

Eternal Materials Co., Ltd.

2021 Annual Meeting of Shareholders Meeting Handbook

Date: June 22, 2021

**Place: No. 22, Changxing Road, Luzhu District, Kaohsiung City
(Art Center of the Lu-Chu Plant)**

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Eternal Materials Co., Ltd.

Procedure for the 2021 Annual Meeting of Shareholders

Time: 9:30 a.m., June 22, 2021 (Tuesday)

Place: No. 22, Changxing Road, Luzhu District, Kaohsiung City
(Art Center of the Lu-Chu Plant)

- I. Call the Meeting to Order
- II. Chairperson Remarks
- III. Management Presentation (Company Reports)
- IV. Proposals
- V. Discussions
- VI. Questions and Motions
- VII. Adjournment

Eternal Materials Co., Ltd.

Agenda of the 2021 Annual Meeting of Shareholders

I. Call the Meeting to Order

II. Chairperson Remarks

III. Management Presentation (Company Reports)

Report I: 2020 Business Report.

Report II: Audit Committee's Review Report on 2020 Financial Statements.

Report III: 2020 Endorsements/Guarantees for Others.

Report IV: Distribution of 2020 Compensation for Directors of the Board and
Employees

IV. Proposals

Proposal I: 2020 Business Report and Financial Statements.

Proposal II: 2020 Earnings Distribution.

V. Discussions

Proposal I: Amendments to the Articles of Incorporation.

VI. Questions and Motions

VII. Adjournment

I. Call the Meeting to Order

II. Chairperson Remarks

III. Management Presentation (Company Reports)

Report I: 2020 Business Report

Explanation: For the Company's 2020 Business Report, refer to #Page6-8# of the Handbook (Attachment I).

Report II: Audit Committee's Review Report on 2020 Financial Statements

Explanation: For the Audit Committee's Review Report, refer to #Page9# of the Handbook (Attachment II).

Report III: 2020 Endorsements and Guarantees for Others

Explanation: As of 2020, the amount of Endorsements and Guarantees made by the Company for others is as follows:

Company Name	Currency	Amount	Relationship with the Company
Eternal Holdings Inc.	USD	9.6 million	100% of shares held directly
Eternal Technology Corp.	USD	10 million	100% of shares held indirectly
Eternal Nanyang Investment Co., Ltd.	USD	50 million	90% of shares held indirectly
Eternal Sun A. (Suzhou) Co., Ltd.	USD	3.6 million	60% of shares held indirectly
Nikko-Materials Co., Ltd.	JPY	500 million	100% of shares held directly
Elga Europe S.r.l.	EUR	1.2 million	72.68% of shares held directly, 22.32% shares held indirectly
Eternal Materials (Malaysia) Sdn. Bhd.	USD	51 million	90% of shares held indirectly
	MYR	8 million	

Report IV: Distribution of 2020 Compensation for Directors of the Board and Employees

Explanation:

- I. The compensation for Directors of the Board and employees should be distributed in accordance with the Company Act and the Articles of Incorporation.
- II. NT\$16,200,000 and NT\$131,000,000 have been accrued for the compensation of Directors of the Board and for employees in 2020, respectively.

- III. According to the Articles of Incorporation, the compensation for Directors of the Board should be distributed based on the accrued amount, NT\$16,200,000 (0.5897% of profits in 2020), upon approval of the Chairman.
- IV. The compensation for employees should be distributed at 4.5% of profit in 2020, NT\$123,627,792, NT\$7,372,208 less than the accrued amount. The difference was recognized as the changes in accounting estimates in the following year's profit or loss.
- V. The compensation for Directors of the Board and employees in 2020 should be distributed in cash.
- VI. The distribution of 2020 compensation for Directors of the Board and employees was reviewed by the Remuneration Committee on March 19, 2021 and approved by the Board of Directors on March 26, 2021.

IV. Proposals

Proposal I: 2020 Business Report and Financial Statements (Proposed by the Board of Directors)

Explanation:

- I. The Company's 2020 financial statements, including the business report, balance sheets, and statements of comprehensive income, changes in equity, and cash flows, were reviewed and review report was prepared by the Audit Committee on March 19, 2021. The review reports were approved by the Board of Directors on March 26, 2021.
- II. For the above-mentioned Business Report, refer to #Page6-8# of the Handbook (Attachment 1). For the standalone financial statements and consolidated financial statements and independent auditor's reports, refer to #Pages10-29# of the Handbook (Attachments 3 and 4).
- III. Please acknowledge the proposal.

Resolution:

Proposal II: 2020 Earnings Distribution (Proposed by the Board of Directors)

Explanation:

- I. Cash dividends at NT\$1.5/share should be distributed to shareholders. For the 2020 Earnings Distribution Table, refer to #Page30# of the Handbook (Attachment 5).
- II. Cash dividends should be rounded to nearest integer. Odd dividends should be transferred to the Employee Welfare Committee. Upon approval of the shareholders' meeting, the Chairman should be authorized to set the date of distribution separately.
- III. Please acknowledge the proposal.

Resolution:

V. Discussions

Proposal I: Amendments to the Articles of Incorporation. (Proposed by the Board of Directors)

Explanation:

- I. Certain articles in the Company's Articles of Incorporation will be amended in accordance with legal regulations and to meet the Company's operation needs.
- II. For the comparison table before and after the amendments, refer to #Page31-32# of the Handbook (Attachment 6).
- III. Please resolve.

Resolution:

VI. Questions and Motions

VII. Adjournment

Attachment I

Business Report

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 market 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 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

(IV) 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.

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.

Chairman: Kao, Kuo-Lun President: Mao, Hui-Kuan Accounting Supervisor: Su, Hui-Fang

Attachment II

Eternal Materials Co., Ltd.
Audit Committee's Review Report

Hereby approved.

The Company's 2020 business report, earnings distribution, financial statements and consolidated financial statements submitted by the Board of Directors have been reviewed by the Audit Committee, and no irregularities have been 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 Annual Meeting of Shareholders

Eternal Materials Co., Ltd.
Convener of the Audit Committee:

March 26, 2021

Attachment III

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)	<u>147,044</u>	-	<u>105,149</u>	-
Total current assets	<u>7,146,604</u>	<u>16</u>	<u>7,114,450</u>	<u>17</u>
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)	<u>35,783</u>	-	<u>17,398</u>	-
Total non-current assets	<u>37,011,153</u>	<u>84</u>	<u>35,841,544</u>	<u>83</u>
TOTAL	<u>\$ 44,157,757</u>	<u>100</u>	<u>\$ 42,955,994</u>	<u>100</u>
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)	<u>30,082</u>	-	<u>7,726</u>	-
Total current liabilities	<u>5,989,894</u>	<u>13</u>	<u>7,006,246</u>	<u>16</u>
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)	<u>998,991</u>	<u>2</u>	<u>989,117</u>	<u>2</u>
Total non-current liabilities	<u>15,333,366</u>	<u>35</u>	<u>14,534,411</u>	<u>34</u>
Total liabilities	<u>21,323,260</u>	<u>48</u>	<u>21,540,657</u>	<u>50</u>
EQUITY (Note 17)				
Ordinary shares	<u>12,402,795</u>	<u>28</u>	<u>12,402,795</u>	<u>29</u>
Capital surplus	<u>368,946</u>	<u>1</u>	<u>356,046</u>	<u>1</u>
Retained earnings				
Legal reserve	4,188,871	10	3,942,840	9
Special reserve	1,442,690	3	510,893	1
Unappropriated earnings	<u>5,213,715</u>	<u>12</u>	<u>5,645,452</u>	<u>13</u>
Total retained earnings	<u>10,845,276</u>	<u>25</u>	<u>10,099,185</u>	<u>23</u>
Other equity	<u>(782,520)</u>	<u>(2)</u>	<u>(1,442,689)</u>	<u>(3)</u>
Total equity	<u>22,834,497</u>	<u>52</u>	<u>21,415,337</u>	<u>50</u>
TOTAL	<u>\$ 44,157,757</u>	<u>100</u>	<u>\$ 42,955,994</u>	<u>100</u>

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	
	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
Net cash generated from (used in) investing activities	<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	-
Net cash used in financing activities	<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. (Concluded)

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

Attachment IV

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)	403,805	-	504,398	1
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											
	Ordinary Shares	Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Other Equity		Total Other Equity	Total	Non-controlling Interests	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Gains and Losses on Financial Assets at Fair Value Through Other Comprehensive Income	Income				
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)												
Legal reserve	-	-	155,051	-	(155,051)	-	-	-	-	-	-	
Special reserve	-	-	-	83,963	(83,963)	-	-	-	-	-	-	
Cash dividends - NT\$0.9 per share	-	-	-	-	(1,116,252)	-	-	-	(1,116,252)	-	(1,116,252)	
	-	-	155,051	83,963	(1,355,266)	-	-	-	(1,116,252)	-	(1,116,252)	
Net profit (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)												
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)	-	(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	
	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)

Attachment V

Eternal Materials Co., Ltd.
2020 Earnings Distribution Table

Unit: NTD

Item	Amount	
I. Distributable amount		
Undistributed earnings at the beginning of the period		2,731,233,349
2020 After-tax net income	2,543,496,174	
Adjusted retained earnings for remeasurement of defined benefit plan	(34,703,309)	
Adjusted retained earnings for investments accounted for using the equity method	(385,051)	
Disposal of equity instruments measured at fair value through other comprehensive income	(25,925,922)	
The net income after tax for current period plus items other than the net income after tax for current period are included in the undistributed earnings of the current year		2,482,481,892
10% appropriated as legal reserve		(248,248,189)
Reversal of special reserve appropriation		<u>660,170,071</u>
Distributable retained earnings		5,625,637,123
II. Distributable item		
Cash dividends for shareholders at NT\$1.5 per share		(1,860,419,183)
III. Undistributed earnings at the end of the period		<u>3,765,217,940</u>

1. Dividends for shareholders to be distributed should be appropriated from the earnings in 2020 first.
2. According to the Letter No. 1010012865 issued by Financial Supervisory Commission on April 6, 2012, the Company chose to adopt the exemptions in IFRS 1, so special reserve of NT\$426,930,232 was appropriated for retained earnings transferred from unrealized incremental value from revaluation. The aforesaid special reserve was not reversed in 2020.
3. According to the Letter No. 1010012865 issued by Financial Supervisory Commission on April 6, 2012, the Company should appropriate special reserve of NT\$782,520,476 for net amount of other equity deductions due to translation differences of assets and liabilities of foreign operations and the revaluation of fair value of financial investments. As the Company had appropriated special reserve of NT\$1,442,690,547, the difference of NT\$660,170,071 between the appropriated amount and the deduction to other equity shall be reversed from the special reserve.

Chairman: Kao, Kuo-Lun President: Mao, Hui-Kuan Accounting Supervisor: Su, Hui-Fang

Attachment VI

Eternal Materials Co., Ltd.

Comparison Table for the Amendments to the Articles of Incorporation

After the Amendments	Before the Amendments	Reasons for the Amendments
<p>Article 2: The scope of the Company's business is as follows:</p> <p>1.C801100 Synthetic Resin and Plastic Manufacturing</p> <p>2.CC01080 Electronics Components Manufacturing</p> <p>3.C802200 Coating, Paint, Dye and Pigment Manufacturing</p> <p>4.C802120 Industrial and Additive Manufacturing</p> <p>5.C805990 Other Plastic Products Manufacturing</p> <p>6.C801990 Other Chemical Material Manufacturing</p> <p>7.C801020 Petrochemical Materials Manufacturing</p> <p>8.C801010 Basic Industrial Chemical Manufacturing</p> <p>9.CF01011 Medical Devices Manufacturing</p> <p>10.F108031 Wholesale of Medical Devices</p> <p>11.F208031 Retail Sale of Medical Apparatus</p> <p>12.ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.</p>	<p>Article 2: The scope of the Company's business is as follows:</p> <p><u>1.C801100 Synthetic Resin and Plastic Manufacturing</u></p> <p>2.CC01080 Electronics Components Manufacturing</p> <p><u>3.C802200 Coating, Paint, Dye and Pigment Manufacturing</u></p> <p>4.C802120 Industrial and Additive Manufacturing</p> <p>5.C801050 Raw Plastic Material Manufacturing</p> <p>6.C805990 Other Plastic Products Manufacturing</p> <p>7.C801990 Other Chemical Material Manufacturing</p> <p>8.C801020 Petrochemical Materials Manufacturing</p> <p>9.C801010 Basic Industrial Chemical Manufacturing</p> <p>10.CF01011 Medical Devices Manufacturing</p> <p>11.F108031 Wholesale of Medical Devices</p> <p>12.F208031 Retail Sale of Medical Apparatus</p> <p>13.ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.</p>	<p>1. Amended in accordance with the amendments in the business item registration chart from the Ministry of Economic Affairs.</p> <p>2. Former item 5 is no longer promulgated in the business item registration chart and is therefore deleted accordingly.</p> <p>3. Adjusted numbering of items 6 to 13.</p>
<p>Article 12: The Company shall have 11 directors of the Board (including 3 independent directors). Starting from the 19th term of the Board of Directors, the Company shall have 12 directors of the Board (including 4 independent directors). Directors are elected and appointed by the shareholders from the list of candidates. Candidates may continue in office if re-elected. The nomination system shall be adopted for the election of directors. The nomination of directors of the Board shall be processed and announced in accordance with the Company Act and the Securities and Exchange Act.</p>	<p>Article 12: The Company shall have 10 directors of the Board (including 3 independent directors). Starting from the 18th Board of Directors, the Company shall have 11 directors of the Board (including 3 independent directors). Directors are elected and appointed by the shareholders from the list of candidates. Candidates may continue in office if re-elected. The nomination system shall be adopted for the election of directors. The nomination of directors of the Board shall be processed and announced in accordance with the Company Act and the Securities and Exchange Act.</p>	<p>Amended in line with the amendments to the "Taiwan Stock Exchange Corporation Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the</p>

<p>Independent and non-independent directors shall be elected at the same time, but in separately calculated numbers.</p> <p>The total shares of registered stock held by all Directors shall conform to the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies promulgated by the authority in charge of securities.</p>	<p>Independent and non-independent directors shall be elected at the same time, but in separately calculated numbers.</p> <p>The total shares of registered stock held by all Directors shall conform to the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies promulgated by the authority in charge of securities.</p>	<p>Board's Exercise of Powers".</p>
<p>Article 18: In case of profit, the Company shall allocate the earnings in the following order:</p> <ol style="list-style-type: none"> ① Income taxes. ② Make up for accumulated deficit. ③ Appropriate 10% as legal reserve; where such legal reserve amounts to the total paid-in capital, this provision shall not apply. ④ Appropriate or reversal of special reserve according to resolution from the Shareholders' Meeting or regulations from competent authority. ⑤ The distributable earnings shall consist of the balance of earnings plus the undistributed earnings. The Board of Directors shall propose the earnings distribution in the shareholders' meeting for a resolution. <p>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.</p>	<p>Article 18: In case of profit, the Company shall allocate the earnings in the following order:</p> <ol style="list-style-type: none"> ① Income taxes. ② Make up for deficits from previous years. ③ Appropriate 10% as legal reserve; where such legal reserve amounts to the total paid-in capital, this provision shall not apply. ④ Special reserve according to the resolution of the shareholders' meeting or the order of the competent authority. ⑤ The distributable earnings shall consist of the balance of earnings plus the undistributed earnings. The Board of Directors shall propose the earnings distribution in the shareholders' meeting for a resolution. <p>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.</p>	<p>Terms are amended in line with regulations.</p>
<p>Article 20: These Articles were enacted on November 17, 1964. ...(Omitted)... The 54th amendment was made on June 26, 2019. <u>The 55th amendment will take place on June 22, 2021.</u></p>	<p>Article 20: These Articles were enacted on November 17, 1964. ...(Omitted)... The 54th amendment was made on June 26, 2019.</p>	<p>The date of the current amendment was added.</p>

Appendix I

Eternal Materials Co., Ltd.

Rules of Procedure for Shareholders' Meetings

Formulated on April 21, 1991

Amended on June 18, 2020

- Article 1. The rules of procedure for the Company's shareholders meetings, except as otherwise provided by the laws, regulations or Articles of Incorporation, shall be as provided in these Rules.
- Article 2. A shareholder holding 1% or more of the total number of issued shares may submit to this Corporation a written proposal for discussion at a regular shareholders meeting. Such proposals, however, are limited to one item only, and no proposal containing more than one item will be included in the meeting agenda. However, the shareholder proposal is a proposal to urge the Company to promote public interest or fulfill its social responsibilities, and the board of directors must still include the proposal. In addition, when the circumstances of any subparagraph of Paragraph 4, Article 172-1 of the Company Act apply to a proposal put forward by a shareholder, the Board of Directors may exclude it from the agenda. Prior to the book closure date before a regular shareholders' meeting is held, the Company shall publicly announce that it will receive shareholder proposals, and the location and time period for their submission: the period for submission of shareholder proposals may not be less than 10 days. Shareholder-submitted proposals are limited to 300 words (including characters and punctuation), and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder submitting the proposal shall be present in person or by proxy at the regular shareholders' meeting and take part in the discussion of the proposal. Prior to the date for issuance of notice of a regular shareholders' meeting, the Company shall inform the shareholders' submitting proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. At the shareholders' meeting, the Board of Directors shall explain the reasons for exclusion of any shareholder-submitted proposals not included in the meeting agenda.
- Article 3. Shareholders or their proxies (collectively, "shareholders") shall attend shareholders' meetings based on attendance cards, sign-in cards, or other certificates of attendance. Solicitors soliciting proxy forms shall also bring identification documents for verification.
- The number of shares in attendance shall be calculated according to the shares indicated by the attendance cards, sign-in cards, or other certificates of attendance handed in plus the number of shares whose voting rights are exercised by correspondence or electronically.
- Article 4. The participation and voting by shareholders shall be duly calculated based on the number of shares they hold.
- Article 5. The venue for a shareholders' meeting shall be the premises of the Company, or a place easily accessible to shareholders and suitable for a shareholders' meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m. Registration shall begin at least 30 minutes before the commencement of the meeting. The Company shall specify in its shareholders' meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention.
- Article 6. For a shareholders' meeting chaired by the chairperson of the Board, when the chairperson is on leave or for any reason unable to exercise the powers of the chairperson, the chairperson shall appoint a director to act in place of the chairperson. Where the chairperson does not make such a designation, the directors shall select from among themselves one person to serve as the chair.
- Article 7. The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders meeting in a non-voting capacity. The staff handling administrative affairs of a shareholders' meeting shall wear identification cards or arm bands.

Article8. The Company, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of a shareholders' meeting. The recorded materials shall be retained for at least 1 year.

Article9. The chairperson shall call the meeting to order at the time scheduled for the meeting. In the event that the meeting is attended by shareholders representing less than half of the total issued shares, the chairperson may announce a postponement of the meeting, however, there may not be more than two postponements in total and the total time accumulated in the postponement(s) shall not exceed one hour.

If the quorum is not met after two postponements, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Paragraph 1, Article 175 of the Company Act. When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders' meeting pursuant to Article 174 of the Company Act.

Article10. If a shareholders' meeting is convened by the Board of Directors, the agenda shall be determined by the Board of Directors. The relevant proposals (including motions and amendment to original proposals) shall be decided by voting on a case-by-case basis. The meeting shall be convened according to the scheduled agenda. The agenda shall not be altered without a resolution adopted at the shareholders' meeting.

The provisions of the preceding paragraph apply mutatis mutandis to a shareholders' meeting convened by a party with the power to convene that is not the Board of Directors. The chair shall not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders' meeting.

After the meeting is adjourned, the shareholders shall not appoint another chair and continue the meeting either at the same or a different venue.

Article11. Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

When an attending shareholder is speaking, other shareholders shall not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.

Article12. Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.

Article13. When a juristic person shareholder appoints two or more representatives to attend a shareholders' meeting, only one of the representatives so appointed may speak on the same proposal. When a juristic person shareholder appoints two or more representatives to attend a shareholders' meeting, only one of the representatives so appointed may speak on the same proposal.

Article14. After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.

Article15. When the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed, call for a vote, and schedule sufficient time for voting.

Article16. Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company.

Vote counting for shareholders' meeting proposals or elections shall be conducted in public at the place of the shareholders' meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes or list of the elect and number of votes, shall be announced on-site at the meeting, and a record made of the vote.

Article17. When a meeting is in progress, the chair may announce a break based on time considerations.

Article18. Except as otherwise provided in the Company Act and in the Company's Articles of Incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders.

Article19. When the Company holds a shareholders' meeting, it shall adopt exercise of voting rights by electronic means and may adopt exercise of voting rights by correspondence. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders' meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived his/her rights with respect to the extraordinary motions and amendments to original proposals of that meeting;

A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a written declaration of intent to the Company two days before the date of the shareholders' meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail. However, this restriction does not apply when a declaration is made to cancel the earlier declaration of intent.

After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders' meeting in person, a written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, 2 business days before the date of the shareholders' meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders' meeting, the voting rights exercised by the proxy in the meeting shall prevail. When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.

Article20. Resolutions of shareholders' meetings shall be recorded in the minutes of meeting. The meeting minutes shall be signed or sealed by the chair of the meeting, and the minutes shall be distributed to each shareholder within 20 days after the meeting. The production and distribution of the meeting minutes may be effected by electronic means. The distribution of the meeting minutes as described in the preceding paragraph can be done through a public announcement on the Market Observation Post System. The meeting minutes shall be recorded in accordance with the year, month, day, venue, name of the chair, resolution method, method of discussion and voting results (including statistical weights). When there are elected Directors, each candidate's votes shall be disclosed. It should be kept permanently during the existence of the Company,

Article21. The chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."

Article22. These Rules and any amendments hereof shall be put into enforcement after being resolved at the shareholder meeting.

Appendix II

Articles of Incorporation of Eternal Materials Co., Ltd.

Chapter I General Principles

Article 1: The Company, organized under the Company Act, shall be named 長興材料工業股份有限公司 in Mandarin Chinese, and Eternal Materials Co., Ltd. in English.

Article 2: The scope of business is as follows:

- 1.C801040 Synthetic Resin and Plastic Manufacturing
- 2.CC01080 Electronics Components Manufacturing
- 3.C802030 Coating, Paint, Dye and Pigment Manufacturing
- 4.C802120 Industrial and Additive Manufacturing
- 5.C801050 Raw Plastic Material Manufacturing
- 6.C805990 Other Plastic Products Manufacturing
7. C801990 Other chemical materials manufacturing
8. C801020 Petrochemical manufacturing
9. C801010 Basic industrial chemical manufacturing
- 10.CF01011 Medical Devices Manufacturing
- 11.F108031 Wholesale of Medical Devices
- 12.F208031 Retail Sale of Medical Apparatus
- 13.ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

Article 3: The Company is headquartered in Kaohsiung City and may establish branches at home and abroad when necessary.

Article 4: The Company may engage in domestic or foreign investment in other companies. The total amount of the Company's investment in other companies is exempted from the prohibition against exceeding 40% of paid-up capital.

Article 5: The Company may act as a guarantor of affiliates and investee companies.

Chapter II Shares

Article 6: The authorized capital of the Company is NT\$18 billion, consisting of 1.8 billion shares of common stock, with a par value of NT\$10 per share. The Board of Directors is authorized to issue the shares in separate installments as required. NT\$0.1 billion, consisting of 10 million shares, with a par value of NT\$10 per share, is reserved for stock warrants, corporate bonds with warrants, and preferred stock with warrants.

Article 6-1: Shares issued by the Company need not be in a certificate form, but shall be registered with a centralized depository enterprise.

Article 7: All entries in the shareholders register due to transfer of shares shall be suspended for 60 days prior to a regular shareholders' meeting, or for 30 days prior to an extraordinary shareholders' meeting, or for 5 days prior to the record date fixed for distributing dividends, bonus, or any other benefits.

Chapter III Shareholders' Meeting

- Article 8: Shareholders' meetings are of two kinds: Regular shareholders' meetings and extraordinary shareholders' meetings. A regular shareholders' meeting is called once every year within six months of the close of a fiscal year. Extraordinary shareholders' meetings may be called in accordance with applicable laws and regulations whenever necessary.
- Article 9: For any shareholders' meeting, a shareholder may appoint a proxy to attend the meeting by using the proxy form issued by the Company and specifying the scope of proxy.
- Article 10: Each shareholder of the Company is entitled to one vote per share, unless otherwise provided by the Company Act and applicable laws or regulations.
- Article 11: Unless otherwise provided by applicable laws or regulations, a resolution of the shareholders' meeting shall be adopted with consent of a majority of the votes represented by those in attendance at the meeting, in person or by proxy, and representing a majority of the total issued shares.

Chapter IV Board of Directors and Audit Committee

- Article 12: Article 12: The Company shall have ten Directors of the Board (including three Independent Directors), with a 3-year term of office. Starting from the 18th Board of Directors, the Company shall have eleven Directors of the Board (including three Independent Directors). Directors are elected and appointed by the shareholders from the list of candidates. Candidates may continue in office if re-elected.
The nomination system shall be adopted for the election of directors. The nomination of directors of the Board shall be processed and announced in accordance with the Company Act and the Securities and Exchange Act. Independent and non-independent directors shall be elected at the same time, but in separately calculated numbers. The total shares of registered stock held by all Directors shall conform to the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies promulgated by the authority in charge of securities.
- Article 12-1: The Company has established the Audit Committee under the 17th Board of Directors since 2016. The Audit Committee shall consist of all independent directors. The Audit Committee Charter shall be formulated based on the resolution of the Board of Directors. Since the establishment of the Audit Committee, the regulations of the Company Act, the Securities and Exchange Act, and other laws and regulations relating to supervisors shall apply mutatis to the Audit Committee.
- Article 12-2: The Company may purchase liability insurance for directors of the Board within the term of office.
- Article 13: The Board of Directors shall consist of the directors of the Board of the Company; the chairperson of the Board of Directors shall be elected from among the directors of the Board by a majority of directors of the Board in attendance at a meeting attended by at least two-thirds of the directors of the Board. A vice chairperson may be elected as well in the same way when necessary. The chairperson of the Board of Directors shall represent the Company in external matters. In calling a meeting of the Board of Directors, the Company may notify each director of the Board in writing or by fax or

E-mail.

Article 14: If a director of the Board is unavailable to attend a meeting in person, the director of the Board may authorize another director of the Board to attend the meeting on his/her behalf. For matters that shall be resolved by the Board of Directors in accordance with Article 14-3 of the Securities and Exchange Act, independent directors may only authorize other independent directors to attend the meeting on their behalf.

Article 14-1: The Board of Directors shall be authorized to decide on the compensation for the directors of the Board at a rate consistent with the general practices in the industry and based on the participation in and contribution to the Company's operations. The Board of Directors shall also approve the compensation regulations as the basis for payment of compensation.

Chapter V Managerial Officer

Article 15: The Company may appoint several managerial officers, whose commissioning, decommissioning and compensation shall be as pursuant to Article 29 of the Company Act.

Chapter VI Accounting

Article 16: After the close of each fiscal year, the business report, financial statements, and proposal for earnings distribution or appropriation for deficits shall be prepared by the Board of Directors and submitted to the regular shareholders' meeting for acknowledgement.

Article 17: Article 17: If the Company reports a profit in a year, 4.5%~5.5% of which shall be set aside as compensation for employees, and 1% of which shall be set aside as compensation for directors of the Board. 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. Compensation for employees may be distributed in a form of stock or cash. The distribution of compensation for employees shall be approved by more than half of the directors of the Board present in the meeting which more than two-thirds of the directors of the Board attend and reported in the shareholders' meeting. The counterparty to whom stock or cash dividends are distributed to as compensation for employees shall include the employees of the Company's subsidiaries that meet certain conditions. Except for compensation set forth in Article 14-1, independent directors do not participate in the distribution of compensation for directors of the Board in this article.

Article 18: In case of profit, the Company shall allocate the earnings in the following order:
①Income taxes.
②Make up for deficits from previous years.
③Appropriate 10% as legal reserve; where such legal reserve amounts to the total paid-in capital, this provision shall not apply.
④Special reserve according to the resolution of the shareholders' meeting or the order of the competent authority.
⑤The distributable earnings shall consist of the balance of earnings plus the undistributed earnings. The Board of Directors shall propose the earnings distribution in the shareholders' meeting for a resolution.

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.

Chapter VII Additional Provisions

Article 19: Any matters not provided for in the Articles of Incorporation shall be handled in accordance with the Company Act and other applicable laws or regulations.

Article 20: These Articles were enacted on November 17, 1964. The 1st amendment was made on February 16, 1966. The 2nd amendment was made on May 1, 1967. The 3rd amendment was made on December 16, 1967. The 4th amendment was made on February 6, 1972. The 5th amendment was made on November 2, 1972. The 6th amendment was made on November 5, 1973. The 7th amendment was made on June 6, 1974. The 8th amendment was made on July 31, 1975. The 9th amendment was made on August 29, 1976. The 10th amendment was made on February 10, 1977. The 11th amendment was made on August 3, 1978. The 12th amendment was made on December 26, 1979. The 13th amendment was made on December 28, 1980. The 14th amendment was made on October 4, 1983. The 15th amendment was made on July 20, 1984. The 16th amendment was made on September 2, 1984. The 17th amendment was made on October 23, 1986. The 18th amendment was made on February 12, 1987. The 19th amendment was made on June 25, 1987. The 20th amendment was made on September 3, 1987. The 21st amendment was made on January 17, 1988. The 22nd amendment was made on September 7, 1988. The 23rd amendment was made on October 12, 1988. The 24th amendment was made on December 11, 1988. The 25th amendment was made on April 26, 1990. The 26th amendment was made on May 20, 1990. The 27th amendment was made on August 28, 1990. The 28th amendment was made on April 21, 1991. The 29th amendment was made on March 4, 1992. The 30th amendment was made on April 25, 1992. The 31st amendment was made on July 15, 1992. The 32nd amendment was made on April 25, 1993. The 33rd amendment was made on April 25, 1994. The 34th amendment was made on April 28, 1995. The 35th amendment was made on May 15, 1996. The 36th amendment was made on May 15, 1997. The 37th amendment was made on April 10, 1998. The 38th amendment was made on May 4, 1999. The 39th amendment was made on May 10, 2000. The 40th amendment was made on May 11, 2001. The 41st amendment was made on April 15, 2002. The 42nd amendment was made on April 14, 2004. The 43rd amendment was made on April 13, 2005. The 44th amendment was made on June 9, 2006. The 45th amendment was made on May 24, 2007. The 46th amendment was made on June 13, 2008. The 47th amendment was made on June 15, 2010. The 48th amendment was made on June 5, 2012. The 49th amendment was made on June 20, 2013. The 50th amendment was made on June 11, 2014. The 51st amendment was made on June 10, 2015. The 52nd amendment was made on June 15, 2016. The 53rd amendment was made on June 15, 2017. The 54th amendment was made on June 26, 2019.

Appendix III

Shareholding of Directors

Position	Name	Book Closure Date for the Shareholder's Meeting April 24, 2021
Chairman (Note 1)	Kao, Kuo-Lun	54,138,856
Vice Chairman (Note 1)	Hsieh, Chin-Kun	722,595
Director of the Board (Note 1)	Kwang Yang Motor Co., Ltd.	124,000,000
	Representative: Ko, Chun-Ping	-
Director of the Board (Note 1)	Kao, Ying-Chih	19,851,560
Director of the Board (Note 1)	Yang, Huai-Kun	15,775,900
Director of the Board (Note 1)	Shiao, Tzu-Fei	558,416
Director of the Board (Note 1)	Yen, Shu-Fen	299,235
Number of shares held by all directors excluding independent directors	Total	215,346,562
Independent Director (Note 1)	Hung, Lee-Jung	-
Independent Director (Note 1)	Luo Li-Chun	-
Independent Director (Note 2)	Chen, Yi-Heng	145,771
Number of shares held by all directors	Total	215,492,333

Note 1: Election date: June 26, 2019

Note 2: Election date: June 18, 2020

The Company's paid-in capital was NT\$12,402,794,550, with 1,240,279,455 shares.

Statutory minimum number of shares held by all directors of the Board: 32,000,000 (Note 3)

Note 3: According to Paragraph 2, Article 2 of the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies, if a public company has elected two or more independent directors, the share ownership figures calculated at the rates set forth in the preceding paragraph for all directors other than the independent directors and shall be decreased by 20%.

Statutory minimum number of shares held by all supervisors: N/A

The shareholding of all directors of the Board conformed to the ratio set forth in the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies.

Appendix IV

Other Instructions

Proposals submitted by shareholders were processed as follows:

1. According to Article 172-1 of the Company Act, shareholder holding 1% of the total number of issued shares or more may submit to the Company a written proposal for discussion at a regular shareholders' meeting. Such proposals, however, are limited to one item only. Shareholder-submitted proposals are limited to 300 words.
2. Shareholder proposals must be submitted during the period from April 16, 2021 to April 26, 2021. As required by law, the Company has published the information regarding shareholder proposals on the MOPS website.
3. As of the deadline, the Company has not received any proposals from shareholders.