\$ 15,495,460
Additions	-	161,547	434,511	35,851	107,648	17,839	135,683	893,079
Disposals	<u>-</u>	<u>(28,957)</u>	<u>(41,237)</u>	<u>(6,519)</u>	<u>(128,886)</u>	<u>(1,440)</u>	<u>-</u>	<u>(207,039)</u>
Balance at December 31, 2017	<u>\$ 2,494,660</u>	<u>\$ 3,158,939</u>	<u>\$ 8,385,073</u>	<u>\$ 586,326</u>	<u>\$ 1,012,916</u>	<u>\$ 128,774</u>	<u>\$ 414,812</u>	<u>\$ 16,181,500</u>

(Continued)

	Land	Buildings	Machinery and Equipment	Storage Equipment	Examination Equipment	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
<u>Accumulated depreciation</u>								
Balance at January 1, 2017	\$ -	\$ 2,125,051	\$ 6,443,273	\$ 441,272	\$ 771,957	\$ 74,429	\$ -	\$ 9,855,982
Depreciation	-	144,817	367,779	23,785	63,799	11,853	-	612,033
Disposals	-	(23,520)	(38,504)	(6,444)	(126,687)	(1,204)	-	(196,359)
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ 2,246,348</u>	<u>\$ 6,772,548</u>	<u>\$ 458,613</u>	<u>\$ 709,069</u>	<u>\$ 85,078</u>	<u>\$ -</u>	<u>\$ 10,271,656</u>
Carrying amount at December 31, 2017	<u>\$ 2,494,660</u>	<u>\$ 912,591</u>	<u>\$ 1,612,525</u>	<u>\$ 127,713</u>	<u>\$ 303,847</u>	<u>\$ 43,696</u>	<u>\$ 414,812</u>	<u>\$ 5,909,844</u>

(Concluded)

The following 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

Land held by the Company was revalued in 1980, 1990, 1997 and 2004, as of December 31, 2018 and 2017, the revaluation increments of the land was \$1,977,218 thousand.

## 16. INVESTMENT PROPERTIES

	Land
Balance at January 1, 2017 and December 31, 2017	\$ 9,243
Transferred from property, plant and equipment	17,057
Reclassified as non-current assets held for sale	<u>(9,243)</u>
Balance at December 31, 2018	<u>\$ 17,057</u>

In consideration of the group's strategy, the Company's land located in Pingtung was transferred from property, plant and equipment to investment properties in 2018, its fair value was not evaluated by an independent appraiser. 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. The fair value of \$17,901 thousand was arrived at by reference to market evidence of transaction prices for similar properties.

## 17. INTANGIBLE ASSETS

For the Year Ended December 31, 2018

	Computer Software	Other Intangible Assets	Total
Carrying amount at January 1, 2018	<u>\$ -</u>	<u>\$ 7,779</u>	<u>\$ 7,779</u>
<u>Cost</u>			
Balance at January 1, 2018	\$ -	\$ 15,236	\$ 15,236
Additions	82,736	2,339	85,075

(Continued)

	<b>Computer Software</b>	<b>Other Intangible Assets</b>	<b>Total</b>
Disposals	\$ <u>        </u> -	\$ <u>(5,935)</u>	\$ <u>(5,935)</u>
Balance at December 31, 2018	\$ <u>82,736</u>	\$ <u>11,640</u>	\$ <u>94,376</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2018	\$ -	\$ 7,457	\$ 7,457
Amortization expense	345	3,144	3,489
Disposals	<u>        </u> -	<u>(5,935)</u>	<u>(5,935)</u>
Balance at December 31, 2018	\$ <u>345</u>	\$ <u>4,666</u>	\$ <u>5,011</u>
Carrying amount at December 31, 2018	\$ <u>82,391</u>	\$ <u>6,974</u>	\$ <u>89,365</u> (Concluded)

For the Year Ended December 31, 2017

	<b>Other Intangible Assets</b>
Carrying amount at January 1, 2017	\$ <u>7,744</u>
<u>Cost</u>	
Balance at January 1, 2017	\$ 11,980
Additions	<u>3,256</u>
Balance at December 31, 2017	\$ <u>15,236</u>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2017	\$ 4,236
Amortization expense	<u>3,221</u>
Balance at December 31, 2017	\$ <u>7,457</u>
Carrying amount at December 31, 2017	\$ <u>7,779</u>

Intangible assets are amortized on a straight-line basis over the estimated useful lives:

Computer software	20 years
Other intangible assets	3-5 years



## 18. BORROWINGS

### a. Short-term borrowings

	<b>Type of Borrowings</b>	<b>Interest Rate Range (%)</b>	<b>Amount</b>
December 31, 2018			
	Bank loans		
	Unsecured loans	2.95-3.77	\$ 1,904,330
	Purchase loans	2.96-3.63	<u>70,284</u>
			<u>\$ 1,974,614</u>
December 31, 2017			
	Bank loans		
	Unsecured loans	0.99-2.68	\$ 2,093,920
	Purchase loans	1.89-2.47	<u>175,602</u>
			<u>\$ 2,269,522</u>

### b. Long-term borrowings

	<b>Type of Borrowings</b>	<b>Agreement Period and Interest Payable Schedule</b>	<b>Interest Rate Range (%)</b>	<b>Amount</b>
December 31, 2018				
	Bank loans			
	Unsecured loans	From February 19, 2014 to October 2, 2023. Interest payment by applicable interest period.	0.85-2.08	\$ 13,405,177
				<u>                    </u>
	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			<u>(1,035)</u>
				<u>898,965</u>
				14,304,142
	Less: Current portion of long-term borrowings			<u>(3,283,000)</u>
				<u>\$ 11,021,142</u>

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..

Type of Borrowings	Agreement Period and Interest Payable Schedule	Interest Rate Range (%)	Amount
December 31, 2017			
Bank loans			
Unsecured loans	From March 29, 2013 to October 2, 2023. Interest payment by applicable interest period.	0.71-2.08	\$ 15,182,331
Less: Current portion of long-term borrowings			(3,623,331)
			<u>\$ 11,559,000</u>

c. Facility agreements and financial covenants

- 1) During the period of the credit facility agreements, the Company 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 breaches 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, 2018 and 2017.
- 2) As of December 31, 2018, the Company utilized the credits under signed facility agreements of the following banks.

Bank	Currency	Credit line
HSBC Bank (Taiwan) Limited	NTD	\$ 1,200,000
E.SUN Commercial Bank, Ltd.	NTD	600,000
O-Bank Co., Ltd.	NTD	600,000
Bank SinoPac	NTD	600,000
Taipei Fubon Commercial Bank Co., Ltd.	NTD	500,000
CTBC Bank Co., Ltd.	JPY	417,604

- 3) As of December 31, 2018, the Company executed syndicated credit facility agreements with the following banks.

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.

## 19. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The Company 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 makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

### 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.

The amounts included in the standalone balance sheets in respect of the Company’s defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Present value of defined benefit obligation	\$ 2,181,581	\$ 2,245,188
Fair value of plan assets	<u>(1,187,487)</u>	<u>(1,097,861)</u>
Net defined benefit liabilities	<u>\$ 994,094</u>	<u>\$ 1,147,327</u>

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

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability</b>
Balance at January 1, 2018	<u>\$ 2,245,188</u>	<u>\$ (1,097,861)</u>	<u>\$ 1,147,327</u>
Service cost			
Current service cost	37,128	-	37,128
Interest expense (income)	<u>26,942</u>	<u>(13,174)</u>	<u>13,768</u>
Recognized in profit or loss	<u>64,070</u>	<u>(13,174)</u>	<u>50,896</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(33,213)	(33,213)
Actuarial loss - changes in financial assumptions	25,472	-	25,472
Actuarial loss - experience adjustments	<u>14,870</u>	<u>-</u>	<u>14,870</u>
Recognized in other comprehensive income	<u>40,342</u>	<u>(33,213)</u>	<u>7,129</u>

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability</b>
Contributions from the employer	\$ -	\$ (198,564)	\$ (198,564)
Benefits paid	<u>(168,019)</u>	<u>155,325</u>	<u>(12,694)</u>
	<u>(168,019)</u>	<u>(43,239)</u>	<u>(211,258)</u>
Balance at December 31, 2018	<u>\$ 2,181,581</u>	<u>\$ (1,187,487)</u>	<u>\$ 994,094</u>
Balance at January 1, 2017	<u>\$ 2,319,577</u>	<u>\$ (1,216,447)</u>	<u>\$ 1,103,130</u>
Service cost			
Current service cost	43,068	-	43,068
Interest expense (income)	<u>34,794</u>	<u>(18,247)</u>	<u>16,547</u>
Recognized in profit or loss	<u>77,862</u>	<u>(18,247)</u>	<u>59,615</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	7,230	7,230
Actuarial loss - changes in financial assumptions	79,407	-	79,407
Actuarial gain - experience adjustments	<u>(3,957)</u>	<u>-</u>	<u>(3,957)</u>
Recognized in other comprehensive income	<u>75,450</u>	<u>7,230</u>	<u>82,680</u>
Contributions from the employer	-	(82,696)	(82,696)
Benefits paid	<u>(227,701)</u>	<u>212,299</u>	<u>(15,402)</u>
	<u>(227,701)</u>	<u>129,603</u>	<u>(98,098)</u>
Balance at December 31, 2017	<u>\$ 2,245,188</u>	<u>\$ (1,097,861)</u>	<u>\$ 1,147,327</u> (Concluded)

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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Operating costs	\$ 22,595	\$ 26,830
Operating expenses	<u>28,301</u>	<u>32,785</u>
	<u>\$ 50,896</u>	<u>\$ 59,615</u>

Through the defined benefit plans under the Labor Standards Law, the Company is 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:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Discount rate (%)	1.10	1.20
Expected rate of salary increase (%)	3.00	3.00
Mortality rate (%)	Population was based on the 5th Taiwan Standard Ordinary Experience Mortality Table	Population was based on the 5th Taiwan Standard Ordinary Experience Mortality 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:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Discount rate		
0.25% increase	<u>\$ (62,923)</u>	<u>\$ (66,443)</u>
0.25% decrease	<u>\$ 65,504</u>	<u>\$ 69,242</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 58,675</u>	<u>\$ 62,239</u>
0.25% decrease	<u>\$ (56,775)</u>	<u>\$ (60,157)</u>

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.

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
The expected contributions to the plan for the next year	<u>\$ 153,562</u>	<u>\$ 188,782</u>
The average duration of the defined benefit obligation	12 years	13 years

## 20. EQUITY

### a. Share capital

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Number of shares authorized (in thousands)	<u>1,800,000</u>	<u>1,200,000</u>
Shares authorized	<u>\$ 18,000,000</u>	<u>\$ 12,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>1,240,280</u>	<u>1,159,140</u>
Shares issued	<u>\$ 12,402,795</u>	<u>\$ 11,591,397</u>

In June 2017, the Company's shareholders resolved amendments to the Company's Articles of Incorporation (the "Articles"). The authorized shares are increased to NT\$18,000,000 thousand. In June 2018, the Company's shareholders resolved to issue share dividend of 81,140 thousand shares from unappropriated earnings of NT\$811,398 thousand, the paid-in capital amounted to NT\$12,402,795 thousand.

### b. Capital surplus

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
May be used to offset deficit, distribute cash or transfer to share capital (Note)		
Additional paid-in capital	\$ 309,017	\$ 309,017
Treasury share transactions	<u>19,642</u>	<u>19,642</u>
	<u>328,659</u>	<u>328,659</u>
May be used to offset deficit only		
Share of change in equities of associates or joint ventures	<u>27,387</u>	<u>31,241</u>
	<u>\$ 356,046</u>	<u>\$ 359,900</u>

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 capital reserve 10% of the remaining profits, until the accumulated legal reserve equals the paid-in capital.
- 4) Appropriate as special capital 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.

Appropriation of earnings to a legal reserve could be made until the legal reserve equals the Company's paid-in capital. 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 paid-in 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 exemption from IFRS 1 elected by the Company. There is not any reversal of special reserve in 2018.

The appropriations of earnings for 2017 and 2016 had been approved in the shareholders' meetings in June 2018 and June 2017, respectively. The appropriations and dividends per share were as follows:

	<b>Appropriations of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Legal reserve	\$ 190,963	\$ 262,638		
Cash dividends	579,570	1,655,914	\$ 0.5	\$ 1.5
Share dividends	811,398	551,972	0.7	0.5

The appropriations of earnings for 2018 which had been proposed by the Company's board of directors in March 2019 are as follows:

	<b>Appropriation of Earnings</b>	<b>Dividend Per Share (NT\$)</b>
Legal reserve	\$ 155,051	
Special reserve	83,963	
Cash dividends	1,116,252	\$ 0.9
Share dividends	-	-

The appropriations of earnings for 2018 are subject to resolution in the shareholders' meeting to be held in June 2019.

d. Other equity items

1) Exchange differences on translating foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Balance, beginning of the year	\$ (206,864)	\$ 170,906
Recognized for the year		
Exchange differences on translating foreign operations	(433,325)	(431,942)
Share of exchange differences of associates accounted for using the equity method	(16,276)	(4,214)
Reclassification adjustment		
Disposal of foreign operations	-	<u>58,386</u>
Balance, end of the year	<u>\$ (656,465)</u>	<u>\$ (206,864)</u>

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 available-for-sale financial assets

	<b>For the Year Ended December 31, 2017</b>
Balance, beginning of the year	\$ 254,166
Recognized for the year	
Unrealized gains and losses	<u>11,080</u>
Balance, end of the year	<u>\$ 265,246</u>

3) Unrealized gains and losses on financial assets at FVTOCI

	<b>For the Year Ended December 31, 2018</b>
Balance, beginning of the year (IAS 39)	\$ -
Adjustment on initial application of IFRS 9	<u>295,375</u>
Balance, beginning of the year (IFRS 9)	<u>295,375</u>
Effect of change in tax rate	4,166
Recognized for the year	
Unrealized gains and losses - equity instruments	(112,868)
Share of associates accounted for using the equity method	<u>(46,887)</u>
Other comprehensive income recognized for the year	<u>(155,589)</u>
Reclassification adjustment	
Cumulative unrealized gains and losses of equity instruments transferred to retained earnings due to disposal from subsidiaries	<u>5,786</u>
Balance, end of the year	<u>\$ 145,572</u>

**21. REVENUE**

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Revenue from contracts with customers		
Revenue from the sale of goods	<u>\$ 16,113,899</u>	<u>\$ 16,451,548</u>

a. For information on customer contracts, refer to Note 4.

b. Contract balances

	<b>December 31, 2018</b>
Notes and accounts receivable (Note 7)	<u>\$ 3,899,657</u>
Contract liabilities (recorded as other current liabilities - other)	
Sale of goods	<u>\$ 10,050</u>



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 2018.

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

	<b>For the Year Ended December 31, 2018</b>
From the balance of contract liabilities at the beginning of the year	
Sale of goods	<u>\$ 9,414</u>

c. Disaggregation of revenue

	Reportable Segments				Total
	Resins Materials	Electronic Materials	High Performance Materials	Others	
For the year ended December 31, 2018					
Type of revenue					
Sale of goods	<u>\$ 9,607,487</u>	<u>\$ 4,411,641</u>	<u>\$ 2,079,749</u>	<u>\$ 15,022</u>	<u>\$ 16,113,899</u>

## 22. PROFIT BEFORE INCOME TAX

a. Other income

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Dividend income	\$ 42,861	\$ 1,250
Interest income	775	1,031
Others (Note 28)	<u>504,984</u>	<u>454,326</u>
	<u>\$ 548,620</u>	<u>\$ 456,607</u>

b. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Gains on disposal of investments	\$ 195,696	\$ 52,338
Gains (losses) on disposal of property, plant and equipment	9,462	(5,919)
Others	<u>(19,340)</u>	<u>(32,423)</u>
	<u>\$ 185,818</u>	<u>\$ 13,996</u>

c. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Interest on bank loans	\$ 292,587	\$ 249,707
Less: Amounts included in the cost of qualifying assets	<u>(6,234)</u>	<u>(5,506)</u>
	<u>\$ 286,353</u>	<u>\$ 244,201</u>

Information about capitalized interest was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Capitalized interest amount	<u>\$ 6,234</u>	<u>\$ 5,506</u>
Capitalization rates (%)	1.48-1.76	1.54-1.76

d. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Property, plant and equipment	\$ 645,182	\$ 612,033
Intangible assets	<u>3,489</u>	<u>3,221</u>
	<u>\$ 648,671</u>	<u>\$ 615,254</u>
Analysis of depreciation by function		
Operating costs	\$ 494,230	\$ 470,133
Operating expenses	<u>150,952</u>	<u>141,900</u>
	<u>\$ 645,182</u>	<u>\$ 612,033</u>
Analysis of amortization by function		
Operating expenses	<u>\$ 3,489</u>	<u>\$ 3,221</u>

e. Employee benefits

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Short-term employee benefits		
Salaries	\$ 1,805,583	\$ 1,834,219
Labor and health insurance	147,353	150,681
Others	<u>121,282</u>	<u>118,447</u>
	<u>2,074,218</u>	<u>2,103,347</u>
Post-employment benefits		
Defined contribution plans	55,860	55,480
Defined benefit plans (Note 19)	<u>50,896</u>	<u>59,615</u>
	<u>106,756</u>	<u>115,095</u>
	<u>\$ 2,180,974</u>	<u>\$ 2,218,442</u>

(Continued)

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Analysis by function		
Operating costs	\$ 884,964	\$ 888,975
Operating expenses	<u>1,296,010</u>	<u>1,329,467</u>
	<u>\$ 2,180,974</u>	<u>\$ 2,218,442</u>
		(Concluded)

f. Employees' compensation and remuneration of directors

The Company distributed employees' compensation and remuneration of directors at rates 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:

	<b>For the Year Ended December 31, 2018</b>	
	<b>Accrual Amounts Recognized in Financial Statements</b>	<b>Amounts Approved by the Company's Board of Directors</b>
Employees' compensation - cash	<u>\$ 77,544</u>	<u>\$ 72,181</u>
Remuneration of directors - cash	<u>\$ 14,400</u>	<u>\$ 14,400</u>

If there is a change in the proposed amounts after the annual standalone financial statements were authorized for issue, the difference is recorded as a change in accounting estimate and will be adjusted in next year.

The employees' compensation and remuneration of directors and supervisors (all in cash) approved by the Company's board of directors in March 2018 and 2017, and accrual amounts recognized in the standalone financial statements, respectively, were as follows:

	<b>For the Year Ended December 31</b>			
	<b>2017</b>		<b>2016</b>	
	<b>Employees' Compensation</b>	<b>Remuneration of Directors</b>	<b>Employees' Compensation</b>	<b>Remuneration of Directors</b>
Amounts approved in the board of directors' meeting	\$ 94,538	\$ 14,400	\$ 133,030	\$ 8,000
Amounts recognized in the annual financial statements	<u>95,490</u>	<u>14,400</u>	<u>137,810</u>	<u>8,000</u>
Difference	<u>\$ (952)</u>	<u>\$ -</u>	<u>\$ (4,780)</u>	<u>\$ -</u>

The differences were adjusted to profit and loss for the years ended December 31, 2018 and 2017.

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.

## 23. INCOME TAX

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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Current tax		
In respect of the current year	\$ 74,713	\$ 88,044
Adjustment for prior years	<u>2,552</u>	<u>4,975</u>
	<u>77,265</u>	<u>93,019</u>
Deferred tax		
In respect of the current year	(87,277)	(11,691)
Effect of tax rate changes	<u>(28,433)</u>	<u>-</u>
	<u>(115,710)</u>	<u>(11,691)</u>
	<u>\$ (38,445)</u>	<u>\$ 81,328</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Profit before income tax	<u>\$ 1,512,070</u>	<u>\$ 1,990,962</u>
Income tax expense calculated at the statutory rate	\$ 302,414	\$ 338,464
Effect from items adjusted by regulation	(290,998)	(225,340)
Income tax on unappropriated earnings	25,501	5,652
Investment credits	(49,481)	(42,423)
Effect of tax rate changes	(28,433)	-
Adjustment for prior years	<u>2,552</u>	<u>4,975</u>
	<u>\$ (38,445)</u>	<u>\$ 81,328</u>

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 tax rate of the corporate unappropriated earnings in 2018 will be reduced from 10% to 5%.

As the status of the appropriation of earnings for 2019 is uncertain, the potential income tax consequences of the 2018 unappropriated earnings are not reliably determinable.

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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
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)	-

(Continued)

**For the Year Ended December 31**

	<b>2018</b>	<b>2017</b>
Recognized for the year		
Remeasurement of defined benefit plans	\$ (1,425)	\$ (14,055)
Remeasurement of defined benefit plans of subsidiaries, associates and joint ventures accounted for using the equity method	(112)	97
Unrealized gains and losses on financial assets at fair value through other comprehensive income	(1,557)	-
Unrealized gains and losses on available-for-sale financial assets	<u>-</u>	<u>(18,881)</u>
	<u>\$ (20,142)</u>	<u>\$ (32,839)</u> (Concluded)

c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Current tax assets		
Prepaid income tax (recorded as other current assets - other)	<u>\$ 50,423</u>	<u>\$ 36,353</u>
Current tax liabilities		
Income tax payable	<u>\$ 74,713</u>	<u>\$ 88,045</u>

d. Deferred tax assets and liabilities

Movements of deferred tax assets and liabilities were as follows:

For the Year Ended December 31, 2018

	<b>Balance, Beginning of the Year</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Balance, End of the Year</b>
<b>Deferred tax assets</b>				
Temporary differences				
Defined benefit plan	\$ 194,054	\$ (32,052)	\$ 14,324	\$ 176,326
Others	<u>69,463</u>	<u>9,486</u>	<u>5,723</u>	<u>84,672</u>
	<u>\$ 263,517</u>	<u>\$ (22,566)</u>	<u>\$ 20,047</u>	<u>\$ 260,998</u>
<b>Deferred tax liabilities</b>				
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	<u>(5,694)</u>	<u>5,253</u>	<u>-</u>	<u>(441)</u>
	<u>\$(2,964,831)</u>	<u>\$ 138,276</u>	<u>\$ 95</u>	<u>\$(2,826,460)</u>

For the Year Ended December 31, 2017

	<b>Balance, Beginning of the Year</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Balance, End of the Year</b>
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit plan	\$ 186,550	\$ (6,551)	\$ 14,055	\$ 194,054
Others	<u>49,810</u>	<u>772</u>	<u>18,881</u>	<u>69,463</u>
	<u>\$ 236,360</u>	<u>\$ (5,779)</u>	<u>\$ 32,936</u>	<u>\$ 263,517</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Investment income	\$(2,339,209)	\$ 20,886	\$ (97)	\$(2,318,420)
Gains on land revaluation	(640,717)	-	-	(640,717)
Unrealized gains on foreign exchange	<u>(2,278)</u>	<u>(3,416)</u>	<u>-</u>	<u>(5,694)</u>
	<u>\$(2,982,204)</u>	<u>\$ 17,470</u>	<u>\$ (97)</u>	<u>\$(2,964,831)</u>

e. Income tax assessment

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

- f. The Company is entitled to "the Incentive of a Five-Year Exemption from Corporate Income Tax on Investments Made by Enterprises in the Manufacturing Industry and the Technical Service Industry between July 1, 2008 and December 31, 2009", and has been eligible for five-year income tax exemption since 2014.

**24. EARNINGS PER SHARE**

	<u>For the Year Ended December 31</u>	
	<b>2018</b>	<b>2017</b>
Basic earnings per share	<u>\$ 1.25</u>	<u>\$ 1.54</u>
Diluted earnings per share	<u>\$ 1.25</u>	<u>\$ 1.53</u>

Because of issuance of share dividends, the weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2017 were as follows:

Unit: NT\$ Per Share

	<b>Before Retrospective Adjustment</b>	<b>After Retrospective Adjustment</b>
Basic earnings per share	<u>\$ 1.65</u>	<u>\$ 1.54</u>
Diluted earnings per share	<u>\$ 1.64</u>	<u>\$ 1.53</u>

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

	<b><u>For the Year Ended December 31</u></b>	
	<b>2018</b>	<b>2017</b>
Net profit for the year	<u>\$ 1,550,515</u>	<u>\$ 1,909,634</u>
<u>Number of ordinary shares</u>		
	Unit: Thousand Shares	
	<b><u>For the Year Ended December 31</u></b>	
	<b>2018</b>	<b>2017</b>
Weighted average number of ordinary shares used in computation of basic earnings per share before retrospective adjustment	1,240,280	1,159,140
Retrospective adjustment for share dividends	<u>-</u>	<u>81,140</u>
Weighted average number of ordinary shares used in the computation of basic earnings per share after retrospective adjustment	1,240,280	1,240,280
Effect of potentially dilutive ordinary shares		
Employees' compensation	<u>3,977</u>	<u>3,933</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>1,244,257</u>	<u>1,244,213</u>

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.

## 25. CASH FLOW INFORMATION

	<b><u>For the Year Ended December 31</u></b>	
	<b>2018</b>	<b>2017</b>
Acquisition of property, plant and equipment	\$ 846,542	\$ 893,079
Decrease (increase) in payables for equipment	<u>31,198</u>	<u>(51,089)</u>
	877,740	841,990
Capitalized interest	<u>(6,234)</u>	<u>(5,506)</u>
Cash paid	<u>\$ 871,506</u>	<u>\$ 836,484</u>
Cost of disposal of property, plant and equipment	\$ 233,373	\$ 207,039
Accumulated depreciation and impairment of property, plant and equipment disposed of	(173,786)	(196,359)
Gain and loss on disposal of property, plant and equipment	9,462	(5,919)
Payables for disposal (recorded as other payables - other)	2,363	-
Receivables for disposal (recorded as other receivables)	<u>(77,097)</u>	<u>-</u>
Cash received (paid)	<u>\$ (5,685)</u>	<u>\$ 4,761</u>

## 26. CAPITAL MANAGEMENT

The Company's objectives in capital management are to safeguard the Company's 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.

## 27. 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 value, or their fair value 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
<hr/>				
December 31, 2018				
<hr/>				
Financial instruments at FVTOCI				
Equity instruments				
Domestic and foreign listed shares	\$ 443,545	\$ -	\$ -	\$ 443,545
Domestic and foreign unlisted shares	\$ -	\$ -	\$ 110,653	\$ 110,653
<hr/>				
December 31, 2017				
<hr/>				
Available-for-sale financial assets				
Equity instruments				
Domestic and foreign listed shares	\$ 548,376	\$ -	\$ -	\$ 548,376

The Company uses 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.

There was no transfer between Level 1 and Level 2 during the years ended December 31, 2018 and 2017, neither was there a transfer to Level 3.

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

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



3) Reconciliation of Level 3 fair value measurements of financial instrument

For the Year ended December 31, 2018

	<b>Equity Instruments FVTOCI</b>
<u>Financial assets</u>	
Balance, beginning of the year (IAS 39)	\$ -
Adjustment on initial application of IFRS 9	<u>123,580</u>
Balance, beginning of the year (IFRS 9)	123,580
Recognized in other comprehensive income	(9,594)
Disposal	<u>(3,333)</u>
Balance, end of the year	<u>\$ 110,653</u>

c. Categories of financial instruments

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Financial assets</u>		
Loans and receivables (Note 1)	\$ -	\$ 5,400,821
Financial assets at amortized cost (Note 2)	4,814,745	-
Available-for-sale financial assets	-	548,376
Financial assets measured at cost	-	99,031
Financial assets at fair value through other comprehensive income - equity instruments	554,198	-
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 3)	18,638,919	19,651,368

Note 1: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable (including related parties), other financial assets - current, other receivables (including related parties) and refundable deposits.

Note 2: The balances included financial assets at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable (including related parties), other financial assets - current, other receivables (including related parties) and refundable deposits.

Note 3: The balances included financial liabilities, which comprise short-term borrowings, notes and accounts payables, other payables - other and long-term borrowings (including current portion).

d. Financial risk management objectives and policies

The financial risk management objectives of the Company 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 has set up policies, procedures and internal controls to manage the risks in its financial activities. The significant financial activities of the Company are in accordance with relevant regulations and internal controls approved by the board of directors. During the execution of financial management activities, the Company should be in compliance with the

relevant rules of financial risk management.

1) Market risk

a) Foreign currency risk

The Company's operating activities and net investments in foreign operation are denominated mainly in foreign currencies. Consequently, the Company is 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 utilizes 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's significant non-functional currency denominated monetary assets and liabilities at the balance sheet date, refer to Note 31.

Sensitivity analysis

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

	<b>Impact on Profit or Loss</b>	
	<b>2018</b>	<b>2017</b>
Foreign Currencies : Functional Currencies		
Financial assets		
Monetary items		
USD:NTD	\$ 26,911	\$ 28,556
RMB:NTD	5,220	4,537
JPY:NTD	1,155	1,300
THB:NTD	-	1,414
Financial liabilities		
Monetary items		
USD:NTD	22,651	26,205
JPY:NTD	1,584	1,421

b) Interest rate risk

The borrowings of the Company 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's financial assets and financial liabilities with exposure to interest rate risks at the balance sheet dates were as follows:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Fair value interest rate risk		
Financial assets	\$ 14,830	\$ 14,830
Financial liabilities	8,839,000	9,502,000

(Continued)



	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Cash flow interest rate risk		
Financial assets	\$ 132,327	\$ 300,294
Financial liabilities	7,439,756	7,949,853
		(Concluded)

If interest rates had been 1% higher and all other variables were held constant, the Company's cash flow interests rate risk from financial liabilities would have increased cash outflows by NT\$74,398 thousand and NT\$79,499 thousand for the years ended December 31, 2018 and 2017, respectively.

c) Other price risk

The Company was 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, 2018 would have increased/decreased by \$4,435 thousand, as a result of the changes in fair value of financial assets at FVTOCI.

The Company was 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, 2017 would have increased/decreased by \$5,484 thousand, as a result of the changes in fair value of available-for-sale financial assets.

2) Credit risk

Credit risk refers to the risk of financial loss to the Company arising from default by clients or counterparties of financial instruments on the contract obligations. According to the Company's policy, each local entity in the Company 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 assesses the credit quality of the customers by taking into account their financial position, past experience and other factors to conduct internal risk management. While the Company has 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 manages 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's financial liabilities based on contractual undiscounted payments, including principal and interest.

#### December 31, 2018

	<b>Less Than 1 Year</b>	<b>1-2 Years</b>	<b>2-3 Years</b>	<b>3-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
Non-derivative financial liabilities						
Short-term borrowings	\$ 1,987,159	\$ -	\$ -	\$ -	\$ -	\$ 1,987,159
Notes payable	23,519	-	-	-	-	23,519
Accounts payable	1,519,338	-	-	-	-	1,519,338
Other payables	817,306	-	-	-	-	817,306
Long-term borrowings (including current portion)	5,545,408	3,417,860	1,709,335	4,072,904	-	14,745,507
Financial guarantee liabilities	<u>3,657,012</u>	<u>1,291,383</u>	<u>581,613</u>	<u>-</u>	<u>-</u>	<u>5,530,008</u>
	<u>\$ 13,549,742</u>	<u>\$ 4,709,243</u>	<u>\$ 2,290,948</u>	<u>\$ 4,072,904</u>	<u>\$ -</u>	<u>\$ 24,622,837</u>

#### December 31, 2017

	<b>Less Than 1 Year</b>	<b>1-2 Years</b>	<b>2-3 Years</b>	<b>3-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
Non-derivative financial liabilities						
Short-term borrowings	\$ 2,279,107	\$ -	\$ -	\$ -	\$ -	\$ 2,279,107
Notes payable	6,043	-	-	-	-	6,043
Accounts payable	1,342,961	-	-	-	-	1,342,961
Other payables	850,511	-	-	-	-	850,511
Long-term borrowings (including current portion)	6,855,221	3,320,641	3,275,762	2,087,236	60,362	15,599,222
Financial guarantee liabilities	<u>4,221,463</u>	<u>144,814</u>	<u>1,137,039</u>	<u>-</u>	<u>-</u>	<u>5,503,316</u>
	<u>\$ 15,555,306</u>	<u>\$ 3,465,455</u>	<u>\$ 4,412,801</u>	<u>\$ 2,087,236</u>	<u>\$ 60,362</u>	<u>\$ 25,581,160</u>

The amounts included above for financial guarantee liabilities were the maximum amounts the Company could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the balance sheet date, the Company considers that it is unlikely to pay the amount under the arrangement.

## 28. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party names and relationships

<u>Related Party Name</u>	<u>Relationship</u>
Eternal Chemical (China) Co., Ltd.	Subsidiaries
Eternal Materials (Guangdong) Co., Ltd.	Subsidiaries
Eternal Synthetic Resins (Changshu) Co., Ltd.	Subsidiaries
Eternal Chemical (Tianjin) Co., Ltd.	Subsidiaries
Eternal Chemical (Chengdu) Co., Ltd.	Subsidiaries
Eternal Materials (Malaysia) Sdn. Bhd.	Subsidiaries
Eternal Electronic Material (Guangzhou) Co., Ltd.	Subsidiaries
Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Subsidiaries
Eternal Photoelectric Material Industry (Kunshan) Co., Ltd.	Subsidiaries
Eternal Electronic (Suzhou) Co., Ltd.	Subsidiaries
Eternal Optical Material (Suzhou) Co., Ltd.	Subsidiaries
Eternal Sun A. (Suzhou) Co., Ltd.	Subsidiaries
Changhe International Trading (GZFTZ) Co., Ltd.	Subsidiaries
Eternal Technology Corporation	Subsidiaries
Eternal Electronic Material (Thailand) Co., Ltd.	Subsidiaries
Nikko-Materials Co., Ltd.	Subsidiaries
Elga Europe S.r.l.	Subsidiaries
Eternal Specialty Materials (Zhuhai) Co., Ltd.	Subsidiaries
Eternal Specialty Materials (Suzhou) Co., Ltd.	Subsidiaries
Eternal (China) Investment Co., Ltd.	Subsidiaries
CHOU-KOU Materials Co., Ltd.	Subsidiaries
New E Materials Co., Ltd.	Subsidiaries
Eternal Capatech Co., Ltd.	Subsidiaries
Eternal Holdings Inc.	Subsidiaries
ESCO Specialty Coatings (Shanghai) Co., Ltd.	Associates (subsidiaries before December 2017)
Allnex-Eternal Resins Corporation Limited	Associates
Daxin Materials Corporation	Associates
DSM Resins (Far East) Co., Ltd.	Associates

(Continued)

<u>Related Party Name</u>	<u>Relationship</u>
Eternal Electronic Materials (Kunshan) Co., Ltd.	Associates (subsidiaries before March 2017)
Mitsubishi Polyester Film (Suzhou) Co., Ltd.	Other related parties
The Orchard Corp. of Taiwan Ltd.	Other related parties
Kwang Yang Motor Co., Ltd.	Key management personnel
Hangzhou Yongxinyang Photoelectric Materials Co., Ltd.	Joint venture
	(Concluded)

b. Operating revenues

<u>Account Item</u>	<u>Related Party Category</u>	<u>For the Year Ended December 31</u>	
		<u>2018</u>	<u>2017</u>
Revenue from sales of goods	Subsidiaries	\$ 3,197,922	\$ 3,292,090
	Associates	205,341	120,117
	Joint ventures	1,553	-
	Other related parties	444	1,895
	Key management personnel	30	147
			<u>\$ 3,405,290</u>

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

<u>Related Party Category</u>	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Subsidiaries	\$ 565,184	\$ 700,303
Associates	-	681
Other related parties	<u>670</u>	<u>3,807</u>
	<u>\$ 565,854</u>	<u>\$ 704,791</u>

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. Compensation of key management personnel

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Short-term employee benefits	\$ 88,058	\$ 97,942
Post-employment benefits	<u>14,368</u>	<u>1,985</u>
	<u>\$ 102,426</u>	<u>\$ 99,927</u>

e. Other income

<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Subsidiaries		
Eternal (China) Investment Co., Ltd.	\$ 108,284	\$ 109,099
Eternal Materials (Guangdong) Co., Ltd.	66,424	68,763
Eternal Chemical (China) Co., Ltd.	57,557	64,124
Others	227,790	140,533
Associates	-	574
Key management personnel	15	7
	<u>\$ 460,070</u>	<u>\$ 383,100</u>

Inclusive of service fee, trademark license fee, technology license fee and endorsement/guarantee fee and so on.

f. Receivables from related parties

<b>Account Item</b>	<b>Related Party Category</b>	<b>December 31</b>	
		<b>2018</b>	<b>2017</b>
Notes and accounts receivable from related parties	Subsidiaries	\$ 827,897	\$ 821,069
	Associates	79,714	61,716
	Other related parties	133	531
	Key management personnel	-	31
	Joint ventures	1,563	-
		<u>\$ 909,307</u>	<u>\$ 883,347</u>

The receivables arise mainly from sales transactions; the receivables were not guaranteed, pledged and without interest. For the year ended December 31, 2018, the expected credit impairment loss of NT\$5,691 thousand was recognized on accounts receivables from related parties.

<b>Account Item</b>	<b>Related Party Category/Name</b>	<b>December 31</b>	
		<b>2018</b>	<b>2017</b>
Other receivables	Subsidiaries		
	Eternal (China) Investment Co., Ltd.	\$ 112,927	\$ 111,503
	Eternal Materials (Guangdong) Co., Ltd.	65,465	70,072
	Eternal Chemical (China) Co., Ltd.	56,561	65,354
	Others	226,258	156,982
	Associates	554	22
	Key management personnel	16	11
		<u>\$ 461,781</u>	<u>\$ 403,944</u>



g. Payables to related parties

Account Item	Related Party Category	December 31	
		2018	2017
Accounts payable	Subsidiaries	\$ <u>61,039</u>	\$ <u>46,778</u>

The payables arise mainly from purchase transactions; the payables were not guaranteed and without interest.

h. Disposals of property, plant and equipment

Related Party Category/Name	Proceeds		Gain (Loss) on Disposal	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2018	2017	2018	2017
Joint venture - Hangzhou Yongxinyang Photoelectric Materials Co., Ltd.	\$ <u>15,852</u>	\$ <u>-</u>	\$ <u>10,206</u>	\$ <u>-</u>

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.

i. Endorsements/guarantees provided

Refer to Table 2 for details of endorsements/guarantees provided.

## 29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- The Company has issued but unused letters of credit with aggregate amount of NT\$69,067 thousand as of December 31, 2018.
- The Company has contracts that were not yet incurred to purchase property, plant and equipment and intangible assets with NT\$308,488 thousand at December 31, 2018.

## 30. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

None.

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

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

	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate</b>		<b>Carrying Amount</b>
<u>December 31, 2018</u>				
Financial assets				
Monetary items				
USD	\$ 87,614	30.7150	(USD:NTD)	\$ 2,691,064
RMB	116,718	4.4720	(RMB:NTD)	521,963
JPY	415,189	0.2782	(JPY:NTD)	115,506
Non-monetary items				
Financial assets at fair value through other comprehensive income				
AUD	2,291	21.6650	(AUD:NTD)	49,643
Investments accounted for using the equity method				
USD	822,678	30.1750	(USD:NTD)	25,268,556
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
Financial liabilities				
Monetary items				
USD	73,746	30.7150	(USD:NTD)	2,265,108
JPY	569,278	0.2782	(JPY:NTD)	158,373
<u>December 31, 2017</u>				
Financial assets				
Monetary items				
USD	95,954	29.7600	(USD:NTD)	2,855,591
RMB	99,387	4.5650	(RMB:NTD)	453,702
THB	154,131	0.9176	(THB:NTD)	141,431
JPY	491,962	0.2642	(JPY:NTD)	129,976
Non-monetary items				
Available-for-sale financial assets				
AUD	2,452	23.1850	(AUD:NTD)	56,854
Investments accounted for using the equity method				
USD	853,093	29.7600	(USD:NTD)	25,388,052
JPY	4,399,662	0.2642	(JPY:NTD)	1,162,391
MYR	148,814	7.0720	(MYR:NTD)	1,052,411
EUR	5,079	35.5700	(EUR:NTD)	180,676
THB	125,202	0.9176	(THB:NTD)	114,885
Financial liabilities				
Monetary items				
USD	88,055	29.7600	(USD:NTD)	2,620,517
JPY	537,981	0.2642	(JPY:NTD)	142,135

The total realized and unrealized foreign exchange gains and losses were a gain of NT\$19,739 thousand and a loss of NT\$54,283 thousand for the years ended December 31, 2018 and 2017, 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 currency.

## 32. 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 and 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: None
  - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (Table 4)
  - 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 28)
    - 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 (Table 7)

### **33. SEGMENT INFORMATION**

Disclosure of the segment information in standalone financial statements is waived.

## Eternal Materials Co., Ltd. and Subsidiaries

FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2018

(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)	Amount Actually Drawn	Interest Rate (%)	Nature of Financing (Note 4)	Transaction Amounts	Reasons for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Limits	Note
													Item	Value			
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Photoelectric Material Industry (Kunshan) Co., Ltd.	Other receivables from related parties	Y	\$ 365,200	\$ 178,880	\$ -	-	2	\$ -	Operating needs	\$ -	-	\$ -	\$ 13,243,536	\$ 13,243,536	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Photoelectric Material Industry (Yingkou) Co., Ltd.	Other receivables from related parties	Y	456,500	223,600	113,583	4.350	2	-	Operating needs	-	-	-	13,243,536	13,243,536	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Photoelectric Material Industry (Yingkou) Co., Ltd.	Other receivables from related parties	Y	205,425	201,240	201,240	4.275	2	-	Operating needs	-	-	-	13,243,536	13,243,536	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Optical Material (Suzhou) Co., Ltd.	Other receivables from related parties	Y	913,000	447,200	274,086	4.350	2	-	Operating needs	-	-	-	13,243,536	13,243,536	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Changhe International Trading (GZFTZ) Co., Ltd.	Other receivables from related parties	Y	164,340	-	-	-	2	-	Operating needs	-	-	-	13,243,536	13,243,536	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Changhe International Trading (GZFTZ) Co., Ltd.	Other receivables from related parties	Y	91,300	-	-	-	2	-	Operating needs	-	-	-	13,243,536	13,243,536	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Chemical (Tianjin) Co., Ltd.	Long-term receivables from related parties	Y	365,200	357,760	357,760	4.275	2	-	Operating needs	-	-	-	13,243,536	13,243,536	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal (China) Investment Co., Ltd.	Other receivables from related parties	Y	447,370	438,256	438,256	4.275-4.350	2	-	Operating needs	-	-	-	13,243,536	13,243,536	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal (China) Investment Co., Ltd.	Long-term receivables from related parties	Y	1,086,470	760,240	760,240	4.275-4.750	2	-	Operating needs	-	-	-	13,243,536	13,243,536	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	Other receivables from related parties	Y	134,160	134,160	134,160	4.275	2	-	Operating needs	-	-	-	13,243,536	13,243,536	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	Long-term receivables from related parties	Y	593,450	447,200	447,200	4.750	2	-	Operating needs	-	-	-	13,243,536	13,243,536	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Chemical (Chengdu) Co., Ltd.	Long-term receivables from related parties	Y	821,700	760,240	760,240	4.275-4.750	2	-	Operating needs	-	-	-	13,243,536	13,243,536	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	ESCO Specialty Coatings (Shanghai) Co., Ltd.	Other receivables from related parties	Y	347,853	184,246	184,246	4.350	2	-	Operating needs	-	-	-	2,648,707	2,648,707	Note 6
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	Other receivables from related parties	Y	456,500	447,200	-	-	2	-	Operating needs	-	-	-	13,243,536	13,243,536	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Specialty Materials (Zhuhai) Co., Ltd.	Other receivables from related parties	Y	456,500	447,200	-	-	2	-	Operating needs	-	-	-	2,648,707	2,648,707	Note 6
2	Eternal Chemical (China) Co., Ltd.	Eternal Chemical (Tianjin) Co., Ltd.	Other receivables from related parties	Y	1,095,600	536,640	404,768	4.348-4.354	2	-	Operating needs	-	-	-	8,601,881	8,601,881	Note 5
2	Eternal Chemical (China) Co., Ltd.	Eternal Synthetic Resins (Changshu) Co., Ltd.	Other receivables from related parties	Y	1,369,500	670,800	249,328	4.348-4.354	2	-	Operating needs	-	-	-	8,601,881	8,601,881	Note 5
2	Eternal Chemical (China) Co., Ltd.	Eternal Materials (Guangdong) Co., Ltd.	Other receivables from related parties	Y	684,750	447,200	-	-	2	-	Operating needs	-	-	-	8,601,881	8,601,881	Note 5
2	Eternal Chemical (China) Co., Ltd.	Eternal Specialty Materials (Suzhou) Co., Ltd.	Other receivables from related parties	Y	730,400	357,760	68,209	4.348-4.354	2	-	Operating needs	-	-	-	8,601,881	8,601,881	Note 5
2	Eternal Chemical (China) Co., Ltd.	Eternal Specialty Materials (Suzhou) Co., Ltd.	Other receivables from related parties	Y	136,950	134,160	134,160	4.275	2	-	Operating needs	-	-	-	8,601,881	8,601,881	Note 5
2	Eternal Chemical (China) Co., Ltd.	Eternal Chemical (Chengdu) Co., Ltd.	Other receivables from related parties	Y	913,000	536,640	448,343	4.348-4.354	2	-	Operating needs	-	-	-	8,601,881	8,601,881	Note 5
2	Eternal Chemical (China) Co., Ltd.	Eternal Electronic Materials (Kunshan) Co., Ltd.	Other receivables from related parties	Y	187,824	187,824	80,496	4.350	2	-	Operating needs	-	-	-	1,720,376	1,720,376	Note 6
2	Eternal Chemical (China) Co., Ltd.	Eternal (China) Investment Co., Ltd.	Other receivables from related parties	Y	319,550	313,040	-	-	2	-	Operating needs	-	-	-	8,601,881	8,601,881	Note 5

(Continued)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 2)	Ending Balance (Note 3)	Amount Actually Drawn	Interest Rate (%)	Nature of Financing (Note 4)	Transaction Amounts	Reasons for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Limits	Note
													Item	Value			
3	Eternal Materials (Guangdong) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	Other receivables from related parties	Y	\$ 502,150	\$ 357,760	\$ -	-	2	\$ -	Operating needs	\$ -	-	\$ -	\$ 8,292,171	\$ 8,292,171	Note 5
3	Eternal Materials (Guangdong) Co., Ltd.	Eternal (China) Investment Co., Ltd.	Other receivables from related parties	Y	730,400	715,520	424,840	4.275	2	-	Operating needs	-	-	-	8,292,171	8,292,171	Note 5
3	Eternal Materials (Guangdong) Co., Ltd.	Eternal (China) Investment Co., Ltd.	Other receivables from related parties	Y	1,232,550	670,800	510,456	4.350	2	-	Operating needs	-	-	-	8,292,171	8,292,171	Note 5
3	Eternal Materials (Guangdong) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	Other receivables from related parties	Y	730,400	357,760	3,375	4.350	2	-	Operating needs	-	-	-	8,292,171	8,292,171	Note 5
3	Eternal Materials (Guangdong) Co., Ltd.	ESCO Specialty Coatings (Shanghai) Co., Ltd.	Other receivables from related parties	Y	136,950	-	-	-	2	-	Operating needs	-	-	-	1,658,434	1,658,434	Note 6
4	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Optical Material (Suzhou) Co., Ltd.	Other receivables from related parties	Y	730,400	357,760	357,760	4.350	2	-	Operating needs	-	-	-	7,791,000	7,791,000	Note 5
4	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	Long-term receivables from related parties	Y	228,250	223,600	223,600	4.275	2	-	Operating needs	-	-	-	7,791,000	7,791,000	Note 5
4	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Synthetic Resins (Changshu) Co., Ltd.	Long-term receivables from related parties	Y	365,200	357,760	357,760	4.513	2	-	Operating needs	-	-	-	7,791,000	7,791,000	Note 5
4	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	Other receivables from related parties	Y	228,250	223,600	-	-	2	-	Operating needs	-	-	-	7,791,000	7,791,000	Note 5
5	Eternal Holdings Inc.	Eternal Optical Material (Suzhou) Co., Ltd.	Other receivables from related parties	Y	430,010	215,005	215,005	4.069	2	-	Operating needs	-	-	-	32,876,588	32,876,588	Note 5
5	Eternal Holdings Inc.	Eternal (China) Investment Co., Ltd.	Other receivables from related parties	Y	307,150	307,150	307,150	4.289	2	-	Operating needs	-	-	-	32,876,588	32,876,588	Note 5
5	Eternal Holdings Inc.	Eternal Chemical (Tianjin) Co., Ltd.	Other receivables from related parties	Y	307,150	153,575	153,575	4.307	2	-	Operating needs	-	-	-	32,876,588	32,876,588	Note 5
5	Eternal Holdings Inc.	Eternal Technology Corporation	Other receivables from related parties	Y	491,440	491,440	245,720	4.424	2	-	Operating needs	-	-	-	32,876,588	32,876,588	Note 5
5	Eternal Holdings Inc.	Elga Europe S.r.l.	Other receivables from related parties	Y	373,485	140,800	140,800	2.000	2	-	Operating needs	-	-	-	6,575,318	6,575,318	Note 6
5	Eternal Holdings Inc.	Eternal Sun A. (Suzhou) Co., Ltd.	Other receivables from related parties	Y	110,574	110,574	110,574	4.077	2	-	Operating needs	-	-	-	6,575,318	6,575,318	Note 6
5	Eternal Holdings Inc.	Eternal Specialty Materials (Zhuhai) Co., Ltd.	Other receivables from related parties	Y	153,575	153,575	-	-	2	-	Operating needs	-	-	-	6,575,318	6,575,318	Note 6
5	Eternal Holdings Inc.	Eternal Materials (Malaysia) Sdn. Bhd.	Other receivables from related parties	Y	153,575	153,575	-	-	2	-	Operating needs	-	-	-	6,575,318	6,575,318	Note 6

(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 Operation Procedures for Lending Funds to Others of lender, 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, 2018 and be translated into NTD using the exchange rate at the balance sheet date.

Note 6: According to Operation Procedures for Lending Funds to Others of lender, 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, 2018 and be translated into NTD using the exchange rate at the balance sheet date.

TABLE 2

## Eternal Materials Co., Ltd. and Subsidiaries

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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)	Amount Actually 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)											
0	Eternal Materials Co., Ltd.	Eternal Specialty Materials (Suzhou) Co., Ltd.	2	\$ 21,003,079	\$ 1,201,201	\$ 897,105	\$ 402,748	\$ -	4.27	\$ 21,003,079	Y	N	Y	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Eternal (China) Investment Co., Ltd.	2	21,003,079	460,725	460,725	245,720	-	2.19	21,003,079	Y	N	Y	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Eternal Holdings Inc.	2	21,003,079	3,225,075	1,689,325	1,154,270	-	8.04	21,003,079	Y	N	N	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Eternal Technology Corporation	2	21,003,079	307,150	307,150	245,720	-	1.46	21,003,079	Y	N	N	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Nikko-Materials Co., Ltd.	2	21,003,079	139,100	139,100	30,724	-	0.66	21,003,079	Y	N	N	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Eternal Synthetic Resins (Changshu) Co., Ltd.	2	21,003,079	701,035	701,035	389,159	-	3.34	21,003,079	Y	N	Y	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	2	21,003,079	2,746,022	1,640,282	555,872	-	7.81	21,003,079	Y	N	Y	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Eternal Chemical (Chengdu) Co., Ltd.	2	21,003,079	1,304,515	536,640	-	-	2.56	21,003,079	Y	N	Y	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Eternal Chemical (Tianjin) Co., Ltd.	2	21,003,079	952,590	947,235	615,441	-	4.51	21,003,079	Y	N	Y	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Eternal Sun A. (Suzhou) Co., Ltd.	2	21,003,079	405,438	110,574	50,065	-	0.53	21,003,079	Y	N	Y	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Eternal Materials (Malaysia) Sdn. Bhd.	2	21,003,079	2,116,266	2,116,266	1,698,081	-	10.08	21,003,079	Y	N	N	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Elga Europe S.r.l.	2	21,003,079	214,487	212,256	142,208	-	1.01	21,003,079	Y	N	N	Notes 3 and 6
1	Eternal Chemical (China) Co., Ltd.	Eternal Chemical (Tianjin) Co., Ltd.	4	4,300,940	136,950	134,160	-	-	3.12	4,300,940	N	N	Y	Note 7
1	Eternal Chemical (China) Co., Ltd.	Eternal Synthetic Resins (Changshu) Co., Ltd.	4	4,300,940	91,300	89,440	-	-	2.08	4,300,940	N	N	Y	Note 7
1	Eternal Chemical (China) Co., Ltd.	Eternal Specialty Materials (Suzhou) Co., Ltd.	4	4,300,940	91,300	89,440	-	-	2.08	4,300,940	N	N	Y	Note 7
1	Eternal Chemical (China) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	4	4,300,940	136,950	134,160	-	-	3.12	4,300,940	N	N	Y	Note 7
1	Eternal Chemical (China) Co., Ltd.	Eternal Chemical (Chengdu) Co., Ltd.	4	4,300,940	45,650	44,720	-	-	1.04	4,300,940	N	N	Y	Note 7
1	Eternal Chemical (China) Co., Ltd.	Eternal Materials (Guangdong) Co., Ltd.	4	4,300,940	91,300	89,440	-	-	2.08	4,300,940	N	N	Y	Note 7
1	Eternal Chemical (China) Co., Ltd.	Eternal Specialty Materials (Zhuhai) Co., Ltd.	4	2,100,308	273,900	268,320	-	-	12.78	2,100,308	N	N	Y	Note 7
1	Eternal Chemical (China) Co., Ltd.	Eternal (China) Investment Co., Ltd.	4	4,300,940	45,650	44,720	-	-	1.04	4,300,940	N	N	Y	Note 7
2	Eternal Chemical (Tianjin) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	4	692,546	136,950	134,160	-	-	19.37	692,546	N	N	Y	Note 7
3	Eternal Synthetic Resins (Changshu) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	4	134,309	91,300	89,440	-	-	66.59	134,309	N	N	Y	Note 7
4	Eternal Specialty Materials (Suzhou) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	4	1,132,980	91,300	89,440	-	-	7.89	1,132,980	N	N	Y	Note 7
5	Eternal Electronic (Suzhou) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	4	1,296,041	136,950	134,160	-	-	10.35	1,296,041	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)	Amount Actually 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	\$ 4,146,086	\$ 182,600	\$ 178,880	\$ -	\$ -	4.31	\$ 4,146,086	N	N	Y	Note 7
7	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	4	6,621,768	91,300	89,440	-	-	1.35	6,621,768	N	N	Y	Note 7
8	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	4	3,895,500	91,300	89,440	-	-	2.30	3,895,500	N	N	Y	Note 7
9	Eternal (China) Investment Co., Ltd.	Eternal Chemical (China) Co., Ltd.	4	14,133,708	45,650	44,720	-	-	0.32	14,133,708	N	N	Y	Note 7

(Concluded)

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

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

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

- Have a business relationship.
- The company owns directly or indirectly more than 50% of the voting shares of the company.
- Total ownership of more than 50% of the investee, either directly by the Company and/or indirectly by the Company's subsidiaries.
- Subsidiaries in which the Company owns directly or indirectly more than 90% of the voting shares.
- Companies where the Company is required to provide guarantees or endorsements for the construction project based on the construction contract.
- Companies where the shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership due to a joint venture.
- 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, 2018.

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, 2018.

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, 2018.

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% of 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, 2018

(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, 2018				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	\$ 393,902	2.46	\$ 393,902	Note 3
	TBG Diagnostics Limited (stock)	-	Financial assets at fair value through other comprehensive income - noncurrent	40,200,000	49,643	18.48	49,643	
	Universal Venture Capital Investment Corp. (stock)	-	Financial assets at fair value through other comprehensive income - noncurrent	5,000,000	37,707	4.15	37,707	
	Mega I Venture Capital Co., Ltd. (stock)	-	Financial assets at fair value through other comprehensive income - noncurrent	1,653,750	2,609	4.90	2,609	
	Der Yang Biotechnology Venture Capital Co., Ltd. (stock)	-	Financial assets at fair value through other comprehensive income - noncurrent	505,706	4,331	11.11	4,331	
	Universal Development & Investment Capital I Co., Ltd. (stock)	-	Financial assets at fair value through other comprehensive income - noncurrent	2,827,400	24,450	19.74	24,450	
	The Orchard Corp. of Taiwan Ltd. (stock)	Second degree relative of the Company's director.	Financial assets at fair value through other comprehensive income - noncurrent	2,296,285	41,556	11.26	41,556	
	Hwa Nan Venture Capital Co., Ltd. (stock)	-	Financial assets at fair value through other comprehensive income - noncurrent	57,438	-	10.60	-	
Eternal Global (BVI) Co., Ltd.	Orchard Decorative Materials (China) Co., Ltd.	Second degree relative of the Company's director.	Financial assets at fair value through other comprehensive income - noncurrent	Note 2	31,215	6.36	31,215	Note 3
Mixville Holdings Inc.	Grace THW Holding Limited (stock)	-	Financial assets at fair value through other comprehensive income - noncurrent	1,900,000	130,624	Note 1	130,624	Note 3
	Pacven Walden Ventures V, L.P. (fund)	-	Financial assets at fair value through profit or loss - noncurrent	-	7,341	Note 1	7,341	Note 3

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

Note 2: No share issued.

Note 3: Translated into NTD using the exchange rate at the balance sheet date.

**Eternal Materials Co., Ltd.**

**DISPOSAL 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, 2018  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Seller	Property	Event Date	Original Acquisition Date	Carrying Amount	Transaction Amount	Collection	Gain (Loss) on Disposal	Counterparty	Relationship	Purpose of Disposal	Price Reference	Other Terms
Eternal Materials Co., Ltd.	No.2509-2516, at Zhuanzaiyao section in Daliao District, Kaohsiung	November 30, 2018 (Note)	October 1, 1977 April 1, 1989	\$ 9,243	\$ 500,000	Not settled yet	Not settled yet	Legal entity	No	Disposal of idle assets	Negotiated by reference to real estate appraiser report	NA

Note: The Company had signed a contract with a non-related party. The transaction was settled and a gain on disposal of NT\$ 420,438 thousand was recognized in February 2019.

## 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, 2018  
(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	\$ 551,017	3	Note 1	\$ -	-	\$ 103,222	3	
	Eternal Chemical (China) Co., Ltd.	Subsidiary	Sales	359,455	2	Note 1	-	-	88,521	2	
	Eternal Electronic Material (Thailand) Co., Ltd.	Subsidiary	Sales	373,749	2	Note 1	-	-	138,164	4	
	CHOU-KOU Materials Co., Ltd.	Subsidiary	Sales	296,822	2	Note 1	-	-	69,690	2	
	Eternal Materials (Guangdong) Co., Ltd.	Subsidiary	Sales	305,760	2	Note 1	-	-	65,596	2	
	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Subsidiary	Sales	244,712	2	Note 1	-	-	41,282	1	
	Eternal Electronic Material (Guangzhou) Co., Ltd.	Subsidiary	Sales	318,637	2	Note 1	-	-	57,100	1	
	Eternal (China) Investment Co., Ltd.	Subsidiary	Sales	261,936	2	Note 1	-	-	54,561	1	
	Eternal Electronic (Suzhou) Co., Ltd.	Subsidiary	Sales	166,441	1	Note 1	-	-	67,109	2	
	Eternal Technology Corporation	Subsidiary	Sales	131,252	1	Note 1	-	-	76,767	2	
Eternal Materials (Guangdong) Co., Ltd.	Eternal Electronic Material (Guangzhou) Co., Ltd.	Sister company	Sales	322,365	6	Note 1	-	-	58,768	3	
	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Sister company	Sales	307,270	6	Note 1	-	-	53,438	3	
	Allnex-Eternal Resins (Guangdong) Co., Ltd.	Associate	Sales	282,428	5	Note 1	-	-	98,690	5	
Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	Sister company	Sales	644,959	24	Note 1	-	-	396,073	21	
	Eternal Electronic Material (Guangzhou) Co., Ltd.	Sister company	Sales	429,694	16	Note 1	-	-	200,122	11	
Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Sister company	Sales	463,758	17	Note 1	-	-	175,981	12	
	Eternal Electronic (Suzhou) Co., Ltd.	Sister company	Sales	182,118	7	Note 1	-	-	90,209	6	
Eternal Specialty Materials (Suzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	Sister company	Sales	221,149	11	Note 1	-	-	56,199	9	
Eternal (China) Investment Co., Ltd.	Eternal Material Co., Ltd.	Ultimate parent company	Sales	213,265	16	Note 1	-	-	-	-	
	Eternal Electronic (Suzhou) Co., Ltd.	Sister company	Sales	113,688	8	Note 1	-	-	-	-	

(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	
Nikko Mechanics Co., Ltd.	Nikko-Materials Co., Ltd.	Parent company	Sales	\$ 628,399	94	Note 1	\$ -	-	\$ 109,128	97	
Eternal Chemical (Tianjin) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	Sister company	Sales	152,136	7	Note 1	-	-	53,480	7	
Eternal Chemical (China) Co., Ltd.	Eternal Chemical (Tianjin) Co., Ltd.	Sister company	Sales	140,356	3	Note 1	-	-	36,391	2	
	Allnex-Eternal Resins (Guangdong) Co., Ltd.	Associate	Sales	171,370	4	Note 1	-	-	68,867	4	
Eternal Specialty Materials (Zhuhai) Co., Ltd.	Eternal Material Co., Ltd.	Ultimate parent company	Sales	105,733	3	Note 1	-	-	24,394	2	

(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.

**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, 2018**

**(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
					Amount	Actions Taken		
Eternal Materials Co., Ltd.	Eternal Specialty Materials (Zhuhai) Co., Ltd.	Subsidiary	\$ 103,222	5.04	\$ -	-	\$ 19,943	\$ -
Eternal Materials Co., Ltd.	Eternal Electronic Material (Thailand) Co., Ltd.	Subsidiary	138,164	2.81	-	-	35,927	-
Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	Sister company	396,073	1.8	65,404	-	59,872	-
Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Electronic Material (Guangzhou) Co., Ltd.	Sister company	200,122	2.54	64,896	-	66,064	-
Nikko Mechanics Co., Ltd.	Nikko-Materials Co., Ltd.	Parent company	109,128	4.87	-	-	38,884	-
Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Sister company	175,981	3.13	-	-	56,651	-

## Eternal Materials Co., Ltd. and Subsidiaries

INTERCOMPANY BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Amounts in Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counterparty	Relationship (Note 2)	Transactions Details			% to Total Revenues or Assets (Note 3)
				Financial Statement Item (Note 6)	Amount	Terms	
0	Eternal Materials Co., Ltd.	Eternal Specialty Materials (Zhuhai) Co., Ltd.	1	Revenue from sales of goods	\$ 551,017	Note 4	1.27
0	Eternal Materials Co., Ltd.	Eternal Chemical (China) Co., Ltd.	1	Revenue from sales of goods	359,455	Note 4	0.83
0	Eternal Materials Co., Ltd.	Eternal Electronic Material (Thailand) Co., Ltd.	1	Revenue from sales of goods	373,749	Note 4	0.86
0	Eternal Materials Co., Ltd.	Eternal Electronic Material (Guangzhou) Co., Ltd.	1	Revenue from sales of goods	318,637	Note 4	0.74
0	Eternal Materials Co., Ltd.	CHOU-KOU Materials Co., Ltd.	1	Revenue from sales of goods	296,822	Note 4	0.69
0	Eternal Materials Co., Ltd.	Eternal Materials (Guangdong) Co., Ltd.	1	Revenue from sales of goods	305,760	Note 4	0.71
0	Eternal Materials Co., Ltd.	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	1	Revenue from sales of goods	244,712	Note 4	0.57
0	Eternal Materials Co., Ltd.	Eternal (China) Investment Co., Ltd.	1	Revenue from sales of goods	261,936	Note 4	0.60
0	Eternal Materials Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	1	Revenue from sales of goods	166,441	Note 4	0.38
0	Eternal Materials Co., Ltd.	Eternal Technology Corporation	1	Revenue from sales of goods	131,252	Note 4	0.30
0	Eternal Materials Co., Ltd.	Eternal Specialty Materials (Zhuhai) Co., Ltd.	1	Accounts receivable	103,222	Note 4	0.19
0	Eternal Materials Co., Ltd.	Eternal Electronic Material (Thailand) Co., Ltd.	1	Accounts receivable	138,164	Note 4	0.25
0	Eternal Materials Co., Ltd.	Eternal (China) Investment Co., Ltd.	1	Other income	108,284	Note 4	0.25
0	Eternal Materials Co., Ltd.	Eternal (China) Investment Co., Ltd.	1	Other receivables from related parties	112,927	Note 4	0.21
1	Eternal Holdings Inc.	Eternal (China) Investment Co., Ltd.	3	Other receivables from related parties	307,150	Note 5	0.57
1	Eternal Holdings Inc.	Eternal Technology Corporation	3	Other receivables from related parties	245,720	Note 5	0.45
1	Eternal Holdings Inc.	Elga Europe S.r.l.	3	Other receivables from related parties	140,800	Note 5	0.26
1	Eternal Holdings Inc.	Eternal Optical Material (Suzhou) Co., Ltd.	3	Other receivables from related parties	215,005	Note 5	0.40
1	Eternal Holdings Inc.	Eternal Chemical (Tianjin) Co., Ltd.	3	Other receivables from related parties	153,575	Note 5	0.28
1	Eternal Holdings Inc.	Eternal Sun A. (Suzhou) Co., Ltd.	3	Other receivables from related parties	110,574	Note 5	0.20
2	Eternal Chemical (China) Co., Ltd.	Eternal Chemical (Tianjin) Co., Ltd.	3	Revenue from sales of goods	140,356	Note 4	0.32
2	Eternal Chemical (China) Co., Ltd.	Eternal Chemical (Tianjin) Co., Ltd.	3	Other receivables from related parties	404,768	Note 5	0.74
2	Eternal Chemical (China) Co., Ltd.	Eternal Synthetic Resins (Changshu) Co., Ltd.	3	Other receivables from related parties	249,328	Note 5	0.46
2	Eternal Chemical (China) Co., Ltd.	Eternal Chemical (Chengdu) Co., Ltd.	3	Other receivables from related parties	448,343	Note 5	0.82
2	Eternal Chemical (China) Co., Ltd.	Eternal Specialty Materials (Suzhou) Co., Ltd.	3	Other receivables from related parties	202,369	Note 5	0.25

(Continued)

No. (Note 1)	Company Name	Counterparty	Relationship (Note 2)	Transactions Details			% to Total Revenues or Assets (Note 3)
				Financial Statement Item (Note 6)	Amount	Terms	
3	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Optical Material (Suzhou) Co., Ltd.	3	Other receivables from related parties	\$ 274,086	Note 5	0.50
3	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Photoelectric Material Industry (Yingkou) Co., Ltd.	3	Other receivables from related parties	314,823	Note 5	0.58
3	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal (China) Investment Co., Ltd.	2	Other receivables from related parties	438,256	Note 5	0.81
3	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Chemical (Chengdu) Co., Ltd.	3	Long-term receivables from related parties	760,240	Note 5	1.40
3	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal (China) Investment Co., Ltd.	2	Long-term receivables from related parties	760,240	Note 5	1.40
3	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	3	Other receivables from related parties	134,160	Note 5	0.25
3	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	3	Long-term receivables from related parties	447,200	Note 5	0.82
3	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Chemical (Tianjin) Co., Ltd.	3	Long-term receivables from related parties	357,760	Note 5	0.66
3	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	3	Revenue from sale of goods	463,758	Note 4	1.07
3	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	3	Revenue from sale of goods	182,118	Note 4	0.42
3	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Photoelectric Materials (Guangzhou) Co., Ltd.	3	Accounts receivable	175,981	Note 4	0.32
4	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Optical Material (Suzhou) Co., Ltd.	3	Other receivables from related parties	357,760	Note 5	0.66
4	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Synthetic Resins (Changshu) Co., Ltd.	3	Long-term receivables from related parties	357,760	Note 5	0.66
4	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	3	Long-term receivables from related parties	223,600	Note 5	0.41
4	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	3	Revenue from sales of goods	644,959	Note 4	1.49
4	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Electronic Material (Guangzhou) Co., Ltd.	3	Revenue from sales of goods	429,694	Note 4	0.99
4	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	3	Accounts receivable	396,073	Note 4	0.73
4	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Electronic Material (Guangzhou) Co., Ltd.	3	Accounts receivable	200,122	Note 4	0.37

(Continued)

No. (Note 1)	Company Name	Counterparty	Relationship (Note 2)	Transactions Details			% to Total Revenues or Assets (Note 3)
				Financial Statement Item (Note 6)	Amount	Terms	
5	Eternal (China) Investment Co., Ltd.	Eternal Materials Co., Ltd.	2	Revenue from sales of goods	\$ 213,265	Note 4	0.49
5	Eternal (China) Investment Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	1	Revenue from sales of goods	113,688	Note 4	0.26
6	Eternal Materials (Guangdong) Co., Ltd.	Eternal (China) Investment Co., Ltd.	3	Other receivables from related parties	935,296	Note 5	1.72
6	Eternal Materials (Guangdong) Co., Ltd.	Eternal Electronic Material (Guangzhou) Co., Ltd.	3	Revenue from sales of goods	322,365	Note 4	0.74
6	Eternal Materials (Guangdong) Co., Ltd.	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	3	Revenue from sales of goods	307,270	Note 4	0.71
7	Eternal Specialty Materials (Suzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	3	Revenue from sales of goods	221,149	Note 4	0.51
8	Nikko Mechanics Co., Ltd.	Nikko-Materials Co., Ltd.	2	Revenue from sales of goods	628,399	Note 4	1.45
8	Nikko Mechanics Co., Ltd.	Nikko-Materials Co., Ltd.	2	Accounts receivable	109,128	Note 4	0.20
9	Eternal Chemical (Tianjin) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	3	Revenue from sales of goods	152,136	Note 4	0.35
10	Eternal Specialty Materials (Zhuhai) Co., Ltd.	Eternal Materials Co., Ltd.	2	Revenue from sales of goods	105,733	Note 4	0.24

(Concluded)

Note 1: The transaction information of the Company and its subsidiaries 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.



## Eternal Materials Co., Ltd. and Subsidiaries

INFORMATION ON INVESTEEES (EXCLUDING INVESTMENT IN MAINLAND CHINA)  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(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, 2018			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2018	December 31, 2017	Shares	Percentage of Ownership	Carrying Amount			
Eternal Materials Co., Ltd.	Eternal Holdings Inc.	Samoa	International investment	\$ 6,512,657	\$ 6,669,271	213,363,859	100.00	\$ 16,496,052	\$ 345,426	\$ 337,232	Note 1
Eternal Materials Co., Ltd.	Eternal Global (BVI) Co., Ltd.	British Virgin Islands	International investment	793,727	793,727	19,321,024	100.00	4,495,084	373,800	376,692	Note 1
Eternal Materials Co., Ltd.	Mixville Holdings Inc.	British Virgin Islands	International investment	989,582	1,088,366	29,530,000	100.00	4,277,420	287,887	286,072	Note 1
Eternal Materials Co., Ltd.	Advanced PETFILM Investment Co., Ltd.	Japan	International investment	788,630	788,630	270	20.00	394,765	(106,840)	(19,677)	
Eternal Materials Co., Ltd.	Daxin Materials Corporation	Taiwan	Manufacturing and selling of chemical, resins materials and electronic materials.	191,052	210,453	23,423,812	22.80	603,924	655,535	153,563	
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	185,936	185,936	17,268,963	62.80	171,864	(3,613)	(2,269)	
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	109,973	91,284	36,514	
Eternal Materials Co., Ltd.	Eternal Capatech Co., Ltd.	Taiwan	Manufacturing and selling of electronic spare parts and related materials parts	147,000	147,000	14,700,000	96.71	31,568	(2,648)	(2,561)	
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	119,176	16,302	13,505	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	87,122	(262)	944	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	851,745	216,790	212,355	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	893,340	(183,603)	(166,597)	Note 1
Eternal Materials Co., Ltd.	Elga Europe S.r.l.	Italy	Manufacturing, selling, agency and processing of electronic chemical products	287,169	202,927	-	72.68	225,694	(59,140)	(23,288)	Note 1
Eternal Holdings Inc.	Eternal International (BVI) Co., Ltd.	British Virgin Islands	International investment	6,550,737	6,367,917	211,823,592	100.00	14,154,311	203,608	-	Notes 2 and 4
Eternal Holdings Inc.	E-Chem Corp.	Samoa	International investment	165,608	640,195	4,990,000	100.00	1,883,466	99,429	-	Notes 2, 3 and 4
Eternal Holdings Inc.	Allnex-Eternal Resins Corporation Limited	Hong Kong	Trading and international investment	155,870	140,851	4,851,000	49.00	263,947	87,488	-	Notes 2 and 4
Eternal Holdings Inc.	Polymer Instrumentation and Consulting Services, Ltd.	United states	Plastic products manufacturing	121,913	-	4,694,296	30.00	113,490	(40,160)	-	Notes 2 and 4
Eternal International (BVI) Co., Ltd.	Eternal Technology Corporation	United States	Manufacturing and selling of photoresist	600,693	600,693	2,333	100.00	(8,595)	(39,650)	-	Notes 2 and 4
Mixville Holdings Inc.	High Expectation Limited	Cayman Islands	International investment	871,519	871,519	26,005,000	100.00	4,148,776	285,520	-	Notes 2 and 4
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	26,113	(59,140)	-	Notes 2 and 4
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	168,288	42,978	-	Notes 2 and 4

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: The investment amounts included investments indirectly invested in another company by transferring retained earnings into capital or dividend distribution.

Note 4: Translated into NTD using the average exchange rate for the reporting period and exchange rate at the balance sheet date.

## Eternal Materials Co., Ltd. and Subsidiaries

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2018

(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, 2018 (Note 8)	Investment Flows		Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% of Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
					Outward	Inward							
Eternal Chemical (China) Co., Ltd.	Manufacturing and selling of resins material and processing products	\$ 755,651	2	\$ 625,549	\$ -	\$ -	\$ 625,549	\$ 352,631	100.00	\$ 352,631	\$ 4,300,940	\$ 504,616	Notes 2 and 4
DSM Eternal Resins (Kunshan) Co., Ltd.	Manufacturing and selling of powder coating resin	183,470	2	91,735	-	-	91,735	37,384	50.00	18,511	314,029	479,187	Note 3
Changhe International Trading (GZFTZ) Co., Ltd.	International trading, commercial trading, entrepot trading, products displayed, bounded warehousing and business consulting service	13,661	2	7,020	-	-	7,020	(4,506)	100.00	(4,506)	21,704	-	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	51,394	6.36	-	31,215	32,871	Note 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	(39,261)	100.00	(39,261)	246,132	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	356,415	100.00	356,415	6,621,768	983,767	Notes 2 and 4
Eternal Optical Material (Suzhou) Co., Ltd.	Manufacturing and selling of optical film	614,887	2	-	-	-	-	(73,770)	100.00	(73,770)	(546,219)	-	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	-	-	-	-	393,557	100.00	393,557	3,895,500	-	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	-	-	-	-	(7,169)	100.00	(7,169)	(200,070)	-	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	13,177	40.00	6,057	201,434	-	Notes 3 and 4
Eternal Synthetic Resins (Changshu) Co., Ltd.	Manufacturing and selling of unsaturated polyester resin	726,426	2	279,811	-	-	279,811	(45,723)	100.00	(45,723)	134,309	-	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	15,793	100.00	15,793	692,546	-	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	139,970	90.00	130,587	1,870,233	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	(27,679)	40.00	(20,657)	11,702	-	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	285,701	100.00	285,701	4,146,086	445,942	Notes 2 and 4

(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, 2018 (Note 8)	Investment Flows		Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% of Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
					Outward	Inward							
Eternal (China) Investment Co., Ltd.	Managing, investing consulting service, researching, manufacturing and selling of resins material and photoelectric chemicals materials	\$ 8,369,307	2	\$ 4,878,364	\$ 182,820	\$ -	\$ 5,061,184	\$ 242,641	100.00	\$ 242,641	\$ 14,133,708	\$ -	Notes 2, 4 and 5
Eternal Chemical (Chengdu) Co., Ltd.	Researching and developing resins material and products	450,351	2	-	-	-	-	(185,250)	100.00	(185,250)	(87,620)	-	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, and selling, providing after sales service of self-produced products	1,381,040	2	-	-	-	-	64,845	100.00	64,845	1,296,041	-	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	-	-	-	-	(145,317)	60.00	(87,190)	214,973	-	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	-	-	-	-	94,288	100.00	94,288	1,132,980	-	Notes 2 and 4
Eternal Materials (Changzhou) Co., Ltd.	Selling of fluorocarbon resin and polyester resin products	602,000	2	-	-	-	-	46,248	100.00	46,248	629,442	-	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	-	-	-	-	4,809	30.00	3,093	88,523	-	Notes 2 and 4
Hangzhou Yongxinyang Photoelectric Materials Co. Ltd.	Researching, developing, selling and manufacturing optical film for liquid-crystal display	45,170	2	-	-	-	-	(34,429)	51.00	(27,855)	(4,957)	-	Notes 2 and 4

Investor Company	Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2018 (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.	\$ 8,915,034	\$ 24,854,338	\$ -

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 transferring 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 wired back to the Company but remaining on the accounts of the holding company.

(Concluded)

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**STATEMENT 1**

**Eternal Materials Co., Ltd.**

**STATEMENT OF CASH AND CASH EQUIVALENTS**

**DECEMBER 31, 2018**

**(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

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<b>Item</b>	<b>Description</b>	<b>Amount</b>
Cash on hands		\$ 3,841
Cash in banks	Checking accounts	130,076
	NTD demand deposits	60,000
	USD demand deposits (USD2,087 thousand @30.7150)	64,096
	JPY demand deposits (JPY29,559 thousand @0.2782)	8,223
	RMB demand deposits (RMB2 thousand @4.4720)	8
		<hr/>
		<b><u>\$ 266,244</u></b>

**STATEMENT 2**

**Eternal Materials Co., Ltd.**

**STATEMENT OF ACCOUNTS RECEIVABLE, NET  
DECEMBER 31, 2018  
(In Thousands of New Taiwan Dollars)**

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Client Name	Description	Amount	Remark
Non-related parties			
Others (Note)		\$ 2,679,047	
Less: Allowance for loss		<u>(70,761)</u>	
		<u>\$ 2,608,286</u>	
Related parties			
Eternal Electronic Material (Thailand) Co., Ltd.	Sales of goods	\$ 138,164	
Eternal Specialty Materials (Zhuhai) Co., Ltd.	Sales of goods	103,222	
Eternal Chemical (China) Co., Ltd.	Sales of goods	88,521	
Eternal Technology Corporation	Sales of goods	76,767	
CHOU-KOU Materials Co., Ltd.	Sales of goods	69,690	
Eternal Electronic (Suzhou) Co., Ltd.	Sales of goods	67,109	
Eternal Materials (Guangdong) Co., Ltd.	Sales of goods	65,596	
Eternal Electronic Material (Guangzhou) Co., Ltd.	Sales of goods	57,100	
ESCO Specialty Coatings (Shanghai) Co., Ltd.	Sales of goods	55,844	
Eternal (China) Investment Co., Ltd.	Sales of goods	54,561	
Others (Note)		<u>138,291</u>	
		914,865	
Less: Allowance for loss		<u>(5,691)</u>	
		<u>\$ 909,174</u>	

Note: The amount of individual client included in others does not exceed 5% of the account balance.

**STATEMENT 3**

**Eternal Materials Co., Ltd.**

**STATEMENT OF OTHER RECEIVABLES  
DECEMBER 31, 2018  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Description</b>	<b>Amount</b>
Receivable for trademark license fee		\$ 256,269
Receivable for service fee		129,230
Receivable for equipment		77,098
Receivable for business tax		67,957
Receivable for endorsement and guarantee fee		50,403
Others (Note)		<u>38,844</u>
		<u>\$ 619,801</u>

Note: The amount of individual item included in others does not exceed 5% of the account balance.



**STATEMENT 4****Eternal Materials Co., Ltd.****STATEMENT OF INVENTORIES****DECEMBER 31, 2018****(In Thousands of New Taiwan Dollars)**

Item	Description	Amount		Remark
		Cost	Net realizable Value	
Raw materials		\$ 1,291,423	\$ 1,305,041	Note
Supplies		74,482	74,482	Note
Finished goods		1,420,209	1,775,100	Note
Inventory in transit		<u>89,442</u>	<u>89,442</u>	Note
		<u>\$ 2,875,556</u>	<u>\$ 3,244,065</u>	

Note: Refer to Note 4 (6) for the method used in determining the net realizable value.

## Eternal Materials Co., Ltd.

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME-NONCURRENT  
 FOR THE YEAR ENDED DECEMBER 31, 2018  
 (In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Name	Beginning of the Year (Note 1)		Additions (Note 2)		Decrease (Note 3)		End of the Year		Guarantee or Pledge	Remark
	Shares	Fair Value (Note 4)	Shares	Amount	Shares	Amount	Shares	Fair Value (Note 4)		
Domestic listed shares										
President Securities Corp.	34,252,383	\$ 491,522	-	\$ -	-	\$ (97,620)	34,252,383	\$ 393,902	No	
Domestic unlisted shares										
The Orchard Corp. of Taiwan Ltd.	2,296,285	47,488	-	-	-	(5,932)	2,296,285	41,556	No	
Universal Venture Capital Investment Corp.	5,000,000	43,640	-	-	-	(5,933)	5,000,000	37,707	No	
Universal Development & Investment Capital I Co., Ltd.	2,827,400	21,513	-	2,937	-	-	2,827,400	24,450	No	
Der Yang Biotechnology Venture Capital Co., Ltd.	839,040	9,019	-	-	(333,334)	(4,688)	505,706	4,331	No	
Mega I Venture Capital Co., Ltd.	1,653,750	1,920	-	689	-	-	1,653,750	2,609	No	
Hwa Nan Venture Capital Co., Ltd.	57,438	-	-	-	-	-	57,438	-	No	
Foreign listed shares										
TBG Diagnostics Limited	40,200,000	<u>56,854</u>	-	<u>-</u>	-	<u>(7,211)</u>	40,200,000	<u>49,643</u>	No	
		<u>\$ 671,956</u>		<u>\$ 3,626</u>		<u>\$ (121,384)</u>		<u>\$ 554,198</u>		

Note 1: The balance of beginning of the year is the balance of retrospective application under IFRS 9 in January 1, 2018 .

Note 2: The additions for the year is valuation adjustment.

Note 3: The decrease for the year is capital reduction and valuation adjustment.

Note 4: Fair value is determined by the closing price or market approach and arrived at by reference to the type of industry, similar companies and the company's operations at the balance sheet date.

## Eternal Materials Co., Ltd.

**STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD  
FOR THE YEAR ENDED DECEMBER 31, 2018**  
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Name	Balance, Beginning of the Year		Additions (Note 2)		Decrease (Note 3)		Investment Gain (Loss)	Other Adjustments (Note 4)	Balance, End of the Year			Market Value or Net Assets Value		Guarantee or Pledge	Remark
	Shares (In Thousands)	Amount (Note 1)	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount			Shares (In Thousands)	%	Amount	Unit price (NT\$)	Total Amount		
Eternal Holdings Inc.	218,242	\$ 16,614,663	9,422	\$ 284,635	(14,300 )	\$ (441,250 )	\$ 337,232	\$ (299,228 )	213,364	100.00	\$ 16,496,052	\$ 77	\$ 16,438,326	No	
Eternal Global (BVI) Co., Ltd.	19,321	4,449,567	-	-	-	(222,082 )	376,692	(109,093 )	19,321	100.00	4,495,084	243	4,699,539	No	
Mixville Holdings Inc.	32,730	4,426,773	-	-	(3,200 )	(318,411 )	286,072	(117,014 )	29,530	100.00	4,277,420	145	4,295,441	No	
Eternal Materials (Malaysia) Sdn. Bhd.	165,856	1,052,411	-	-	-	-	(166,597 )	7,526	165,856	90.00	893,340	5	894,706	No	
Nikko-Materials Co., Ltd.	12	658,318	-	-	-	(54,360 )	212,355	35,432	12	100.00	851,745	74,332	856,303	No	
Daxin Materials Corporation	24,294	603,504	2,130	-	(3,000 )	(149,289 )	153,563	(3,854 )	23,424	22.80	603,924	93	2,178,415	No	
Advanced PETFILM Investment Co., Ltd.	-	422,288	-	-	-	-	(19,677 )	(7,846 )	-	20.00	394,765	1,368,921	369,609	No	Note 5
New E Materials Co., Ltd.	17,269	175,808	-	-	-	(1,675 )	(2,269 )	-	17,269	62.80	171,864	10	171,863	No	
DSM Resins (Far East) Co., Ltd.	3,660	139,511	-	-	-	(66,240 )	36,514	188	3,660	40.00	109,973	30	109,973	No	
Eternal Electronic Material (Thailand) Co., Ltd.	938	114,885	-	-	-	(13,931 )	13,505	4,717	938	75.00	119,176	138	129,262	No	
CHOU-KOU Materials Co., Ltd.	4	81,785	-	-	-	-	944	4,393	4	100.00	87,122	22,085	88,342	No	
Elga Europe S.r.l.	-	180,676	-	84,241	-	-	(23,288 )	(15,935 )	-	72.68	225,694		101,441	No	Note 6
Eternal Capatech Co., Ltd.	14,700	34,129	-	-	-	-	(2,561 )	-	14,700	96.71	31,568	2	31,567	No	
		<u>\$ 28,954,318</u>		<u>\$ 368,876</u>		<u>\$ (1,267,238 )</u>	<u>\$ 1,202,485</u>	<u>\$ (500,714 )</u>			<u>\$ 28,757,727</u>				

Note 1: The balance of beginning of the year is the balance of retrospective application under IFRS 9 in January 1, 2018.

Note 2: Subscription for new shares and share dividends.

Note 3: Capital reduction, disposal of the shares of investee and cash dividends.

Note 4: Other adjustments:

- 1) Exchange differences on translating foreign operations that are recognized using the equity method.
- 2) Recognized the difference between subscription that is not proportional to holding and the net asset of the investee.
- 3) Recognized remeasurement of defined benefit plans of investments accounted for using the equity method.
- 4) Recognized unrealized gains and losses on financial assets at FVTOCI of investments accounted for using the equity method.
- 5) A subsidiary increased investments in financial assets at FVTOCI and had significant influence over it. The difference of fair values are deemed as disposal.
- 6) Recognized capital surplus adjustment for disposal of investments accounted for using the equity method.

Note 5: Less than a thousand shares.

Note 6: No share issued, not applicable.

**STATEMENT 7**

**Eternal Materials Co., Ltd.**

**STATEMENT OF ACCOUNTS PAYABLES**

**DECEMBER 31, 2018**

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

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<b>Vendor Name</b>	<b>Description</b>	<b>Amount</b>	<b>Remark</b>
Chang Chun Plastics Co., Ltd.	Purchase of goods	\$ 224,780	
Nan Ya Plastics Corporation	Purchase of goods	211,258	
Chang Chun Petrochemical Co., Ltd.	Purchase of goods	130,020	
Others (Note)		<u>953,280</u>	
		<u>\$ 1,519,338</u>	

Note: The amount of individual vendor in others does not exceed 5% of the account balance.

**STATEMENT 8**

**Eternal Materials Co., Ltd.**

**STATEMENT OF OTHER PAYABLES - OTHER  
DECEMBER 31, 2018  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Description</b>	<b>Amount</b>
Payable for equipment		\$ 199,676
Payable for packaging materials		106,821
Bonus		82,261
Employee compensation		77,544
Others (Note)		<u>351,004</u>
		<u>\$ 817,306</u>

Note: The amount of individual item in others does not exceed 5% of the account balance.

**Eternal Materials Co., Ltd.**

**STATEMENT OF OTHER NON-CURRENT LIABILITIES**

**DECEMBER 31, 2018**

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

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<b>Item</b>	<b>Description</b>	<b>Amount</b>	<b>Remark</b>
Net defined benefit liability		\$ 994,094	
Others (Note)		<u>18,633</u>	
		<u>\$ 1,012,727</u>	

Note: The amount of individual item in others does not exceed 5% of the account balance.

## Eternal Materials Co., Ltd.

STATEMENT OF LONG-TERM BORROWINGS  
 DECEMBER 31, 2018  
 (In Thousands of New Taiwan Dollars)

Creditors	Description	Loan Amount	Agreement Period	Interest Rate Range (%)	Pledge or Guarantee	Remark
Unsecured loans						
Syndicated credit facility with 11 banks led by Taipei Fubon Commercial Bank Co., Ltd.	Repay in installment, non-revolving credit	\$ 2,625,000	2015.08-2020.08	1.79-1.80	No	
First commercial bank	Bullet repayment, non-revolving credit	1,800,000	2014.09-2022.11	1.94-2.02	No	
Syndicated credit facility with 8 banks led by E.SUN Commercial Bank, Ltd.	Repay in installment, non-revolving credit	2,700,000	2018.07-2023.05	1.79	No	
HSBC Bank (Taiwan) Limited	Repay in installment, non-revolving credit	720,000	2014.11-2020.08	1.15-2.03	No	
Mizuho bank, Ltd.	Bullet repayment, revolving credit	680,000	2018.02-2020.02	0.88	No	
Mega International Commercial Bank Co., Ltd.	Bullet repayment, non-revolving credit	800,000	2017.09-2022.09	1.58	No	
E.SUN Commercial Bank, Ltd.	Repay in installment, non-revolving credit	600,000	2016.09-2021.11	1.20	No	
O-Bank Co., Ltd.	Bullet repayment, non-revolving credit	600,000	2016.09-2020.07	1.23	No	
Taipei Fubon Commercial Bank Co., Ltd.	Repay in installment, non-revolving credit	500,000	2016.07-2021.07	1.45	No	
Bank of Taiwan	Repay in installment, non-revolving credit	744,000	2014.02-2022.08	1.20-2.08	No	
Hua Nan bank	Bullet repayment, non-revolving credit	300,000	2016.11-2019.11	1.32	No	
CTBC Bank Co., Ltd.	Bullet repayment, non-revolving credit	116,177	2018.03-2021.03	0.87	No	
The Export-Import Bank of the Republic of China	Repay in installment, non-revolving credit	720,000	2017.10-2023.10	1.21	No	
Bank SinoPac	Bullet repayment, revolving credit	<u>500,000</u>	2018.08-2020.08	0.85	No	
		13,405,177			No	
Long-term bills payable Commercial paper (Note 1)		<u>898,965</u>	Note 2	1.33	No	
		14,304,142				
Less: Current portion of long-term borrowings		(3,283,000)				
		<u>\$ 11,021,142</u>				

Note 1: The commercial papers were issued by Taiwan Cooperative Bills Finance Corporation and International Bills Finance Corporation and were guaranteed by a syndicated credit facility agreement with 8 banks led by E.SUN Commercial Bank, Ltd.

Note 2: 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.

**STATEMENT 11**

**Eternal Materials Co., Ltd.**

**STATEMENT OF OPERATING REVENUES  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Quantity</b>	<b>Amount</b>	<b>Remark</b>
Resins materials	165 thousand tons	\$ 9,607,487	
Electronic materials	879,447 thousand square feet and 6 thousand tons	4,411,641	
High performance materials	13 thousand tons	2,079,749	
Others	459 thousand square feet	15,022	
		<hr/>	
		<u>\$ 16,113,899</u>	



**STATEMENT 12****Eternal Materials Co., Ltd.****STATEMENT OF OPERATING COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(In Thousands of New Taiwan Dollars)**

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Item	Amount
Balance of raw materials and materials in transit, beginning the of year	\$ 1,555,158
Add: Raw materials purchased	10,434,521
Transferred from finished goods to manufacturing	9,296,635
Less: Raw materials sold	(231,510)
Others	(59,549)
Balance of raw materials and materials in transit, end of the year	(1,401,223)
Raw materials used	<u>19,594,032</u>
Direct labor	369,250
Manufacturing expenses	<u>2,189,910</u>
Manufacturing cost	22,153,192
Balance of finished goods, beginning of the year	1,547,379
Add: Finished goods purchased	520,792
Less: Transferred to manufacturing	(9,296,635)
Others	(34,557)
Balance of finished goods, end of the year	<u>(1,471,122)</u>
Operating costs - Cost of finished goods	13,419,049
Operating costs - Cost of raw materials	231,510
Operating costs - Others	<u>166,445</u>
Operating costs	<u>\$ 13,817,004</u>

**Eternal Materials Co., Ltd.**

**STATEMENT OF SELLING AND MARKETING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Description</b>	<b>Amount</b>	<b>Remark</b>
Export expense		\$ 262,560	
Payroll expense		164,131	
Commission		77,621	
Moving expense		59,291	
Others (Note)		<u>182,319</u>	
		<u>\$ 745,922</u>	

Note: The amount of individual item in others does not exceed 5% of the account balance.

**STATEMENT 14**

**Eternal Materials Co., Ltd.**

**STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(In Thousands of New Taiwan Dollars)**

---

<b>Item</b>	<b>Description</b>	<b>Amount</b>	<b>Remark</b>
Payroll expense		\$ 430,191	
Others (Note)		<u>288,814</u>	
		<u>\$ 719,005</u>	

Note: The amount of individual item in others does not exceed 5% of the account balance.

**Eternal Materials Co., Ltd.**

**STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Description</b>	<b>Amount</b>	<b>Remark</b>
Payroll expense		\$ 471,328	
Depreciation expense		116,980	
Laboratory fees		90,084	
Others (Note)		<u>272,872</u>	
		<u>\$ 951,264</u>	

Note: The amount of individual item in others does not exceed 5% of the account balance.

## Eternal Materials Co., Ltd.

## STATEMENT OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION FOR THE YEAR

FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Function Nature	Year Ended December 31, 2018		
	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefit expense			
Salaries	721,783	1,065,650	1,787,433
Labor and health insurances	67,657	79,696	147,353
Pension	47,615	59,141	106,756
Board compensation	-	18,150	18,150
Others	47,909	73,373	121,282
Depreciation	494,230	150,952	645,182
Amortization	-	3,489	3,489

Function Nature	Year Ended December 31, 2017		
	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefit expense			
Salaries	713,970	1,103,149	1,817,119
Labor and health insurances	69,175	81,506	150,681
Pension	51,643	63,452	115,095
Board compensation	-	17,840	17,840
Others	54,187	63,520	117,707
Depreciation	470,133	141,900	612,033
Amortization	-	3,221	3,221

Note: As of December 31, 2018 and 2017, the Company had 1,997 and 2,036 employees, respectively. There were 7 non-employee directors for both years.

VI. Effect of Financial Difficulties the Company and Affiliated Companies Have Experienced on the Company's Financial Position:

N/A.

## Chapter 7 Review and Analysis of Financial Position and Financial Performance and Risk Assessment

### I. Financial Position

Unit: Thousand NT\$

Item \ Year	2017	2018	Amount of Increase (Decrease)	Percentage of Change
Current assets	33,149,934	30,666,571	(2,483,363)	-7.49%
Property, plant and equipment	18,466,249	18,792,384	326,135	1.77%
Intangible assets	318,014	385,279	67,265	21.15%
Other assets	4,531,308	4,516,045	(15,263)	-0.34%
Total assets	56,465,505	54,360,279	(2,105,226)	-3.73%
Current liabilities	18,124,943	14,482,801	(3,642,142)	-20.09%
Non-current liabilities	17,272,451	18,252,309	979,858	5.67%
Total liabilities	35,397,394	32,735,110	(2,662,284)	-7.52%
Capital	11,591,397	12,402,795	811,398	7.00%
Capital reserve	359,900	356,046	(3,854)	-1.07%
Retained earnings	8,497,081	8,755,131	258,050	3.04%
Other equity	58,382	(510,893)	(569,275)	-975.09%
Non-controlling interests	561,351	622,090	60,739	10.82%
Total equity	21,068,111	21,625,169	557,058	2.64%

Analysis of increase or decrease in the ratio by 20% or above:

1. Intangible assets: Mainly due to an increase in software.
2. Current liabilities: Mainly due to an decrease in short-term borrowings.
3. Other equity: Mainly due to a decrease in exchange differences in the translation of financial statements of foreign operations.

## II. Financial Performance

Unit: Thousand NT\$

Item \ Year	2017	2018	Amount of Increase (Decrease)	Percentage of Change
Operating revenue	41,551,117	43,300,155	1,749,038	4.21%
Operating gross profit	7,438,276	7,279,839	(158,437)	-2.13%
Operating profit	1,861,551	1,813,005	(48,546)	-2.61%
Non-operating income and expenses	409,058	50,966	(358,092)	-87.54%
Net profit before tax	2,270,609	1,863,971	(406,638)	-17.91%

- (I) Analysis of increase or decrease in the ratio by 20% or above  
 Non-operating income and expenses: Mainly due to an increase in the proceeds of the disposal of subsidiaries in 2017.
- (II) Reasons for changes in major business, existing or expected material changes in business strategies, market situation, economic environment or other internal or external factors and their possible effect on the Company's future finances and operations, and measures to be taken in response: N/A.
- (III) Estimated sales volume and the basis for the coming year and major factors in its continuous growth or decline: The Company's 2019 business plan is to perform better than the average revenue growth rate of the most recent three years. The management team will actively achieve the operational goals and work together to enhance corporate value.

## III. Cash Flow

- (I) Analysis of Changes in Cash Flow for the Most Recent Two Years

Item \ Year	2017	2018	Increase (Decrease) (%)
Cash Flow Ratio	-3%	20%	967%
Cash Flow Adequacy Ratio	60%	58%	-3%
Cash Reinvestment Ratio	-4%	4%	400%

The changes in cash flow were mainly due to a increase in net cash flow generated from operating activities.

- (II) Liquidity Analysis for the Coming Year

Unit: Thousand NT\$

Cash Balance, Beginning of Period (1)	Expected Annual Net Cash Flow from Operating Activities (2)	Expected Annual Cash Flow Used (3)	Expected Cash Surplus (Deficit) Amount	Expected Corrective Measures for Illiquidity	
			(1)+(2)-(3)	Investment Plans	Financial Plans
6,085,433	2,702,193	2,642,137	6,145,489	-	-

1. Analysis of Changes in Cash Flow
- (1) Operating activities: It is expected that operating revenue and profit will continue to grow.
- (2) Investing activities: It is expected that domestic and foreign investments will continue.

(3) Financing activities: Cash dividends will be distributed, along with the repayment of bank loans.

2. Corrective Measures for Illiquidity and Liquidity Analysis

None.

IV. Effect of Major Capital Expenditures on Financial Operations for the Most Recent Year

(I) The capital expenditures in 2018 included construction of new plants and R&D buildings, purchase of equipment, and replacement and maintenance of old equipment.

(II) Expected Benefits

The overall industrial competitiveness of the Company was improved by adhering to the spirit of continuous research and development, enhancing core technologies, creating value-added products, and promoting industrial innovation.

V. Reinvestment Policy for the Most Recent Year, Main Reasons for Profits/Losses Generated Thereby, Improvement Plans, and Investment Plans for the Coming Year

(I) Reinvestment Policy: Based on the core technology of the chemical industry, the Company developed various products, such as chemical and electronic materials, and adjusted production and sales policies in a timely manner according to the upstream and downstream supply chain in Mainland China and other overseas regions to provide customized technical services and products.

(II) For the year ended December 31, 2018, the standalone financial statements reported the investment profit of NT\$1,202,485 thousand, and the consolidated financial statements reported NT\$193,967 thousand.

Improvement Plans: The Company will continuously improve the business performance of invested subsidiaries, and carry out the disposal of non-effective investments or otherwise, and dispose of some investments in a timely manner to realize the investment profit.

(III) Investment Plans for the Coming Year: A waste storage in Da-Fa Plant will be built at an estimated amount of investment totaling NT\$50 million. The technical transformation of the waterborne epoxy production line and the upgrade in the production capacity of fluorocarbon resin will be carried out in Eternal Chemical (Tianjin) Co., Ltd at an estimated amount of investment totaling NT\$119 million.



## VI. Risk Analysis and Assessment

### (I) Effect of Interest and Exchange Rate Fluctuations and Inflation upon the Company's Profit or Loss, and Response Measures to Be Taken in the Future

#### 1. Effect of Interest Rate Fluctuations upon the Company's Profit or Loss, and Response Measures to Be Taken in the Future

Unit: Thousand NT\$

Item	2018
Net interest	(464,979)
Operating revenue	43,300,155
Net profit before tax	1,863,971
Ratio of net interest to operating revenue	(1.07%)
Ratio of net interest to net profit before tax	(24.95%)

Effect: Net interest in 2018 was NT\$(464,979) thousand, accounting for (1.07%) and (24.95%) of operating revenue and net profit before tax, respectively. For loans to debtors in 2018 that were fixed rated, there was no risk of changes in interest rates; for those that were floating-rate debtors, changes in market interest rates would cause their effective interest rates to change, leading to fluctuations in future cash flows. When the market interest rate increased by 1%, the cash flow used would increase by NT\$144,030 thousand in 2018.

Response Measures: The Company will regularly assess the bank loan interest rates and obtain the average market interest rates, while making close contact with banks to obtain the most favorable bank loan interest rates.

#### 2. Effect of Exchange Rate Fluctuations upon the Company's Profit or Loss, and Response Measures to Be Taken in the Future

Unit: Thousand NT\$

Item	2018
Net exchange profit or loss	26,947
Operating revenue	43,300,155
Net profit before tax	1,863,971
Ratio of exchange profit or loss to operating revenue	0.06%
Ratio of exchange profit or loss to net profit before tax	1.45%

Exchange profit in 2018 was NT\$26,947 thousand, accounting for 0.06% and 1.45% of operating revenue and net profit before tax, respectively. Since the export market accounts for a considerable proportion of the Company's revenue, exchange rate fluctuations of New Taiwan dollar against the US dollar may have an impact on the Company's profit or loss. Therefore, the Company always pays attention to the exchange rate fluctuations in the international market and continuously takes the following response measures:

- (1) The Finance Department made close contact with the foreign exchange departments of financial institutions, collected information on exchange rate changes at any time, and fully controlled the international exchange rate trends as a reference for daily settlement and hedging to actively

- respond to the negative impact of exchange rate fluctuations.
- (2) The Finance Department periodically made an internal assessment report on the net foreign currency assets (liabilities), and reported to the management of the Company to make decisions on hedging.
  - (3) For large amounts of foreign currency assets, the Company adopted hedging strategies, such as increase in foreign currency financing positions or forward exchange trading.
  - (4) The Company opened a foreign currency deposit account and adjusted foreign currency positions held according to the actual demand for capital and exchange rate trend.
  - (5) The Company used the same currency for sales revenue and purchases and circumvented most of the foreign exchange risks with a natural hedge. Therefore, for net foreign currency assets (liabilities), the Company used other tools to avoid foreign exchange risks based on the exchange rate fluctuations.
  - (6) Before business unites offered customers prices, they decided on appropriate and reasonable quotations based on the estimation of the foreign currency exchange rates by the Finance Department after comprehensive consideration and evaluation.
- (II) Policies on High-risk, Highly Leveraged Investments, Loans to Other Parties, Endorsements/Guarantees, and Derivatives Trading, Main Reasons for Profits/Losses Generated thereby, and Response Measures to Be Taken in the Future
- It is forbidden to engage in high-risk, highly leveraged investment; the sum and scope of loans to other parties, endorsements/guarantees, and derivatives trading were treated with caution, and therefore the risks were controllable.
- (III) Future Research and Development Plans and Expected Expenditures on Future Research and Development

Unit: Thousand NT\$

Future Research and Development Plan	Expected Expenditure on Future Research and Development
Green Energy / Energy Storage Materials	50,679
Soft Electronic Materials	48,535
Semiconductor Packaging Materials	25,040
High-performance Engineering Plastic Materials	11,358
Sustainable Environmentally-friendly Materials	45,134
Healthcare Biomedical Materials	39,959

Main Factors in the Success of Future Research and Development:

1. Master the development trend of materials in the mainstream industries.
2. Break through obstacles to formulation and process technology and improve customer satisfaction with high-quality materials.
3. Provide customization and respond fast.
4. Offer better technologies and prices than competitive products'.

- (IV) Effect of Major Changes in Policies and the Legal Environment on the Company's Finances and Operations, and Response Measures  
The Company continues to pay attention to major changes in policies, the political and economic environment and related laws and regulations at home and abroad. Legal, finance and accounting departments pay close attention to changes and provide assessments, recommendations, and response measures in a timely manner to comply with laws and regulations and reduce any effect on the Company's finance and operations. No major change in policies and the legal environment has affected the Company's finances and operations in 2018 up to the date of publication of the Annual Report.
- (V) Effects of Changes in Technology and Industry on the Company's Finances and Operations, and Response Measures  
The Company is committed to the research and development of technology. A large amount of resources is invested in R&D every year in conjunction with industrial trends and technological changes. The Company also develops new materials and products to ensure sustainable business and growth and continues to strengthen traditional products via quality improvement and professional technical services to maintain existing customers and expand new markets.
- (VI) Effect of Changes in the Corporate Image on the Company's Crisis Management, and Response Measures: The Company strives to uphold the business philosophy of being law-abiding, trustworthy, honest, and responsible for the environment, with an aim to build a corporate image that is pragmatic, beneficial to society, and fulfills its corporate social responsibility.
- (VII) Expected Benefits and Possible Risks Associated with Mergers and Acquisitions, and Response Measures: The Company did not engage in any major mergers and acquisitions in 2018.
- (VIII) Expected Benefits and Possible Risks Associated with Plant Expansion, and Response Measures: The Company assessed the investment benefits based on the market prospects, needs, and core technologies, capabilities, and costs of capital. The Company also reviewed market and industry changes at any time to reduce possible risks.
- (IX) Risks Associated with Consolidation of Purchasing or Sales Operations, and Response Measures: Raw materials used by the Company could be sourced from many suppliers in the market, and sales were not concentrated on few major customers; therefore, the risk of consolidation of purchasing or sales operations was small.
- (X) Effect on and Risk to the Company in the Event a Major Quantity of Shares Belonging to a Director, Supervisor, or Shareholder Holding Greater than a 10% Stake Has Been Transferred or Has Otherwise Changed Hands, and Response Measures: None.
- (XI) Effect on and Risk to Company Associated with Changes in Management Rights, and Response Measures: The equity of the directors of the Company is stable. There was no change in management rights in 2018.
- (XII) Litigious and Non-litigious Matters (list major litigious, non-litigious or administrative disputes that: (1) involve the Company and any director, any supervisor, the President, any person with actual responsibility, any major shareholder holding a stake of greater than 10%, and any companies controlled by the Company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the Annual Report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the Annual Report): None.
- (XIII) Other Important Risks and Response Measures: None.

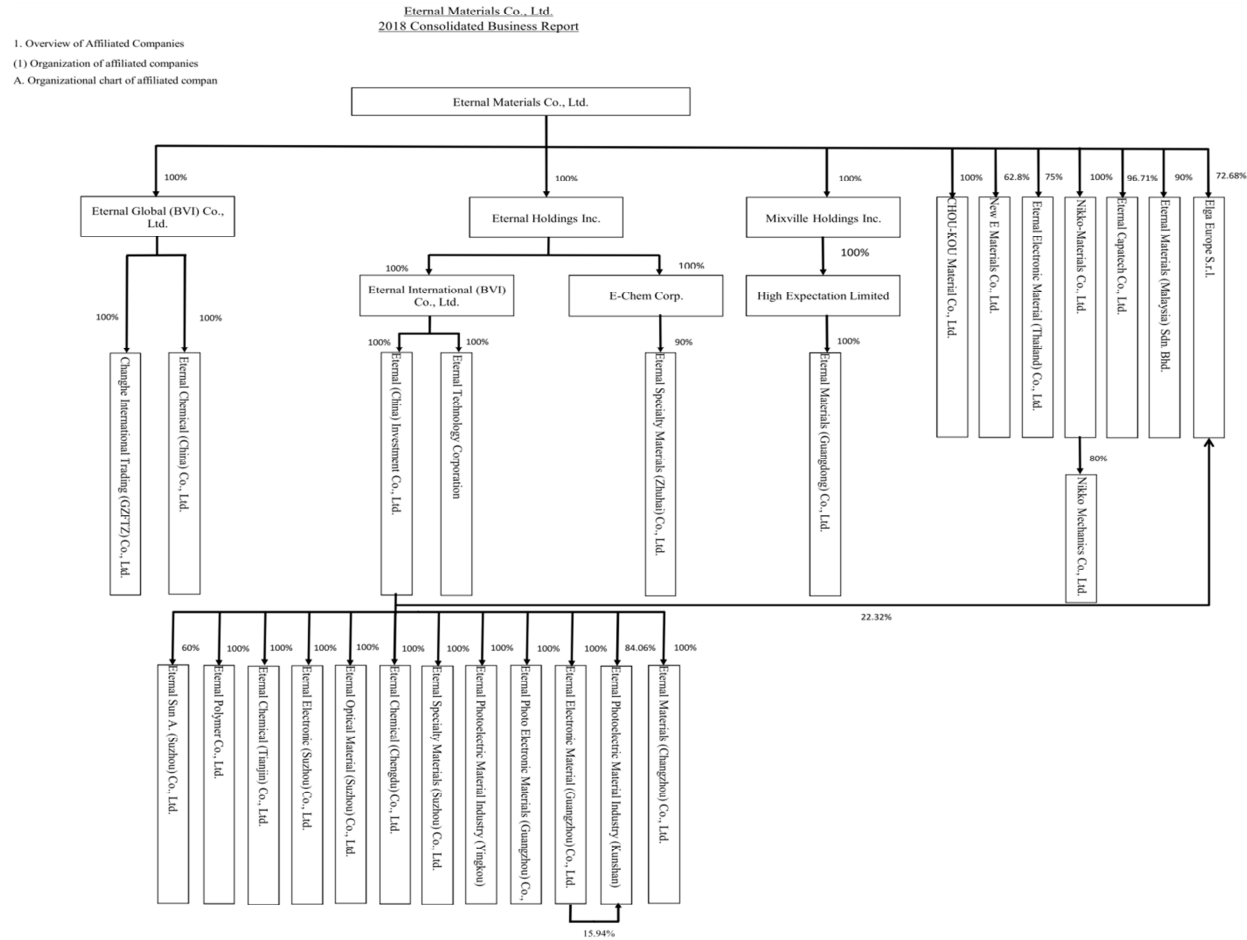
VII. Other Important Matters: None.

## **Chapter 8 Special Items to Be Included**

- I. Information on Affiliated Companies
  - (I) Consolidated Business Report: Please refer to pages 97~192.
  - (II) Consolidated Financial Statements: Please refer to pages 297~310.
  - (III) Affiliation Report: None.
- II. Private Placement of Securities in the Most Recent Year up to the Date of Publication of the Annual Report: None.
- III. Holding or Disposal of Shares in the Company by Subsidiaries in the Most Recent Year up to the Date of Publication of the Annual Report: None.
- IV. Other Matters Requiring Additional Description: None.

**Chapter 9 Any of the Situations Listed in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act which Might Materially Affect Shareholders' Equity or Price of the Company's Securities: None.**

(1) Organizational chart of affiliated companies (December 31, 2018)



B. Companies under the existence of the controlling and

C. Subordinate companies of which the Company has a direct control over the management of the personnel, financial or business operation according to Paragraph 2, Article 369-2 of the Company Act: None. Although the presidents of DSM Resins (Far East) Ltd., Allnex-Eternal Resins Corporation Limited, and Allnex-Eternal Resins (Guangdong) Corporation Limited were respectively appointed by the Company, the Company had no control over these companies. According to the joint venture agreement, the Company had no control over Hangzhou Yongxin Yang Photoelectric Material Co., Ltd.

(2) Basic information on affiliated companies

Affiliated Company	Date of Incorporation	Address	Paid-up Capital	Main Business or Production Activities
Eternal Materials Co., Ltd. (Note 1)	December 3, 1964	No. 578, Jiangong Road, Sanmin District, Kaohsiung City	NT\$12,402,795 thousand	Research and development, manufacture, processing, and sale of industrial synthetic resins, epoxy resins, acrylates, methacrylates, coating, packaging materials, printed circuit boards, film materials, solar cell materials, photoresist materials, and electronic chemical materials as well as general import and export trade.
Eternal Holdings Inc.	November 15, 2002	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa.	NT\$6,512,657 thousand	Investment in other regions.
Eternal Global (BVI) Co., Ltd.	June 15, 1995	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG 1110, British Virgin Islands.	NT\$793,727 thousand	Investment in other regions.
Mixville Holdings Inc.	August 11, 1999	OMC Chambers, Wickhams Cay I, Road Town, Tortola, British Virgin Islands.	NT\$989,582 thousand	Investment in other regions.
New E Materials Co., Ltd.	October 22, 2009	2F, No. 3, Luke 1st Road, Luzhu District, Kaohsiung City (Southern Taiwan Science Park)	NT\$275,000 thousand	Research and development, manufacture, and sale of electronic and chemical materials and equipment components relating to optoelectronic and semiconductor processes.
Eternal Capatech Co., Ltd. (Note 2)	August 6, 2014	No. 5, Lane 60, Mingui Street, Daliao District, Kaohsiung	NT\$152,000 thousand	Production and sale of electronic components and related materials.
Eternal Electronic Material (Thailand) Co., Ltd. (Note 2) Thailand	January 30, 1997	335/8 Moo 9 Bangna-Trad Rd. Km 19, Tambon Bangchalong, Amphur Bangplee, Samutprakarn 10540	NT\$121,225 thousand	Import and export trade and cutting and sale of dry film photoresist.
CHOU-KOU Material Co., Ltd.	January 17, 1996	1-16-3 Nakamachi, Machida, Tokyo-to, Japan	NT\$60,431 thousand	Sale, trading and service of resin, electronic materials, and related products.
Nikko-Material Co., Ltd. (Note 2)	September 30, 1997	1-16-3 Nakamachi, Machida, Tokyo-to, Japan	NT\$125,176 thousand	Manufacture and sale of dry film photoresist and vacuum molding press.
Eternal Materials (Malaysia) Sdn. Bhd. Malaysia	January 30, 2015	No. 35a (Unit 1), Jalan Harmonium 23/12, Taman Desa Tebrau, Johor Bahru, Johor, Malaysia 35a Johor, Malaysia	NT\$1,469,227 thousand	Manufacture, sale, trading and service of synthetic resin related products
Eternal International (BVI) Co., Ltd.	October 14, 1994	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG 1110, British Virgin Islands.	NT\$6,550,737 thousand	Investment in other regions.
E-Chem Corp.	January 3, 2003	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa.	NT\$165,608 thousand	Investment in other regions.
Eternal Technology Corporation (Note 2)	December 9, 1998	1800 Touchstone Road Colonial Heights, VA 23834 U.S.A	NT\$600,693 thousand	Production and sale of photoresist.
High Expectation Limited	August 2, 1999	Vistra (Cayman) Limited, Grand Pavilion, Hibiscus Way, 802 West Bay Road, P.O. Box 3119, Grand Cayman, KY1-1205 Cayman Islands	NT\$871,519 thousand	Investment in other regions.

(Continued to next page)

Affiliated Company	Date of Incorporation	Address	Paid-up Capital	Main Business or Production Activities
Eternal Chemical (China) Co., Ltd.	October 31, 1995	No. 566, Qingyang North Road, Kunshan City, Jiangsu Province, China	NT\$755,651 thousand	Production and sale of synthetic resin and processed products.
Changhe International Trading (GZFTZ) Co., Ltd.	December 14, 2001	Room 3001, Baotong Building, No. 8, Dongyong Road, Guangzhou Free Trade Zone	NT\$13,661 thousand	International trade, commercial trading, transit trade, commodity display, bonded warehouse and business consulting services.
Eternal Photoelectric Material Industry (Kunshan) Co., Ltd. (Note 2)	December 24, 1999	No. 363, Changjiang North Road, Kunshan City, Jiangsu Province, China	NT\$191,777 thousand	Cutting, processing, and sale of dry film photoresist.
Eternal Electronic Material (Guangzhou) Co., Ltd. (Note 2)	March 26, 2001	No. 69, Dongpeng Avenue, East Zone of Guangzhou Economic and Technological Development Zone, China	NT\$1,259,046 thousand	Coating, slitting, cutting, processing and packaging, and sale of photoresist.
Eternal Optical Material (Suzhou) Co., Ltd. (Note 2)	December 23, 2005	No. 111, Songshan Road, Gaoxin District, Suzhou City, Jiangsu Province, China	NT\$614,887 thousand	Production and sale of optical film.
Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. (Note 2)	December 28, 2006	No. 8, Ruihe Road, China National High-Tech Industrial Development Zone, Guangzhou City, Guangdong Province, China	NT\$997,694 thousand	Research and development and production of high-tech chemicals and related products for electronics and sale of the Company's products.
Eternal Photoelectric Material Industry (Yingkou) Co., Ltd. (Note 2)	September 28, 2007	No. 102, Xinhai Street, Liaoning (Yingkou) Coastal Industrial Base	NT\$124,282 thousand	Research and development and production of anti-corrosion dry film photoresist, liquid photosensitive solder resist, and related auxiliary materials for printed circuit boards.
Eternal Synthetic Resins (Changshu) Co., Ltd. (Note 2)	May 24, 2006	No. 15, Xinggang Road, Changshu Economic Development Zone Tonggang Industrial Park, Jiangsu Province, China	NT\$726,426 thousand	Production and sale of unsaturated polyester resin.
Eternal Chemical (Tianjin) Co., Ltd. (Note 2)	August 26, 2009	No. 652, Jinyuan Road, Dagang Petrochemical Industrial Park, Tianjin City, China	NT\$1,008,004 thousand	Production and sale of self-produced adhesive, synthetic resin and processed products.
Eternal Specialty Materials (Zhuhai) Co., Ltd. (Note 2)	April 23, 2003	No. 307, Petrochemical 9 road, Shihua District, Gaolan, Lingang Industry District, Zhuhai City, Guangdong Province, China	NT\$611,011 thousand	Production and sale of acrylate and other ethyl methacrylate products.
Eternal Materials (Guangdong) Co., Ltd. (Note 2)	January 21, 2000	NO.9523, Zhuhai Avenue, Dalangwan Industrial Park, Nanshui Town, Zhuhai City	NT\$1,297,259 thousand	Production and sale of self-produced adhesive, synthetic resin and processed products.
Eternal (China) Investment Co., Ltd.	March 17, 2011	Room 1211, Xinye Building, No. 388 Tianlin Road, Shanghai City, China	NT\$8,369,307 thousand	Business management, investment consulting service, research and development, production and sale of resin and optoelectronic materials.
Eternal Chemical (Chengdu) Co., Ltd. (Note 2)	November 1, 2011	No. 15, Yang Heng 4 Road, Yangan Industrial Park, Qionglai City, Chengdu	NT\$450,351 thousand	Technological research and development of synthetic resin related products
Eternal Electronic (Suzhou) Co., Ltd. (Note 2)	August 29, 2013	No. 81, Yanyang Road, Qishuguan Town, Suzhou New District	NT\$1,381,040 thousand	Research and development and production of dry film photoresist, anti-weld dry film electronic special materials, sale of self-produced products, and after-sales technical services.
Eternal Sun A. (Suzhou) Co., Ltd. (Note 2)	December 9, 2013	No. 111, Songshan Road, Gaoxin District, Suzhou City, Jiangsu Province, China	NT\$751,443 thousand	Research and development and production of optical grade display protective film for electronic products, sale of self-produced products, and technical support and after-sales services.
Eternal Specialty Materials (Suzhou) Co., Ltd. (Note 2)	March 11, 2014	Building 2, No. 15, Xinggang Road, Changshu Economic & Technological Development Zone	NT\$1,199,225 thousand	Research and development of chemical products, sale of self-produced products, and technical services.
Elga Europe S.r.l. (Note 2)	May 24, 1973	Via della Merlata, 8 20014 Nerviano MILANO	NT\$230,751 thousand	Production, sale, distribution, and processing of electronic chemicals.
Nikko Mechanics Co., Ltd. (Note 2)	February 10, 2017	3-1, Kofukada, Shinbayashi-cho, Chiryu-shi, Aichi-ken 472-0017, Japan	NT\$21,712 thousand	Manufacture and sale of industrial machinery, engineering machinery and equipment.

Affiliated Company	Date of Incorporation	Address	Paid-up Capital	Main Business or Production Activities
Eternal Materials (Changzhou) Co., Ltd.	June 29, 2017	No. 99, Chuangxin Road, Nandu New Materials Industry Centralized Area, Liyang City, China	NT\$602,000 thousand	Sale of fluorocarbon resin and polyester resins materials.

Note 1: The Company has Lu-Chu Plant (established at No. 22, Changxing Road, Luzhu District, Kaohsiung City in 1973 to produce resin, special materials, and electronic materials), Da-Fa Plant (established at No. 30, Yumin Street, Daliao District, Kaohsiung City (Dafa Industrial Park) in 1990 to produce electronic materials), and Ping-Nan Plant (established at No. 23, Pingnan Road, Fangliao Township, Pingtung County (Pingnan Industrial Park) in 1994 to produce resin).

Note 2: The company has a factory, and the name, date of establishment, address and main products of the factory are the same as those of the company.

(3) For companies concluded as the existence of the controlling and subordinate relation, information on the same shareholders: None.

(4) Overall business scope of affiliated companies

A. The business scope of the Company and affiliated companies mainly includes synthetic resins, electronic materials, specialty materials, general investment, and import and export trade.

B. The main business activities of the Company are research and development, manufacture, processing, and sale of industrial synthetic resins, epoxy resins, acrylates, methacrylates, coating, packaging materials, printed circuit boards, film materials, solar cell materials, photoresist materials, and electronic chemical materials as well as general import and export trade. As of December 31, 2017, the dealings between the Company and affiliated companies are described as follows:

(a) To meet the needs of existing customers in Mainland China and save transportation costs, the Company engaged in the research and development, manufacture, processing, and sale of industrial synthetic resins, epoxy resins, acrylates, methacrylates, coating, packaging materials, printed circuit boards, film materials, solar cell materials, photoresist materials, and electronic chemical materials through Eternal Chemical (China) Co., Ltd., Eternal (China) Investment Co., Ltd., Eternal Electronic Material (Guangzhou) Co., Ltd., Eternal Photoelectric Material Industry (Kunshan) Co., Ltd., Eternal Optical Material (Suzhou) Co., Ltd., Eternal Photoelectric Material Industry (Yingkou) Co., Ltd., Eternal Photo Electronic Materials (Guangzhou) Co., Ltd., Eternal Specialty Materials (Zhuhai) Co., Ltd., Eternal Polymer Co., Ltd., Eternal Materials (Guangdong) Co., Ltd., Eternal Chemical (Tianjin) Co., Ltd., Eternal Chemical (Chengdu) Co., Ltd., Eternal Sun A. (Suzhou) Co., Ltd., Eternal Electronic (Suzhou) Co., Ltd., Eternal Specialty Materials (Suzhou) Co., Ltd., and Eternal Materials (Changzhou) Co., Ltd.

(b) To expand markets in America and Asia, the Company engaged in the production or processing and sale of photoresist materials through Eternal Technology Corporation, Elga Europe S.r.l., Eternal Electronic Material (Thailand) Co., Ltd., and Nikko-Material Co., Ltd. To improve the competitiveness of products, the Company engaged in the manufacture and sale of vacuum molding press and provided complete solutions for customers' materials and equipment through Nikko Mechanics Co., Ltd.



- (c) In response to the needs of customers in Japan, Europe, and the Greater China, the Company sold related products through CHOU-KOU Material Co., Ltd. and Changhe International Trading (GZFTZ) Co., Ltd. to save transportation costs and improve the competitiveness of products.
- (d) In response to the trend of regional economic integration, the Company established Eternal Materials (Malaysia) Sdn. Bhd to meet the demand in RCEP and drive revenue.
- (e) In response to the research and development and sale of electronic chemical materials and equipment components for optoelectronic and semiconductor processes, the Company established New E Materials Co., Ltd. to forge an alliance with international technology companies and improve the competitiveness of products.

## (5) Information on directors (including independent directors), supervisors and presidents of affiliate companies

Unit: NT\$1,000; shares; %

Affiliated Company	Title	Name or Representative	Number of Shares Held (Note 2) (Note 3)	
	(Note 1)		Number of Shares	Shareholding Percentage
Eternal Materials Co., Ltd.	Chairman	Kao, Kuo-Lun	50,138,856	4.04%
	Director	Shiao, Tzu-Fei	558,416	0.05%
	Director	Hsieh, Chin-Kun	722,595	0.06%
	Director	Yang, Huai-Kung	16,575,900	1.34%
	Director	Huang, Wu-Tung	3,921,010	0.32%
	Director	Ko, Chun-Ping (representative of Kwang Yang Motor Co., Ltd.)	123,002,116	9.92%
	Director	Kao, Ying-Chih	19,851,560	1.60%
	Independent Director	Chen, I-Heng	471,771	0.04%
	Independent Director	Hung, Lee-Jung	-	0
	Independent Director	Hsu, Jui-Yuan	-	0
	President	Hsieh, Chin-Kun	722,595	0.06%
New E Materials Co., Ltd.	Chairman	Wen, Ching-Chang	2,003,000	7.28%
	Director	Mao, Hui-Kuan, Tai, Ming-Te, Yeh, Mao-Jung, and Chao, Yu-Wen (representative of Eternal Materials Co., Ltd.)	17,268,963	62.80%
	Director	Yang, Hsin-Hua (representative of Inventec Corporation)	4,400,000	16%
	Director	Ko, Chun-Ping (representative of Kwang Yang Motor Co., Ltd.)	2,750,000	10%
	Supervisor	Su, Hui-Fang and Cheng, Hsien-He	-	-
	President	Chao, Yu-Wen	-	-
Eternal Global (BVI) Co., Ltd.	Director	Kao, Kuo-Lun (representative of Eternal Materials Co., Ltd.)	19,321,024 shares	100%

Affiliated Company	Title	Name or Representative	Number of Shares Held (Note 2) (Note 3)	
	(Note 1)		Number of Shares	Shareholding Percentage
Eternal Chemical (China) Co., Ltd.	Chairman	Liao, Heng-Ning (representative of Eternal Global (BVI) Co., Ltd.)	\$ 755,651	100%
	Director	Chen, Hung-Yi and Lin, Chao-Kun (representative of Eternal Global (BVI) Co., Ltd.)		
	Supervisor	Su, Hui-Fang	—	—
	President	Lin, Hsueh-Chuan	—	—
Changhe International Trading (GZFTZ) Co., Ltd.	Chairman	Wang, Mao-Yung (representative of Eternal Global (BVI) Co., Ltd.)	\$ 13,661	100%
	Director	Mao, Hui-Kuan (representative of Eternal Global (BVI) Co., Ltd.)		
	Supervisor	Su, Hui-Fang	—	—
	President	Su, Jui-Sung	—	—
Eternal Holdings Inc.	Director	Kao, Kuo-Lun (representative of Eternal Materials Co., Ltd.)	213,363,859 shares	100%
Mixville Holdings Inc.	Director	Kao, Kuo-Lun (representative of Eternal Materials Co., Ltd.)	29,530,000 shares	100%
Eternal International (BVI) Co., Ltd.	Director	Kao, Kuo-Lun (representative of Eternal Holdings Inc.)	211,823,592 shares	100%
Eternal (China) Investment Co., Ltd.	Chairman	Kao, Kuo-Lun (representative of Eternal International (BVI) Co., Ltd.)	\$ 88,369,307	100%
	Director	Hsieh, Chin-Kun and Mao, Hui-Kuan (representative of Eternal International (BVI) Co., Ltd.)		
	Supervisor	Su, Hui-Fang and Chu, Jui-Hsin	—	—
	President	Hsieh, Chin-Kun	—	—
Eternal Technology Corporation	Chairman	Mao, Hui-Kuan (representative of Eternal International (BVI) Co., Ltd.)	2,333 shares	100%
	Director	Hung, Chao-Cheng and Li Wei (representative of Eternal International (BVI) Co., Ltd.)		
	President	Li Wei	—	—
E -Chem Corp.	Director	Kao, Kuo-Lun (representative of Eternal Holdings Inc.)	4,990,000 shares	100%

Affiliated Company	Title	Name or Representative	Number of Shares Held (Note 2) (Note 3)	
	(Note 1)		Number of Shares	Shareholding Percentage
Eternal Specialty Materials (Zhuhai) Co., Ltd.	Chairman	Chen, Chin-Yuan (representative of E-Chem Corp.)	\$ 549,910	90%
	Director	Pan, Chin-Cheng, Chen, Kun-Hsiung, and Lin, Ching-Yao (representative of E-Chem Corp.)		
	Director	Jeffrey Alan Knight (representative of Cognis B.V.)	\$ 61,101	10%
	Supervisor	Su, Hui-Fang	—	—
	President	Lin, Ching-Yao	—	—
High Expectation Limited	Director	Kao, Kuo-Lun (representative of Mixville Holdings Inc.)	26,005,000 shares	100%
Eternal Materials (Guangdong) Co., Ltd.	Chairman	Liao, Heng-Ning (representative of High Expectation Limited)	\$ 1,297,259	100%
	Director	Chen, Hung-Yi and Lin, Chao-Kun (representative of High Expectation Limited)		
	Supervisor	Su, Hui-Fang	—	—
	President	Lin, Chen-Yi	—	—
CHOU-KOU Material Co., Ltd.	Director	Cheng, Chuan-Neng, Chang, Shih-Fang, and Tai, Ming-Te (representative of Eternal Materials Co., Ltd.)	4,000 shares	100%
	Supervisor	Su, Hui-Fang	—	—
	President	Cheng, Chuan-Neng	—	—
Eternal Synthetic Resins (Changshu) Co., Ltd.	Chairman	Liao, Heng-Ning (representative of Eternal (China) Investment Co., Ltd.)	\$ 726,426	100%
	Director	Chang, Shih-Fang and Liu, Chia-Hsing (representative of Eternal (China) Investment Co., Ltd.)		
	Supervisor	Su, Hui-Fang	—	—
	President	Liu, Chia-Hsing	—	—
Eternal Chemical (Tianjin) Co., Ltd.	Chairman	Liao, Heng-Ning (representative of Eternal (China) Investment Co., Ltd.)	\$ 1,008,004	100%
	Director	Chen, Hung-Yi and Lin, Chao-Kun (representative of Eternal (China) Investment Co., Ltd.)		
	Supervisor	Su, Hui-Fang	—	—
	President	Li, Chih-Chiang	—	—

Affiliated Company	Title	Name or Representative	Number of Shares Held (Note 2) (Note 3)	
	(Note 1)		Number of Shares	Shareholding Percentage
Eternal Electronic (Suzhou) Co., Ltd.	Chairman	Mao, Hui-Kuan (representative of Eternal (China) Investment Co., Ltd.)	\$ 1,381,040	100%
	Director	Hung, Chao-Cheng and Cheng, Yu-Cheng (representative of Eternal (China) Investment Co., Ltd.)		
	Supervisor	Su, Hui-Fang	—	—
	President	Yang, Ming-Hsiung	—	—
Eternal Optical Material (Suzhou) Co., Ltd.	Chairman	Mao, Hui-Kuan (representative of Eternal (China) Investment Co., Ltd.)	\$ 614,887	100%
	Director	Hung, Chao-Cheng and Chuang, Shih-Hsien (representative of Eternal (China) Investment Co., Ltd.)		
	Supervisor	Su, Hui-Fang	—	—
	President	Yang, Ming-Hsiung	—	—
Eternal Chemical (Chengdu) Co., Ltd.	Chairman	Liao, Heng-Ning (representative of Eternal (China) Investment Co., Ltd.)	\$ 450,351	100%
	Director	Chen, Hung-Yi and Lin, Chao-Kun (representative of Eternal (China) Investment Co., Ltd.)		
	Supervisor	Su, Hui-Fang	—	—
	President	Tung, Shih-Kang	—	—
Eternal Specialty Materials (Suzhou) Co., Ltd.	Chairman	Chen, Chin-Yuan (representative of Eternal (China) Investment Co., Ltd.)	\$ 1,199,225	100%
	Director	Pan, Chin-Cheng and Wang, Hung-Yu (representative of Eternal (China) Investment Co., Ltd.)		
	Supervisor	Su, Hui-Fang	—	—
	President	Wang, Hung-Yu	—	—
Eternal Photoelectric Material Industry (Yingkou) Co., Ltd.	Chairman	Hung, Chao-Cheng (representative of Eternal (China) Investment Co., Ltd.)	\$ 124,282	100%
	Director	Mao, Hui-Kuan and Cheng, Yu-Cheng (representative of Eternal (China) Investment Co., Ltd.)		
	Supervisor	Su, Hui-Fang	—	—
	President	Li, Chi-Sheng	—	—

Affiliated Company	Title	Name or Representative	Number of Shares Held (Note 2) (Note 3)	
	(Note 1)		Number of Shares	Shareholding Percentage
Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Chairman	Mao, Hui-Kuan (representative of Eternal (China) Investment Co., Ltd.)	\$ 997,694	100%
	Director	Hung, Chao-Cheng and Cheng, Yu-Cheng (representative of Eternal (China) Investment Co., Ltd.)		
	Supervisor	Su, Hui-Fang	—	—
	President	Hsieh, Yen-Fen	—	—
Eternal Electronic Material (Guangzhou) Co., Ltd.	Chairman	Mao, Hui-Kuan (representative of Eternal (China) Investment Co., Ltd.)	\$ 1,259,046	100%
	Director	Hung, Chao-Cheng and Cheng, Yu-Cheng (representative of Eternal (China) Investment Co., Ltd.)		
	Supervisor	Su, Hui-Fang	—	—
	President	Hsieh, Yen-Fen	—	—
Eternal Photoelectric Material Industry (Kunshan) Co., Ltd.	Chairman	Mao, Hui-Kuan (representative of Eternal (China) Investment Co., Ltd.)	\$ 191,777	100%
	Director	Hung, Chao-Cheng and Cheng, Yu-Cheng (representative of Eternal (China) Investment Co., Ltd.)		
	Supervisor	Su, Hui-Fang	—	—
	President	Chang, Tsung-Ming	—	—
Eternal Sun A. (Suzhou) Co., Ltd.	Chairman	Takeshi Ashida (representative of Sun A. Kaken Co., Ltd.)	\$ 300,577	40%
	Director	Masayuki Okada (representative of Sun A. Kaken Co., Ltd.)		
	Vice Chairman	Mao, Hui-Kuan (representative of Eternal (China) Investment Co., Ltd.)	\$ 450,866	60%
	Director	Mai, Wen-Chen and Hung, Chao-Cheng (representative of Eternal (China) Investment Co., Ltd.)		
	Supervisor	Su, Hui-Fang and Goshō Takabe	—	—
	President	Mai, Wen-Chen	—	—
Eternal Materials (Changzhou) Co., Ltd.	Chairman	Liao, Heng-Ning (representative of Eternal (China) Investment Co., Ltd.)	\$ 602,000	100%

Affiliated Company	Title	Name or Representative	Number of Shares Held (Note 2) (Note 3)	
	(Note 1)		Number of Shares	Shareholding Percentage
	Director	Huang, Chin-Lung and Chen, Hung- Yi (representative of Eternal (China) Investment Co., Ltd.)		
	Supervisor	Su, Hui-Fang	—	—
	President	Lin, Hsueh-Chuan	—	—
	Chairman	Mao, Hui-Kuan (representative of Eternal Materials Co., Ltd.)	937,500 shares	75%
Director	Cheng, Yu-Cheng, Liu, Hung-Hsi, and Hsu, Shih-Hao (representative of Eternal Materials Co., Ltd.)			
Eternal Electronic Material (Thailand) Co., Ltd.	Director	Tsai, Shu-Chun and Cheng, Tsang-Chao	312,500 shares	25%
	President	Hsu, Shih-Hao	—	—
	Chairman	Liao, Keng-Chung (representative of Eternal Materials Co., Ltd.)	11,520 shares	100%
	Director	Cheng, Yu-Cheng, Hung, Chao-Cheng, Ryo Hinata, and Kazutoshi Iwata (representative of Eternal Materials Co., Ltd.)		
Nikko-Material Co., Ltd.	Supervisor	Su, Hui-Fang	—	—
	President	Ryo Hinata	—	—
	Director	Liao, Keng-Chung and Hung, Chao-Cheng (representative of Eternal Materials Co., Ltd.)	5,248 shares	80%
	Director	Ryo Hinata, Kazutoshi Iwata, Kondo Koji, and Akita Yoshihiro	1,312 shares	20%
Nikko Mechanics Co., Ltd.	Supervisor	Su, Hui-Fang	—	—
	President	Liao, Keng-Chung	—	—
	Supervisor	Su, Hui-Fang	500,000 shares	3.29%
	Chairman	Liao, Heng-Ning (representative of Eternal Materials Co., Ltd.)	165,855,600 shares	90%
Director	Chang, Shih-Fang and Lin, Chao-Kun (representative of Eternal Materials Co., Ltd.)			
Eternal Materials(Malaysia) Sdn. Bhd.	Director	Chi, Hua-Han (representative of Alliance Chemicals Pte. Ltd.)	18,428,400 shares	10%
	President	Tien, Chih-Hsiung	—	—
	Supervisor	Su, Hui-Fang	500,000 shares	3.29%
	Chairman	Liao, Heng-Ning (representative of Eternal Materials Co., Ltd.)	165,855,600 shares	90%
Director	Chang, Shih-Fang and Lin, Chao-Kun (representative of Eternal Materials Co., Ltd.)			

Affiliated Company	Title	Name or Representative	Number of Shares Held (Note 2) (Note 3)	
	(Note 1)		Number of Shares	Shareholding Percentage
Elga Europe S.r.l.	Chairman	Mao, Hui-Kuan (representative of Eternal Materials Co., Ltd.)	\$ 345,779	95%
	Director	Cheng, Yu-Cheng (representative of Eternal Materials Co., Ltd.)		
	Director	Giorgio Favini	\$ 18,199	5%

Note 1: If an affiliated company is a foreign company, an equivalent position should be specified.

Note 2: If an investee company issues shares, the number of shares and shareholding percentage should be specified. If no share is issued, the capital contribution and capital contribution ratio should be specified.

Note 3: If an affiliated company is a foreign company, the capital contribution should be specified in New Taiwan dollars at a historical exchange rate.

Note 4: The company is under liquidation and the Board of Directors no longer exists.



2. Business Overview of Affiliated Companies

Financial conditions and operating results of affiliated companies are as follows:

Unit: NT\$1,000

Affiliated Company	Capital (Note 1)	Total Assets (Note 2)	Total Liabilities (Note 2)	Net Value	Operating Revenue (Note 2)	Operating Profit (Note 2)	Profit or Loss (Note 1)	Earnings per Share (NT\$)
Eternal Materials Co., Ltd.	\$12,402,795	\$43,583,626	\$22,580,547	\$21,003,079	\$16,113,899	(\$158,239)	\$1,550,515	\$1.25
Eternal Holdings Inc.	6,512,657	18,446,889	1,164,152	17,282,737	0	(9,571)	345,426	1.62
Eternal Global (BVI) Co., Ltd.	793,727	4,942,092	9	4,942,083	0	(65)	373,800	19.35
Mixville Holdings Inc.	989,582	4,528,665	0	4,528,665	0	(65)	287,887	9.75
New E Materials Co., Ltd.	275,000	283,803	10,135	273,668	36,276	(6,348)	(3,613)	(0.13)
Eternal Capatech Co., Ltd.	152,000	32,641	0	32,641	1,476	(4,202)	(2,648)	(0.17)
Eternal Electronic Material (Thailand) Co., Ltd.	121,225	333,052	160,702	172,350	565,219	19,482	16,302	13.04
CHOU-KOU Material Co., Ltd.	60,431	224,687	136,346	88,341	419,816	(4,942)	(262)	(65.50)
Nikko-Materials Co., Ltd.	125,176	1,409,249	552,889	856,360	1,595,337	214,487	216,790	18,818.58
Eternal Materials (Malaysia) Sdn. Bhd.	1,469,227	2,793,351	1,799,247	994,104	699,327	(168,635)	(183,603)	(1.00)
Elga Europe S.r.l.	230,751	754,775	639,282	115,493	588,878	(51,563)	(59,140)	-
Eternal International (BVI) Co., Ltd.	6,550,737	14,904,280	1,042	14,903,238	0	(80)	203,608	0.96
E-Chem Corp.	165,608	1,978,982	0	1,978,982	0	(71)	99,429	19.93
Eternal Technology Corporation	600,693	573,593	582,188	(8,595)	274,913	(15,629)	(39,650)	(16,995.29)
High Expectation Limited	871,519	4,382,001	0	4,382,001	0	(182)	285,520	10.98
Nikko Mechanics Co., Ltd.	21,712	491,603	281,243	210,360	665,090	62,187	42,978	6,551.52
Eternal Chemical (China) Co., Ltd.	755,651	4,860,740	559,800	4,300,940	4,794,770	324,618	352,631	-
Changhe International Trading (GZFTZ) Co., Ltd.	13,661	19,359	(2,345)	21,704	0	(156)	(4,506)	-
Eternal Photoelectric Material Industry (Kunshan) Co., Ltd.	191,777	247,361	1,229	246,132	49,569	(42,284)	(39,261)	-
Eternal Electronic Material (Guangzhou) Co., Ltd.	1,259,046	7,251,310	629,542	6,621,768	2,768,430	202,273	356,415	-

Affiliated Company	Capital (Note 1)	Total Assets (Note 2)	Total Liabilities (Note 2)	Net Value	Operating Revenue (Note 2)	Operating Profit (Note 2)	Profit or Loss (Note 1)	Earnings per Share (NT\$)
Eternal Optical Material (Suzhou) Co., Ltd.	\$614,887	\$352,735	\$898,954	\$(546,219)	\$105,996	\$(49,391)	\$(73,770)	-
Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	997,694	4,472,624	577,124	3,895,500	2,727,582	408,940	393,557	-
Eternal Photoelectric Material Industry (Yingkou) Co., Ltd.	124,282	212,933	413,003	(200,070)	206,381	4,891	(7,169)	-
Eternal Polymer Co., Ltd.	726,426	1,505,771	1,371,462	134,309	1,773,272	5,584	(45,723)	-
Eternal Chemical (Tianjin) Co., Ltd.	1,008,004	2,479,551	1,787,005	692,546	2,142,324	67,409	15,793	-
Eternal Specialty Materials (Zhuhai) Co., Ltd.	611,011	2,998,498	942,292	2,056,206	4,060,595	136,255	139,970	-
Eternal Materials (Guangdong) Co., Ltd.	1,297,259	5,139,694	993,608	4,146,086	5,526,751	287,279	285,701	-
Eternal (China) Investment Co., Ltd.	8,369,307	16,973,838	2,840,130	14,133,708	1,369,359	(84,781)	242,641	-
Eternal Chemical (Chengdu) Co., Ltd.	450,351	1,147,075	1,234,695	(87,620)	632,080	(130,016)	(185,250)	-
Eternal Electronic (Suzhou) Co., Ltd.	1,381,040	3,604,560	2,308,519	1,296,041	2,533,886	137,462	64,845	-
Eternal Sun A. (Suzhou) Co., Ltd.	751,443	614,722	255,356	359,366	270,255	(134,911)	(145,317)	-
Eternal Specialty Materials (Suzhou) Co., Ltd.	1,199,225	2,009,734	876,754	1,132,980	2,099,898	126,873	94,288	-
Eternal Materials (Changzhou) Co., Ltd.	602,000	629,419	(23)	629,442	0	(360)	46,248	-

Note 1: If an affiliated company is a foreign company, the capital contribution should be specified in New Taiwan dollars at a historical exchange rate.

Note 2: If an affiliated company is a foreign company, the total assets and total liabilities should be specified in New Taiwan dollars at an exchange rate on the reporting date, and the operating revenue, operating profit, profit or loss, and earnings per share should be specified in New Taiwan dollars at the average monthly exchange rate in the fiscal year.

**Eternal Materials Co., Ltd.**

**Chairman: Kao, Kuo-Lun**