

Eternal Materials Co., Ltd.

2020 Annual Report

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

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

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Method by which to Access Information on Offshore Securities: None.**
- VI. Address of the Company's Website: <https://www.eternal-group.com>**

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Report to the Shareholders

Having gone through 2020, the COVID-19 pandemic has affected all aspects of people's lives, and the internal and external operational environments of enterprises were also put to rigorous tests. At the beginning of the pandemic, the external economic environment experienced a recession and the financial market crashed; alternatively, when the economy began to recover at the end of the year, leading to an imbalance between supply and demand, which affected the production and logistics activities in the Company's internal operations. The Company's management team has prudently and cautiously responded to the effects of the pandemic and strove to maintain stable operations. As China, our major market, began to recover from the pandemic, our revenues began to increase in each quarter, and we had even witnessed the highest quarterly revenue in the fourth quarter (Q4) in recent years. Concurrently, benefiting from cost control and optimized product mix, though our annual revenue had showed a small decline, our overall profitability was able to grow from the previous year.

As for outlook for the upcoming year, economic activities are still affected by the ongoing worldwide pandemic, and the US-China and cross-strait political tensions are still building up, which lead to enormous external challenges to the Company. Nevertheless, as vaccinations become more accessible and countries are continuing with fiscal and monetary stimulus packages, global economic growth may still be expected. Eternal Materials Co., Ltd. will strive for revenues and profits from new markets and product developments, and the Company's operational outlook still remains positive.

By holding true to our sustainable management policy, being committed to employee care, environmental protection, and fulfilling corporate social responsibility, the Company will strive to achieve our responsibilities to all stakeholders and the society. We will actively respond to crisis and opportunities in the operational environment by remaining focused on R&D and innovations, and flexible strategic actions will be taken to achieve our two major goals, namely, sustainability and growth.

The operating results in 2020 are reported as follows:

I. Business Performance in 2020

(I) Implementation of the business plan

In 2020, consolidated net revenue of the Company was NT\$38.4 billion, a decrease of 5% from 2019. In terms of operating profit, net profit before tax was NT\$3.145 billion, an increase of 8% from the previous year; net profit after tax attributable to owners of the parent company was NT\$2.543 billion, while the earnings per share (EPS) was at NT\$2.05.

(II) Financial Position and Profitability Analysis

1. Financial revenues and expenditures:

Unit: NT\$1,000

Item	Amount of 2020
Operating revenue	38,370,366
Operating gross profit	8,885,888
Operating profit	3,138,926
Non-operating income and expenses	5,583
Net profit before tax	3,144,509
Net profit	2,493,217
Net comprehensive profit after tax	593,951
Total comprehensive income	3,087,168
Net profit attributable to owners of the parent company	2,543,496

Net profit attributable to non-controlling interests	(50,279)
Total comprehensive income attributable to owners of the parent company	3,139,446
Total comprehensive income attributable to non-controlling interests	(52,278)
Earnings per share (NT\$)	2.05

Note: As the Company did not disclose financial forecasts for 2020, the relevant information for implementation of the budget was unavailable.

2. Profitability analysis:

Unit: %

Item	Percentage
Return on assets (ROA)	5
Return on equity (ROE)	11
Ratio of net profit before tax to paid-in capital	25
Profit margin	6
Earnings per share (NT\$)	2.05

(III) Research and development

1. Research and development results in 2020:

- (1) COVID-19 antibodies screen kit
- (2) High-definition polarized materials adhesive
- (3) Solvent-free UV acrylic acid adhesive
- (4) Anion solvent-free self-extinction water-based polyurethane (PU) dispersion
- (5) Semiconductor liquid packaging gel
- (6) Thick-film photoresist material for IC substrate
- (7) UV-LED light curing enhancement material
- (8) Mini LED optical adhesive
- (9) Water-based adhesive for lithium batteries
- (10) Thermal-activated water PU adhesive
- (11) Hollow resin emulsion spheres used to enhance coating performance
- (12) Functional curing materials that combine the strengths of both thermal curing and UV curing

2. Future research and developments:

- (1) Soft electronic materials
- (2) High-frequency application flex board materials
- (3) High-performance engineering plastics
- (4) Semiconductor packaging materials
- (5) Lithium battery materials
- (6) Biomedical testing materials
- (7) Degradable plastic materials
- (8) PI semiconductor materials
- (9) Electric conductive macromolecular materials
- (10) FEVE, PCTFE powder/thin film
- (11) PUR adhesives
- (12) Moisture curing PU structural adhesive materials

- (13) Metallic epoxy resin adhesive materials
- (14) Thermoplastic epoxy composite materials
- (15) Functional silica spheres
- (16) Solvent-free UV gel adhesive
- (17) Aspect ratio resolution thick film photoresist
- (18) Ultra-high fine wiring photoresist for substrate and substrate-like PCB
- (19) Broad iterative dry film solder mask for mini led, flex board PIC and PCB rigid board
- (20) Separation film and vacuum laminator for advanced semiconductor packaging processes
- (21) PSPI for FPC flex board
- (22) EMI film
- (23) Release film
- (24) High refractive packaging silica gel materials

II. Summary of 2021 Business Plan

(I) Estimated sales volume

The Company's 2021 business plan is to achieve stable revenue and profit growth in the medium and long term. The management team will actively achieve operating goals and work together to enhance corporate value

(II) Management Objectives and Production and Sales Strategies

1. The Company's product research and development will be focused on the development of high-end products such as functional resins, rubber materials, and membrane materials required for industrial applications (including coating, electrical materials, adhesive, composites, ink, and silicon materials). By accelerating New Product Development (NPD) and New Business Development (NBD), the Company can achieve higher market value.
2. Actively expand emerging markets such as Northeast Asia and ASEAN (Southeast Asian countries), and India. After mass production of the Malaysia plant commences, the Company can expand marketing and sales at local regions. Additionally, the Company will reinforce technical and market strategies in Japan and Korea, while continuing to strengthen partnerships with major international firms throughout Asia to achieve more comprehensive business growth and more diversified product structure.

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

Facing global competition and continuous market changes, the Company will achieve and maintain competitive advantages in long-term development through sound operations, optimized management performance, and making continued R&D investments to accelerate the research, development, and commercialization of key materials that meet future market demand.

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

Chairperson: Kao, Kuo-Lun

President: Mao, Hui-Kuan

Chapter 1 Company Profile

I. Date of Incorporation: December 3, 1964

II. Brief History of the Company

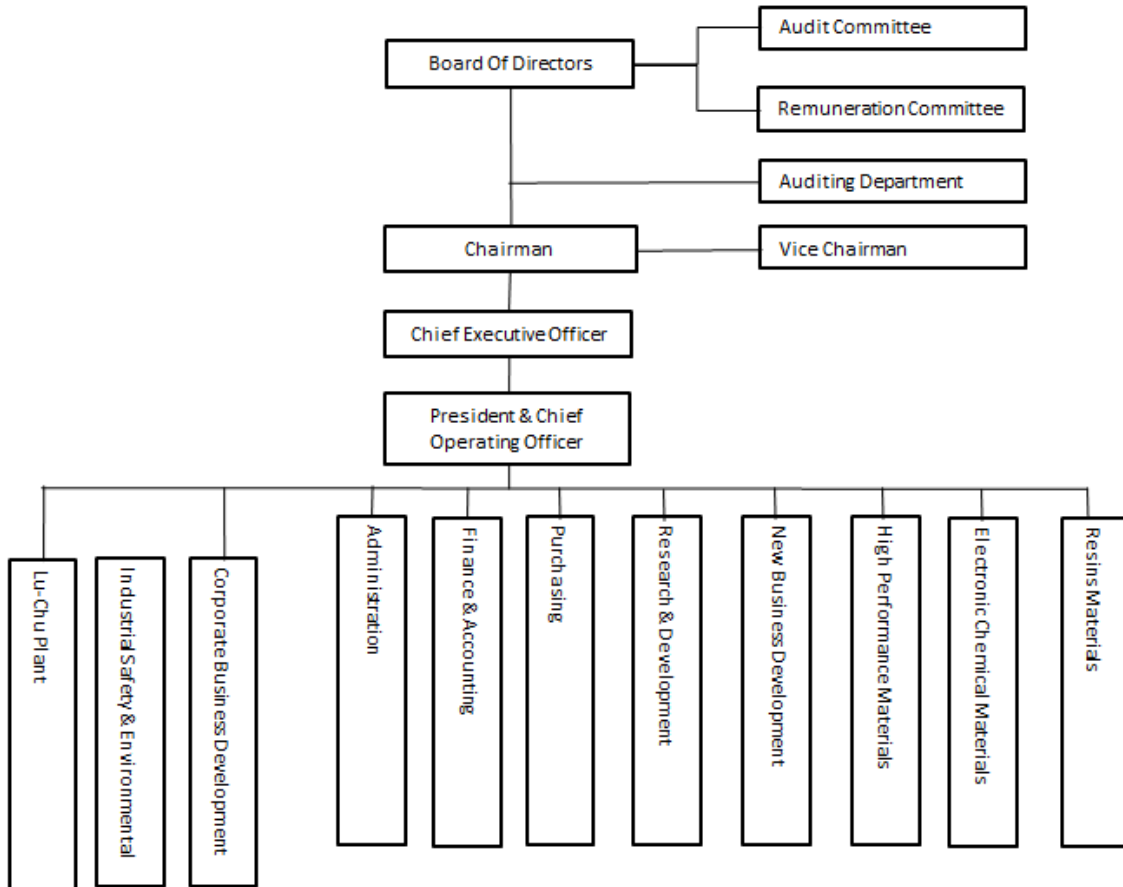
- In 1964 The Company was founded in Kaohsiung City with the initial capital of NT\$800,000.
- In 1965 The plant in Kaohsiung was completed and began to produce resin products.
- In 1973 Lu-Chu Plant was completed and relocated.
- In 1988 The Company and the Netherlands' DSM jointly established DSM Resins (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 of 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 Chemical Europe B.V. was established in the Netherlands.
- 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 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 of Nichigo-Morton Co., Ltd. in Japan.
- In 2013 Eternal invested and acquired 35% shares of 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 acquired 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 2021 The Company established a joint venture "PT. Eternal Materials Indonesia" with a 67% stake.

Chapter 2 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 Chemical 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 integrating domestic and overseas human resources management, information management, administrative services, legal affairs, and other units as well as the performance auditing.
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 24, 2021 Unit: thousand shares, %

Title	Nationality/ Country of Origin	Name	Gender	Date Elected (Appointed)	Term (Years)	Date first elected (Note 1)	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			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Chairperson	Republic of China	Kao, Kuo-Lun	Male	2019.06.26	3 years	1992.07.15	50,139	4.04	54,139	4.36	5,731	0.46	0	0	Master of Business Administration, University of Southern California Ex-President of the Company	Chief Executive Officer of the Company	None	None	None	(Note 7)
Vice Chairperson	Republic of China	Hsieh, Chin-Kun	Male	2019.06.26	3 years	2004.04.14	723	0.06	723	0.06	0	0	0	0	Master of Business Administration, National Sun Yat-sen University Ex-President and Chief Operating Officer of the Company	Vice Chairperson and Chief Strategy Officer of the Company	None	None	None	
Board Director	Republic of China	Kwang Yang Motor Co., Ltd.	-	2019.06.26	3 years	1995.04.28	123,002	9.92	124,000	9.99	N/A	N/A	0	0	N/A	N/A	N/A			
		Representative: Ke, Chun-Pin	Male				0	0	0	0	0	0	0	0	0	0	0	0	0	0
Board Director	Republic of China	Kao, Ying-Chih	Male	2019.06.26	3 years	2010.06.15	19,852	1.60	19,852	1.60	1,047	0.08	6,279	0.51	Bachelor of Physics, Chung Yuan Christian University Ex-Chairperson, Orchard Taiwan Co., Ltd.	Supervisor, Chengfu International Investment Co., Ltd.	None	None	None	
Board Director	Republic of China	Yang, Huai-Kun	Male	2019.06.26	3 years	1972.05.14	16,176	1.30	15,776	1.27	0	0	0	0	Bachelor of Accounting, Soochow University Ex-Vice President of the Company	None	None	None	None	
Board Director	Republic of China	Huang, Wu- Tung (Note 5)	Male	2019.06.26	3 years	1976.05.23	3,921	0.32	3,911	0.32	2,257	0.18	0	0	Bachelor of Chemical Engineering, National Cheng Kung University Ex-Vice President of the Company	None	None	None	None	
Board Director	Republic of China	Shiao, Tzu-Fei	Male	2019.06.26	3 years	1998.04.10	558	0.05	558	0.05	0	0	0	0	Master of Business Administration, National Chengchi University Ex-Vice Chairperson, President, and Chief Operating Officer of the Company	None	None	None	None	

Board Director	Republic of China	Yen, Shu-Fen	Female	2019.06.26	3 years	2019.06.26	299	0.02	299	0.02	16	0	0	0	Bachelor of Business Administration, National Cheng Kung University Ex-Vice President of the Company	None	None	None	None
Independent Director of the Board	Republic of China	Chen, Yi-Heng (Note 6)	Male	2020.06.18	2 years	2016.06.15	155	0.01	146	0.01	82	0	0	0	New York University PhD in Human Resources Management and Organization Development	Professor, Institute of Human Resource Management, National Sun Yat-sen University Member of the Audit Committee and the Remuneration Committee of the Company Independent Director, Tigerair Taiwan, and Kham Inc.	None	None	None
Independent Director of the Board	Republic of China	Hung, Li-Jung	Female	2019.06.26	3 years	2016.06.15	0	0	0	0	0	0	0	0	Department of Accountancy, National Cheng Kung University Ex-partner and CPA at Pricewaterhouse Coopers Taiwan	Member of the Audit Committee and Convenor of the Remuneration Committee of the Company. Independent Director of Launch Tech International Technology Co., Ltd. and Advanced International Multitech Co., Ltd.	None	None	None
Independent Director of the Board	Republic of China	Lo, Li-Chun	Male	2019.06.26	3 years	2019.06.26	0	0	0	0	0	0	0	0	PhD in Management, Hong Kong Polytechnic University Ex-visiting associate professor, Nanyang Business School Ex-Chief Executive Officer of Protrend	Chairperson of the Audit Committee and Member of the Remuneration Committee of the Company, Chief Executive	None	None	None

																					Global Financial Information Co., Ltd.	Officer of Protrend Management Consulting Co., Ltd. Co-Director of Heng-Seng University Chinese Family Succession Research Center				
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Note 1: Chairperson Kao, Kuo-Lun was elected as Director of the Company for the first time on July 15, 1992. He was elected by the Board of Directors as Chairperson on June 15, 2010 and has served in this capacity since then.

Director Hsieh, Chin-Kun was elected as Director of the Company for the first time, and served from April 14, 2004 to April 13, 2007. He was re-elected as Director on June 15, 2010 and has served in this capacity since then.

Director Kao, Ying-Chih has been elected as Supervisor of the Company since May 23, 1976. He was elected as Director for the first time on June 15, 2010 and has served in this capacity since then.

Note 2: Directors of the Company have not been employed by its auditing CPA firm or its affiliated companies.

Note 3: Position(s) held concurrently in the in any other company: Please refer to the “Information on Directors, Supervisors, and Presidents of Affiliated Companies” on pages 305~309 of the Annual Report.

Note 4: Director Ko, Chun-Ping: Director and Chief Executive Officer of Kwang Yang Motor Co., Ltd., Chairperson of Kwang Xing Industrial Co., Ltd., Chairperson of Kwang Da Trading Co., Ltd., Chairperson of Kwang Jie Co., Ltd.; Director of Shing Shang Yang Venture Capital Co., Ltd., Director of New E Materials Co., Ltd.,

Note 5: Director Huang, Wu-Tung was discharged on April 8, 2021 due to retirement. His shareholding was disclosed as of the day of his discharge.

Note 6: Independent Director Chen, Yi-Heng was elected at a special election and appointed independent director on June 16, 2020. He began serving at the Remuneration Committee on March 27, 2020

Note 7: Appointed as CEO by the Board of Directors on June 26, 2019. The responsibility of a chairperson is to preside over board meetings and execute matters authorized by the Board of Directors, whereas a CEO is responsible for the execution and promotion of the Company's business plan. It is essential to establish the CEO role, given their different responsibilities, despite being held by the same person. Over half of the directors of the Company do not concurrently serve as employees or managerial officers of the Company.

2. Major Shareholders of Institutional Shareholders

April 24, 2021

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
	Kuang Chou Investment Co., Ltd.	6.66
	Daming Investment Co., Ltd.	6.33
	Kwang Hsing Industrial Co., Ltd.	5.39
	Ke, Chia-Cheng	1.05
	Ko, Hung-Ming	1.03
	Ko Wang, Shu-Yuan	1.03
	Ke, Hsing-Lang	1.00
	Hung Sheng Investment Co., Ltd.	1.00

Note: Data above is provided by Kwang Yang Motor Company Shareholder Services.

3. Ultimate owners (natural person) if the major shareholders of the institutional shareholders are legal persons

April 24, 2021

Name of the Legal Person	Ultimate owners (natural person)	Shareholding percentage (%)
Xinsheng Investment Co., Ltd.	Ko, Hung-Ming	0.005
	Ke, Hsing-Lang	0.005
	Ko Wang, Shu-Yuan	0.005
	Ke, Yu-Feng	0.000
	Cyclical Investment Corporation	62.09
	Min Fong Investment Corporation	19.05
	Hsin Ching Investment Corporation	18.83
Hongguang Investment Co., Ltd.	Ko Wang, Shu-Yuan	20.00
	Ko, Hung-Ming	20.00
	Ke, Sheng-Feng	20.00
	Ke, Yu-Feng	20.00
	Ke, Kwang-Feng	20.00
Kuang Chou Investment Co., Ltd.	Ko, Wen-Tan	0.50
	Xindong Investment Co., Ltd.	8.25
	Hsien Yu Li Investment Co., Ltd.	7.70
	He Wei Investment Co., Ltd.	5.23
	Chou An Investment Co., Ltd.	4.51
	Yu Yang Investment Co., Ltd.	3.34
	Ko, Chun-Sung	2.66
	Yi Cheng Investment Co., Ltd.	1.31
	Ko, Mei-Hui	0.76
	Ke, Chun-Nan	0.76
	Ke, Chun-Ming	0.53
Ko, Chen-Hsien	0.06	
Daming Investment Co., Ltd.	Ke, Chung-Hsiung	4.95
	Ke, Chia-Hung	12.50
	Ke, Jung-Chia	2.58
	Ke, Chia-Nan	0.71
Kwang Hsing Industrial Co., Ltd.	Kwang Yang Motor Co., Ltd.	100.00

Hung Sheng Investment Co., Ltd.	Ho Sheng Investment Co., Ltd.	12.50
	Pai Yao Investment Co., Ltd.	13.63
	Chien Yao Investment Co., Ltd.	11.37
	Shuo Ting Investment Co., Ltd.	12.50
	Po Hsin Investment Co., Ltd.	12.50
	Chen Hsun Investment Co., Ltd.	12.50
	Hou Kang Investment Co., Ltd.	12.50
	Hing Yi Investment Co., Ltd.	12.50

Note: The information in the table above is obtained from the Business Registration Public Information System of the Department of Commerce, Ministry of Economic Affairs (MOEA).

4. Information on Directors and Supervisors

April 24, 2021

Qualifications	Whether one of the following professional qualifications is met, together with a minimum 5 years of work experience			Compliant with Independence criteria (Note)												Number of public companies served as independent director concurrently	
	Instructor or above of Commerce, Law, Finance, Accounting, or any other business-related subject at a public or private college or university	Judge, prosecutor, attorney, CPA, or any other professional or technical specialist with national certifications, relevant to the operations of the Company	Work Experience related to commerce, law, finance, accounting, or any other field relevant to the operations of the Company	1	2	3	4	5	6	7	8	9	10	11	12		
Name																	
Kao, Kuo-Lun			v					v	v	v	v	v	v	v	v	v	0
Hsieh, Chin-Kun			v		v	v		v	v	v	v	v	v	v	v	v	0
Representative of Kwang Yang Motor Co., Ltd.: Ke, Chun-Pin			v	v			v		v	v			v	v	v		0
Kao, Ying-Chih			v	v	v		v	v	v	v	v	v	v	v	v	v	0
Yang, Huai-Kun			v	v	v		v	v	v	v	v	v	v	v	v	v	0
Huang, Wu-Tung (Note 2)			v	v	v		v	v	v	v	v	v	v	v	v	v	0
Shiao, Tzu-Fei			v	v	v	v	v	v	v	v	v	v	v	v	v	v	0

Yen, Shu-Fen			v	v	v	v	v	v	v	v	v	v	v	v	v	0
Chen, Yi-Heng (Note 3)	v		v	v	v	v	v	v	v	v	v	v	v	v	v	2
Hung, Li-Jung		v	v	v	v	v	v	v	v	v	v	v	v	v	v	2
Lo, Li-Chun	v		v	v	v	v	v	v	v	v	v	v	v	v	v	0

Note 1: For any director or supervisor who meets the condition(s) listed below within two years before taking office, or during the term of office, please provide the [✓] sign in the field next to the corresponding condition(s).

- (1) Not an employee of the Company or any of its affiliated companies.
- (2) Not a director or supervisor of the Company or any of its affiliated companies with the exception of serving as an independent director of the Company, its parent company, subsidiaries of the Company or its parent company, in accordance with the Act or laws of the country where the parent or subsidiary is located.
- (3) Not a natural-person shareholder who holds an aggregate 1% or more in the total number of issued shares of the Company, or ranks among top 10 largest shareholders, including shares held by the spouse, minor children, or in the name of another person
- (4) Not a managerial officer listed in (1) or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship listed in (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of issued shares of the Company, or who ranks among top five in shareholdings, or who designates its representatives to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act (This restriction does not apply to independent directors in the Company or its parent company, subsidiary of the Company or its parent company, who has been appointed in accordance with the Act or the laws of the registered country).
- (6) Not a director, supervisor, or employee of another company controlled by the same person with more than half of the Company's director seats or voting shares. 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 with the laws of the country of the parent or subsidiary.
- (7) Not a director, supervisor, or employee of a company where the chairperson, president or any equivalent position are held by the same person or by his/her spouse separately. 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 with the laws of the country of the parent or subsidiary.
- (8) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specific company or institution which has a financial or business relationship with the Company (excluding specific companies or institutions holding more than 20% but less than 50% of the total issued shares of the Company, and independent directors appointed by both the Company and its parent company, subsidiary or subsidiaries under the same parent company pursuant to this regulation or the local regulations).
- (9) Not a professional individual who is an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution, or a spouse thereof, that provides commercial, legal, financial, accounting services or consultation to the Company or its affiliated companies, or those made an accumulated profit of less than NT\$500,00 over the last 2 years. This restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not a spouse or relative within the second degree of kinship of another director or supervisor.
- (11) No circumstance subjected to the subparagraphs of Article 30 of the Company Act occurs.
- (12) Not elected in the capacity of a government, a legal person, or a representative thereof, as provided in Article 27 of the Company Act.

Note 2: Independent Director, Huang, Wu-Tung, resigned on April 8, 2021

Note 3: Independent Director Chen, Yi-Heng was elected in a special election on June 18, 2020

(II) Information on managerial officers

April 24, 2021 Unit: thousand shares, %

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position Held in Other Companies	Managers who are Spouses or Within the Second Degree of Kinship			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
CEO	Republic of China	Kao, Kuo-Lun	Male	2016.11.11	54,139	4.36	5,731	0.46	0	0	Master of Business Administration, University of Southern California	(Notes 1 & 2)	None	None	None	Note 13
President and Chief Operating Officer	Republic of China	Mao, Hui-Kuan	Male	2019.06.26	217	0.02	0	0	0	0	Master of Chemical Engineering, National Taiwan University	(Note 2)	None	None	None	
Chief Strategy Officer	Republic of China	Hsieh, Chin-Kun	Male	2019.06.26	723	0.06	0	0	0	0	Master of Business Administration, National Sun Yat-sen University	(Note 1)	None	None	None	
Chief Strategy Officer	Republic of China	Shiao, Tzu-Fei (Note 3)	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	Chen, Ming-Jen (Note 3)	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 (Note 3)	Male	2011.02.21	285	0.02	0	0	0	0	Bachelor of Chemical Engineering, National Taiwan University	None	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	(Note 2)	None	None	None	
Assistant Vice President	Republic of China	Lin, Chih-Kuo	Male	1999.07.01	589	0.05	0	0	0	0	PhD in Human Resource Management, National Sun Yat-sen University	(Note 2)	None	None	None	
Assistant Vice President	Republic of China	Sung, Chun-Lung (Note 3)	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	Hung, Chao-Cheng	Male	2010.01.01	259	0.02	0	0	0	0	Bachelor of Chemical Engineering, National Taiwan University	(Note 2 & 4)	None	None	None	
Assistant Vice President	Republic of China	Kao, Chih-Yu	Male	2010.01.01	63	0.01	10	0	0	0	PhD in Chemical Engineering, National Taiwan University	(Note 5)	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 & 6)	None	None	None	

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position Held in Other Companies	Managers who are Spouses or Within the Second Degree of Kinship			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
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	(Note 2)	None	None	None	
Assistant Vice President	Republic of China	Su, Wen-Pin	Male	2015.01.01	53	0	13	0	0	0	Master of Industrial Engineering, Taiwan Institute of Technology	None	None	None	None	
Assistant Vice President	Republic of China	Cheng, Yu-Cheng (Note 3)	Male	2017.01.01	1	0	0	0	0	0	Doctor of Philosophy, Huazhong University of Science & Technology, China	None	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 & 7)	Assistant Vice President	Chu, Jui-Hsin	Spouse	
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	(Note 2)	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	(Note 2)	None	None	None	
Assistant Vice President	Republic of China	Chu, Jui-Hsin	Female	2020.01.01	110	0.01	239	0.02	0	0	Master of Business Administration, National Sun Yat-sen University	(Note 2)	Assistant Vice President	Pan, Chin-Cheng	Spouse	
Assistant Vice President	Republic of China	Lin, Chao-Kun	Male	2020.01.01	30	0	35	0	0	0	Master of Chemistry, National Sun Yat-sen University	(Notes 2 & 8)	None	None	None	
Assistant Vice President	Republic of China	Chen, Hung-Yi	Male	2020.01.01	43	0	29	0	0	0	Master of Chemical Engineering, Chung Yuan Christian University	(Note 2 & 9)	None	None	None	
Assistant Vice President	Republic of China	Liao, Keng-Chung	Male	2020.06.01	251	0.02	0	0	0	0	Bachelor of Chemical Engineering, Tunghai University	(Note 2)	None	None	None	
Assistant Vice President	Republic of China	Zhang, Ji-Gang	Male	2021.01.01	0	0	0	0	0	0	Ph.D. in Chemistry, Sun Yat-Sen University	(Note 10)	None	None	None	
Assistant Vice President	Republic of China	Hsieh, Yen-Fen	Male	2021.01.01	78	0.01	0	0	0	0	M.B.A., National Chi Nan University	(Note 2)	None	None	None	
Finance Manager	Republic of China	Liu, Bing-Cheng	Male	2018.12.01	15	0	0	0	0	0	Master of Finance, National Taiwan University (NTU) Master of Information Technology, Loughborough University	(Notes 2 & 11)	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	

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position Held in Other Companies	Managers who are Spouses or Within the Second Degree of Kinship			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Corporate Governance Supervisor	Republic of China	Liu, Bing-Cheng	Male	2019.05.10	15	0	0	0	0	0	Master of Finance, National Taiwan University (NTU) Master of Information Technology, Loughborough University	(Notes 2 & 11)	None	None	None	

Note 1: Please refer to the section "Information on Directors and Supervisors".

Note 2: Position(s) held in other Companies: Please refer to the "Information on Directors, Supervisors, and Presidents of Affiliated Companies" on pages 305~309 of the Annual Report.

Note 3: Shiao, Tzu-Fei / Chen, Ming-Jen / Chen, Chin-Yuan / Sung, Chun-Lung / Cheng, Yu-Cheng were discharged due to retirement respectively on February 12, 2021, September 9, 2020, January 19, 2021, March 15, 2021, and April 5, 2020. Their shareholdings were disclosed as of the month of their retirement/discharge.

Note 4: Hung, Chao-Cheng: Supervisor of Advanced PETFILM Investment Co., Ltd.

Note 5: Kao, Chih-Yu, director of DSM Resins (Far East) Co., Ltd. and director of DSM Eternal Resins (Kunshan) Co., Ltd.

Note 6: Chang, Shih-Fang - Director of Showa Denko New Material (Zhuhai) Co., Ltd.

Note 7: Pan, Chin-Cheng: Director of ESCO Specialty Coatings (Shanghai), Director of Eternal Electronic Materials (Kunshan), and Director of Daxin Materials Corporation.

Note 8: Lin, Chao-Kun - Director of Allnex-Eternal Resins Corporation Ltd., Director of Allnex-Eternal Resins (Guangdong) Corporation Ltd., Director of DSM Resins (Far East) Co., Ltd. and Director of DSM Eternal Resins (Kunshan) Co., Ltd.

Note 9: Chen, Hung-Yi - Director of Allnex-Eternal Resins Corporation Ltd., Director of Allnex-Eternal Resins (Guangdong) Corporation Ltd., Director of DSM Resins (Far East) Co., Ltd. and Director of DSM Eternal Resins (Kunshan) Co., Ltd.

Note 10: Zhang, Ji-Gang: Director of Daxin Materials Corporation.

Note 11: Liu, Ping-Cheng: Director of Allnex-Eternal Resins Corporation Ltd., Director of Allnex-Eternal Resins (Guangdong) Corporation Ltd., Director of TBG Diagnostics Limited.

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

Note 13: The Company's positions of chairperson and CEO are held by the same person. Since the duties of Chief Executive Officer and the Chairperson are different, the main responsibility of the Chairperson is to preside over board meetings and execute matters authorized by the Board of Directors, while the Chief Executive Officer is responsible for the execution of promotion of the Company's business plan, so it is necessary to establish these positions, and more than half of the directors of the Company's Board of Directors are not the employees or managers of the Company.

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

(I)

1. Director remuneration

Unit: Thousand NT\$

Position	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)		Compensation Paid to Directors from an Invested Company Other Than the Company's Subsidiaries or Parent Company			
		Remuneration (A)		Retirement Pension (B)		Director's Remuneration (C)		Business Allowances (D)				Salary, Bonus and Special Allowances (E) (Note 2)		Retirement Pension (F)		Employee Bonus (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	The Company	All Companies in Financial Statements	The Company	All Companies in Financial Statements				
Board Director	Chairperson	Kao, Kuo-Lun																					
	Vice Chairperson	Hsieh, Chin-Kun																					
	Board Director	Representative of Kwang Yang Motor Co., Ltd.: Ke, Chun-Pin	-	-	-	-	16,200	16,200	470	476	0.66	0.66	38,125	38,125	-	-	6,803	-	6,803	-	2.42	2.42	-
	Board Director	Kao, Ying-Chih																					
	Board Director	Yang, Huai-Kun																					
	Board Director	Huang, Wu-Tung																					

Range of Remuneration Paid to Directors

Range of Remuneration	Name of Director			
	A+B+C+D		A+B+C+D+E+F+G	
	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements
Less than NT\$1 million	Chen, Yi-Heng	Chen, Yi-Heng	Chen, Yi-Heng	Chen, Yi-Heng
NT\$1,000,000 (inclusive)~NT\$2,000,000 (exclusive)	Hsieh, Chin-Kun and Hsiao, Tse-Fei Yen, Shu-Fen, Huang, Wu-Tung Yang, Huai-Kun, Kao, Ying-Chih Kwang Yang Motor Co., Ltd. Representative: Ke, Chun-Pin Hung, Li-Jung; Lo, Li-Chun	Hsieh, Chin-Kun and Hsiao, Tse-Fei Yen, Shu-Fen, Huang, Wu-Tung Yang, Huai-Kun, Kao, Ying-Chih Kwang Yang Motor Co., Ltd. Representative: Ke, Chun-Pin Hung, Li-Jung; Lo, Li-Chun	Huang, Wu-Tung; Yang, Huai-Kun Kao, Ying-Chih, Kwang Yang Motor Co., Ltd. Representative: Ke, Chun-Pin Hung, Li-Jung; Lo, Li-Chun	Huang, Wu-Tung; Yang, Huai-Kun Kao, Ying-Chih, Kwang Yang Motor Co., Ltd. Representative: Ke, Chun-Pin Hung, Li-Jung; Lo, Li-Chun
NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive)	-	-	Yen, Shu-Fen	Yen, Shu-Fen
NT\$3,500,000 (inclusive)~NT\$5,000,000 (exclusive)	Kao, Kuo-Lun	Kao, Kuo-Lun	-	-
NT\$ 5 million (inclusive) to NT\$10 million (exclusive)	-	-	-	-
NT\$ 10 million (inclusive) to NT\$15 million (exclusive)	-	-	Shiao, Tzu-Fei	Shiao, Tzu-Fei
NT\$ 15 million (inclusive) to NT\$30 million (exclusive)	-	-	Kao, Kuo-Lun and Hsieh, Chin-Kun	Kao, Kuo-Lun and Hsieh, Chin-Kun
NT\$ 30 million (inclusive) to NT\$50 million (exclusive)	-	-	-	-
NT\$50,000,000 (inclusive)~NT\$100,000,000 (exclusive)	-	-	-	-
Over NT\$100 million				
Total	11	11	11	11

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

Unit: Thousand NT\$

Position	Name	Salary (A)		Pension (B)		Bonus and special allowances (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 included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements	
								Cash	Stock	Cash	Stock			
CEO	Kao, Kuo-Lun													
President and Chief Operating Officer	Mao, Hui-Kuan													
Chief Strategy Officer	Hsieh, Chin-Kun													
Chief Strategy Officer	Shiao, Tzu-Fei	29,674	29,674	307	307	41,005	41,005	13,628	-	13,628	-	3.31	3.31	-
Vice President	Chen, Ming-Jen													
Vice President	Chen, Chin-Yuan													
Vice President	Liao, Heng-Ning													

Note 1: Company car dispatch expenses are included. Additionally, compensation paid to the drivers amounted to NT\$920 thousand, but not included in this remuneration.

Note 2: The Company's 2020 earnings to be distributed to employees in 2021 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.

* Irrespective of titles, any position equivalent to president or vice president (e.g. General Manager, CEO or Director) should be disclosed.

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

Range of Remuneration Paid to the CEO, President, Chief Strategy Officer, and Vice Presidents	Name of Chief Executive Officer, President, Chief Strategy Officer, and Vice President	
	The Company	All companies included in the financial statement
Less than NT\$1 million	-	-
NT\$1 million (inclusive)~NT\$2 million (exclusive)	-	-
NT\$2 million (inclusive)~NT\$3.5 million (exclusive)	-	-
NT\$3.5 million (inclusive)~NT\$5 million (exclusive)	Chen, Ming-Jen	Chen, Ming-Jen
NT\$5 million (inclusive)~NT\$10 million (exclusive)	Chen, Chin-Yuan; Liao, Heng-Ning	Chen, Chin-Yuan; Liao, Heng-Ning
NT\$10 million (inclusive)~NT\$15 million (exclusive)	Shiao, Tzu-Fei	Shiao, Tzu-Fei
NT\$15 million (inclusive)~NT\$30 million (exclusive)	Kao, Kuo-Lun; Hsieh, Chin-Kun; Mao, Hui-Kuan	Kao, Kuo-Lun; Hsieh, Chin-Kun; Mao, Hui-Kuan
NT\$30 million (inclusive)~NT\$50 million (exclusive)	-	-
NT\$50 million (inclusive)~NT\$100 million (exclusive)	-	-
Over NT\$100 million	-	-
Total	7	7

3. Employee Remuneration Paid to Managerial Officers

As of 12/31/2020; Unit: Thousand NT\$

	Position	Name	Stock	Cash	Total	Ratio of Total Amount to Earnings After Tax (%)
Managerial Officer	CEO	Kao, Kuo-Lun	0	23,994	23,994	0.94
	President and Chief Operating Officer	Mao, Hui-Kuan				
	Chief Strategy Officer	Hsieh, Chin-Kun				
	Chief Strategy Officer	Shiao, Tzu-Fei				
	Vice President	Chen, Ming-Jen (Note)				
	Vice President	Chen, Chin-Yuan				
	Vice President	Liao, Heng-Ning				
	Assistant Vice President	Lin, Chih-Kuo				
	Assistant Vice President	Sung, Chun-Lung				
	Assistant Vice President	Hung, Chao-Cheng				
	Assistant Vice President	Kao, Chih-Yu				
	Assistant Vice President	Chang, Shih-Fang				
	Assistant Vice President	Huang, Chin-Lung				
	Assistant Vice President	Su, Wen-Pin				
	Assistant Vice President	Cheng, Yu-Cheng (Note)				
	Assistant Vice President	Pan, Chin-Cheng				
	Assistant Vice President	Yeh, Mao-Jung				
	Assistant Vice President	Weng, Chin-Yi				
	Assistant Vice President	Chu, Jui-Hsin				
	Assistant Vice President	Lin, Chao-Kun				
	Assistant Vice President	Chen, Hung-Yi				
	Assistant Vice President	Liao, Keng-Chung (Note)				
	Manager	Liu, Ping-Cheng				
Manager	Su, Hui-Fang					

Note: Chen, Ming-Jen and Cheng, Yu-Cheng retired on September 9, 2020 and April 5, 2020 respectively. Liao, Keng-Chung was promoted to assistant vice president on June 1, 2020.

- (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 (%)			
		2020		2019	
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements
Directors (Note 1)		0.77	0.77	0.77	0.77
President and Vice Presidents (Note 2)		3.31	3.31	2.73	2.73

Note 1: Excluding employee remuneration received by directors

Note 2: Irrespective of titles, any position equivalent to president or vice president (e.g. General Manager, CEO or Director) . . shall be disclosed.

2. Remuneration paid to directors, president, and vice presidents shall be handled in accordance with the Company's Articles of Incorporation.

IV. State of Implementation of Corporate Governance

- (I) Board of Directors

A total of 6 (A) Board meetings were held in 2020. The attendance of the Directors is listed below:

Position	Name	Times of Attendance in Person (B)	Times of Attendance by Proxy	Rate of Attendance in Person (%) [B/A] (Note)	Note
Chairperson	Kao, Kuo-Lun	6	0	100	
Vice Chairperson	Hsieh, Chin-Kun	5	0	83	
Board Director	Kwang Yang Motor Co., Ltd. Representative: Ke, Chun-Pin	6	0	100	
Board Director	Kao, Ying-Chih	6	0	100	
Board Director	Yang, Huai-Kun	6	0	100	
Board Director	Huang, Wu-Tung	6	0	100	
Board Director	Shiao, Tzu-Fei	6	0	100	
Board Director	Yen, Shu-Fen	6	0	100	
Independent Director of the Board	Hung, Li-Jung	6	0	100	
Independent Director of the Board	Chen, Yi-Heng	4	0	100	Elected on June 18, 2020 at a special election. Four required meetings.
Independent Director of the Board	Lo, Li-Chun	5	1	83	

Note: Actual attendance (appearance) rate (%) shall be calculated using the number of Directors' Meetings convened and actual attendance (appearance) during the term of service.

The attendance of Independent Directors at each Board meeting:

◎ Attendance in Person; ★ Attendance in proxy

2020	1st meeting	2nd meeting	3rd meeting	4th meeting	5th meeting	6th meeting
Hung, Li-Jung	◎	◎	◎	◎	◎	◎
Lo, Li-Chun	★	◎	◎	◎	◎	◎
Chen, Yi-Heng (Note)			◎	◎	◎	◎

Note: Independent director, Chen, Yi-Heng was elected on June 18, 2020 at a special election. There were four required attendances in 2020.

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.

2. 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 recusal, and the results of voting counts shall be stated:

1. Proposals on managerial officers' annual salary adjustment, business performance bonus, profit target overreach bonus, annual performance bonus, and managers' employee bonus distribution. Chairperson Kao, Kuo-Lun, Director Hsieh, Chin-Kun, and Director Shiao, Tzu-Fei recused themselves from the discussion due to conflict of interest as per regulations. Chairperson Kao, Kuo-Lun appointed Director Yang, Huai-Kung to preside over the discussion as the acting chairperson. The acting chairperson consulted all the remaining directors present without any dissenting opinion.

2. The Company signed a contract with National Sun Yat-sen University for industry-academics cooperation and academic feedback. Chen, Yi-Heng recused himself from discussion due to conflict of interest. The chair consulted the remaining directors in attendance. No dissenting opinion was received and the proposal was approved as presented.

III. The Board of Directors' self or peer evaluations with details on the cycle, period, scope, method, and content of the evaluation.

Evaluation cycle	Evaluation period	Scope	Evaluation methods	Evaluation content
Annually	2020.01.01~2020.12.31	Performance evaluation for Board of Directors, individual Board members, and functional committees (Audit Committee and Remuneration Committee)	Internal self-evaluation of Board of Directors, self-evaluation of board members and peer evaluation	Report on the internal evaluation of board performance

To implement corporate governance and enhance the functions of the Board of Directors, the Company established the "Rules Governing the Performance Evaluation of the Board of Directors" approved by the Board of Directors on May 10, 2019. The Board of Directors should perform an internal board performance evaluation at least once a year. The internal evaluation period is from the end of each year to the end of the first quarter of the following year, and the current year's

performance evaluation is conducted in accordance with the evaluation procedures and evaluation indicators under Articles 6 and 8.

1. Assessment Aspect

Assessment Object	Assessment Items	Number of Questions	Indicator Score
Board of Directors	1. Level of participation in corporate operations 2. Improving Board of Directors decision-making 3. Composition and structure of the Board of Directors 4. The election of the Directors and their continuing professional education 5. Internal control	45	96
Board members (Self or peer)	1. Control over the Company's goals and tasks 2. Understanding of director duties and functions 3. Involvement in the Company's business activities 4. Management of internal relations and communication 5. Directors' professional and continuing education and training 6. Internal control	23	96
Functional Committees (Audit Committee & Remuneration Committee)	1. Level of participation in corporate operations. 2. Understanding of the duties of the functional committee. 3. Improvement in the quality of decision making by the functional committee. 4. The composition of the functional committee, and election and appointment of committee members 5. Internal control	24	95

2. Evaluation result: The overall operation of the Board of Directors, board members and functional committees is effective and meets the requirements of corporate governance.

3. Improvement plan: For low score items from the result of the evaluation: Directors fully communicate with the CPAs. Depending on the needs of directors, establish multiple opinion exchange channels between the Directors and the CPAs to ensure sufficient communication.

IV. Goals (e.g. establishing an audit committee, enhancing information transparency) Primed to Enhance the Board of Directors' Professionalism and the Assessment on their Effectiveness for the Current Year and the Most Recent Year:

1. 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.

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

3. 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.

4. The Company 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.

V. The Composition of the Board of Directors and Senior Management Succession Plan and Operations

1. Members of the Board of Directors

The Company adopts the candidate nomination system for Directors; the term of each session shall be three years. Unless otherwise required by laws and regulations or the Articles of Incorporation, the election of Directors shall be in compliance with the Company's Rules Governing the Election of Directors.

The election of the Directors shall take diversity into consideration, such as basic requirements and values (including gender, age, nationality, culture, etc.), professional knowledge and skills (including professional background, professional skills, and industry experiences).

In order to achieve the goal of corporate governance, members of board shall possess necessary acknowledge, and skills, and accomplishments. The required competences are as follows:

- I. Business judgment ability.
- II. Accounting and financial analysis ability.
- III. Business management ability.
- IV. Crisis management ability.
- V. Knowledge of the industry.
- VI. International market perspective.
- VII. Leadership.
- VIII. Decision-making ability.

The Company conducts the director succession plan through the following methods:

- I. Recommended by Incumbent Directors
- II. Director candidates recommended by shareholders.
- III. Refer to the results of performance evaluation of the Board of Directors for the nomination of the Directors' re-appointment.

To strengthen the efficacy of Directors in carrying on their duties, the Company will facilitate annual trainings for the Directors, in referencing the internal and external conditions and development needs, to enhance Directors' profesional competency.

2. Succession plan of significant managements

The Company has established Personnel Review Committee, which meets on the fourth quarter each year to review senior human resources development of each unit.

In order to ensure proper development and rotation of management talents, each business unit and critical function review key positions and talent development status during the first quarter of each year. The Company also ensures succession plan is in place for key management personnel including business unit heads and the department heads of subsidiaries and above.

For the development of management personnel, besides the basic training for new managers, all section heads are required to pass mid-level management training, and to participate in management seminars led by senior executives.

In addition to in-house training, the Company encourages mid-level managers to broaden their professional skills with practical integration. Prospective managers are required to have cross-functional and overseas management experience to ensure abundant practical management expertise in the talent pool.

(II) Audit Committee

1. A total of 5 (A) meetings of the Audit Committee were held in 2020. The attendance of independent directors and the operation of the Committee are described below:

Position	Name	Number of Attendance in Person (B)	Times of Attendance by Proxy	Attendance Rate (%) (B/A) (Note)	Note
Independent Director of the Board	Hung, Li-Jung	5	0	100	

Independent Director of the Board	Lo, Li-Chun	5	0	100	
Independent Director of the Board	Chen, Yi-Heng	3	0	100	Elected on June 18, 2020 at a special election. Three meeting attendances required
<p>Note: The disclosure above is as of December 31, 2020. His or her attendance rate (%) should be calculated on the basis of number of Audit Committee meetings held during his or her tenure and number of such meetings attended.</p> <p>Other items to be recorded:</p> <p>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.</p> <p>(I) Items listed in Article 14-5 of the Securities and Exchange Act:</p>					
	Date	Proposal and Subsequent Handling			
	March 23, 2020 the fourth meeting of the Second Audit Committee	1. Discussion over the 2019 consolidated and standalone financial statements.			
		2. The appointment of CPAs from Q2 2020 to Q1 2021 and the evaluation of CPAs' independence			
		3. Agreement on the Company's 2019 internal control system's design and implementation proposal.			
		4. 2019 Business report			
		5. 2019 earnings distribution			
		6. Amendments to the Company's "Procedures for Endorsements and Guarantees"			
		7. Amendments to the Company's "Procedures for Lending Funds to External Parties"			
		8. Amendments to the Company's "Rules Governing the Scope of Powers of Independent Directors"			
		9. Annual review, update, and adjustment of loans and line of credit (cash pooling) among subsidiaries			
		10. Loans and line of credit (entrusted loans) among subsidiaries			
		11. Loans and line of credit (external debt) among subsidiaries			
		12. Loans (entrusted loans) among affiliated companies			
		13. Adjustment of the overseas investment holding structure and establishment of a new holding subsidiary in SAMOA			
		14. Capital reduction of joint venture.			
		15. Merge of Eternal Electronic Material (Guangzhou) Co., Ltd. and Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.			
	Committee Members' Opinion: No objections or reservations. Resolution: Approved by the Chairperson upon consultation with all the Independent Directors present. The Company's response to the opinions of the Audit Committee: Approved by all the Directors present.				
	April 30, 2020 Fifth meeting of the Second Audit Committee	1. The disposal of all shares held at Eternal Photoelectric Material Industry (Kunshan) Co., Ltd.			
		2. Loans and lines of credit (entrusted loans) among subsidiaries.			
	Committee Members' Opinion: No objections or reservations. Resolution: Approved by the Chairperson upon consultation with all the Independent Directors present. The Company's response to the opinions of the Audit Committee: Approved by all the Directors present.				
	July 2, 2020 Sixth	1. Establishment of subsidiary and investment in Indonesia.			
		2. Loans and lines of credit (entrusted loans) among subsidiaries.			

meeting of the Second Audit Committee	<p>3. Annual review, update, and adjustment of loans and line of credit (BNP Paribas cash pooling) among subsidiaries.</p> <p>4. Loans (entrusted loans) among affiliated companies.</p> <p>Committee Members' Opinion: No objections or reservations. Resolution: Approved by the Chairperson upon consultation with all the Independent Directors present. The Company's response to the opinions of the Audit Committee: Approved by all the Directors present.</p>
August 3, 2020 Seventh meeting of the Second Audit Committee	<p>1. Replacement of CPA beginning the third quarter of 2020</p> <p>2. Disposal of Hangzhou Yongxin Yangguang Electronic Material Co., Ltd.</p> <p>3. New facility investment at the Lu-Chu Plant of Specialty Materials Division</p> <p>4. Investment increase in subsidiary, Eternal Nanyang Investment Co., Ltd. and the adjustment of the holding company structure of Eternal Nanyang Investment Co., Ltd.'s acquisition of Eternal Materials (Malaysia) Sdn.Bhd.</p> <p>5. Investment increase in Subsidiary, Eternal Materials (Malaysia) Sdn. Bhd.</p> <p>6. Provision of endorsement/guarantee on behalf of subsidiary, Eternal Nanyang Investment Co., Ltd. for the extension of bank credits for business operations.</p> <p>7. Provision of endorsements/guarantees by Eternal (China) Investment Co., Lt. on behalf of a subsidiary for the extension of bank credits.</p> <p>8. Capital reductions of Eternal (China) Investment Co., Ltd., Eternal International (BVI) Co., Ltd., and Eternal Holdings Inc.</p> <p>Committee Members' Opinion: No objections or reservations. Resolution: Approved by the Chairperson upon consultation with all the Independent Directors present. The Company's response to the opinions of the Audit Committee: Approved by all the Directors present.</p>
December 21, 2020 the eighth meeting of the Second Audit Committee	<p>1. Amendment of the "Internal Control Operating Manual" and the "Internal Control Self-assessments Standards"</p> <p>2. The amendment of Procedural Rules for Board of Directors Meetings, Audit Committee Charter, Rules Governing the Scope of Powers of Independent Directors, Rules Governing the Performance Evaluation of the Board of Directors</p> <p>3. Annual review, update, and adjustment of loans and line of credit (cash pooling) among subsidiaries</p> <p>4. Loans and lines of credit (entrusted loans) among subsidiaries.</p> <p>5. Loans and lines of credit (external debt) among subsidiaries.</p> <p>6. Cash injections of subsidiaries</p> <p>Committee Members' Opinion: No objections or reservations. Resolution: Approved by the Chairperson upon consultation with all the Independent Directors present. The Company's response to the opinions of the Audit Committee: Approved by all the Directors present.</p>
March 19, 2021 the ninth meeting of the Second Audit Committee	<p>1. Discussion on 2020 Standalone and Consolidated Financial Statements</p> <p>2. The appointment of CPAs from Q2 2021 to Q1 2022 and the evaluation of CPAs' independence</p> <p>3. Amendments to the Company's Related Party Transaction Guidelines</p> <p>4. Approval of the design and operational effectiveness of 2020 Internal Control system</p> <p>5. 2020 Business Operations Report.</p> <p>6. 2020 Distribution of earnings</p> <p>7. Loans and lines of credit (entrusted loans) among subsidiaries.</p> <p>8. Loans and lines of credit (external debt) among subsidiaries.</p> <p>9. Loans (entrusted loans) among affiliated companies.</p> <p>10. Investment in new Hua-Dong synthetic resin facility</p>

11. Merger between Nikko-Materials Co., Ltd. and Nikko-Mechanics Co., Ltd.
12. The proposal capital increase in Eternal Electronic (Suzhou) Co., Ltd.
13. Eternal Electronic (Suzhou)'s investment in dispensing coating production line
14. Liquidation and dissolution of Changhe International Trading (GZFTZ) Co., Ltd.
Committee Members' Opinion: No objections or reservations. Resolution: Approved by the Chairperson upon consultation with all the Independent Directors present. The Company's response to the opinions of the Audit Committee: Approved by all the Directors present.

(II) In addition to the aforementioned items, any resolution that has not been passed by the Audit Committee, but has been adopted with the approval of two-thirds or more of all board directors: 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, 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 held conferences with directors and independent directors before the Board meetings with record-keeping. The audit manager attended regular Board meetings to report on audit operations.

3. Communication with the internal audit manager:

Date	Key Points of Communication
March 23, 2020	At the pre-board meeting conference, the internal audit manager reported the audit result of fire equipment management guidelines, presented recommended improvements, responded to inquiries presented by independent directors. Follow-up improvement items were monitored.
April 30, 2020	1. During the pre-board meeting conferences, the internal audit manager responded to questions raised by independent directors during the previous meeting and reported follow-up status. 2. At the pre-board meeting conference, the internal audit manager reported the audit result of testing equipment management guidelines, presented recommended improvements, responded to inquiries presented by independent directors. Follow-up improvement items were monitored.
July 2, 2020	1. During the pre-board meeting conferences, the internal audit manager responded to questions raised by independent directors during the previous meeting and reported follow-up status. 2. At the pre-board meeting conference, the internal audit manager reported the audit result of abnormal inventory management, presented recommended improvements, and responded to inquiries from independent directors.
December 21, 2020	1. During the pre-board meeting conferences, the internal audit manager responded to questions raised by independent directors during the previous meeting and reported follow-up status. 2. At the pre-board meeting conference, the internal audit manager reported the audit result of information security and the management of waste shipping vendor, presented recommended improvements, responded to inquiries presented by 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.

2. Annual work plan

The Audit Committee comprises all Independent Directors. The purpose of Audit Committee is to assist the Board of Directors in fulfilling its supervision responsibility concerning the quality and credibility of the Company's operations of accounting, audit, financial reporting process, and financial control.

(1) The main purpose of the Audit Committee is to supervise the following matters:

- Fair presentation of the Company's financial statements.
- The appointment and dismissal, the independence, and performance of CPAs.
- Effective implementation of the internal control system.
- Compliance with relevant laws and regulations.
- Management of current and potential risks.

(2) Audit financial reports

The Company's 2020 business report, earnings distribution, financial reports and consolidated financial statements submitted by the Board of Directors have been reviewed by the Audit Committee, and no irregularities were found.

(3) Assessed the effectiveness of internal control system

The audit committee has assessed the effectiveness of the Company's internal control system policies and procedures (including control measures such as finance, operation, risk management, information security, outsourcing, regulatory compliance, etc.) and audited The Company's audit department and CPAs, as well as management's periodic reports, including risk management and regulatory compliance. In reference to the Internal Control Framework of COSO's published Internal Control System, the Audit Committee deems the Company's risk management and internal control systems effective. The Company has adopted necessary control mechanisms to monitor risk activities and correct violations.

(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	
1. Does the Company follow the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies to establish and disclose its corporate governance practices?	V		The Company has established the Corporate Governance Code of Practice and disclosed it on the company website.	None

Evaluation Item	State of Operations			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
<p>II. Shareholding structure & shareholders' rights</p> <p>(I) Does 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?</p> <p>(II) Does the Company maintain a register of major shareholders with controlling power and a register of persons exercising ultimate control over those major shareholders?</p> <p>(III) Does the Company establish and enforce risk control and firewall systems with its affiliated companies?</p> <p>(IV) Does the Company establish internal rules to prohibit insiders from trading securities with non-public information?</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p>		<p>(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.</p> <p>(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.</p> <p>(III) The Company has established the Related Party 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.</p> <p>(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 non-public information.</p>	None
<p>III. Composition and responsibility of the Board of Directors</p> <p>(I) Does the Board of Directors establish and implement the</p>	V		<p>(I)</p> <p>1. The Company has established the "Corporate Governance Code of Practice". In Chapter 3,</p>	None

Evaluation Item	State of Operations			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
diversity policy for its composition?			<p>"Strengthening the Functions of the Board of Directors", a diversity policy is established. The members of the Board of Directors should generally possess the knowledge, skills and qualities necessary to perform their duties. 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 diversity and independence of the directors of the Board.</p> <p>2. The current Board of Directors is composed of 10 directors, including 3 independent directors, and 2 female directors. Kao, Kuo-Lun, Hsieh, Chin-Kun, Ko, Chun-Ping, Kao, Ying-Chih, Yang, Huai-Kung, Shiao, Tzu-Fei, and Yen, Shu-Fen are good at leadership, operational judgment, management, crisis management, and have the industry knowledge and international market views; independent directors Hung, Lee-Jung and Lo, Li-Chun specialises in audit, taxation and financial management; Chen, Yi-Heng is a professor of human resource development.</p> <p>3. Among the current directors of the Company, directors with concurrent employee status account for 30%; independent directors account for 30%; female directors account for 20%. None of the three Independent Directors have served more than three consecutive terms. Two directors are aged over 70 years old; seven age between 50 and 70 years.</p>	
(II) Does 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. Other committees planned for 2021 include Risk Management Committee, Corporate Governance Committee, to be disclosed as per regulations.	Other functional committees will be set up in the future as necessary. None
(III) Does the Company establish the board performance evaluation rules and evaluation method, conduct performance evaluation annually		V	(III) On May 10, 2019, the Board of Directors of the Company approved the Rules Governing the Performance Evaluation of the Board of Directors, and submitted the evaluation method, scope and results to the Board of Directors on March 26, 2021 in accordance with the provisions of the Rules. In reference to directors' remuneration and re-	None

Evaluation Item	State of Operations			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
<p>and regularly, and report the results of the performance evaluation to the Board of Directors?</p> <p>(IV) Does the Company evaluate the independence of CPAs on a regular basis?</p>	V		<p>appointment, please refer to the relevant descriptions of " (I) State of Operations of the Board of Directors, and III. The Board of Directors' self or peer evaluations with details on the cycle, period, scope, method, and content of the evaluation".</p> <p>(IV)</p> <ol style="list-style-type: none"> 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. The rotation of CPAs is followed in accordance with relevant regulation. 2. This year, the independence of CPAs has been evaluated and no compromise has been identified according to internal standards as well as related laws and regulations. 	
<p>IV. Does the TWSE/TPEX listed company has qualified and an appropriate number of corporate governance personnel, and appointed corporate governance directors responsible for matters related to corporate governance (including but not limited to providing directors and supervisors with the necessary information for operation, assisting directors and supervisors in following regulations,</p>	V		<p>The Company appointed the financial manager Liu, Bing-Cheng on May 10, 2019 as Chief Corporate Governance Officer, as approved by the Board of Directors. Liu was charged with coordinating corporate governance affairs, with the assistance of the finance department . Finance manager Liu, Bing-Cheng has at least three years of experience as financial controller in a public offering company. The main responsibilities of the corporate governance manager are to handle matters related to the meetings of the Board of Directors and shareholders' meetings in accordance with the law, to prepare minutes for Board meetings and the shareholders' meetings, to assist directors in taking office and continuing education, to provide directors and supervisors with the necessary information for operation, and to assist directors in following regulations.</p> <p>I. 2020 Implementation Status is as follows:</p> <ol style="list-style-type: none"> 1. Assist independent directors and general directors in 	None

Evaluation Item	State of Operations			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
handling matters related to Board meetings and the shareholders' meetings in accordance with the regulations, preparing minutes for Board meetings and the shareholders' meetings, etc.)?			<p>performing their duties by providing information needed and arranging for directors' continuing education:</p> <p>(1) Provide relevant laws and regulations upon directors' taking office as required by law.</p> <p>(2) Review and provide relevant company information and to facilitate open and effective communication with department heads.</p> <p>(3) Arrange meetings for the independent directors with internal audit manager or CPAs as needed as per Corporate Governance Best Practice Principles.</p> <p>(4) Assist Independent Directors and general directors in drawing up annual further education plan and making arrangement for courses in accordance with the nature of the industry to which the Company belongs and the experience and background of directors.</p> <p>2. Assist in matters related to the proceedings of the Board of Directors' meetings and shareholders meetings as well as compliance of resolutions:</p> <p>(1) Report the implementation of corporate governance to the Board of Directors, independent directors and the Audit Committee, and confirm whether the Company's Shareholders' meeting and the Board of Directors' meeting are held in compliance with relevant laws and regulations and the Corporate Governance Best Practice Principles.</p> <p>(2) Assist and remind Directors of laws and regulations they shall comply with when performing their duties or when making board resolutions.</p> <p>(3) In charge of the public disclosure of material information and important resolutions after the board meetings; ensure the content of material information is proper and accurate, to ensure investors' of public access of the information. Be responsible for checking the release of the major information related to the important resolutions made by the Board of Directors, and ensure the legality and accuracy of the contents of such information, so as to keep the consistency of investor's trading information.</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>3. Draw up agendas for board meetings and notify directors of the agendas seven days before the meeting, convene meetings and provide meeting information; alert individual directors of the need for recusal should the agenda involve conflict of interests of certain directors, alert the directors involved for recusal; complete meeting minutes within 20 days after the meeting.</p> <p>4. Handles the pre-registration of the Annual General Meeting per requirement of the law; prepared the meeting notice, handbook, minutes and the special election of the Directors.</p> <p>II. 2020 Training Progress:</p> <table border="1"> <thead> <tr> <th>Date</th> <th>Organizer</th> <th>Course Name</th> <th>Training Hours</th> <th>Total hours</th> </tr> </thead> <tbody> <tr> <td>02.19</td> <td>Securities and Futures Institute</td> <td>Enterprise Business Performance from the Perspectives of Human Resources and Skillset Inventory</td> <td>3</td> <td rowspan="4">12</td> </tr> <tr> <td>03.18</td> <td>Securities and Futures Institute</td> <td>Employee Reward Strategies and Tools</td> <td>3</td> </tr> <tr> <td>04.16</td> <td>Securities and Futures Institute</td> <td>Principles and Applications of Artificial Intelligence</td> <td>3</td> </tr> <tr> <td>10.16</td> <td>Taiwan Corporate Governance Association</td> <td>Trends of Tax Management for Corporations in the Post-Pandemic Era</td> <td>3</td> </tr> </tbody> </table>	Date	Organizer	Course Name	Training Hours	Total hours	02.19	Securities and Futures Institute	Enterprise Business Performance from the Perspectives of Human Resources and Skillset Inventory	3	12	03.18	Securities and Futures Institute	Employee Reward Strategies and Tools	3	04.16	Securities and Futures Institute	Principles and Applications of Artificial Intelligence	3	10.16	Taiwan Corporate Governance Association	Trends of Tax Management for Corporations in the Post-Pandemic Era	3	
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10.16	Taiwan Corporate Governance Association	Trends of Tax Management for Corporations in the Post-Pandemic Era	3																							
V. Does the Company establish a means of communication with its stakeholders and create a stakeholder section on the company website to	V		<p>To ensure full information disclosure, the Company held institutional shareholders' meetings and conferences to share operational performances, participated in investment forums periodically, and maintained favorable communication with investors. A stakeholder section has been set up on the Company's website to identify issues of concern of stakeholders,</p>	None																						

Evaluation Item	State of Operations			Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons																					
	Yes	No	Summary																						
respond to stakeholders' questions about its corporate social responsibility?			<p>and to provide contact information of dedicated units such as Investor Relations, Customer Service, or Corporate Social Responsibility to enhance communication and provide timely feedback. The Company maintains communication with stakeholders via the corporate website with timely disclosure of relevant information. Other content is detailed below:</p> <table border="1"> <thead> <tr> <th>Stakeholders</th> <th>Issues of concern</th> <th>Communication channels</th> </tr> </thead> <tbody> <tr> <td>Investors</td> <td>Business performance, information disclosure, material information, company website</td> <td>Annually: shareholders meetings, annual reports On occasions: Spokesperson As needed: Market Observation Post System (MOPS), and institutional investors' meetings Real time: Company website</td> </tr> <tr> <td>Customers</td> <td>Product quality, delivery, service, customer complaint channel</td> <td>Annually: Customer-service satisfaction survey On occasions: Visit, email and phone As needed: Technical support</td> </tr> <tr> <td>Employees</td> <td>Remuneration system, education, welfare, safety and health, health promotion</td> <td>On occasions: communication meeting, email, company internal announcement Every 6 months: Interviews with department heads Quarterly: Employee Welfare Committee</td> </tr> <tr> <td>Supplier / Contractor</td> <td>Supplier evaluation, supplier grade management, contractor construction safety management</td> <td>On occasions: emails, phone calls, inviting suppliers for a visit Annually: Contractor meetings</td> </tr> <tr> <td>Government</td> <td>Legal compliance, safety and health, environmental protection, industrial upgrading</td> <td>As needed: attend authorities' legal briefings, participate in draft revision, visit, official documents, or surveys. On occasions: Awards and contests Annually: Industrial zone meetings</td> </tr> <tr> <td>Community</td> <td>Community engagement / Charitable activities</td> <td>As needed: being neighborly, supporting the disadvantaged</td> </tr> </tbody> </table>	Stakeholders	Issues of concern	Communication channels	Investors	Business performance, information disclosure, material information, company website	Annually: shareholders meetings, annual reports On occasions: Spokesperson As needed: Market Observation Post System (MOPS), and institutional investors' meetings Real time: Company website	Customers	Product quality, delivery, service, customer complaint channel	Annually: Customer-service satisfaction survey On occasions: Visit, email and phone As needed: Technical support	Employees	Remuneration system, education, welfare, safety and health, health promotion	On occasions: communication meeting, email, company internal announcement Every 6 months: Interviews with department heads Quarterly: Employee Welfare Committee	Supplier / Contractor	Supplier evaluation, supplier grade management, contractor construction safety management	On occasions: emails, phone calls, inviting suppliers for a visit Annually: Contractor meetings	Government	Legal compliance, safety and health, environmental protection, industrial upgrading	As needed: attend authorities' legal briefings, participate in draft revision, visit, official documents, or surveys. On occasions: Awards and contests Annually: Industrial zone meetings	Community	Community engagement / Charitable activities	As needed: being neighborly, supporting the disadvantaged	
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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	
VI. Does the Company designate a professional stock transfer agent to manage shareholders' meetings and other related affairs?	V		The Company has designated the Shareholding Service Department of President Securities Corporation as the stock transfer agent.	None
VII. Information disclosure (I) Does the Company establish a website to disclose information on financial operations and corporate governance? (II) Does the Company have other information disclosure channels (e.g., setting up an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, and webcasting investor conferences)?	V V		(I) An investor relations section and Corporate Responsibility section have been set up on the company website for the disclosure of the Company's operations, financial conditions and corporate governance information. (II) 1. The Company has designated personnel to collect and disclose company information, instituted a spokesperson system, and made investor conference materials available on the company website. 2. The Company has established public information online disclosure system in accordance with the Guidelines for Online Filing of Public Information by Public Companies to disclose material information.	None
(III) Does the Company file and disclose the annual financial report within two months after the end of the fiscal year? Does it file and disclose the first, second and third quarter financial reports and monthly operating conditions before the prescribed deadlines?	V		(III) The Company filed and disclosed its annual financial reports within three months after the end of the fiscal year as required by the Securities and Exchange Act and other relevant laws and regulations. In addition, the financial reports for the 1st, 2nd, and 3rd quarters, as well as the operating status for each month, are published before the specified deadline. Please refer to the Market Observation Post System (MOPS) for further details.	No material difference. The disclosure and filing of financial statements are completed in accordance with relevant laws and regulations.

<p>VIII. Does 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)?</p>	<p>V</p>	<p>(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 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.</p> <p>(II) Investor relations: The Company discloses material finance and business information on the company website as well as MOPS to avail investors' understanding of the Company's development and business strategies.</p> <p>(III) Supplier relations: The Company has maintained a favorable 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 communicate their opinions by phone, E-mail or fax at any time.</p> <p>(V) 2020 continuing education of directors is tabulated below and disclosed on the Market Observation Post System (MOPS) as required by law.</p>	<p>None</p>
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Title/ Name	Date	Organizer	Course Name	Training Hours
Board Director Yen, Shu-Fen	09.03	Securities and Futures Institute	Prevention of Insider Trading and the Promotional Meeting of Insiders Share Transfer	3
	11.11	Accounting Research and Development Foundation	Application of commercial arbitration to enterprises and the corresponding legal liabilities	3
Independent Director of the Board Hung, Li-Jung	10.22	Accounting Research and Development Foundation	Legal risk from business operations and the preventive measures from the Internal Audit	6
Independent Director of the Board Chen, Yi-Heng	01.15	Taiwan Corporate Governance Association	Compliance with Company Regulations and Directors' Monitoring Obligations	3
	03.13	Taiwan Corporate Governance Association	Practical Problems of Irregular Transaction that Directors and Supervisors Shall Pay Attention to	3
Independent Director of the Board Lo, Li-Chun	09.24	Securities and Futures Institute	Seminar for Advanced Study on Corporate Governance Practices for Directors, Supervisors, and Corporate Governance Officers	3
	12.22	Taiwan Academy of Banking and Finance	Directors' Talk - Investment in Sustainability and Influence	3
(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.				

			(VII) Implementation of customer policies: The Company has established the Guidelines for Handling Customer Complaints to resolve customers' issues in a quick and effective manner. (VIII) Purchase of liability insurance for directors and supervisors: The Company has purchased liability insurance for its directors and managerial officers.	
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IX. Describe improvements made according to the corporate governance assessment made in the latest fiscal year by the Corporate Governance Center of the Taiwan Stock Exchange Corporation (TWSE), and provide planned future improvements (not required for companies that is not an assessed company)
The progress of improvements recommended based on the 6th (2019) Corporate Governance evaluation results published in April 2020 is detailed below:

(I) Improvements made:

No.	Indicator
2.02	Does the Company establish policy that takes diversity into consideration in determining the composition of the Board, and disclose the implementation status of the policy in the Company website and Annual Report? The Company has formulated diversity policy disclosed on the Company's website and the annual report.
2.22	Has the Company's Rules Governing the Performance Evaluation of the Board of Directors been approved by the Board of Directors? Has the Company conducted self-evaluation at least once a year and disclosed the evaluation results on the Company's website or in the annual report?
2.23	Has the Company's Rules Governing the Performance Evaluation of the Board of Directors been approved by the Board of Directors? Has the Company stated that an external evaluation shall be conducted at least every three years and executed the evaluation accordingly within the prescribed timeframe? Has the Company disclosed the execution process and evaluation results on the Company's website or in the annual report? 1 The Board of Directors passed the Rules Governing the Performance Evaluation of the Board of Directors on May 10, 2019. According to the Rules, the evaluation was completed in the first quarter of 2020, and was reported at the Board meetings held on March 27, 2020 and March 26, 2021. The information has been disclosed in the annual report and on the Company's website. 2. The Method requires an external evaluation every three years. An external evaluation will be conducted in 2021 as per the Method.
4.01	Does the Company have an adequate governance framework to develop and review Corporate Social Responsibility policies, systems, or related management guidelines, and disclose such on its website and in its annual report?
4.12	Does the Company have policies in place concerning energy saving and carbon reduction, reduction of greenhouse gas (GHG) emission, water conservation, and waste management? Relevant information has been disclosed on the Company's website and annual report.

(II) Pending improvement: The Company will review and monitor the pending improvement list until completion in line with corporate governance spirit.

(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 3 meetings were convened in 2020, and all members attended the meetings in person.

Information on the Members of the Remuneration Committee

Identity	Qualifications	Whether one of the following professional qualifications is met, together with a minimum 5 years of work experience			Independence (Note)										Number of Other Public Companies where the Individual Concurrently Serves as a Member of the Remuneration Committee	Note	
		Currently serving as an instructor or higher post in a private or public college or university in the field of business, law, finance, accounting, or other business subject relevant to the Company	Judge, prosecutor, attorney, CPA, or any other professional or technical specialist with national certifications, relevant to the operations of the Company	Work Experience in 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			
Independent Director of the Board	Chen, Yi-Heng	V		V	V	V	V	V	V	V	V	V	V	V	V	2	None
Independent Director of the Board	Hung, Li-Jung		V	V	V	V	V	V	V	V	V	V	V	V	V	2	None
Independent Director of the Board	Lo, Li-Chun	V		V	V	V	V	V	V	V	V	V	V	V	V	0	None

Note : Please check “✓” the corresponding boxes if the members meet the following conditions during the two years prior to the nomination and during the term of office.

- (1) Not an employee of the Company or any of its affiliated companies.
- (2) Not a director or supervisor of the Company or any of its affiliated companies with the exception of serving as an independent director of the Company, its parent company, subsidiaries of the Company or its parent company, in accordance with the Act or laws of the country where the parent or subsidiary is located.
- (3) Not a natural-person shareholder who holds an aggregate 1% or more in the total number of issued shares of the Company, or ranks among top 10 largest shareholders, including shares held by the spouse, minor children, or in the name of another person
- (4) Not a managerial officer listed in (1) or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship listed in (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of issued shares of the Company, or who ranks among top five in shareholdings, or who designates its representatives to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act (This restriction does not apply to independent

- directors in the Company or its parent company, subsidiary of the Company or its parent company, who has been appointed in accordance with the Act or the laws of the registered country).
- (6) Not a director, supervisor, or employee of another company controlled by the same person with more than half of the Company's director seats or voting shares. 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 with the laws of the country of the parent or subsidiary.
 - (7) Not a director, supervisor, or employee of a company where the chairperson, president or any equivalent position are held by the same person or by his/her spouse separately. 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 with the laws of the country of the parent or subsidiary.
 - (8) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specific company or institution which has a financial or business relationship with the Company (excluding specific companies or institutions holding more than 20% but less than 50% of the total issued shares of the Company, and independent directors appointed by both the Company and its parent company, subsidiary or subsidiaries under the same parent company pursuant to this regulation or the local regulations).
 - (9) Not a professional individual who is an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution, or a spouse thereof, that provides commercial, legal, financial, accounting services or consultation to the Company or its affiliated companies, or those made an accumulated profit of less than NT\$500,00 over the last 2 years. This restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
 - (10) No circumstances subjected to the subparagraphs of Article 30 of the Company Act occur.

State of Operations of the Remuneration Committee

1. The Remuneration Committee has three members.
2. Term: June 26, 2019 till June 25, 2022. Three meetings (A) were held in the recent year. The qualifications and attendance of the members are as follows:

Position	Name	Number of Attendance in Person (B)	Times of Attendance by Proxy	Attendance Rate (%) (B/A) (Note)	Note
Convener	Hung, Li-Jung	3	0	100%	
Member	Lo, Li-Chun	3	0	100%	
Member	Chen, Yi-Heng	2	0	100%	Term: From March 27, 2020 to June 25, 2022

Note: The disclosure above is as of December 31, 2020. His or her attendance rate (%) should be calculated on the basis of number of Remuneration Committee meetings held during his or her tenure and the number of such meetings attended.

Other items to be recorded:

- I. The operation of the Remuneration Committee in 2020, meeting dates, sessions, agenda, resolutions, and how the Company responded to the opinions of the Remuneration Committee.

Date	Agenda item	Resolution of the Remuneration Committee	Handling of Opinions of the Remuneration Committee
2020.03.23 The 4th meeting of the Fourth Remuneration Committee	1. 2019 compensation of directors and employees of the Company	No dissenting opinion	Approved by the Board of Directors
	2. Distribution of Profit Target Overreach Performance Bonuses paid to managerial officers in 2019.	No dissenting opinion	Approved by the Board of Directors
2020.04.30 The 5th meeting of the Fourth Remuneration Committee	1. Distribution of 2019 employee remuneration paid to managerial officers.	No dissenting opinion	Approved by the Board of Directors
	2. Proposed salaries paid to newly promoted managerial officers and the managerial officers rotating to new positions.	No dissenting opinion	Approved by the Board of Directors
2020.12.21 The 6th meeting of the Fourth Remuneration Committee	1. Amendments to the Rules Governing Year-end Bonus Distribution.	No dissenting opinion	Approved by the Board of Directors
	2. Adjustment of salaries paid to managerial officers for 2021.	No dissenting opinion	Approved by the Board of Directors
	3. Distribution of 2020 performance bonuses and business performance bonuses paid to managerial officers.	No dissenting opinion	Approved by the Board of Directors
	4. 2021 proposed salaries paid to newly promoted managerial officers and the managerial officers rotating to new positions.	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	Implementation Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies and the Reason for Such Deviation
	Yes	No	Summary (Note 2)	
I. Does the Company conduct risk assessments on environmental, social and corporate governance issues related to the Company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	V		In reference to the GRI Standards' materiality principles to conduct risk assessment and propose policy response.	None
II. Does the Company establish an exclusively (or part-time) dedicated unit for promoting Corporate Social Responsibility? Is the unit authorized by the Board of Directors to implement CSR activities at the executive level? Does the unit report the progress of such activities to the Board of Directors?	V		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 Chairperson, and the Board of Directors.	None
III. Environmental Issues (I) Does the Company establish a suitable environmental management system based on its industrial characteristics?	V		(I) Issues of environmental protection have been on the priority list of the Company. The Company implemented the first environmental management system in accordance with ISO14001 international standards and subsequently received the certification in 1999. In 2017, the Company received ISO14001:2015 new edition certification and continues to receive third-party re-certification every year since then. The certificate is effective until July 22, 2023.	None

<p>(II) Is the Company committed to improving the efficiency of utilizing various resources and using recycled materials with low impacts on the environment?</p>	<p>V</p>		<p>(II) By using green production technology, the Company has developed waste management measures to reduce raw materials used. The Company has 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 daily practice in its green environmental efforts.</p>	
<p>(III) Has the Company assessed the present and future potential risks and opportunities of climate change for the entity, and taken measures to respond to climate-related issues?</p>	<p>V</p>		<p>(III) According to the standards of the Bureau of Energy, Ministry of Economic Affairs (MOEA), the Company has pledged to save 1% of annual electricity usage, based on 2014 total electricity consumption. Furthermore, in accordance with ISO14064-1 international standards, the Company has begun to inventory its greenhouse gas emission annually since 2011 and has commissioned a third-party, Bureau Veritas Certification (Taiwan) Co., Ltd. for annual certification. At present, the Company has completed inventorying its greenhouse gas emission between 2011 and 2019. The Company also compiles a record of greenhouse gas emissions annually. On November 15, 2013, the Company successfully passed the PAS2050 Carbon Footprint Verification for three of its products.</p>	
<p>(IV) Has the Company calculated its GHG emissions, water consumption and total waste weight in the past two years, and formulated policies for energy conservation, reductions of carbon, GHG and water consumption, or other waste management?</p>	<p>V</p>		<p>(IV) The Company completes greenhouse gas inventory operations and applies for greenhouse gas exchange projects each year; Statistics, reporting (reporting to the competent authority), and disclosure (such as CSR report) will be completed for water consumption, air pollution discharge, waste sewage discharge, and waste output. The policy implementation results of various energy conservation, carbon reduction and environmental issues will be regularly reviewed and continuously improved in the plants and the Group.</p>	

<p>IV. Social Issues</p> <p>(I) Does the Company establish management policies and procedures following relevant regulations and international human rights treaties?</p>	<p>V</p>	<p>(I) The Company is human-centered, respects professionalism and cares for employee wellbeing. The core values of the corporate culture hinge on law-abiding, trustworthiness, and virtues (including public virtue, morality, and characters)." To manifest its determination to observe the Universal Declaration of Human Rights, the Company has set forth "Eternal Materials Company's Human Rights Policy," covering hiring, attendance, leave, reward and punishments, and the protective and preventive measures regarding child labor, female labor and forced labor, and discrimination.</p>	<p>None</p>
<p>(II) Does the Company establish and implement reasonable employee benefits measures (including compensation, leave, and other benefits, etc.), and appropriately link the operating performance or results to employee compensation?</p>	<p>V</p>	<p>(II) To attract and retain the best talents and to reward employees for their performance and long-term contributions, Eternal Materials conducts salary surveys each year to assess market salary levels and macroeconomic indicators in order to make appropriate adjustments to the overall salary policy. For example, the annual salary adjustment and the perfect promotion system, etc. Various reward systems have been made to encourage colleagues with superior performance, e.g. research and development bonuses, patent bonuses, business bonuses, production bonuses, performance bonuses, employee compensation, and the award of long-term employee bonuses, exemplary employees, etc. These incentives are implemented without preferential treatment or discrimination on gender, age, race, nationality, religion or political stance.</p>	
<p>(III) Does the Company provide a healthy and safe work environment, and does it organize health and safety training for its employees on a regular basis?</p>	<p>V</p>	<p>(III) According to ISO45001:2018 Occupational Safety and Health Management System, the Company established a safe and healthy working environment based on PDCA management framework. The Company also developed and implemented annual safety and health educational programs accordingly. In</p>	

<p>(IV) Does the Company establish effective career development and training plans for its employees?</p>	<p>V</p>	<p>accordance with the requirements of laws and regulations, the annual health inspection needs are thoroughly implemented, and an analysis report of the inspection results is issued. Special personnel (factory medical staff) follow up and control the abnormal items. The special operations personnel also undergo special health inspections every year. The Company provides complete and compliant safety facilities, regularly conducts working environment monitoring to ensure that workers have a safe working environment; meanwhile, health inspection software is used to statistically analyze the health inspection status of each plant. The Company also promotes various health education knowledge, organizes walking activities for employees, and sets up sports clubs.</p> <p>All factories have held health seminars to promote healthy concepts. Factory doctors 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. and arrange smoke cessation and weight loss activities.</p> <p>(IV) The Company's training programs are designed based on it audiences, such as new recruits, general employees, management personnel). For new recruits, the Company sets up "orientation training", "new recruit training", "factory tour", department</p>	
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<p>(V) Has the Company complied with relevant laws and regulations and international standards for its products and services respecting customer health and safety, customer privacy, marketing and labeling, and formulated relevant consumer protection policies and grievance procedures?</p>	<p>V</p>		<p>OJT, etc. .; General staff is divided into business, research and development, manufacturing quality, etc.; management personnel is divided into junior, middle, and senior levels, as well as business management. Relevant internal and external trainings are provided every year according to needs. The Company also provides expatriate managers with relevant development resources as well as trainings. For key personnel, personalized career development plan is worked out and mentor is assigned.</p> <p>(V) To ensure the health and safety of customers and safeguard the comprehensive service quality to customers, each business department diligently reviews product quality issues, regularly holds production and sales joint meetings and business meetings, and puts forth customer complaint handling procedures to ensure proper and timely handling of customer complaint. The Company has also set up a special stakeholders section on the Company's website. Consumers may contact the Company at any time by telephone, letter and email.</p>	
<p>(VI) Does the Company formulate a supplier management policy that requires suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights? And, how well are those policies implemented?</p>	<p>V</p>		<p>(VI) The Company conducts annual evaluation of suppliers per Supplier Evaluation Procedure. Suppliers are required to sign a "Supplier's Code of Ethical Conduct", which covers labor, health and safety, environment, ethics, and integrity. Quality assurance and procurement departments also irregularly conduct on-site audits on existing suppliers' production, quality management, safe environment and health. Most suppliers have had a long term relationship with the Company. If the existing suppliers are found to have a negative impact on environments, labor conditions, human rights, society, etc., the Group is able to switch to a different supplier in the next month (or quarter).</p>	

<p>V. Does the Company follow internationally recognized guidelines, prepare and publish reports such as its Corporate Social Responsibility report to disclose non-financial information of the Company? Has the Company received assurance or certification of the aforesaid reports from a third party accreditation institution?</p>	<p>V</p>	<p>With reference to GRI Standards and AA1000, the CSR report was prepared and verified by a third-party verification unit. Relevant information was disclosed on the Company's website and reported to MOPS as required by law.</p>	
<p>VI. If the Company has formulated the Corporate Social Responsibility Best Practice Principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX 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 implementation, please refer to the above description. None</p>			
<p>VII. Other important information that helps to understand the operations of CSR: The Company has set up an exclusive section for CSR (https://www.eternal-group.com/WebData/Corporate02) 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.</p>			

(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 Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reason for Such Deviation
	Yes	No	Summary	
<p>I. Establishing ethical corporate management policies and measures</p> <p>(I) Does the Company formulate its ethical corporate management policies that have been approved by the Board of Directors? Has the Company declared its ethical corporate management policies and procedures in its guidelines and external documents, and does the Board of Directors and management work proactively to implement their commitment to those management policies?</p> <p>(II) Does the Company establish an assessment mechanism for unethical risks, according to which it analyzes and assesses operating activities with high potential unethical risks? Does the mechanism include any precautionary measures against all</p>	<p>V</p> <p>V</p>		<p>(I) The Company has established a clear "Code of Integrity Management" approved by the Board of Directors and submitted to the shareholders' meeting in August 2013. The Board and all employees should abide by the integrity management policy to comply with corporate culture and integrity management policy of "compliance, trustworthiness, and morality", and disclose the above information on the Company's website and MOPS.</p> <p>(II) The Company clearly stated in the "Code of Integrity Management" that it prohibits dishonest conduct stated in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and disclosed relevant regulations in the</p>	<p>None</p>

<p>the conducts as stated in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?</p> <p>(III) Has the Company established policies to prevent unethical conduct, with clear statements regarding relevant procedures, conduct guidelines, punishments for violation, and rules for appeal, and does the Company implement them accordingly, and regularly review and correct such measures?</p>	V		<p>Company's internal system for colleagues to review and implement at any time. In addition, the Company reinforces the concepts during education and training to implement relevant regulations.</p> <p>(III) To prevent unethical conduct, the Company has developed and implemented the Whistleblowing Operating Procedure. Through internal control and routine audits, the Company expects to minimize the risk of unethical conducts of various types.</p> <p>The Company takes initiatives in promulgating anti-bribery mechanisms to prevent corruption and illegal activities. Zero incident of corruption was reported within the past three years. The achievement rate is 100%.</p>	
<p>II. Implementing ethical corporate management</p> <p>(I) Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts?</p> <p>(II) Does the Company establish an exclusively (or concurrently) dedicated unit under the Board to implement ethical corporate management, and report to the Board on a regular basis (at least annually) about the ethical corporate management policies, precautionary measures against unethical conducts, as well as the implementation and supervision thereof?</p> <p>(III) Does the Company establish policies to prevent conflict of interests, provided proper channels of appeal, and enforced these policies and channels accordingly?</p> <p>(IV) Does the Company establish effective accounting systems and internal control systems to implement ethical corporate management and had its internal</p>	V V V V		<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) In the "Corporate Social Responsibility Code of Practice", the Company clearly stipulates that the implementation of corporate social responsibility should be based on respecting social ethics and paying attention to the rights and interests of other stakeholders. While pursuing sustainable operation and profit, the Company is dedicated to environmental protection, social welfare and corporate governance factors, which have been incorporated into the Company's overall management and operations.</p> <p>(IV) The company has established an effective accounting system and internal control system. The internal auditors will also evaluate the high-risk activities listed in the annual</p>	None

<p>audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit the compliance with the prevention programs accordingly or entrusted a CPA to conduct the audit?</p> <p>(V) Does the Company regularly hold internal and external training in ethical corporate management?</p>	<p>V</p>	<p>audit plan and prepare the audit results into an audit report which will be submitted to the Audit Committee for review and directors attending the board meeting on a regular basis. In addition, departments are required to self-evaluate their internal control systems each year to ensure the effectiveness of the design and implementation.</p> <p>(V) Following the corporate culture of "compliance, trustworthiness, and virtues (public virtues, morality, and characters)", the Company promotes the concept of honest management for employees through written and course promotion.</p> <ol style="list-style-type: none"> 1. Current employees: promulgated through annual publications. 2. New employees: A 20-minute talk is arranged during new employee trainings on corporate governance internal control and legal compliance, including anti-bribery, ethical corporate management, and insider trading, etc. Promulgation and testing are conducted on the internal educational platform. In total, 38 new employees have completed the training in 2020. <p>The Company has advocated for ethical corporate management to the entire staff for years. The overall achievement rate is 100%.</p>	
<p>III. Implementing the whistle-blowing system</p> <p>(I) Does the Company establish concrete whistle-blowing and reward system, set up accessible reporting channel, and assign appropriate personnel to investigate the reported party?</p> <p>(II) Does the company establish the standard operating procedures for investigating reported misconduct, follow-up measures to be taken after the investigation, and related confidentiality mechanisms?</p> <p>(III) Does the company provide protection for whistle-blowers against receiving improper treatment?</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</p>	<p>None</p>

			and content of the report confidential.	
IV. Enhancing disclosure of information Does the Company disclose the content and performance of the ethical management principles on its website and MOPS?	V		The Company's website (http://www.tpcc.com.tw) discloses the Company's management philosophy of integrity. The Company maintains a smooth communication channel at all times, fully utilizes the spokesperson mechanism, and upholds the principle of good faith to immediately disclose public information at MOPS to protect the rights of investors and stakeholders. In addition, the Company discloses in the annual report on the implementation of integrity management and adoption measures.	None
V. If the Company has established the Ethical Corporate Management Principles based on the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies", please specify the differences between the Principles and actual implementation: None.				
VI. Other significant information that helps to understand the implementation of ethical corporate management (e.g. amendments to the Ethical Corporate Management Principles): Disclosed in the Company website and 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.

(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 26, 2021

The Company hereby states the results of the self-evaluation of the internal control system for 2020 as follows:

- I. The Company is fully aware that establishing, operating, and maintaining an internal control system is 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 the 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 criteria adopted by the Regulations identify 5 components of internal control based on the process of management control: 1. control environment; 2. risk assessment; 3. control activities; 4. information and communication; and 5. monitoring operations. Each element further contains several items. Please refer to the Regulations for details.
- IV. The Company has evaluated the design and operating effectiveness of the internal control system according to the Regulations.
- V. Based on the evaluation results as described in the preceding paragraph, the Company renders the opinion that, as of December 31, 2020, the internal control system of the Company (including the supervision and management of subsidiaries), concerning the design and implementation of the internal control system relating to the effectiveness and efficiency of the operations, reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations, is effective and can reasonably assure the achievement of the foregoing objectives.
- 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 was approved by the Board of Directors on March 26, 2021, and none of the ten Directors in attendance held dissenting opinions and all consented to the content expressed in this statement.

Eternal Materials Co., Ltd.

Chairperson: Kao, Kuo-Lun signed and sealed

President: Mao, Hui-Kuan signed and sealed

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. 2020 Annual Meeting of Shareholders

Proposal No.	Material Resolution	Status of Implementation
1	Recognition of 2019 financial statements	Implemented as proposed.
2	Recognition of 2019 Profit Distribution Plan	The distribution of cash dividend of NT\$1.4 per share was completed on August 7, 2020.
3	Passage of amendments to the Procedures for Loaning of Funds.	The Company conducts lending to others activities per the amended Operating Procedures of Loaning Funds to Others.
4	Passage of the amendments to the Operating Procedures for Endorsement/Guarantee.	The Company's endorsement and guarantee activities are conducted as per the amended Procedures for Endorsement and Guarantee.
5	Passage of the amendments to the Rules Governing Procedures for Shareholders' Meeting.	The Company's shareholders' meeting activities are conducted as per the amended Rules Governing for Shareholders' Meeting..

2. Meetings of the Board of Directors

Date	Resolutions
2020.03.27	<ol style="list-style-type: none"> 1. Passage of the discussion over the 2019 consolidated and standalone financial statements. 2. Passage of the appointment of CPAs from Q2 2020 to Q1 2021 and the evaluation of CPAs' independence 3. Passage of the 2019 business report. 4. Passage of the issuance of the 2019 Statement of Internal Control. 5. Passage of the 2019 earnings distribution. 6. Passage of the 2019 remuneration paid to directors and employees. 7. Passage of the convention of the 2020 annual meeting of shareholders. 8. Passage of the re-election of the independent directors 9. Passage of the nomination and review of the list of candidates for the independent directors 10. Passage of the capital reduction for joint-venture 11. Passage of the merger of Eternal Electronic Material (Guangzhou) Co., Ltd. and Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. 12. Passage of the adjustment to the structure of overseas investment holdings and establishment of a new subsidiary in SAMOA 13. Passage of the loans (external debt) among subsidiaries.

	<p>14. Passage of the annual review, update, and adjustment of loans and line of credit (cash pooling) among subsidiaries.</p> <p>15. Passage of the loans and line of credit (entrusted loans) among subsidiaries.</p> <p>16. Passage of the loans (entrusted loans) among affiliated companies.</p> <p>17. Passage of the amendments to "Procedures for Lending Funds to External Parties"</p> <p>18. Passage of the amendments to "Procedures for Endorsements and Guarantees"</p> <p>19. Passage of the amendments to "Rules of Procedure for Shareholders' Meetings"</p> <p>20. Passage of the amendments to "Regulation of Independent Director Responsibilities"</p> <p>21. Passage of the amendments to "Corporate Governance Regulations"</p> <p>22. Passage of the 2020 excess profit performance bonuses for managerial officers.</p> <p>23. Passage of appointment of 4th Audit Committee members</p>
2020.05.08	<p>1. Passage of the disposal of all shared held at Eternal Photoelectric Material Industry (Kunshan) Co., Ltd.</p> <p>2. Passage of the loans and line of credit (entrusted loans) among subsidiaries.</p> <p>3. Passage of the release of non-compete restrictions of managerial officers serving at the Company's invested enterprises.</p> <p>4. Passage of the formulation of the Company's Corporate Social Responsibility Policy</p> <p>5. Passage of amendment to the Company's Corporate Social Responsibility Guidelines</p> <p>6. Passage of proposed changes of the Company's Chief Operating Officer and Chief Function Officer</p> <p>7. Passage of the proposed salaries paid to newly promoted managerial officers and the managerial officers rotating to new positions.</p> <p>8. Passage of the distribution of 2019 employee remuneration paid to managerial officers.</p>
2020.07.03	<p>1. Passage of amendments to Group's 2021 Business Plan</p> <p>2. Passage of amendments to 2020 mid-year cash flow plan.</p> <p>3. Passage of amendments to the 2020 audit plan.</p> <p>4. Passage of establishment of subsidiary and investment in Indonesia.</p> <p>5. Passage of the loans and line of credit (entrusted loans) among subsidiaries.</p> <p>6. Passage of the annual review of loans and line of credit (BNP Paribas cash pooling) among subsidiaries.</p> <p>7. Passage of the loans (entrusted loans) among affiliated companies.</p>
2020.08.07	<p>1. Passage of CPAs replacement starting the third quarter of 2020.</p> <p>2. Passage of the cash capital increase of Hangzhou Yongxinyang Optoelectronics Materials Co., Ltd.</p> <p>3. Passage of Specialty Material Division' Lu-Chu new facility investment</p> <p>4. Passage of investment increase in subsidiary, Eternal Nanyang Investment Co., Ltd. and the adjustment of the holding company structure of Eternal Nanyang Investment Co., Ltd.'s acquisition of Eternal Materials (Malaysia) Sdn.Bhd.</p> <p>5. Passage of investment increase in subsidiary Eternal Materials (Malaysia) Sdn. Bhd.</p> <p>6. Passage of the provision of endorsement/guarantee on behalf of subsidiary, Eternal Nanyang Investment Co., Ltd. for the extension of bank credits for business operations.</p> <p>7. Passage of the provision of endorsements/guarantees by Eternal (China) Investment Co., Lt. on behalf of a subsidiary for the extension of bank credits.</p> <p>8. Approved capital reductions of Eternal (China) Investment Co., Ltd., Eternal</p>

	<p>International (BVI) Co., Ltd., and Eternal Holdings Inc.</p> <p>9. Passage of the retirement discharge of Vice President Chen, Ming-Jen</p> <p>10. Passage of changes of key operating officers of the Company</p> <p>11. Passage of the proposed contract with National Sun Yat-sen University for industry-academics cooperation and academic feedback.</p>
2020.11.12	No discussion item
2020.12.25	<p>1. Passage of the 2021 Group Business Plan</p> <p>2. Passage of the 2020 cash flow pan (along with the profit plan)</p> <p>3. Passage of 2021 Audit Plan</p> <p>4. Passage of the amendment of the "Internal Control Operating Manual" and the "Internal Control Self-assessments Standards"</p> <p>5. Passage of the amendment of Procedural Rules for Board of Directors Meetings, Audit Committee Charter, Rules Governing the Scope of Powers of Independent Directors, Rules Governing the Performance Evaluation of the Board of Directors</p> <p>6. Passage of the annual review, update, and adjustment of loans and line of credit (cash pooling) among subsidiaries.</p> <p>7. Passage of the loans and line of credit (entrusted loans) among subsidiaries.</p> <p>8. Passage of the loans and lines of credit (external debt) among subsidiaries.</p> <p>9. Passage of cash injections of subsidiaries</p> <p>10. Passage of the authorization to the Chairperson from the Board of Directors to approve the Company's application and renewal for account opening and closing, depositing, borrowing, and credit limitwith financial institutions in 2021</p> <p>11. Passage of the dissolution of business unit</p> <p>12. Passage of the renaming of Electronic Materials - Circuit Substrate Division</p> <p>13. Passage of the amendments to the "Rules Governing Year-end Bonus Distribution."</p> <p>14. Passage of the retirement discharge of Vice President Chen, Chin-Yuan</p> <p>15. Passage of the retirement and dismissal of duty of the Company's Chief Strategy Officer, Shiao, Tzu-Fei.</p> <p>16. Passage of the change of key operating officers.</p> <p>17. Passage of 2021 proposed salaries paid to newly promoted managerial officers and the managerial officers rotating to new positions.</p> <p>18. Passage of the adjustment of salaries paid to managerial officers in 2021.</p> <p>19. Passage of the distribution of 2020 year-end performance bonuses and business performance bonuses paid to managerial officers.</p>
2021.03.26	<p>1. Passage of the discussion over the 2020 consolidated and standalone financial statements.</p> <p>2. Passage of the appointment of CPAs from Q2 2021 to Q1 2022 and the evaluation of CPAs' independence</p> <p>3. Proposed amendments to the Company's Related Party Transaction Guidelines</p> <p>4. 2020 Business Operations Report.</p> <p>5. Passage of 2020 Statement of Internal Control System per regulatory requirement.</p> <p>6. 2020 earnings distribution</p> <p>7. Passage of 2020 compensation for Directors and Employees</p> <p>8. Passage of the amendment of the "Articles of Incorporation"</p>

	<p>9. Passage of the convening of the 2021 annual shareholders meeting</p> <p>10. Passage of the loans and line of credit (entrusted loans) among subsidiaries.</p> <p>11. Passage of loans (external debt) among subsidiaries.</p> <p>12. Passage of the loans (entrusted loans) among affiliated companies.</p> <p>13. Passage of Dong-Hua new synthetic resin facility investment</p> <p>14. Passage of capital increase in Eternal Electronic (Suzhou) Co., Ltd.</p> <p>10. Passage of Eternal Electronic (Suzhou)'s investment in dispensing coating production</p> <p>16. Approved the merger of Nikko-Materials Co., Ltd. and Nikko-Mechanics Co., Ltd.</p> <p>17. Passage of the liquidation and dissolution of Changhe International Trading (GZFTZ) Co., Ltd.</p> <p>18. Passage of the 2020 profit target overreach performance bonuses for managerial officers.</p>
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(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 chairperson, president, accounting manager, finance manager, internal audit manager, and research and development manager

As of April 24, 2021

Position	Name	Date of Office Assumption	Date of Dismissal	Reason for Resignation or Dismissal
Research and Development Manager	Chen, Chin-Yuan	2020.06.01	2021.01.01	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	Kung, Chun-Chi	Kuo, Li-Yuan	2020.01.01~2020.06.30	None
	Wang, Chao-Chun	Kuo, Li-Yuan	2020.07.01~2020.12.31	The replacement of CPA, Kung, Chun-Chih, due to his forthcoming retirement.

Unit: Thousand NT\$

Interval of Amount		Category of Fees	Audit Fees	Non-audit Fees	Total
1	Less than NT\$2,000 thousand		0	120	120
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		0	0	0
5	NT\$8,000 thousand (inclusive)~NT\$10,000 thousand		8,660	0	8,660
6	Over 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	Kung, Chun-Chi Kuo, Li-Yuan	8,660	0	0	0	120	120	2020.01.01~ 2020.06.30	Trademark Technology Database usage
	Wang, Chao-Chun Kuo, Li-Yuan							2020.07.01~ 2020.12.31	

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

- (III) Audit Fees Paid for the Current Year Lower than Those for the Previous Year by 10% 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. Chairperson, 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 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

Position	Name	2020		As of April 24, 2021	
		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
Chairperson and CEO	Kao, Kuo-Lun	4,000,000	-	-	-
Vice-Chairperson & Chief Strategy Officer	Hsieh, Chin- Kun	-	-	-	-
President & Chief Operating Officer	Mao, Hui- Kuan	-	-	-	-
Director & Chief Strategy Officer	Shiao, Tzu-Fei	-	-	-	-
Board Director	Kao, Ying- Chih	-	-	-	-
	Kwang Yang Motor Co., Ltd.	997,884	-	-	-
	Representative : Ke, Chun-Pin	-	-	-	-
	Yang, Huai- Kun	(400,000)	-	-	-
	Huang, Wu- Tung (Note)	-	-	(10,000)	-
	Yen, Shu-Fen	-	-	-	-
Independent Director of the Board	Hung, Li-Jung	-	-	-	-
	Lo, Li-Chun	-	-	-	-
	Chen, Yi-Heng (Note)	(9,000)	-	-	-

Vice President	Chen, Ming-Jen (Note)	-	-	-	-
	Chen, Chin-Yuan (Note)	-	-	-	-
	Liao, Heng-Ning	-	-	-	-
Assistant Vice President	Lin, Chih-Kuo	(47,000)	-	-	-
	Sung, Chun-Lung (Note)	-	-	-	-
	Hung, Chao-Cheng	-	-	-	-
	Kao, Chih-Yu	-	-	-	-
	Chang, Shih-Fang	-	-	-	-
	Huang, Chin-Lung	-	-	-	-
	Su, Wen-Pin	-	-	-	-
	Cheng, Yu-Cheng (Note)	-	-	-	-
	Pan, Chin-Cheng	-	-	-	-
	Yeh, Mao-Jung	-	-	-	-
	Weng, Chin-Yi	-	-	-	-
	Chu, Jui-Hsin	-	-	-	-
	Lin, Chao-Kun	-	-	-	-
	Chen, Hung-Yi	-	-	-	-
	Liao, Keng-Chung (Note)	-	-	-	-
	Zhang, Ji-Gang (Note)	N/A	N/A	-	-
	Hsieh, Yen-Fen (Note)	N/A	N/A	-	-
Finance Manager	Liu, Bing-Cheng	15,000	-	-	-
Accounting Manager	Su, Hui-Fang	-	-	-	-
Chief Corporate Governance Officer	Liu, Bing-Cheng	15,000	-	-	-

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 taking office.

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

As of April 24, 2021

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	Shares	Transaction Price
Kao, Kuo-Lun	Inheritance	20200610	Kao Cheng, Li-Hua	Mother and son	4,000,000	N/A
Yang, Huai-Kun	Bestowment	20200605	Yang, Chin-Ying	Father and daughter	200,000	N/A
Yang, Huai-Kun	Bestowment	20200605	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	Direct shareholding		Shares held by spouse and minor children		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
	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage	Name (or Name)	Relationship	
Kwang Yang Motor Co., Ltd.	124,000	9.99	0	0.00	0	0.00	Kwang Hsing Industrial Co., Ltd.	Parent company and subsidiary	None
Representative: Ke, Sheng-Feng	0	0.00	0	0.00	0	0.00	None	None	None
Kwang Hsing Industrial Co., Ltd.	84,000	6.77	0	0.00	0	0.00	Kwang Yang Motor Co., Ltd.	Parent company and subsidiary	None
Representative: Ke, Chun-Pin	0	0.00	10	0.00	0	0.00	None	None	None
Kao, Ying-Shih	78,288	6.31	0	0.00	0	0.00	Kao, Kuo-Lun Kao, Ying-Chih	Father and son Brother	None

Kao, Kuo-Lun	54,139	4.36	5,731	0.46	0	0.00	Kao, Ying-Shih	Father and son	None
Fubon Life Insurance Co., Ltd.	41,239	3.32	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
LGT Bank AG in custody of Standard Chartered	22,341	1.80	0	0.00	0	0.00	None	None	None
Kao, Ying-Chih	19,852	1.60	1,047	0.08	6,279	0.51	Kao, Ying-Shih	Brother	None
Yang, Huai-Kun	15,776	1.27	0	0.00	0	0.00	None	None	None
Hua-Yang Industrial Co., Ltd.	15,560	1.25	0	0.00	0	0.00	None	None	None
Representative: Lee, Shang-Heng	28	0	3	0	0	0.00	None	None	None
Jia-Cheng Co., Ltd.	15,495	1.24	0	0.00	0	0.00	None	None	None
Representative: Cheng, Yu-Ching	0	0.00	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, 2020 Unit: Share, %

Investee companies (Note 1)	Investment of the Company		Investment of Directors, Supervisors, Managerial Officers, and Directly or Indirectly Controlled Businesses		Total Ownership	
	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage
EternalHoldingsInc.	204,273,859	100.00	0	0	204,273,859	100.00
EternalGlobal(BVI)Co.,Ltd.	16,821,024	100.00	0	0	16,821,024	100.00
MixvilleHoldingsInc.	29,530,000	100.00	0	0	29,530,000	100.00
AdvancedPETFILMInvestmentCo.,Ltd.	270	20.00	0	0	270	20.00
Daxin Materials Corporation	23,423,812	22.80	546,089 Note 3	0.53	23,969,901	23.33

New E Materials Co., Ltd.	6,907,585	62.80	1,200,000	10.91	8,107,585	73.71
DSM Resins (Far East) Co., Ltd.	3,660,000	40.00	0	0	3,660,000	40.00
EternalElectronicMaterial(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-MaterialsCo.,Ltd.	11,520	100.00	0	0	11,520	100.00
ElgaEuropeS.r.l.	Note 2	72.68	Note 2	22.32	Note 2	95.00

Note 1: Equity method long term investments

Note 2: N/A (no share issuance).

Note 3: The data on April 21, 2020 book closure date for Daxin Materials Corporation shareholders' meeting.

Chapter 4 Capital Raising Activities

I. Capital and Shares

(I) Source of Capital

1. Type of Shares

As of April 24, 2021 Unit: thousand shares

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

2. Capital formation

As of April 24, 2021; Unit: NT\$ thousands, thousand shares

Year/ Month	Issue Price	Authorized Capital		Paid-in Capital		Note		
		Shares	Amount	Shares	Amount	Source of Capital	Capital contributed in the form of assets other than cash	Others
1964.12	\$100	8	800	8	800	Initial investment	None	--
1966.01	\$100	40	4,000	40	4,000	Cash injection 3,200	None	--
1968.01	\$100	100	10,000	100	10,000	Cash injection 6,000	None	--
1972.01	\$100	160	16,000	160	16,000	Cash injection 6,000	None	--
1972.11	\$100	360	36,000	360	36,000	Cash injection 20,000	None	--
1973.11	\$100	700	70,000	700	70,000	Cash injection 34,000	None	--
1975.09	\$100	770	77,000	770	77,000	Cash injection 7,000	None	--
1976.09	\$100	800	80,000	800	80,000	Cash injection 3,000	None	--
1978.08	\$100	1,000	100,000	1,000	100,000	Cash injection 20,000	None	--
1979.11	\$100	1,500	150,000	1,500	150,000	Earnings capitalization 25,000 and cash injection 25,000.	None	--
1985.11	\$10	20,000	200,000	20,000	200,000	Cash injection 50,000	None	--
1987.01	\$10	30,000	300,000	30,000	300,000	Cash injection 100,000	None	--
1988.07	\$10	45,500	455,000	45,500	455,000	Cash injection 155,000	None	1988.07.21 (1988) Tai-Tsai-Cheng (I) No. 08700
1990.08	\$10	60,000	600,000	60,000	600,000	Earnings capitalization 145,000	None	1990.08.03 (1990) Tai-Tsai-Cheng (I) No. 31539
1992.07	\$10	72,000	720,000	72,000	720,000	Earnings capitalization 120,000	None	1992.06.03 (1992) Tai-Tsai-Cheng (I) No. 01142
1993.07	\$10	90,942	909,419	90,942	909,419	Earnings capitalization 189,419	None	1993.06.22 (1993) Tai-Tsai-Cheng (I) No. 01524

1994.07	\$40	131,677	1,316,774	131,677	1,316,774	Earnings capitalization 277,355 and cash injection 180,000.	None	1994.06.27 (1994) Tai-Tsai-Cheng (I) No. 27511
1995.07	\$10	164,597	1,645,967	164,597	1,645,967	Earnings capitalization 197,516; capital reserve 131,677	None	1995.06.08 (1995) Tai-Tsai-Cheng (I) No. 33684
1996.07	\$10	197,516	1,975,161	197,516	1,975,161	Earnings capitalization 164,597; capital reserve 164,597	None	1996.06.25 (1996) Tai-Tsai-Cheng (I) No. 38778
1997.07	\$10	300,000	3,000,000	257,633	2,576,329	Earnings capitalization 434,535; capital reserve 158,013; employee bonus 8,620	None	1997.06.12 (1997) Tai-Tsai-Cheng (I) No. 46433
1998.06	\$10	400,000	4,000,000	336,103	3,361,025	Earnings capitalization 566,793; capital reserve 206,106; employee bonus 11,797	None	1998.05.06 (1998) Tai-Tsai-Cheng (I) No. 38173
1999.06	\$10	500,000	5,000,000	404,352	4,043,517	Earnings capitalization 571,374; capital reserve 100,831; employee bonus 10,287	None	1999.05.18 (1999) Tai-Tsai-Cheng (I) No. 46053
1999.10	\$35	500,000	5,000,000	407,352	4,073,517	Cash injection 30,000	None	1999.10.13 (1999) Tai-Tsai-Cheng (I) No. 88150
2000.05	\$35	500,000	5,000,000	418,782	4,187,817	Cash injection 114,300	None	2000.05.12 (2000) Tai-Tsai-Cheng (I) No. 42830
2000.07	\$10	600,000	6,000,000	501,877	5,018,766	Earnings capitalization 766,229; capital reserve 16,245; employee bonus 48,475	None	2000.05.20 (2000) Tai-Tsai-Cheng (I) No. 44222
2001.05	\$10	650,000	6,500,000	554,175	5,541,752	Earnings capitalization 401,501; capital reserve 100,375; employee bonus 21,110	None	2001.05.24 (2001) Tai-Tsai-Cheng (I) No. 132348
2002.05	\$10	650,000	6,500,000	583,667	5,836,668	Earnings capitalization 277,088; employee bonus 17,828	None	2002.05.21 (2002) Tai-Tsai-Cheng (I) No. 127586
2005.07	\$10	753,000	7,530,000	642,034	6,420,335	Earnings capitalization 583,667	None	2005.07.06 Jing-Guan-Cheng-Zi No. 0940127266
2006.06	\$10	850,000	8,500,000	711,451	7,114,512	Earnings capitalization 642,034; employee bonus 52,143	None	2006.06.23 Jing-Guan-Cheng-Zi No. 0950126034
2007.07	\$10	950,000	9,500,000	803,547	8,035,468	Earnings capitalization 853,741; employee bonus 67,215	None	2007.06.06 Jing-Guan-Cheng-Zi No. 0960028997

2008.08	\$10	1,200,000	12,000,000	891,221	8,912,212	Earnings capitalization 803,547; employee bonus 73,197	None	2008.07.24 Jing-Guan-Cheng-Zi No. 0970037454
2009.07	\$10	1,200,000	12,000,000	900,133	9,001,334	Earnings capitalization 89,122	None	2006.06.23 Jing-Guan-Cheng-Zi No. 0980031147
2010.09	\$10	1,200,000	12,000,000	945,140	9,451,401	Earnings capitalization 450,067	None	2010.07.21 Jing-Guan-Cheng-Zi No. 0990037977
2011.08	\$10	1,200,000	12,000,000	992,397	9,923,971	Earnings capitalization 472,570	None	2011.06.22 Jin-Guan-Cheng-Zi No. 000028589
2014.08	\$10	1,200,000	12,000,000	1,022,169	10,221,690	Earnings capitalization 297,719	None	2014.07.02 Jing-Guan-Cheng-Fa-Zi No. 030025006
2016.08	\$10	1,200,000	12,000,000	1,103,943	11,039,425	Earnings capitalization 817,735	None	2016.08.19 Jing-Shou-Shang-Zi No.10501207920
2017.08	\$10	1,200,000	12,000,000	1,159,140	11,591,397	Earnings capitalization 551,972	None	2017.08.21 Jing-Shou-Shang-Zi No.10601118100
2018.08	\$10	1,800,000	18,000,000	1,240,280	12,402,795	Earnings capitalization 811,398	None	2018.08.16 Jing-Shou-Shang-Zi No.10701099770

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

(II) Shareholder Structure

April 24, 2021 Unit: thousand shares, %

Shareholder Structure	Government Entities	Financial Institutions	Other Institutions	Individuals	Foreign Institutions and Individuals	Total
Quantity						
Number of Persons	0	25	173	44,368	245	44,811
Number of Shares Held	0	66,025	326,703	652,820	194,732	1,240,280
Shareholding Percentage	0	5.32	26.34	52.64	15.70	100

(III) Diffusion of Ownership

1. Common Shares

As of April 24, 2021; Unit: \$10 per share, %

Class of Shareholding	Number of Shareholders	Number of Shares Held	Shareholding Percentage
1 to 999	11,715	2,736,308	0.22
1,000 to 5,000	23,237	49,287,082	3.97
5,001 to 10,000	4,364	33,958,800	2.74
10,001 to 15,000	1,663	20,870,396	1.68
15,001 to 20,000	932	16,901,319	1.36
20,001 to 30,000	846	21,276,672	1.72
30,001 to 50,000	775	30,822,501	2.49
50,001 to 100,000	559	39,712,244	3.20
100,001 to 200,000	323	45,239,416	3.65
200,001 to 400,000	170	47,339,546	3.82
400,001 to 600,000	55	27,263,508	2.20
600,001 to 800,000	24	16,544,581	1.33
800,001 to 1,000,000	23	20,582,369	1.66
1,000,001 or Above	125	867,744,713	69.96
Total	44,811	1,240,279,455	100.00

2. Preferred Shares: None.

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

As of April 24, 2021 Unit: shares, %

Names of Major Shareholders	Shareholding	Number of Shares Held	Shareholding Percentage
Kwang Yang Motor Co., Ltd.		124,000,000	9.99
Kwang Hsing Industrial Co., Ltd.		84,000,000	6.77
Kao, Ying-Shih		78,287,830	6.31
Kao, Kuo-Lun		54,138,856	4.36
Fubon Life Insurance Co., Ltd.		41,238,923	3.32
LGT Bank AG in custody of Standard Chartered		22,340,610	1.80
Kao, Ying-Chih		19,851,560	1.60
Yang, Huai-Kun		15,775,900	1.27
Hua-Yang Enterprise Co., Ltd.		15,560,000	1.25
Jia-Cheng Co., Ltd.		15,494,889	1.24

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

Item		Year		Current year as of March 31, 2021 (Note 8)	
		2019	2020		
Market share price (Note 1)	Highest	Before retrospective adjustment	27.15	40.30	38.65
		After retrospective adjustment	27.15	(Note 9)	-
	Lowest	Before retrospective adjustment	23.30	20.20	32.95
		After retrospective adjustment	23.30	(Note 9)	-
	Average	Before retrospective adjustment	25.66	30.92	35.70
		After retrospective adjustment	25.66	(Note 9)	-
Net worth per share (Note 2)	Before distribution		17.27	18.41	18.90
	After distribution		17.27	(Note 9)	-
Earnings per share	Weighted average number of shares (in thousand shares)		1,240,280	1,240,280	1,240,280
	Earnings per share (Note 3)	Before retrospective adjustment	1.99	2.05	0.66
		After retrospective adjustment	1.99	(Note 9)	-
Dividends per Share	Cash dividends		1.4	1.5	-
	Stock dividends	Stock dividends appropriated from earnings	0	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)		12.89	15.08	-
	Price-to-dividend ratio (Note 6)		18.33	20.61	-
	Cash dividend yield (Note 7)		5.46	4.85	-

* 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: 2020 earnings distribution has been approved by the Board of Directors, but is yet to be approved by the Shareholders Meeting.

(VI) Dividend Policy and Its Implementation

1. Dividend Policy Stipulated in the Articles of Incorporation

Committed to the sustainable development and sustainable growth, the Company expects to have major expansion plans. Dividends to be distributed to shareholders shall not be less than 30% of the balance of earnings in a year. Cash dividends shall not be less than 10% of total distributable dividends for a year.

2. Distribution of Dividends Proposed in the Shareholders' Meeting

(1) 2020 earnings distribution in accordance with Article 18 of the Articles of Incorporation.

(2) In 2020, the Company reported earnings after tax of NT\$2,543,496,174. Including other items after tax, and excluding 10% legal reserves, and reversal of special reserves, total distributable earnings for 2020 was 2,894,403,774. Adding 2,731,233,349 earnings to be distributed at the beginning of 2020, total distributable earnings for shareholders for this period is 5,625,637,123, of which 1,860,419,183 was appropriated for cash dividend \$1.5 per share.

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 did not disclose 2019 financial forecasts.)

(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. If the Company has accumulated losses, a reserve shall be set aside to offset the losses.

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:
Employee remuneration in cash: There was a discrepancy NT\$7,372,208 between the proposed distribution of remuneration to employees in cash NT\$123,627,792 and the estimate NT\$131,000,000 in 2020. 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\$16,200,000, 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) Employee cash remuneration totaled \$121,176,608; directors' remuneration totaled \$15,325,000.

(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:

Employee benefits were appropriated \$122 million in 2019, which is \$823,392 higher than the amount actually distributed. The discrepancy was recognized as profit/loss for the next fiscal year in accordance with the changes in accounting estimates. The remuneration distributed to directors and supervisors was \$15,320,000. No discrepancy is noted.

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

II. Issuance of Corporate Bonds:

Corporate Bonds		Issuance of first secured corporate bonds for 2019
Date of issuance (placement)		November 6, 2019 to November 6, 2024
Par value		NT\$10,000 thousand
Place of issuance and transaction		Republic of China
Issue Price		issuance at par
Total Amount		NT\$3 billion
Interest rate		0.82% per annum
Maturity		Five years
Guarantee Agency		The corporate bonds are jointly guaranteed by Bank of Taiwan Co., Ltd., E.SUN Commercial Bank Co., Ltd., Changhua Commercial Bank Co., Ltd., and Shanghai Commercial Savings Bank Co., Ltd. in accordance with the Joint and Several Guaranty and the assurance of corporate bond guarantee obligations.
Trustee		Trust Division, Bank SinoPac
Underwriters		E.SUN Commercial Bank Co., Ltd. as the lead underwriter
Lawyers		Meridian Attorneys-at-Law
CPA		Deloitte Taiwan
Redemption		One-time repayment at maturity
Outstanding Principle		NT\$3 billion
Provision of prepayment and early redemption		None
Restrictive Clause		None
Name of Credit Rating Agency, Rating Date and the Results of Corporate Bond Ratings		N/A
Other rights	Amount of common shares converted (swapped or warranted) and Global Depository Receipts or other negotiable securities as of the publication date of this annual report	None
	Issuance and conversion (swap or subscription) methods	None
Possible dilution of equity or impact to shareholders' equity caused by regulations on the issuance and conversion, swap or subscription to stocks		None
Name of the commissioned custodian of exchangeable underlying		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 plastics manufacturing
- (7) Other chemical materials manufacturing
- (8) Petrochemicals manufacturing.
- (9) Basic industrial chemical manufacturing.
- (10) Medical equipment manufacturing.
- (11) Medical equipment wholesaling
- (12) Medical equipment retailing
- (13) All business items that are not prohibited or restricted by law, except those that are subject to special approval.

2. 2020 revenue composition by key products:

Product Name	Percentage (%)
Synthetic resin	48%
Electronic Materials	33%
Specialty materials	18%
Others	1%

3. Products and Services

- (1) General resin
- (2) Coating resin
- (3) Polyester resin
- (4) Copper-clad Laminate
- (5) Dry film photoresist
- (6) Optical film for liquid-crystal display (LCD)
- (7) Specialty chemicals
- (8) Packaging materials
- (9) Panel materials for solar modules

4. New Products and Services Planned for Development

- (1) Flexible electronic materials: Photo-Imageable Coverlay (PIC), high-speed light-wave transmission material, and polyimide and photosensitive polyimide for semiconductors and flexible PCBs.
- (2) High frequency application flexible materials: High frequency communication LCP thin film, liquid compound thin film material, resin for coated LCP flexible board, LCP film blowing process, precision coating process, high-frequency measurement system.
- (3) High-performance engineering plastic: High-performance thermoplastic materials for aerospace, communication and medical treatment.
- (4) Semiconductor packaging materials: 3D-IC/SIP high-end packaging materials and silicone packaging materials.
- (5) Lithiom battery material: Silicon negative electrode adhesives, negative electrode silicon-carbon materials, lithium battery electrode adhesive and electrolyte additives.
- (6) Biomedical testing materials: Enzyme fermentation process, dengue fever test strips, glycosylated hemoglobin antibody screening technology, Zika and other mosquito vector infectious diseases rapid screening technology, enzyme / antibody test strip materials.

- (7) Biodegradable plastic materials: biodegradable plastic microspheres, biodegradable plastic films & bags, biodegradable heat-resistant modified materials for utensils.
- (8) PI semiconductor material: Polyimide material for semiconductor molding compound
- (9) Conductive polymer: conductive polymer coating, solid/liquid capacitor polymer materials, laminated solid-liquid capacitor polymer materials.
- (10) Silicon resin material: Organic silicone resin for cosmetic products, polyether-modified silicone resin
- (11) Trapezoid silicon material: Epoxy trapezoid silicon, trapezoid polyoxyalkylene for LED encapsulant

(II) Industry Overview and Business Development Plans

1. Current Status and Development of the Industry

(1) Synthetic resin

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

During the first half of the year, demand for petrochemical products was sliding quarter by quarter as a result of the pandemic as well as the impact from the US-China trade war. The economy slowly recovered in the third quarter as the Pandemic was brought under control. Demand in the fourth quarter rose strongly. Overall, the sluggish demand during the first half of the year was due to the Pandemic and the US-China trade war. With pandemic easing in China, market began to recover with rising raw material cost in the second half of the year. In 2021, speedy economic recovery is expected as vaccines are becoming more widely available, resulting in sharp rises in raw material costs, which in turn compress the gross margin. Facing this situation and challenges, the Company follows the pace of existing customers to maintain the existing market, reduces cost and improves services by maintaining raw material procurement and local production base delivery. The Company also adopts flexible price adjustment to meet market expectation, and secures the existing market share in red ocean market. Furthermore, the Company even actively cooperates with existing and new strategic partners to strengthen and deepen the cooperative relations by carrying out new cooperation projects, new applications for old products, and enhancing market share of new products and new markets.

Except the mainland China, the Company's new synthetic resin production base in Malaysia was fully put into production in January 2018. Besides the Association of Southeast Asian Nations, the business scope also covers South Asia such as India, Sri Lanka, and Bangladesh. It has even expanded to Turkey and countries with preferential tariffs; with the continuous efforts of the sales team, there has been a significant increase in the number of sales in the overall export shipment compared with previous years, and it is expected that there will still be considerable growth in the future.

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

B. Unsaturated polyester resin

Demand plummeted during the first half of 2020 due to the impact of the Pandemic. Many countries began to reopen their economies in light of the severe economic impact from lockdown, leading to the rising demand and the volatility of raw material prices. The trade war between China and US has a major impact on China's export market, causing many firms to leave China for other production base. China reduced VAT and raised tax rebates to stimulate the economy, causing a few Chinese peers began to export at low prices to disrupt the Southeast Asian market. In addition to the establishment of the Malaysian plant, which enables the Company to maintain production / sales advantages of unsaturated polyesters in the regions, the Company continues to develop green and environmentally friendly products and maintain the market share as the emerging markets focus more on infrastructure development and the developed markets continue to maintain strict regulation on organic volatile substances (VOC) and demand the development of lightweight composite materials.

(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. Despite impact from the pandemic, the PCB industry is expected to grow by 6.4% in 2020 according to the PrisMark report. As for 2021, the PrisMark report estimates that the PCB industry will grow by about 8.6% compared with 2020 driven by pandemic recovery, 5G and electric vehicles.

B. Copper-clad Laminate

Copper-clad laminate is primarily used in consumer electronics. For the second half of 2020, all industrial raw materials were facing escalating prices as the pandemic eased. For instance, prices for all three major raw materials for copper-clad boards, copper, resin, and fiberglass cloth, have all risen, albeit in different degrees. The rising raw material costs along with strong demand have caused the downstream copper-clad board industry to follow suit. Kingboard and Sytech, two industry-leaders, have raised their prices a number of times upon shipments to downstream PCB clients. According to PrisMark's market survey, demand for CEM-1/CEM-3 in 2020 rose by 0.3%, compared to 2019, despite the pandemic impact during the first half of year. The compounded growth up to 2025 is expected to be 4.1%. In addition, usage for paper phenolic copper clad laminate (FR-1) declined by 2.9% compared to 2018. However, the compounded growth rate until 2025 is a healthy 1.3%.

(3) Specialty 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. In addition, in response to the demand for environmental protection, the demand for existing UV materials in the traditional non-UV industry has increased.

B. Special coating

It is estimated that the global UV coating market will grow at an annual rate of over 5%, with Asia leading the global growth. The Company has invested heavily in the development of high-value UV coating applications, including headlight coating, 3D printing, molding glue, UV hardening coating, UV adhesive, light-guide film, UV solvent-free spray paint, and putty paint, moving the Company's product lines toward high value-add and technology differentiation.

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, ink and PCB. 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) Synthetic resin

Synthetic resin 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 synthetic resin 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">● Styrene, acrylic acid (propylene), phthalic anhydride, adipic acid, and xylene, etc.● Key players: Formosa Plastics Group, Taiwan Styrene Monomer, Formosa Chemicals & Fibre Corporation and China Petroleum & Chemical Corporation, etc.
Midstream Industry	<ul style="list-style-type: none">● Acrylic resin, polyester resin, fluorocarbon resin, alkyd resin, epoxy resin, PU resin, phenol formaldehyde resin, and unsaturated polyester resin● Key players: Eternal Materials, Qualipoly Chemical, Nan Ya, Enchuan Chemical, and Yong Shun Chemical, etc.
Downstream Industry	<ul style="list-style-type: none">● Adhesives, construction coating, industrial coating, automotive paint, wood paint, artificial stones, buttons, copper clad laminates, electronic tapes, and cosmetics.● Key player: 3M, AveryDennison, Yung Chi, San Fang Chemical, Nippon Paint, Nanpao, and Liangchi etc.

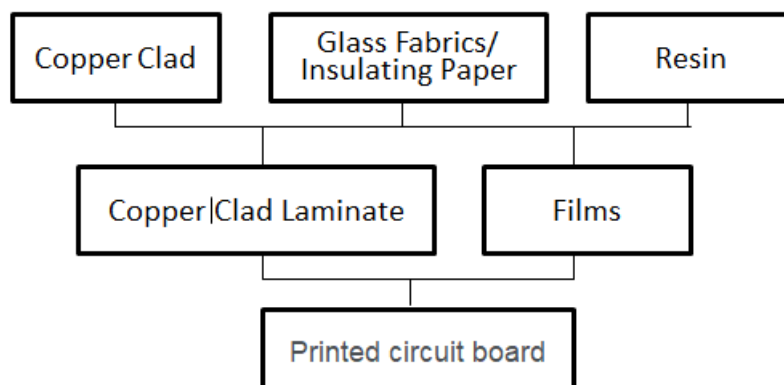
(2) Electronic materials

A. Photoresist materials

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

The downstream industries of dry film photoresists include rigid and flexible PCBs and packaging substrates etc.

B. Copper-clad Laminate



(3) Specialty 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, ink and PCB

3. Product Development Trends

(1) Synthetic resin

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

Due to China's increasingly stringent requirements in environmental protection and safety regulations as well as the impact of the China-US trade war and epidemic, market demand is weak and visibility is low; small and medium-sized oil-based paint companies have gradually shut down, while the industry is beginning to focus on large enterprises. Mergers, acquisitions and integration are frequently seen in the market; our products are also in line with market trends towards high solids, water-based, UV and powder coating products, and have made 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 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.

④ Development of high value-added products

Develop unsaturated polyester structural adhesive, vinyl ester structural adhesive, epoxy structural adhesive, epoxy resin; increase the added-value for petrochemical products, and gross margin of the product lines.

(2) Electronic materials

A. Photoresist materials

Dry film photoresist is mainly applied to the production of PCB. Different PCB electronic products 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-layered boards. Dry film photoresist used for different processes for internal and external layers (etching vs. plating) will continue to grow over the next five years in the applications of IC substrate, HDI, automotive, and communications.

Mobile phones and some notebooks: As the smart phone market drives the rapid development of HDI/AnyLayer process, as well as the rising demand for notebooks due to pandemic driven home economics and video conferencing, 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: In the early days, Japanese process technology dominated the packaging substrate process. As a result, direct and indirect materials used in the process were also imported from Japan. In recent years, with the continuous efforts made by Taiwan's packaging and IC substrate manufacturers, most of the processes today are directly developed by Taiwanese companies. High-resolution dry film photoresists for ball grid array packages, wafer-sized packages, and ABF flip-chip substrate 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 processes, and FanOutWLCSP, thick film for special processes.

B. Copper-clad Laminate

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, in light of its broad applications, high technological threshold, high unit price and high gross profit margin, rigid-flexible PCBs are expected to take the lead in growth in the future. The Company has begun developing low-flow films for rigid-flexible PCBs to tap into high-end copper-clad laminate market. Green product CEM-1 is another feature product with both cost and quality advantages to meet the growing trend of environmental protection.

(3) Specialty materials

Featuring high-solids (100%), fast hardening (in seconds), and solvent contamination-free, UV light curing coatings have the advantages of environment friendly, 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, in addition to the new demand from 5G industry, driving the continued growth of PSQ microspheres. The high growth of UV light curing coatings has attracted more competitors to expand production. As a result of the pandemic in 2020, global demand was significantly impacted during the first half of the year and demand in China only begun to resume in the second half. Overall, oversupply of UV light curing coatings persists in the global market.

4. Competition

(1) Synthetic resin

The Company has been in the synthetic resin business for more than 50 years. To stay ahead of competitors, the Company continues to introduce advanced technology from Europe and the U.S. on top of its solid research and development foundation, and deploys marketing channels around the world with a full spectrum of products.

The major competitors and their main products are as follows:

The Company	General resin, coating resin, unsaturated polyester resin, photoresist, vacuum laminating equipment, copper-clad laminate, UV light curing materials, epoxy resin packaging materials, and liquid compound molding 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 FRP product
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

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	Showa Denko	Taiwan, China, Southeast Asia, and Japan	Dry film photoresist for etching, electroplating, 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, electroplating, SAP, and HDI	Rigid PCB and IC substrate
4	DuPont	North America	Electroplating and selective-based dry film photoresist	RPCB, HDI, FPC
5	Others	China	Etching-based dry film photoresist	RigidPCB

B. Copper-clad Laminate

Copper clad laminates include paper phenolic copper clad laminate (XPC, FR-1) and composite epoxy copper clad laminate (CEM-1). Eternal Material features FR-1 and CEM-1, positions itself as a critical third business strategy. Competitive advantage lies in superior technical service and clearly defined price-performance ratio to differentiate itself from competitors.

(3) Specialty 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.

Products	Key Competitors
Specialty Materials	Allnex, Sartomer, Miwon, BASF, Miki Kogyo Zairyuu, Riyoung, Litian Technology, Qualipoly Chemical and Hau Huei
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

2020 R&D expenditures amounted to NT\$1,385 million.

R&D expenditure as of March 31, 2021 amounts to NT\$336 million.

2. 2020 R&D achievements

- (1) COVID-19 antibody rapid test
- (2) High-resolution polarizer adhesives
- (3) UV-cured acrylic pressure sensitive adhesive
- (4) Anion self-extinction water-soluble polyurethane dispersoid
- (5) Semiconductor liquid molding compound
- (6) IC-substrate thick film photoresist
- (7) UV-LED curability enhancing material
- (8) Mini LED optical encapsulant
- (9) Electrolyte additives of lithium battery
- (10) Heat-activated water-based PU adhesive
- (11) Coating-enhancing hollow sphere emulsion polymer
- (12) Functional adhesion materials with both photo-curable and UV-curable features

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

1. Long-term Business Development Plans

(1) Synthetic resin

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.

- ④Integrating polymer synthesis technology, introducing application verification technology, strengthening the development of new process technologies, exploring new material applications, and developing new product lines.
- B. Unsaturated polyester resin
 - ①Developing chemical materials required for the production of FRP composites.
 - ②Developing high-end resin for carbon fiber reinforced plastics (CFRP) and derivative heterogeneous composite.
 - ③Supplying raw materials required for composites as a world-class manufacturer and supplier in Asia.
- (2) Electronic materials
 - A. Photoresist materials
 - ①Integrated global R&D, production, & sales in order to optimize production capacity, output and sales for new products.
 - ②Have a firm grasp of market trend in anticipation of the future needs of strategic clients in order to develop next-generation products/brand-new products ahead of the market.
 - ③Continue to expand the application and sales of vacuum laminating machines in substrate packaging, passive components, flexible PCBs, and semiconductors.
 - ④Continue to improve precision coatings production capability and to expand global precision coating OEM market.
 - B. Copper-clad Laminate
 - ①Comprehensive control over changes in raw material market with a view to raw materials supply stability.
 - ②Layout of hard and soft board electronic materials certification.
 - ③Gradually plan to expand production capacity and increase product size to meet customer needs
 - ④Actively develop high-end products to solidify future growth.
- (3) Specialty materials
 - ①Developing eco-friendly products, high-end products, and high value-added products.
 - ②Developing new core technologies to achieve the diversification of business.
 - ③Strengthening the development and application of products for emerging industries.
 - ④Develop new industry applications for UV hot melt adhesives, UV pressure-sensitive adhesive materials, water-based UV materials, LED curing industries, metal base material industry, and actively expand to non-UV applications and other fields.
 - ⑤Developing high-value silicon materials.
- 2. Short-term Business Development Plans
 - (1) Synthetic resin
 - A. General resin and coating resin
 - ①Cultivating Southeast Asian and South Asian markets to take advantage of the added production capacity of the new Malaysian Plant, and to expand to countries with tariff advantages.
 - ②Aligning market prices in step with changes in raw material cost and exchange rates; expanding the market in Japan. Promoting high-end new products in Japan.
 - ③Strengthening the development and sales of water-based, low-VOC and low-odor products, high-solids fluorocarbon, and hardener-free oil-based acrylic acid.
 - B. Unsaturated polyester resin
 - ①Promoting unsaturated polyester resin and vinyl resin worldwide.
 - ②Establishing and expanding operations in Southeast Asia to take advantage of the new plant capacity in Malaysia.
 - ③Strengthening the development and sales of niche-based (mechanical molding/eco-friendly) resins.
 - ④Continue to promote high value-added products (such as structural adhesive/epoxy resin) to raise profit margins.

(2) Electronic materials

A. Photoresist materials

- ① Increasing market share in niche markets (such as DF, DFSM, and PIC/PSPI for LDI, ENIG, HDI, FPC, IC substrate, and WLP processes).
- ② Strengthening the production and sales in China in light of its growth potential.
- ③ Controlling the source of key materials to keep the cost of materials under control.

B. Copper-clad Laminate

- ① Continue to cultivate Southeast Asian market (such as Thailand, Vietnam) and India.
- ② Increase market penetration among home appliance brands in China
- ③ In search of new applications
- ④ Received certification from large international electronic companies

(3) Specialty 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 adhesives and UV water-based materials, 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. Increase sales of PSQ microspheres in the export market, especially in Japan and South Korea

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	2019		2020	
	Amount	%	Amount	%
Taiwan	4,509,800	11	4,739,251	12
Mainland China	24,584,451	61	23,610,169	62
Others	11,268,987	28	10,020,946	26
Total	40,363,238	100	38,370,366	100

2. Main Competitors and Market Share

Main competitors of the Company include DOW, Miki Kougyou Zairyuu, Qualipoly Chemical, Sartomer, Allnex, Asahi Kasei, Kingboard Holdings (KB), and DuPont.

The Company's global market share is as follows:

Business Line	Market Share
Synthetic resin	2.50%
Specialty materials	15.88%
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 timely services to stay competitive. The main products of the Company are described as follows:

(1) Synthetic resin

Synthetic resin 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. Global manufacturing base has been shifted to Greater China region and Asia. In particular, Taiwan and China has become the largest production base for electronic circuit boards (PCB) globally. Key competitors are Asahi, Showa Denko, and Dupont, etc. The Company has completed market deployment in this place. Global market share is circa 34%.

(3) Specialty 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, in addition to the new demand from 5G industry, driving the continued growth of PSQ microspheres. On the supply side, the high growth of UV light curing coatings has attracted competitors to expand production capacity. 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 established complete production facilities and well-functioning operating systems in Taiwan and China. With cost advantages and well-established management goodwill the Company seeks to enhance its market deployment in China and Asia. In conjunction with the added capacity from the new Malaysian plant, the Company aims to increase its market share in Asia-Pacific, ASEAN, South Asia, and India.

- C. 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 key materials and equipment for mainstream industries.
- F. The Company continues to accelerate the establishment of the ERP Core Network and Smart Plant by upstream material integration, strategic investments, and mergers and acquisitions. Along with long-term human resources development strategy, the Company aims to achieve its vision of rooting deeply in Taiwan, expanding footprints in Asia, and embracing the world.

(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 China Market, representing a key revenue source, has slowed down due to the impact of the Sino-US trade war and the COVID-19 pandemic. The Company responded with diversifying export markets globally, while increasing production capacity in Malaysian plant to maintain market expansion momentum.
- C. Some downstream customers relocating to China and Southeast Asia have switched to local suppliers to shorten supply chain; others have relocated overseas to be close to their customers due to high tariffs and convenience of customer service.
- 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: Using hand lamination, spraying, vacuum infusion, winding, pultrusion, molding and other processes, applied to chemical resistance, corrosion resistance, fire protection and other products-lighting board, storage tank, yacht, fishing boat, wind turbine cabinet cover, transportation vehicle (rail, passenger vehicles, automobiles); and general industrial products - buttons, artificial marble, injection-molded arts, furniture coating bases, topcoats, car repairs, etc.
- (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) Copper-clad laminate: Applied to PCBs for high-end home appliances, such as calculator, 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 specialty 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 Petrochemical Corporation, China	Good
Xylene	Hongyang Enterprise, Chi Mei Trading Co., Ltd., and Mainland China	Good
Polyester Film	Japan, China, South Korea, and Indonesia	Good
Methacrylate Monomer	Formosa Plastics Corporation, Kaohsiung Monomer Company, Nippon Shokubai, Evonik Taiwan, and Mainland China	Good
MA - Maleic Anhydride	EXCEL Chemical Corporation, Nan Ya Plastics Corporation, Prosperity Dielectrics, and Mainland China	Good
MPG - Propylene Glycol	Dow Chemical Company, Shell, LyondellBasell Industries, and Mainland China	Good
PENTA - Pentaerythritol	LCY Chemical Corporation, China, Saudi Arabia	Good
AA - Adipic Acid	Mainland China, Japan AKC, Europe RADICI	Good

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

1. List of Major Suppliers Accounting for 10% or More of Total Procurement Amount in the Most Recent Two Years Unit: Thousand NT\$

Item	2019				2020				Q1 2021			
	Name	Amount	Annual Net purchase ratio	Relationship with the Issuer	Name	Amount	Percentage of Total Procurement in the Year	Relationship with the Issuer	Name	Amount	Percentage to Q1 Net Purchase of the Year (%) Ratio	Relationship with the Issuer
1	Supplier A	2,825,286	11%	None	Supplier A	2,420,703	10%	None	Supplier A	836,787	10%	None
	Others	23,104,584	89%	None	Others	21,729,376	90%	None	Others	7,452,062	90%	None
	Net procurement amount	25,929,870	100%	-	Net procurement amount	24,150,079	100%	-	Net procurement amount	8,288,849	100%	-

2. 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\$

Products	Year	2019			2020		
		Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Synthetic Resin (ton)		589,811	430,726	16,227,213	621,344	449,138	15,271,632
Electronic Materials (KFT2)		5,928,114	4,246,246	7,733,633	5,932,958	4,719,073	7,291,800
Electronic Materials (others)		-	-	462,024	-	-	696,886
Specialty Materials (ton)		101,201	67,052	5,787,674	96,825	63,988	5,217,339
Others (others)		-	-	2,482	-	-	-
Total				30,213,026	-	-	28,477,657

(VI) Sales Volume for the Most Recent Two Years

Unit: Thousand NT\$

Primary commodity	Year	2019				2020			
		Domestic Sales		Export		Domestic Sales		Export	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Synthetic Resin (ton)		47,365	2,579,116	345,939	18,276,772	48,390	2,459,254	354,472	16,024,681
Electronic Materials (KFT2)		503,360	1,084,457	3,815,062	9,415,152	546,629	1,075,583	4,157,879	9,740,052
Electronic Materials (others)		-	52,165	-	1,751,059	-	480,968	-	1,573,164
Specialty Materials (ton)		6,156	769,845	55,843	6,306,028	5,482	701,867	58,474	6,031,506
Others (others)		-	24,217	-	104,427	-	21,579	-	261,712
Total			4,509,800		35,853,438		4,739,251		33,631,115

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

III. Employee Information

Year		2019	2020	Current year as of March 31, 2021
Number of employees (Note)	Direct labor	1,203	1,205	1,228
	Indirect labor	3,587	3,654	3,635
	Total	4,790	4,859	4,863
Average Age		38.59	38.70	36.74
Average Years of Service		10.15	10.70	11.96
Education	PhD	1.92%	1.85%	1.89%
	Master	12.21%	12.88%	12.89%
	Bachelor (University)	34.18%	34.97%	35.13%
	Bachelor (College)	16.58%	16.61%	16.47%
	Senior High School or Below	35.11%	33.69%	33.62%

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 January 2020, Da-Fa Plant was fined NT\$100,000 for the violation of air pollution control regulations.
2. In March 2020, Da-Fa Plant was fined NT\$6,000 for the violation of waste disposal regulations.
3. In April 2020, Da-Fa Plant was fined NT\$6,000 for the violation of waste disposal regulations.
4. In April 2020, Zhuhai plant was fined RMB 50,000 for the violation of hazardous chemical material management regulations.
5. In August 2020, Kun-Hu Plant was fined RMB 120,000 for the violation of water pollution control regulations.
6. In November 2020, Malaysian Plant was fined MYR 3,000 for violation of waste disposal regulations.

(II) Corrective Measures and Potential Disbursements

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. The Company will budget for new purchase and replacement of equipment to the extent feasible technologically. In 2021, the Company plans to invest NT 551,954 thousand in facility improvement to reduce pollution emissions, to increase energy efficiency, and to enhance production safety measures.

V. Labor Relations

(I) Employee benefits, continuing education, training, retirement, labor-management negotiation, and protection of employee rights:

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. Managerial officers's participation in Corporate Governance training in 2020 is detailed below:

Position	Name	Date of Training	Organizer	Course Name	Training Hours
Vice President	Liao, Heng-Ning	06.01	Manufacturing Process Technologies	Smart production and Industry 4.1	3.0
Vice President	Liao, Heng-Ning	07.27~08.24	Corporate Business Development Department	Market Analysis and Development Management Seminar	21.0
Vice President	Liao, Heng-Ning	10.30~11.05	Corporate Business Development Department	Advanced marketing	14.0
Assistant Vice President	Yeh, Mao-Jung	11.30	Research & Development Division	Advanced Polymeric Materials: Synthesis and Applications for Optoelectronics	2.0
Assistant Vice President	Yeh, Mao-Jung	06.01	Manufacturing Process Technologies	Smart production and Industry 4.1	3.0
Assistant Vice President	Lin, Chao-Kun	06.01	Manufacturing Process Technologies	Smart production and Industry 4.1	3.0
Assistant Vice President	Lin, Chao-Kun	06.18	Resins Materials Resins Materials Production and Business Unit	Resin for textile industry and product R&D related applications	4.0
Assistant Vice President	Su, Wen-Pin	06.01	Manufacturing Process Technologies	Smart production and Industry 4.1	3.0
Assistant Vice President	Su, Wen-Pin	01.16~01.17	Industrial Safety & Environmental Protection Department	PSLC - Safety Instrumented System (SIS) Training	16.0
Assistant Vice President	Su, Wen-Pin	05.29	Industrial Safety & Environmental Protection Department	MI Guidance Kick-off Meeting and Mechanical Integrity General Theory Training	5.5
Assistant Vice President	Weng, Chin-Yi	06.18	Resins Materials Resins Materials Production and Business Unit	Resin for textile industry and product R&D related applications	4.0
Assistant Vice President	Kao, Chih-Yu	08.05~09.24	Human Resources Department	Instructor training for management talents (MTP-I)	49.0
Assistant Vice President	Chu, Jui-Hsin	11.12	Department of Information Management	Parent company - Information Security Training (Supervisor)	2.0
Accounting Manager	Su, Hui-Fang	08.13~12.21	Accounting Research and Development Foundation	Continuing Education for Accounting Managers	12.0

Note: For continuous education of Corporate Governance Supervisor, please refer to item 4 of (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.

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.

2020 Group training expenses are listed below:

Unit: NT\$

Plant	Training Expense	Percentage (%)
Head Office	5,265,656	39%
Subsidiaries in Mainland China	7,430,026	55%
Subsidiaries in Other Regions	846,386	6%
Total	13,542,068	100%

3. In 2020, persons in charge of financial information transparency obtained the following certificates designated by the regulators:

Certificate Name	Number of Persons
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
Financial Risk Manager (FRM)	1
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 policies 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) Directives for the Administration of Employee Rewards and Punishments

To direct 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	2021.01.01-2021.12.31	Supply of raw materials	None
	Formosa Chemicals & Fibre Corporation	2021.01.01-2021.12.31		None
	Taiwan Styrene Monomer Corporation	2021.01.01-2021.12.31		None
	Kunshan Juchuan Chemical Co., Ltd. (Note 1)	2021.02.01-2022.01.31		None
	Kunshan Juchuan Chemical Co., Ltd. (Note 1)	2021.01.01-2021.12.31		None
	Wanhua Petrochemical (Yantai) Co., Ltd. (Note 1)	2021.01.01-2021.12.31		None
	Methyl Trading (Shanghai) Co., Ltd. (Note 1)	2021.01.01-2021.12.31		None
	Formosa Industries (Ningbo) Co., Ltd. (Note 1)	2021.01.01-2021.12.31		None
	Roehm (Shanghai) Co., Ltd. (Note 1)	2021.01.01-2021.12.31		None
	Chengzhou Sinochem Fluorine Source New Materials Co., Ltd. (Note 1)	2020.12.09-2021.12.09		None
	Kunshan Juchuan Chemical Co., Ltd. (Note 2)	2021.01.01-2021.12.31		None
	Methyl Trading (Shanghai) Co., Ltd. (Note 2)	2021.01.01-2021.12.31		None
	Sinochem Petrochemical Distribution Co., Ltd. (Note 3)	2021.02.01-2022.01.31		None
	Wanhua Petrochemical (Yantai) Co., Ltd. (Note 3)	2021.01.01-2021.12.31		None

	Zhuhai Yuanyang International Petrochemicals Co., Ltd. (Note 3)	2021.02.01-2022.01.31		None
	Formosa Industries (Ningbo) Co., Ltd. (Note 3)	2021.01.01-2022.12.31		None
	Roehm (Shanghai) Co., Ltd. (Note 3)	2021.01.01-2022.12.31		None
Syndicated Loans	E.SUN Commercial Bank and the Syndicates	2018.07.11-2023.05.16	Repayment of loans to financial institutions and replenishment of working capital	None
	Bank of Taiwan and the Syndicates	2019.11.06-2024.11.06	Corporate bond guarantee	None
	Taipei Fubon Bank and the Syndicates (Note 4)	2020.11.25-2025.11.25	Ensure sufficient mid-term operating capital and to increase equity investment in subsidiaries for debt reduction.	None
Loan Contract	Syndicate banks, including First Commercial Bank	2016.07.29-2023.10.02	Repayment of loans to financial institutions and replenishment of working capital	None

Note 1: Contract signed with Eternal Chemical (China) Co., Ltd.

Note 2: Contract signed with Eternal Synthetic Resins (Changshu) Co., Ltd.

Note 3: Contract signed with Eternal Materials (Guangdong) Co., Ltd.

Note 4: Contract signed between Eternal Nanyang Investment Co., Ltd. and 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 reducing the occupational hazard incident number to zero.

2. Regular Review of EHS Management System

(1) ISO45001:2018: Occupational health and safety management systems

Original verification date: January 7, 2009

Certificate expiration date: August 2, 2023

(2) CNS45001:2018 Taiwan Occupational Safety and Health Management System

Original verification date: January 7, 2009

Certificate expiration date: August 2, 2023

(3) ISO 14001:2015 environmental management system

Original verification date: July 23, 1999

Certificate expiration date: July 22, 2023

(4) ISO 50001:2011 Energy Management System

Original verification date: November 21, 2017

Certificate expiration date: November 20, 2023

※ OHSAS18001: 2007 is expected to be changed to ISO45001: 2018 in June 2020.

3. Risk Assessment and Countermeasures

The Company conducts hazard identification and risk assessment, 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. Incident 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 accident-free work 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 chemical and physical factors in the work environment and 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 operators and high risk operators, 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 high risk environment, such as noise, organic solvents, and specific chemicals, additional exam items will be performed, and the employees will be graded for health management based on the results of special health exams. For employees suffering from work overload, ergonomic hazard, and for 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 staffed to provide follow-up exams and medical advice.

(II) Work Safety Control Measures

1. According to the safety and health regulations and the results of hazard identification and risk assessment, the Company implements work permits 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 ergonomics.
6. To ensure the production safety in the work environment, the Company has designated 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					Current year as of March 31, 2021 financial information
		2016	2017	2018	2019	2020	
Current assets		30,440,271	33,149,934	30,666,571	30,227,516	32,621,948	34,108,131
Property, plant and equipment		17,263,366	18,466,249	18,792,384	17,435,546	16,623,050	16,390,008
Intangible assets		38,266	318,014	385,279	343,782	282,235	277,987
Other assets		4,060,153	4,531,308	4,516,045	5,789,885	6,661,392	6,774,306
Total assets		51,802,056	56,465,505	54,360,279	53,796,729	56,188,625	57,550,432
Current liabilities	Before distribution	13,416,662	18,124,943	14,482,801	15,828,650	15,513,121	17,051,416
	After distribution	15,072,576	18,704,513	15,599,053	17,565,041	Note 2	-
Non-current liabilities		17,146,165	17,272,451	18,252,309	16,048,344	17,437,202	16,673,388
Total liabilities	Before distribution	30,562,827	35,397,394	32,735,110	31,876,994	32,950,323	33,724,804
	After distribution	32,218,741	35,976,964	33,851,362	33,613,385	Note 2	-
Equity attributable to shareholders of the parent company		20,692,420	20,506,760	21,003,079	21,415,337	22,834,497	23,445,062
Capital		11,039,425	11,591,397	12,402,795	12,402,795	12,402,795	12,402,795
Capital reserve		359,900	359,900	356,046	356,046	368,946	368,946
Retained earnings	Before distribution	8,868,023	8,497,081	8,755,131	10,099,185	10,845,276	11,669,925
	After distribution	6,660,137	7,106,113	7,638,879	8,362,794	Note 2	-
Other equity		425,072	58,382	(510,893)	(1,442,689)	(782,520)	(996,604)
Treasury stock		0	0	0	0	0	0
Non-controlling interests		546,809	561,351	622,090	504,398	403,805	380,566
Total equity	Before distribution	21,239,229	21,068,111	21,625,169	21,919,735	23,238,302	23,825,628
	After distribution	19,583,315	20,488,541	20,508,917	20,183,344	Note 2	-

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

Note 2: The 2020 distribution of earnings is yet to be approved by the Shareholders Meeting

(II) Condensed Statement of Comprehensive Income - Consolidated

Unit: Thousand NT\$

Item \ Year (Note)	Financial Information for the Most Recent Five Years					Current year as of March 31, 2021 financial information
	2016	2017	2018	2019	2020	
Operating revenue	38,679,640	41,551,117	43,300,155	40,363,238	38,370,366	11,202,419
Operating gross profit	8,582,499	7,438,276	7,279,839	7,856,953	8,885,888	2,562,576
Operating profit or loss	3,129,593	1,861,551	1,813,005	2,335,050	3,138,926	1,025,035
Non-operating income and expenses	62,718	409,058	50,966	578,881	5,583	33,406
Profit before tax	3,192,311	2,270,609	1,863,971	2,913,931	3,144,509	1,058,441
Net income from continuing operations	2,606,155	1,864,100	1,492,323	2,428,081	2,493,217	828,176
Loss from discontinued operations	0	0	0	0	0	0
Net profit (loss)	2,606,155	1,864,100	1,492,323	2,428,081	2,493,217	828,176
Other comprehensive income (loss) (after tax)	(2,313,351)	(494,191)	(600,017)	(945,873)	593,951	(224,416)
Total comprehensive income	292,804	1,369,909	892,306	1,482,208	3,087,168	603,760
Net profit attributable to owners of the parent company	2,626,384	1,909,634	1,550,515	2,466,356	2,543,496	824,649
Net profit attributable to non-controlling interests	(20,229)	(45,534)	(58,192)	(38,275)	(50,279)	3,527
Total comprehensive income attributable to owners of the parent company	357,343	1,416,409	952,243	1,531,715	3,139,446	610,565
Total comprehensive income attributable to non-controlling interests	(64,539)	(46,500)	(59,937)	(49,507)	(52,278)	(6,805)
Earnings per share (NT\$)	2.27	1.54	1.25	1.99	2.05	0.66

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				
		2016	2017	2018	2019	2020
Current assets		8,073,286	8,649,017	7,847,541	7,114,450	7,146,604
Property, plant and equipment		5,639,478	5,909,844	6,034,560	6,184,393	6,145,448
Intangible assets		7,744	7,779	89,365	88,005	229,525
Other assets		27,958,658	29,823,490	29,612,160	29,569,146	30,636,180
Total assets		41,679,166	44,390,130	43,583,626	42,955,994	44,157,757
Current liabilities	Before distribution	6,861,704	8,209,256	7,720,218	7,006,246	5,989,894
	After distribution	8,517,618	8,788,826	8,836,470	8,742,637	Note 2
Non-current liabilities		14,125,042	15,674,114	14,860,329	14,534,411	15,333,366
Total liabilities	Before distribution	20,986,746	23,883,370	22,580,547	21,540,657	21,323,260
	After distribution	22,642,660	24,462,940	23,696,799	23,277,048	Note 2
Equity attributable to shareholders of the parent company		N/A	N/A	N/A	N/A	N/A
Capital		11,039,425	11,591,397	12,402,795	12,402,795	12,402,795
Capital reserve		359,900	359,900	356,046	356,046	368,946
Retained earnings	Before distribution	8,868,023	8,497,081	8,755,131	10,099,185	10,845,276
	After distribution	6,660,137	7,106,113	7,638,879	8,362,794	Note 2
Other equity		425,072	58,382	(510,893)	(1,442,689)	(782,520)
Treasury stock		0	0	0	0	0
Non-controlling interests		N/A	N/A	N/A	N/A	N/A
Total equity	Before distribution	20,692,420	20,506,760	21,003,079	21,415,337	22,834,497
	After distribution	19,036,506	19,927,190	19,886,827	19,678,946	Note 2

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

Note 2: The 2020 distribution of earnings is yet to be approved by the Shareholders Meeting

(IV) Condensed Statement of Comprehensive Income - Standalone

Unit: Thousand NT\$

Item \ Year (Note)	Financial Information for the Most Recent Five Years				
	2016	2017	2018	2019	2020
Operating revenue	16,462,702	16,451,548	16,113,899	14,804,018	13,011,068
Operating gross profit	3,516,178	2,785,879	2,296,895	2,639,659	2,594,915
Operating profit or loss	980,013	304,297	(158,239)	144,187	(66,112)
Non-operating income and expenses	1,830,406	1,686,665	1,670,309	2,411,301	2,666,196
Profit before tax	2,810,419	1,990,962	1,512,070	2,555,488	2,600,084
Net income from continuing operations	2,626,384	1,909,634	1,550,515	2,466,356	2,543,496
Loss from discontinued operations	0	0	0	0	0
Net profit (loss)	2,626,384	1,909,634	1,550,515	2,466,356	2,543,496
Other comprehensive income (net after tax)	(2,269,041)	(493,225)	(598,272)	(934,641)	595,950
Total comprehensive income	357,343	1,416,409	952,243	1,531,715	3,139,446
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\$)	2.27	1.54	1.25	1.99	2.05

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

(V) Names and Opinions of CPAs

Year	CPA Firm	Name of CPA	Opinion
2016	Deloitte Taiwan	Kuo, Li-Yuan and Kung, Chun-Chi	Unqualified opinion plus audit report on other matters
2017	Deloitte Taiwan	Kuo, Li-Yuan and Kung, Chun-Chi	Unqualified opinion plus audit report on other matters
2018	Deloitte Taiwan	Kuo, Li-Yuan and Kung, Chun-Chi	Unqualified opinion plus audit report on other matters
2019	Deloitte Taiwan	Kuo, Li-Yuan and Kung, Chun-Chi	Unqualified opinion plus audit report on other matters
2020	Deloitte Taiwan	Wang, Chao-Chun & Li, Yuan-Guo	Unqualified opinion plus audit report on other matters

II. Financial Analysis for the Most Recent Five Years

(I) Financial Analysis on Consolidated Statements

Items		Year	Financial Analysis					Current year as of March 31, 2021
			2016	2017	2018	2019	2020	
Financial Structure (%)	Debt-asset ratio		59	63	60	59	59	59
	Ratio of long-term capital to property, plant and equipment		222	208	212	218	245	247
Solvency (%)	Current ratio		227	183	212	191	210	200
	Quick ratio		170	133	151	140	157	144
	Interest coverage ratio		10	6	4	7	9	16
Operating Efficiency	Receivables turnover ratio (times)		3.0	2.9	2.9	2.6	2.3	2.5
	Average collection days		120	125	128	139	159	145
	Inventory turnover ratio (times)		4.6	4.6	4.5	4.2	3.9	4.2
	Payables turnover ratio (times)		10	10	11	8	6	5
	Average days for sale		80	79	81	86	93	86
	Property, plant and equipment turnover ratio (times)		2	2	2	2	2	3
	Total asset turnover ratio (times)		1	1	1	1	1	1
Profitability	Return on assets (%)		6	4	4	5	5	6
	Return on equity (%)		12	9	7	11	11	14
	Profit before tax to paid-in capital (%)		29	20	15	23	25	34
	Net profit margin (%)		7	4	3	6	6	7
	Earnings per share (NT\$)		2.27	1.54	1.25	1.99	2.05	0.66
Cash flow	Cash flow ratio (%)		21	-3	20	31	27	1
	Cash flow adequacy ratio (%)		90	60	58	67	66	67
	Cash flow reinvestment ratio (%)		2	-4	4	7	4	0
Leverage	Operating leverage		2	3	3	3	2	2
	Financial leverage		1	1	1	1	1	1

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

1. Reasons for changes in the most recent two years

- (1) Interest coverage ratio: Sales volume increase and higher margin product mix have resulted in higher pretax profit. Combined by a decrease in interest expenses have led to higher interest coverage ratio
- (2) Payables turnover rate: Driven by increase in note endorsement, resulting in higher accounts payable.
- (3) Cash Reinvestment Ratio: Driven by lower net operating cash inflow, and increase in cash dividends in this year.
- (4) Operating Leverage: Higher operating profit is mainly driven by higher sales volume, improved product mix, and gross margin.

2. Reasons for changes in the first quarter of 2021 and 2020:

- (1) Interest coverage ratio: Due to the increase in sales volume and the difference in portfolio, the net profit before tax increased, and the interest expense decreased, resulting in an increase in the interest coverage ratio.
- (2) Property, plant and equipment turnover ratio (times) : Mainly due to the relief of the pandemic, the recovery of the economy, and the increase in shipments, which led to an increase in net sales.
- (3) Profitability: Increased in sales volume and product portfolio efficiency, increased operating profit, and improved profitability.
- (4) Cash flow ratio and cash flow reinvestment ratio: Only one quarter of net cash inflow from operating activities is represented.

Items		Year	Financial Analysis				
		2016	2017	2018	2019	2020	
Financial Structure (%)	Debt-asset ratio	50	54	52	50	48	
	Ratio of long-term capital to property, plant and equipment	617	612	594	581	621	
Solvency (%)	Current ratio	118	105	102	102	119	
	Quick ratio	76	66	63	65	75	
	Interest coverage ratio	13	9	6	11	14	
Operating Efficiency	Receivables turnover ratio (times)	4.5	4.1	3.9	3.9	3.7	
	Average collection days	81	89	93	94	100	
	Inventory turnover ratio (times)	4.6	4.6	4.5	4.4	4.0	
	Payables turnover ratio (times)	10.5	9.9	9.5	9.4	8.6	
	Average days for sale	79	80	81	83	92	
	Property, plant and equipment turnover ratio (times)	3	3	3	2	2	
	Total asset turnover ratio (times)	0.4	0.4	0.4	0.3	0.3	
Profitability	Return on assets (%)	7	5	4	6	6	
	Return on equity (%)	12	9	7	12	11	
	Profit before tax to paid-in capital (%)	25	17	12	21	21	
	Net profit margin (%)	16	12	10	17	20	
	Earnings per share (NT\$)	2.27	1.54	1.25	1.99	2.05	
Cash flow	Cash flow ratio (%)	24	6	24	25	37	
	Cash flow adequacy ratio (%)	94	66	64	70	72	
	Cash flow reinvestment ratio (%)	0	-3	3	1	1	
Leverage	Operating leverage	3	8	-12	16	-33	
	Financial leverage	1	5	0	-1	0	

Please explain the reasons of changes in the most recent two years. (if the change is less than 20%, the analysis can be exempted)

1. Interest coverage ratio: The increase in pre-tax profit and the decrease in interest expenses result in an increase in the interest coverage ratio.
2. Cash flow ratio: Primarily driven by increase in cash dividends this year and decrease in short term borrowing.
3. Leverage: Driven by lower operating profits

Formula

1. Financial structure
 - (1) Debt ratio = Total liabilities/Total assets.
 - (2) Long-term capital to property, plant and equipment = (Stockholders' equity + Noncurrent Liabilities) / Net Property, Plant and Equipment
2. Solvency
 - (1) Current ratio = Current assets/Current liabilities.
 - (2) Quick ratio = (Current assets - Inventories - Prepaid expenses)/Current liabilities.
 - (3) Interest coverage ratio = Income before tax and interest expenses/Interest expenses.
3. Operating ability
 - (1) Accounts receivable (including accounts receivable and notes receivable generated from operations) turnover rate = Net sales/Average balance of accounts receivable (including accounts receivable and notes receivable generated from operations) for each period.
 - (2) Average collection days = 365/Accounts receivable turnover rate.
 - (3) Inventory turnover rate = Cost of goods sold/Average inventories.
 - (4) Accounts payable (including accounts payable and notes payable generated from operations) turnover rate = Cost of goods sold/Average balance of accounts payable (including accounts payable and notes payable generated from operations) for each period.
 - (5) Average days for sale of goods = 365/Inventory turnover rate.
 - (6) Property, plant, and equipment turnover rate = Net sales/Average net property, plant, and equipment.
 - (7) Total assets turnover rate = Net sales/Average total assets.
4. Profitability
 - (1) Return on assets = [Profit or loss after tax + Interest expenses x (1 - tax rate)]/Average total assets.
 - (2) Return on equity = Income after tax/Average total equity.
 - (3) Net profit margin = Income after tax/Net sales.
 - (4) Earnings per share = (Income attributable to owners of the parent - preferred stock dividends)/Weighted average number of shares issued.
5. Cash flows
 - (1) Cash flow ratio = Net cash flows generated from operating activities/Current liabilities.
 - (2) Cash flow adequacy ratio = Five-year sum of net cash flows generated from operating activities/Five-year sum of capital expenditure, inventory additions and cash dividends).
 - (3) Cash reinvestment ratio = (Net cash flows from operating - cash dividends)/(Gross amount of property, plant, and equipment + Long term investment + Other non-current assets + Working capital).
6. Leverage
 - (1) Operating leverage = (Net Sales - Variable Cost and expense) / Operating profit
 - (2) 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 2020 business report, earnings distribution proposal, financial reports 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.

Sincerely,

2021 Shareholders General Meeting

Eternal Materials Co., Ltd.

Convener of the Audit Committee:

March 26, 2021

IV. Financial Statement for the Most Recent Year

The entities that are required to be included in the consolidated financial statements of affiliates under the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2020 are all the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the consolidated financial statements of affiliates is included in the consolidated financial statements of Eternal Materials Co., Ltd. and its subsidiaries. Consequently, Eternal Materials Co., Ltd. and its subsidiaries did not prepare a separate set of combined financial statements.

Very truly yours,

Eternal Materials Co., Ltd.

By

Kao, Kuo-Lun
Chairman

March 26, 2021

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, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

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, 2020 and 2019, and their consolidated financial performance and their consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

Basis for Opinion

We conducted our audit of the consolidated financial statements for the year ended December 31, 2020 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. We conducted our audit of the consolidated financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No.1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020, and auditing standards generally accepted in the Republic of China. 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 report 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, 2020. 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.

The key audit matters identified in the Company and its subsidiaries' consolidated financial statements for the year ended December 31, 2020 are stated as follows:

The Occurrence of the High Performance Materials Department Sales Revenue

1. Description

The sales revenue of Eternal Materials Co., Ltd and its subsidiaries decreased due to industrial and economic downturn compared to the previous. However, the percentage of sales revenue of the high performance materials department in particular had been increased. Therefore, we identified revenue occurrence from the high performance materials department as a key audit matter.

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

- a. We obtained an understanding of the internal controls over the customer master file, ordering, accounting and receiving process on revenue recognition of high performance materials department and tested their effectiveness.
- b. We obtained the major customer master file data and verified the information of the registered responsible person, business category, and business address, etc. using publicly available information, and we evaluated the reasonableness of any abnormalities in credit limit relative, transaction terms, sales revenue and the company size.
- c. We selected appropriate samples from the sales revenue receipts of the high performance materials department, examined the shipping documents of proof of payment, and we verified that the recipient of the payment the transacted counterparty was the same .
- d. We examined the material subsequent events with respect to sales returns and verified that the sales transactions occurred before the balance sheet date.

Other Matter

The financial statements of some associates accounted for using the equity method were audited by other auditors. Therefore, our opinion on the amounts and disclosures of such investments included in the accompanying financial statements were based on the financial statements audited by other auditors. Such investments accounted for using the equity method amounted to NT\$1,213,380 thousand and NT\$1,309,271 thousand, both representing 2% of the Company and its subsidiaries' total assets as of December 31, 2020 and 2019, respectively; and the share of the profit of these associates amounted to NT\$268,060 thousand and NT\$254,845 thousand, representing 9% and 17% of the Company and its subsidiaries' total comprehensive income for the years ended December 31, 2020 and 2019, respectively.

We have also audited the standalone financial statements of the Company as of and for the years ended December 31, 2020 and 2019 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, 2020 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 audits resulting in this independent auditors' report are Chao-Chun Wang and Lee-Yuan Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 26, 2021

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, 2020		December 31, 2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 6,108,294	11	\$ 6,009,646	11
Notes receivable, net (Notes 4, 7 and 32)	5,138,238	9	4,489,199	8
Notes receivable from related parties, net (Notes 4, 7 and 31)	44,739	-	57,038	-
Accounts receivable, net (Notes 4, 5, 7 and 32)	12,121,573	22	10,591,238	20
Accounts receivable from related parties, net (Notes 4, 5, 7 and 31)	218,637	-	223,637	1
Other receivables (Notes 7 and 31)	791,068	2	970,352	2
Inventories (Notes 4, 5 and 8)	7,492,620	13	7,181,706	13
Other financial assets - current (Note 9)	61,860	-	66,950	-
Other current assets - others (Note 24)	644,919	1	637,750	1
Total current assets	<u>32,621,948</u>	<u>58</u>	<u>30,227,516</u>	<u>56</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 10)	21,301	-	12,483	-
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 11)	1,016,306	2	743,309	1
Investments accounted for using the equity method (Notes 4 and 13)	2,306,731	4	2,287,302	4
Property, plant and equipment (Notes 4, 14, 31 and 32)	16,623,050	30	17,435,546	33
Right-of-use assets (Notes 4 and 15)	1,195,535	2	1,037,179	2
Investment properties (Notes 4 and 16)	1,356,821	2	1,112,377	2
Intangible assets (Notes 4 and 17)	282,235	-	343,782	1
Deferred tax assets (Notes 4, 5 and 24)	397,389	1	410,040	1
Other non-current assets - others (Notes 18 and 32)	367,309	1	187,195	-
Total non-current assets	<u>23,566,677</u>	<u>42</u>	<u>23,569,213</u>	<u>44</u>
TOTAL	<u>\$ 56,188,625</u>	<u>100</u>	<u>\$ 53,796,729</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 4, 19 and 32)	\$ 4,403,929	8	\$ 4,414,613	8
Notes payable	534,320	1	213,498	-
Accounts payable (Note 31)	5,598,389	10	4,311,495	8
Other payables - others (Note 20)	2,053,754	4	2,051,189	4
Current tax liabilities (Note 24)	442,184	1	204,777	-
Lease liabilities - current (Notes 4 and 15)	81,002	-	45,281	-
Current portion of long-term borrowings (Notes 4, 19 and 32)	2,211,266	4	4,546,891	9
Other current liabilities - others (Note 22)	188,277	-	40,906	-
Total current liabilities	<u>15,513,121</u>	<u>28</u>	<u>15,828,650</u>	<u>29</u>
NON-CURRENT LIABILITIES				
Bonds payable (Notes 4 and 19)	2,995,374	5	2,994,192	6
Long-term borrowings (Notes 4, 19 and 32)	10,190,026	18	8,929,545	17
Deferred tax liabilities (Notes 4, 5 and 24)	2,641,898	5	2,724,374	5
Lease liabilities - non-current (Notes 4 and 15)	262,898	1	108,755	-
Other non-current liabilities (Notes 5, 13 and 20)	1,347,006	2	1,291,478	2
Total noncurrent liabilities	<u>17,437,202</u>	<u>31</u>	<u>16,048,344</u>	<u>30</u>
Total liabilities	<u>32,950,323</u>	<u>59</u>	<u>31,876,994</u>	<u>59</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 21)				
Ordinary shares	12,402,795	22	12,402,795	23
Capital surplus	368,946	1	356,046	1
Retained earnings				
Legal reserve	4,188,871	7	3,942,840	7
Special reserve	1,442,690	3	510,893	1
Unappropriated earnings	5,213,715	9	5,645,452	11
Total retained earnings	10,845,276	19	10,099,185	19
Other equity	(782,520)	(1)	(1,442,689)	(3)
Total equity attributable to owners of the Company	22,834,497	41	21,415,337	40
NON-CONTROLLING INTERESTS (Note 21)	<u>403,805</u>	<u>-</u>	<u>504,398</u>	<u>1</u>
Total equity	<u>23,238,302</u>	<u>41</u>	<u>21,919,735</u>	<u>41</u>
TOTAL	<u>\$ 56,188,625</u>	<u>100</u>	<u>\$ 53,796,729</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 26, 2021)

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			
	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 22 and 31)	\$ 38,370,366	100	\$ 40,363,238	100
OPERATING COSTS (Notes 8, 23 and 31)	<u>29,484,478</u>	<u>77</u>	<u>32,506,285</u>	<u>81</u>
GROSS PROFIT	<u>8,885,888</u>	<u>23</u>	<u>7,856,953</u>	<u>19</u>
OPERATING EXPENSES (Notes 7, 23 and 31)				
Selling and marketing expenses	2,226,281	6	2,113,936	5
General and administrative expenses	2,037,956	5	2,078,380	5
Research and development expenses	1,385,294	4	1,368,464	3
Expected credit loss (gain)	<u>97,431</u>	<u>-</u>	<u>(38,877)</u>	<u>-</u>
Total operating expenses	<u>5,746,962</u>	<u>15</u>	<u>5,521,903</u>	<u>13</u>
PROFIT FROM OPERATIONS	<u>3,138,926</u>	<u>8</u>	<u>2,335,050</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES				
Interest Income (Note 23)	112,264	-	120,498	-
Other income (Notes 23 and 31)	234,548	1	266,429	-
Other gains and losses (Notes 10, 13, 14 , 17, 23 and 31)	(229,804)	(1)	418,056	1
Loss on disposal of financial assets at amortized cost (Note 13)	(49,268)	-	-	-
Net foreign exchange gains and losses (Note 35)	(7,754)	-	(4,563)	-
Finance costs (Note 23)	(385,432)	(1)	(500,512)	(1)
Share of the profit of associates and joint ventures (Note 13)	<u>331,029</u>	<u>1</u>	<u>278,973</u>	<u>1</u>
Total non-operating income and expenses	<u>5,583</u>	<u>-</u>	<u>578,881</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	3,144,509	8	2,913,931	7
INCOME TAX EXPENSE (Notes 4 and 24)	<u>(651,292)</u>	<u>(2)</u>	<u>(485,850)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>2,493,217</u>	<u>6</u>	<u>2,428,081</u>	<u>6</u>

(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			
	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 13, 20, 21 and 24)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (44,110)	-	\$ (95,636)	-
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	299,457	1	166,030	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	(23,479)	-	23,070	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statement of foreign operations	352,763	1	(985,454)	(2)
Share of the other comprehensive income (loss) of associates and joint ventures	<u>9,320</u>	<u>-</u>	<u>(53,883)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>593,951</u>	<u>2</u>	<u>(945,873)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 3,087,168</u>	<u>8</u>	<u>\$ 1,482,208</u>	<u>4</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 2,543,496		\$ 2,466,356	
Non-controlling interests	<u>(50,279)</u>		<u>(38,275)</u>	
	<u>\$ 2,493,217</u>		<u>\$ 2,428,081</u>	
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 3,139,446		\$ 1,531,715	
Non-controlling interests	<u>(52,278)</u>		<u>(49,507)</u>	
	<u>\$ 3,087,168</u>		<u>\$ 1,482,208</u>	
EARNINGS PER SHARE (Note 25)				
Basic	\$ 2.05		\$ 1.99	
Diluted	2.04		1.98	

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

(With Deloitte & Touche auditors' report dated March 26, 2021)

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						Other Equity		Total	Non-controlling Interests	Total Equity
	Ordinary Shares	Capital Surplus	Retained Earnings		Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gains and Losses on Financial Assets at Fair Value Through Other Comprehensive Income	Total Other Equity			
			Legal Reserve	Special Reserve							
BALANCE AT JANUARY 1, 2019	\$ 12,402,795	\$ 356,046	\$ 3,787,789	\$ 426,930	\$ 4,540,412	\$ (656,465)	\$ 145,572	\$ (510,893)	\$ 21,003,079	\$ 622,090	\$ 21,625,169
Appropriation of 2018 earnings (Note 21)	-	-	155,051	-	(155,051)	-	-	-	-	-	-
Legal reserve	-	-	-	-	(83,963)	-	-	-	-	-	-
Special reserve	-	-	-	83,963	(83,963)	-	-	-	-	-	-
Cash dividends - NT\$0.9 per share	-	-	-	-	(1,116,252)	-	-	-	(1,116,252)	-	(1,116,252)
	-	-	155,051	83,963	(1,355,266)	-	-	-	(1,116,252)	-	(1,116,252)
Net profit (loss) for the year ended December 31, 2019	-	-	-	-	2,466,356	-	-	-	2,466,356	(38,275)	2,428,081
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	(75,640)	(1,028,443)	169,442	(859,001)	(934,641)	(11,232)	(945,873)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	2,390,716	(1,028,443)	169,442	(859,001)	1,531,715	(49,507)	1,482,208
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	(68,185)	(68,185)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income (Note 21)	-	-	-	-	69,590	-	(72,795)	(72,795)	(3,205)	-	(3,205)
BALANCE AT DECEMBER 31, 2019	12,402,795	356,046	3,942,840	510,893	5,645,452	(1,684,908)	242,219	(1,442,689)	21,415,337	504,398	21,919,735
Appropriation of the 2019 earnings (Note 21)	-	-	246,031	-	(246,031)	-	-	-	-	-	-
Legal reserve	-	-	-	-	(931,797)	-	-	-	-	-	-
Special reserve	-	-	-	931,797	(931,797)	-	-	-	-	-	-
Cash dividends - NT\$1.4 per share	-	-	-	-	(1,736,391)	-	-	-	(1,736,391)	-	(1,736,391)
	-	-	246,031	931,797	(2,914,219)	-	-	-	(1,736,391)	-	(1,736,391)
Net profit (loss) for the year ended December 31, 2020	-	-	-	-	2,543,496	-	-	-	2,543,496	(50,279)	2,493,217
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(35,088)	364,082	266,956	631,038	595,950	(1,999)	593,951
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	2,508,408	364,082	266,956	631,038	3,139,446	(52,278)	3,087,168
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	(146)	(146)
Difference between the consideration received or paid and the carrying amount of the subsidiaries, net assets during actual disposal or acquisition (Note 26)	-	12,842	-	-	-	-	-	-	12,842	(40,571)	(27,729)
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	(7,598)	(7,598)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income (Note 21)	-	-	-	-	(25,926)	-	29,131	29,131	3,205	-	3,205
Others	-	58	-	-	-	-	-	-	58	-	58
BALANCE AT DECEMBER 31, 2020	\$ 12,402,795	\$ 368,946	\$ 4,188,871	\$ 1,442,690	\$ 5,213,715	\$ (1,320,826)	\$ 538,306	\$ (782,520)	\$ 22,834,497	\$ 403,805	\$ 23,238,302

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

(With Deloitte & Touche auditors' report dated March 26, 2021)

Eternal Materials Co., Ltd. and Subsidiaries

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

	For the Year Ended December	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 3,144,509	\$ 2,913,931
Adjustments for:		
Depreciation expense	1,980,353	1,965,252
Amortization expense	60,096	52,666
Expected credit loss (gain)	97,431	(38,877)
Net gain on fair value changes of financial assets designated as at fair value through profit or loss	(40,262)	(6,549)
Finance costs	385,432	500,512
Loss on disposal of financial assets at amortized cost	49,268	-
Interest income	(112,264)	(120,498)
Dividend income	(36,443)	(23,945)
Share of the profit of associates and joint ventures	(331,029)	(278,973)
Gain (loss) on disposal of property, plant and equipment	9,193	(46,027)
Gain on disposal of non-current assets held for sale	-	(480,640)
Gain on disposal of investments	(130,159)	-
Impairment loss recognized on financial assets	85,581	-
Impairment loss recognized on non-financial assets	272,143	30,792
Others	(184)	(99)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	-	1,132
Notes receivable	(649,039)	(1,339,557)
Notes receivable from related parties	12,299	(18,223)
Accounts receivable	(1,476,063)	541,424
Accounts receivable from related parties	5,211	8,040
Other receivables	131,884	10,123
Inventories	(395,217)	705,352
Other current assets	33,126	10,348
Notes payable	320,822	96,651
Accounts payable	1,287,515	1,278,201
Other payables	57,582	84,267
Other current liabilities	112,533	33,010
Other non-current liabilities	(32,409)	(116,831)
Cash generated from operations	4,841,909	5,761,482
Interest received	108,080	125,995
Dividends received	153,562	178,932
Interest paid	(406,073)	(550,227)
Income taxes paid	(549,444)	(570,038)
Net cash generated from operating activities	<u>4,148,034</u>	<u>4,946,144</u>

(Continued)

Eternal Materials Co., Ltd. and Subsidiaries

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

	For the Year Ended December 31	
	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets at fair value through other comprehensive income	\$ 18,706	\$ 135,905
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	1,517	-
Purchase of financial assets at fair value through profit or loss	(2,446,166)	-
Proceeds from disposal of financial assets at fair value through profit of loss	2,516,801	-
Acquisition of investments accounted for using the equity method	-	(90,626)
Proceeds from disposal of investments accounted for using the equity method	431	-
Proceeds from disposal of subsidiaries	150,216	-
Proceeds from capital reduction of investments accounted for using equity method	72,202	-
Proceeds from disposal of non-current assets held for sale	-	489,883
Payments for property, plant and equipment	(1,457,518)	(2,111,487)
Proceeds from disposal of property, plant and equipment	119,759	142,167
Decrease (increase) in other receivables from related parties	(6,509)	6,442
Payments for of intangible assets	(157,762)	(10,797)
Decrease in long-term lease receivables	30,750	37,590
Decrease (increase) in other financial assets	(9,910)	174,830
Decrease (increase) in other non-current assets	(67,533)	100,709
Net cash used in investing activities	<u>(1,235,016)</u>	<u>(1,125,384)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	(3,854)	(931,282)
Proceeds from issuance of bonds	-	3,000,000
Proceeds from long-term borrowings	16,650,324	14,823,508
Repayments of long-term borrowings	(17,643,619)	(19,120,166)
Increase in guarantee deposits received	6,745	57,341
Repayment of the principal portion of lease liabilities	(59,627)	(61,067)
Dividends paid	(1,736,391)	(1,116,252)
Net cash outflow on acquisition of further interests of subsidiaries	(27,729)	-
Decrease in non-controlling interests	(7,598)	(68,185)
Others	58	-
Net cash used in financing activities	<u>(2,821,691)</u>	<u>(3,416,103)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>7,321</u>	<u>(480,444)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	98,648	(75,787)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>6,009,646</u>	<u>6,085,433</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 6,108,294</u>	<u>\$ 6,009,646</u>

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

(With Deloitte & Touche auditors' report dated March 26, 2021)

Eternal Materials Co., Ltd. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Eternal Materials Co., Ltd. (the “Company”) was established in December 1964. The Company is mainly engaged in the research, manufacturing, processing, selling and trading of diversified industrial synthetic resins, epoxy resin, coating, molding compound, copper clad laminates, film materials, photoresist materials, electronic chemical materials, composite materials and bio-medical testing 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 26, 2021.

3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

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 material impact on the Company and its subsidiaries’ accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
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, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the annual reporting period beginning on or after January 1, 2023.

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

4.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities without an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective 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 of the Company. All intercompany 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 12 and Tables 9 and 10.

e. Business combinations

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

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

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

When a business combination is achieved in stages, the Company and its subsidiaries' previously held equity interest in an acquiree is remeasured to fair value at the acquisition date, and the resulting gain or loss is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are recognized on the same basis as would be required if those interests had been 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 (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

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

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

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

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

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

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

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate of exchange 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 an associates or joint venture. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associates and the joint ventures attributable to the retained interest and their fair value are included in the determination of the gains or losses on disposal of the associates and the joint ventures. The Company and its subsidiaries account for all amounts previously recognized in other comprehensive income in relation to these associates and joint ventures on the same basis as would be required if that associates and joint ventures had directly disposed of the related assets or liabilities.

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

i. Property, plant, and equipment

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

Property, plant and equipment in the course of construction are measured at cost less accumulated recognized impairment loss. Cost includes professional fees and borrowing costs eligible for

capitalization. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use and depreciated accordingly.

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

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

j. Investment properties

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

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

Depreciation is recognized using the straight-line method.

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

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

k. Goodwill

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

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

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

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

l. Intangible assets

1) Intangible assets acquired separately

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

2) Intangible assets acquired in a business combination

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

3) Derecognition of intangible assets

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

m. Impairment of property, plant and equipment, investment properties, right-of-use assets and intangible assets other than goodwill

At the end of each reporting period, the Company and its subsidiaries review the carrying amounts of their property, plant and equipment, investment properties, right-of-use assets 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.

When a sale plan would result in a loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale, regardless of whether the Company and its subsidiaries will retain a non-controlling interest in that subsidiary after the sale. However, such investment is still accounted for using the equity method.

When the Company and its subsidiaries are committed to a sale plan involving the disposal of an investment or a portion of an investment in an associate or a joint venture, only the investment or the portion of the investment that will be disposed of is classified as held for sale when the classification criteria are met, and the Company and its subsidiaries discontinue the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. If the Company and its subsidiaries cease to have significant influence over the investment after the disposal takes place, the Company and its subsidiaries account for any retained interest that has not been classified as held for sale in accordance with the accounting policies for financial instruments.

When a subsidiary, associate and a portion of an interest in a joint venture previously classified as held for sale no longer meets the criteria to be classified as such, it is measured at the carrying amount that would have been recognized as such interests had not been classified as held for sale. The consolidated financial statements for the prior periods with interests classified as held for sale are amended accordingly.

o. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The dividends and net gain or loss are recognized in profit or loss. Fair value is determined in the manner described in Note 30.

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 non-current, refundable deposits, and other receivable-long term 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.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset.

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

iii Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

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

c) Derecognition of financial assets

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

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

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

2) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

p. Revenue recognition

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

1) Revenue from the sale of goods

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

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

2) Revenue from the rendering of services

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

q. Leasing

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

1) The Company and its subsidiaries as lessor

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

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

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

Lease payment (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the lease terms.

2) The Company and its subsidiaries as lessee

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

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

subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities.

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

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company and its subsidiaries remeasure the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Company and its subsidiaries account for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing any gain or loss on the partial or full termination of the lease in profit or loss; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the consolidated balance sheets.

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

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

The company and its subsidiaries' income tax payable (recoverable) are based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Company and its subsidiaries consider the economic impacts of the COVID-19 when making their critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Key Sources of Estimation and Assumption Uncertainty

a. Income taxes

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

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

b. Estimated impairment of accounts receivable

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

c. Write-down of inventories

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

d. Recognition and measurement of defined benefit plans

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash on hand	\$ 11,413	\$ 12,140
Checking accounts and demand deposits	2,841,405	2,716,535
Cash equivalents (investments with original maturities of three months or less)		
Time deposits	<u>3,255,476</u>	<u>3,280,971</u>
	<u>\$ 6,108,294</u>	<u>\$ 6,009,646</u>

7. NOTES, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31	
	2020	2019
Notes receivable	<u>\$ 5,138,238</u>	<u>\$ 4,489,199</u>
Notes receivable from related parties	<u>\$ 44,739</u>	<u>\$ 57,038</u>
Accounts receivable	\$ 12,410,546	\$ 10,804,812
Less: Allowance for loss	<u>(288,973)</u>	<u>(213,574)</u>
	<u>\$ 12,121,573</u>	<u>\$ 10,591,238</u>
Accounts receivable from related parties	\$ 219,674	\$ 231,780
Less: Allowance for loss	<u>(1,037)</u>	<u>(8,143)</u>
	<u>\$ 218,637</u>	<u>\$ 223,637</u>
Other receivables	\$ 806,213	\$ 970,352
Less: Allowance for loss	<u>(15,145)</u>	<u>-</u>
	<u>\$ 791,068</u>	<u>\$ 970,352</u>

a. Notes receivable and accounts receivable

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 30.

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

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

December 31, 2020

	Not Past Due	0 to 30 Days	31 to 90 Days	91 to 180 Days	Over 180 Days	Total
Gross carrying amount	\$ 15,766,467	\$ 1,335,162	\$ 423,402	\$ 87,207	\$ 200,959	\$ 17,813,197
Loss allowance (lifetime ECL)	<u>(15,613)</u>	<u>(9,468)</u>	<u>(19,551)</u>	<u>(50,270)</u>	<u>(195,108)</u>	<u>(290,010)</u>
Amortized cost	<u>\$ 15,750,854</u>	<u>\$ 1,325,694</u>	<u>\$ 403,851</u>	<u>\$ 36,937</u>	<u>\$ 5,851</u>	<u>\$ 17,523,187</u>

December 31, 2019

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

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

	For the Year Ended December 31	
	2020	2019
Balance at beginning of the year	\$ 221,717	\$ 279,054
Recognized (reversed) in the current year	82,286	(38,877)
Written-off in the current year	(17,057)	(11,601)
Effects of foreign currency exchange differences	<u>3,064</u>	<u>(6,859)</u>
Balance at end of the year	<u>\$ 290,010</u>	<u>\$ 221,717</u>

b. Other receivables

The Company and its subsidiaries' allowance for loss are based on historical experience and current financial circumstances. The Company and its subsidiaries assessed that some of the other receivables could not be recovered. As of December 31, 2020, the Company recognized an expected credit loss of \$15,145 thousand.

8. INVENTORIES

	<u>December 31</u>	
	2020	2019
Raw materials	\$ 2,976,856	\$ 2,685,571
Supplies	165,834	178,990
Finished goods	4,098,371	4,159,467
Inventory in transit	<u>251,559</u>	<u>157,678</u>
	<u>\$ 7,492,620</u>	<u>\$ 7,181,706</u>

The cost of inventories recognized as operating costs for the years ended December 31, 2020 and 2019 was NT\$29,484,478 thousand and NT\$32,506,285 thousand, respectively, including write-down of inventories of NT\$84,303 thousand and NT\$30,792 thousand, respectively.

9. OTHER FINANCIAL ASSETS - CURRENT

	<u>December 31</u>	
	2020	2019
Time deposits with original maturities of more than three months	<u>\$ 61,860</u>	<u>\$ 66,950</u>

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	2020	2019
<u>Non-derivative financial assets</u>		
Mutual fund		
Pacven Walden Ventures V, L.P.	<u>\$ 21,301</u>	<u>\$ 12,483</u>

The subsidiaries entered into a structured time deposit contract with a bank. The entire contract was mandatorily classified as financial assets at FVTPL in accordance with IFRS 9. Its net gain was recorded as other gains and losses for the year ended December 31, 2020. The subsidiaries already settled structured time deposit contracts as of December 31, 2020.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

	<u>December 31</u>	
	2020	2019
Domestic investments		
Listed shares		
President Securities Corp.	\$ 642,849	\$ 494,947
Unlisted shares		
Universal Venture Capital Investment Corp.	32,602	34,010
Universal Development & Investment Capital I Co., Ltd.	-	21,596
Der Yang Biotechnology Venture Capital Co., Ltd.	<u>3,769</u>	<u>5,469</u>
	<u>679,220</u>	<u>556,022</u>

(Continued)

	December 31	
	2020	2019
Foreign investments		
Listed shares		
TBG Diagnostics Limited (TBG stocks)	\$ 185,302	\$ 22,799
Unlisted shares		
Grace THW Holdings Limited	<u>151,784</u>	<u>164,488</u>
	<u>337,086</u>	<u>187,287</u>
	<u>\$ 1,016,306</u>	<u>\$ 743,309</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 and its subsidiaries' strategy of holding these investments for long-term purposes.

12. SUBSIDIARIES

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

Investor	Investee	Main Businesses	Percentage of Ownership (%)		Additional Descriptions
			December 31, 2020	December 31, 2019	
The Company	Eternal Holdings Inc.	International investment	100	100	
	Eternal Global (BVI) Co., Ltd.	International investment	100	100	
	Mixville Holdings Inc.	International investment	100	100	
	CHOU-KOU Materials Co., Ltd.	Selling, trading and providing services of resins material, electronic material and other related products	100	100	
	Nikko-Materials Co., Ltd.	Manufacturing and selling of dry film photoresist and vacuum laminator	100	100	
	Eternal Electronic Material (Thailand) Co., Ltd.	Trading services, 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	1)
	Eternal Materials (Malaysia) Sdn. Bhd.	Manufacturing, selling, trading and providing service of resins material related products	-	90	3)
	Elga Europe S.r.l.	Manufacturing, selling, dealing and processing of electronic-chemical products.	72.68	72.68	
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, entropot trading, products displayed, bonded warehousing and business consulting services	100	100	
Eternal Holdings Inc.	Eternal International (BVI) Co., Ltd.	International investment	100	100	
	E-Chem Corp.	International investment	100	100	
	Eternal Nanyang Investment Co., Ltd.	International investment	90	-	2)
Eternal International (BVI) Co., Ltd.	Eternal Technology Corporation	Manufacturing and selling of photoresist	100	100	
	Eternal (China) Investment Co., Ltd.	Managing, investing consulting services, researching, leasing, manufacturing and selling of resins material and photoelectric chemical materials	100	100	
E-Chem Corp.	Eternal Specialty Materials (Zhuhai) Co., Ltd.	Manufacturing and selling of acrylic resin and methacrylic acid	90	90	
Eternal Nanyang Investment Co., Ltd.	Eternal Materials (Malaysia) Sdn. Bhd.	Manufacturing, selling, trading and providing services of resins material related products	100	-	3)

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership (%)		Additional Descriptions
			December 31, 2020	December 31, 2019	
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, researching resin materials and selling, providing after sales service of self-produced products	100	100	
	Eternal Electronic Material (Guangzhou) Co., Ltd.	Coating, slitting, cutting, processing, and selling of photoresist	100	100	
	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Researching, developing, manufacturing and selling of electronic high-tech chemical and related products	100	100	
	Eternal Sun A. (Suzhou) Co., Ltd.	Researching, developing, and manufacturing of optical protective film which used in display, and selling, providing after sales service of self-produced products	60	60	
	Eternal Chemical (Tianjin) Co., Ltd.	Manufacturing and selling of adhesives, resins material and processing products	100	100	
	Eternal Specialty Materials (Suzhou) Co., Ltd.	Researching and developing chemical products, and selling, providing technical services 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	Note 27
	Elga Europe S.r.l.	Manufacturing, selling, agency and processing of electronic chemical products	22.32	22.32	
	Eternal Materials (Changzhou) Co., Ltd.	Selling of fluorocarbon resin and polyester resin products	-	100	4)
	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
Nikko-Materials Co., Ltd.	Nikko Mechanics Co., Ltd.	Designing, manufacturing, selling of industrial machinery and machine tool	100	80	Note 26

(Concluded)

- 1) The company was dissolved in December 2018 after resolution in the shareholders' meeting. The liquidation process had been completed with the consent of the Taiwan Kaohsiung District Court in August 2019.
 - 2) The company was established as a new subsidiary in September 2020.
 - 3) The Company had reorganization in September 2020 to transfer the equity of subsidiary Eternal Materials (Malayisa) Sdn. Bhd. to subsidiary Eternal Nanyang Investment Co., Ltd.
 - 4) The divestment was resolved by the board of directors in December 2019. The liquidation was completed in July 2020.
- b. The Company and its subsidiaries did not have any subsidiary with material non-controlling interests.

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

	December 31	
	2020	2019
Investments accounted for using the equity method		
Investments in associates	<u>\$ 2,306,731</u>	<u>\$ 2,287,302</u>
Credit balance of investments accounted for using the equity method (recorded as other non-current liabilities)		
Investments in associates	\$ (14,095)	\$ (2,296)
Investments in joint ventures	<u>-</u>	<u>(26,299)</u>
	<u>\$ (14,095)</u>	<u>\$ (28,595)</u>

a. Investments accounted for using the equity method

Investments in associates

	December 31	
	2020	2019
Associates that are not individually material	<u>\$ 2,306,731</u>	<u>\$ 2,287,302</u>

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

	December 31	
	2020	2019
The Company and its subsidiaries' share of		
Net profit for the year	\$ 340,896	\$ 314,523
Other comprehensive income	<u>9,714</u>	<u>(54,093)</u>
Total comprehensive income for the year	<u>\$ 350,610</u>	<u>\$ 260,430</u>

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

	December 31	
	2020	2019
Daxin Materials Corporation	<u>\$ 2,005,078</u>	<u>\$ 2,122,197</u>

Polymer Instrumentation and Consulting Services, Ltd. (Polymics Ltd.), an associate, is affected by the economic environment has been assessed to have no future economic benefits. The Company and its subsidiaries recognized an impairment loss of \$85,581 thousand in August, 2020.

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

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

	December 31	
	2020	2019
Associates that are not individually material	\$(14,095)	\$ (2,296)
Joint ventures that are not individually material	<u>-</u>	<u>(26,299)</u>
	<u>\$(14,095)</u>	<u>\$(28,595)</u>

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

	For the Year Ended December 31	
	2020	2019
The Company and its subsidiaries' share of		
Net loss for the year	\$ (9,867)	\$(35,550)
Other comprehensive income	<u>(394)</u>	<u>210</u>
Total comprehensive loss for the year	<u>\$(10,261)</u>	<u>\$(35,340)</u>

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

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's board of directors resolved in August 2020 to sell the equity and creditor's rights of Hangzhou Yongxinyang Photoelectric Materials Co., Ltd. to non-related parties. The disposal was completed in October 2020. The gain on disposal of investments of \$25,193 thousand and the loss on disposal of financial assets at amortized cost of \$49,268 thousand were recognized in the current year.

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

Refer to Tables 9 and 10 for the main businesses and countries of incorporation of the associates and joint ventures.

14. PROPERTY, PLANT AND EQUIPMENT

For the Year Ended December 31, 2020

	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, 2020	<u>\$ 2,713,753</u>	<u>\$ 5,715,567</u>	<u>\$ 6,297,691</u>	<u>\$ 667,141</u>	<u>\$ 472,136</u>	<u>\$ 363,704</u>	<u>\$ 1,205,554</u>	<u>\$ 17,435,546</u>
Cost								
Balance at January 1, 2020	\$ 2,713,753	\$ 11,180,745	\$ 20,587,401	\$ 1,500,221	\$ 1,475,283	\$ 862,673	\$ 1,205,554	\$ 39,525,630
Additions	2,030	480,319	1,122,346	57,679	180,351	87,823	(447,317)	1,483,231
Disposals	-	(117,591)	(193,246)	(5,912)	(17,006)	(31,325)	(1,391)	(366,471)
Transferred to investment properties	(43,451)	(236,815)	-	-	-	-	-	(280,266)
Impairment loss	-	-	-	-	-	-	(327)	(327)

(Continued)

	Land	Buildings	Machinery and Equipment	Storage Equipment	Examination Equipment	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
Disposal of subsidiaries	\$ -	\$ (70,634)	\$ (34,470)	\$ (378)	\$ (26)	\$ (13,550)	\$ -	\$ (119,058)
Reclassification	-	10,872	2,300	-	-	(13,172)	-	-
Effect of foreign currency exchange difference	8,112	76,718	135,826	8,110	6,394	10,188	(5,991)	239,357
Balance at December 31, 2020	<u>\$ 2,680,444</u>	<u>\$ 11,323,614</u>	<u>\$ 21,620,157</u>	<u>\$ 1,559,720</u>	<u>\$ 1,644,996</u>	<u>\$ 902,637</u>	<u>\$ 750,528</u>	<u>\$ 40,482,096</u>
Accumulated depreciation and impairment								
Balance at January 1, 2020	\$ -	\$ 5,465,178	\$ 14,289,710	\$ 833,080	\$ 1,003,147	\$ 498,969	\$ -	\$ 22,090,084
Depreciation	-	525,765	1,070,009	69,685	112,463	71,412	-	1,849,334
Disposals	-	(17,808)	(119,044)	(4,899)	(16,782)	(14,308)	-	(172,841)
Transferred to investment properties	-	(19,809)	-	-	-	-	-	(19,809)
Impairment loss	-	3,589	20,135	37	-	1,629	-	25,390
Disposal of subsidiaries	-	(46,629)	(26,346)	(340)	(23)	(10,985)	-	(84,323)
Reclassification	-	8,891	(689)	-	-	(8,202)	-	-
Effect of foreign currency exchange difference	-	41,897	113,145	5,739	4,496	5,934	-	171,211
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 5,961,074</u>	<u>\$ 15,346,920</u>	<u>\$ 903,302</u>	<u>\$ 1,103,301</u>	<u>\$ 544,449</u>	<u>\$ -</u>	<u>\$ 23,859,046</u>
Carrying amount at December 31, 2020	<u>\$ 2,680,444</u>	<u>\$ 5,362,540</u>	<u>\$ 6,273,237</u>	<u>\$ 656,418</u>	<u>\$ 541,695</u>	<u>\$ 358,188</u>	<u>\$ 750,528</u>	<u>\$ 16,623,050</u>

(Concluded)

For the Year Ended December 31, 2019

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

Considering future economic benefits, the plant, machinery and other equipment of Nikko-Materials Co., Ltd. which were expected to use for production in 2020 have been evaluated the present value of the cash flow generated from operations at a discount rate of 5.95% as a recoverable amount. According to the assessment, the recoverable amount was less than the carrying amount. The impairment loss of \$25,785 thousand (including the impairment loss of intangible assets of \$68 thousand) was recognized in the current year (recorded as other gains and losses).

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

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

Refer to Note 32 for the amounts of property, plant and equipment pledged by the Company and its subsidiaries as collateral for bank borrowings.

Land (including those recorded as investment properties) held by the Company was revalued in 1980, 1990, 1997 and 2004, and as of December 31, 2020 and 2019, the revaluation increments of the land was \$1,977,218 thousand.

15. LEASE ARRANGEMENTS

a. Right-of-use asset

	December 31	
	2020	2019
Carrying amounts		
Land	\$ 871,970	\$ 893,794
Buildings	214,559	88,425
Machinery	83,674	26,514
Storage equipment	957	-
Other equipment	<u>24,375</u>	<u>28,446</u>
	<u>\$ 1,195,535</u>	<u>\$ 1,037,179</u>
	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	<u>\$262,032</u>	<u>\$ 97,918</u>
Depreciation charge for right-of-use assets		
Land	\$ 21,359	\$ 23,993
Buildings	49,260	44,952
Machinery	12,323	8,406
Storage equipment	68	-
Other equipment	<u>10,781</u>	<u>7,001</u>
	<u>\$ 93,791</u>	<u>\$ 84,352</u>

In addition, part of the land use rights for land located in mainland China is subleased under operating leases, and the relevant right-of-use assets are recorded as investment properties, refer to Note 16 for the details.

b. Lease liabilities

	December 31	
	2020	2019
Carrying amounts		
Current	<u>\$ 81,002</u>	<u>\$ 45,281</u>
Non-current	<u>\$ 262,898</u>	<u>\$ 108,755</u>

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

	December 31	
	2020	2019
Land	0.93-6.66	0.93-6.66
Buildings	0.79-9.00	0.86-5.35
Machinery	2.7	1.67-4.40
Storage equipment	1.67	-
Other equipment	0.86-5.35	0.86-5.35

c. Material lease activities and terms

Major lease arrangements of the Company's subsidiaries are land use rights contracts with lease terms of 50 to 56 years.

d. Other lease information

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term and low-value asset leases	<u>\$ 25,621</u>	<u>\$ 37,699</u>
Total cash outflow for all lease arrangements (including short-term and low-value asset leases)	<u>\$ 87,776</u>	<u>\$ 100,731</u>

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

16. INVESTMENT PROPERTIES

For the Year Ended December 31, 2020

	Land	Buildings	Right-of-use Assets	Total
Carrying amount at January 1, 2020	<u>\$ 17,057</u>	<u>\$ 1,024,946</u>	<u>\$ 70,374</u>	<u>\$ 1,112,377</u>
<u>Cost</u>				
Balance at January 1, 2020	\$ 17,057	\$ 1,147,244	\$ 72,501	\$ 1,236,802
Transferred from property, plant and equipment	43,451	236,815	-	280,266
Effects of foreign currency exchange differences	<u>(681)</u>	<u>23,425</u>	<u>1,213</u>	<u>23,957</u>
Balance at December 31, 2020	<u>\$ 59,827</u>	<u>\$ 1,407,484</u>	<u>\$ 73,714</u>	<u>\$ 1,541,025</u>
<u>Accumulated depreciation and impairment</u>				
Balance at January 1, 2020	\$ -	\$ 122,298	\$ 2,127	\$ 124,425
Depreciation	-	35,114	2,114	37,228
Transferred from property, plant and equipment	-	19,809	-	19,809
Effect of foreign currency exchange differences	<u>-</u>	<u>2,659</u>	<u>83</u>	<u>2,742</u>
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 179,880</u>	<u>\$ 4,324</u>	<u>\$ 184,204</u>
Carrying amount at December 31, 2020	<u>\$ 59,827</u>	<u>\$ 1,227,604</u>	<u>\$ 69,390</u>	<u>\$ 1,356,821</u>

For the Year Ended December 31, 2019

	Land	Land Use Rights	Buildings	Right-of-use Assets	Total
Carrying amount at January 1, 2019	<u>\$ 17,057</u>	<u>\$ 4,690</u>	<u>\$ 30,997</u>	<u>\$ -</u>	<u>\$ 52,744</u>
<u>Cost</u>					
Balance at January 1, 2019	\$ 17,057	\$ 6,590	\$ 139,680	\$ -	\$ 163,327
Adjustments on initial application of IFRS 16	<u>-</u>	<u>(6,590)</u>	<u>-</u>	<u>4,690</u>	<u>(1,900)</u>
Balance at January 1, 2019 (restated)	17,057	-	139,680	4,690	161,427
Transferred from property, plant and equipment	-	-	1,063,199	-	1,063,199
Transferred from right-of- use assets	-	-	-	71,569	71,569
Effects of foreign currency exchange differences	<u>-</u>	<u>-</u>	<u>(55,635)</u>	<u>(3,758)</u>	<u>(59,393)</u>
Balance at December 31, 2019	<u>\$ 17,057</u>	<u>\$ -</u>	<u>\$ 1,147,244</u>	<u>\$ 72,501</u>	<u>\$ 1,236,802</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2019	\$ -	\$ 1,900	\$ 108,683	\$ -	\$ 110,583
Adjustments on initial application of IFRS 16	<u>-</u>	<u>(1,900)</u>	<u>-</u>	<u>-</u>	<u>(1,900)</u>
Balance at January 1, 2019 (restated)	-	-	108,683	-	108,683
Depreciation	-	-	18,056	1,325	19,381
Transferred from right-of- use assets	-	-	-	877	877
Effect of foreign currency exchange differences	<u>-</u>	<u>-</u>	<u>(4,441)</u>	<u>(75)</u>	<u>(4,516)</u>
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 122,298</u>	<u>\$ 2,127</u>	<u>\$ 124,425</u>
Carrying amount at December 31, 2019	<u>\$ 17,057</u>	<u>\$ -</u>	<u>\$ 1,024,946</u>	<u>\$ 70,374</u>	<u>\$ 1,112,377</u>

The investment properties were leased for terms of 1 to 15 years.

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

	December 31	
	2020	2019
Year 1	\$ 259,117	\$ 224,073
Year 2	221,217	245,236
Year 3	136,481	215,323

(Continued)

	December 31	
	2020	2019
Year 4	\$ 112,848	\$ 129,889
Year 5	84,540	106,644
Year 6 onwards	<u>390,794</u>	<u>466,947</u>
	<u>\$ 1,204,997</u>	<u>\$ 1,388,112</u>

(Concluded)

The fair value of most part of the subsidiaries' right-of-use assets and buildings located in China was evaluated by independent appraisers, and the rest which was reference to market evidence of transaction prices for similar properties and using income approach was evaluated by the management of the Company. The Company measured the fair value by using Level 3. The fair values were NT\$3,027,121 thousand and NT\$2,747,204 thousand for the years ended December 31, 2020 and 2019, respectively.

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

Buildings	20-50 years
Right-of-use assets	34-36 years

Operating income and expenses directly related to investment properties

	For the Year Ended December 31	
	2020	2019
Rental income	<u>\$ 255,527</u>	<u>\$ 98,448</u>
Operating expenses directly related to investment properties	<u>\$ 99,749</u>	<u>\$ 53,417</u>

17. INTANGIBLE ASSETS

For the Year Ended December 31, 2020

	Goodwill	Expertise	Customer Relationships	Computer Software	Others	Total
Carrying amount at January 1, 2020	<u>\$ 75,850</u>	<u>\$ 87,370</u>	<u>\$ 61,927</u>	<u>\$ 78,254</u>	<u>\$ 40,381</u>	<u>\$ 343,782</u>
<u>Cost</u>						
Balance at January 1, 2020	\$ 75,850	\$ 127,513	\$ 104,038	\$ 82,736	\$ 128,722	\$ 518,859
Additions	-	-	-	156,490	1,272	157,762
Disposals	-	-	-	-	(165)	(165)
Effects of foreign currency exchange differences	<u>42</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,334</u>	<u>13,376</u>
Balance at December 31, 2020	<u>\$ 75,892</u>	<u>\$ 127,513</u>	<u>\$ 104,038</u>	<u>\$ 239,226</u>	<u>\$ 143,163</u>	<u>\$ 689,832</u>
<u>Accumulated amortization and impairment</u>						
Balance at January 1, 2020	\$ -	\$ 40,143	\$ 42,111	\$ 4,482	\$ 88,341	\$ 175,077
Amortization expense	-	12,522	12,385	11,089	21,578	57,574
Impairment loss	37,000	74,848	49,542	-	733	162,123
Disposals	-	-	-	-	(165)	(165)
Effects of foreign currency exchange differences	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,988</u>	<u>12,988</u>
Balance at December 31, 2020	<u>\$ 37,000</u>	<u>\$ 127,513</u>	<u>\$ 104,038</u>	<u>\$ 15,571</u>	<u>\$ 123,475</u>	<u>\$ 407,597</u>
Carrying amount at December 31, 2020	<u>\$ 38,892</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 223,655</u>	<u>\$ 19,688</u>	<u>\$ 282,235</u>

For the Year Ended December 31, 2019

	Goodwill	Expertise	Customer Relationships	Computer Software	Others	Total
Carrying amount at January 1, 2019	<u>\$ 76,159</u>	<u>\$ 101,538</u>	<u>\$ 76,790</u>	<u>\$ 82,391</u>	<u>\$ 48,401</u>	<u>\$ 385,279</u>
<u>Cost</u>						
Balance at January 1, 2019	\$ 76,159	\$ 127,513	\$ 104,038	\$ 82,736	\$ 139,804	\$ 530,250
Additions	-	-	-	-	10,797	10,797
Disposals	-	-	-	-	(6,445)	(6,445)
Effects of foreign currency exchange differences	(309)	-	-	-	(15,434)	(15,743)
Balance at December 31, 2019	<u>\$ 75,850</u>	<u>\$ 127,513</u>	<u>\$ 104,038</u>	<u>\$ 82,736</u>	<u>\$ 128,722</u>	<u>\$ 518,859</u>
<u>Accumulated amortization and impairment</u>						
Balance at January 1, 2019	\$ -	\$ 25,975	\$ 27,248	\$ 345	\$ 91,403	\$ 144,971
Amortization expense	-	14,168	14,863	4,137	17,339	50,507
Disposals	-	-	-	-	(6,445)	(6,445)
Effects of foreign currency exchange differences	-	-	-	-	(13,956)	(13,956)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 40,143</u>	<u>\$ 42,111</u>	<u>\$ 4,482</u>	<u>\$ 88,341</u>	<u>\$ 175,077</u>
Carrying amount at December 31, 2019	<u>\$ 75,850</u>	<u>\$ 87,370</u>	<u>\$ 61,927</u>	<u>\$ 78,254</u>	<u>\$ 40,381</u>	<u>\$ 343,782</u>

The subsidiary Elga Europe S.r.l. tested the recoverable amount of intangible assets (including goodwill, expertise and customer relationships, etc.) at the end of the annual financial reporting period. The recoverable amount is based on the cash flow generated from operations at a discount rate of 7.21%. According to the assessment, the recoverable amount was less than the carrying amount. Therefore, an impairment loss of \$162,055 thousand (recorded as other gains and losses) was recognized in 2020.

The subsidiary Nikko-Materials Co., Ltd. recognized an intangible asset impairment loss of \$68 thousand (recorded as other gains and losses) in 2020, refer to Note 14.

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	2-20 years
Other intangible assets	3-20 years

18. FINANCE LEASE RECEIVABLES

In August 2019, the Company and its subsidiaries entered into a lease agreement with an associate Allnex - Eternal Resins (Guangdong) Co., Ltd. for the leasing out of machinery and equipment for ten years, and the implicit interest rate in the lease was 4.84%-6.23%. This agreement was deemed as a sale agreement. The gain on disposal was \$29,152 thousand, and will be deferred and subsequently recognized as profit over the lease term. The balance of finance lease receivables generated from the aforementioned transactions was \$38,012 thousand and \$60,905 thousand as of December 31, 2020 and 2019, respectively.

The Company and its subsidiaries measured the loss allowance of the finance lease receivables based on lifetime expected credit losses, and no loss allowance was recognized in 2020 and 2019.

The composition of finance lease receivables (including related parties) is as follows:

	December 31	
	2020	2019
Unamortized lease payments		
Year 1	\$ 27,750	\$ 26,004
Year 2	27,284	11,045
Year 3	26,817	10,586
Year 4	18,860	10,126
Year 5	18,767	2,301
Year 6 onwards	<u>76,392</u>	<u>8,285</u>
	195,870	68,347
Loss: Unearned financial income	<u>(34,846)</u>	<u>(7,442)</u>
Finance lease receivable (recorded as other non-current assets - other)	<u>\$ 161,024</u>	<u>\$ 60,905</u>

19. BORROWINGS

a. Short-term borrowings

Type of Borrowings	Interest Rate Range (%)	Amount
December 31, 2020		
Mortgage secured loans	0.00-3.30	\$ 271,782
Unsecured loans	0.68-3.71	2,607,208
Purchase loans	1.13-3.10	219,393
Secured loans	1.00-4.35	<u>1,305,546</u>
		<u>\$ 4,403,929</u>
December 31, 2019		
Mortgage secured loans	0.57-4.28	\$ 299,817
Unsecured loans	1.60-4.35	2,184,558
Purchase loans	2.87-4.65	189,510
Secured loans	3.14-4.52	<u>1,740,728</u>
		<u>\$ 4,414,613</u>

b. Long-term borrowings

Type of Borrowings	Agreement Period and Interest Payable Schedule	Interest Rate Range (%)	Amount
December 31, 2020			
Mortgage secured loans	From December 17, 2010 to December 31, 2025. Interest is paid based on schedule.	0.86-2.70	\$ 80,874
Secured loans	From September 17, 2018 to November 25, 2025. Interest is paid based on schedule.	1.16-1.50	1,599,100

(Continued)

Type of Borrowings	Agreement Period and Interest Payable Schedule	Interest Rate Range (%)	Amount
Unsecured loans	From July 28, 2016 to October 2, 2023. Interest is paid based on schedule.	0.60-3.85	\$ 9,821,886
			<u>11,501,860</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.	1.28	900,000
Less: Unamortized discounts			<u>(568)</u>
			<u>899,432</u>
Less: Current portion of long- term borrowings			12,401,292 <u>(2,211,266)</u>
			<u>\$ 10,190,026</u>
December 31, 2019			
Mortgage secured loans	From December 17, 2010 to December 31, 2025. Interest is paid based on schedule.	0.86-2.70	\$ 106,154
Secured loans	From August 5, 2016 to September 17, 2021. Interest is paid based on schedule.	1.20-5.35	2,256,459
Unsecured loans	From August 17, 2015 to October 2, 2023. Interest is paid based on schedule.	0.80-4.30	10,214,673
			<u>12,577,286</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.	1.40	900,000
Less: Unamortized discounts			<u>(850)</u>
			<u>899,150</u>
			13,476,436 (Continued)

Type of Borrowings	Agreement Period and Interest Payable Schedule	Interest Rate Range (%)	Amount
Less: Current portion of long-term borrowings			\$ (4,546,891)
			\$ <u>8,929,545</u>
			(Concluded)

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

c. Facility agreements and financial covenants

1) During the period of the credit facility agreements, the Company and its subsidiaries made agreements 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 half a year or 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, 2020 and 2019.

2) As of December 31, 2020, the Company and its subsidiaries utilized the credits under signed facility agreements of the following banks.

Bank	Currency	Credit line
Bank SinoPac Co., Ltd.	NTD	\$ 1,200,000
HSBC Bank (Taiwan) Limited	NTD	600,000
KGI Bank Co., Ltd.	NTD	600,000
E.SUN Commercial Bank, Ltd.	NTD	200,000
Taipei Fubon Commercial Bank Co., Ltd.	NTD	200,000
CTBC Bank Co., Ltd.	JPY	417,604
Taipei Fubon Commercial Bank Co., Ltd.	EUR	5,000

3) As of December 31, 2020, the Company and its subsidiaries executed syndicated credit facility agreements with the following banks.

In November, 2020, the subsidiary entered into a syndicated credit facility agreement with 5 banks led by Taipei Fubon Commercial Bank Co., Ltd. for a USD \$50,000 thousand credit line; the proceeds are for expanding medium-term working capital and increase capital to repay the subsidiaries' existing liabilities.

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.

4) Refer to Note 32 for the assets pledged as collateral for bank borrowings of the Company and its subsidiaries.

d. Bonds Payable

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
5 year secured bonds - issued at par value		
Issued in November 2019. Interest at 0.82%, bullet repayment, payable annually.	\$ 3,000,000	\$ 3,000,000
Less: Issuance cost	<u>(4,626)</u>	<u>(5,808)</u>
	<u>\$ 2,995,374</u>	<u>\$ 2,994,192</u>

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

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

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

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

	December 31	
	2020	2019
Present value of defined benefit obligation	\$ 2,197,946	\$ 2,142,823
Fair value of plan assets	<u>(1,154,628)</u>	<u>(1,120,831)</u>
Net defined benefit liabilities	<u>\$ 1,043,318</u>	<u>\$ 1,021,992</u>
Current (recorded as other payables-others)	\$ 5,326	\$ -
Non-current (recorded as other non-current liabilities)	<u>1,037,992</u>	<u>1,021,992</u>
	<u>\$ 1,043,318</u>	<u>\$ 1,021,992</u>

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2020	<u>\$ 2,142,823</u>	<u>\$(1,120,831)</u>	<u>\$ 1,021,992</u>
Service cost			
Current service cost	37,851	-	37,851
Interest expense (income)	<u>15,000</u>	<u>(7,846)</u>	<u>7,154</u>
Recognized in profit or loss	<u>52,851</u>	<u>(7,846)</u>	<u>45,005</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(42,255)	(42,255)
Actuarial loss - changes in financial assumptions	93,576	-	93,576
Actuarial gain - experience adjustments	<u>(7,211)</u>	<u>-</u>	<u>(7,211)</u>
Recognized in other comprehensive income	<u>86,365</u>	<u>(42,255)</u>	<u>44,110</u>
Contributions from the employer	-	(55,561)	(55,561)
Benefits paid	<u>(84,152)</u>	<u>71,865</u>	<u>(12,287)</u>
	<u>(84,152)</u>	<u>16,304</u>	<u>(67,848)</u>
Exchange differences	<u>59</u>	<u>-</u>	<u>59</u>
Balance at December 31, 2020	<u>\$ 2,197,946</u>	<u>\$(1,154,628)</u>	<u>\$ 1,043,318</u>
Balance at January 1, 2019	<u>\$ 2,227,098</u>	<u>\$(1,187,487)</u>	<u>\$ 1,039,611</u>
Service cost			
Current service cost	37,108	-	37,108
Interest expense (income)	<u>24,459</u>	<u>(13,062)</u>	<u>11,397</u>
Recognized in profit or loss	<u>61,567</u>	<u>(13,062)</u>	<u>48,505</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(41,601)	(41,601)

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Actuarial loss - changes in financial assumptions	\$ 96,522	\$ -	\$ 96,522
Actuarial loss - experience adjustments	<u>40,715</u>	<u>-</u>	<u>40,715</u>
Recognized in other comprehensive income	<u>137,237</u>	<u>(41,601)</u>	<u>95,636</u>
Contributions from the employer	-	(150,673)	(150,673)
Benefits paid	<u>(282,641)</u>	<u>271,992</u>	<u>(10,649)</u>
	<u>(282,641)</u>	<u>121,319</u>	<u>(161,322)</u>
Exchange differences	<u>(438)</u>	<u>-</u>	<u>(438)</u>
Balance at December 31, 2019	<u>\$ 2,142,823</u>	<u>\$(1,120,831)</u>	<u>\$ 1,021,992</u> (Concluded)

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

	For the Year Ended December 31	
	2020	2019
Operating costs	\$ 20,251	\$ 22,784
Operating expenses	<u>24,754</u>	<u>25,721</u>
	<u>\$ 45,005</u>	<u>\$ 48,505</u>

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

1) Investment risk

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

2) Interest risk

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

3) Salary risk

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

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

	December 31	
	2020	2019
Discount rate (%)	0.30-0.70	0.70
Expected rate of salary increase (%)	0.00-3.00	0.00-3.00
Mortality rate (%)	Population was based on the 5th Taiwan Standard Ordinary Experience Mortality Table/85% of National Life Table	Population was based on the 5th Taiwan Standard Ordinary Experience Mortality Table/85% of National Life Table
Resignation rate (%)	0.00-23.00	0.00-23.00
Early retirement rate (%)	0.1-99	0.1-99

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

	December 31	
	2020	2019
Discount rate		
0.25% increase	<u>\$(60,272)</u>	<u>\$(61,054)</u>
0.25% decrease	<u>\$ 62,619</u>	<u>\$ 63,505</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 53,931</u>	<u>\$ 55,109</u>
0.25% decrease	<u>\$(52,302)</u>	<u>\$(53,376)</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.

	December 31	
	2020	2019
The expected contributions to the plan for the next year	<u>\$ 117,045</u>	<u>\$ 61,090</u>
The average duration of the defined benefit obligation	11-12 years	12-13 years

21. EQUITY

a. Share capital

	December 31	
	2020	2019
Number of shares authorized (in thousands)	<u>1,800,000</u>	<u>1,800,000</u>
Shares authorized	<u>\$ 18,000,000</u>	<u>\$ 18,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>1,240,280</u>	<u>1,240,280</u>
Shares issued	<u>\$ 12,402,795</u>	<u>\$ 12,402,795</u>

b. Capital surplus

	December 31	
	2020	2019
May be used to offset deficit, distributed as cash or transferred to share capital (Note)		
Additional paid-in capital	\$ 309,017	\$ 309,017
Treasury share transactions	19,642	19,642
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	<u>12,872</u>	<u>30</u>
	<u>341,531</u>	<u>328,689</u>
May be used to offset deficit only		
Share of change in equities of associates or joint ventures	27,357	27,357
Others	<u>58</u>	<u>-</u>
	<u>27,415</u>	<u>27,357</u>
	<u>\$ 368,946</u>	<u>\$ 356,046</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.

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

Under Rule No. 1010012865 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate to or reverse a special reserve. Special reserve of NT\$426,930 thousand was appropriated because of the exemptions from IFRS 1 elected by the Company. There is not any reversal of special reserve in 2020.

The appropriations of earnings for 2019 and 2018 had been approved in the shareholders' meetings in June 2020 and 2019, respectively. The appropriations and dividends per share were as follows:

	<u>Appropriations of Earnings</u>		<u>Dividends Per Share</u> (NT\$)	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Legal reserve	\$ 246,031	\$ 155,051		
Special reserve	931,797	83,963		
Cash dividends	1,736,391	1,116,252	\$ 1.4	\$ 0.9

The appropriations of earnings for 2020 which had been proposed by the Company's board of directors in March 2021 are as follows:

	<u>Appropriation</u> <u>of Earnings</u>	<u>Dividend Per</u> <u>Share (NT\$)</u>
Legal reserve	\$ 248,248	
Special reserve	(660,170)	
Cash dividends	1,860,419	\$ 1.5

The appropriations of earnings for 2020 are subject to resolution in the shareholders' meeting to be held in June 2021.

d. Other equity items

1) Exchange differences on translation of the financial statements of foreign operations

	<u>For the Year Ended December</u> <u>31</u>	
	<u>2020</u>	<u>2019</u>
Balance at beginning of the year	\$(1,684,908)	\$ (656,465)
Recognized for the year		
Exchange differences on translation of the financial statements of foreign operations	354,762	(974,560)
Share of exchange differences of associates accounted for using the equity method	<u>9,320</u>	<u>(53,883)</u>
Balance at end of the year	<u>\$(1,320,826)</u>	<u>\$(1,684,908)</u>

Exchange differences on translating foreign operations because the subsidiaries in mainland China were affected by the exchange rate fluctuations of the RMB to the NTD.

2) Unrealized gains and losses on financial assets at FVTOCI

	For the Year Ended December 31	
	2020	2019
Balance at beginning of the year	<u>\$ 242,219</u>	<u>\$ 145,572</u>
Recognized for the year		
Unrealized gains and losses - equity instruments	<u>266,956</u>	<u>169,442</u>
Other comprehensive income recognized for the year	<u>266,956</u>	<u>169,442</u>
Reclassification adjustment		
Cumulative unrealized gains and losses of equity instruments transferred to retained earnings due to disposal	<u>29,131</u>	<u>(72,795)</u>
Balance at end of the year	<u>\$ 538,306</u>	<u>\$ 242,219</u>

e. Non-controlling interests

	For the Year Ended December 31	
	2020	2019
Balance at beginning of the year	\$ 504,398	\$ 622,090
Share of net loss for the year - net	(50,279)	(38,275)
Other comprehensive income or loss during the year		
Exchange differences on translation of the financial statements foreign operations	(1,999)	(10,894)
Remeasurement on defined benefit plans	-	(338)
Non-controlling interests from acquisition of subsidiaries (Note 26)	(40,571)	-
Dividends distributed by subsidiaries	(7,890)	(5,874)
Disposal of subsidiaries	(146)	-
Non-controlling interests from establishing a new subsidiary	292	-
Non-controlling interest reduced from capital reduction and liquidation distribution of subsidiaries	<u>-</u>	<u>(62,311)</u>
Balance at end of the year	<u>\$ 403,805</u>	<u>\$ 504,398</u>

22. REVENUE

	For the Year Ended December 31	
	2020	2019
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 38,124,842	\$ 40,269,900
Lease revenue	<u>245,524</u>	<u>93,338</u>
	<u>\$ 38,370,366</u>	<u>\$ 40,363,238</u>

	<u>December 31</u>		January 1, 2019
	2020	2019	
Notes and accounts receivable	<u>\$ 17,523,187</u>	<u>\$ 15,361,112</u>	<u>\$ 14,783,126</u>
Contract liabilities (recorded as other current liabilities - others)			
Sale of goods	<u>\$ 131,902</u>	<u>\$ 9,720</u>	<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.

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

	For the Year Ended December 31	
	2020	2019
From the balance of contract liabilities at the beginning of the year		
Sale of goods	<u>\$ 8,909</u>	<u>\$ 16,470</u>

23. PROFIT BEFORE INCOME TAX

a. Interest income

	For the Year Ended December 31	
	2020	2019
Interest on bank deposits	\$ 95,090	\$ 107,709
Others	<u>17,174</u>	<u>12,789</u>
	<u>\$ 112,264</u>	<u>\$ 120,498</u>

b. Other income

	For the Year Ended December 31	
	2020	2019
Dividend income	\$ 36,443	\$ 23,945
Others	<u>198,105</u>	<u>242,484</u>
	<u>\$ 234,548</u>	<u>\$ 266,429</u>

c. Other gains and losses

	For the Year Ended December 31	
	2020	2019
Gains on disposal of non-current assets held for sale	\$ -	\$ 480,640
Gains on disposal of investments	130,159	-
Gain (loss) on disposal of property, plant and equipment	(9,193)	46,027

(Continued)

	For the Year Ended December 31	
	2020	2019
Gains and losses on financial assets		
Financial assets designated as at FVTPL	\$ 40,262	\$ 6,549
Impairment loss on financial assets	(85,581)	-
Impairment loss on nonfinancial assets		
Property, plant and equipment	(25,717)	-
Intangible assets	(162,123)	-
Finance fees	(45,725)	(31,537)
Others	<u>(71,886)</u>	<u>(83,623)</u>
	<u><u>\$ (229,804)</u></u>	<u><u>\$ 418,056</u></u> (Concluded)

d. Finance costs

	For the Year Ended December 31	
	2020	2019
Interest on loans	\$ 382,253	\$ 531,408
Interest on lease liabilities	2,528	1,965
Others	7,459	-
Less: Amounts included in the cost of qualifying assets	<u>(6,808)</u>	<u>(32,861)</u>
	<u><u>\$ 385,432</u></u>	<u><u>\$ 500,512</u></u>

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2020	2019
Capitalized interest amount	<u>\$ 6,808</u>	<u>\$ 32,861</u>
Capitalization rates (%)	1.13-4.94	1.56-5.56

e. Depreciation and amortization

	For the Year Ended December 31	
	2020	2019
Property, plant and equipment	\$ 1,849,334	\$ 1,861,519
Investment properties	37,228	19,381
Right-of-use assets	93,791	84,352
Intangible assets	57,574	50,507
Other non-current assets - others	<u>2,522</u>	<u>2,159</u>
	<u><u>\$ 2,040,449</u></u>	<u><u>\$ 2,017,918</u></u>
Analysis of depreciation by function		
Operating costs	\$ 1,539,709	\$ 1,547,225
Operating expenses	<u>440,644</u>	<u>418,027</u>
	<u><u>\$ 1,980,353</u></u>	<u><u>\$ 1,965,252</u></u> (Continued)

	For the Year Ended December 31	
	2020	2019
Analysis of amortization by function		
Operating costs	\$ 1,795	\$ 1,894
Operating expenses	<u>58,301</u>	<u>50,772</u>
	<u>\$ 60,096</u>	<u>\$ 52,666</u>

(Concluded)

f. Employee benefits

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits		
Salaries	\$ 3,618,899	\$ 3,421,470
Labor and health insurance	274,074	299,582
Others	<u>315,780</u>	<u>306,636</u>
	<u>4,208,753</u>	<u>4,027,688</u>
Post-employment benefits		
Defined contribution plans	94,607	194,982
Defined benefit plans (Note 20)	<u>45,005</u>	<u>48,505</u>
	<u>139,612</u>	<u>243,487</u>
	<u>\$ 4,348,365</u>	<u>\$ 4,271,175</u>
Analysis by function		
Operating costs	\$ 1,883,756	\$ 1,897,532
Operating expenses	<u>2,464,609</u>	<u>2,373,643</u>
	<u>\$ 4,348,365</u>	<u>\$ 4,271,175</u>

g. Compensation of employees and remuneration of directors

The Company distributed Compensation of employees and remuneration of directors at rates of 4.5% (inclusive)-5.5% and no higher than 1%, respectively, of pre-tax profit prior to the deduction of Compensation of employees and remuneration of directors. The accrual amounts recognized in the financial statements and amounts approved by the Company's board of directors for the year ended December 31, 2020 are as follows:

	For the Year Ended December 31, 2020	
	Accrual Amounts Recognized in the Financial Statements	Amounts Approved by the Company's Board of Directors
Compensation of employees - cash	<u>\$ 131,000</u>	<u>\$ 123,628</u>
Remuneration of directors - cash	<u>\$ 16,200</u>	<u>\$ 16,200</u>

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

The Compensation of employees and remuneration of directors and supervisors (all in cash) approved by the Company's board of directors in March 2020 and 2019, and accrual amounts recognized in the consolidated financial statements, respectively, were as follows:

	For the Year Ended December 31			
	2019		2018	
	Compensation of employees	Remuneration of Directors	Compensation of employees	Remuneration of Directors
Amounts approved in the board of directors' meeting	\$ 121,177	\$ 15,325	\$ 72,181	\$ 14,400
Amounts recognized in the annual financial statements	<u>122,000</u>	<u>15,325</u>	<u>77,544</u>	<u>14,400</u>
Difference	<u>\$ (823)</u>	<u>\$ -</u>	<u>\$ (5,363)</u>	<u>\$ -</u>

The differences were adjusted to profit and loss for the years ended December 31, 2020 and 2019.

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

24. INCOME TAX

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

	For the Year Ended December 31	
	2020	2019
Current tax		
In respect of the current year	\$ 772,763	\$ 492,735
Land value increment tax	-	60,202
Adjustments for prior years	<u>(30,495)</u>	<u>13,554</u>
	<u>742,268</u>	<u>566,491</u>
Deferred tax		
In respect of the current year	<u>(90,976)</u>	<u>(80,641)</u>
	<u>\$ 651,292</u>	<u>\$ 485,850</u>

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

	For the Year Ended December 31	
	2020	2019
Profit before income tax	<u>\$ 3,144,509</u>	<u>\$ 2,913,931</u>
Income tax expense calculated at the statutory rate	\$ 1,172,767	\$ 914,262
Effect from items adjusted by regulation	(399,661)	(484,579)
		(Continued)

	For the Year Ended December 31	
	2020	2019
Land value increment tax	\$ -	\$ 60,202
Income tax on unappropriated earnings	-	9,819
Unrecognized loss carryforwards and investment credits	(91,319)	(27,408)
Adjustments for prior years	<u>(30,495)</u>	<u>13,554</u>
	<u>\$ 651,292</u>	<u>\$ 485,850</u>

(Concluded)

The Statute for Industrial Innovation was amended in 2019, which stipulate that amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings.

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 entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

b. Income tax expense (benefit) recognized directly in equity

	For the Year Ended December 31	
	2020	2019
Current tax		
Disposal of investments in equity instruments at FVTOCI	<u>\$ (3,205)</u>	<u>\$ 3,205</u>

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

	For the Year Ended December 31	
	2020	2019
Current tax		
Disposal of investments in equity instruments at FVTOCI	\$ -	\$ 1,957
Deferred tax		
Recognized for the year		
Remeasurement of defined benefit plans	(8,926)	(19,387)
Remeasurement of defined benefit plans of subsidiaries, associates and joint ventures accounted for using the equity method	(96)	(271)
Unrealized gains and losses on financial assets at fair value through other comprehensive income	<u>32,501</u>	<u>(5,369)</u>
	<u>\$ 23,479</u>	<u>\$ (23,070)</u>

d. Current tax assets and liabilities

	December 31	
	2020	2019

Current tax assets

Prepaid income tax (recorded as other current assets - others)	<u>\$ 107,711</u>	<u>\$ 71,284</u>
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Current tax liabilities

Income tax payable	<u>\$ 442,184</u>	<u>\$ 204,777</u>
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e. Deferred tax assets and liabilities

Movements of deferred tax assets and liabilities were as follows:

For the Year Ended December 31, 2020

	Balance at Beginning of the Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Balance at End of the Year
<u>Deferred tax assets</u>					
Temporary differences					
Defined benefit plan	\$ 172,835	\$ (6,336)	\$ 8,676	\$ -	\$ 175,175
Loss carryforwards	64,828	(3,328)	-	2,616	64,116
Others	<u>172,377</u>	<u>18,780</u>	<u>(32,769)</u>	<u>(290)</u>	<u>158,098</u>
	<u>\$ 410,040</u>	<u>\$ 9,116</u>	<u>\$ (24,093)</u>	<u>\$ 2,326</u>	<u>\$ 397,389</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Investment income	\$ (2,084,383)	\$ 88,008	\$ 365	\$ -	\$ (1,996,010)
Gains on land revaluation	(640,717)	-	-	-	(640,717)
Others	<u>726</u>	<u>(6,148)</u>	<u>249</u>	<u>2</u>	<u>(5,171)</u>
	<u>\$ (2,724,374)</u>	<u>\$ 81,860</u>	<u>\$ 614</u>	<u>\$ 2</u>	<u>\$ (2,641,898)</u>

For the Year Ended December 31, 2019

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

f. Income tax assessment

The Company's income tax returns as of 2018 have been assessed by the tax authorities.

25. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2020	2019
Basic earnings per share	<u>\$ 2.05</u>	<u>\$ 1.99</u>
Diluted earnings per share	<u>\$ 2.04</u>	<u>\$ 1.98</u>

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

	For the Year Ended December 31	
	2020	2019
Net profit for the year attributable to owners of the Company	<u>\$ 2,543,496</u>	<u>\$ 2,466,356</u>
<u>Number of ordinary shares</u>		

Unit: Thousand Shares

	For the Year Ended December 31	
	2020	2019
Weighted average number of ordinary shares used in the computation of basic earnings per share	1,240,280	1,240,280
Effect of potentially dilutive ordinary shares		
Compensation of employees	<u>4,879</u>	<u>5,263</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>1,245,159</u>	<u>1,245,543</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.

26. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Subsidiary Nikko-Materials Co., Ltd. acquired the equity of its subsidiary Nikko Mechanics Co., Ltd. in 2020. As a result, its percentage of ownership increased from 80% to 100%. The capital surplus, which was the difference between the consideration paid and the net assets, was increased \$12,842 thousand.

The above transaction was accounted for as equity transaction, since the Company and its subsidiaries did not cease to have control over the subsidiary.

Amount

Consideration paid	\$(27,729)
The proportionate share of the carrying amount of the subsidiary's net assets transferred from non-controlling interests	<u>40,571</u>
Difference recognized from equity transaction	<u>\$ 12,842</u>

27. DISPOSAL OF SUBSIDIARIES

The Company's board of directors had approved the disposal of 100% ownership of the subsidiary Eternal Photoelectronic Material Industry (Kunshan) Co., Ltd. held by its subsidiaries Eternal (China) Investment Co., Ltd. and Eternal Electronic Material (Guangzhou) Co., Ltd. in May 2020. The disposal was completed and the control of the subsidiary was lost in August 2020.

a. Consideration received

Amount

Total consideration received - cash	<u>\$ 343,140</u>
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b. Analysis of assets and liabilities on the date control was lost

Amount

Current assets	
Cash and cash equivalents	\$ 192,924
Other current assets	117
Non-current assets	
Property, plant and equipment	34,735
Right-of-use asset	3,887
Current liabilities	
Payables	<u>(994)</u>
Net assets disposed of	<u>\$ 230,669</u>

c. Gain on disposal of subsidiaries

Amount

Consideration received	\$ 343,140
Net assets disposed of	(230,669)
Transaction cost	(6,388)
Effects of foreign currency exchange difference	<u>(1,117)</u>
	<u>\$ 104,966</u>

d. Net cash inflow on disposals of subsidiaries

Amount

Consideration received in cash and cash equivalents	\$ 343,140
Less: Cash and cash equivalents balance disposed of	<u>(192,924)</u>
	<u>\$ 150,216</u>

28. CASH FLOW INFORMATION

a. Information on investment activities

	For the Year Ended December 31	
	2020	2019
Acquisition of property, plant and equipment	\$ 1,483,231	\$ 2,161,692
Decrease (increase) in payables for equipment	20,182	(15,050)
Increase in other non-current liabilities	<u>(39,087)</u>	<u>(2,294)</u>
	1,464,326	2,144,348
Capitalized interest	<u>(6,808)</u>	<u>(32,861)</u>
Cash paid	<u>\$ 1,457,518</u>	<u>\$ 2,111,487</u>

b. Changes in major liabilities arising from financing activities

For the year ended December 31, 2020

	January 1, 2020	Cash Flows	Non-cash Changes		December 31, 2020
			Exchange Rate Adjustment	Issuance Cost	
Short-term borrowings	\$ 4,414,613	\$ (3,854)	\$ (6,830)	\$ -	\$ 4,403,929
Long-term borrowings	13,476,436	(993,295)	(81,849)	-	12,401,292
Bonds payable	<u>2,994,192</u>	<u>-</u>	<u>-</u>	<u>1,182</u>	<u>2,995,374</u>
	<u>\$ 20,885,241</u>	<u>\$ (997,149)</u>	<u>\$ (88,679)</u>	<u>\$ 1,182</u>	<u>\$ 19,800,595</u>

For the year ended December 31, 2019

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

29. 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.

30. FINANCIAL INSTRUMENTS

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

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

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

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>December 31, 2020</u>				
Financial instruments at FVTPL				
Mutual funds	\$ <u>-</u>	\$ <u>-</u>	\$ <u>21,301</u>	\$ <u>21,301</u>
Financial instruments at FVTOCI				
Equity instruments				
Domestic and foreign listed shares	\$ <u>642,849</u>	\$ <u>-</u>	\$ <u>185,302</u>	\$ <u>828,151</u>
Domestic and foreign unlisted shares	\$ <u>-</u>	\$ <u>-</u>	\$ <u>188,155</u>	\$ <u>188,155</u>
<u>December 31, 2019</u>				
Financial instruments at FVTPL				
Mutual funds	\$ <u>-</u>	\$ <u>-</u>	\$ <u>12,483</u>	\$ <u>12,483</u>
Financial instruments at FVTOCI				
Equity instruments				
Domestic and foreign listed shares	\$ <u>517,746</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>517,746</u>
Domestic and foreign unlisted shares	\$ <u>-</u>	\$ <u>-</u>	\$ <u>225,563</u>	\$ <u>225,563</u>

For listed shares as of December 31, 2020 (except TBG stocks), the Company and its subsidiaries used the published price quotations as fair value inputs (Level 1). The market price of the listed shares is the closing price of the Taiwan Stock Exchange. Additionally, the Company and its subsidiaries used fair value inputs (Level 3) to value TBG stocks, unlisted shares and mutual funds.

For listed shares during the year ended December 31, 2019, 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 Australian Stock Exchange. Additionally, the Company and its subsidiaries use fair value inputs (level 3) to value unlisted shares and mutual funds.

There was no transfer between Level 1 and Level 2 during the years ended December 31, 2020 and 2019. Since TBG stocks in 2020 had no published price quotations as the fair value input for more than a certain period of time, it was transferred from Level 1 to Level 3.

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

For the Year Ended December 31, 2020

	<u>Fund</u>	<u>Stocks</u>	
	Financial Assets at FVTPL	Financial Assets at FVTOCI	Total
<u>Financial assets</u>			
Balance at beginning of the year	\$ 12,483	\$ 225,563	\$ 238,046
Recognized in profit or loss (recorded as other gains and losses)	15,461	-	15,461
Recognized in other comprehensive income	-	(26,473)	(26,473)
Transferred to level 3	-	202,264	202,264
Disposal	(5,550)	(21,660)	(27,210)
Effects of foreign currency exchange differences	<u>(1,093)</u>	<u>(6,237)</u>	<u>(7,330)</u>
Balance at end of the year	<u>\$ 21,301</u>	<u>\$ 373,457</u>	<u>\$ 394,758</u>
Unrealized other gains and losses	<u>\$ 10,697</u>		<u>\$ 10,697</u>

For the Year Ended December 31, 2019

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

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

The fair value of structured time deposit is measured by the future cash flows that are estimated and discounted by the expected yield based on the observable index at the end of year.

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

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

c. Categories of financial instruments

	December 31	
	2020	2019
Financial assets		
Fair value through profit or loss		
Mandatorily classified as at fair value through profit or loss	\$ 21,301	\$ 12,483
Financial assets at amortized cost (Note 1)	24,637,813	22,480,298
Financial assets at fair value through other comprehensive income - equity instruments	1,016,306	743,309
Financial liabilities		
Financial liabilities at amortized cost (Note 2)	28,090,292	27,547,882

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

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

d. Financial risk management objectives and policies

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

1) Market risk

a) Foreign currency risk

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

For the carrying amounts of the Company and its subsidiaries' significant non-functional currency denominated monetary assets and liabilities (including those eliminated on consolidation) at the balance sheet date, refer to Note 35.

Sensitivity analysis

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

	Impact on Profit or Loss	
	2020	2019
<u>Foreign Currencies : Functional Currencies</u>		
Financial assets		
Monetary items		
USD:NTD	\$ 22,900	\$ 25,822
USD:RMB	47,824	12,748
USD:MYR	3,489	3,536
RMB:NTD	4,159	4,523
EUR:USD	-	1,745
JPY:NTD	2,378	1,552
THB:NTD	1,420	-
Financial liabilities		
Monetary items		
USD:NTD	19,169	22,386
USD:RMB	8,759	10,800
USD:MYR	4,640	3,691
JPY:NTD	1,857	1,538
EUR:USD	-	1,344

b) Interest rate risk

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

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

	December 31	
	2020	2019
Fair value interest rate risk		
Financial assets	\$ 3,493,360	\$ 3,347,921
Financial liabilities	8,039,274	9,794,192
Cash flow interest rate risk		
Financial assets	2,741,246	2,528,614
Financial liabilities	12,105,221	11,091,049

If interest rates had been 1% higher and all other variables were held constant, the Company and its subsidiaries' cash flow interest rate risk from financial liabilities would have increased cash outflows by NT\$121,052 thousand and NT\$110,910 thousand for the years ended December 31, 2020 and 2019, 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 years ended December 31, 2020 and 2019 would have increased/decreased by NT\$6,428 thousand and NT\$5,177 thousand, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

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

3) Liquidity risk

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

December 31, 2020

	Less Than 1 Year	1-2 Years	2-3 Years	3-5 Years	Over 5 Years	Total
Non-derivative financial liabilities						
Short-term borrowings	\$ 4,422,932	\$ -	\$ -	\$ -	\$ -	\$ 4,422,932
Notes payable	534,320	-	-	-	-	534,320
Accounts payable	5,598,389	-	-	-	-	5,598,389
Other payables	2,053,754	-	-	-	-	2,053,754
Lease liabilities	92,355	78,924	63,845	87,718	36,690	359,532
Long-term borrowings (including current portion)	4,134,573	4,321,629	3,042,984	1,183,305	1,063	12,683,554
Bonds payable	24,600	24,600	24,600	3,020,826	-	3,094,626
Long-term payable	-	10,031	-	-	-	10,031
	<u>\$ 16,860,923</u>	<u>\$ 4,435,184</u>	<u>\$ 3,131,429</u>	<u>\$ 4,291,849</u>	<u>\$ 37,753</u>	<u>\$ 28,757,138</u>

December 31, 2019

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

e. Transfers of financial assets

Subsidiary factored accounts receivable, discounted notes and transferred most of the banker's acceptance bills of receivables from China to vendors for repayment. According to the contract, if the accounts receivable are not paid at maturity, the bank has the right to request the subsidiary to pay the unsettled balance. If above financial assets are not paid at maturity, the bank and vendors have the right to request the subsidiary to pay the unsettled balance. As the subsidiary has not transferred the significant risks and rewards relating to these accounts receivable, it continues to recognize the full carrying amount of the financial assets and has recognized the cash received on the transfer as secured payables and borrowings. As of December 31, 2019, factored accounts receivable amounted to US\$473 thousand, and the advance cash proceeds obtained from banks amounted to US\$426 thousand, respectively.

As of December 31, 2020 and 2019, the carrying amount of the accounts receivable that have been transferred but have not been derecognized amounted to \$2,329,453 thousand and \$1,844,859 thousand, respectively, and the carrying amount of the related borrowings and accounts payables were \$2,328,143 thousand and \$1,841,589 thousand, respectively.

31. 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

<u>Related Party Name</u>	<u>Relationship</u>
Allnex-Eternal Resins Corporation Limited	Associate
Allnex-Eternal Resins (Guangdong) Co., Ltd.	Associate
Eternal Electronic Materials (Kunshan) Co., Ltd.	Associate
Daxin Materials Corporation	Associate
Showa Denko New Material (Zhuhai) Co., Ltd.	Associate
ESCO Specialty Coatings (Shanghai) Co., Ltd.	Associate
DSM Eternal Resins (Kunshan) Co., Ltd.	Associate
DSM Resins (Far East) Ltd.	Associate
Polymics Ltd.	Associate
Hangzhou Yongxinyang Photoelectric Materials Co., Ltd.	Joint venture (removed from related parties after October 2020)
Kwang Yang Motor Co., Ltd.	Key management personnel
Mitsubishi Polyester Film (Suzhou) Co., Ltd.	Other related party
Li, Guang-Zheng	Second - degree relative of the chairman of the Company's board of directors
LEEMAN MORGAN INTERNATIONAL LIMITED	Other related party

b. Operating revenue

<u>Account Item</u>	<u>Related Party Category</u>	<u>For the Year Ended December 31</u>	
		<u>2020</u>	<u>2019</u>
Revenue from sales of goods	Associates	\$ 502,439	\$ 570,700
	Joint ventures	<u>3,932</u>	<u>34,144</u>
		<u>\$ 506,371</u>	<u>\$ 604,844</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	
	2020	2019
Associates	\$ 2,357	\$ 731
Joint ventures	-	37,385
Other related parties	<u>985</u>	<u>1,264</u>
	<u>\$ 3,342</u>	<u>\$ 39,380</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. Other income

Related Party Category/Name	For the Year Ended December 31	
	2020	2019
Associates		
Allnex-Eternal Resins (Guangdong) Co., Ltd.	\$ 31,809	\$ 26,760
Others	5,727	11,525
Key management personnel	<u>10</u>	<u>-</u>
	<u>\$ 37,546</u>	<u>\$ 38,285</u>

Inclusive of rental income, service fees and so on.

e. Disposals of property, plant and equipment

Related Party Category/Name	Proceeds		Gain (Loss) on Disposal	
	For the Year Ended December 31		For the Year Ended December 31	
	2020	2019	2020	2019
Associates - Allnex-Eternal Resins (Guangdong) Co., Ltd.	\$ -	\$ 97,614	\$ -	\$ 24,720
Joint venture - Hangzhou Yongxinyang Photoelectric Materials Co., Ltd.	<u>-</u>	<u>736</u>	<u>-</u>	<u>375</u>
	<u>\$ -</u>	<u>\$ 98,350</u>	<u>\$ -</u>	<u>\$ 25,095</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.

f. Disposal of financial assets

For the year ended December 31, 2019

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

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

g. Receivables from related parties

Account Item	Related Party Category	December 31	
		2020	2019
Notes and accounts receivable	Associates	\$ 263,376	\$ 248,134
	Joint ventures	<u>-</u>	<u>32,541</u>
		<u>\$ 263,376</u>	<u>\$ 280,675</u>

The receivables arise mainly from sales transactions; the receivables were not guaranteed, pledged and are without interest. For the years ended December 31, 2020 and 2019, the balance of allowance for loss is NT\$1,037 thousand and NT\$8,143 thousand, respectively.

h. Payable to related parties

Account Item	Related Party Category	December 31	
		2020	2019
Account payable	Associates	<u>\$ 1,958</u>	<u>\$ -</u>

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

i. Loans to related parties

Account Item	Related Party Category/Name	December 31	
		2020	2019
Other receivables	Associates ESCO Specialty Coatings (Shanghai) Co., Ltd.	\$ 159,761	\$ 154,980

(Continued)

Account Item	Related Party Category/Name	December 31	
		2020	2019
	Eternal Electronic Materials (Kunshan) Co., Ltd.	\$ 105,048	\$ 103,320
		<u> </u>	<u> </u>
		<u>\$ 264,809</u>	<u>\$ 258,300</u> (Concluded)

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

j. Compensation of key management personnel

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ 132,600	\$ 104,833
Post-employment benefits	<u> 356</u>	<u> 734</u>
	<u>\$ 132,956</u>	<u>\$ 105,567</u>

32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The Company and its subsidiaries' assets mortgaged or pledged as collateral for bank borrowings discounted notes loans, supplier payment and customs guarantee were as follows:

	December 31	
	2020	2019
Notes receivable	\$ 2,329,453	\$ 1,830,562
Accounts receivable	-	14,297
Property, plant and equipment	295,789	289,951
Other financial assets - time deposit certificates (recorded as other non-current assets - other)	<u> 15,000</u>	<u> -</u>
	<u>\$ 2,640,242</u>	<u>\$ 2,134,810</u>

33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- The Company and its subsidiaries have issued but unused letters of credit with an aggregate amount of NT\$120,883 thousand as of December 31, 2020.
- The Company and its subsidiaries have contracts that were not yet incurred to purchase property, plant and equipment and intangible assets of NT\$300,944 thousand at December 31, 2020.

34. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

None.

35. 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:

	Foreign Currency (In Thousands)		Exchange Rate	Carrying Amount
<u>December 31, 2020</u>				
Financial assets				
Monetary items				
USD	\$ 80,407		28.4800 (USD:NTD)	\$ 2,289,991
USD	167,922		6.5067 (USD:RMB)	4,782,419
USD	12,252		4.1947 (USD:MYR)	348,937
RMB	95,030		4.3770 (RMB:NTD)	415,946
JPY	860,699		0.2763 (JPY:NTD)	237,811
THB	148,594		0.9556 (THB:NTD)	141,996
Non-monetary items				
Financial assets at fair value through other comprehensive income				
AUD	8,442		21.9500 (AUD:NTD)	185,302
Investments accounted for using the equity method				
USD	931,351		28.4800 (USD:NTD)	26,524,885
RMB	5,883,766		0.1537 (RMB:USD)	25,753,246
JPY	6,626,721		0.2763 (JPY:NTD)	1,830,963
MYR	241,959		0.2384 (MYR:NTD)	1,642,778
THB	147,262		0.9556 (THB:NTD)	140,723
Financial liabilities				
Monetary items				
USD	67,306		28.4800 (USD:NTD)	1,916,875
USD	30,755		6.5067 (USD:RMB)	875,902
USD	16,292		4.1947 (USD:MYR)	463,996
JPY	671,965		0.2763 (JPY:NTD)	185,664
<u>December 31, 2019</u>				
Financial assets				
Monetary items				
USD	86,130		29.9800 (USD:NTD)	2,582,177
USD	42,523		6.9640 (USD:RMB)	1,274,840
USD	11,794		4.2628 (USD:MYR)	353,584
RMB	105,061		4.3050 (RMB:NTD)	452,288
EUR	5,196		1.1204 (EUR:USD)	174,534
JPY	562,233		0.2760 (JPY:NTD)	155,176
Non-monetary items				
Financial assets at fair value through other comprehensive income				
AUD	1,085		21.0050 (AUD:NTD)	22,799

(Continued)

	Foreign Currency (In Thousands)	Exchange Rate		Carrying Amount
Investments accounted for using the equity method				
USD	\$ 848,961	29.9800	(USD:NTD)	\$ 25,451,854
RMB	5,787,699	0.1436	(RMB:USD)	24,916,043
JPY	5,046,690	0.2760	(JPY:NTD)	1,392,887
MYR	95,024	7.0330	(MYR:NTD)	668,305
EUR	5,198	33.5900	(EUR:NTD)	174,610
THB	137,058	1.0098	(THB:NTD)	138,401
Financial liabilities				
Monetary items				
USD	74,670	29.9800	(USD:NTD)	2,238,607
USD	36,023	6.9640	(USD:RMB)	1,079,970
USD	12,311	4.2628	(USD:MYR)	369,084
JPY	557,203	0.2760	(JPY:NTD)	153,788
EUR	4,000	1.1204	(EUR:USD)	134,360
(Concluded)				

The total realized and unrealized foreign exchange gains and losses were a loss of NT\$7,754 thousand and a loss of NT\$4,563 thousand for the years ended December 31, 2020 and 2019, 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.

36. ADDITIONAL DISCLOSURES

a. Information about significant transactions and investees:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (Table 2)
- 3) Marketable securities held (Table 3)
- 4) Marketable securities acquired or disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital: (Table 4)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (Table 5)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 6)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 7)
- 9) Trading in derivative instruments: (Note 10)
- 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 8)

11) Information on investees (Table 9)

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 10)
- 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 6)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period (Table 6)
 - c) The amount of property transactions and the amount of the resultant gains or losses: none
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes (Table 2)
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds (Table 1)
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services (Note 31)
- c. Information of major shareholders : list of the shareholders with ownership of 5% or greater, showing the names, the number of shares and percentage of ownership held by each shareholder. (Table 11)

37. SEGMENT INFORMATION

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

- Resins Materials
Mainly operating variety of industrial resins materials.
- Electronic Materials
Mainly operating electronic and optoelectronic industry raw material.
- High Performance Materials
Mainly operating UV - light curing raw material.

- Others

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

a. Segment revenues and operating results

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

	Resins Materials	Electronic Materials	High Performance Materials	Others	Adjustment and Elimination	Total
<u>For the year ended December 31, 2020</u>						
Revenue from the sale of goods						
Revenues from external customers	\$ 18,483,935	\$ 12,869,767	\$ 6,733,373	\$ 37,767	\$ -	\$ 38,124,842
Revenue from the rendering of service	-	-	-	245,524	-	245,524
Inter-segment revenues	<u>2,103,185</u>	<u>4,913,436</u>	<u>1,243,827</u>	<u>3,432</u>	<u>(8,263,880)</u>	<u>-</u>
Total revenue	<u>\$ 20,587,120</u>	<u>\$ 17,783,203</u>	<u>\$ 7,977,200</u>	<u>\$ 286,723</u>	<u>\$ (8,263,880)</u>	<u>\$ 38,370,366</u>
Segment operating profit (loss)	<u>\$ 1,045,635</u>	<u>\$ 1,819,066</u>	<u>\$ 707,365</u>	<u>\$ (433,140)</u>	<u>\$ -</u>	<u>\$ 3,138,926</u>
<u>For the year ended December 31, 2019</u>						
Revenue from the sale of goods						
Revenues from external customers	\$ 20,855,888	\$ 12,302,833	\$ 7,075,873	\$ 35,306	\$ -	\$ 40,269,900
Revenue from the rendering of service	-	-	-	93,338	-	93,338
Inter-segment revenues	<u>2,142,932</u>	<u>4,347,407</u>	<u>1,298,417</u>	<u>3,905</u>	<u>(7,792,661)</u>	<u>-</u>
Total revenue	<u>\$ 22,998,820</u>	<u>\$ 16,650,240</u>	<u>\$ 8,374,290</u>	<u>\$ 132,549</u>	<u>\$ (7,792,661)</u>	<u>\$ 40,363,238</u>
Segment operating profit (loss)	<u>\$ 1,151,726</u>	<u>\$ 1,081,651</u>	<u>\$ 586,783</u>	<u>\$ (485,110)</u>	<u>\$ -</u>	<u>\$ 2,335,050</u>

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

	Revenues from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2020	2019	2020	2019
Taiwan	\$ 4,739,251	\$ 4,509,800	\$ 6,516,803	\$ 6,344,804
China	23,610,169	24,584,451	10,206,793	10,502,214
Others	<u>10,020,946</u>	<u>11,268,987</u>	<u>2,786,927</u>	<u>3,135,918</u>
	<u>\$ 38,370,366</u>	<u>\$ 40,363,238</u>	<u>\$ 19,510,523</u>	<u>\$ 19,982,936</u>

Non-current 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, 2020 and 2019.

Eternal Materials Co., Ltd. and Subsidiaries

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2020

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

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 2)	Ending Balance (Note 3)	Actual Amount Drawn	Interest Rate (%)	Nature of Financing (Note 4)	Transaction Amount	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Limit	Note
													Item	Value			
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Photoelectric Material Industry (Yingkou) Co., Ltd.	Other receivables from related parties	Y	\$ 408,975	\$ -	\$ -	-	2	\$ -	Operating needs	\$ -	-	\$ -	\$ 7,343,358	\$ 7,343,358	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Optical Material (Suzhou) Co., Ltd.	Other receivables from related parties	Y	430,500	-	-	-	2	-	Operating needs	-	-	-	7,343,358	7,343,358	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Chemical (Tianjin) Co., Ltd.	Other receivables from related parties	Y	344,400	-	-	-	2	-	Operating needs	-	-	-	7,343,358	7,343,358	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	Other receivables from related parties	Y	437,900	437,700	437,700	4.750	2	-	Operating needs	-	-	-	7,343,358	7,343,358	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Chemical (Chengdu) Co., Ltd.	Other receivables from related parties	Y	731,850	-	-	-	2	-	Operating needs	-	-	-	7,343,358	7,343,358	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	ESCO Specialty Coatings (Shanghai) Co., Ltd.	Other receivables from related parties	Y	305,805	159,761	159,761	4.250	2	-	Operating needs	-	-	-	1,468,672	1,468,672	Note 6
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	Other receivables from related parties	Y	430,500	-	-	-	2	-	Operating needs	-	-	-	7,343,358	7,343,358	Note 5
2	Eternal Chemical (China) Co., Ltd.	Eternal Chemical (Tianjin) Co., Ltd.	Other receivables from related parties	Y	1,050,480	1,050,480	435,049	3.852-4.348	2	-	Operating needs	-	-	-	8,911,433	8,911,433	Note 5
2	Eternal Chemical (China) Co., Ltd.	Eternal Synthetic Resins (Changshu) Co., Ltd.	Other receivables from related parties	Y	1,291,500	1,094,250	341,143	3.852-4.348	2	-	Operating needs	-	-	-	8,911,433	8,911,433	Note 5
2	Eternal Chemical (China) Co., Ltd.	Eternal Materials (Guangdong) Co., Ltd.	Other receivables from related parties	Y	473,550	131,310	-	-	2	-	Operating needs	-	-	-	8,911,433	8,911,433	Note 5
2	Eternal Chemical (China) Co., Ltd.	Eternal Specialty Materials (Suzhou) Co., Ltd.	Other receivables from related parties	Y	437,700	437,700	30,439	3.852-4.348	2	-	Operating needs	-	-	-	8,911,433	8,911,433	Note 5
2	Eternal Chemical (China) Co., Ltd.	Eternal Chemical (Chengdu) Co., Ltd.	Other receivables from related parties	Y	1,488,180	1,488,180	667,810	3.852-4.348	2	-	Operating needs	-	-	-	8,911,433	8,911,433	Note 5
2	Eternal Chemical (China) Co., Ltd.	Eternal Electronic Materials (Kunshan) Co., Ltd.	Other receivables from related parties	Y	206,640	105,048	105,048	4.350	2	-	Operating needs	-	-	-	1,782,287	1,782,287	Note 6
2	Eternal Chemical (China) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	Other receivables from related parties	Y	131,370	-	-	-	2	-	Operating needs	-	-	-	8,911,433	8,911,433	Note 5
2	Eternal Chemical (China) Co., Ltd.	Changhe International Trading (GZFTZ) Co., Ltd.	Other receivables from related parties	Y	175,160	175,080	-	-	2	-	Operating needs	-	-	-	8,911,433	8,911,433	Note 5
2	Eternal Chemical (China) Co., Ltd.	Eternal (China) Investment Co., Ltd.	Other receivables from related parties	Y	437,700	437,700	-	-	2	-	Operating needs	-	-	-	8,911,433	8,911,433	Note 5
3	Eternal Materials (Guangdong) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	Other receivables from related parties	Y	473,550	131,310	-	-	2	-	Operating needs	-	-	-	7,509,889	7,509,889	Note 5
3	Eternal Materials (Guangdong) Co., Ltd.	Eternal (China) Investment Co., Ltd.	Other receivables from related parties	Y	1,808,100	1,575,720	-	-	2	-	Operating needs	-	-	-	7,509,889	7,509,889	Note 5
3	Eternal Materials (Guangdong) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	Other receivables from related parties	Y	175,080	175,080	84,473	3.850	2	-	Operating needs	-	-	-	7,509,889	7,509,889	Note 5
3	Eternal Materials (Guangdong) Co., Ltd.	Eternal Optical Material (Suzhou) Co., Ltd.	Other receivables from related parties	Y	875,400	875,400	367,285	3.850-4.133	2	-	Operating needs	-	-	-	7,509,889	7,509,889	Note 5
3	Eternal Materials (Guangdong) Co., Ltd.	Eternal Photoelectric Material Industry (Yingkou) Co., Ltd.	Other receivables from related parties	Y	306,390	306,390	53,005	3.850-4.133	2	-	Operating needs	-	-	-	7,509,889	7,509,889	Note 5
4	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Optical Material (Suzhou) Co., Ltd.	Other receivables from related parties	Y	559,650	-	-	-	2	-	Operating needs	-	-	-	6,741,022	6,741,022	Note 5

(Continued)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 2)	Ending Balance (Note 3)	Actual Amount Drawn	Interest Rate (%)	Nature of Financing (Note 4)	Transaction Amount	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Limit	Note
													Item	Value			
4	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	Other receivables from related parties	Y	\$ 215,250	\$ -	\$ -	-	2	\$ -	Operating needs	\$ -	-	\$ -	\$ 6,741,022	\$ 6,741,022	Note 5
4	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Synthetic Resins (Changshu) Co., Ltd.	Other receivables from related parties	Y	344,400	-	-	-	2	-	Operating needs	-	-	-	6,741,022	6,741,022	Note 5
4	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	Other receivables from related parties	Y	215,250	-	-	-	2	-	Operating needs	-	-	-	6,741,022	6,741,022	Note 5
5	Eternal Holdings Inc.	Eternal Technology Corporation	Other receivables from related parties	Y	479,680	341,760	170,880	1.805	2	-	Operating needs	-	-	-	35,821,634	35,821,634	Note 5
5	Eternal Holdings Inc.	Elga Europe S.r.l.	Other receivables from related parties	Y	268,720	-	-	-	2	-	Operating needs	-	-	-	7,164,327	7,164,327	Note 6
5	Eternal Holdings Inc.	Eternal Sun A. (Suzhou) Co., Ltd.	Other receivables from related parties	Y	216,144	102,528	102,528	1.836	2	-	Operating needs	-	-	-	7,164,327	7,164,327	Note 6
6	Eternal Photoelectric Material Industry (Kunshan) Co., Ltd.	Eternal Chemical (Tianjin) Co., Ltd.	Other receivables from related parties	Y	344,400	-	-	-	2	-	Operating needs	-	-	-	474,378	474,378	Note 8
7	Eternal (China) Investment Co., Ltd.	Eternal Chemical (China) Co., Ltd.	Other receivables from related parties	Y	875,400	875,400	-	-	2	-	Operating needs	-	-	-	29,550,644	29,550,644	Note 5
7	Eternal (China) Investment Co., Ltd.	Eternal Optical Material (Suzhou) Co., Ltd.	Other receivables from related parties	Y	1,138,020	1,138,020	569,010	4.050	2	-	Operating needs	-	-	-	29,550,644	29,550,644	Note 5
7	Eternal (China) Investment Co., Ltd.	Eternal Photoelectric Material Industry (Yingkou) Co., Ltd.	Long-term receivables from related parties	Y	262,740	262,620	262,620	4.250	2	-	Operating needs	-	-	-	29,550,644	29,550,644	Note 5
7	Eternal (China) Investment Co., Ltd.	Eternal Chemical (Chengdu) Co., Ltd.	Other receivables from related parties	Y	875,400	875,400	744,090	3.850	2	-	Operating needs	-	-	-	29,550,644	29,550,644	Note 5
7	Eternal (China) Investment Co., Ltd.	Eternal Chemical (Tianjin) Co., Ltd.	Other receivables from related parties	Y	525,480	525,240	525,240	3.850	2	-	Operating needs	-	-	-	29,550,644	29,550,644	Note 5
7	Eternal (China) Investment Co., Ltd.	Eternal Synthetic Resins (Changshu) Co., Ltd.	Other receivables from related parties	Y	350,320	350,160	350,160	3.850	2	-	Operating needs	-	-	-	29,550,644	29,550,644	Note 5
7	Eternal (China) Investment Co., Ltd.	Changhe International Trading (GZFTZ) Co., Ltd.	Other receivables from related parties	Y	215,600	-	-	-	2	-	Operating needs	-	-	-	29,550,644	29,550,644	Note 5
7	Eternal (China) Investment Co., Ltd.	Eternal Materials (Guangdong) Co., Ltd.	Other receivables from related parties	Y	131,310	131,310	-	-	2	-	Operating needs	-	-	-	29,550,644	29,550,644	Note 5

(Concluded)

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

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

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

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

Note 4: Nature of financing is as follows:

1. Business relationship.
2. Short-term financing

Note 5: According to the financing company's Operation Procedures for Lending Funds to Others, either the financing limit for each borrowing company or financing company's total financing limits shall not exceed 200% of the net worth of the company as of December 31, 2020, and it should be translated into NTD using the exchange rate at the balance sheet date.

Note 6: According to the financing company's Operation Procedures for Lending Funds to Others, either the financing limit for each borrowing company or financing company's total financing limits shall not exceed 40% of the next worth of the company as of December 31, 2020, and it should be translated into NTD using the exchange rate at the balance sheet date.

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

Note 8: Eternal Photoelectric Material Industry (Kunshan) Co., Ltd. has been disposed to non-related parties in August, 2020. It is not a subsidiary of the Company currently. The table only disclosed the financing records before August, 2020.

Eternal Materials Co., Ltd. and Subsidiaries

ENDORSEMENTS/GUARANTEES PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2020

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

No. (Note 1)	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsements /Guarantees Given on Behalf of Each Party	Maximum Amount Endorsements /Guarantees During the Period (Note 4)	Outstanding Endorsements /Guarantees the End of the Period (Note 5)	Actual Amount Drawn	Amount Endorsements /Guarantees by Collaterals	Ratio of Accumulated Endorsements /Guarantees to Net Equity per Latest Financial Statements (%)	Maximum Endorsements /Guarantees Amount Allowable	Endorsements /Guarantees Given by Parent on Behalf of Subsidiaries	Endorsements /Guarantees by Subsidiaries on Behalf of Parent	Endorsements /Guarantees 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	\$ 22,834,497	\$ 86,100	\$ -	\$ -	\$ -	-	\$ 22,834,497	Y	N	Y	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Eternal (China) Investment Co., Ltd.	2	22,834,497	210,140	-	-	-	-	22,834,497	Y	N	Y	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Eternal Holdings Inc.	2	22,834,497	1,861,126	273,408	273,408	-	1.20	22,834,497	Y	N	N	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Eternal Technology Corporation	2	22,834,497	300,200	284,800	284,800	-	1.25	22,834,497	Y	N	N	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Nikko-Materials Co., Ltd.	2	22,834,497	141,150	138,150	-	-	0.61	22,834,497	Y	N	N	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Eternal Synthetic Resins (Changshu) Co., Ltd.	2	22,834,497	775,640	-	-	-	-	22,834,497	Y	N	Y	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Eternal Chemical (Tianjin) Co., Ltd.	2	22,834,497	915,570	-	-	-	-	22,834,497	Y	N	Y	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Eternal Sun A. (Suzhou) Co., Ltd.	2	22,834,497	108,072	102,528	87,434	-	0.45	22,834,497	Y	N	Y	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Eternal Materials (Malaysia) Sdn. Bhd.	2	22,834,497	3,865,784	1,506,796	917,713	-	6.60	22,834,497	Y	N	N	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Elga Europe S.r.l.	2	22,834,497	420,240	420,240	417,789	-	1.84	22,834,497	Y	N	N	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Eternal Nanyang Investment Co., Ltd.	2	22,834,497	2,152,770	1,424,000	1,167,680	-	6.24	22,834,497	Y	N	N	Notes 3 and 6
1	Eternal Chemical (China) Co., Ltd.	Eternal Chemical (Tianjin) Co., Ltd.	4	4,455,717	129,150	-	-	-	-	4,455,717	N	N	Y	Note 7
1	Eternal Chemical (China) Co., Ltd.	Eternal Synthetic Resins (Changshu) Co., Ltd.	4	4,455,717	86,100	-	-	-	-	4,455,717	N	N	Y	Note 7
1	Eternal Chemical (China) Co., Ltd.	Eternal Specialty Materials (Suzhou) Co., Ltd.	4	4,455,717	86,100	-	-	-	-	4,455,717	N	N	Y	Note 7
1	Eternal Chemical (China) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	4	4,455,717	129,150	-	-	-	-	4,455,717	N	N	Y	Note 7
1	Eternal Chemical (China) Co., Ltd.	Eternal Chemical (Chengdu) Co., Ltd.	4	4,455,717	43,050	-	-	-	-	4,455,717	N	N	Y	Note 7
1	Eternal Chemical (China) Co., Ltd.	Eternal Materials (Guangdong) Co., Ltd.	4	4,455,717	86,100	-	-	-	-	4,455,717	N	N	Y	Note 7
1	Eternal Chemical (China) Co., Ltd.	Eternal Specialty Materials (Zhuhai) Co., Ltd.	4	2,283,450	258,300	-	-	-	-	2,283,450	N	N	Y	Note 8
1	Eternal Chemical (China) Co., Ltd.	Eternal (China) Investment Co., Ltd.	4	4,455,717	43,050	-	-	-	-	4,455,717	N	N	Y	Note 7
2	Eternal Chemical (Tianjin) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	4	851,312	129,150	-	-	-	-	851,312	N	N	Y	Note 7
3	Eternal Synthetic Resins (Changshu) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	4	211,007	86,100	-	-	-	-	211,007	N	N	Y	Note 7
4	Eternal Specialty Materials (Suzhou) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	4	1,334,641	86,100	-	-	-	-	1,334,641	N	N	Y	Note 7
5	Eternal Electronic (Suzhou) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	4	1,467,477	129,150	-	-	-	-	1,467,477	N	N	Y	Note 7

(Continued)

No. (Note 1)	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsements /Guarantees Given on Behalf of Each Party	Maximum Amount Endorsements /Guarantees During the Period (Note 4)	Outstanding Endorsements /Guarantees the End of the Period (Note 5)	Actual Amount Drawn	Amount Endorsements /Guarantees by Collaterals	Ratio of Accumulated Endorsements /Guarantees to Net Equity per Latest Financial Statements (%)	Maximum Endorsements /Guarantees Amount Allowable	Endorsements /Guarantees Given by Parent on Behalf of Subsidiaries	Endorsements /Guarantees by Subsidiaries on Behalf of Parent	Endorsements /Guarantees 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	\$ 3,754,945	\$ 172,200	\$ -	\$ -	\$ -	-	\$ 3,754,945	N	N	Y	Note 7
7	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	4	3,671,679	86,100	-	-	-	-	3,671,679	N	N	Y	Note 7
8	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	4	3,370,511	86,100	-	-	-	-	3,370,511	N	N	Y	Note 7
9	Eternal (China) Investment Co., Ltd.	Eternal Chemical (China) Co., Ltd.	4	14,775,322	43,050	-	-	-	-	14,775,322	N	N	Y	Note 7
9	Eternal (China) Investment Co., Ltd.	Eternal Chemical (Tianjin) Co., Ltd.	2	14,775,322	131,370	131,310	17,508	-	0.89	14,775,322	N	N	Y	Note 7
9	Eternal (China) Investment Co., Ltd.	Eternal Synthetic Resins (Changshu) Co., Ltd.	2	14,775,322	131,370	131,310	15,320	-	0.89	14,775,322	N	N	Y	Note 7

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

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

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

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

Note 3: In accordance with the parent company's "Procedures for Provision of Endorsements and Guarantees", limit on endorsement/guarantee given on behalf of each party is 100% of the parent company's net worth based on financial statements for the year ended December 31, 2020.

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 endorsements/guarantees at the end of the period are 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, 2020.

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, 2020.

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. (Concluded)

Eternal Materials Co., Ltd. and Subsidiaries

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)

DECEMBER 31, 2020

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Eternal Materials Co., Ltd.	President Securities Corp. (stock)	-	Financial assets at fair value through other comprehensive income - non-current	34,937,430	\$ 642,849	2.50	\$ 642,849	
	TBG Diagnostics Limited (stock)	-	Financial assets at fair value through other comprehensive income - non-current	40,200,000	185,302	18.48	185,302	Note 2
	Universal Venture Capital Investment Corp. (stock)	-	Financial assets at fair value through other comprehensive income - non-current	5,000,000	32,602	4.15	32,602	
	Der Yang Biotechnology Venture Capital Co., Ltd. (stock)	-	Financial assets at fair value through other comprehensive income - non-current	353,994	3,769	11.11	3,769	
	Hwa Nan Venture Capital Co., Ltd. (stock)	-	Financial assets at fair value through other comprehensive income - non-current	57,438	-	10.60	-	
Mixville Holdings Inc.	Grace THW Holding Limited (stock)	-	Financial assets at fair value through other comprehensive income - non-current	1,900,000	151,784	Note 1	151,784	Note 2
	Pacven Walden Ventures V, L.P. (fund)	-	Financial assets at fair value through profit or loss - non-current	-	21,301	Note 1	21,301	Note 2

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

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

Eternal Materials Co., Ltd. and Subsidiaries

MARKETABLE SECURITIES ACQUIRED OR AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2020

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

Company	Type and Name of Marketable Securities	Financial Statement Account	Counter Party	Nature of Relationship	Beginning Balance (Note 3)		Acquisition (Note 1)		Disposal			Ending Balance (Notes 2 and 3)		
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Value	Gain/Loss on Disposal	Shares/Units	Amount
Eternal (China) Investment Co., Ltd., Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Photoelectric Material Industry (Kunshan) Co., Ltd.	Investments accounted for using the equity method.	Tangfeng and Kunshan Jianfeng Municipal Engineering Co., Ltd.	Subsidiary	Note 4	\$ 233,287	-	\$ -	-	\$ 343,140	\$ 230,669	\$ 104,966	Note 4	\$ -
Eternal (China) Investment Co., Ltd.	Eternal Materials (Changzhou) Co., Ltd.	Investments accounted for using the equity method.	Note 5	Subsidiary	Note 4	633,350	-	-	-	-	(604,740)	Note 5	Note 4	-
Eternal International (BVI) Co., Ltd.	Eternal (China) Investment Co., Ltd.	Investments accounted for using the equity method.	Note 7	Subsidiary	Note 4	14,141,752	-	-	Note 4	-	(811,704)	Note 7	Note 4	14,775,322
Eternal Holdings Inc.	Eternal International (BVI) Co., Ltd.	Investments accounted for using the equity method.	Note 7	Subsidiary	211,823,592	14,112,838	-	-	(28,030,000)	-	(811,704)	Note 7	183,793,592	14,716,820
Eternal Materials Co., Ltd.	Eternal Holdings Inc.	Investments accounted for using the equity method.	Notes 6 and 7	Subsidiary	216,303,859	16,716,598	18,450,000	540,493	(30,480,000)	-	(883,906)	Note 7	204,273,859	17,904,689
Eternal Holdings Inc.	Eternal Nanyang Investment Co., Ltd.	Investments accounted for using the equity method.	Note 6	Subsidiary	-	-	18,450,000	540,493	-	-	-	-	18,450,000	449,784
Eternal Nanyang Investment Co., Ltd.	Eternal Materials (Malaysia) Sdn. Bhd.	Investments accounted for using the equity method.	Eternal Materials Co., Ltd. and Tong Seng Holdings Pte. Ltd.	Subsidiary	-	-	184,284,000	597,618	-	-	-	-	347,324,000	1,642,778
Eternal Nanyang Investment Co., Ltd.	Eternal Materials (Malaysia) Sdn. Bhd.	Investments accounted for using the equity method.	Note 6	Subsidiary	-	-	163,040,000	1,150,800	-	-	-	-	347,324,000	1,642,778
Eternal Materials Co., Ltd.	Eternal Materials (Malaysia) Sdn. Bhd.	Investments accounted for using the equity method.	Eternal Nanyang Investment Co., Ltd.	Subsidiary	165,855,600	668,305	-	-	(165,855,600)	537,856	541,218	Note 8	-	-

Note 1: The acquisition included issuance of ordinary shares for cash, reorganization or investment establishment, and the amounts were translated into NTD using the exchange rate at the base date.

Note 2: The ending balance included increased investment amount, reorganization, investments accounted for using the equity method, share of profit or loss of subsidiaries, associates and joint ventures accounted for using the equity method and translation of the financial statement of foreign operations.

Note 3: The amounts were translated into NTD using the exchange rate at the balance sheet date.

Note 4: No share were issued.

Note 5: The Company was liquidated.

Note 6: The Company had capital increase.

Note 7: The Company had capital reduction.

Note 8: The Company had reorganization.

Eternal Materials Co., Ltd. And Subsidiaries

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Company Name	Property	Event Date	Transaction Amount	Payment Terms	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Price Reference	Purpose of Acquisition	Other Terms
							Property - Owner	Relationship	Transaction Date	Amount			
Eternal Materials Co., Ltd.	Self-built a new plant at the Lu-zhu Plant in Kaohsiung	August 7, 2020	\$ 638,390	Payment in accordance with the terms	Note	Note	-	-	-	\$ -	Price negotiation in accordance with the terms	Self-use	None

Note: The counterparty has not yet been determined.

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, 2020
(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 (China) Investment Co., Ltd.	Subsidiary	Sales	\$ 263,947	2	Note 1	\$ -	-	\$ 99,506	3	
	CHOU-KOU Materials Co., Ltd.	Subsidiary	Sales	294,190	2	Note 1	-	-	107,703	3	
	Eternal Chemical (China) Co., Ltd.	Subsidiary	Sales	280,673	2	Note 1	-	-	101,576	3	
	Eternal Specialty Materials (Zhuhai) Co., Ltd.	Subsidiary	Sales	679,216	5	Note 1	-	-	138,826	4	
	Eternal Materials (Guangdong) Co., Ltd.	Subsidiary	Sales	277,012	2	Note 1	-	-	104,671	3	
	Eternal Electronic Material (Thailand) Co., Ltd.	Subsidiary	Sales	370,406	3	Note 1	-	-	129,965	4	
	Eternal Electronic (Suzhou) Co., Ltd.	Subsidiary	Sales	144,370	1	Note 1	-	-	56,510	2	
	Eternal Electronic Material (Guangzhou) Co., Ltd.	Subsidiary	Sales	258,004	2	Note 1	-	-	44,504	1	
	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Subsidiary	Sales	177,884	1	Note 1	-	-	25,320	1	
Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Sister company	Sales	539,812	20	Note 1	-	-	260,478	16	
	Eternal Electronic (Suzhou) Co., Ltd.	Sister company	Sales	193,198	7	Note 1	-	-	113,247	7	
Eternal Materials (Guangdong) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	Sister company	Sales	145,838	4	Note 1	-	-	63,970	3	
	Eternal Electronic Material (Guangzhou) Co., Ltd.	Sister company	Sales	228,532	5	Note 1	-	-	49,517	2	
	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Sister company	Sales	189,158	5	Note 1	-	-	42,305	2	
	Allnex-Eternal Resins (Guangdong) Co., Ltd.	Associate	Sales	211,627	5	Note 1	-	-	99,989	5	
Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	Sister company	Sales	627,448	23	Note 1	-	-	417,234	21	
	Eternal Electronic Material (Guangzhou) Co., Ltd.	Sister company	Sales	559,093	20	Note 1	-	-	296,153	15	
Eternal Specialty Materials (Zhuhai) Co., Ltd.	Eternal Materials Co., Ltd.	Ultimate parent Company	Sales	151,102	4	Note 1	-	-	47,311	3	
Nikko Mechanics Co., Ltd.	Nikko-Materials Co., Ltd.	Parent company	Sales	1,026,599	97	Note 1	-	-	315,810	100	
Eternal Chemical (China) Co., Ltd.	Allnex - Eternal Resins (Guangdong) Co., Ltd.	Associate	Sales	153,275	4	Note 1	-	-	113,863	4	

(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- Materials Co., Ltd.	Eternal Materials Co., Ltd.	Ultimate parent Company	Sales	\$ 100,630	4	Note 1	\$ -	-	\$ 22,590	2	
	Eternal Electronic Material (Thailand) Co., Ltd.	Sister company	Sales	115,127	5	Note 1	-	-	11,870	1	

(Concluded)

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

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

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

Eternal Materials Co., Ltd. and Subsidiaries

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Doubtful Accounts	Note
					Amount	Actions Taken			
Eternal Materials Co., Ltd.	CHOU-KOU Materials Co., Ltd.	Subsidiary	\$107,703	3.39	\$ -	-	\$ 32,366	\$ -	
Eternal Materials Co., Ltd.	Eternal Chemical (China) Co., Ltd.	Subsidiary	101,576	2.75	-	-	22,514	-	
Eternal Materials Co., Ltd.	Eternal Specialty Materials (Zhuhai) Co., Ltd.	Subsidiary	138,826	5.22	-	-	71,878	-	
Eternal Materials Co., Ltd.	Eternal Materials (Guangdong) Co., Ltd.	Subsidiary	104,671	3.35	-	-	34,090	-	
Eternal Materials Co., Ltd.	Eternal Electronic Materials (Thailand) Co., Ltd.	Subsidiary	129,965	3.54	-	-	38,795	-	
Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Sister company	260,478	2.31	52,304	Collected subsequently	52,304	-	
Eternal Electronic Materials (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	Sister company	113,247	2.15	64,264	Collected subsequently	54,017	-	
Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	Sister company	417,234	1.55	190,371	Collected subsequently	122,548	-	
Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Electronic Material (Guangzhou) Co., Ltd.	Sister company	296,153	2.18	105,550	Collected subsequently	105,550	-	
Eternal Chemical (China) Co., Ltd.	Allnex-Eternal Resins (Guangdong) Co., Ltd.	Associate	113,863	1.44	20,331	Collected subsequently	20,746	117	
Nikko Mechanics Co., Ltd.	Nikko-Materials Co., Ltd.	Parent company	315,810	3.82	-	-	191,779	-	

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

Eternal Materials Co., Ltd. and Subsidiaries

**INTERCOMPANY BUSINESS RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2020
(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 (China) Investment Co., Ltd.	1	Revenue from sales of goods	\$ 263,947	Note4	0.69
0	Eternal Materials Co., Ltd.	CHOU-KOU Materials Co., Ltd.	1	Revenue from sales of goods	294,190	Note4	0.77
0	Eternal Materials Co., Ltd.	CHOU-KOU Materials Co., Ltd.	1	Accounts receivable	107,703	Note4	0.19
0	Eternal Materials Co., Ltd.	Eternal Chemical (China) Co., Ltd.	1	Revenue from sales of goods	280,673	Note4	0.73
0	Eternal Materials Co., Ltd.	Eternal Chemical (China) Co., Ltd.	1	Accounts receivable	101,576	Note4	0.18
0	Eternal Materials Co., Ltd.	Eternal Specialty Materials (Zhuhai) Co., Ltd.	1	Revenue from sales of goods	679,216	Note4	1.77
0	Eternal Materials Co., Ltd.	Eternal Specialty Materials (Zhuhai) Co., Ltd.	1	Accounts receivable	138,826	Note4	0.25
0	Eternal Materials Co., Ltd.	Eternal Materials (Guangdong) Co., Ltd.	1	Revenue from sales of goods	277,012	Note4	0.72
0	Eternal Materials Co., Ltd.	Eternal Materials (Guangdong) Co., Ltd.	1	Accounts receivable	104,671	Note4	0.19
0	Eternal Materials Co., Ltd.	Eternal Electronic Material (Thailand) Co., Ltd.	1	Revenue from sales of goods	370,406	Note4	0.97
0	Eternal Materials Co., Ltd.	Eternal Electronic Material (Thailand) Co., Ltd.	1	Accounts receivable	129,965	Note4	0.23
0	Eternal Materials Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	1	Revenue from sales of goods	144,370	Note4	0.38
0	Eternal Materials Co., Ltd.	Eternal Electronic Materials (Guangzhou) Co., Ltd.	1	Revenue from sales of goods	258,004	Note4	0.67
0	Eternal Materials Co., Ltd.	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	1	Revenue from sales of goods	177,884	Note4	0.46
1	Eternal Holdings Inc.	Eternal Technology Corporation	3	Other receivables from related parties	170,880	Note5	0.30
1	Eternal Holdings Inc.	Eternal Sun A. (Suzhou) Co., Ltd	3	Other receivables from related parties	102,528	Note5	0.18
2	Eternal (China) Investment Co., Ltd.	Eternal Optical Material (Suzhou) Co., Ltd.	3	Other receivables from related parties	569,010	Note5	1.01
2	Eternal (China) Investment Co., Ltd.	Eternal Photoelectronic Material Industry (Yingkou) Co., Ltd.	3	Long-term receivables from related parties	262,620	Note5	0.47
2	Eternal (China) Investment Co., Ltd.	Eternal Chemical (Chengdu) Co., Ltd.	3	Other receivables from related parties	744,090	Note5	1.32
2	Eternal (China) Investment Co., Ltd.	Eternal Chemical (Tianjin) Co., Ltd.	3	Other receivables from related parties	525,240	Note5	0.93
2	Eternal (China) Investment Co., Ltd.	Eternal Synthetic Resins (Changshu) Co., Ltd.	3	Other receivables from related parties	350,160	Note5	0.62
3	Eternal Chemical (China) Co., Ltd.	Eternal Chemical (Tianjin) Co., Ltd.	3	Other receivables from related parties	435,049	Note5	0.77
3	Eternal Chemical (China) Co., Ltd.	Eternal Synthetic Resins (Changshu) Co., Ltd.	3	Other receivables from related parties	341,143	Note5	0.61
3	Eternal Chemical (China) Co., Ltd.	Eternal Chemical (Chengdu) Co., Ltd.	3	Other receivables from related parties	667,810	Note5	1.19

(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	
4	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	3	Revenue from sales of goods	\$ 539,812	Note4	1.41
4	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	3	Accounts receivable	260,478	Note4	0.46
4	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	3	Revenue from sales of goods	193,198	Note4	0.50
4	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	3	Accounts receivable	113,247	Note4	0.20
4	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	3	Other receivables from related parties	437,700	Note5	0.78
5	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	3	Revenue from sales of goods	627,448	Note4	1.64
5	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	3	Accounts receivable	417,234	Note4	0.74
5	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Electronic Material (Guangzhou) Co., Ltd.	3	Revenue from sales of goods	559,093	Note4	1.46
5	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Electronic Material (Guangzhou) Co., Ltd.	3	Accounts receivable	296,153	Note4	0.53
6	Eternal Materials (Guangdong) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	3	Revenue from sales of goods	145,838	Note4	0.38
6	Eternal Materials (Guangdong) Co., Ltd.	Eternal Electronic Material (Guangzhou) Co., Ltd.	3	Revenue from sales of goods	228,532	Note4	0.60
6	Eternal Materials (Guangdong) Co., Ltd.	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	3	Revenue from sales of goods	189,158	Note4	0.49
6	Eternal Materials (Guangdong) Co., Ltd.	Eternal Optical Material (Suzhou) Co., Ltd.	3	Other receivables from related parties	367,285	Note5	0.65
7	Nikko Mechanics Co., Ltd	Nikko-Materials Co., Ltd	2	Revenue from sales of goods	1,026,599	Note4	2.68
7	Nikko Mechanics Co., Ltd.	Nikko-Materials Co., Ltd.	2	Accounts receivable	315,810	Note4	0.56
7	Nikko-Materials Co., Ltd	Eternal Materials Co., Ltd.	2	Revenue from sales of goods	100,630	Note4	0.26
7	Nikko-Materials Co., Ltd	Eternal Electronic Material (Thailand) Co., Ltd.	3	Revenue from sales of goods	115,127	Note4	0.30
8	Eternal Specialty Materials (Zhuhai) Co., Ltd.	Eternal Materials Co., Ltd.	2	Revenue from sales of goods	151,102	Note4	0.39

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

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

(Continued)

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 revenue 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.

(Concluded)

TABLE 9

Eternal Materials Co., Ltd. and Subsidiaries

INFORMATION ON INVESTEEES (EXCLUDING INVESTMENT IN MAINLAND CHINA)

FOR THE YEAR ENDED DECEMBER 31, 2020

(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, 2020			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2020	December 31, 2019	Number of Shares	Percentage of Ownership (%)	Carrying Amount			
Eternal Materials Co., Ltd.	Eternal Holdings Inc.	Samoa	International investment	\$ 6,259,870	\$ 6,603,283	204,273,859	100.00	\$ 17,904,689	\$ 1,359,538	\$ 1,350,634	Note 1
Eternal Materials Co., Ltd.	Eternal Global (BVI) Co., Ltd.	British Virgin Islands	International investment	717,527	717,527	16,821,024	100.00	4,681,917	479,806	483,462	Note 1
Eternal Materials Co., Ltd.	Mixville Holdings Inc.	British Virgin Islands	International investment	989,582	989,582	29,530,000	100.00	3,938,279	300,120	302,829	Note 1
Eternal Materials Co., Ltd.	Advanced PETFILM Investment Co., Ltd.	Japan	International investment	788,630	788,630	270	20.00	433,318	88,961	19,827	
Eternal Materials Co., Ltd.	Daxin Materials Corporation	Taiwan	Manufacturing and selling of chemical, resins materials and electronic materials.	191,052	191,052	23,423,812	22.80	661,919	631,304	143,937	
Eternal Materials Co., Ltd.	New E Materials Co., Ltd.	Taiwan	Researching, developing, manufacturing and selling of photoelectric, semiconductor process related electronic chemical materials and equipment spare parts	82,322	82,322	6,907,585	62.80	46,663	(19,843)	(12,461)	
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	151,622	195,891	78,356	
Eternal Materials Co., Ltd.	Eternal Electronic Material (Thailand) Co., Ltd.	Thailand	Trading services, cutting and selling of dry film photoresist	90,919	90,919	937,500	75.00	140,723	32,335	24,251	Note 1
Eternal Materials Co., Ltd.	CHOU-KOU Materials Co., Ltd.	Japan	Selling, trading and providing services of resins material, electronic material and other related products	60,431	60,431	4,000	100.00	83,826	6,188	4,005	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	1,313,819	406,798	393,625	Note 1
Eternal Materials Co., Ltd.	Eternal Materials (Malaysia) Sdn. Bhd.	Malaysia	Manufacturing, selling, trading and providing services of resins material related products	-	1,322,305	-	-	-	(181,843)	(127,086)	Notes 1 and 4
Eternal Materials Co., Ltd.	Elga Europe S.r.l.	Italy	Manufacturing, selling, agency and processing of electronic chemical products	287,169	287,169	-	72.68	13,378	(46,198)	(58,817)	Note 1
Eternal Holdings Inc.	Eternal International (BVI) Co., Ltd.	British Virgin Islands	International investment	5,739,033	6,550,737	183,793,592	100.00	14,716,820	1,160,884	-	Notes 2 and 3
Eternal Holdings Inc.	E-Chem Corp.	Samoa	International investment	165,608	165,608	4,990,000	100.00	2,360,423	295,697	-	Notes 2 and 3
Eternal Holdings Inc.	Eternal Nanyang Investment Co., Ltd.	Samoa	International investment	540,493	-	18,450,000	90.00	449,784	(44,804)	-	Notes 2 and 3
Eternal Holdings Inc.	Allnex-Eternal Resins Corporation Limited	Hong Kong	Trading and international investment	174,293	246,495	5,341,000	49.00	355,391	118,707	-	Notes 2 and 3
Eternal Holdings Inc.	Polymer Instrumentation and Consulting Services, Ltd.	United States	Plastic products manufacturing	121,913	121,913	4,694,296	30.00	-	(4,941)	-	Notes 2 and 3
Eternal International (BVI) Co., Ltd.	Eternal Technology Corporation	United States	Manufacturing and selling of photoresist	600,693	600,693	2,333	100.00	(86,438)	(32,510)	-	Notes 2 and 3
Mixville Holdings Inc.	High Expectation Limited	Cayman Islands	International investment	871,519	871,519	26,005,000	100.00	3,757,121	276,259	-	Notes 2 and 3
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	4,527	(46,198)	-	Notes 2 and 3
Nikko-Materials Co., Ltd.	Nikko Mechanics Co., Ltd.	Japan	Designing, manufacturing, selling of industrial machinery and machine tool	135,626	107,897	6,560	100.00	323,147	110,667	-	Notes 2 and 3
Eternal Nanyang Investment Co., Ltd.	Eternal Materials (Malaysia) Sdn. Bhd.	Malaysia	Manufacturing, selling, trading and providing services of resins material related products	1,748,418	-	347,324,000	100.00	1,642,778	(181,843)	-	Notes 2, 3 and 4

(Continued)

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

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

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

Note 4: The Company had reorganization.

(Concluded)

TABLE 10**Eternal Materials Co., Ltd. and Subsidiaries****INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020
(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, 2020 (Note 8)	Investment Flows		Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% of Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outward	Inward							
Eternal Chemical (China) Co., Ltd.	Manufacturing and selling of resins material and processing products	\$ 755,651	2	\$ 625,549	\$ -	\$ -	\$ 625,549	\$ 436,220	100.00	\$ 436,220	\$ 4,455,717	\$ 1,081,282	Notes 2 and 4
DSM Eternal Resins (Kunshan) Co., Ltd.	Manufacturing and selling of powder coating resin	183,470	2	91,735	-	-	91,735	89,457	50.00	45,767	399,839	479,187	Note 3
Changhe International Trading (GZFTZ) Co., Ltd.	International trading, commercial trading, entrepot trading, products displayed, bonded warehousing and business consulting services	13,661	2	7,020	-	-	7,020	(2,148)	100.00	(2,148)	19,563	-	Notes 2 and 4
Eternal Photoelectric Material Industry (Kunshan) Co., Ltd.	Cutting and processing of dry film photoresist and selling self-products.	191,777	2	15,364	-	15,364	-	(2,310)	-	(2,310)	-	165,880	Notes 2, 4 and 27
Eternal Electronic Material (Guangzhou) Co., Ltd.	Coating, slitting, cutting, processing, and selling of photoresist	1,259,046	2	444,685	-	-	444,685	438,645	100.00	438,645	3,671,679	983,767	Notes 2 and 4
Eternal Optical Material (Suzhou) Co., Ltd.	Manufacturing and selling of optical film	614,887	2	-	-	-	-	(99,219)	100.00	(99,219)	(711,257)	-	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	-	-	-	-	525,265	100.00	525,265	3,370,511	-	Notes 2 and 4
Eternal Photoelectric Material Industry (Yingkou) Co., Ltd.	Researching, developing and manufacturing of photoresist dry film, liquid photo imaginable solder masks and printed circuit board related materials	124,282	2	-	-	-	-	(6,061)	100.00	(6,061)	(208,355)	-	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	34,521	40.00	15,294	216,512	-	Notes 3 and 4
Eternal Synthetic Resins (Changshu) Co., Ltd.	Manufacturing and selling of unsaturated polyester resin	726,426	2	279,811	-	-	279,811	21,553	100.00	21,553	211,007	-	Notes 2 and 4
Eternal Chemical (Tianjin) Co., Ltd.	Manufacturing and selling of adhesives, resins material and processing products	1,008,004	2	599,320	-	-	599,320	87,025	100.00	87,025	851,312	-	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	306,317	90.00	295,648	2,347,860	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	(27,787)	40.00	(11,523)	(14,095)	-	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	276,413	100.00	276,413	3,754,945	1,371,700	Notes 2 and 4
Eternal (China) Investment Co., Ltd.	Managing, investing consulting services, researching, leasing, manufacturing and selling of resins material and photoelectric chemicals materials	7,557,603	2	5,061,184	-	796,340	4,264,844	1,193,176	100.00	1,193,176	14,775,322	-	Notes 2, 4 and 5

(Continued)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investments from Taiwan as of January 1, 2019 (Note 8)	Investment Flows		Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee	% of Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2019	Accumulated Repatriation of Investment Income as of December 31, 2019	Note
					Outward	Inward							
Eternal Chemical (Chengdu) Co., Ltd.	Researching and developing resins material and products	\$ 450,351	2	\$ -	\$ -	\$ -	\$ -	\$ (133,491)	100.00	\$ (133,491)	\$ (387,913)	\$ -	Notes 2 and 4
Eternal Electronic (Suzhou) Co., Ltd.	Researching, developing, and manufacturing of dry film photoresist and dry film solder mask which used in electronic materials, researching resin materials and selling, providing after sales service of self-produced products	1,381,040	2	-	-	-	-	142,122	100.00	142,122	1,467,477	-	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	-	-	-	-	(95,541)	60.00	(57,325)	94,533	-	Notes 2 and 4
Eternal Specialty Materials (Suzhou) Co., Ltd.	Researching and developing chemical products, and selling, providing technical services of self-produced products	1,199,225	2	-	-	-	-	120,276	100.00	120,276	1,334,641	-	Notes 2 and 4
Eternal Materials (Changzhou) Co., Ltd.	Selling of fluorocarbon resin and polyester resin products	-	2	-	-	-	-	(22,871)	-	(22,871)	-	-	Notes 2, 4 and 9
Showa Denko New Material (Zhuhai) Co., Ltd.	Manufacturing and selling and manufacturing of functional resins, resins composite material and providing technical services	366,881	2	-	-	-	-	2,248	30.00	292	88,130	-	Notes 2 and 4
Hangzhou Yongxinyang Photoelectric Materials Co. Ltd.	Researching, developing, selling and manufacturing optical film for liquid-crystal display	45,170	2	-	-	-	-	(17,445)	-	1,656	-	-	Notes 2, 4 and 13

Investor Company	Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2020 (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.	\$ 8,083,938	\$ 23,350,768	\$ -

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

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

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

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

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

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

(Continued)

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

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

Note 8: The difference between the summary and details of accumulated outward remittance for investments in mainland China at the end of the reporting period was mainly due to the loss on liquidation of the subsidiaries.

Note 9: The liquidation was completed in July 2020.

(Concluded)

TABLE 11**Eternal Materials Co., Ltd. and Subsidiaries****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2020**

Name of the Major Shareholder	Shares	
	Number of Shares Owned	Percentage of Ownership
Kwang Yang Motor Co., Ltd.	124,000,000	9.99
Kwang Hsing Industrial Co., Ltd.	84,000,000	6.77
Kao, Ying-Shih	78,287,830	6.31

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and

Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, refer to Market Observation Post System.

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, 2020 and 2019, 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. (collectively referred to as the “financial statements”)

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, 2020 and 2019, 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 audit of the financial statements for the year ended December 31, 2020 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. We conducted our audit of the financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020, and auditing standards generally accepted in the Republic of China. 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 report of other audits, 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, 2020. 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.

The key audit matters identified in the Company's standalone financial statements for the year ended December 31, 2020 are stated as follows:

The Occurrence of the High Performance Materials Department Sales Revenue

1. Risk Description

The sales revenue of Eternal Materials Co., Ltd. decreased due to the industrial and economic downturn compared to the previous year. However, the percentage of sales revenue of the high performance materials department in particular had been increased. Therefore, we identified revenue occurrence from the high performance materials department as a key audit matter.

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

- a. We obtained an understanding of the internal controls cover the customer master file, ordering, accounting and receiving process on revenue recognition of high performance materials department and tested their effectiveness.
- b. We obtained the major customer master file data and verified the information of the registered responsible person, business category, and business address etc. using publicly available information, and we evaluated the reasonableness of credit limit relative, transaction terms, sales revenue and the company size.
- c. We selected appropriate samples from the sales revenue receipts of the high performance materials department, examined the payment and goods delivery receipts, and we verified that the recipient of the payment and the transacted counterparty was the same.
- d. We examined material subsequent events with respect to sales returns and verified that the sales transactions occurred before the balance sheet date.

Other Matter

The financial statements of some associates accounted for using the equity method were audited by other auditors. Therefore, our opinion on the amounts and disclosures of such investments included in the accompanying financial statements was based on the report of other auditors. Such investments accounted for using the equity method amounted to NT\$813,541 thousand and NT\$764,646 thousand, both representing 2% of the Company's total assets as of December 31, 2020 and 2019, respectively, and the share of the profit of associates amounted to NT\$222,293 thousand and NT\$204,589 thousand, representing 7% and 13% of the Company's total comprehensive income for the years ended December 31, 2020 and 2019, 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 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, 2020 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 audits resulting in this independent auditors' report are Chao-Chun Wang and Lee-Yuan Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 26, 2021

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, 2020		December 31, 2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 329,643	1	\$ 366,261	1
Notes receivable, net (Notes 4 and 7)	286,075	1	280,413	1
Accounts receivable, net (Notes 4, 5 and 7)	2,180,150	5	2,420,103	6
Accounts receivable from related parties, net (Notes 4, 5, 7 and 25)	953,892	2	839,763	2
Other receivables (Notes 7 and 25)	620,114	1	608,187	1
Inventories (Notes 4, 5 and 8)	2,629,686	6	2,494,574	6
Other current assets - others (Note 20)	147,044	-	105,149	-
Total current assets	7,146,604	16	7,114,450	17
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 9)	864,522	2	578,821	1
Investments accounted for using the equity method (Notes 4 and 10)	29,370,153	66	28,654,143	67
Property, plant and equipment (Notes 4 and 11)	6,145,448	14	6,184,393	14
Right-of-use assets (Notes 4 and 12)	115,936	-	47,027	-
Investment properties (Notes 4 and 13)	17,057	-	17,057	-
Intangible assets (Notes 4 and 14)	229,525	1	88,005	-
Deferred tax assets (Notes 4, 5 and 20)	232,729	1	254,700	1
Other non-current assets - others (Note 26)	35,783	-	17,398	-
Total non-current assets	37,011,153	84	35,841,544	83
TOTAL	\$ 44,157,757	100	\$ 42,955,994	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 4 and 15)	\$ 1,740,320	4	\$ 2,038,640	5
Notes payable	22	-	1,531	-
Accounts payable (Note 25)	1,387,404	3	1,038,887	2
Other payables - others (Note 16)	857,784	2	821,958	2
Current tax liabilities (Note 20)	136,380	-	90,611	-
Lease liabilities - current (Notes 4 and 12)	28,518	-	12,893	-
Current portion of long-term borrowings (Notes 4 and 15)	1,809,384	4	2,994,000	7
Other current liabilities - others (Note 18)	30,082	-	7,726	-
Total current liabilities	5,989,894	13	7,006,246	16
NON-CURRENT LIABILITIES				
Bonds payable (Notes 4 and 15)	2,995,374	7	2,994,192	7
Long-term borrowings (Notes 4 and 15)	8,607,432	20	7,796,408	18
Deferred tax liabilities (Notes 4 and 20)	2,642,876	6	2,725,100	7
Lease liabilities - non-current (Notes 4 and 12)	88,693	-	29,594	-
Other non-current liabilities (Notes 5 and 16)	998,991	2	989,117	2
Total non-current liabilities	15,333,366	35	14,534,411	34
Total liabilities	21,323,260	48	21,540,657	50
EQUITY (Note 17)				
Ordinary shares	12,402,795	28	12,402,795	29
Capital surplus	368,946	1	356,046	1
Retained earnings				
Legal reserve	4,188,871	10	3,942,840	9
Special reserve	1,442,690	3	510,893	1
Unappropriated earnings	5,213,715	12	5,645,452	13
Total retained earnings	10,845,276	25	10,099,185	23
Other equity	(782,520)	(2)	(1,442,689)	(3)
Total equity	22,834,497	52	21,415,337	50
TOTAL	\$ 44,157,757	100	\$ 42,955,994	100

The accompanying notes are an integral part of the standalone financial statements.
(With Deloitte & Touche auditors' report dated March 26, 2021)

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			
	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 18 and 25)	\$ 13,011,068	100	\$ 14,804,018	100
OPERATING COSTS (Notes 8, 16, 19 and 25)	<u>10,416,153</u>	<u>80</u>	<u>12,164,359</u>	<u>82</u>
GROSS PROFIT	<u>2,594,915</u>	<u>20</u>	<u>2,639,659</u>	<u>18</u>
OPERATING EXPENSES (Notes 7, 16 and 19)				
Selling and marketing expenses	747,307	6	721,682	5
General and administrative expenses	814,088	6	755,420	5
Research and development expenses	1,048,456	8	1,031,419	7
Expected credit loss (gain)	<u>51,176</u>	<u>-</u>	<u>(13,049)</u>	<u>-</u>
Total operating expenses	<u>2,661,027</u>	<u>20</u>	<u>2,495,472</u>	<u>17</u>
PROFIT (LOSS) FROM OPERATIONS	<u>(66,112)</u>	<u>-</u>	<u>144,187</u>	<u>1</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	254	-	604	-
Other income (Notes 19 and 25)	506,182	4	505,958	3
Other gains and losses (Notes 10 and 19)	(191,460)	(2)	447,835	3
Loss on disposal of financial assets at amortized cost (Note 10)	(12,007)	-	-	-
Net foreign exchange gains and losses (Note 29)	(35,298)	-	(4,150)	-
Finance costs (Notes 4 and 19)	(204,037)	(2)	(264,847)	(2)
Share of profit of subsidiaries, associates and joint ventures (Note 10)	<u>2,602,562</u>	<u>20</u>	<u>1,725,901</u>	<u>12</u>
Total non-operating income and expenses	<u>2,666,196</u>	<u>20</u>	<u>2,411,301</u>	<u>16</u>
PROFIT BEFORE INCOME TAX	2,600,084	20	2,555,488	17
INCOME TAX EXPENSE (Notes 4 and 20)	<u>(56,588)</u>	<u>-</u>	<u>(89,132)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>2,543,496</u>	<u>20</u>	<u>2,466,356</u>	<u>16</u>

(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			
	2020		2019	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 16, 17 and 20)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	\$ (43,380)	-	\$ (93,192)	(1)
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	305,925	2	105,260	1
Remeasurement of defined benefit plans of subsidiaries, associates and joint ventures accounted for using the equity method	(480)	-	(1,357)	-
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	(6,468)	-	58,813	1
Income tax relating to items that will not be reclassified subsequently to profit or loss	(23,729)	-	24,278	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of the financial statements of foreign operations	354,762	2	(974,560)	(7)
Share of other comprehensive income (loss) of associates and joint ventures	<u>9,320</u>	<u>-</u>	<u>(53,883)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>595,950</u>	<u>4</u>	<u>(934,641)</u>	<u>(6)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 3,139,446</u>	<u>24</u>	<u>\$ 1,531,715</u>	<u>10</u>
EARNINGS PER SHARE (Note 21)				
Basic	\$ 2.05		\$ 1.99	
Diluted	2.04		1.98	

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

(With Deloitte & Touche auditors' report dated March 26, 2021)

Eternal Materials Co., Ltd.

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

	Ordinary Shares	Capital Surplus	Retained Earnings			Exchange Differences on Translation of the Financial Statement of Foreign Operations	Other Equity		Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Gains and Losses on Financial Assets at Fair Value Through Other Comprehensive Income	Total Other Equity	
BALANCE AT JANUARY 1, 2019	\$ 12,402,795	\$ 356,046	\$ 3,787,789	\$ 426,930	\$ 4,540,412	\$ (656,465)	\$ 145,572	\$ (510,893)	\$ 21,003,079
Appropriation of 2018 earnings (Note 17)									
Legal reserve	-	-	155,051	-	(155,051)	-	-	-	-
Special reserve	-	-	-	83,963	(83,963)	-	-	-	-
Cash dividends - NT\$0.9 per share	-	-	-	-	(1,116,252)	-	-	-	(1,116,252)
	-	-	155,051	83,963	(1,355,266)	-	-	-	(1,116,252)
Net profit for the year ended December 31, 2019	-	-	-	-	2,466,356	-	-	-	2,466,356
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	(75,640)	(1,028,443)	169,442	(859,001)	(934,641)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	2,390,716	(1,028,443)	169,442	(859,001)	1,531,715
Disposal of investments in equity instruments as at fair value through other comprehensive income (Note 17)	-	-	-	-	69,590	-	(72,795)	(72,795)	(3,205)
BALANCE AT DECEMBER 31, 2019	12,402,795	356,046	3,942,840	510,893	5,645,452	(1,684,908)	242,219	(1,442,689)	21,415,337
Appropriation of 2019 earnings (Note 17)									
Legal reserve	-	-	246,031	-	(246,031)	-	-	-	-
Special reserve	-	-	-	931,797	(931,797)	-	-	-	-
Cash dividends - NT\$1.4 per share	-	-	-	-	(1,736,391)	-	-	-	(1,736,391)
	-	-	246,031	931,797	(2,914,219)	-	-	-	(1,736,391)
Net profit for the year ended December 31, 2020	-	-	-	-	2,543,496	-	-	-	2,543,496
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(35,088)	364,082	266,956	631,038	595,950
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	2,508,408	364,082	266,956	631,038	3,139,446
Difference between equity purchase price and carrying amount arising from actual acquisition or disposal of subsidiaries	-	12,842	-	-	-	-	-	-	12,842
Disposal of investments in equity instruments as at fair value through other comprehensive income (Note 17)	-	-	-	-	(25,926)	-	29,131	29,131	3,205
Others	-	58	-	-	-	-	-	-	58
BALANCE AT DECEMBER 31, 2020	\$ 12,402,795	\$ 368,946	\$ 4,188,871	\$ 1,442,690	\$ 5,213,715	\$ (1,320,826)	\$ 538,306	\$ (782,520)	\$ 22,834,497

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

(With Deloitte & Touche auditors' report dated March 26, 2021)

Eternal Materials Co., Ltd.

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

	For the Year Ended December	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 2,600,084	\$ 2,555,488
Adjustments for:		
Depreciation expense	668,396	654,074
Amortization expense	15,217	7,630
Expected credit loss (gain)	51,176	(13,049)
Finance costs	204,037	264,847
Loss on disposal of financial assets at amortized cost	12,007	-
Interest income	(254)	(604)
Dividend income	(34,252)	(23,945)
Share of the profit of subsidiaries, associates and joint ventures	(2,602,562)	(1,725,901)
Loss (Gain) on disposal of property, plant and equipment	4,342	(1,113)
Gain on disposal of non-current assets held for sale	-	(480,640)
Impairment loss recognized on financial assets	155,802	-
Impairment loss recognized on non-financial assets	28,909	16,977
Others	17	-
Changes in operating assets and liabilities		
Notes receivable	(5,662)	101,651
Notes receivable from related parties	-	133
Accounts receivable	197,988	201,570
Accounts receivable from related parties	(108,195)	69,074
Other receivables	(9,906)	8,749
Inventories	(164,021)	364,005
Other current assets	3,150	65,077
Notes payable	(1,509)	(21,988)
Accounts payable	348,517	(480,451)
Other payables	60,398	(17,369)
Other current liabilities	2,264	(18,095)
Other non-current liabilities	(30,962)	(111,067)
Cash generated from operations	1,394,981	1,415,053
Interest received	254	604
Dividends received	1,193,112	767,213
Interest paid	(210,933)	(281,816)
Income taxes paid	(136,635)	(155,291)
Net cash generated from operating activities	<u>2,240,779</u>	<u>1,745,763</u>

(Continued)

Eternal Materials Co., Ltd.

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

	For the Year Ended December 31	
	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets at fair value through other comprehensive income	\$ 18,706	\$ 80,499
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	1,517	-
Acquisition of investments accounted for using the equity method	(540,493)	(90,626)
Proceeds from disposal of investments accounted for using the equity method	537,857	-
Net cash inflow on disposal of subsidiaries	-	27,191
Proceeds from capital reduction of investments accounted for using the equity method	883,906	179,814
Proceeds from disposal of non-current assets held for sale	-	489,883
Payment for property, plant and equipment	(628,035)	(783,508)
Proceeds from disposal of property, plant and equipment	48,664	20,229
Payment for intangible assets	(156,737)	(6,270)
Decrease (increase) in other financial assets	(15,000)	14,830
Decrease (increase) in other non-current assets	(3,386)	138
	<u>146,999</u>	<u>(67,820)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	(298,320)	64,026
Proceeds from issuance of bonds	-	3,000,000
Proceeds from long-term borrowings	12,430,126	12,209,081
Repayments of long-term borrowings	(12,804,000)	(15,723,000)
Decrease in guarantee deposits received	(2,542)	-
Repayment of the principal portion of lease liabilities	(13,327)	(11,781)
Dividends paid	(1,736,391)	(1,116,252)
Others	58	-
	<u>(2,424,396)</u>	<u>(1,577,926)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(36,618)	100,017
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>366,261</u>	<u>266,244</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 329,643</u>	<u>\$ 366,261</u>
The accompanying notes are an integral part of the standalone financial statements. (With Deloitte & Touche auditors' report dated March 26, 2021)		(Concluded)

Eternal Materials Co., Ltd.

NOTES TO STANDALONE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Eternal Materials Co., Ltd. (the Company) was established in December 1964. The Company is mainly engaged in the research, manufacturing, processing, selling and trading of diversified industrial synthetic resins, epoxy resin, coating, molding compound, copper clad laminates, film materials, photoresist materials, electronic chemical materials, composite materials and bio-medical testing 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 26, 2021.

3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

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 material impact on the Company's accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"	January 1, 2021

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 and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

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

New IFRSs	Effective Date Announced by IASB (Note)
“Annual improvements to IFRS standards 2018-2020 cycle”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference a reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sales or Contribution of Assets between an investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

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 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 POLICIES

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

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 to be equal to those attributable to owners of the Company in the consolidated financial statements, the differences in 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 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities without an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are 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 have previously been recognized in other comprehensive income are recognized on the same basis as would be required if those interests had been 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 (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the closing rates 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 is 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 closing 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, if any. 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 cease 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.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is recognized 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 property, plant and equipment, investment properties, right-of-use assets and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, investment properties, right-of-use assets 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.

When a sale plan would result in a loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale, regardless of whether the Company will retain a non-controlling interest in that subsidiary after the sale. However, such investment is still accounted for using the equity method.

When the Company is committed to a sale plan involving the disposal of an investment or a portion of an investment in an associate or a joint venture, only the investment or the portion of the investment that will be disposed of is classified as held for sale when the classification criteria are met, and the Company discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. If the Company ceases to have significant influence over the investment after the disposal takes place, the Company accounts for any retained interest that has not been classified as held for sale in accordance with the accounting policies for financial instruments.

When a subsidiary, associate and a portion of an interest in a joint venture previously classified as held for sale no longer meets the criteria to be classified as such, it is measured at the carrying amount that would have been recognized as such interests had not been classified as held for sale. The financial statements for the prior periods with interests classified as held for sale are amended accordingly.

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

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, other financial assets - noncurrent 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.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset.

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.

b) Impairment of financial assets and contract assets

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 (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. The risk of default of accounts receivable and finance lease receivables is assessed based on the number of days past due. The risk of default of other financial assets for the next 12 months is assessed based on internal or external information.

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 recognizes the proceeds received in accounts payable and related borrowings.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI in its entirety, the cumulative gain or loss which 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 a 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

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 the 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.

p. Leases

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

1) The Company as lessor

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

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

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

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the lease terms.

2) The Company as lessee

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

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

Right-of-use assets are presented on a separate line in the standalone balance sheets, except for those that meet the definition of investment properties.

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However,

if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Company accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing any gain or loss on the partial or full termination of the lease in profit or loss; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the standalone balance sheets.

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

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

The Company's income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

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

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

2) Deferred tax

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

Deferred tax liabilities are generally recognized for 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 recognized only 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 assets 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, estimations 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 Company considers the economic impacts of the COVID-19 when making their critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Key Sources of Estimation and Assumption Uncertainty

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.

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

b. Estimated impairment of accounts receivable

The provision for impairment of accounts receivable is based on assumptions about risk of default and expected loss rates. The Company 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.

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

	December 31	
	2020	2019
Cash on hand	\$ 3,559	\$ 3,959
Checking accounts and demand deposits	<u>326,084</u>	<u>362,302</u>
	<u>\$ 329,643</u>	<u>\$ 366,261</u>

7. NOTES, ACCOUNTS AND OTHER RECEIVABLES

	December 31	
	2020	2019
Notes receivable	<u>\$ 286,075</u>	<u>\$ 280,413</u>
Accounts receivable	\$ 2,277,781	\$ 2,475,769
Less: Allowance for loss	<u>(97,631)</u>	<u>(55,666)</u>
	<u>\$ 2,180,150</u>	<u>\$ 2,420,103</u>
Accounts receivable from related parties	\$ 953,986	\$ 845,791
Less: Allowance for loss	<u>(94)</u>	<u>(6,028)</u>
	<u>\$ 953,892</u>	<u>\$ 839,763</u>
Other receivables	\$ 635,259	\$ 608,187
Less: Allowance for loss	<u>(15,145)</u>	<u>-</u>
	<u>\$ 620,114</u>	<u>\$ 608,187</u>

a. Notes receivable and accounts receivables

The notes and accounts receivable of the Company are measured at amortized cost. For the related credit management policies, refer to Note 24.

The loss allowance for the Company's accounts receivable is recognized by using lifetime expected credit loss. The lifetime expected credit losses on accounts receivable are estimated using a provision matrix approach considering 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, 2020

	Not Past Due	0 to 30 Days	31 to 90 Days	91 to 180 Days	Over 180 Days	Total
Gross carrying amount	\$ 3,275,360	\$ 110,148	\$ 37,783	\$ 23,814	\$ 70,737	\$ 3,517,842
Loss allowance (lifetime ECL)	<u>(4,203)</u>	<u>(2,219)</u>	<u>(4,847)</u>	<u>(15,719)</u>	<u>(70,737)</u>	<u>(97,725)</u>
Amortized cost	<u>\$ 3,271,157</u>	<u>\$ 107,929</u>	<u>\$ 32,936</u>	<u>\$ 8,095</u>	<u>\$ -</u>	<u>\$ 3,420,117</u>

December 31, 2019

	Not Past Due	0 to 30 Days	31 to 90 Days	91 to 180 Days	Over 180 Days	Total
Gross carrying amount	\$ 3,196,219	\$ 274,388	\$ 70,341	\$ 16,023	\$ 45,002	\$ 3,601,973
Loss allowance (lifetime ECL)	<u>(2,531)</u>	<u>(2,905)</u>	<u>(3,296)</u>	<u>(7,960)</u>	<u>(45,002)</u>	<u>(61,694)</u>
Amortized cost	<u>\$ 3,193,688</u>	<u>\$ 271,483</u>	<u>\$ 67,045</u>	<u>\$ 8,063</u>	<u>\$ -</u>	<u>\$ 3,540,279</u>

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

	For the Year Ended December 31	
	2020	2019
Balance at January 1	\$ 61,694	\$ 76,452
Recognized (reversed) in current year	36,031	(13,049)
Written off in current year	<u>-</u>	<u>(1,709)</u>
Balance at December 31	<u>\$ 97,725</u>	<u>\$ 61,694</u>

b. Other receivables

The Company's allowance for loss is based on historical experience and current financial circumstances. The Company assessed that some of the other receivables could not be recovered. For the year ended December 31, 2020, the Company recognized an expected credit loss of NT\$15,145 thousand.

8. INVENTORIES

	December 31	
	2020	2019
Raw materials	\$ 1,186,905	\$ 1,124,147
Supplies	35,237	30,462
Finished goods	1,323,925	1,280,195
Inventory in transit	<u>83,619</u>	<u>59,770</u>
	<u>\$ 2,629,686</u>	<u>\$ 2,494,574</u>

The cost of inventories recognized as operating costs for the years ended December 31, 2020 and 2019 was NT\$10,416,153 thousand and NT\$12,164,359 thousand, respectively, including write-down of inventories of NT\$28,909 thousand and NT\$16,977 thousand, respectively.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT

	December 31	
	2020	2019
Domestic investments		
Listed shares		
President Securities Corp.	\$ 642,849	\$ 494,947
Unlisted shares		
Universal Venture Capital Investment Corp.	32,602	34,010
Universal Development & Investment Capital I Co., Ltd.	-	21,596
Der Yang Biotechnology Venture Capital Co., Ltd.	<u>3,769</u>	<u>5,469</u>
	<u>679,220</u>	<u>556,022</u>
Foreign investments		
Listed shares		
TBG Diagnostics Limited (TBG stocks)	<u>185,302</u>	<u>22,799</u>
	<u>\$ 864,522</u>	<u>\$ 578,821</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's strategy of holding these investments for long-term purposes.

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2020	2019
Investments in subsidiaries	\$ 28,123,294	\$ 27,482,921
Investments in associates	<u>1,246,859</u>	<u>1,171,222</u>
	<u>\$ 29,370,153</u>	<u>\$ 28,654,143</u>

a. Investments in subsidiaries

	December 31			
	2020		2019	
	Amount	Percentage	Amount	Percentage
Eternal Holdings Inc.	\$ 17,904,689	100	\$ 16,716,598	100
Eternal Global (BVI) Co., Ltd.	4,681,917	100	4,460,068	100
Mixville Holdings Inc.	3,938,279	100	4,275,189	100
New E Materials Co., Ltd.	46,663	62.80	59,124	62.80
Eternal Electronic Material (Thailand) Co., Ltd.	140,723	75	138,401	75
CHOU-KOU Materials Co., Ltd.	83,826	100	79,729	100
Nikko-Materials Co., Ltd.	1,313,819	100	906,581	100
Eternal Materials (Malaysia) Sdn. Bhd.	-	-	668,305	90
Elga Europe S.r.l.	13,378	72.68	174,611	72.68
Eternal Capatech Co., Ltd.	<u>-</u>	-	<u>4,315</u>	96.71
	<u>\$ 28,123,294</u>		<u>\$ 27,482,921</u>	

The Company tested the recoverable amount of the subsidiary Elga Europe S.r.l. at the end of the annual financial reporting period. The recoverable amount is based on the cash flow generated from operations at a discount rate of 7.21 %. According to the assessment, the recoverable amount was less than the carrying amount. Therefore, an impairment loss of \$155,802 thousand (recorded as other gains and losses) was recognized in 2020.

Refer to Note 13 of the consolidated financial statements, the Company's board of directors resolved in August 2020 to sell the equity and creditor's rights of Hangzhou Yongxinyang Photoelectric Materials Co., Ltd. to a non-related party. The loss on disposal of financial assets at amortized cost of \$12,007 thousand was recognized in the current year.

b. Investments in associates

	December 31	
	2020	2019
Associates that are not individually material	<u>\$ 1,246,859</u>	<u>\$ 1,171,222</u>

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

	For the Year Ended December 31	
	2020	2019
The Company's share of		
Net profit for the year	\$ 242,120	\$ 231,206
Other comprehensive income	<u>6,915</u>	<u>(14,807)</u>
Total comprehensive income for the year	<u>\$ 249,035</u>	<u>\$ 216,399</u>

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

	December 31	
	2020	2019
Daxin Materials Corporation	<u>\$ 2,005,078</u>	<u>\$ 2,122,197</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 Statement 6 for the variation of investments accounted for using the equity method. Refer to Table 9 for the main businesses and countries of incorporation of the associates.

11. PROPERTY, PLANT AND EQUIPMENT

For the Year Ended December 31, 2020

	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, 2020	<u>\$ 2,477,603</u>	<u>\$ 936,950</u>	<u>\$ 1,724,712</u>	<u>\$ 167,525</u>	<u>\$ 308,537</u>	<u>\$ 48,754</u>	<u>\$ 520,312</u>	<u>\$ 6,184,393</u>
<u>Cost</u>								
Balance at January 1, 2020	\$ 2,477,603	\$ 3,428,623	\$ 9,014,886	\$ 656,587	\$ 1,085,786	\$ 149,179	\$ 520,312	\$ 17,332,976
Additions	2,030	125,355	559,659	26,248	133,205	6,990	(241,029)	612,458
Disposals	-	(7,251)	(70,517)	(3,624)	(12,367)	(1,418)	-	(95,177)
Reclassification	-	(2,299)	2,299	-	-	-	-	-
Balance at December 31, 2020	<u>\$ 2,479,633</u>	<u>\$ 3,544,428</u>	<u>\$ 9,506,327</u>	<u>\$ 679,211</u>	<u>\$ 1,206,624</u>	<u>\$ 154,751</u>	<u>\$ 279,283</u>	<u>\$ 17,850,257</u>
<u>Accumulated depreciation</u>								
Balance at January 1, 2020	\$ -	\$ 2,491,673	\$ 7,290,174	\$ 489,062	\$ 777,249	\$ 100,425	\$ -	\$ 11,148,583
Depreciation	-	153,982	385,976	22,764	73,896	13,286	-	649,904
Disposals	-	(7,073)	(69,553)	(3,488)	(12,332)	(1,232)	-	(93,678)
Reclassification	-	711	(711)	-	-	-	-	-
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 2,639,293</u>	<u>\$ 7,605,886</u>	<u>\$ 508,338</u>	<u>\$ 838,813</u>	<u>\$ 112,479</u>	<u>\$ -</u>	<u>\$ 11,704,809</u>
Carrying amount at December 31, 2020	<u>\$ 2,479,633</u>	<u>\$ 905,135</u>	<u>\$ 1,900,441</u>	<u>\$ 170,873</u>	<u>\$ 367,811</u>	<u>\$ 42,272</u>	<u>\$ 279,283</u>	<u>\$ 6,145,448</u>

For the Year Ended December 31, 2019

	Land	Buildings	Machinery and Equipment	Storage Equipment	Examination Equipment	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
Carrying amount at January 1, 2019	<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>
<u>Cost</u>								
Balance at January 1, 2019	\$ 2,477,603	\$ 3,376,841	\$ 8,767,672	\$ 630,678	\$ 1,037,184	\$ 144,273	\$ 343,361	\$ 16,777,612
Additions	-	120,198	374,133	32,684	93,811	13,535	176,951	811,312
Disposals	-	(68,416)	(126,919)	(6,775)	(45,209)	(8,629)	-	(255,948)
Balance at December 31, 2019	<u>\$ 2,477,603</u>	<u>\$ 3,428,623</u>	<u>\$ 9,014,886</u>	<u>\$ 656,587</u>	<u>\$ 1,085,786</u>	<u>\$ 149,179</u>	<u>\$ 520,312</u>	<u>\$ 17,332,976</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, 2019	\$ -	\$ 2,390,468	\$ 7,031,008	\$ 473,167	\$ 752,875	\$ 95,534	\$ -	\$ 10,743,052
Depreciation	-	164,172	376,761	22,638	65,521	13,271	-	642,363
Disposals	-	(62,967)	(117,595)	(6,743)	(41,147)	(8,380)	-	(236,832)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 2,491,673</u>	<u>\$ 7,290,174</u>	<u>\$ 489,062</u>	<u>\$ 777,249</u>	<u>\$ 100,425</u>	<u>\$ -</u>	<u>\$ 11,148,583</u>
Carrying amount at December 31, 2019	<u>\$ 2,477,603</u>	<u>\$ 936,950</u>	<u>\$ 1,724,712</u>	<u>\$ 167,525</u>	<u>\$ 308,537</u>	<u>\$ 48,754</u>	<u>\$ 520,312</u>	<u>\$ 6,184,393</u>

(Concluded)

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

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 (including recorded as investment properties) held by the Company was revalued in 1980, 1990, 1997 and 2004, as of December 31, 2020 and 2019, the revaluation increments of the land was \$1,977,218 thousand.

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Carrying amounts		
Land	\$ 10,398	\$ 10,191
Buildings	84,063	13,441
Machinery	-	57
Storage	957	-
Other equipment	<u>20,518</u>	<u>23,338</u>
	<u>\$ 115,936</u>	<u>\$ 47,027</u>
	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Additions to right-of-use assets	<u>\$ 89,152</u>	<u>\$ 19,446</u>
Depreciation charge for right-of-use assets		
Land	\$ 449	\$ 434
Buildings	10,613	7,298
Machinery	57	75
Storage	68	-
Other equipment	<u>7,305</u>	<u>3,904</u>
	<u>\$ 18,492</u>	<u>\$ 11,711</u>

b. Lease liabilities

	December 31	
	2020	2019
Carrying amounts		
Current	<u>\$ 28,518</u>	<u>\$ 12,893</u>
Non-current	<u>\$ 88,693</u>	<u>\$ 29,594</u>

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

	December 31	
	2020	2019
Land	1.72-2.29	2.29
Buildings	0.79-3.64	1.67-3.64
Machinery	-	1.67
Storage	1.67	-
Other equipment	1.67-3.64	1.67-3.64

c. Other lease information

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term and low-value asset leases	<u>\$ 3,144</u>	<u>\$ 5,325</u>
Total cash outflow for all leases arrangements (including short-term and low-value asset leases)	<u>\$ 17,702</u>	<u>\$ 17,841</u>

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

13. INVESTMENT PROPERTIES

	December 31	
	2020	2019
Land	<u>\$ 17,057</u>	<u>\$ 17,057</u>

Fair value of the Company's land located in Pingtung 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 and \$18,954 thousand was determined at December 31, 2020 and 2019, respectively, by reference to market evidence of transaction prices for similar properties.

14. INTANGIBLE ASSETS

For the Year Ended December 31, 2020

	Computer Software	Other Intangible Assets	Total
Carrying amount at January 1, 2020	<u>\$ 78,254</u>	<u>\$ 9,751</u>	<u>\$ 88,005</u>
<u>Cost</u>			
Balance at January 1, 2020	\$ 82,736	\$ 17,910	\$ 100,646
Additions	<u>156,490</u>	<u>247</u>	<u>156,737</u>
Balance at December 31, 2020	<u>\$ 239,226</u>	<u>\$ 18,157</u>	<u>\$ 257,383</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2020	\$ 4,482	\$ 8,159	\$ 12,641
Amortization expense	<u>11,089</u>	<u>4,128</u>	<u>15,217</u>
Balance at December 31, 2020	<u>\$ 15,571</u>	<u>\$ 12,287</u>	<u>\$ 27,858</u>
Carrying amount at December 31, 2020	<u>\$ 223,655</u>	<u>\$ 5,870</u>	<u>\$ 229,525</u>

For the Year Ended December 31, 2019

	Computer Software	Other Intangible Assets	Total
Carrying amount at January 1, 2019	<u>\$ 82,391</u>	<u>\$ 6,974</u>	<u>\$ 89,365</u>
<u>Cost</u>			
Balance at January 1, 2019	\$ 82,736	\$ 11,640	\$ 94,376
Additions	<u>-</u>	<u>6,270</u>	<u>6,270</u>
Balance at December 31, 2019	<u>\$ 82,736</u>	<u>\$ 17,910</u>	<u>\$ 100,646</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2019	\$ 345	\$ 4,666	\$ 5,011
Amortization expense	<u>4,137</u>	<u>3,493</u>	<u>7,630</u>
Balance at December 31, 2019	<u>\$ 4,482</u>	<u>\$ 8,159</u>	<u>\$ 12,641</u>
Carrying amount at December 31, 2019	<u>\$ 78,254</u>	<u>\$ 9,751</u>	<u>\$ 88,005</u>

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

Computer software	2-20 years
Other intangible assets	3-5 years

15. BORROWINGS

a. Short-term borrowings

	Type of Borrowings	Interest Rate Range (%)	Amount
December 31, 2020	Bank loans		
	Unsecured loans	0.68-0.97	<u>\$ 1,740,320</u>
December 31, 2019	Bank loans		
	Unsecured loans	2.40-2.75	<u>\$ 2,038,640</u>

b. Long-term borrowings

	Type of Borrowings	Agreement Period and Interest Payable Schedule	Interest Rate Range (%)	Amount
December 31, 2020	Bank loans			
	Unsecured loans	From July 29, 2016 to October 2, 2023. Interest is paid based on schedule.	0.60-1.79	\$ 9,517,384
	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.	1.28	900,000
	Less: Unamortized discounts			<u>(568)</u>
				<u>899,432</u>
				10,416,816
	Less: Current portion of long-term borrowings			<u>(1,809,384)</u>
				<u>\$ 8,607,432</u>

(Continued)

Type of Borrowings	Agreement Period and Interest Payable Schedule	Interest Rate Range (%)	Amount
December 31, 2019			
Bank loans			
Unsecured loans	From August 17, 2015 to October 2, 2023. Interest is paid based on schedule.	0.80-1.94	\$ 9,891,258
Long-term bills payable			
Commercial paper	Revolving credit, the period of the agreement is five years. Maturity date is May 2023. Only banking surcharge and interests have to be paid before the maturity date.	1.40	900,000
Less: Unamortized discounts			<u>(850)</u>
			<u>899,150</u>
			10,790,408
Less: Current portion of long-term borrowings			<u>(2,994,000)</u>
			<u>\$ 7,796,408</u>
			(Concluded)

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

c. Facility agreements and financial covenants

- 1) During the period of the credit facility agreements, the Company made agreements 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, 2020 and 2019.
- 2) As of December 31, 2020, the Company utilized the credits under signed facility agreements of the following banks.

Bank	Currency	Credit line
Bank SinoPac Co., Ltd.	NTD	\$ 1,200,000
HSBC Bank (Taiwan) Limited	NTD	600,000
		(Continued)

Bank	Currency	Credit line
KGI Bank Co., Ltd.	NTD	\$ 600,000
E.SUN Commercial Bank, Ltd.	NTD	200,000
Taipei Fubon Commercial Bank Co., Ltd.	NTD	200,000
CTBC Bank Co., Ltd.	JPY	417,604
		(Concluded)

- 3) As of December 31, 2020, 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.

d. Bonds payable

	December 31	
	2020	2019
5 - year secured bond - issued at par value		
Issued in November 2019, interest rate at 0.82%, bullet repayment, payable annually	\$ 3,000,000	\$ 3,000,000
Less: Issuance cost	<u>(4,626)</u>	<u>(5,808)</u>
	<u>\$ 2,995,374</u>	<u>\$ 2,994,192</u>

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

16. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (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 Act; 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 balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2020	2019
Present value of defined benefit obligation	\$ 2,142,559	\$ 2,091,735
Fair value of plan assets	<u>(1,154,628)</u>	<u>(1,120,831)</u>
Net defined benefit liabilities	<u>\$ 987,931</u>	<u>\$ 970,904</u>
Current (recoded as other payables-others)	\$ 5,326	\$ -
Non-current (recorded as other non-current liabilities)	<u>982,605</u>	<u>970,904</u>
	<u>\$ 987,931</u>	<u>\$ 970,904</u>

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2020	<u>\$ 2,091,735</u>	<u>\$(1,120,831)</u>	<u>\$ 970,904</u>
Service cost			
Current service cost	34,699	-	34,699
Interest expense (income)	<u>14,642</u>	<u>(7,846)</u>	<u>6,796</u>
Recognized in profit or loss	<u>49,341</u>	<u>(7,846)</u>	<u>41,495</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(42,255)	(42,255)
Actuarial loss - changes in financial assumptions	92,846	-	92,846
Actuarial gain - experience adjustments	<u>(7,211)</u>	<u>-</u>	<u>(7,211)</u>
Recognized in other comprehensive income	<u>85,635</u>	<u>(42,255)</u>	<u>43,380</u>
Contributions from the employer	-	(55,561)	(55,561)
Benefits paid	<u>(84,152)</u>	<u>71,865</u>	<u>(12,287)</u>
	<u>(84,152)</u>	<u>16,304</u>	<u>(67,848)</u>
Balance at December 31, 2020	<u>\$ 2,142,559</u>	<u>\$(1,154,628)</u>	<u>\$ 987,931</u>
Balance at January 1, 2019	<u>\$ 2,181,581</u>	<u>\$(1,187,487)</u>	<u>\$ 994,094</u>
Service cost			
Current service cost	34,005	-	34,005
Interest expense (income)	<u>23,997</u>	<u>(13,062)</u>	<u>10,935</u>
Recognized in profit or loss	<u>58,002</u>	<u>(13,062)</u>	<u>44,940</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ (41,601)	\$ (41,601)
Actuarial loss - changes in financial assumptions	94,078	-	94,078
Actuarial loss - experience adjustments	<u>40,715</u>	<u>-</u>	<u>40,715</u>
Recognized in other comprehensive income	<u>134,793</u>	<u>(41,601)</u>	<u>93,192</u>
Contributions from the employer	-	(150,673)	(150,673)
Benefits paid	<u>(282,641)</u>	<u>271,992</u>	<u>(10,649)</u>
	<u>(282,641)</u>	<u>121,319</u>	<u>(161,322)</u>
Balance at December 31, 2019	<u>\$ 2,091,735</u>	<u>\$(1,120,831)</u>	<u>\$ 970,904</u> (Concluded)

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

	For the Year Ended December 31	
	2020	2019
Operating costs	\$ 18,445	\$ 19,826
Operating expenses	<u>23,050</u>	<u>25,114</u>
	<u>\$ 41,495</u>	<u>\$ 44,940</u>

Through the defined benefit plans under the Labor Standards Act, 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 salaries 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 are as follows:

	December 31	
	2020	2019
Discount rate (%)	0.30	0.70
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:

	December 31	
	2020	2019
Discount rate		
0.25% increase	<u>\$(58,689)</u>	<u>\$(59,487)</u>
0.25% decrease	<u>\$ 60,977</u>	<u>\$ 61,878</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 53,931</u>	<u>\$ 55,109</u>
0.25% decrease	<u>\$(52,302)</u>	<u>\$(53,376)</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.

	December 31	
	2020	2019
The expected contributions to the plan for the next year	<u>\$ 117,045</u>	<u>\$ 61,090</u>
The average duration of the defined benefit obligation	11 years	12 years

17. EQUITY

a. Share capital

	December 31	
	2020	2019
Number of shares authorized (in thousands)	<u>1,800,000</u>	<u>1,800,000</u>
Shares authorized	<u>\$ 18,000,000</u>	<u>\$ 18,000,000</u>

(Continued)

	December 31	
	2020	2019
Number of shares issued and fully paid (in thousands)	<u>1,240,280</u>	<u>1,240,280</u>
Shares issued	<u>\$ 12,402,795</u>	<u>\$ 12,402,795</u>

(Concluded)

b. Capital surplus

	December 31	
	2020	2019
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	19,642	19,642
Difference between equity purchase price and carrying amount from actual acquisition or disposal of subsidiaries	<u>12,872</u>	<u>30</u>
	<u>341,531</u>	<u>328,689</u>
May be used to offset deficit only		
Share of change in equities of associates or joint ventures	27,357	27,357
Others	<u>58</u>	<u>-</u>
	<u>27,415</u>	<u>27,357</u>
	<u>\$ 368,946</u>	<u>\$ 356,046</u>

Note: The capital surplus could be used to offset deficit, distributed as cash dividends or transferred to share capital when the Company has no deficit (limited to a certain percentage of the Company's paid-in capital and to 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.

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 the exemption from IFRS 1 elected by the Company. There is not any reversal of special reserve in 2020.

The appropriations of earnings for 2019 and 2018 had been approved in the shareholders’ meetings in June 2020 and June 2019, respectively. The appropriations and dividends per share were as follows:

	<u>Appropriations of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Legal reserve	\$ 246,031	\$ 155,051		
Special reserve	931,797	83,963		
Cash dividends	1,736,391	1,116,252	\$ 1.4	\$ 0.9

The appropriations of earnings for 2020 which had been proposed by the Company’s board of directors in March 2021 are as follows:

	<u>Appropriation of Earnings</u>	<u>Dividend Per Share (NT\$)</u>
Legal reserve	\$ 248,248	
Special reserve	(660,170)	
Cash dividends	1,860,419	\$ 1.5

The appropriations of earnings for 2020 are subject to resolution in the shareholders’ meeting to be held in June 2021.

d. Other equity items

1) Exchange differences on translation of the statements of foreign operations

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Balance at beginning of the year	\$(1,684,908)	\$ (656,465)
Recognized for the year		
Exchange differences on translation of the statements of foreign operations	354,762	(974,560)
Share of exchange differences of associates accounted for using the equity method	<u>9,320</u>	<u>(53,883)</u>
Balance at end of the year	<u>\$(1,320,826)</u>	<u>\$(1,684,908)</u>

The Company reinvested in mainland China and was affected by the exchange differences on translation of the financial statements of foreign operations due to the exchange rate fluctuations of the RMB to the NTD.

2) Unrealized gains and losses on financial assets at FVTOCI

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Balance at beginning of the year	<u>\$ 242,219</u>	<u>\$ 145,572</u>

(Continued)

	For the Year Ended December 31	
	2020	2019
Recognized for the year		
Unrealized gains and losses - equity instruments	\$ 273,424	\$ 110,629
Share of associates accounted for using the equity method	<u>(6,468)</u>	<u>58,813</u>
Other comprehensive income recognized for the year	<u>266,956</u>	<u>169,442</u>
Reclassification adjustment		
Cumulative unrealized gains and losses of equity instruments transferred to retained earnings due to disposal from subsidiaries	<u>29,131</u>	<u>(72,795)</u>
Balance at end of the year	<u>\$ 538,306</u>	<u>\$ 242,219</u> (Concluded)

18. REVENUE

	For the Year Ended December 31	
	2020	2019
Revenue from contracts with customers		
Revenue from the sale of goods	<u>\$ 13,011,068</u>	<u>\$ 14,804,018</u>

- a. For information on customer contracts, refer to Note 4.
- b. Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Notes and accounts receivable	<u>\$ 3,420,117</u>	<u>\$ 3,540,279</u>	<u>\$ 3,899,657</u>
Contract liabilities (recorded as other current liabilities - others)			
Sale of goods	<u>\$ 18,406</u>	<u>\$ 2,514</u>	<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.

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

	For the Year Ended December 31	
	2020	2019
From the contract liabilities at the beginning of the year		
Sale of goods	<u>\$ 2,423</u>	<u>\$ 10,050</u>

c. Disaggregation of revenue

	Reportable Segments				Total
	Resins Materials	Electronic Materials	High Performance Materials	Others	
<hr/>					
For the year ended December 31, 2020					
Type of revenue					
Sale of goods	\$ 6,891,214	\$ 3,932,095	\$ 2,164,327	\$ 23,432	\$ 13,011,068
<hr/>					
For the year ended December 31, 2019					
Type of revenue					
Sale of goods	\$ 8,282,190	\$ 4,266,672	\$ 2,235,476	\$ 19,680	\$ 14,804,018

19. PROFIT BEFORE INCOME TAX

a. Other income

	For the Year Ended December 31	
	2020	2019
Dividend income	\$ 34,252	\$ 23,945
Others (Note 25)	<u>471,930</u>	<u>482,013</u>
	<u>\$ 506,182</u>	<u>\$ 505,958</u>

b. Other gains and losses

	For the Year Ended December 31	
	2020	2019
Impairment loss on financial assets	\$(155,802)	\$ -
Gains on disposal of non-current assets held for sale	-	480,640
Financial fees	(27,771)	(21,834)
Gains (loss) on disposal of property, plant and equipment	(4,342)	1,113
Others	<u>(3,545)</u>	<u>(12,084)</u>
	<u>\$(191,460)</u>	<u>\$ 447,835</u>

c. Finance costs

	For the Year Ended December 31	
	2020	2019
Interest on loans	\$ 209,160	\$ 271,531
Interest on lease liabilities	1,231	735
Less: Amounts included in the cost of qualifying assets	<u>(6,354)</u>	<u>(7,419)</u>
	<u>\$ 204,037</u>	<u>\$ 264,847</u>

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2020	2019
Capitalized interest amount	<u>\$ 6,354</u>	<u>\$ 7,419</u>
Capitalization rates (%)	1.13-1.54	1.56-1.81

d. Depreciation and amortization

	For the Year Ended December 31	
	2020	2019
Property, plant and equipment	\$ 649,904	\$ 642,363
Right-of-use assets	18,492	11,711
Intangible assets	<u>15,217</u>	<u>7,630</u>
	<u>\$ 683,613</u>	<u>\$ 661,704</u>
Analysis of depreciation by function		
Operating costs	\$ 480,296	\$ 485,437
Operating expenses	<u>188,100</u>	<u>168,637</u>
	<u>\$ 668,396</u>	<u>\$ 654,074</u>
Analysis of amortization by function		
Operating expenses	<u>\$ 15,217</u>	<u>\$ 7,630</u>

e. Employee benefits

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits		
Salaries	\$ 1,970,817	\$ 1,845,151
Labor and health insurance	147,825	149,648
Others	<u>118,770</u>	<u>120,468</u>
	<u>2,237,412</u>	<u>2,115,267</u>
Post-employment benefits		
Defined contribution plans	64,270	56,158
Defined benefit plans (Note 16)	<u>41,495</u>	<u>44,940</u>
	<u>105,765</u>	<u>101,098</u>
	<u>\$ 2,343,177</u>	<u>\$ 2,216,365</u>
Analysis by function		
Operating costs	\$ 932,316	\$ 902,373
Operating expenses	<u>1,410,861</u>	<u>1,313,992</u>
	<u>\$ 2,343,177</u>	<u>\$ 2,216,365</u>

f. Compensation of employee and remuneration of directors

The Company distributed compensation of employee and remuneration of directors at rates of 4.5%-5.5% and no higher than 1%, respectively, of pre-tax profit prior to the deduction of compensation of employee and remuneration of directors. The accrual amounts recognized in the financial statements and amounts approved by the Company's board of directors for the year ended December 31, 2020 are as follows:

	For the Year Ended December 31, 2020	
	Accrual Amounts Recognized in the Financial Statements	Amounts Approved by the Company's Board of Directors
Compensation of employee - cash	<u>\$ 131,000</u>	<u>\$ 123,628</u>
Remuneration of directors - cash	<u>\$ 16,200</u>	<u>\$ 16,200</u>

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

The compensation of employee and remuneration of directors (all in cash) approved by the Company's board of directors in March 2020 and 2019, and accrual amounts recognized in the standalone financial statements, respectively, were as follows:

	For the Year Ended December 31			
	2019		2018	
	Compensatio n of Employee	Remuneratio n of Directors	Compensatio n of Employee	Remuneratio n of Directors
Amounts approved in the board of directors' meeting	\$121,177	\$ 15,325	\$ 72,181	\$ 14,400
Amounts recognized in the annual financial statements	<u>122,000</u>	<u>15,325</u>	<u>77,544</u>	<u>14,400</u>
Difference	<u>\$ (823)</u>	<u>\$ -</u>	<u>\$ (5,363)</u>	<u>\$ -</u>

The differences were adjusted to profit and loss for the years ended December 31, 2020 and 2019.

Information on the compensation of employee 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.

20. INCOME TAX

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

	For the Year Ended December 31	
	2020	2019
Current tax In respect of the current year	\$ 136,379	\$ 87,406 (Continued)

	For the Year Ended December 31	
	2020	2019
Land value increment tax	\$ -	\$ 60,202
Adjustment for prior years	<u>4,191</u>	<u>12,308</u>
	<u>140,570</u>	<u>159,916</u>
Deferred tax		
In respect of the current year	<u>(83,982)</u>	<u>(70,784)</u>
	<u>\$ 56,588</u>	<u>\$ 89,132</u> (Concluded)

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

	For the Year Ended December 31	
	2020	2019
Profit before income tax	<u>\$ 2,600,084</u>	<u>\$ 2,555,488</u>
Income tax expense calculated at the statutory rate	\$ 520,017	\$ 511,098
Effect from items adjusted by regulation	(376,301)	(480,433)
Land value increment tax	-	60,202
Income tax on unappropriated earnings	-	9,819
Investment credits	(91,319)	(23,862)
Adjustment for prior years	<u>4,191</u>	<u>12,308</u>
	<u>\$ 56,588</u>	<u>\$ 89,132</u>

The Statute for Industrial Innovation was amended in 2019, which stipulate that amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings.

- b. Income tax expense (benefit) recognized directly in equity

	For the Year Ended December 31	
	2020	2019
Current tax		
Disposal of investments in equity instruments at FVTOCI	<u>\$ (3,205)</u>	<u>\$ 3,205</u>

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

	For the Year Ended December 31	
	2020	2019
Deferred tax		
Recognized for the year		
Remeasurement of defined benefit plans	\$ (8,676)	\$(18,638)
Remeasurement of defined benefit plans of subsidiaries, associates and joint ventures accounted for using the equity method	(96)	(271)

(Continued)

	For the Year Ended December 31	
	2020	2019
Unrealized gains and losses on financial assets at fair value through other comprehensive income	<u>\$ 32,501</u>	<u>\$ (5,369)</u>
	<u>\$ 23,729</u>	<u>\$(24,278)</u> (Concluded)

d. Current tax assets and liabilities

	December 31	
	2020	2019
Current tax assets		
Prepaid income tax (recorded as other current assets - others)	<u>\$ 103,485</u>	<u>\$ 58,439</u>
Current tax liabilities		
Income tax payable	<u>\$ 136,380</u>	<u>\$ 90,611</u>

e. Deferred tax assets and liabilities

Movements of deferred tax assets and liabilities were as follows:

For the Year Ended December 31, 2020

	Balance at Beginning of the Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance at End of the Year
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit plan	\$ 172,835	\$ (6,336)	\$ 8,676	\$ 175,175
Others	<u>81,865</u>	<u>8,459</u>	<u>(32,770)</u>	<u>57,554</u>
	<u>\$ 254,700</u>	<u>\$ 2,123</u>	<u>\$ (24,094)</u>	<u>\$ 232,729</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Investment income	\$(2,084,383)	\$ 88,008	\$ 365	\$(1,996,010)
Gains on land revaluation	(640,717)	-	-	(640,717)
Unrealized gains on foreign exchange	<u>-</u>	<u>(6,149)</u>	<u>-</u>	<u>(6,149)</u>
	<u>\$(2,725,100)</u>	<u>\$ 81,859</u>	<u>\$ 365</u>	<u>\$(2,642,876)</u>

For the Year Ended December 31, 2019

	Balance at Beginning of the Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance at End of the Year
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit plan	\$ 176,326	\$ (22,129)	\$ 18,638	\$ 172,835
Others	<u>84,672</u>	<u>(8,444)</u>	<u>5,637</u>	<u>81,865</u>
	<u>\$ 260,998</u>	<u>\$ (30,573)</u>	<u>\$ 24,275</u>	<u>\$ 254,700</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Investment income	\$(2,185,302)	\$ 100,916	\$ 3	\$(2,084,383)
Gains on land revaluation	(640,717)	-	-	(640,717)
Unrealized gains on foreign exchange	<u>(441)</u>	<u>441</u>	<u>-</u>	<u>-</u>
	<u>\$(2,826,460)</u>	<u>\$ 101,357</u>	<u>\$ 3</u>	<u>\$(2,725,100)</u>

f. Income tax assessment

The Company's income tax returns of 2018 have been assessed by the tax authorities.

21. EARNINGS PER SHARE

	For the Year Ended December 31	
	2020	2019
Basic earnings per share	<u>\$ 2.05</u>	<u>\$ 1.99</u>
Diluted earnings per share	<u>\$ 2.04</u>	<u>\$ 1.98</u>

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

	For the Year Ended December 31	
	2020	2019
Net profit for the year	<u>\$ 2,543,496</u>	<u>\$ 2,466,356</u>

Number of ordinary shares

Unit: Thousand Shares

	For the Year Ended December 31	
	2020	2019
Weighted average number of ordinary shares used in the computation of basic earnings per share	1,240,280	1,240,280 (Continued)

	For the Year Ended December 31	
	2020	2019
Effect of potentially dilutive ordinary shares		
Compensation of employee	<u>4,879</u>	<u>5,263</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>1,245,159</u>	<u>1,245,543</u> (Concluded)

Since the Company is allowed to settle the compensation paid to employees by cash or shares, the Company assumes 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.

22. CASH FLOW INFORMATION

	For the Year Ended December 31	
	2020	2019
Acquisition of property, plant and equipment	\$ 612,458	\$ 811,312
Decrease (increase) in payables for equipment	<u>21,931</u>	<u>(20,385)</u>
	634,389	790,927
Capitalized interest	<u>(6,354)</u>	<u>(7,419)</u>
Cash paid	<u>\$ 628,035</u>	<u>\$ 783,508</u>

23. 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.

24. 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, 2020</u>				
Financial instruments at FVTOCI				
Equity instruments				
Domestic and foreign listed shares	\$ 642,849	\$ -	\$ 185,302	\$ 828,151
Domestic and foreign unlisted shares	\$ -	\$ -	\$ 36,371	\$ 36,371
<u>December 31, 2019</u>				
Financial instruments at FVTOCI				
Equity instruments				
Domestic and foreign listed shares	\$ 517,746	\$ -	\$ -	\$ 517,746
Domestic and foreign unlisted shares	\$ -	\$ -	\$ 61,075	\$ 61,075

For listed shares (except TBG stocks) as of December 31, 2020, the Company used the published price quotations as fair value inputs (Level 1). The market price of the listed shares is the closing price of the shares of the Taiwan Stock Exchange. Additionally, the Company used fair value inputs (Level 3) to value unlisted and TBG stocks.

For listed shares as of December 31 2019, the Company used the published price quotations as fair value inputs (Level 1). The market price of the listed shares is the closing price of the shares at the Taiwan Stock Exchange and the Australian Stock Exchange. Additionally, the Company uses fair value inputs (Level 3) to value unlisted stocks.

There was no transfer between Level 1 and Level 2 during the years ended December 31, 2020 and 2019. Since TBG stocks in 2020 had no published price quotations as the fair value input for more than a certain period of time, it was transferred from Level 1 to Level 3.

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

For the Year ended December 31, 2020

Financial assets	<u>Stocks FVTOCI</u>
Balance at beginning of the year	\$ 61,075
Recognized in other comprehensive income	(20,006)
Transferred to level 3	202,264
Disposal	<u>(21,660)</u>
Balance at end of the year	<u>\$ 221,673</u>

For the Year ended December 31, 2019

<u>Financial assets</u>	<u>Stocks FVTOCI</u>
Balance at beginning of the year	\$ 110,653
Recognized in other comprehensive income	31,059
Disposal	<u>(80,637)</u>
Balance at end of the year	<u>\$ 61,075</u>

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

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

c. Categories of financial instruments

<u>Financial assets</u>	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Financial assets at amortized cost (Note 1)	\$ 4,400,982	\$ 4,529,501
Financial assets at fair value through other comprehensive income - equity instruments	864,522	578,821
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 2)	17,400,220	17,690,658

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

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

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 29.

Sensitivity analysis

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

	<u>Impact on Profit or Loss</u>	
	<u>2020</u>	<u>2019</u>
<u>Foreign Currencies : Functional Currency</u>		
Financial assets		
Monetary items		
USD:NTD	\$ 22,898	\$ 25,820
RMB:NTD	4,159	4,523
JPY:NTD	2,377	1,551
THB:NTD	1,420	-
Financial liabilities		
Monetary items		
USD:NTD	19,169	22,386
JPY:NTD	1,857	1,538

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:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Fair value interest rate risk		
Financial assets	\$ 15,000	\$ -
Financial liabilities	7,812,585	9,794,192
Cash flow interest rate risk		
Financial assets	225,924	174,381
Financial liabilities	7,457,136	6,029,048

If interest rates had been 1% higher and all other variables were held constant, the Company's cash flow interest rate risk from financial liabilities would have increased cash outflows by NT\$74,571 thousand and NT\$60,290 thousand for the years ended December 31, 2020 and 2019, 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 years ended December 31, 2020 and 2019 would have increased/decreased by \$6,428 thousand and \$5,177 thousand, as a result of the changes in fair value of financial assets at FVTOCI.

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, and engages in credit enhancement by covering specific outstanding trade receivables by collaterals. 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, 2020

	Less Than 1 Year	1-2 Years	2-3 Years	3-5 Years	Over 5 Years	Total
Non-derivative financial liabilities						
Short-term borrowings	\$ 1,743,725	\$ -	\$ -	\$ -	\$ -	\$ 1,743,725
Notes payable	22	-	-	-	-	22
Accounts payable	1,387,404	-	-	-	-	1,387,404
Other payables	857,784	-	-	-	-	857,784
Lease liabilities	30,260	26,708	25,127	34,797	5,861	122,753
Long-term borrowings (including current portion)	3,685,368	3,920,564	3,014,306	-	-	10,620,238
Financial guarantee liabilities	2,009,623	-	-	1,139,200	-	3,148,823
Bonds payable	24,600	24,600	24,600	3,020,826	-	3,094,626
	<u>\$ 9,738,786</u>	<u>\$ 3,971,872</u>	<u>\$ 3,064,033</u>	<u>\$ 4,194,823</u>	<u>\$ 5,861</u>	<u>\$ 20,975,375</u>

December 31, 2019

	Less Than 1 Year	1-2 Years	2-3 Years	3-5 Years	Over 5 Years	Total
Non-derivative financial liabilities						
Short-term borrowings	\$ 2,096,095	\$ -	\$ -	\$ -	\$ -	\$ 2,096,095
Notes payable	1,531	-	-	-	-	1,531
Accounts payable	1,038,887	-	-	-	-	1,038,887
Other payables	821,958	-	-	-	-	821,958
Lease liabilities	13,577	10,711	7,225	8,082	5,618	45,213
Long-term borrowings (including current portion)	4,425,864	1,793,688	3,351,101	1,503,806	-	11,074,459
Financial guarantee liabilities	3,641,023	209,018	-	-	-	3,850,041
Bonds payable	24,600	24,600	24,600	3,045,493	-	3,119,293
	<u>\$ 12,063,535</u>	<u>\$ 2,038,017</u>	<u>\$ 3,382,926</u>	<u>\$ 4,557,381</u>	<u>\$ 5,618</u>	<u>\$ 22,047,477</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.

25. 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.	Subsidiary
Eternal Materials (Guangdong) Co., Ltd.	Subsidiary
Eternal Synthetic Resins (Changshu) Co., Ltd.	Subsidiary
Eternal Chemical (Tianjin) Co., Ltd.	Subsidiary
Eternal Chemical (Chengdu) Co., Ltd.	Subsidiary
Eternal Materials (Malaysia) Sdn. Bhd.	Subsidiary
Eternal Electronic Material (Guangzhou) Co., Ltd.	Subsidiary
Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Subsidiary
Eternal Electronic (Suzhou) Co., Ltd.	Subsidiary
Eternal Sun A. (Suzhou) Co., Ltd.	Subsidiary
Eternal Technology Corporation	Subsidiary
Eternal Electronic Material (Thailand) Co., Ltd.	Subsidiary
Nikko-Materials Co., Ltd.	Subsidiary
Elga Europe S.r.l.	Subsidiary
Eternal Specialty Materials (Zhuhai) Co., Ltd.	Subsidiary
Eternal Specialty Materials (Suzhou) Co., Ltd.	Subsidiary
Eternal (China) Investment Co., Ltd.	Subsidiary
CHOU-KOU Materials Co., Ltd.	Subsidiary
New E Materials Co., Ltd.	Subsidiary
Eternal Holdings Inc.	Subsidiary
ESCO Specialty Coatings (Shanghai) Co., Ltd.	Associate
Allnex-Eternal Resins Corporation Limited	Associate
Daxin Materials Corporation	Associate
DSM Resins (Far East) Co., Ltd.	Associate
Polymics Ltd.	Associate
Mitsubishi Polyester Film (Suzhou) Co., Ltd.	Other related party
Kwang Yang Motor Co., Ltd.	Key management personnel
Hangzhou Yongxinyang Photoelectric Materials Co., Ltd.	Joint venture of subsidiary (removed from related parties after October, 2020)
Li, Guang-Zheng	Second - degree relative of the chairman of the Company's board of directors
Eternal Nanyang Investment Co., Ltd.	Subsidiary

b. Operating revenues

Account Item	Related Party Category	For the Year Ended December 31	
		2020	2019
Revenue from sales of goods	Subsidiaries	\$ 3,035,816	\$ 3,096,701
	Associates	116,341	136,658
	Joint venture of subsidiary	3,932	14,249
		<u> </u>	<u> </u>
		<u>\$ 3,156,089</u>	<u>\$ 3,247,608</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	
	2020	2019
Subsidiaries	\$ 365,917	\$ 411,219
Associates	1,695	-
Other related parties	<u>985</u>	<u>1,264</u>
	<u>\$ 368,597</u>	<u>\$ 412,483</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	
	2020	2019
Short-term employee benefits	\$ 132,594	\$ 104,827
Post-employment benefits	<u>356</u>	<u>734</u>
	<u>\$ 132,950</u>	<u>\$ 105,561</u>

e. Other income

Related Party Category/Name	For the Year Ended December 31	
	2020	2019
Subsidiaries		
Eternal (China) Investment Co., Ltd.	\$ 92,727	\$ 99,468
Eternal Materials (Guangdong) Co., Ltd.	50,267	58,087
Eternal Chemical (China) Co., Ltd.	47,492	50,263
Others	252,626	232,432
Associates	5,166	10,879
Key management personnel	<u>10</u>	<u>-</u>
	<u>\$ 448,288</u>	<u>\$ 451,129</u>

Inclusive of service fee, trademark license fee, technology license fee and endorsement/guarantee fee and so on.

f. Disposal of financial assets

For the year ended December 31, 2019

Related Party Category/Name	Line Item	Number of Shares	Underlying Assets	Proceeds	Gain on Disposal
Other related party Li, Guang-Zheng	Financial assets at FVTOCI	2,296,285	Shares	<u>\$ 79,681</u>	Note

Note: The price and payment terms of the sale of financial assets were determined in accordance with agreement and with reference to the net worth. The gain on disposal of \$67,520 thousand was reclassified from other equity to retained earnings.

g. Receivables from related parties

Account Item	Related Party Category/Name	December 31	
		2020	2019
Accounts receivable	Subsidiaries		
	Eternal Specialty Materials (Zhuhai) Co., Ltd.	\$ 137,760	\$ 119,482
	Eternal Electronic Material (Thailand) Co., Ltd.	134,874	79,485
	CHOU-KOU Materials Co., Ltd.	108,612	64,421
	Eternal Materials (Guangdong) Co., Ltd.	103,837	59,980
	Eternal Chemical (China) Co., Ltd.	100,526	100,663
	Eternal (China) Investment Co., Ltd.	98,234	48,414
	Others	235,619	320,612
	Associates	34,430	35,059
	Joint venture of subsidiary	-	11,647
		<u>\$ 953,892</u>	<u>\$ 839,763</u>

The receivables arise mainly from sales transactions; the receivables were not guaranteed, pledged and without interest. For the years ended December 31, 2020 and 2019, the balance of allowance for loss is NT\$94 thousand and NT\$6,028 thousand, respectively.

Account Item	Related Party Category/Name	December 31	
		2020	2019
Other receivables	Subsidiaries		
	Eternal (China) Investment Co., Ltd.	\$ 95,263	\$ 98,874

(Continued)

Account Item	Related Party Category/Name	December 31	
		2020	2019
	Eternal Materials (Guangdong) Co., Ltd.	\$ 51,615	\$ 56,223
	Eternal Chemical (China) Co., Ltd.	48,792	48,648
	Others	252,185	225,180
	Associates	69,712	29,980
	Key management personnel	11	-
		<u>\$ 517,578</u>	<u>\$ 458,905</u> (Concluded)

For the year ended December 31, 2020, the balance of allowance for loss is NT\$15,145 thousand.

h. Payables to related parties

Account Item	Related Party Category	December 31	
		2020	2019
Accounts payable	Subsidiaries	\$ 92,797	\$ 55,531
	Associates	<u>1,199</u>	<u>-</u>
		<u>\$ 93,996</u>	<u>\$ 55,531</u>

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

i. Endorsements/guarantees provided

As of December 31, 2020 and 2019, guarantees provided by the Company to the related parties for investment compliance were as follows:

Related Party Category/Name	December 31	
	2020	2019
Subsidiaries		
Eternal Materials (Malaysia) Sdn. Bhd.		
Amount endorsed	\$ 1,506,796	\$ 3,865,784
Amount utilized	<u>(917,713)</u>	<u>(1,981,704)</u>
	<u>\$ 589,083</u>	<u>\$ 1,884,080</u>
Eternal Nanyang Investment Co., Ltd.		
Amount endorsed	\$ 1,424,000	\$ -
Amount utilized	<u>(1,167,680)</u>	<u>-</u>
	<u>\$ 256,320</u>	<u>\$ -</u>

(Continued)

Related Party Category/Name	December 31	
	2020	2019
Nikko-Materials Co., Ltd.		
Amount endorsed	\$ 138,150	\$ 138,000
Amount utilized	<u>-</u>	<u>-</u>
	<u>\$ 138,150</u>	<u>\$ 138,000</u>
Eternal Holdings Inc.		
Amount endorsed	\$ 273,408	\$ 1,648,900
Amount utilized	<u>(273,408)</u>	<u>(482,078)</u>
	<u>\$ -</u>	<u>\$ 1,166,822</u>
Eternal Synthetic Resins (Changshu) Co., Ltd.		
Amount endorsed	\$ -	\$ 775,640
Amount utilized	<u>-</u>	<u>(234,747)</u>
	<u>\$ -</u>	<u>\$ 540,893</u>
Eternal Chemical (Tianjin) Co., Ltd.		
Amount endorsed	\$ -	\$ 915,570
Amount utilized	<u>-</u>	<u>(397,825)</u>
	<u>\$ -</u>	<u>\$ 517,745</u>
Others		
Amount endorsed	\$ 807,568	\$ 871,638
Amount utilized	<u>(790,023)</u>	<u>(753,685)</u>
	<u>\$ 17,545</u>	<u>\$ 117,953</u>

(Concluded)

26. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The Company's assets pledged as customs guarantee were as follows:

	December 31	
	2020	2019
Other financial assets - time deposit certificates (recorded as other non-current assets - others)	<u>\$ 15,000</u>	<u>\$ -</u>

27. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- The Company has issued but unused letters of credit with an aggregate amount of NT\$69,877 thousand as of December 31, 2020.
- The Company has contracts that were not yet incurred to purchase property, plant and equipment and intangible assets of NT\$165,042 thousand at December 31, 2020.

28. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

None.

29. 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:

	Foreign Currency (In Thousands)		Exchange Rate	Carrying Amount
<u>December 31, 2020</u>				
Financial assets				
Monetary items				
USD	\$ 80,399	28.4800	(USD:NTD)	\$ 2,289,764
RMB	95,030	4.3770	(RMB:NTD)	415,946
JPY	860,427	0.2763	(JPY:NTD)	237,736
THB	148,594	0.9556	(THB:NTD)	141,996
Non-monetary items				
Financial assets at fair value through other comprehensive income				
AUD	8,442	21.9500	(AUD:NTD)	185,302
Investments accounted for using the equity method				
USD	931,351	28.4800	(USD:NTD)	26,524,885
JPY	6,626,721	0.2763	(JPY:NTD)	1,830,963
THB	147,262	0.9556	(THB:NTD)	140,723
Financial liabilities				
Monetary items				
USD	67,306	28.4800	(USD:NTD)	1,916,875
JPY	671,965	0.2763	(JPY:NTD)	185,664
<u>December 31, 2019</u>				
Financial assets				
Monetary items				
USD	86,124	29.9800	(USD:NTD)	2,581,998
RMB	105,061	4.3050	(RMB:NTD)	452,288
JPY	561,961	0.2760	(JPY:NTD)	155,101
Non-monetary items				
Financial assets at fair value through other comprehensive income				
AUD	1,085	21.0050	(AUD:NTD)	22,799
Investments accounted for using the equity method				
USD	848,961	29.9800	(USD:NTD)	25,451,854
JPY	5,046,690	0.2760	(JPY:NTD)	1,392,887
MYR	95,024	7.0330	(MYR:NTD)	668,305
EUR	5,198	33.5900	(EUR:NTD)	174,610

(Continued)

	Foreign Currency (In Thousands)	Exchange Rate		Carrying Amount
THB	\$ 137,058	1.0098	(THB:NTD)	\$ 138,401
Financial liabilities				
Monetary items				
USD	74,670	29.9800	(USD:NTD)	2,238,607
JPY	557,203	0.2760	(JPY:NTD)	153,788
				(Concluded)

The total realized and unrealized foreign exchange gains and losses were a loss of NT\$35,298 thousand and a loss of NT\$4,150 thousand for the years ended December 31, 2020 and 2019, 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.

30. ADDITIONAL DISCLOSURES

a. Information about significant transactions and investees:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (Table 2)
- 3) Marketable securities held (Table 3)
- 4) Marketable securities acquired or disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital: (Table 4)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (Table 5)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 6)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 7)
- 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 8)
- 11) Information on investees (Table 9)

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 10)

- 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 6)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period (Table 6)
 - c) The amount of property transactions and the amount of the resultant gains or losses: None
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes (Table 2)
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds (Table 1)
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services (Note 25)
- c. Information of major shareholders: list of the shareholders with ownership of 5 percent or greater, showing the names, the number of shares and percentage of ownership held by each shareholder (Table 11)

31. SEGMENT INFORMATION

Disclosure of the segment information in standalone financial statements is waived.

TABLE 1

Eternal Materials Co., Ltd. and Subsidiaries

**FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 2)	Ending Balance (Note 3)	Actual Amount Drawn	Interest Rate (%)	Nature of Financing (Note 4)	Transaction Amount	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Limit	Note
													Item	Value			
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Photoelectric Material Industry (Yingkou) Co., Ltd.	Other receivables from related parties	Y	\$ 408,975	\$ -	\$ -	-	2	\$ -	Operating needs	\$ -	-	\$ -	\$ 7,343,358	\$ 7,343,358	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Optical Material (Suzhou) Co., Ltd.	Other receivables from related parties	Y	430,500	-	-	-	2	-	Operating needs	-	-	-	7,343,358	7,343,358	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Chemical (Tianjin) Co., Ltd.	Other receivables from related parties	Y	344,400	-	-	-	2	-	Operating needs	-	-	-	7,343,358	7,343,358	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	Other receivables from related parties	Y	437,900	437,700	437,700	4.750	2	-	Operating needs	-	-	-	7,343,358	7,343,358	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Chemical (Chengdu) Co., Ltd.	Other receivables from related parties	Y	731,850	-	-	-	2	-	Operating needs	-	-	-	7,343,358	7,343,358	Note 5
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	ESCO Specialty Coatings (Shanghai) Co., Ltd.	Other receivables from related parties	Y	305,805	159,761	159,761	4.250	2	-	Operating needs	-	-	-	1,468,672	1,468,672	Note 6
1	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	Other receivables from related parties	Y	430,500	-	-	-	2	-	Operating needs	-	-	-	7,343,358	7,343,358	Note 5
2	Eternal Chemical (China) Co., Ltd.	Eternal Chemical (Tianjin) Co., Ltd.	Other receivables from related parties	Y	1,050,480	1,050,480	435,049	3.852-4.348	2	-	Operating needs	-	-	-	8,911,433	8,911,433	Note 5
2	Eternal Chemical (China) Co., Ltd.	Eternal Synthetic Resins (Changshu) Co., Ltd.	Other receivables from related parties	Y	1,291,500	1,094,250	341,143	3.852-4.348	2	-	Operating needs	-	-	-	8,911,433	8,911,433	Note 5
2	Eternal Chemical (China) Co., Ltd.	Eternal Materials (Guangdong) Co., Ltd.	Other receivables from related parties	Y	473,550	131,310	-	-	2	-	Operating needs	-	-	-	8,911,433	8,911,433	Note 5
2	Eternal Chemical (China) Co., Ltd.	Eternal Specialty Materials (Suzhou) Co., Ltd.	Other receivables from related parties	Y	437,700	437,700	30,439	3.852-4.348	2	-	Operating needs	-	-	-	8,911,433	8,911,433	Note 5
2	Eternal Chemical (China) Co., Ltd.	Eternal Chemical (Chengdu) Co., Ltd.	Other receivables from related parties	Y	1,488,180	1,488,180	667,810	3.852-4.348	2	-	Operating needs	-	-	-	8,911,433	8,911,433	Note 5
2	Eternal Chemical (China) Co., Ltd.	Eternal Electronic Materials (Kunshan) Co., Ltd.	Other receivables from related parties	Y	206,640	105,048	105,048	4.350	2	-	Operating needs	-	-	-	1,782,287	1,782,287	Note 6
2	Eternal Chemical (China) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	Other receivables from related parties	Y	131,370	-	-	-	2	-	Operating needs	-	-	-	8,911,433	8,911,433	Note 5
2	Eternal Chemical (China) Co., Ltd.	Changhe International Trading (GZFTZ) Co., Ltd.	Other receivables from related parties	Y	175,160	175,080	-	-	2	-	Operating needs	-	-	-	8,911,433	8,911,433	Note 5
2	Eternal Chemical (China) Co., Ltd.	Eternal (China) Investment Co., Ltd.	Other receivables from related parties	Y	437,700	437,700	-	-	2	-	Operating needs	-	-	-	8,911,433	8,911,433	Note 5
3	Eternal Materials (Guangdong) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	Other receivables from related parties	Y	473,550	131,310	-	-	2	-	Operating needs	-	-	-	7,509,889	7,509,889	Note 5
3	Eternal Materials (Guangdong) Co., Ltd.	Eternal (China) Investment Co., Ltd.	Other receivables from related parties	Y	1,808,100	1,575,720	-	-	2	-	Operating needs	-	-	-	7,509,889	7,509,889	Note 5
3	Eternal Materials (Guangdong) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	Other receivables from related parties	Y	175,080	175,080	84,473	3.850	2	-	Operating needs	-	-	-	7,509,889	7,509,889	Note 5
3	Eternal Materials (Guangdong) Co., Ltd.	Eternal Optical Material (Suzhou) Co., Ltd.	Other receivables from related parties	Y	875,400	875,400	367,285	3.850-4.133	2	-	Operating needs	-	-	-	7,509,889	7,509,889	Note 5
3	Eternal Materials (Guangdong) Co., Ltd.	Eternal Photoelectric Material Industry (Yingkou) Co., Ltd.	Other receivables from related parties	Y	306,390	306,390	53,005	3.850-4.133	2	-	Operating needs	-	-	-	7,509,889	7,509,889	Note 5
4	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Optical Material (Suzhou) Co., Ltd.	Other receivables from related parties	Y	559,650	-	-	-	2	-	Operating needs	-	-	-	6,741,022	6,741,022	Note 5

(Continued)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Maximum Balance for the Period (Note 2)	Ending Balance (Note 3)	Actual Amount Drawn	Interest Rate (%)	Nature of Financing (Note 4)	Transaction Amount	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company	Financing Company's Total Financing Limit	Note
													Item	Value			
4	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	Other receivables from related parties	Y	\$ 215,250	\$ -	\$ -	-	2	\$ -	Operating needs	\$ -	-	\$ -	\$ 6,741,022	\$ 6,741,022	Note 5
4	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Synthetic Resins (Changshu) Co., Ltd.	Other receivables from related parties	Y	344,400	-	-	-	2	-	Operating needs	-	-	-	6,741,022	6,741,022	Note 5
4	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	Other receivables from related parties	Y	215,250	-	-	-	2	-	Operating needs	-	-	-	6,741,022	6,741,022	Note 5
5	Eternal Holdings Inc.	Eternal Technology Corporation	Other receivables from related parties	Y	479,680	341,760	170,880	1.805	2	-	Operating needs	-	-	-	35,821,634	35,821,634	Note 5
5	Eternal Holdings Inc.	Elga Europe S.r.l.	Other receivables from related parties	Y	268,720	-	-	-	2	-	Operating needs	-	-	-	7,164,327	7,164,327	Note 6
5	Eternal Holdings Inc.	Eternal Sun A. (Suzhou) Co., Ltd.	Other receivables from related parties	Y	216,144	102,528	102,528	1.836	2	-	Operating needs	-	-	-	7,164,327	7,164,327	Note 6
6	Eternal Photoelectric Material Industry (Kunshan) Co., Ltd.	Eternal Chemical (Tianjin) Co., Ltd.	Other receivables from related parties	Y	344,400	-	-	-	2	-	Operating needs	-	-	-	474,378	474,378	Note 7
7	Eternal (China) Investment Co., Ltd.	Eternal Chemical (China) Co., Ltd.	Other receivables from related parties	Y	875,400	875,400	-	-	2	-	Operating needs	-	-	-	29,550,644	29,550,644	Note 5
7	Eternal (China) Investment Co., Ltd.	Eternal Optical Material (Suzhou) Co., Ltd.	Other receivables from related parties	Y	1,138,020	1,138,020	569,010	4.050	2	-	Operating needs	-	-	-	29,550,644	29,550,644	Note 5
7	Eternal (China) Investment Co., Ltd.	Eternal Photoelectric Material Industry (Yingkou) Co., Ltd.	Long-term receivables from related parties	Y	262,740	262,620	262,620	4.250	2	-	Operating needs	-	-	-	29,550,644	29,550,644	Note 5
7	Eternal (China) Investment Co., Ltd.	Eternal Chemical (Chengdu) Co., Ltd.	Other receivables from related parties	Y	875,400	875,400	744,090	3.850	2	-	Operating needs	-	-	-	29,550,644	29,550,644	Note 5
7	Eternal (China) Investment Co., Ltd.	Eternal Chemical (Tianjin) Co., Ltd.	Other receivables from related parties	Y	525,480	525,240	525,240	3.850	2	-	Operating needs	-	-	-	29,550,644	29,550,644	Note 5
7	Eternal (China) Investment Co., Ltd.	Eternal Synthetic Resins (Changshu) Co., Ltd.	Other receivables from related parties	Y	350,320	350,160	350,160	3.850	2	-	Operating needs	-	-	-	29,550,644	29,550,644	Note 5
7	Eternal (China) Investment Co., Ltd.	Changhe International Trading (GZFTZ) Co., Ltd.	Other receivables from related parties	Y	215,600	-	-	-	2	-	Operating needs	-	-	-	29,550,644	29,550,644	Note 5
7	Eternal (China) Investment Co., Ltd.	Eternal Materials (Guangdong) Co., Ltd.	Other receivables from related parties	Y	131,310	131,310	-	-	2	-	Operating needs	-	-	-	29,550,644	29,550,644	Note 5

(Concluded)

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

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

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

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

Note 4: Nature of financing is as follows:

1. Business relationship.
2. Short-term financing

Note 5: According to the financing company's Operation Procedures for Lending Funds to Others, either the financing limit for each borrowing company or financing company's total financing limits shall not exceed 200% of the net worth of the company as of December 31, 2020, and it should be translated into NTD using the exchange rate at the balance sheet date.

Note 6: According to the financing company's Operation Procedures for Lending Funds to Others, either the financing limit for each borrowing company or financing company's total financing limits shall not exceed 40% of the next worth of the company as of December 31, 2020, and it should be translated into NTD using the exchange rate at the balance sheet date.

Note 7: Eternal Photoelectric Material Industry (Kunshan) Co., Ltd. has been disposed to non-related parties in August, 2020. It is not a subsidiary of the Company currently. The table only disclosed the financing records before August, 2020.

TABLE 2

Eternal Materials Co., Ltd. and Subsidiaries

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

No. (Note 1)	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsements /Guarantees Given on Behalf of Each Party	Maximum Amount Endorsements /Guarantees During the Period (Note 4)	Outstanding Endorsements /Guarantees the End of the Period (Note 5)	Actual Amount Drawn	Amount Endorsements /Guarantees by Collaterals	Ratio of Accumulated Endorsements /Guarantees to Net Equity per Latest Financial Statements (%)	Maximum Endorsements /Guarantees Amount Allowable	Endorsements /Guarantees Given by Parent on Behalf of Subsidiaries	Endorsements /Guarantees by Subsidiaries on Behalf of Parent	Endorsements /Guarantees 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	\$ 22,834,497	\$ 86,100	\$ -	\$ -	\$ -	-	\$ 22,834,497	Y	N	Y	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Eternal (China) Investment Co., Ltd.	2	22,834,497	210,140	-	-	-	-	22,834,497	Y	N	Y	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Eternal Holdings Inc.	2	22,834,497	1,861,126	273,408	273,408	-	1.20	22,834,497	Y	N	N	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Eternal Technology Corporation	2	22,834,497	300,200	284,800	284,800	-	1.25	22,834,497	Y	N	N	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Nikko-Materials Co., Ltd.	2	22,834,497	141,150	138,150	-	-	0.61	22,834,497	Y	N	N	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Eternal Synthetic Resins (Changshu) Co., Ltd.	2	22,834,497	775,640	-	-	-	-	22,834,497	Y	N	Y	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Eternal Chemical (Tianjin) Co., Ltd.	2	22,834,497	915,570	-	-	-	-	22,834,497	Y	N	Y	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Eternal Sun A. (Suzhou) Co., Ltd.	2	22,834,497	108,072	102,528	87,434	-	0.45	22,834,497	Y	N	Y	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Eternal Materials (Malaysia) Sdn. Bhd.	2	22,834,497	3,865,784	1,506,796	917,713	-	6.60	22,834,497	Y	N	N	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Elga Europe S.r.l.	2	22,834,497	420,240	420,240	417,789	-	1.84	22,834,497	Y	N	N	Notes 3 and 6
0	Eternal Materials Co., Ltd.	Eternal Nanyang Investment Co., Ltd.	2	22,834,497	2,152,770	1,424,000	1,167,680	-	6.24	22,834,497	Y	N	N	Notes 3 and 6
1	Eternal Chemical (China) Co., Ltd.	Eternal Chemical (Tianjin) Co., Ltd.	4	4,455,717	129,150	-	-	-	-	4,455,717	N	N	Y	Note 7
1	Eternal Chemical (China) Co., Ltd.	Eternal Synthetic Resins (Changshu) Co., Ltd.	4	4,455,717	86,100	-	-	-	-	4,455,717	N	N	Y	Note 7
1	Eternal Chemical (China) Co., Ltd.	Eternal Specialty Materials (Suzhou) Co., Ltd.	4	4,455,717	86,100	-	-	-	-	4,455,717	N	N	Y	Note 7
1	Eternal Chemical (China) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	4	4,455,717	129,150	-	-	-	-	4,455,717	N	N	Y	Note 7
1	Eternal Chemical (China) Co., Ltd.	Eternal Chemical (Chengdu) Co., Ltd.	4	4,455,717	43,050	-	-	-	-	4,455,717	N	N	Y	Note 7
1	Eternal Chemical (China) Co., Ltd.	Eternal Materials (Guangdong) Co., Ltd.	4	4,455,717	86,100	-	-	-	-	4,455,717	N	N	Y	Note 7
1	Eternal Chemical (China) Co., Ltd.	Eternal Specialty Materials (Zhuhai) Co., Ltd.	4	2,283,450	258,300	-	-	-	-	2,283,450	N	N	Y	Note 8
1	Eternal Chemical (China) Co., Ltd.	Eternal (China) Investment Co., Ltd.	4	4,455,717	43,050	-	-	-	-	4,455,717	N	N	Y	Note 7
2	Eternal Chemical (Tianjin) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	4	851,312	129,150	-	-	-	-	851,312	N	N	Y	Note 7
3	Eternal Synthetic Resins (Changshu) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	4	211,007	86,100	-	-	-	-	211,007	N	N	Y	Note 7
4	Eternal Specialty Materials (Suzhou) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	4	1,334,641	86,100	-	-	-	-	1,334,641	N	N	Y	Note 7
5	Eternal Electronic (Suzhou) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	4	1,467,477	129,150	-	-	-	-	1,467,477	N	N	Y	Note 7

(Continued)

No. (Note 1)	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsements /Guarantees Given on Behalf of Each Party	Maximum Amount Endorsements /Guarantees During the Period (Note 4)	Outstanding Endorsements /Guarantees the End of the Period (Note 5)	Actual Amount Drawn	Amount Endorsements /Guarantees by Collaterals	Ratio of Accumulated Endorsements /Guarantees to Net Equity per Latest Financial Statements (%)	Maximum Endorsements /Guarantees Amount Allowable	Endorsements /Guarantees Given by Parent on Behalf of Subsidiaries	Endorsements /Guarantees by Subsidiaries on Behalf of Parent	Endorsements /Guarantees 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	\$ 3,754,945	\$ 172,200	\$ -	\$ -	\$ -	-	\$ 3,754,945	N	N	Y	Note 7
7	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	4	3,671,679	86,100	-	-	-	-	3,671,679	N	N	Y	Note 7
8	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	4	3,370,511	86,100	-	-	-	-	3,370,511	N	N	Y	Note 7
9	Eternal (China) Investment Co., Ltd.	Eternal Chemical (China) Co., Ltd.	4	14,775,322	43,050	-	-	-	-	14,775,322	N	N	Y	Note 7
9	Eternal (China) Investment Co., Ltd.	Eternal Chemical (Tianjin) Co., Ltd.	2	14,775,322	131,370	131,310	17,508	-	0.89	14,775,322	N	N	Y	Note 7
9	Eternal (China) Investment Co., Ltd.	Eternal Synthetic Resins (Changshu) Co., Ltd.	2	14,775,322	131,370	131,310	15,320	-	0.89	14,775,322	N	N	Y	Note 7

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

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

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

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

Note 3: In accordance with the parent company's "Procedures for Provision of Endorsements and Guarantees", limit on endorsement/guarantee given on behalf of each party is 100% of the parent company's net worth based on financial statements for the year ended December 31, 2020.

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 endorsements/guarantees at the end of the period are 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, 2020.

(Continued)

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, 2020.

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

(Concluded)

Eternal Materials Co., Ltd. and Subsidiaries

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)

DECEMBER 31, 2020

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Eternal Materials Co., Ltd.	President Securities Corp. (stock)	-	Financial assets at fair value through other comprehensive income - non-current	34,937,430	\$ 642,849	2.50	\$ 642,849	
	TBG Diagnostics Limited (stock)	-	Financial assets at fair value through other comprehensive income - non-current	40,200,000	185,302	18.48	185,302	Note 2
	Universal Venture Capital Investment Corp. (stock)	-	Financial assets at fair value through other comprehensive income - non-current	5,000,000	32,602	4.15	32,602	
	Der Yang Biotechnology Venture Capital Co., Ltd. (stock)	-	Financial assets at fair value through other comprehensive income - non-current	353,994	3,769	11.11	3,769	
	Hwa Nan Venture Capital Co., Ltd. (stock)	-	Financial assets at fair value through other comprehensive income - non-current	57,438	-	10.60	-	
Mixville Holdings Inc.	Grace THW Holding Limited (stock)	-	Financial assets at fair value through other comprehensive income - non-current	1,900,000	151,784	Note 1	151,784	Note 2
	Pacven Walden Ventures V, L.P. (fund)	-	Financial assets at fair value through profit or loss - non-current	-	21,301	Note 1	21,301	Note 2

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

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

Eternal Materials Co., Ltd. and Subsidiaries

MARKETABLE SECURITIES ACQUIRED OR AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2020

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

Company	Type and Name of Marketable Securities	Financial Statement Account	Counter Party	Nature of Relationship	Beginning Balance (Note 3)		Acquisition (Note 1)		Disposal			Ending Balance (Notes 2 and 3)		
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Value	Gain/Loss on Disposal	Shares/Units	Amount
Eternal (China) Investment Co., Ltd., Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Photoelectric Material Industry (Kunshan) Co., Ltd.	Investments accounted for using the equity method.	Tangfeng and Kunshan Jianfeng Municipal Engineering Co., Ltd.	Subsidiary	Note 4	\$ 233,287	-	\$ -	-	\$ 343,140	\$ 230,669	\$ 104,966	Note 4	\$ -
Eternal (China) Investment Co., Ltd.	Eternal Materials (Changzhou) Co., Ltd.	Investments accounted for using the equity method.	Note 5	Subsidiary	Note 4	633,350	-	-	-	-	(604,740)	Note 5	Note 4	-
Eternal International (BVI) Co., Ltd.	Eternal (China) Investment Co., Ltd.	Investments accounted for using the equity method.	Note 7	Subsidiary	Note 4	14,141,752	-	-	Note 4	-	(811,704)	Note 7	Note 4	14,775,322
Eternal Holdings Inc.	Eternal International (BVI) Co., Ltd.	Investments accounted for using the equity method.	Note 7	Subsidiary	211,823,592	14,112,838	-	-	(28,030,000)	-	(811,704)	Note 7	183,793,592	14,716,820
Eternal Materials Co., Ltd.	Eternal Holdings Inc.	Investments accounted for using the equity method.	Notes 6 and 7	Subsidiary	216,303,859	16,716,598	18,450,000	540,493	(30,480,000)	-	(883,906)	Note 7	204,273,859	17,904,689
Eternal Holdings Inc.	Eternal Nanyang Investment Co., Ltd.	Investments accounted for using the equity method.	Note 6	Subsidiary	-	-	18,450,000	540,493	-	-	-	-	18,450,000	449,784
Eternal Nanyang Investment Co., Ltd.	Eternal Materials (Malaysia) Sdn. Bhd.	Investments accounted for using the equity method.	Eternal Materials Co., Ltd. and Tong Seng Holdings Pte. Ltd.	Subsidiary	-	-	184,284,000	597,618	-	-	-	-	347,324,000	1,642,778
Eternal Nanyang Investment Co., Ltd.	Eternal Materials (Malaysia) Sdn. Bhd.	Investments accounted for using the equity method.	Note 6	Subsidiary	-	-	163,040,000	1,150,800	-	-	-	-	347,324,000	1,642,778
Eternal Materials Co., Ltd.	Eternal Materials (Malaysia) Sdn. Bhd.	Investments accounted for using the equity method.	Eternal Nanyang Investment Co., Ltd.	Subsidiary	165,855,600	668,305	-	-	(165,855,600)	537,856	541,218	Note 8	-	-

Note 1: The acquisition included issuance of ordinary shares for cash, reorganization or investment establishment, and the amounts were translated into NTD using the exchange rate at the base date.

Note 2: The ending balance included increased investment amount, reorganization, investments accounted for using the equity method, share of profit or loss of subsidiaries, associates and joint ventures accounted for using the equity method and translation of the financial statement of foreign operations.

Note 3: The amounts were translated into NTD using the exchange rate at the balance sheet date.

Note 4: No share were issued.

Note 5: The Company was liquidated.

Note 6: The Company had capital increase.

Note 7: The Company had capital reduction.

Note 8: The Company had reorganization.

Eternal Materials Co., Ltd. And Subsidiaries

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (In Thousands of New Taiwan Dollars)

Company Name	Property	Event Date	Transaction Amount	Payment Terms	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Price Reference	Purpose of Acquisition	Other Terms
							Property - Owner	Relationship	Transaction Date	Amount			
Eternal Materials Co., Ltd.	Self-built a new plant at the Lu-zhu Plant in Kaohsiung	August 7, 2020	\$ 638,390	Payment in accordance with the terms	Note	Note	-	-	-	\$ -	Price negotiation in accordance with the terms	Self-use	None

Note: The counterparty has not yet been determined.

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, 2020
(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 (China) Investment Co., Ltd.	Subsidiary	Sales	\$ 263,947	2	Note 1	\$ -	-	\$ 99,506	3	
	CHOU-KOU Materials Co., Ltd.	Subsidiary	Sales	294,190	2	Note 1	-	-	107,703	3	
	Eternal Chemical (China) Co., Ltd.	Subsidiary	Sales	280,673	2	Note 1	-	-	101,576	3	
	Eternal Specialty Materials (Zhuhai) Co., Ltd.	Subsidiary	Sales	679,216	5	Note 1	-	-	138,826	4	
	Eternal Materials (Guangdong) Co., Ltd.	Subsidiary	Sales	277,012	2	Note 1	-	-	104,671	3	
	Eternal Electronic Material (Thailand) Co., Ltd.	Subsidiary	Sales	370,406	3	Note 1	-	-	129,965	4	
	Eternal Electronic (Suzhou) Co., Ltd.	Subsidiary	Sales	144,370	1	Note 1	-	-	56,510	2	
	Eternal Electronic Material (Guangzhou) Co., Ltd.	Subsidiary	Sales	258,004	2	Note 1	-	-	44,504	1	
	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Subsidiary	Sales	177,884	1	Note 1	-	-	25,320	1	
Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Sister company	Sales	539,812	20	Note 1	-	-	260,478	16	
	Eternal Electronic (Suzhou) Co., Ltd.	Sister company	Sales	193,198	7	Note 1	-	-	113,247	7	
Eternal Materials (Guangdong) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	Sister company	Sales	145,838	4	Note 1	-	-	63,970	3	
	Eternal Electronic Material (Guangzhou) Co., Ltd.	Sister company	Sales	228,532	5	Note 1	-	-	49,517	2	
	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Sister company	Sales	189,158	5	Note 1	-	-	42,305	2	
	Allnex-Eternal Resins (Guangdong) Co., Ltd.	Associate	Sales	211,627	5	Note 1	-	-	99,989	5	
Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	Sister company	Sales	627,448	23	Note 1	-	-	417,234	21	
	Eternal Electronic Material (Guangzhou) Co., Ltd.	Sister company	Sales	559,093	20	Note 1	-	-	296,153	15	
Eternal Specialty Materials (Zhuhai) Co., Ltd.	Eternal Materials Co., Ltd.	Ultimate parent Company	Sales	151,102	4	Note 1	-	-	47,311	3	
Nikko Mechanics Co., Ltd.	Nikko-Materials Co., Ltd.	Parent company	Sales	1,026,599	97	Note 1	-	-	315,810	100	
Eternal Chemical (China) Co., Ltd.	Allnex - Eternal Resins (Guangdong) Co., Ltd.	Associate	Sales	153,275	4	Note 1	-	-	113,863	4	

(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- Materials Co., Ltd.	Eternal Materials Co., Ltd.	Ultimate parent Company	Sales	\$ 100,630	4	Note 1	\$ -	-	\$ 22,590	2	
	Eternal Electronic Material (Thailand) Co., Ltd.	Sister company	Sales	115,127	5	Note 1	-	-	11,870	1	

(Concluded)

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

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

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, 2020
 (In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Doubtful Accounts	Note
					Amount	Actions Taken			
Eternal Materials Co., Ltd.	CHOU-KOU Materials Co., Ltd.	Subsidiary	\$107,703	3.39	\$ -	-	\$ 32,366	\$ -	
Eternal Materials Co., Ltd.	Eternal Chemical (China) Co., Ltd.	Subsidiary	101,576	2.75	-	-	22,514	-	
Eternal Materials Co., Ltd.	Eternal Specialty Materials (Zhuhai) Co., Ltd.	Subsidiary	138,826	5.22	-	-	71,878	-	
Eternal Materials Co., Ltd.	Eternal Materials (Guangdong) Co., Ltd.	Subsidiary	104,671	3.35	-	-	34,090	-	
Eternal Materials Co., Ltd.	Eternal Electronic Materials (Thailand) Co., Ltd.	Subsidiary	129,965	3.54	-	-	38,795	-	
Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Sister company	260,478	2.31	52,304	Collected subsequently	52,304	-	
Eternal Electronic Materials (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	Sister company	113,247	2.15	64,264	Collected subsequently	54,017	-	
Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	Sister company	417,234	1.55	190,371	Collected subsequently	122,548	-	
Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Electronic Material (Guangzhou) Co., Ltd.	Sister company	296,153	2.18	105,550	Collected subsequently	105,550	-	
Eternal Chemical (China) Co., Ltd.	Allnex-Eternal Resins (Guangdong) Co., Ltd.	Associate	113,863	1.44	20,331	Collected subsequently	20,746	117	
Nikko Mechanics Co., Ltd.	Nikko-Materials Co., Ltd.	Parent company	315,810	3.82	-	-	191,779	-	

Eternal Materials Co., Ltd. and Subsidiaries

**INTERCOMPANY BUSINESS RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2020
(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 (China) Investment Co., Ltd.	1	Revenue from sales of goods	\$ 263,947	Note4	0.69
0	Eternal Materials Co., Ltd.	CHOU-KOU Materials Co., Ltd.	1	Revenue from sales of goods	294,190	Note4	0.77
0	Eternal Materials Co., Ltd.	CHOU-KOU Materials Co., Ltd.	1	Accounts receivable	107,703	Note4	0.19
0	Eternal Materials Co., Ltd.	Eternal Chemical (China) Co., Ltd.	1	Revenue from sales of goods	280,673	Note4	0.73
0	Eternal Materials Co., Ltd.	Eternal Chemical (China) Co., Ltd.	1	Accounts receivable	101,576	Note4	0.18
0	Eternal Materials Co., Ltd.	Eternal Specialty Materials (Zhuhai) Co., Ltd.	1	Revenue from sales of goods	679,216	Note4	1.77
0	Eternal Materials Co., Ltd.	Eternal Specialty Materials (Zhuhai) Co., Ltd.	1	Accounts receivable	138,826	Note4	0.25
0	Eternal Materials Co., Ltd.	Eternal Materials (Guangdong) Co., Ltd.	1	Revenue from sales of goods	277,012	Note4	0.72
0	Eternal Materials Co., Ltd.	Eternal Materials (Guangdong) Co., Ltd.	1	Accounts receivable	104,671	Note4	0.19
0	Eternal Materials Co., Ltd.	Eternal Electronic Material (Thailand) Co., Ltd.	1	Revenue from sales of goods	370,406	Note4	0.97
0	Eternal Materials Co., Ltd.	Eternal Electronic Material (Thailand) Co., Ltd.	1	Accounts receivable	129,965	Note4	0.23
0	Eternal Materials Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	1	Revenue from sales of goods	144,370	Note4	0.38
0	Eternal Materials Co., Ltd.	Eternal Electronic Materials (Guangzhou) Co., Ltd.	1	Revenue from sales of goods	258,004	Note4	0.67
0	Eternal Materials Co., Ltd.	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	1	Revenue from sales of goods	177,884	Note4	0.46
1	Eternal Holdings Inc.	Eternal Technology Corporation	3	Other receivables from related parties	170,880	Note5	0.30
1	Eternal Holdings Inc.	Eternal Sun A. (Suzhou) Co., Ltd	3	Other receivables from related parties	102,528	Note5	0.18
2	Eternal (China) Investment Co., Ltd.	Eternal Optical Material (Suzhou) Co., Ltd.	3	Other receivables from related parties	569,010	Note5	1.01
2	Eternal (China) Investment Co., Ltd.	Eternal Photoelectronic Material Industry (Yingkou) Co., Ltd.	3	Long-term receivables from related parties	262,620	Note5	0.47
2	Eternal (China) Investment Co., Ltd.	Eternal Chemical (Chengdu) Co., Ltd.	3	Other receivables from related parties	744,090	Note5	1.32
2	Eternal (China) Investment Co., Ltd.	Eternal Chemical (Tianjin) Co., Ltd.	3	Other receivables from related parties	525,240	Note5	0.93
2	Eternal (China) Investment Co., Ltd.	Eternal Synthetic Resins (Changshu) Co., Ltd.	3	Other receivables from related parties	350,160	Note5	0.62
3	Eternal Chemical (China) Co., Ltd.	Eternal Chemical (Tianjin) Co., Ltd.	3	Other receivables from related parties	435,049	Note5	0.77
3	Eternal Chemical (China) Co., Ltd.	Eternal Synthetic Resins (Changshu) Co., Ltd.	3	Other receivables from related parties	341,143	Note5	0.61
3	Eternal Chemical (China) Co., Ltd.	Eternal Chemical (Chengdu) Co., Ltd.	3	Other receivables from related parties	667,810	Note5	1.19

(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	
4	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	3	Revenue from sales of goods	\$ 539,812	Note4	1.41
4	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	3	Accounts receivable	260,478	Note4	0.46
4	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	3	Revenue from sales of goods	193,198	Note4	0.50
4	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	3	Accounts receivable	113,247	Note4	0.20
4	Eternal Electronic Material (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	3	Other receivables from related parties	437,700	Note5	0.78
5	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	3	Revenue from sales of goods	627,448	Note4	1.64
5	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Electronic (Suzhou) Co., Ltd.	3	Accounts receivable	417,234	Note4	0.74
5	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Electronic Material (Guangzhou) Co., Ltd.	3	Revenue from sales of goods	559,093	Note4	1.46
5	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Eternal Electronic Material (Guangzhou) Co., Ltd.	3	Accounts receivable	296,153	Note4	0.53
6	Eternal Materials (Guangdong) Co., Ltd.	Eternal Chemical (China) Co., Ltd.	3	Revenue from sales of goods	145,838	Note4	0.38
6	Eternal Materials (Guangdong) Co., Ltd.	Eternal Electronic Material (Guangzhou) Co., Ltd.	3	Revenue from sales of goods	228,532	Note4	0.60
6	Eternal Materials (Guangdong) Co., Ltd.	Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	3	Revenue from sales of goods	189,158	Note4	0.49
6	Eternal Materials (Guangdong) Co., Ltd.	Eternal Optical Material (Suzhou) Co., Ltd.	3	Other receivables from related parties	367,285	Note5	0.65
7	Nikko Mechanics Co., Ltd	Nikko-Materials Co., Ltd	2	Revenue from sales of goods	1,026,599	Note4	2.68
7	Nikko Mechanics Co., Ltd.	Nikko-Materials Co., Ltd.	2	Accounts receivable	315,810	Note4	0.56
7	Nikko-Materials Co., Ltd	Eternal Materials Co., Ltd.	2	Revenue from sales of goods	100,630	Note4	0.26
7	Nikko-Materials Co., Ltd	Eternal Electronic Material (Thailand) Co., Ltd.	3	Revenue from sales of goods	115,127	Note4	0.30
8	Eternal Specialty Materials (Zhuhai) Co., Ltd.	Eternal Materials Co., Ltd.	2	Revenue from sales of goods	151,102	Note4	0.39

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

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

(Continued)

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 revenue 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.

(Concluded)

TABLE 9**Eternal Materials Co., Ltd. and Subsidiaries****INFORMATION ON INVESTEEES (EXCLUDING INVESTMENT IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2020
(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, 2020			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2020	December 31, 2019	Number of Shares	Percentage of Ownership (%)	Carrying Amount			
Eternal Materials Co., Ltd.	Eternal Holdings Inc.	Samoa	International investment	\$ 6,259,870	\$ 6,603,283	204,273,859	100.00	\$ 17,904,689	\$ 1,359,538	\$ 1,350,634	Note 1
Eternal Materials Co., Ltd.	Eternal Global (BVI) Co., Ltd.	British Virgin Islands	International investment	717,527	717,527	16,821,024	100.00	4,681,917	479,806	483,462	Note 1
Eternal Materials Co., Ltd.	Mixville Holdings Inc.	British Virgin Islands	International investment	989,582	989,582	29,530,000	100.00	3,938,279	300,120	302,829	Note 1
Eternal Materials Co., Ltd.	Advanced PETFILM Investment Co., Ltd.	Japan	International investment	788,630	788,630	270	20.00	433,318	88,961	19,827	
Eternal Materials Co., Ltd.	Daxin Materials Corporation	Taiwan	Manufacturing and selling of chemical, resins materials and electronic materials.	191,052	191,052	23,423,812	22.80	661,919	631,304	143,937	
Eternal Materials Co., Ltd.	New E Materials Co., Ltd.	Taiwan	Researching, developing, manufacturing and selling of photoelectric, semiconductor process related electronic chemical materials and equipment spare parts	82,322	82,322	6,907,585	62.80	46,663	(19,843)	(12,461)	
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	151,622	195,891	78,356	
Eternal Materials Co., Ltd.	Eternal Electronic Material (Thailand) Co., Ltd.	Thailand	Trading services, cutting and selling of dry film photoresist	90,919	90,919	937,500	75.00	140,723	32,335	24,251	Note 1
Eternal Materials Co., Ltd.	CHOU-KOU Materials Co., Ltd.	Japan	Selling, trading and providing services of resins material, electronic material and other related products	60,431	60,431	4,000	100.00	83,826	6,188	4,005	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	1,313,819	406,798	393,625	Note 1
Eternal Materials Co., Ltd.	Eternal Materials (Malaysia) Sdn. Bhd.	Malaysia	Manufacturing, selling, trading and providing services of resins material related products	-	1,322,305	-	-	-	(181,843)	(127,086)	Notes 1 and 4
Eternal Materials Co., Ltd.	Elga Europe S.r.l.	Italy	Manufacturing, selling, agency and processing of electronic chemical products	287,169	287,169	-	72.68	13,378	(46,198)	(58,817)	Note 1
Eternal Holdings Inc.	Eternal International (BVI) Co., Ltd.	British Virgin Islands	International investment	5,739,033	6,550,737	183,793,592	100.00	14,716,820	1,160,884	-	Notes 2 and 3
Eternal Holdings Inc.	E-Chem Corp.	Samoa	International investment	165,608	165,608	4,990,000	100.00	2,360,423	295,697	-	Notes 2 and 3
Eternal Holdings Inc.	Eternal Nanyang Investment Co., Ltd.	Samoa	International investment	540,493	-	18,450,000	90.00	449,784	(44,804)	-	Notes 2 and 3
Eternal Holdings Inc.	Allnex-Eternal Resins Corporation Limited	Hong Kong	Trading and international investment	174,293	246,495	5,341,000	49.00	355,391	118,707	-	Notes 2 and 3
Eternal Holdings Inc.	Polymer Instrumentation and Consulting Services, Ltd.	United States	Plastic products manufacturing	121,913	121,913	4,694,296	30.00	-	(4,941)	-	Notes 2 and 3
Eternal International (BVI) Co., Ltd.	Eternal Technology Corporation	United States	Manufacturing and selling of photoresist	600,693	600,693	2,333	100.00	(86,438)	(32,510)	-	Notes 2 and 3
Mixville Holdings Inc.	High Expectation Limited	Cayman Islands	International investment	871,519	871,519	26,005,000	100.00	3,757,121	276,259	-	Notes 2 and 3
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	4,527	(46,198)	-	Notes 2 and 3
Nikko-Materials Co., Ltd.	Nikko Mechanics Co., Ltd.	Japan	Designing, manufacturing, selling of industrial machinery and machine tool	135,626	107,897	6,560	100.00	323,147	110,667	-	Notes 2 and 3
Eternal Nanyang Investment Co., Ltd.	Eternal Materials (Malaysia) Sdn. Bhd.	Malaysia	Manufacturing, selling, trading and providing services of resins material related products	1,748,418	-	347,324,000	100.00	1,642,778	(181,843)	-	Notes 2, 3 and 4

(Continued)

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

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

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

Note 4: The Company had reorganization.

(Concluded)

TABLE 10

Eternal Materials Co., Ltd. and Subsidiaries

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020
(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, 2020 (Note 8)	Investment Flows		Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% of Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outward	Inward							
Eternal Chemical (China) Co., Ltd.	Manufacturing and selling of resins material and processing products	\$ 755,651	2	\$ 625,549	\$ -	\$ -	\$ 625,549	\$ 436,220	100.00	\$ 436,220	\$ 4,455,717	\$ 1,081,282	Notes 2 and 4
DSM Eternal Resins (Kunshan) Co., Ltd.	Manufacturing and selling of powder coating resin	183,470	2	91,735	-	-	91,735	89,457	50.00	45,767	399,839	479,187	Note 3
Changhe International Trading (GZFTZ) Co., Ltd.	International trading, commercial trading, entrepot trading, products displayed, bonded warehousing and business consulting services	13,661	2	7,020	-	-	7,020	(2,148)	100.00	(2,148)	19,563	-	Notes 2 and 4
Eternal Photoelectric Material Industry (Kunshan) Co., Ltd.	Cutting and processing of dry film photoresist and selling self-products.	191,777	2	15,364	-	15,364	-	(2,310)	-	(2,310)	-	165,880	Notes 2, 4 and 27
Eternal Electronic Material (Guangzhou) Co., Ltd.	Coating, slitting, cutting, processing, and selling of photoresist	1,259,046	2	444,685	-	-	444,685	438,645	100.00	438,645	3,671,679	983,767	Notes 2 and 4
Eternal Optical Material (Suzhou) Co., Ltd.	Manufacturing and selling of optical film	614,887	2	-	-	-	-	(99,219)	100.00	(99,219)	(711,257)	-	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	-	-	-	-	525,265	100.00	525,265	3,370,511	-	Notes 2 and 4
Eternal Photoelectric Material Industry (Yingkou) Co., Ltd.	Researching, developing and manufacturing of photoresist dry film, liquid photo imaginable solder masks and printed circuit board related materials	124,282	2	-	-	-	-	(6,061)	100.00	(6,061)	(208,355)	-	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	34,521	40.00	15,294	216,512	-	Notes 3 and 4
Eternal Synthetic Resins (Changshu) Co., Ltd.	Manufacturing and selling of unsaturated polyester resin	726,426	2	279,811	-	-	279,811	21,553	100.00	21,553	211,007	-	Notes 2 and 4
Eternal Chemical (Tianjin) Co., Ltd.	Manufacturing and selling of adhesives, resins material and processing products	1,008,004	2	599,320	-	-	599,320	87,025	100.00	87,025	851,312	-	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	306,317	90.00	295,648	2,347,860	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	(27,787)	40.00	(11,523)	(14,095)	-	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	276,413	100.00	276,413	3,754,945	1,371,700	Notes 2 and 4
Eternal (China) Investment Co., Ltd.	Managing, investing consulting services, researching, leasing, manufacturing and selling of resins material and photoelectric chemicals materials	7,557,603	2	5,061,184	-	796,340	4,264,844	1,193,176	100.00	1,193,176	14,775,322	-	Notes 2, 4 and 5

(Continued)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investments from Taiwan as of January 1, 2019 (Note 8)	Investment Flows		Accumulated Outward Remittance for Investments from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee	% of Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2019	Accumulated Repatriation of Investment Income as of December 31, 2019	Note
					Outward	Inward							
Eternal Chemical (Chengdu) Co., Ltd.	Researching and developing resins material and products	\$ 450,351	2	\$ -	\$ -	\$ -	\$ -	\$ (133,491)	100.00	\$ (133,491)	\$ (387,913)	\$ -	Notes 2 and 4
Eternal Electronic (Suzhou) Co., Ltd.	Researching, developing, and manufacturing of dry film photoresist and dry film solder mask which used in electronic materials, researching resin materials and selling, providing after sales service of self-produced products	1,381,040	2	-	-	-	-	142,122	100.00	142,122	1,467,477	-	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	-	-	-	-	(95,541)	60.00	(57,325)	94,533	-	Notes 2 and 4
Eternal Specialty Materials (Suzhou) Co., Ltd.	Researching and developing chemical products, and selling, providing technical services of self-produced products	1,199,225	2	-	-	-	-	120,276	100.00	120,276	1,334,641	-	Notes 2 and 4
Eternal Materials (Changzhou) Co., Ltd.	Selling of fluorocarbon resin and polyester resin products	-	2	-	-	-	-	(22,871)	-	(22,871)	-	-	Notes 2, 4 and 9
Showa Denko New Material (Zhuhai) Co., Ltd.	Manufacturing and selling and manufacturing of functional resins, resins composite material and providing technical services	366,881	2	-	-	-	-	2,248	30.00	292	88,130	-	Notes 2 and 4
Hangzhou Yongxinyang Photoelectric Materials Co. Ltd.	Researching, developing, selling and manufacturing optical film for liquid-crystal display	45,170	2	-	-	-	-	(17,445)	-	1,656	-	-	Notes 2, 4 and 13

Investor Company	Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2020 (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.	\$ 8,083,938	\$ 23,350,768	\$ -

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

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

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

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

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

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

(Continued)

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

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

Note 8: The difference between the summary and details of accumulated outward remittance for investments in mainland China at the end of the reporting period was mainly due to the loss on liquidation of the subsidiaries.

Note 9: The liquidation was completed in July 2020.

(Concluded)

TABLE 11**Eternal Materials Co., Ltd. and Subsidiaries****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2020**

Name of the Major Shareholder	Shares	
	Number of Shares Owned	Percentage of Ownership
Kwang Yang Motor Co., Ltd.	124,000,000	9.99
Kwang Hsing Industrial Co., Ltd.	84,000,000	6.77
Kao, Ying-Shih	78,287,830	6.31

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, refer to Market Observation Post System.

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STATEMENT 1

Eternal Materials Co., Ltd.

STATEMENT OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2020

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

Item	Description	Amount
Cash on hands		\$ 3,559
Cash in banks	Checking accounts	100,160
	NTD demand deposits	21,641
	USD demand deposits (USD4,949 thousand @28.48)	140,955
	JPY demand deposits (JPY216,052 thousand @0.2763)	59,696
	RMB demand deposits (RMB0.5 thousand @4.377)	2
	EUR demand deposits (EUR104 thousand @35.02)	3,630
		<hr/>
		<u>\$329,643</u>

STATEMENT 2**Eternal Materials Co., Ltd.**
STATEMENT OF ACCOUNTS RECEIVABLE, NET
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Remark
Non-related parties			
Guangzhou Kyosha Circuit Technology Co., Ltd.	Sales of goods	\$ 126,552	
Others (Note)		<u>2,151,229</u>	
		2,277,781	
Less: Allowance for loss		<u>(97,631)</u>	
		<u>\$2,180,150</u>	
Related parties			
Eternal Specialty Materials (Zhuhai) Co., Ltd.	Sales of goods	\$ 137,760	
Eternal Electronic Material (Thailand) Co., Ltd.	Sales of goods	134,874	
CHOU-KOU Materials Co., Ltd.	Sales of goods	108,612	
Eternal Materials (Guangdong) Co., Ltd.	Sales of goods	103,837	
Eternal Chemical (China) Co., Ltd.	Sales of goods	100,526	
Eternal (China) Investment Co., Ltd.	Sales of goods	98,234	
Eternal Electronic (Suzhou) Co., Ltd.	Sales of goods	55,839	
Others (Note)		<u>214,304</u>	
		953,986	
Less: Allowance for loss		<u>(94)</u>	
		<u>\$ 953,892</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, 2020
(In Thousands of New Taiwan Dollars)**

Item	Description	Amount
Receivable for trademark license fee		\$247,228
Receivable for service fee		147,547
Receivable for business tax		83,966
Receivable for dividends		56,280
Receivable for endorsement and guarantee fee		33,210
Others (Note)		<u>67,028</u>
		635,259
Less: Allowance for loss		<u>(15,145)</u>
		<u>\$620,114</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, 2020
(In Thousands of New Taiwan Dollars)**

Item	Description	Amount		Remark
		Cost	Net Realizable Value	
Raw materials		\$ 1,186,905	\$ 1,366,241	Note
Supplies		35,237	35,237	Note
Finished goods		1,323,925	1,616,521	Note
Inventory in transit		<u>83,619</u>	<u>83,619</u>	Note
		<u>\$ 2,629,686</u>	<u>\$ 3,101,618</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 - NON-CURRENT
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Name	Beginning of the Year		Additions		Decrease		End of the Year		Guarantee or Pledge	Remark
	Number of Shares	Fair Value (Note 1)	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Fair Value (Note 1)		
Domestic listed shares										
President Securities Corp.	34,252,383	\$ 494,947	685,047	\$ 147,902	-	\$ -	34,937,430	\$ 642,849	No	Note 2
Domestic unlisted shares										
Universal Venture Capital Investment Corp.	5,000,000	34,010	-	-	-	(1,408)	5,000,000	32,602	No	Note 2
Universal Development & Investment Capital I Co., Ltd.	2,827,400	21,596	-	-	(2,827,400)	(21,596)	-	-	No	Note 3
Der Yang Biotechnology Venture Capital Co., Ltd.	505,706	5,469	-	-	(151,712)	(1,700)	353,994	3,769	No	Note 3
Hwa Nan Venture Capital Co., Ltd.	57,438	-	-	-	-	-	57,438	-	No	
Foreign listed shares										
Amphastar Pharmaceuticals Inc.	-	-	36,121	20,143	(36,121)	(20,143)	-	-	No	Note 4
TBG Diagnostics Limited	40,200,000	22,799	-	162,503	-	-	40,200,000	185,302	No	Note 2
		<u>\$ 578,821</u>		<u>\$ 330,548</u>		<u>\$ (44,847)</u>		<u>\$ 864,522</u>		

Note 1: Fair value is determined by the evaluation approach shown in Note 24.

Note 2: The changes for the year are due to valuation adjustment and share dividend from retained earnings.

Note 3: The decreases for the year are due to liquidation, return of capital from capital reduction and valuation adjustment.

Note 4: Share distributed from the liquidation of Universal Development & Investment Capital I Co., Ltd. and had been disposed in 2020.

Eternal Materials Co., Ltd.

**STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Name	Balance at Beginning of the Year		Additions (Note 1)		Decrease (Note 2)		Investment Gain (Loss)	Other Adjustments (Note 3)	Balance at End of the Year			Market Value or Net Assets Value		Guarantee or Pledge	Remark
	Number of Shares (In Thousands)	Amount	Number of Shares (In Thousands)	Amount	Number of Shares (In Thousands)	Amount			Number of Shares (In Thousands)	%	Amount	Unit price (NT\$)	Total Amount		
Eternal Holdings Inc.	216,304	\$ 16,716,598	18,450	\$ 540,493	(30,480)	\$ (883,906)	\$ 1,350,634	\$ 180,870	204,274	100.00	\$ 17,904,689	\$ 88	\$ 17,910,817	No	
Eternal Global (BVI) Co., Ltd.	16,821	4,460,068	-	-	-	(339,440)	483,462	77,827	16,821	100.00	4,681,917	290	4,882,891	No	
Mixville Holdings Inc.	29,530	4,275,189	-	-	-	(688,240)	302,829	48,501	29,530	100.00	3,938,279	134	3,952,888	No	
Advanced PETFILM Investment Co., Ltd.	-	406,576	-	-	-	-	19,827	6,915	-	20.00	433,318	1,511,733	408,168	No	Note 4
Daxin Materials Corporation	23,424	635,100	-	-	-	(117,118)	143,937	-	23,424	22.80	661,919	86	2,005,078	No	
New E Materials Co., Ltd.	6,908	59,124	-	-	-	-	(12,461)	-	6,908	62.80	46,663	7	46,663	No	
DSM Resins (Far East) Co., Ltd.	3,660	129,546	-	-	-	(56,280)	78,356	-	3,660	40.00	151,622	41	151,622	No	
Eternal Electronic Material (Thailand) Co., Ltd.	938	138,401	-	-	-	(14,061)	24,251	(7,868)	938	75.00	140,723	158	147,903	No	
CHOU-KOU Materials Co., Ltd.	4	79,729	-	-	-	-	4,005	92	4	100.00	83,826	22,383	89,534	No	
Nikko-Materials Co., Ltd.	12	906,581	-	-	-	-	393,625	13,613	12	100.00	1,313,819	110,780	1,329,364	No	
Eternal Materials (Malaysia) Sdn. Bhd.	165,856	668,305	-	-	(165,856)	(541,219)	(127,086)	-	-	-	-	-	-	No	
Elga Europe S.r.l.	-	174,611	-	-	-	-	(58,817)	(102,416)	-	72.68	13,378	-	18,022	No	Note 5
Eternal Capatech Co., Ltd.	-	4,315	-	-	-	-	-	(4,315)	-	-	-	-	-	No	
		<u>\$ 28,654,143</u>		<u>\$ 540,493</u>		<u>\$ (2,640,264)</u>	<u>\$ 2,602,562</u>	<u>\$ 213,219</u>			<u>\$ 29,370,153</u>		<u>\$ 30,942,950</u>		

Note 1: Cash capital increase.

Note 2: Capital reduction, reorganization and cash dividends.

Note 3: Other adjustments:

- 1) Exchange differences on translation of the financial statements of foreign operations that are recognized using the equity method.
- 2) Recognized remeasurement of defined benefit plans of investments accounted for using the equity method.
- 3) Recognized unrealized gains and losses on financial assets at FVTOCI of investments accounted for using the equity method.
- 4) Recognized impairment loss of investments accounted for using the equity method.
- 5) Recognized differences between equity purchase price and carrying amount from actual acquisition of subsidiaries.
- 6) Write off residual liquidation amount in subsidiaries.

Note 4: Less than a thousand shares.

Note 5: No shares issued; not applicable.

Eternal Materials Co., Ltd.

**STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Item	Balance at Beginning of the Year	Additions	Decrease	Balance at End of the Year	Remark
Land	\$ 10,625	\$ 656	\$ -	\$ 11,281	
Buildings	20,739	82,986	(4,793)	98,932	
Machinery and equipment	132	-	(132)	-	
Storage equipment	-	1,025	-	1,025	
Other equipment	<u>27,242</u>	<u>4,485</u>	<u>-</u>	<u>31,727</u>	
	<u>\$ 58,738</u>	<u>\$ 89,152</u>	<u>\$ (4,925)</u>	<u>\$142,965</u>	

Eternal Materials Co., Ltd.**STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Item	Balance at Beginning of the Year	Additions	Decrease	Balance at End of the Year	Remark
Land	\$ 434	\$ 449	\$ -	\$ 883	
Buildings	7,298	10,613	(3,042)	14,869	
Machinery and equipment	75	57	(132)	-	
Storage equipment	-	68	-	68	
Other equipment	<u>3,904</u>	<u>7,305</u>	<u>-</u>	<u>11,209</u>	
	<u>\$ 11,711</u>	<u>\$ 18,492</u>	<u>\$ (3,174)</u>	<u>\$ 27,029</u>	

Eternal Materials Co., Ltd.

**STATEMENT OF ACCOUNTS PAYABLE
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Vendor Name	Description	Amount	Remark
Nan Ya Plastics Corporation	Purchase of goods	\$ 143,507	
Chang Chun Plastics Co., Ltd.	Purchase of goods	129,389	
Formosa Plastics Corporation	Purchase of goods	86,834	
Others (Note)		<u>1,027,674</u>	
		<u>\$1,387,404</u>	

Note: The amount of individual vendor in others does not exceed 5% of the account balance.

STATEMENT 10

Eternal Materials Co., Ltd.

STATEMENT OF OTHER PAYABLES - OTHERS

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Payable for equipment		\$198,130
Bonus		141,898
Compensation of employees		131,000
Commission		46,443
Others (Note)		<u>340,313</u>
		<u>\$857,784</u>

Note: The amount of individual item in others does not exceed 5% of the account balance.

Eternal Materials Co., Ltd.

STATEMENT OF SHORT-TERM BORROWINGS

DECEMBER 31, 2020

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

Type	Balance at End of Year	Contract Period	Range of Interest Rates (%)	Loan Commitments	Collateral
Unsecured loans					
Mega International Commercial Bank Co., Ltd.	\$ 60,000	2020.06.01-2021.05.31	0.88	NT\$1,000,000	None
HSBC Bank (Taiwan) Limited	498,400	2020.07.15-2021.07.15	0.92	US\$ 25,000	None
The Shanghai Commercial and Savings Bank, Ltd.	669,280	2020.07.06-2021.07.06	0.68-0.75	US\$ 35,000	None
Taipei Fubon Commercial Bank Co., Ltd.	284,800	2020.07.03-2021.07.03	0.87-0.89	NT\$ 500,000	None
DBS Bank (Taiwan) Ltd.	<u>227,840</u>	2019.06.04-2021.06.03	0.92-0.97	US\$ 30,000	None
	<u>\$1,740,320</u>				

Eternal Materials Co., Ltd.

**STATEMENT OF OTHER NON-CURRENT LIABILITIES
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Item	Description	Amount
Net defined benefit liabilities		\$982,605
Others (Note)		<u>16,386</u>
		<u>\$998,991</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, 2020
 (In Thousands of New Taiwan Dollars)

Creditors	Description	Loan Amount	Agreement Period	Interest Rate Range (%)	Pledge or Guarantee	Remark
Unsecured loans						
First commercial bank	Bullet repayment, non-revolving credit	\$ 900,000	2017.11-2023.08	1.15-1.61	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	600,000	2019.12-2023.08	0.99	No	
Mizuho bank, Ltd.	Bullet repayment, revolving credit	370,000	2020.08-2022.02	0.78	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	200,000	2016.09-2021.09	0.93	No	
Taipei Fubon Commercial Bank Co., Ltd.	Repay in installment, non-revolving credit	200,000	2016.07-2021.07	1.45	No	
Bank of Taiwan	Repay in installment, non-revolving credit	1,100,000	2017.08-2022.09	0.96-1.10	No	
CTBC Bank Co., Ltd.	Bullet repayment, non-revolving credit	115,384	2018.03-2021.03	0.96	No	
The Export-Import Bank of the Republic of China	Repay in installment, non-revolving credit	432,000	2017.10-2023.10	0.97	No	
Bank SinoPac Co., Ltd.	Repay in installment, non-revolving credit	700,000	2019.12-2022.12	0.95-0.96	No	
Chang Hwa Commercial Bank, Ltd.	Bullet repayment, non-revolving credit	300,000	2020.08-2023.08	0.95	No	
Chang Hwa Commercial Bank, Ltd.	Bullet repayment, revolving credit	100,000	2020.08-2023.08	0.95	No	
Hua Nan Commercial Bank	Bullet repayment, non-revolving credit	500,000	2020.08-2023.08	0.98	No	
Bank of China	Bullet repayment, revolving credit	500,000	2020.04-2022.02	0.60	No	
		9,517,384				
Long-term bills payable		899,432	Note	1.28	Note 15	
Commercial paper		10,416,816				
Less: Current portion of long-term borrowings		(1,809,384)				
		<u>\$ 8,607,432</u>				

Note: 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.

Eternal Materials Co., Ltd.

STATEMENT OF BONDS PAYABLE
 DECEMBER 31, 2020
 (In Thousands of New Taiwan Dollars)

Bond Name	Trustee	Issuance Date	Interest Payment Date and Repayment Method	Annual Rate	Amount					Collateral
					Total Amount Issued	Repayment Paid	Balance at End of the Year	Issuance Costs	Carrying Value	
5-year secured bonds	Bank SinoPac Co., Ltd.	2019.11-2024.11	Bullet repayment, interest payable annually	0.82	<u>\$3,000,000</u>	<u>\$ -</u>	<u>\$3,000,000</u>	<u>\$ (4,626)</u>	<u>\$2,995,374</u>	Note 15

Eternal Materials Co., Ltd.

STATEMENT OF LEASE LIABILITIES
DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Item	Description	Lease Term	Discount Rate	Balance at End of the Year	Remark
Land		2019.01-2043.06	1.72-2.29	\$ 6,034	
Buildings		2019.01-2025.10	0.79-3.64	89,481	
Storage equipment		2020.09-2025.09	1.67	960	
Other equipment		2019.01-2025.06	1.67-3.64	<u>20,736</u>	
				117,211	
Less: Current portion of lease liabilities				<u>(28,518)</u>	
				<u>\$ 88,693</u>	

Eternal Materials Co., Ltd.

**STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Item	Quantity	Amount	Remark
Resins materials	132 thousand tons	\$ 6,891,214	
Electronic materials	925,820 thousand square feet and 6 thousand tons	3,932,095	
High performance materials	15 thousand tons	2,164,327	
Others		<u>23,432</u>	
		<u>\$ 13,011,068</u>	

Eternal Materials Co., Ltd.

STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Item	Amount
Balance of raw materials and materials in transit, beginning of the year	\$ 1,188,501
Add: Raw materials purchased	7,573,946
Transferred from finished goods to manufacturing	14,323,924
Less: Raw materials sold	(206,584)
Others	<u>(14,290)</u>
Balance of raw materials and materials in transit, end of the year	<u>(1,279,666)</u>
Raw materials used	<u>21,585,831</u>
Balance of supplies, beginning of the year	30,462
Add: Supplies purchased	537,661
Less: Supplies sold	(10,659)
Others	(96,152)
Balance of supplies, end of the year	<u>(35,237)</u>
Supplies used	<u>426,075</u>
Raw materials and supplies used	22,011,906
Direct labor	326,483
Manufacturing expenses	<u>1,525,140</u>
Manufacturing cost	23,863,529
Balance of finished goods, beginning of the year	1,321,738
Add: Finished goods purchased	466,052
Less: Transferred to manufacturing	(14,323,924)
Others	(79,994)
Balance of finished goods, end of the year	<u>(1,354,923)</u>
Operating costs - cost of finished goods	9,892,478
Operating costs - cost of raw materials	206,584
Operating costs - cost of supplies	10,659
Operating costs - others	<u>306,432</u>
Operating costs	<u>\$ 10,416,153</u>

Eternal Materials Co., Ltd.

**STATEMENT OF SELLING AND MARKETING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Item	Description	Amount	Remark
Shipping expense		\$321,665	
Payroll expense		179,898	
Commission		43,901	
Others (Note)		<u>201,843</u>	
		<u>\$747,307</u>	

Note: The amount of individual item in others does not exceed 5% of the account balance.

Eternal Materials Co., Ltd.

**STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Item	Description	Amount	Remark
Payroll expense		\$468,733	
Depreciation expense		41,281	
Others (Note)		<u>304,074</u>	
		<u>\$814,088</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, 2020
(In Thousands of New Taiwan Dollars)**

Item	Description	Amount	Remark
Payroll expense		\$ 533,437	
Depreciation expense		138,057	
Laboratory fees		99,737	
Others (Note)		<u>277,225</u>	
		<u>\$1,048,456</u>	

Note: The amount of individual item in others does not exceed 5% of the account balance.

Eternal Materials Co., Ltd.

**STATEMENT OF EMPLOYEE BENEFIT, DEPRECIATION AND AMORTIZATION BY
FUNCTION FOR THE YEAR
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Function Nature	For the Year Ended December 31, 2020		
	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefit expense			
Salaries	769,206	1,182,068	1,951,274
Labor and health insurance	67,804	80,021	147,825
Pension	44,725	61,040	105,765
Board compensation	-	19,543	19,543
Others	50,581	68,189	118,770
Depreciation	480,296	188,100	668,396
Amortization	-	15,217	15,217

Function Nature	For the Year Ended December 31, 2019		
	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefit expense			
Salaries	739,451	1,086,565	1,826,016
Labor and health insurance	68,085	81,563	149,648
Pension	44,460	56,638	101,098
Board compensation	-	19,135	19,135
Others	50,377	70,091	120,468
Depreciation	485,437	168,637	654,074
Amortization	-	7,630	7,630

Note 1: For the year ended December 31, 2020 and 2019, the Company had 2,004 and 1,972 employees, respectively, and there were 8 non-employee directors for both years.

Note 2: The Company's shares are listed on Taiwan Stock Exchange (TWSE) should disclose the following information.

- 1) Average employee benefit expense for the year ended December 31, 2020 was \$1,164 thousand (calculated as total employee benefit expense net of total board compensation for the year divided by number of employees net of number of non-employee directors for the year). Average employee benefit expense for the year ended December 31, 2019 was \$1,119 thousand (calculated as total employee benefit expense net of total board compensation for the previous year divided by the number of employees net of number of non-employee directors for the previous year).
- 2) Average salaries for the year ended December 31, 2020 was \$978 thousand (calculated as total salaries for the year divided by number of employees net of number of non-employee directors for the year).

Average salaries for the year ended December 31, 2019 was \$930 thousand (calculated as total salaries for the previous year divided by number of employees net of number of non-employee directors for the previous year).

(Continued)

- 3) Adjustment of average salaries was 5.16% (calculated as average salaries for the year net of average salaries for the previous year divided by average salaries for the previous year).
- 4) The Company has no supervisors.
- 5) The Company conducts salary surveys every year to measure the market's salary level and overall economic indicators. Appropriate adjustments have been made to the overall salary policy. Except for the annual salary adjustment and the perfect promotion system, various reward systems have been made to encourage colleagues with superior performance. According to the Company's 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 compensation of employees.

According to the Company's Articles of Incorporation, the remuneration of directors is based on their involvement in the Company's operations and contribution to the Company. Relevant remuneration payment rule is approved by reference to peer industry. If the Company makes a profit in the current year, remuneration of directors shall be no more than 1% of the profit. Remuneration of independent directors is paid quarterly according to the Company's "Directors' Remuneration and Remuneration Standards".

The annual remuneration package of managers includes salary, bonus and employees' remuneration from earnings distribution. It is measured by reference to peer industry level, the Company's operating performance, personal performance and the reasonableness of future risks. It is approved by Compensation Committee and the board of directors in accordance with the law.

(Concluded)

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 the Company's Financial Position and Financial Performance, and Listing of Risks

I. Financial Position

Unit: Thousand NT\$

Item \ Year	2019	2020	Amount of Increase (Decrease)	Percentage of Change
Current assets	30,227,516	32,621,948	2,394,432	7.92%
Property, plant and equipment	17,435,546	16,623,050	(812,496)	-4.66%
Intangible assets	343,782	282,235	(61,547)	-17.90%
Other assets	5,789,885	6,661,392	871,507	15.05%
Total assets	53,796,729	56,188,625	2,391,896	4.45%
Current liabilities	15,828,650	15,513,121	(315,529)	-1.99%
Non-current liabilities	16,048,344	17,437,202	1,388,858	8.65%
Total liabilities	31,876,994	32,950,323	1,073,329	3.37%
Capital	12,402,795	12,402,795	0	0.00%
Capital reserve	356,046	368,946	12,900	3.62%
Retained earnings	10,099,185	10,845,276	746,091	7.39%
Other equity	(1,442,689)	(782,520)	660,169	45.76%
Non-controlling interests	504,398	403,805	(100,593)	-19.94%
Total equity	21,919,735	23,238,302	1,318,567	6.02%

Analysis of increase or decrease in the ratio by 20% or above:

1. Other equity: Arising from foreign exchange translation gain from overseas investments. II. Financial Performance

II. Financial Performance

Unit: Thousand NT\$

Item \ Year	2019	2020	Amount of Increase (Decrease)	Percentage of Change
Operating revenue	40,363,238	38,370,366	(1,992,872)	-4.94%
Operating gross profit	7,856,953	8,885,888	1,028,935	13.10%
Operating profit	2,335,050	3,138,926	803,876	34.43%
Non-operating income and expenses	578,881	5,583	(573,298)	-99.04%
Profit before tax	2,913,931	3,144,509	230,578	7.91%

- (I) Analysis of changes in ratios by 20% or more
1. Operating Profit: mainly driven by higher sales and product mix.
 2. Non-operating incomes and expenses: gain from land disposal in the last fiscal year, and the appropriation of intangible asset, and the recognition of investment loss using equity method in the current year.
- (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 of estimate in the coming year and major factors in its continuous growth or decline: The Company's 2021 business plan to achieve stable revenue and profitable growth in the medium and long term. 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	2019	2020	Increase (Decrease) (%)
Cash Flow Ratio	31%	27%	-13%
Cash Flow Adequacy Ratio	67%	66%	-1%
Cash Reinvestment Ratio	7%	4%	-43%

Mainly driven by lower net operating cash flows, together with an increase in cash dividend distribution.

(II) Cash flow analysis for the coming year

Unit: Thousand NT\$

Cash Balance, Beginning of Year (1)	Expected Annual Net Cash Flow from Operating Activities (2)	Expected Annual Cash Flow Used (3)	Expected Cash Surplus (Deficit) Amount	Expected Remedies for Cash Flow Shortfall	
			(1)+(2)-(3)	Investment Plans	Financing Plans
6,108,294	4,092,809	4,537,027	5,664,076	-	-

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: The expansion of production capacity will continue.

(3) Financing activities: Cash dividends will be distributed, along with the repayment of bank loans.

2. Action Plans to Improve the Cash Flow and Liquidity Analysis: Not Applicable.

IV. Effect of Major Capital Expenditures on Financial Operations for the Most Recent Year

(I) The capital expenditures in 2020 included construction of new plants, induction of new ERP system, new equipment purchases and replacement and maintenance of old equipment.

(II) Expected Benefits

The Company endeavors to enhance its overall competitiveness in the industry through continuous research and development, core technologies advancement, value-adds creation for core product offering, and ongoing 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 seeks to diversify its product lines, in particular in electronic and high performance materials, deploy its upstream/downstream supply chains in China and other overseas regions with an aim to market proximity for nimble production/sales adjustment, providing customized technical services and products.

(II) Reinvestment profit recognized for the year was NT\$2,602,562 thousand for the stand-alone financial statements, and NT\$331,029 thousand for the consolidated financial statements.

Improvement Plans: The Company will continuously improve the business performance of its subsidiaries, and dispose or adopt exception management for non-effective investments, and dispose of some investments in a timely manner to realize the investment gain.

(IV) Investment plans over the next 12 months:

The Company formulates investment plans based on long term strategic objectives with a view to gaining favorable position in a competitive global market.

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	2020
Net interest	(273,168)
Operating revenue	38,370,366
Profit before tax	3,144,509
Ratio of net interest to operating revenue	(0.71%)
Ratio of net interest to profit before tax	(8.69%)

Impact: 2020 net interest income amounted to (NT\$273,168,000), accounting for (0.71%) and (8.69%) of operating revenue and net profit before tax, respectively. For fixed rate loans, there is no cash flow risk due to interest rate change in 2020. For floating rate loans, the change in market interest rates will lead to changes in effective interest rates, and hence fluctuation in future cash flows. An increase in market interest rate by 1% will result in additional cash outflow by \$121,052 thousand in 2020.

Response: Periodically evaluate market interest level, maintain long term favorable relationship with financial institutions in order to obtain favorable borrowing rates; maintain a flexible mix of financing options to minimize funding cost.

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	2020
Net exchange profit or loss	(7,754)
Operating revenue	38,370,366
Profit before tax	3,144,509
Ratio of exchange profit or loss to operating revenue	(0.02%)
Ratio of exchange profit or loss to net profit before tax	(0.25%)

Exchange profit in 2020 was NT\$(7,754) thousand, accounting for (0.02%) and (0.25%) of operating revenue and net profit before tax, respectively. Since the export market accounts for a high 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 maintains close relationship with the foreign exchange departments of financial institutions, collects FX daily change information, and monitors global FX trends for daily settlement and hedging activities in response to negative impact from FX fluctuations.
- (2) The Finance Department periodically makes an internal assessment report on the net foreign currency assets (liabilities), and reports to the management of the Company to make decisions on hedging.
- (3) For large amounts of foreign currency assets, the Company adopts hedging strategies, such as increase in foreign currency financing positions or forward exchange trading.

- (4) The Company opens a foreign currency deposit account and adjusts foreign currency positions held according to the actual demand for capital and exchange rate trend.
- (5) The Company uses the same currency for sales revenue and purchases and circumvents most of the foreign exchange risks with a natural hedge. Therefore, for net foreign currency assets (liabilities), the Company uses other tools to avoid foreign exchange risks based on the exchange rate fluctuations.
- (6) Before business units offered customers prices, an appropriate and reasonable quotations based on the estimation of the foreign currency exchange rates must be made 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
5G High Frequency Materials	43,178
Green Energy / Energy Storage Materials	46,536
Soft Electronic Materials	20,957
Semiconductor Packaging Materials	24,266
High-performance Engineering Plastic Materials	32,798
Sustainable Eco-friendly Materials	29,322
Healthcare Biomedical Materials	90,839

Key success factors of future R&D are:

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. Over the latest year and as of the publication date of the annual report, there is no policy or legal matter that has an impact on the Company's financial operations.

(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 innovative 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 of mergers and acquisitions, potential risks, and countermeasures: N/A

(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) Impact of large share transfers of directors, supervisors, or shareholders of over 10% shareholdings, along with risk and countermeasures: None.
- (XI) Impact of changes in management control, associated risk and countermeasures: N/A
- (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:

1. In the most recent year up to the date of publication of the Annual Report, the Company did not find any information security incidents that have had or may have negative effects on its business or operations.
2. The Company's information security policy and goals are as follows:

(1) Purpose

The Company strives to strengthen information security management to make sure that its information assets are confidential, integral, and available. The Company is also committed to creating an information environment that protects it from any business disruption. The Company always complies relevant laws and regulations to prevent intentional or accidental threats inside or outside the organization.

(2) Information security vision

Increase the employees' awareness, prevent the leak of information, carry out the daily maintenance of information, and ensure the availability of services

(3) Information security goals

Relevant goals are set based on the information security vision:

- ① Hold training courses to increase the employees' awareness of information security and relevant responsibilities.
- ② Protect information on the Company's business activities from unauthorized modifications.
- ③ Protect information on the Company's business activities from unauthorized modifications and ensure its accuracy and completeness.
- ④ Conduct regular monitoring and internal audits to ensure the implementation of information security management.
- ⑤ Make sure that services are available at a certain level.

(4) Information security organization

Information security task force: To manage the Company's information security, the existing employees from the Department of Information Management are grouped as follows based on their information security tasks:

Convener	
Deputy Convener	
Steering Group	Working Group

VII. Other Important Matters: None.

Chapter 8 Special Items to Be Included

I. Information on Affiliated Companies

- (I) Consolidated financial statements with subsidiaries: Please refer to pages 98~188.
- (II) Consolidated Financial Statements: Please refer to pages 299~311.
- (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.

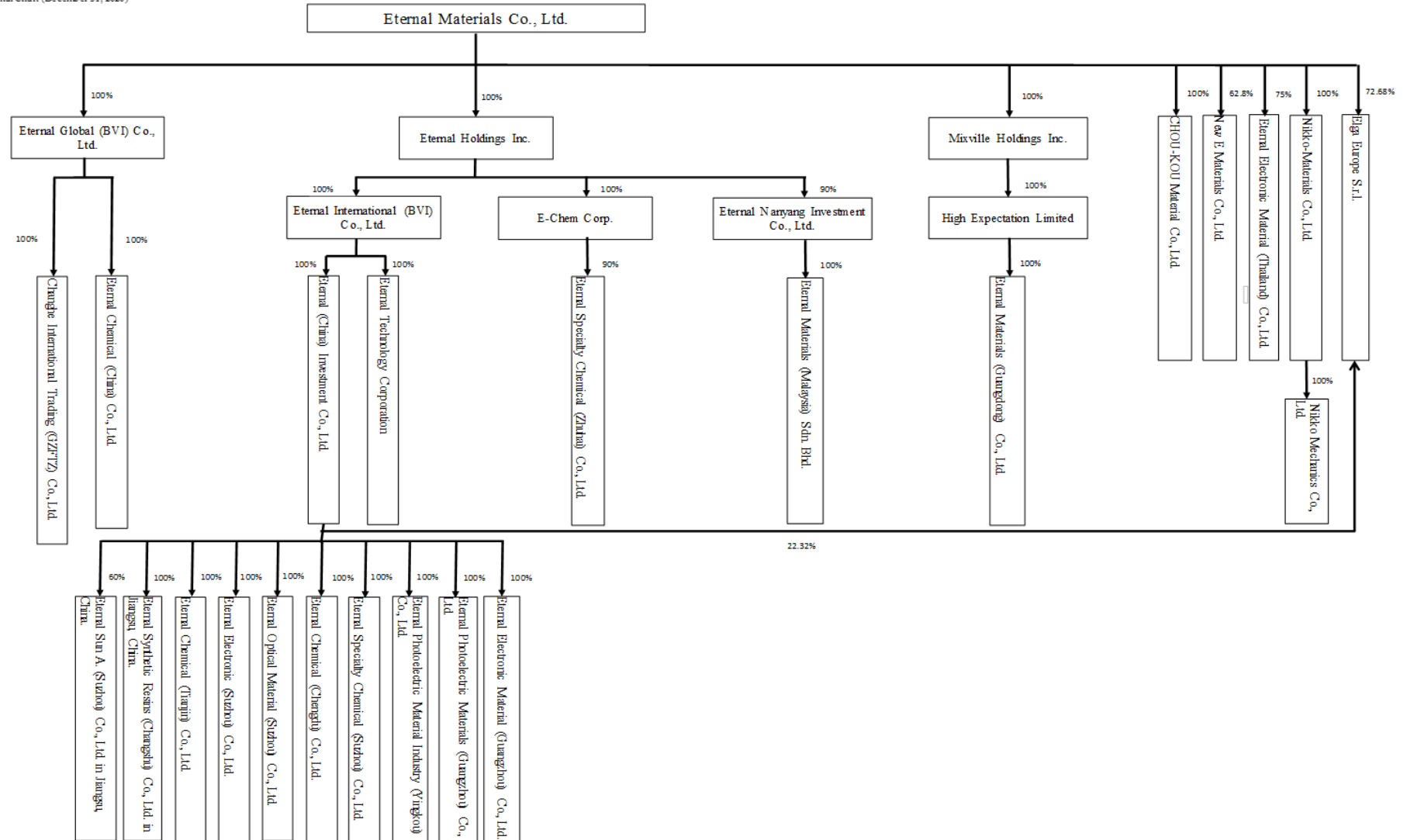
III. Holding or Disposal of Shares in the Company by Subsidiaries in the Most Recent Year up to the Date of Publication of the Annual Report: None.

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.

Eternal Materials Co., Ltd. and Subsidiaries
2020 Consolidated Financial Statements

I Subsidiaries
(4) Organizational Overview
1. Organizational Chart (December 31, 2020)



2. Concluded as the existence of the controlling and subordinate relation according to Article 369-3 of the Company Act No. 1

3. Any affiliate company whose personnel, financial or business operation are directly controlled by the Company according to Article 369-2, No. 2 of the Company Act? None. Although the presidents of DSM Resins (Far East) Co., Ltd., Allnex-Eternal Resins Corporation Ltd., Allnex-Eternal Resins (Guangdong) Corporation Ltd. are appointed by the Company, the Company does not control the overall management of the companies.

(II) Basic information on affiliated companies December 31, 2020

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\$ 6,259,870 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\$717,527 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.65, Luke 2nd Rd., Luzhu Dist., Kaohsiung City	NT\$110,000 thousand	Research and development, manufacture, and sale of electronic and chemical materials and equipment components relating to optoelectronic and semiconductor processes.
Eternal Electronic Material (Thailand) Co., Ltd.(Note 2)	January 30, 1997	335/8 Moo 9 Bangna-Trad Rd. Km 19, Tambol 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	Room 507, Concurred Yokohama, Kinkocho, Kanagawa Ward, Yokohama, Kanagawa	NT\$60,431 thousand	Sale, trading and service of resin, electronic materials, and related products.
Nikko-Material Co., Ltd. (Note 2)	September 30, 1997	Room 507, Concurred Yokohama, Kinkocho, Kanagawa Ward, Yokohama, Kanagawa	NT\$125,176 thousand	Manufacture and sale of dry film photoresist and vacuum molding press.
Eternal Materials (Malaysia) Sdn. Bhd.	January 30, 2015	PTD 5044, Jalan Rumbia 2, Tanjung Langsat Industrial Estate, Mukim Sungai Tiram, 81700 Pasir Gudang Johor, Malaysia.	NT\$2,620,027 thousand	Manufacture, sale, trading and service of synthetic resin related products
Elga Europe S.r.l. (Note 2)	May 24, 1973	Via della Merlata,8 20014 Nerviano MILANO.	NT\$95,441 thousand	Production, sale, distribution, and processing of electronic chemicals.
Eternal International (BVI) Co., Ltd.	October 14, 1994	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG 1110, British Virgin Islands.	NT\$5,739,033 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.

Affiliated Company	Date of Incorporation	Address	Paid-up Capital	Main Business or Production Activities
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, P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands.	NT\$871,519 thousand	Investment in other regions.
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.
Eternal Nanyang Investment Co., Ltd.	April 17, 2020	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa.	NT\$600,548 thousand	Investment in other regions.
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 Electronic Material (Guangzhou) Co., Ltd. (Note 2)	March 26, 2001	No. 69, Dongpeng Avenue, East Zone of Guangzhou Economic and Technological Development Zone, Guangzhou Province, 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, Coastal Industrial Base, Yingkou, Liaoning Province, China	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.

Affiliated Company	Date of Incorporation	Address	Paid-up Capital	Main Business or Production Activities
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 1401, 14/F, Tower A, No. 1397 Yishan Road, Xuhui Dirstrict, Shanghai, China	NT\$7,557,603 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, Sichuan Provice, China	NT\$450,351 thousand	Technological research and development of synthetic resin related products
Eternal Electronic (Suzhou) Co., Ltd. (Note 2)	August 29, 2013	No. 2, Zhenhuaqiao Road, Qishuguan Town, Suzhou New District, Jiangsu Province, China	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,Jiangsu Province, China	NT\$1,199,225 thousand	Research and development of chemical products, sale of self-produced products, and technical services.

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.

(III) For companies concluded as the existence of the controlling and subordinate relation, information on the same shareholders: None.

(IV) Overall business scope of affiliated companies

1. The business scope of the Company and affiliated companies mainly includes synthetic resins, electronic materials, specialty materials, general investment, and import and export trade.
2. 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, 2020, the dealings between the Company and affiliated companies are described as follows:

- (1) 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 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., and Eternal Specialty Materials (Suzhou) Co., Ltd.
- (2) 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.
- (3) 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.
- (4) 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.
- (5) 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.

(V) Information on directors (including independent directors), supervisors and presidents of affiliate companies

As of December 31, 2020 Unit: NT\$ thousands; 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	54,138,856 shares	4.37%
	Director	Hsieh, Chin-Kun	722,595 shares	0.06%
	Director	Ko, Chun-Ping (representative of Kwang Yang Motor Co., Ltd.)	124,000,000 shares	9.99%
	Director	Kao, Ying-Chih	19,851,560 shares	1.60%
	Director	Yang, Huai-Kung	15,775,900 shares	1.27%
	Director	Huang, Wu-Tung (Note4)	3,921,010 shares	0.32%
	Director	Shiao, Tzu-Fei	558,416 shares	0.05%
	Director	Yen, Shu-Fen	299,235 shares	0.02%
	Independent Director	Hung, Lee-Jung	-	0
	Independent Director	Lo, Li-Chun	-	0
	Independent Director	Chen, Yi-Heng	145,771 shares	0.01%
	President	Mao, Hui-Kuan	217,338 shares	0.02%
Eternal Holdings Inc.	Director	Kao, Kuo-Lun (representative of Eternal Materials Co., Ltd.)	204,273,859 shares	100%
Eternal Global (BVI) Co., Ltd.	Director	Kao, Kuo-Lun (representative of Eternal Materials Co., Ltd.)	16,821,024 shares	100%
Mixville Holdings Inc.	Director	Kao, Kuo-Lun (representative of Eternal Materials Co., Ltd.)	29,530,000 shares	100%
New E Materials Co., Ltd.	Chairman	Wen, Ching-Chang	801,200 shares	7.28%
	Director	Weng, Chin-Yi, Yeh, Mao-Jung, Lin, Chih-Kuo and Tai, Ming-Te (representative of Eternal Materials Co., Ltd.)	6,907,585 shares	62.80%
	Director	Yang, Hsin-Hua (representative of Inventec Corporation)	1,760,000 shares	16%
	Director	Ko, Chun-Ping (representative of Kwang Yang Motor Co., Ltd.)	1,100,000 shares	10%
	Supervisor	Su, Hui-Fang and Cheng, Hsien-He	-	-
	President	Lin, Chih-Kuo	-	-

Eternal Electronic Material (Thailand) Co., Ltd.	Chairman	Hung, Chao-Cheng (representative of Eternal Materials Co., Ltd.)	937,500 shares	75%
	Director	Kuo, Shih-Pin and Hsieh, Yen-Fen (representative of Eternal Materials Co., Ltd.)		
	Director	Tsai, Shu-Chun and Cheng, Tsang-Chao	312,500 shares	25%
	President	Kuo, Shih-Pin	—	—
CHOU-KOU Material Co., Ltd.	Director	Cheng, Chuan-Neng, Chang, Shih-Fang, Tai, Ming-Te, and Kimura Katsumi (representative of Eternal Materials Co., Ltd.)	4,000 shares	100%
	Supervisor	Su, Hui-Fang	—	—
	President	Cheng, Chuan-Neng	—	—
Nikko-Material Co., Ltd.	Director	Hung, Chao-Cheng, Hsieh, Yen-Fen, Kazutoshi Iwata, and Kimura Katsumi (representative of Eternal Materials Co., Ltd.)	11,520 shares	100%
	Supervisor	Su, Hui-Fang	—	—
	President	Yang, Ming-Hsiung	—	—
Eternal Materials(Malaysia) Sdn. Bhd.	Chairman	Liao, Heng-Ning (representative of Eternal Nanyang Investment Co., Ltd.)	347,324,000shares	100%
	Director	Chang, Shih-Fang, Lin, Chao-Kun and Chi, Hua-Han (representative of Eternal Nanyang Investment Co., Ltd.)		
	President	Tien, Chih-Hsiung	—	—
Elga Europe S.r.l.	Chairman	Hung, Chao-Cheng (representative of Eternal Materials Co., Ltd.)	\$ 345,779	95%
	Director	Hsieh, Yen-Fen (representative of Eternal Materials Co., Ltd.)		
	Director	Giorgio Favini	\$ 18,199	5%
Eternal International (BVI) Co., Ltd.	Director	Kao, Kuo-Lun (representative of Eternal Holdings Inc.)	183,793,592shares	100%
E -Chem Corp.	Director	Kao, Kuo-Lun (representative of Eternal Holdings Inc.)	4,990,000 shares	100%

Eternal Technology Corporation	Chairman	Hung, Chao-Cheng (representative of Eternal International (BVI) Co., Ltd.)	2,333 shares	100%
	Director	Hsieh, Yen-Fen and Li Wei (representative of Eternal International (BVI) Co., Ltd.)		
	President	Li Wei	—	—
High Expectation Limited	Director	Kao, Kuo-Lun (representative of Mixville Holdings Inc.)	26,005,000 shares	100%
Nikko Mechanics Co., Ltd.	Director	Hung, Chao-Cheng, Yang, Ming-Hsiung, Kazutoshi Iwata, Akita Yoshihiro, and Kimura Katsumi (representative of Nikko-Materials Co., Ltd.)	6,560shares	100%
	Supervisor	Su, Hui-Fang	—	—
	President	Yang, Ming-Hsiung	—	—
Eternal Nanyang Investment Co., Ltd.	Director	Kao, Kuo-Lun (representative of Eternal Materials Co., Ltd.)	18,450,000shares	90%
	Director	Chi, Hua-Han (representative of Tong Seng Holding Pte. Ltd.)	2,050,000shares	10%
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	Li, Chih-Chiang	—	—
Changhe International Trading (GZFTZ) Co., Ltd.	Chairman	Huang, Chin-Lung (representative of Eternal Global (BVI) Co., Ltd.)	\$ 13,661	100%
	Director	Mao, Hui-Kuan, Su, Jui-Sung (representative of Eternal Global (BVI) Co., Ltd.)		
	Supervisor	Su, Hui-Fang	—	—
	President	Su, Jui-Sung	—	—

Eternal Electronic Material (Guangzhou) Co., Ltd.	Chairman	Hung, Chao-Cheng (representative of Eternal (China) Investment Co., Ltd.)	\$ 1,259,046	100%
	Director	Hsieh, Yen-Fen and Liao, Keng-Chung (representative of Eternal (China) Investment Co., Ltd.)		
	Supervisor	Su, Hui-Fang	—	—
	President	Lin, Yu-Wei	—	—
Eternal Optical Material (Suzhou) Co., Ltd.	Chairman	Hung, Chao-Cheng (representative of Eternal (China) Investment Co., Ltd.)	\$ 614,887	100%
	Director	Hsieh, Yen-Fen and Lin, Yu-Wei (representative of Eternal (China) Investment Co., Ltd.)		
	Supervisor	Su, Hui-Fang	—	—
	President	Zhang, Zong- Ming	—	—
Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Chairman	Hung, Chao-Cheng (representative of Eternal (China) Investment Co., Ltd.)	\$ 997,694	100%
	Director	Hsieh, Yen-Fen and Liao, Keng-Chung (representative of Eternal (China) Investment Co., Ltd.)		
	Supervisor	Su, Hui-Fang	—	—
	President	Lin, Yu-Wei	—	—
Eternal Photoelectric Material Industry (Yingkou) Co., Ltd.	Chairman	Hung, Chao-Cheng (representative of Eternal (China) Investment Co., Ltd.)	\$ 124,282	100%
	Director	Hsieh, Yen-Fen and Lin, Yu-Wei (representative of Eternal (China) Investment Co., Ltd.)		
	Supervisor	Su, Hui-Fang	—	—
	President	Li, Chi-Sheng	—	—
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	Lu, Jin	—	—
Eternal Specialty Materials (Zhuhai) Co., Ltd.	Chairman	Pan, Chin-Cheng, (representative of E-Chem Corp.)	\$ 549,910	90%
	Director	Chen, Kun-Hsiung, Lin, Ching-Yao and Wang, Hong- Yu (representative of E-Chem Corp.)		
	Director	HENRY PÄ CKERT (representative of Cognis B.V.)	\$ 61,101	10%
	Supervisor	Su, Hui-Fang	—	—
	President	Shiu, Zhan- Zhong	—	—
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, Hsueh-Chuan	—	—
Eternal (China) Investment Co., Ltd.	Chairman	Kao, Kuo-Lun (representative of Eternal International (BVI) Co., Ltd.)	\$ 7,557,603	100%
	Director	Mao, Hui-Kuan and Chu, Jui-Hsin (representative of Eternal International (BVI) Co., Ltd.)		
	Supervisor	Su, Hui-Fang and Liu, Bing-Cheng	—	—
	President	Mao, Hui-Kuan	—	—
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 Electronic (Suzhou) Co., Ltd.	Chairman	Hung, Chao-Cheng (representative of Eternal (China) Investment Co., Ltd.)	\$ 1,381,040	100%
	Director	Hsieh, Yen-Fen and Lin, Yu-Wei (representative of Eternal (China) Investment Co., Ltd.)		
	Supervisor	Su, Hui-Fang	—	—
	President	Zhang, Zong- Ming	—	—
Eternal Sun A. (Suzhou) Co., Ltd.	Chairman	Takeshi Ashida (representative of Sun A. Kaken Co., Ltd.)	\$ 300,577	40%
	Director	Akihiko Shibasaki (representative of Sun A. Kaken Co., Ltd.)		
	Vice Chairman	Hung, Chao-Cheng (representative of Eternal (China) Investment Co., Ltd.)	\$ 450,866	60%
	Director	Mai, Wen-Chen and Hsieh, Yen-Fen (representative of Eternal (China) Investment Co., Ltd.)		
	Supervisor	Su, Hui-Fang and Gosho Takabe	—	—
	President	Mai, Wen-Chen	—	—
Eternal Specialty Materials (Suzhou) Co., Ltd.	Chairman	Pan, Chin-Cheng, (representative of Eternal (China) Investment Co., Ltd.)	\$ 1,199,225	100%
	Director	Wang, Hung-Yu and Li, Hong- Tao (representative of Eternal (China) Investment Co., Ltd.)		
	Supervisor	Su, Hui-Fang	—	—
	President	Li, Hong- Tao	—	—

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: Director Huang, Wu-Tung was discharged on April 8, 2021:

II. Business Overview of Affiliated Companies

Financial conditions and operating results of affiliated companies are as follows:

Affiliated Company	December 31, 2020 Unit: NT\$ thousands							
	Capital (Note 1)	Total Assets (Note 2)	Total Liabilities (Note 2)	Net Worth	Operating Revenue (Note 2)	Operating Profit (Note 2)	Net Profit or Loss (Note 1)	Earnings per share (NT\$)
Eternal Materials Co., Ltd.	\$12,402,795	\$44,157,757	\$21,323,260	\$22,834,497	\$13,011,068	(\$66,112)	\$2,543,496	\$2.05
Eternal Holdings Inc.	6,259,870	17,096,978	281,127	16,815,851	0	(8,009)	1,359,538	6.66
Eternal Global (BVI) Co., Ltd.	717,527	4,593,450	0	4,593,450	0	(90)	479,806	28.52
Mixville Holdings Inc.	989,582	3,687,471	0	3,687,471	0	(81)	300,120	10.16
New E Materials Co., Ltd.	110,000	79,216	4,922	74,294	14,334	(14,741)	(19,843)	(1.80)
Eternal Electronic Material (Thailand) Co., Ltd.	121,225	348,466	151,262	197,204	584,103	39,567	32,335	25.87
CHOU-KOU Material Co., Ltd.	60,431	267,562	178,028	89,534	409,380	(2,895)	6,188	1,547.00
Nikko-Materials Co., Ltd.	125,176	2,319,520	990,156	1,329,364	2,303,955	446,328	406,798	35,312.33
Eternal Materials (Malaysia) Sdn. Bhd.	2,620,027	2,752,287	1,109,510	1,642,777	1,508,503	(120,054)	(181,843)	(0.52)
Elga Europe S.r.l.	95,441	693,031	674,061	18,970	505,720	(36,826)	(46,198)	-
Eternal International (BVI) Co., Ltd.	5,739,033	13,735,022	966	13,734,056	0	(88)	1,160,884	6.32
E-Chem Corp.	165,608	2,212,544	0	2,212,544	0	(52)	295,697	59.26
Eternal Technology Corporation	600,693	421,676	508,114	(86,438)	251,280	(21,026)	(32,510)	(13,934.85)
High Expectation Limited	871,519	3,491,704	0	3,491,704	0	(155)	276,259	10.62
Nikko Mechanics Co., Ltd.	21,712	964,680	631,810	332,870	1,062,006	167,618	110,667	16,869.97
Eternal Nanyang Investment Co., Ltd.	600,548	1,707,877	1,168,477	539,400	0	(5,105)	(44,804)	(2.19)
Eternal Chemical (China) Co., Ltd.	755,651	5,753,480	1,297,764	4,455,716	3,895,422	388,916	436,220	-
Changhe International Trading (GZFTZ) Co., Ltd.	13,661	20,599	1,036	19,563	0	(1,567)	(2,148)	-

Affiliated Company	Capital (Note 1)	Total Assets (Note 2)	Total Liabilities (Note 2)	Net Worth	Operating Revenue (Note 2)	Operating Profit (Note 2)	Net Profit or Loss (Note 1)	Earnings per share (NT\$)
Eternal Electronic Material (Guangzhou) Co., Ltd.	\$1,259,046	\$4,444,133	\$772,454	\$3,671,679	\$2,703,281	\$303,024	\$438,645	-
Eternal Optical Material (Suzhou) Co., Ltd.	614,887	233,528	944,785	(711,257)	0	(35,524)	(99,219)	-
Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	997,694	4,054,620	684,109	3,370,511	2,763,274	558,097	525,265	-
Eternal Photoelectric Material Industry (Yingkou) Co., Ltd.	124,282	195,464	403,820	(208,356)	135,551	6,897	(6,061)	-
Eternal Synthetic Resins (Changshu) Co., Ltd.	726,426	1,616,994	1,405,987	211,007	1,402,378	43,190	21,553	-
Eternal Chemical (Tianjin) Co., Ltd.	1,008,004	2,779,844	1,928,533	851,311	1,775,669	121,542	87,025	-
Eternal Specialty Materials (Zhuhai) Co., Ltd.	611,011	3,628,948	1,069,217	2,559,731	3,932,090	342,091	306,317	-
Eternal Materials (Guangdong) Co., Ltd.	1,297,259	5,113,627	1,358,682	3,754,945	4,159,282	241,871	276,413	-
Eternal (China) Investment Co., Ltd.	7,557,603	15,463,432	688,110	14,775,322	1,240,492	59,127	1,193,176	-
Eternal Chemical (Chengdu) Co., Ltd.	450,351	1,164,055	1,551,967	(387,912)	574,385	(82,511)	(133,491)	-
Eternal Electronic (Suzhou) Co., Ltd.	1,381,040	3,045,558	1,578,082	1,467,476	2,320,942	182,917	142,122	-
Eternal Sun A. (Suzhou) Co., Ltd.	751,443	561,905	403,295	158,610	288,646	(94,038)	(95,541)	-
Eternal Specialty Materials (Suzhou) Co., Ltd.	1,199,225	2,173,263	838,622	1,334,641	1,792,484	151,091	120,276	-

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, net profit or loss, and earnings per share should be specified in New Taiwan dollars at the average monthly exchange rate in the fiscal year.