

Eternal Materials Co., Ltd.

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

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, 2019 and 2018, the standalone statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the standalone financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (refer to the Other Matter paragraph) the accompanying standalone financial statements present fairly, in all material respects, the standalone financial position of the Company as of December 31, 2019 and 2018, 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, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020, and auditing standards generally accepted in the Republic of China. We conducted our audit of the financial statements for the year ended December 31, 2018 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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. 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, 2019. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Company's standalone financial statements for the year ended December 31, 2019 are stated as follows:

Revenue Recognition

1. Description

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

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

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

Other Matter

The financial statements of some associates accounted for using the equity method were audited by other auditors. Therefore, our opinion on the amounts and disclosures of such investments included in the accompanying financial statements were based on the financial statements audited by other auditors. Such investments accounted for using the equity method amounted to NT\$764,646 thousand and NT\$713,896 thousand, both representing 2% of the Company's total assets as of December 31, 2019 and 2018, respectively, and the share of the profit of associates amounted to NT\$204,589 thousand and NT\$190,077 thousand, representing 13% and 20% of the Company's total comprehensive income for the year ended December 31, 2019 and 2018, respectively.

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

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

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

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

Auditors' Responsibilities for the Audit of the Standalone Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the standalone financial statements. We are responsible for the direction, supervision, and performance of the Company's audit. We remain solely responsible for our audit opinion.

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

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

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

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

Lee-Yuan Kuo Chun-Chi Kung

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 27, 2020

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, 2019		December 31, 2018	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 366,261	1	\$ 266,244	1
Notes receivable, net (Notes 4 and 7)	280,413	1	382,064	1
Notes receivable from related parties, net (Notes 4, 7 and 27)	-	-	133	-
Accounts receivable, net (Notes 4, 5 and 7)	2,420,103	6	2,608,286	6
Accounts receivable from related parties, net (Notes 4, 5, 7 and 27)	839,763	2	909,174	2
Other receivables (Note 27)	608,187	1	619,801	1
Inventories (Notes 4, 5 and 8)	2,494,574	6	2,875,556	7
Non-current assets held for sale (Notes 4 and 9)	-	-	9,243	-
Other financial assets - current (Note 10)	-	-	14,830	-
Other current assets - others (Note 22)	105,149	-	162,210	-
Total current assets	<u>7,114,450</u>	<u>17</u>	<u>7,847,541</u>	<u>18</u>
NONCURRENT ASSETS				
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4 and 11)	578,821	1	554,198	1
Investments accounted for using the equity method (Notes 4 and 12)	28,654,143	67	28,757,727	66
Property, plant and equipment (Notes 4 and 13)	6,184,393	14	6,034,560	14
Right-of-use assets (Notes 4 and 14)	47,027	-	-	-
Investment properties (Notes 4 and 15)	17,057	-	17,057	-
Intangible assets (Notes 4 and 16)	88,005	-	89,365	-
Deferred tax assets (Notes 4, 5 and 22)	254,700	1	260,998	1
Other noncurrent assets - others	17,398	-	22,180	-
Total noncurrent assets	<u>35,841,544</u>	<u>83</u>	<u>35,736,085</u>	<u>82</u>
TOTAL	<u>\$ 42,955,994</u>	<u>100</u>	<u>\$ 43,583,626</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 4 and 17)	\$ 2,038,640	5	\$ 1,974,614	5
Notes payable	1,531	-	23,519	-
Accounts payable (Note 27)	1,038,887	2	1,519,338	3
Other payables - others	821,958	2	817,306	2
Current tax liabilities (Note 22)	90,611	-	74,713	-
Lease liabilities - current (Notes 4 and 14)	12,893	-	-	-
Current portion of long-term borrowings (Notes 4 and 17)	2,994,000	7	3,283,000	8
Other current liabilities - others	7,726	-	27,728	-
Total current liabilities	<u>7,006,246</u>	<u>16</u>	<u>7,720,218</u>	<u>18</u>
NONCURRENT LIABILITIES				
Bonds payable (Notes 4 and 17)	2,994,192	7	-	-
Long-term borrowings (Notes 4 and 17)	7,796,408	18	11,021,142	25
Deferred tax liabilities (Notes 4 and 22)	2,725,100	7	2,826,460	7
Lease liabilities - non-current (Notes 4 and 14)	29,594	-	-	-
Other noncurrent liabilities (Notes 5 and 18)	989,117	2	1,012,727	2
Total noncurrent liabilities	<u>14,534,411</u>	<u>34</u>	<u>14,860,329</u>	<u>34</u>
Total liabilities	<u>21,540,657</u>	<u>50</u>	<u>22,580,547</u>	<u>52</u>
EQUITY (Note 19)				
Ordinary shares	12,402,795	29	12,402,795	28
Capital surplus	356,046	1	356,046	1
Retained earnings				
Legal reserve	3,942,840	9	3,787,789	9
Special reserve	510,893	1	426,930	1
Unappropriated earnings	5,645,452	13	4,540,412	10
Total retained earnings	10,099,185	23	8,755,131	20
Other equity	(1,442,689)	(3)	(510,893)	(1)
Total equity	<u>21,415,337</u>	<u>50</u>	<u>21,003,079</u>	<u>48</u>
TOTAL	<u>\$ 42,955,994</u>	<u>100</u>	<u>\$ 43,583,626</u>	<u>100</u>

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

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

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			
	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 20 and 27)	\$ 14,804,018	100	\$ 16,113,899	100
OPERATING COSTS (Notes 8, 18, 21 and 27)	<u>12,164,359</u>	<u>82</u>	<u>13,817,004</u>	<u>86</u>
GROSS PROFIT	<u>2,639,659</u>	<u>18</u>	<u>2,296,895</u>	<u>14</u>
OPERATING EXPENSES (Notes 18 and 21)				
Selling and marketing expenses	721,682	5	745,922	5
General and administrative expenses	755,420	5	719,005	4
Research and development expenses	1,031,419	7	951,264	6
Expected credit loss (gain)	<u>(13,049)</u>	<u>-</u>	<u>38,943</u>	<u>-</u>
Total operating expenses	<u>2,495,472</u>	<u>17</u>	<u>2,455,134</u>	<u>15</u>
PROFIT (LOSS) FROM OPERATIONS	<u>144,187</u>	<u>1</u>	<u>(158,239)</u>	<u>(1)</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 21 and 27)	506,562	3	548,620	4
Other gains and losses (Notes 9 and 21)	447,835	3	185,818	1
Net foreign exchange gains and losses (Note 30)	(4,150)	-	19,739	-
Finance costs (Notes 4 and 21)	(264,847)	(2)	(286,353)	(2)
Share of the profit of subsidiaries, associates and joint ventures (Note 12)	<u>1,725,901</u>	<u>12</u>	<u>1,202,485</u>	<u>7</u>
Total non-operating income and expenses	<u>2,411,301</u>	<u>16</u>	<u>1,670,309</u>	<u>10</u>
PROFIT BEFORE INCOME TAX	2,555,488	17	1,512,070	9
INCOME TAX BENEFIT (EXPENSE) (Notes 4 and 22)	<u>(89,132)</u>	<u>(1)</u>	<u>38,445</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>2,466,356</u>	<u>16</u>	<u>1,550,515</u>	<u>10</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			
	2019		2018	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Notes 18, 19 and 22)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	\$ (93,192)	(1)	\$ (7,129)	-
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	105,260	1	(114,425)	(1)
Remeasurement of defined benefit plans of subsidiaries, associates and joint ventures accounted for using the equity method	(1,357)	-	(372)	-
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	58,813	1	(46,887)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	24,278	-	20,142	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	(974,560)	(7)	(433,325)	(3)
Share of the other comprehensive income of associates and joint ventures	<u>(53,883)</u>	<u>-</u>	<u>(16,276)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(934,641)</u>	<u>(6)</u>	<u>(598,272)</u>	<u>(4)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,531,715</u>	<u>10</u>	<u>\$ 952,243</u>	<u>6</u>
EARNINGS PER SHARE (Note 23)				
Basic	\$ 1.99		\$ 1.25	
Diluted	1.98		1.25	

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

(Concluded)

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

Eternal Materials Co., Ltd.

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

	Capital Surplus					Retained Earnings			Other Equity			Total Equity	
	Ordinary Shares	Additional Paid-in Capital	Treasury Share Transactions	Share of Changes in Equities of Associates and Joint Ventures	Total Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gains and Losses on Available-for-sale Financial Assets	Unrealized Gains and Losses on Financial Assets at Fair Value Through Other Comprehensive Income		Total Other Equity
BALANCE AT JANUARY 1, 2018	\$ 11,591,397	\$ 309,017	\$ 19,642	\$ 31,241	\$ 359,900	\$ 3,596,826	\$ 426,930	\$ 4,473,325	\$ (206,864)	\$ 265,246	\$ -	\$ 58,382	\$ 20,506,760
Effect of retrospective application and retrospective restatement	-	-	-	-	-	-	-	97,371	-	(265,246)	295,375	30,129	127,500
BALANCE AT JANUARY 1, 2018 AS RESTATED	11,591,397	309,017	19,642	31,241	359,900	3,596,826	426,930	4,570,696	(206,864)	-	295,375	88,511	20,634,260
Appropriation of 2017 earnings (Note 19)													
Legal reserve	-	-	-	-	-	190,963	-	(190,963)	-	-	-	-	-
Cash dividends - NT\$0.5 per share	-	-	-	-	-	-	-	(579,570)	-	-	-	-	(579,570)
Share dividends - NT\$0.7 per share	811,398	-	-	-	-	-	-	(811,398)	-	-	-	-	-
	811,398	-	-	-	-	190,963	-	(1,581,931)	-	-	-	-	(579,570)
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	-	1,550,515	-	-	-	-	1,550,515
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	-	6,918	(449,601)	-	(155,589)	(605,190)	(598,272)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	-	1,557,433	(449,601)	-	(155,589)	(605,190)	952,243
Disposal of investments accounted for using the equity method	-	-	-	(3,854)	(3,854)	-	-	-	-	-	-	-	(3,854)
Disposal of investments in equity instruments designated as at fair value through other comprehensive income (Note 19)	-	-	-	-	-	-	-	(5,786)	-	-	5,786	5,786	-
BALANCE AT DECEMBER 31, 2018	12,402,795	309,017	19,642	27,387	356,046	3,787,789	426,930	4,540,412	(656,465)	-	145,572	(510,893)	21,003,079
Appropriation of 2018 earnings (Note 19)													
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 designated as at fair value through other comprehensive income (Note 19)	-	-	-	-	-	-	-	69,590	-	-	(72,795)	(72,795)	(3,205)
BALANCE AT DECEMBER 31, 2019	\$ 12,402,795	\$ 309,017	\$ 19,642	\$ 27,387	\$ 356,046	\$ 3,942,840	\$ 510,893	\$ 5,645,452	\$ (1,684,908)	\$ -	\$ 242,219	\$ (1,442,689)	\$ 21,415,337

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

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

Eternal Materials Co., Ltd.

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

	For the Year Ended December 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 2,555,488	\$ 1,512,070
Adjustments for:		
Depreciation expense	654,074	645,182
Amortization expense	7,630	3,489
Expected credit loss (gain)	(13,049)	38,943
Finance costs	264,847	286,353
Interest income	(604)	(775)
Dividend income	(23,945)	(42,861)
Share of the profit of subsidiaries, associates and joint ventures	(1,725,901)	(1,202,485)
Gain on disposal of property, plant and equipment	(1,113)	(9,462)
Gain on disposal of non-current assets held for sale	(480,640)	-
Gain on disposal of investments	-	(195,696)
Impairment loss recognized on non-financial assets	16,977	45,571
Changes in operating assets and liabilities		
Notes receivable	101,651	(2,419)
Notes receivable from related parties	133	192
Accounts receivable	201,570	302,192
Accounts receivable from related parties	69,074	(31,843)
Other receivables	8,749	(38,540)
Inventories	364,005	208,127
Other current assets	65,077	(13,505)
Notes payable	(21,988)	17,476
Accounts payable	(480,451)	176,377
Other payables	(17,369)	(6,575)
Other current liabilities	(18,095)	4,714
Other noncurrent liabilities	(111,067)	(152,506)
Cash generated from operations	1,415,053	1,544,019
Interest received	604	775
Dividends received	767,213	694,158
Interest paid	(281,816)	(291,513)
Income taxes paid	(155,291)	(104,667)
Net cash generated from operating activities	<u>1,745,763</u>	<u>1,842,772</u>

(Continued)

Eternal Materials Co., Ltd.

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

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets at fair value through other comprehensive income	\$ 80,499	\$ -
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	3,333
Acquisition of investments accounted for using the equity method	(90,626)	(368,876)
Proceeds from disposal of investments accounted for using the equity method	-	270,455
Net cash inflow on disposal of subsidiaries	27,191	-
Proceeds from capital reduction of investments accounted for using the equity method	179,814	540,034
Proceeds from disposal of non-current assets held for sale	489,883	-
Acquisition of property, plant and equipment	(783,508)	(871,506)
Proceeds from disposal of property, plant and equipment	20,229	(5,685)
Acquisition of intangible assets	(6,270)	(85,075)
Decrease in other financial assets - current	14,830	-
Decrease in other noncurrent assets	<u>138</u>	<u>29,778</u>
Net cash used in investing activities	<u>(67,820)</u>	<u>(487,542)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	64,026	(294,908)
Proceeds from issuance of bonds	3,000,000	-
Proceeds from long-term borrowings	12,209,081	13,836,765
Repayments of long-term borrowings	(15,723,000)	(14,713,919)
Increase in guarantee deposits received	-	2,086
Repayment of the principal portion of lease liabilities	(11,781)	-
Dividends paid	<u>(1,116,252)</u>	<u>(579,570)</u>
Net cash used in financing activities	<u>(1,577,926)</u>	<u>(1,749,546)</u>
NET DECREASE (INCREASE) IN CASH AND CASH EQUIVALENTS	100,017	(394,316)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>266,244</u>	<u>660,560</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 366,261</u>	<u>\$ 266,244</u>

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

(Concluded)

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

Eternal Materials Co., Ltd.

NOTES TO STANDALONE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

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

3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

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

IFRS 16 "Leases"

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

1) Definition of a lease

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

2) The Company as lessee

The Company recognizes right-of-use assets or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the standalone balance sheets except for those whose payments under low-value asset and short-term leases are recognized

as expenses on a straight-line basis. On the standalone statements of comprehensive income, the Company presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the standalone statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts, were recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights were recognized as prepayments for leases. Cash flows for operating leases were classified within operating activities on the standalone statements of cash flows. Leased assets and finance lease payables were recognized on the standalone balance sheets for contracts classified as finance leases.

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

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

The Company also applied the following practical expedients:

- a) The Company applied a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- b) The Company accounted for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- c) The Company excluded initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- d) The Company used hindsight, such as in determining lease terms, to measure lease liabilities.

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 1.67%-3.64%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 41,058
Less: Recognition exemption for short-term leases and leases of low-value assets	<u>(3,482)</u>
Undiscounted amount on January 1, 2019	<u>\$ 37,576</u>
Discounted amount using the incremental borrowing rate on January 1, 2019	<u>\$ 34,651</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 34,651</u>

- 3) The Company as lessor

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

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

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Prepayments for leases - non-current	\$ 4,641	\$ (4,641)	\$ -
Right-of-use assets	<u>-</u>	<u>39,292</u>	<u>39,292</u>
Total effect on assets	<u>\$ 4,641</u>	<u>\$ 34,651</u>	<u>\$ 39,292</u>
Lease liabilities - current	\$ -	\$ 11,583	\$ 11,583
Lease liabilities - non-current	<u>-</u>	<u>23,068</u>	<u>23,068</u>
Total effect on liabilities	<u>\$ -</u>	<u>\$ 34,651</u>	<u>\$ 34,651</u>

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

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

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

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

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

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

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

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

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

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

reasonably be expected to influence”.

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The standalone financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

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

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

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

When preparing the standalone financial statements, the Company accounted for investments in subsidiaries and associates by using the equity method. In order for the amount of net income, other comprehensive income and equity in the standalone financial statements to be equal to those attributable to owners of the Company in the consolidated financial statements, the differences in the accounting treatment between the standalone basis and the consolidated basis are adjusted under the heading of investments accounted for using the equity method, share of profits of subsidiaries, associates and joint ventures, share of other comprehensive income of subsidiaries, associates and joint ventures and capital surplus in the standalone financial statements.

c. Classification of current and noncurrent assets and liabilities

Current assets include:

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

Current liabilities include:

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

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

d. Business combinations

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

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

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

e. Foreign currencies

In preparing the standalone financial statements of the Company, transactions in currencies other than the Company's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

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

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

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

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

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is included in the calculation of equity transactions but is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

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

f. Inventories

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

costs necessary to make the sale. Inventories are recorded at weighted-average cost.

g. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company. Under the equity method, an investment is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the share of other equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control over the subsidiary are accounted for as equity transaction. Differences between the carrying amounts of the investment and the fair value of consideration paid or received are directly recognized in equity.

When the Company's share of loss of a subsidiary equals to or exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

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

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount of cash-generating units based on the entire financial statements of the invested company. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes the profit for reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount (net of amortization) that had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in subsequent periods.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Unrealized profits or losses resulting from downstream transactions with subsidiaries are eliminated in the standalone financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the standalone financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

h. Investments in associates

The Company uses the equity method to account for its investments in associates.

An associate is an entity over which the Company has significant influence and that is not a subsidiary.

Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the

associate. The Company also recognizes the changes in the share of equity of associates.

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

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

When the Company's share of losses of an associate equals or exceeds their interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing their share of further losses, if any. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

When impairment loss is evaluated, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from investment and the carrying amount of investment is net of impairment loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment has subsequently increased.

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

When the Company transacts with its associates, profits and losses on these transactions are recognized in the standalone financial statements only to the extent of interests in the associates that are not related to the Company.

i. Property, plant, and equipment

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

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

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

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

j. Investment properties

Investment properties are land held for a currently undetermined future use. Investment properties are measured initially at cost, including transaction costs.

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

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

k. Intangible assets

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

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

l. Impairment of tangible and intangible assets

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

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

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

m. Non-current assets held for sale

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

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

n. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at amortized cost and equity instruments at FVTOCI.

i Financial assets at amortized cost

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

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

ii Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets and contract assets

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

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

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

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and any associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes the proceeds received in accounts payable and collateralized borrowings.

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

2) Financial liabilities

a) Subsequent measurement

The Company measures all financial liabilities at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

recognized in profit or loss.

o. Revenue recognition

The Company identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

1) Revenue from the sale of goods

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

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

2) Revenue from the rendering of services

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

p. Leases

2019

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

The Company as lessee

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

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

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

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

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

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

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

2018

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

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

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

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

q. Borrowing costs

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

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

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

r. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

s. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred

tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the balance sheet date, to recover or settle the carrying amount of the assets and liabilities.

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Income taxes

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

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

b. Estimated impairment of accounts receivable

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

c. Write-down of inventories

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

d. Recognition and measurement of defined benefit plans

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

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2019	2018
Cash on hand	\$ 3,959	\$ 3,841
Checking accounts and demand deposits	<u>362,302</u>	<u>262,403</u>
	<u>\$ 366,261</u>	<u>\$ 266,244</u>

7. NOTES AND ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	2019	2018
Notes receivable	<u>\$ 280,413</u>	<u>\$ 382,064</u>
Notes receivable from related parties	<u>\$ -</u>	<u>\$ 133</u>
Accounts receivable	\$ 2,475,769	\$ 2,679,047
Less: Allowance for loss	<u>(55,666)</u>	<u>(70,761)</u>
	<u>\$ 2,420,103</u>	<u>\$ 2,608,286</u>
Accounts receivable from related parties	\$ 845,791	\$ 914,865
Less: Allowance for loss	<u>(6,028)</u>	<u>(5,691)</u>
	<u>\$ 839,763</u>	<u>\$ 909,174</u>

The notes and accounts receivable of the Company are measured at amortized cost. For the related credit management policies, refer to Note 26.

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

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

December 31, 2019

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

December 31, 2018

	Not Past Due	0 to 30 Days	31 to 90 Days	91 to 180 Days	Over 180 Days	Total
Gross carrying amount	\$ 3,577,782	\$ 220,343	\$ 85,064	\$ 45,366	\$ 47,554	\$ 3,976,109
Loss allowance (Lifetime ECL)	<u>(2,722)</u>	<u>(1,770)</u>	<u>(4,386)</u>	<u>(20,020)</u>	<u>(47,554)</u>	<u>(76,452)</u>
Amortized cost	<u>\$ 3,575,060</u>	<u>\$ 218,573</u>	<u>\$ 80,678</u>	<u>\$ 25,346</u>	<u>\$ -</u>	<u>\$ 3,899,657</u>

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

	For the Year Ended December 31	
	2019	2018
Balance at January 1	\$ 76,452	\$ 50,173
Recognized (reversed) in current year	(13,049)	38,943
Written off in current year	<u>(1,709)</u>	<u>(12,664)</u>
Balance at December 31	<u>\$ 61,694</u>	<u>\$ 76,452</u>

8. INVENTORIES

	December 31	
	2019	2018
Raw materials	\$ 1,124,147	\$ 1,291,423
Supplies	30,462	74,482
Finished goods	1,280,195	1,420,209
Inventory in transit	<u>59,770</u>	<u>89,442</u>
	<u>\$ 2,494,574</u>	<u>\$ 2,875,556</u>

The cost of inventories recognized as operating costs for the years ended December 31, 2019 and 2018 was NT\$12,164,359 thousand and NT\$13,817,004 thousand, respectively, including write-down of inventories of NT\$16,977 thousand and NT\$45,571 thousand, respectively.

9. NON-CURRENT ASSETS HELD FOR SALE

	December 31	
	2019	2018
Land held for sale	<u>\$ -</u>	<u>\$ 9,243</u>

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

10. OTHER FINANCIAL ASSETS - CURRENT

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Time deposits with original maturities of more than three months	\$ <u> -</u>	\$ <u>14,830</u>

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

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Domestic investments		
Listed shares		
President Securities Corp.	\$ 494,947	\$ 393,902
Unlisted shares		
The Orchard Corp. of Taiwan Ltd.	-	41,556
Universal Venture Capital Investment Corp.	34,010	37,707
Universal Development & Investment Capital I Co., Ltd.	21,596	24,450
Der Yang Biotechnology Venture Capital Co., Ltd.	5,469	4,331
Mega I Venture Capital Co., Ltd.	<u> -</u>	<u> 2,609</u>
	<u>556,022</u>	<u>504,555</u>
Foreign investments		
Listed shares		
TBG Diagnostics Limited	<u> 22,799</u>	<u> 49,643</u>
	<u>\$ 578,821</u>	<u>\$ 554,198</u>

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

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Investments in subsidiaries	\$ 27,482,921	\$ 27,649,065
Investments in associates	<u> 1,171,222</u>	<u> 1,108,662</u>
	<u>\$ 28,654,143</u>	<u>\$ 28,757,727</u>

a. Investments in subsidiaries

	December 31			
	2019		2018	
	Amount	Percentage	Amount	Percentage
Eternal Holdings Inc.	\$ 16,716,598	100	\$ 16,496,052	100
Eternal Global (BVI) Co., Ltd.	4,460,068	100	4,495,084	100
Mixville Holdings Inc.	4,275,189	100	4,277,420	100
Eternal Materials (Malaysia) Sdn. Bhd.	668,305	90	893,340	90
Nikko-Materials Co., Ltd.	906,581	100	851,745	100
Elga Europe S.r.l.	174,611	72.68	225,694	72.68
New E Materials Co., Ltd.	59,124	62.80	171,864	62.80
Eternal Electronic Material (Thailand) Co., Ltd.	138,401	75	119,176	75
CHOU-KOU Materials Co., Ltd.	79,729	100	87,122	100
Eternal Capatech Co., Ltd.	<u>4,315</u>	96.71	<u>31,568</u>	96.71
	<u>\$ 27,482,921</u>		<u>\$ 27,649,065</u>	

b. Investments in associates

	December 31	
	2019	2018
Associates that are not individually material	<u>\$ 1,171,222</u>	<u>\$ 1,108,662</u>

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

	For the Year Ended December 31	
	2019	2018
The Company's share of		
Net profit for the year	\$ 231,206	\$ 170,400
Other comprehensive income	<u>(14,807)</u>	<u>(7,658)</u>
Total comprehensive income for the year	<u>\$ 216,399</u>	<u>\$ 162,742</u>

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

	December 31	
	2019	2018
Daxin Materials Corporation	<u>\$ 2,122,197</u>	<u>\$ 2,178,415</u>

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

Refer to Table 8 for the main businesses and countries of incorporation of the associates.

13. PROPERTY, PLANT AND EQUIPMENT

For the Year Ended December 31, 2019

	Land	Buildings	Machinery and Equipment	Storage Equipment	Examination Equipment	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
Carrying amount at January 1, 2019	\$ 2,477,603	\$ 986,373	\$ 1,736,664	\$ 157,511	\$ 284,309	\$ 48,739	\$ 343,361	\$ 6,034,560
<u>Cost</u>								
Balance at January 1, 2019	\$ 2,477,603	\$ 3,376,841	\$ 8,767,672	\$ 630,678	\$ 1,037,184	\$ 144,273	\$ 343,361	\$ 16,777,612
Additions	-	120,198	374,133	32,684	93,811	13,535	176,951	811,312
Disposals	-	(68,416)	(126,919)	(6,775)	(45,209)	(8,629)	-	(255,948)
Balance at December 31, 2019	\$ 2,477,603	\$ 3,428,623	\$ 9,014,886	\$ 656,587	\$ 1,085,786	\$ 149,179	\$ 520,312	\$ 17,332,976
<u>Accumulated depreciation</u>								
Balance at January 1, 2019	\$ -	\$ 2,390,468	\$ 7,031,008	\$ 473,167	\$ 752,875	\$ 95,534	\$ -	\$ 10,743,052
Depreciation	-	164,172	376,761	22,638	65,521	13,271	-	642,363
Disposals	-	(62,967)	(117,595)	(6,743)	(41,147)	(8,380)	-	(236,832)
Balance at December 31, 2019	\$ -	\$ 2,491,673	\$ 7,290,174	\$ 489,062	\$ 777,249	\$ 100,425	\$ -	\$ 11,148,583
Carrying amount at December 31, 2019	\$ 2,477,603	\$ 936,950	\$ 1,724,712	\$ 167,525	\$ 308,537	\$ 48,754	\$ 520,312	\$ 6,184,393

For the Year Ended December 31, 2018

	Land	Buildings	Machinery and Equipment	Storage Equipment	Examination Equipment	Other Equipment	Construction in Progress and Equipment to be Inspected	Total
Carrying amount at January 1, 2018	\$ 2,494,660	\$ 912,591	\$ 1,612,525	\$ 127,713	\$ 303,847	\$ 43,696	\$ 414,812	\$ 5,909,844
<u>Cost</u>								
Balance at January 1, 2018	\$ 2,494,660	\$ 3,158,939	\$ 8,385,073	\$ 586,326	\$ 1,012,916	\$ 128,774	\$ 414,812	\$ 16,181,500
Additions	-	248,415	548,818	54,999	47,323	18,438	(71,451)	846,542
Transferred to investment properties (Note 15)	(17,057)	-	-	-	-	-	-	(17,057)
Disposals	-	(30,513)	(166,219)	(10,647)	(23,055)	(2,939)	-	(233,373)
Balance at December 31, 2018	\$ 2,477,603	\$ 3,376,841	\$ 8,767,672	\$ 630,678	\$ 1,037,184	\$ 144,273	\$ 343,361	\$ 16,777,612
<u>Accumulated depreciation</u>								
Balance at January 1, 2018	\$ -	\$ 2,246,348	\$ 6,772,548	\$ 458,613	\$ 709,069	\$ 85,078	\$ -	\$ 10,271,656
Depreciation	-	168,627	372,798	24,838	65,664	13,255	-	645,182
Disposals	-	(24,507)	(114,338)	(10,284)	(21,858)	(2,799)	-	(173,786)
Balance at December 31, 2018	\$ -	\$ 2,390,468	\$ 7,031,008	\$ 473,167	\$ 752,875	\$ 95,534	\$ -	\$ 10,743,052
Carrying amount at December 31, 2018	\$ 2,477,603	\$ 986,373	\$ 1,736,664	\$ 157,511	\$ 284,309	\$ 48,739	\$ 343,361	\$ 6,034,560

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

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

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

14. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

Carrying amounts
Land

**December 31,
2019**

\$ 10,191
(Continued)

	December 31, 2019
Buildings	\$ 13,441
Machinery	57
Other equipment	<u>23,338</u>
	<u>\$ 47,027</u> (Concluded)
	For the Year Ended December 31, 2019
Additions to right-of-use assets	<u>\$ 19,446</u>
Depreciation charge for right-of-use assets	
Land	\$ 434
Buildings	7,298
Machinery	75
Other equipment	<u>3,904</u>
	<u>\$ 11,711</u>
 b. Lease liabilities - 2019	
	December 31, 2019
Carrying amounts	
Current	<u>\$ 12,893</u>
Non-current	<u>\$ 29,594</u>
 Range of discount rate (%) for lease liabilities was as follows:	
	December 31, 2019
Land	2.29
Buildings	1.67-3.64
Machinery	1.67
Other equipment	1.67-3.64
 c. Other lease information	
<u>2019</u>	For the Year Ended December 31, 2019
Expenses relating to short-term and low-value asset leases	<u>\$ 5,325</u>
Total cash outflow for all leases arrangements (including short-term and low-value asset leases)	<u>\$ 17,841</u>

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

15. INVESTMENT PROPERTIES

	Land
Balance at January 1, 2018	\$ 9,243
Transferred from property, plant and equipment	17,057
Reclassified as non-current assets held for sale	<u>(9,243)</u>
Balance at December 31, 2018	<u>\$ 17,057</u>
Balance at December 31, 2019	<u>\$ 17,057</u>

In consideration of the Group's strategy, the Company's land located in Pingtung was transferred from property, plant and equipment to investment properties in 2018, its fair value was not evaluated by an independent appraiser. The management of the Company used the valuation model that market participants would use in determining the fair value, and the fair value was measured by using Level 3 inputs. The fair value of \$18,954 thousand and \$17,901 thousand was determined at December 31, 2019 and 2018, respectively, by reference to market evidence of transaction prices for similar properties.

16. INTANGIBLE ASSETS

For the Year Ended December 31, 2019

	Computer Software	Other Intangible Assets	Total
Carrying amount at January 1, 2019	<u>\$ 82,391</u>	<u>\$ 6,974</u>	<u>\$ 89,365</u>
<u>Cost</u>			
Balance at January 1, 2019	\$ 82,736	\$ 11,640	\$ 94,376
Additions	<u>-</u>	<u>6,270</u>	<u>6,270</u>
Balance at December 31, 2019	<u>\$ 82,736</u>	<u>\$ 17,910</u>	<u>\$ 100,646</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2019	\$ 345	\$ 4,666	\$ 5,011
Amortization expense	<u>4,137</u>	<u>3,493</u>	<u>7,630</u>
Balance at December 31, 2019	<u>\$ 4,482</u>	<u>\$ 8,159</u>	<u>\$ 12,641</u>
Carrying amount at December 31, 2019	<u>\$ 78,254</u>	<u>\$ 9,751</u>	<u>\$ 88,005</u>

For the Year Ended December 31, 2018

	Computer Software	Other Intangible Assets	Total
Carrying amount at January 1, 2018	\$ <u> -</u>	\$ <u> 7,779</u>	\$ <u> 7,779</u>
<u>Cost</u>			
Balance at January 1, 2018	\$ -	\$ 15,236	\$ 15,236
Additions	82,736	2,339	85,075
Disposals	<u> -</u>	<u> (5,935)</u>	<u> (5,935)</u>
Balance at December 31, 2018	\$ <u> 82,736</u>	\$ <u> 11,640</u>	\$ <u> 94,376</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2018	\$ -	\$ 7,457	\$ 7,457
Amortization expense	345	3,144	3,489
Disposals	<u> -</u>	<u> (5,935)</u>	<u> (5,935)</u>
Balance at December 31, 2018	\$ <u> 345</u>	\$ <u> 4,666</u>	\$ <u> 5,011</u>
Carrying amount at December 31, 2018	\$ <u> 82,391</u>	\$ <u> 6,974</u>	\$ <u> 89,365</u>

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

Computer software	20 years
Other intangible assets	3-5 years

17. BORROWINGS

a. Short-term borrowings

Type of Borrowings	Interest Rate Range (%)	Amount
December 31, 2019		
Bank loans		
Unsecured loans	2.40-2.75	\$ <u> 2,038,640</u>
December 31, 2018		
Bank loans		
Unsecured loans	2.95-3.77	\$ 1,904,330
Purchase loans	2.96-3.63	<u> 70,284</u>
		\$ <u> 1,974,614</u>

b. Long-term borrowings

Type of Borrowings	Agreement Period and Interest Payable Schedule	Interest Rate Range (%)	Amount
December 31, 2019			
Bank loans			
Unsecured loans	From August 17, 2015 to October 2, 2023. Interest is paid based on schedule.	0.80-1.94	\$ 9,891,258
			<hr/>
Long-term bills payable			
Commercial paper	Revolving credit, the period of the agreement is five years. Maturity date is May 2023. Only banking surcharge and interests have to be paid before the maturity date.	1.40	900,000
Less: Unamortized discounts			<hr/> (850)
			<hr/> 899,150
			10,790,408
Less: Current portion of long-term borrowings			<hr/> (2,994,000)
			<hr/> <u>\$ 7,796,408</u>
December 31, 2018			
Bank loans			
Unsecured loans	From February 19, 2014 to October 2, 2023. Interest is paid based on schedule.	0.85-2.08	\$ 13,405,177
			<hr/>
Long-term bills payable			
Commercial paper	Revolving credit, the period of the agreement is five years. Maturity date is May 2023. Only banking surcharge and interests have to be paid before the maturity date.	1.33	900,000

(Continued)

d. Bonds payable

	December 31, 2019
5 - year secured bond - issued at par value	
Issued in November 2019, interest rate at 0.82%, bullet repayment, payable annually	\$ 3,000,000
Less: Issuance cost	<u>(5,808)</u>
	<u>\$ 2,994,192</u>

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

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Based on the LPA, the Company makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

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

The amounts included in the standalone balance sheets in respect of the Company’s defined benefit plans were as follows:

	December 31	
	2019	2018
Present value of defined benefit obligation	\$ 2,091,735	\$ 2,181,581
Fair value of plan assets	<u>(1,120,831)</u>	<u>(1,187,487)</u>
Net defined benefit liabilities	<u>\$ 970,904</u>	<u>\$ 994,094</u>

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2019	<u>\$ 2,181,581</u>	<u>\$ (1,187,487)</u>	<u>\$ 994,094</u>
Service cost			
Current service cost	34,005	-	34,005
Interest expense (income)	<u>23,997</u>	<u>(13,062)</u>	<u>10,935</u>
Recognized in profit or loss	<u>58,002</u>	<u>(13,062)</u>	<u>44,940</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(41,601)	(41,601)
Actuarial loss - changes in financial assumptions	94,078	-	94,078
Actuarial loss - experience adjustments	<u>40,715</u>	<u>-</u>	<u>40,715</u>
Recognized in other comprehensive income	<u>134,793</u>	<u>(41,601)</u>	<u>93,192</u>
Contributions from the employer	-	(150,673)	(150,673)
Benefits paid	<u>(282,641)</u>	<u>271,992</u>	<u>(10,649)</u>
	<u>(282,641)</u>	<u>121,319</u>	<u>(161,322)</u>
Balance at December 31, 2019	<u>\$ 2,091,735</u>	<u>\$ (1,120,831)</u>	<u>\$ 970,904</u>
Balance at January 1, 2018	<u>\$ 2,245,188</u>	<u>\$ (1,097,861)</u>	<u>\$ 1,147,327</u>
Service cost			
Current service cost	37,128	-	37,128
Interest expense (income)	<u>26,942</u>	<u>(13,174)</u>	<u>13,768</u>
Recognized in profit or loss	<u>64,070</u>	<u>(13,174)</u>	<u>50,896</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(33,213)	(33,213)
Actuarial loss - changes in financial assumptions	25,472	-	25,472
Actuarial loss - experience adjustments	<u>14,870</u>	<u>-</u>	<u>14,870</u>
Recognized in other comprehensive income	<u>40,342</u>	<u>(33,213)</u>	<u>7,129</u>
Contributions from the employer	-	(198,564)	(198,564)
Benefits paid	<u>(168,019)</u>	<u>155,325</u>	<u>(12,694)</u>
	<u>(168,019)</u>	<u>(43,239)</u>	<u>(211,258)</u>
Balance at December 31, 2018	<u>\$ 2,181,581</u>	<u>\$ (1,187,487)</u>	<u>\$ 994,094</u>

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

	For the Year Ended December 31	
	2019	2018
Operating costs	\$ 19,826	\$ 22,595
Operating expenses	<u>25,114</u>	<u>28,301</u>
	<u>\$ 44,940</u>	<u>\$ 50,896</u>

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

1) Investment risk

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

2) Interest risk

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

3) Salary risk

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

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

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

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

	December 31	
	2019	2018
Discount rate		
0.25% increase	<u>\$ (59,487)</u>	<u>\$ (62,923)</u>
0.25% decrease	<u>\$ 61,878</u>	<u>\$ 65,504</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 55,109</u>	<u>\$ 58,675</u>
0.25% decrease	<u>\$ (53,376)</u>	<u>\$ (56,775)</u>

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

	December 31	
	2019	2018
The expected contributions to the plan for the next year	<u>\$ 61,090</u>	<u>\$ 153,562</u>
The average duration of the defined benefit obligation	12 years	12 years

19. EQUITY

a. Share capital

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

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

b. Capital surplus

	December 31	
	2019	2018
May be used to offset deficit, distribute cash or transfer to share capital (Note)		
Additional paid-in capital	\$ 309,017	\$ 309,017
Treasury share transactions	<u>19,642</u>	<u>19,642</u>
	<u>328,659</u>	<u>328,659</u>
May be used to offset deficit only		
Share of change in equities of associates or joint ventures	<u>27,387</u>	<u>27,387</u>
	<u>\$ 356,046</u>	<u>\$ 356,046</u>

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

c. Retained earnings and dividend policy

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

- 1) Pay for income tax.
- 2) Offset deficit of previous years.
- 3) Appropriate as legal capital reserve 10% of the remaining profits, until the accumulated legal reserve equals the paid-in capital.
- 4) Appropriate as special capital reserve in accordance with the shareholders' meeting or as requested by the authorities.
- 5) The remainder along with the unappropriated earnings are considered as distributable earnings. In accordance with dividend policy, the proposal of earnings appropriation is prepared by the board of directors and resolved in the shareholders' meeting.

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

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

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

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

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

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

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

d. Other equity items

1) Exchange differences on translating foreign operations

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

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

2) Unrealized gains and losses on financial assets at FVTOCI

	For the Year Ended December 31	
	2019	2018
Balance, beginning of the year	<u>\$ 145,572</u>	<u>\$ 295,375</u>
Effect of change in tax rate	-	4,166
Recognized for the year		
Unrealized gains and losses - equity instruments	110,629	(112,868)
Share of associates accounted for using the equity method	<u>58,813</u>	<u>(46,887)</u>
Other comprehensive income recognized for the year	<u>169,442</u>	<u>(155,589)</u>
Reclassification adjustment		
Cumulative unrealized gains and losses of equity instruments transferred to retained earnings due to disposal from subsidiaries	<u>(72,795)</u>	<u>5,786</u>
Balance, end of the year	<u>\$ 242,219</u>	<u>\$ 145,572</u>

20. REVENUE

	For the Year Ended December 31	
	2019	2018
Revenue from contracts with customers		
Revenue from the sale of goods	<u>\$ 14,804,018</u>	<u>\$ 16,113,899</u>

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

b. Contract balances

	December 31, 2019	December 31, 2018	January 1, 2018
Notes and accounts receivable (Note 7)	<u>\$ 3,540,279</u>	<u>\$ 3,899,657</u>	<u>\$ 4,206,722</u>
Contract liabilities (recorded as other current liabilities - others)			
Sale of goods	<u>\$ 2,514</u>	<u>\$ 10,050</u>	<u>\$ 9,414</u>

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

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

	For the Year Ended December 31	
	2019	2018
From the contract liabilities at the beginning of the year		
Sale of goods	<u>\$ 10,050</u>	<u>\$ 9,414</u>

c. Disaggregation of revenue

	Reportable Segments				Total
	Resins Materials	Electronic Materials	High Performance Materials	Others	
<u>For the year ended December 31, 2019</u>					
Type of revenue					
Sale of goods	<u>\$ 8,282,190</u>	<u>\$ 4,266,672</u>	<u>\$ 2,235,476</u>	<u>\$ 19,680</u>	<u>\$ 14,804,018</u>
<u>For the year ended December 31, 2018</u>					
Type of revenue					
Sale of goods	<u>\$ 9,607,487</u>	<u>\$ 4,411,641</u>	<u>\$ 2,079,749</u>	<u>\$ 15,022</u>	<u>\$ 16,113,899</u>

21. PROFIT BEFORE INCOME TAX

a. Other income

	For the Year Ended December 31	
	2019	2018
Dividend income	\$ 23,945	\$ 42,861
Interest income	604	775
Others (Note 27)	<u>482,013</u>	<u>504,984</u>
	<u>\$ 506,562</u>	<u>\$ 548,620</u>

b. Other gains and losses

	<u>For the Year Ended December 31</u>	
	2019	2018
Gains on disposal of non-current assets held for sale	\$ 480,640	\$ -
Gains on disposal of investments	-	195,696
Gains on disposal of property, plant and equipment	1,113	9,462
Others	<u>(33,918)</u>	<u>(19,340)</u>
	<u>\$ 447,835</u>	<u>\$ 185,818</u>

c. Finance costs

	<u>For the Year Ended December 31</u>	
	2019	2018
Interest on bank loans	\$ 271,531	\$ 292,587
Interest on lease liabilities	735	-
Less: Amounts included in the cost of qualifying assets	<u>(7,419)</u>	<u>(6,234)</u>
	<u>\$ 264,847</u>	<u>\$ 286,353</u>

Information about capitalized interest was as follows:

	<u>For the Year Ended December 31</u>	
	2019	2018
Capitalized interest amount	<u>\$ 7,419</u>	<u>\$ 6,234</u>
Capitalization rates (%)	1.56-1.81	1.48-1.76

d. Depreciation and amortization

	<u>For the Year Ended December 31</u>	
	2019	2018
Property, plant and equipment	\$ 642,363	\$ 645,182
Right-of-use assets	11,711	-
Intangible assets	<u>7,630</u>	<u>3,489</u>
	<u>\$ 661,704</u>	<u>\$ 648,671</u>
Analysis of depreciation by function		
Operating costs	\$ 485,437	\$ 494,230
Operating expenses	<u>168,637</u>	<u>150,952</u>
	<u>\$ 654,074</u>	<u>\$ 645,182</u>
Analysis of amortization by function		
Operating expenses	<u>\$ 7,630</u>	<u>\$ 3,489</u>

e. Employee benefits

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits		
Salaries	\$ 1,845,151	\$ 1,805,583
Labor and health insurance	149,648	147,353
Others	<u>120,468</u>	<u>121,282</u>
	<u>2,115,267</u>	<u>2,074,218</u>
Post-employment benefits		
Defined contribution plans	56,158	55,860
Defined benefit plans (Note 18)	<u>44,940</u>	<u>50,896</u>
	<u>101,098</u>	<u>106,756</u>
	<u>\$ 2,216,365</u>	<u>\$ 2,180,974</u>
Analysis by function		
Operating costs	\$ 902,373	\$ 884,964
Operating expenses	<u>1,313,992</u>	<u>1,296,010</u>
	<u>\$ 2,216,365</u>	<u>\$ 2,180,974</u>

f. Employees' compensation and remuneration of directors

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

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

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

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

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

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

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

22. INCOME TAX

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

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current year	\$ 87,406	\$ 74,713
Land value increment tax	60,202	-
Adjustment for prior years	<u>12,308</u>	<u>2,552</u>
	<u>159,916</u>	<u>77,265</u>
Deferred tax		
In respect of the current year	(70,784)	(87,277)
Effect of tax rate changes	<u>-</u>	<u>(28,433)</u>
	<u>(70,784)</u>	<u>(115,710)</u>
	<u>\$ 89,132</u>	<u>\$ (38,445)</u>

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

	For the Year Ended December 31	
	2019	2018
Profit before income tax	<u>\$ 2,555,488</u>	<u>\$ 1,512,070</u>
Income tax expense calculated at the statutory rate	\$ 511,098	\$ 302,414
Effect from items adjusted by regulation	(480,433)	(290,998)
Land value increment tax	60,202	-
Income tax on unappropriated earnings	9,819	25,501
Investment credits	(23,862)	(49,481)
Effect of tax rate changes	-	(28,433)
Adjustment for prior years	<u>12,308</u>	<u>2,552</u>
	<u>\$ 89,132</u>	<u>\$ (38,445)</u>

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

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

b. Income tax recognized directly in equity

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

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

	For the Year Ended December 31	
	2019	2018
Deferred tax		
Effect of tax rate changes		
Remeasurement of defined benefit plans	\$ -	\$ (12,899)
Remeasurement of defined benefit plans of subsidiaries, associates and joint ventures accounted for using the equity method	-	17
Unrealized gains and losses on financial assets at fair value through other comprehensive income	-	(4,166)
Recognized for the year		
Remeasurement of defined benefit plans	(18,638)	(1,425)
Remeasurement of defined benefit plans of subsidiaries, associates and joint ventures accounted for using the equity method	(271)	(112)
Unrealized gains and losses on financial assets at fair value through other comprehensive income	<u>(5,369)</u>	<u>(1,557)</u>
	<u>\$ (24,278)</u>	<u>\$ (20,142)</u>

d. Current tax assets and liabilities

	December 31	
	2019	2018
Current tax assets		
Prepaid income tax (recorded as other current assets - others)	<u>\$ 58,439</u>	<u>\$ 50,423</u>
Current tax liabilities		
Income tax payable	<u>\$ 90,611</u>	<u>\$ 74,713</u>

e. Deferred tax assets and liabilities

Movements of deferred tax assets and liabilities were as follows:

For the Year Ended December 31, 2019

	Balance, Beginning of the Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of the Year
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit plan	\$ 176,326	\$ (22,129)	\$ 18,638	\$ 172,835
Others	<u>84,672</u>	<u>(8,444)</u>	<u>5,637</u>	<u>81,865</u>
	<u>\$ 260,998</u>	<u>\$ (30,573)</u>	<u>\$ 24,275</u>	<u>\$ 254,700</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Investment income	\$(2,185,302)	\$ 100,916	\$ 3	\$(2,084,383)
Gains on land revaluation	(640,717)	-	-	(640,717)
Unrealized gains on foreign exchange	<u>(441)</u>	<u>441</u>	<u>-</u>	<u>-</u>
	<u>\$(2,826,460)</u>	<u>\$ 101,357</u>	<u>\$ 3</u>	<u>\$(2,725,100)</u>

For the Year Ended December 31, 2018

	Balance, Beginning of the Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance, End of the Year
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit plan	\$ 194,054	\$ (32,052)	\$ 14,324	\$ 176,326
Others	<u>69,463</u>	<u>9,486</u>	<u>5,723</u>	<u>84,672</u>
	<u>\$ 263,517</u>	<u>\$ (22,566)</u>	<u>\$ 20,047</u>	<u>\$ 260,998</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Investment income	\$(2,318,420)	\$ 133,023	\$ 95	\$(2,185,302)
Gains on land revaluation	(640,717)	-	-	(640,717)
Unrealized gains on foreign exchange	<u>(5,694)</u>	<u>5,253</u>	<u>-</u>	<u>(441)</u>
	<u>\$(2,964,831)</u>	<u>\$ 138,276</u>	<u>\$ 95</u>	<u>\$(2,826,460)</u>

f. Income tax assessment

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

23. EARNINGS PER SHARE

	For the Year Ended December 31	
	2019	2018
Basic earnings per share	<u>\$ 1.99</u>	<u>\$ 1.25</u>
Diluted earnings per share	<u>\$ 1.98</u>	<u>\$ 1.25</u>

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

	For the Year Ended December 31	
	2019	2018
Net profit for the year	<u>\$ 2,466,356</u>	<u>\$ 1,550,515</u>

Number of ordinary shares

Unit: Thousand Shares

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

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

24. CASH FLOW INFORMATION

	For the Year Ended December 31	
	2019	2018
Acquisition of property, plant and equipment	\$ 811,312	\$ 846,542
Decrease (increase) in payables for equipment	<u>(20,385)</u>	<u>31,198</u>
	790,927	877,740
Capitalized interest	<u>(7,419)</u>	<u>(6,234)</u>
Cash paid	<u>\$ 783,508</u>	<u>\$ 871,506</u>

25. CAPITAL MANAGEMENT

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

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

26. FINANCIAL INSTRUMENTS

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

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

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

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<hr/>				
December 31, 2019				
<hr/>				
Financial instruments at FVTOCI				
Equity instruments				
Domestic and foreign listed shares	\$ 517,746	\$ -	\$ -	\$ 517,746
Domestic and foreign unlisted shares	\$ -	\$ -	\$ 61,075	\$ 61,075
<hr/>				
December 31, 2018				
<hr/>				
Financial instruments at FVTOCI				
Equity instruments				
Domestic and foreign listed shares	\$ 443,545	\$ -	\$ -	\$ 443,545
Domestic and foreign unlisted shares	\$ -	\$ -	\$ 110,653	\$ 110,653

For listed shares, the Company uses the published price quotations as fair value inputs (level 1). The market price of the listed shares is the closing price of the shares on the Taiwan Stock Exchange and the Australian Stock Exchange. Additionally, the Company uses fair value inputs (level 3) to value unlisted shares.

There was no transfer between Level 1 and Level 2, nor was there a transfer to Level 3, during the years ended December 31, 2019 and 2018.

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

For the Year ended December 31, 2019

<u>Financial assets</u>	<u>Stock FVTOCI</u>
Balance, beginning of the year	\$ 110,653
Recognized in other comprehensive income	31,059
Disposal	<u>(80,637)</u>
Balance, end of the year	<u>\$ 61,075</u>

For the Year ended December 31, 2018

<u>Financial assets</u>	<u>Stock FVTOCI</u>
Balance, beginning of the year	\$ 123,580
Recognized in other comprehensive income	(9,594)
Disposal	<u>(3,333)</u>
Balance, end of the year	<u>\$ 110,653</u>

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

The fair values of domestic unlisted shares were determined by the market approach and arrived at by reference to the type of industry, similar companies and the Company's operations.

c. Categories of financial instruments

	<u>December 31</u>	
	2019	2018
<u>Financial assets</u>		
Financial assets at amortized cost (Note 1)	\$ 4,529,501	\$ 4,814,745
Financial assets at fair value through other comprehensive income - equity instruments	578,821	554,198
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 2)	17,690,658	18,638,919

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

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

d. Financial risk management objectives and policies

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

1) Market risk

a) Foreign currency risk

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

For the carrying amounts of the Company's significant non-functional currency denominated monetary assets and liabilities at the balance sheet date, refer to Note 30.

Sensitivity analysis

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

	Impact on Profit or Loss	
	2019	2018
<hr/>		
Foreign Currencies : Functional Currency		
<hr/>		
Financial assets		
Monetary items		
USD:NTD	\$ 25,820	\$ 26,911
RMB:NTD	4,523	5,220
JPY:NTD	1,551	1,155
Financial liabilities		
Monetary items		
USD:NTD	22,386	22,651
JPY:NTD	1,538	1,584

b) Interest rate risk

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

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

	December 31	
	2019	2018
Fair value interest rate risk		
Financial assets	\$ -	\$ 14,830
Financial liabilities	9,794,192	8,839,000
Cash flow interest rate risk		
Financial assets	174,381	132,327
Financial liabilities	6,029,048	7,439,756

If interest rates had been 1% higher and all other variables were held constant, the Company's cash flow interest rate risk from financial liabilities would have increased cash outflows by NT\$60,290 thousand and NT\$74,398 thousand for the years ended December 31, 2019 and 2018, respectively.

c) Other price risk

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

2) Credit risk

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

3) Liquidity risk

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

December 31, 2019

	Less Than 1 Year	1-2 Years	2-3 Years	3-5 Years	Over 5 Years	Total
Non-derivative financial liabilities						
Short-term borrowings	\$ 2,096,095	\$ -	\$ -	\$ -	\$ -	\$ 2,096,095
Notes payable	1,531	-	-	-	-	1,531
Accounts payable	1,038,887	-	-	-	-	1,038,887
Other payables	821,958	-	-	-	-	821,958
Lease liabilities	13,577	10,711	7,225	8,082	5,618	45,213
Long-term borrowings (including current portion)	4,425,864	1,793,688	3,351,101	1,503,806	-	11,074,459
Financial guarantee liabilities	3,641,023	209,018	-	-	-	3,850,041
Bonds payable	24,600	24,600	24,600	3,045,493	-	3,119,293
	<u>\$ 12,063,535</u>	<u>\$ 2,038,017</u>	<u>\$ 3,382,926</u>	<u>\$ 4,557,381</u>	<u>\$ 5,618</u>	<u>\$ 22,047,477</u>

December 31, 2018

	Less Than 1 Year	1-2 Years	2-3 Years	3-5 Years	Over 5 Years	Total
Non-derivative financial liabilities						
Short-term borrowings	\$ 1,987,159	\$ -	\$ -	\$ -	\$ -	\$ 1,987,159
Notes payable	23,519	-	-	-	-	23,519
Accounts payable	1,519,338	-	-	-	-	1,519,338
Other payables	817,306	-	-	-	-	817,306
Long-term borrowings (including current portion)	5,545,408	3,417,860	1,709,335	4,072,904	-	14,745,507
Financial guarantee liabilities	<u>3,657,012</u>	<u>1,291,383</u>	<u>581,613</u>	<u>-</u>	<u>-</u>	<u>5,530,008</u>
	<u>\$ 13,549,742</u>	<u>\$ 4,709,243</u>	<u>\$ 2,290,948</u>	<u>\$ 4,072,904</u>	<u>\$ -</u>	<u>\$ 24,622,837</u>

The amounts included above for financial guarantee liabilities were the maximum amounts the Company could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the balance sheet date, the Company considers that it is unlikely to pay the amount under the arrangement.

27. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party names and relationships

<u>Related Party Name</u>	<u>Relationship</u>
Eternal Chemical (China) Co., Ltd.	Subsidiaries
Eternal Materials (Guangdong) Co., Ltd.	Subsidiaries
Eternal Synthetic Resins (Changshu) Co., Ltd.	Subsidiaries
Eternal Chemical (Tianjin) Co., Ltd.	Subsidiaries
Eternal Chemical (Chengdu) Co., Ltd.	Subsidiaries
Eternal Materials (Malaysia) Sdn. Bhd.	Subsidiaries
Eternal Electronic Material (Guangzhou) Co., Ltd.	Subsidiaries
Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Subsidiaries
Eternal Photoelectric Material Industry (Kunshan) Co., Ltd.	Subsidiaries
Eternal Electronic (Suzhou) Co., Ltd.	Subsidiaries
Eternal Optical Material (Suzhou) Co., Ltd.	Subsidiaries
Eternal Sun A. (Suzhou) Co., Ltd.	Subsidiaries
Eternal Technology Corporation	Subsidiaries
Eternal Electronic Material (Thailand) Co., Ltd.	Subsidiaries
Nikko-Materials Co., Ltd.	Subsidiaries
Elga Europe S.r.l.	Subsidiaries
Eternal Specialty Materials (Zhuhai) Co., Ltd.	Subsidiaries
Eternal Specialty Materials (Suzhou) Co., Ltd.	Subsidiaries
Eternal (China) Investment Co., Ltd.	Subsidiaries
CHOU-KOU Materials Co., Ltd.	Subsidiaries
New E Materials Co., Ltd.	Subsidiaries
Eternal Capatech Co., Ltd.	Subsidiaries
Eternal Holdings Inc.	Subsidiaries
ESCO Specialty Coatings (Shanghai) Co., Ltd.	Associates
Allnex-Eternal Resins Corporation Limited	Associates
Daxin Materials Corporation	Associates
DSM Resins (Far East) Co., Ltd.	Associates

(Continued)

<u>Related Party Name</u>	<u>Relationship</u>
Eternal Electronic Materials (Kunshan) Co., Ltd.	Associates
Polymics Ltd.	Associates
Mitsubishi Polyester Film (Suzhou) Co., Ltd.	Other related parties
The Orchard Corp. of Taiwan Ltd.	Other related parties
Kwang Yang Motor Co., Ltd.	Key management personnel
Hangzhou Yongxinyang Photoelectric Materials Co., Ltd.	Joint venture of subsidiary
Li, Guang-Zheng	Second - degree relative of the chairman of the Company's board of directors
	(Concluded)

b. Operating revenues

Account Item	Related Party Category	<u>For the Year Ended December 31</u>	
		2019	2018
Revenue from sales of goods	Subsidiaries	\$ 3,096,701	\$ 3,197,922
	Associates	136,658	205,341
	Joint venture of subsidiary	14,249	1,553
	Other related parties	-	444
	Key management personnel	-	30
			<u>\$ 3,247,608</u>

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

c. Purchase of goods

Related Party Category	<u>For the Year Ended December 31</u>	
	2019	2018
Subsidiaries	\$ 411,219	\$ 565,184
Other related parties	<u>1,264</u>	<u>670</u>
	<u>\$ 412,483</u>	<u>\$ 565,854</u>

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

d. Compensation of key management personnel

	<u>For the Year Ended December 31</u>	
	2019	2018
Short-term employee benefits	\$ 104,827	\$ 88,058
Post-employment benefits	<u>734</u>	<u>14,368</u>
	<u>\$ 105,561</u>	<u>\$ 102,426</u>

e. Other income

Related Party Category/Name	For the Year Ended December 31	
	2019	2018
Subsidiaries		
Eternal (China) Investment Co., Ltd.	\$ 99,468	\$ 108,284
Eternal Materials (Guangdong) Co., Ltd.	58,087	66,424
Eternal Chemical (China) Co., Ltd.	50,263	57,557
Others	232,432	227,790
Associates	10,879	-
Key management personnel	-	15
	<u>\$ 451,129</u>	<u>\$ 460,070</u>

Inclusive of service fee, trademark license fee, technology license fee and endorsement/guarantee fee and so on.

f. Disposals of property, plant and equipment

Related Party Category/Name	Proceeds		Gain (Loss) on Disposal	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2019	2018	2019	2018
Joint venture of subsidiaries - Hangzhou Yongxinyang Photoelectric Materials Co., Ltd.	\$ -	\$ 15,852	\$ -	\$ 10,206

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

g. Disposal of financial assets

For the year ended December 31, 2019

Related Party Category/Name	Line Item	Number of Shares	Underlying Assets	Proceeds	Gain on Disposal
Other related party Li, Guang-Zheng	Financial assets at FVTOCI	2,296,285	Stock	\$ 79,681	Note

Note: The price and payment terms of the sale of financial assets were determined in accordance with agreement and with reference to the net worth. The gain on disposal of \$67,520 thousand was reclassified from other equity to retained earnings.

h. Receivables from related parties

Account Item	Related Party Category	December 31	
		2019	2018
Notes and accounts receivable from related parties	Subsidiaries		
	Eternal Specialty Materials (Zhuhai) Co., Ltd.	\$ 121,302	\$ 103,222
	Eternal Chemical (China) Co., Ltd.	102,523	88,521
	Others	569,232	636,154
	Associates	35,059	79,714
	Joint venture of subsidiary	11,647	1,563
	Other related parties	-	133
		<u>\$ 839,763</u>	<u>\$ 909,307</u>

The receivables arise mainly from sales transactions; the receivables were not guaranteed, pledged and without interest. For the year ended December 31, 2019 and 2018, the balance of allowance for loss is NT\$6,029 thousand and NT\$5,691 thousand, respectively.

Account Item	Related Party Category/Name	December 31	
		2019	2018
Other receivables	Subsidiaries		
	Eternal (China) Investment Co., Ltd.	\$ 98,874	\$ 112,927
	Eternal Materials (Guangdong) Co., Ltd.	56,223	65,465
	Eternal Chemical (China) Co., Ltd.	48,648	56,561
	Others	225,180	226,258
	Associates	29,980	554
	Key management personnel	-	16
		<u>\$ 458,905</u>	<u>\$ 461,781</u>

i. Payables to related parties

Account Item	Related Party Category	December 31	
		2019	2018
Accounts payable	Subsidiaries	<u>\$ 55,531</u>	<u>\$ 61,039</u>

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

j. Endorsements/guarantees provided

As of December 31, 2019 and 2018, guarantees provided by the Company to the related parties for investment compliance were as follows:

Related Party Category/Name	December 31	
	2019	2018
Subsidiaries		
Eternal Material (Malaysia) Sdn. Bhd.		
Amount endorsed	\$ 3,865,784	\$ 2,116,266
Amount utilized	<u>(1,981,704)</u>	<u>(1,698,081)</u>
	<u>\$ 1,884,080</u>	<u>\$ 418,185</u>
Eternal Holdings Inc.		
Amount endorsed	\$ 1,648,900	\$ 1,689,325
Amount utilized	<u>(482,078)</u>	<u>(1,154,270)</u>
	<u>\$ 1,166,822</u>	<u>\$ 535,055</u>
Eternal Synthetic Resins (Changshu) Co., Ltd.		
Amount endorsed	\$ 775,640	\$ 701,035
Amount utilized	<u>(234,747)</u>	<u>(389,159)</u>
	<u>\$ 540,893</u>	<u>\$ 311,876</u>
Eternal Chemical (Tianjin) Co., Ltd.		
Amount endorsed	\$ 915,570	\$ 947,235
Amount utilized	<u>(397,825)</u>	<u>(615,441)</u>
	<u>\$ 517,745</u>	<u>\$ 331,794</u>
Eternal Specialty Materials (Suzhou) Co., Ltd.		
Amount endorsed	\$ 86,100	\$ 897,105
Amount utilized	<u>(35,602)</u>	<u>(402,748)</u>
	<u>\$ 50,498</u>	<u>\$ 494,357</u>
Eternal Electronic (Suzhou) Co., Ltd.		
Amount endorsed	\$ -	\$ 1,640,282
Amount utilized	<u>-</u>	<u>(555,872)</u>
	<u>\$ -</u>	<u>\$ 1,084,410</u>
Eternal Chemical (Chengdu) Co., Ltd.		
Amount endorsed	\$ -	\$ 536,640
Amount utilized	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 536,640</u>
Others		
Amount endorsed	\$ 923,538	\$ 1,229,805
Amount utilized	<u>(718,083)</u>	<u>(714,437)</u>
	<u>\$ 205,455</u>	<u>\$ 515,368</u>

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- a. The Company has issued but unused letters of credit with an aggregate amount of NT\$84,852 thousand as of December 31, 2019.
- b. The Company has contracts that were not yet incurred to purchase property, plant and equipment and intangible assets of NT\$128,294 thousand at December 31, 2019.

29. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

- a. In order to repay its liabilities, a subsidiary entered into a syndicated credit facility agreement with 3 banks led by BNP Paribas Malaysia Berhad in January 2020 for a MYR160,000 thousand credit line for repaying liabilities.
- b. In order to integrate group resources, the Company's board of directors had proposed that Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. merger Eternal Electronic Material (Guangzhou) Co., Ltd. In March 2020.

30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	Foreign Currency (In Thousands)	Exchange Rate		Carrying Amount
December 31, 2019				
Financial assets				
Monetary items				
USD	\$ 86,124	29.9800	(USD:NTD)	\$ 2,581,998
RMB	105,061	4.3050	(RMB:NTD)	452,288
JPY	561,961	0.2760	(JPY:NTD)	155,101
Non-monetary items				
Financial assets at fair value through other comprehensive income				
AUD	1,085	21.0050	(AUD:NTD)	22,799
Investments accounted for using the equity method				
USD	848,961	29.9800	(USD:NTD)	25,451,854
JPY	5,046,690	0.2760	(JPY:NTD)	1,392,887
MYR	95,024	7.0330	(MYR:NTD)	668,305
EUR	5,198	33.5900	(EUR:NTD)	174,610
THB	137,058	1.0098	(THB:NTD)	138,401
Financial liabilities				
Monetary items				
USD	74,670	29.9800	(USD:NTD)	2,238,607
JPY	557,203	0.2760	(JPY:NTD)	153,788

(Continued)

	Foreign Currency (In Thousands)	Exchange Rate		Carrying Amount
<u>December 31, 2018</u>				
Financial assets				
Monetary items				
USD	\$ 87,614	30.7150	(USD:NTD)	\$ 2,691,064
RMB	116,718	4.4720	(RMB:NTD)	521,963
JPY	415,189	0.2782	(JPY:NTD)	115,506
Non-monetary items				
Financial assets at fair value through other comprehensive income				
AUD	2,291	21.6650	(AUD:NTD)	49,643
Investments accounted for using the equity method				
USD	822,678	30.7150	(USD:NTD)	25,268,556
JPY	4,793,790	0.2782	(JPY:NTD)	1,333,632
MYR	125,610	7.1120	(MYR:NTD)	893,340
EUR	6,412	35.2000	(EUR:NTD)	225,694
THB	125,028	0.9532	(THB:NTD)	119,176
Financial liabilities				
Monetary items				
USD	73,746	30.7150	(USD:NTD)	2,265,108
JPY	569,278	0.2782	(JPY:NTD)	158,373

(Concluded)

The total realized and unrealized foreign exchange gains and losses were a loss of NT\$4,150 thousand and a gain of NT\$19,739 thousand for the years ended December 31, 2019 and 2018, respectively. It is impractical to disclose net foreign exchange gains and losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currency.

31. ADDITIONAL DISCLOSURES

a. Information about significant transactions and investees:

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

- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 6)
 - 9) Trading in derivative instruments: None
 - 10) Others: The business relationship between the parent company and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions (Table 7)
 - 11) Information on investees (Table 8)
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment gain or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 9)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period (Table 5)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period (Table 5)
 - c) The amount of property transactions and the amount of the resultant gains or losses (Note 27)
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes (Table 2)
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds (Table 1)
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services (Note 27 and table 7)

32. SEGMENT INFORMATION

Disclosure of the segment information in standalone financial statements is waived.

Eternal Materials Co., Ltd. and Subsidiaries

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

(Continued)

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

(Concluded)

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

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

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

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

Note 4: Nature of financing is as follows:

1. Business relationship.
2. Short-term financing

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

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

TABLE 2

Eternal Materials Co., Ltd. and Subsidiaries

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

(Continued)

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

(Concluded)

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

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

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

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

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

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

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

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

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

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

Eternal Materials Co., Ltd. and Subsidiaries

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

DECEMBER 31, 2019

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

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

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

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

Eternal Materials Co., Ltd.

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

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

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

Eternal Materials Co., Ltd. and Subsidiaries

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

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

(Continued)

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

(Concluded)

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

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

Eternal Materials Co., Ltd. and Subsidiaries

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

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

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

Note: Recorded as other accounts receivable.

Eternal Materials Co., Ltd. and Subsidiaries

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

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

(Continued)

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

(Continued)

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

(Concluded)

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

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

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

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

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

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

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

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

Eternal Materials Co., Ltd. and Subsidiaries

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

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

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

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

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

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

Eternal Materials Co., Ltd. and Subsidiaries

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

(Continued)

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

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

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

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

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

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

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

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

(Continued)

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

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

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

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

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STATEMENT 1

Eternal Materials Co., Ltd.

STATEMENT OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2019

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

Item	Description	Amount
Cash on hands		\$ 3,959
Cash in banks	Checking accounts	187,922
	NTD demand deposits	13,135
	USD demand deposits (USD3,600 thousand @29.98)	107,934
	JPY demand deposits (JPY189,910 thousand @0.276)	52,415
	RMB demand deposits (RMB0.4 thousand @4.305)	2
	SGD demand deposits (SGD40 thousand @22.28)	894
		<hr/>
		<u>\$ 366,261</u>

STATEMENT 2

Eternal Materials Co., Ltd.

STATEMENT OF ACCOUNTS RECEIVABLE, NET

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Client Name	Description	Amount	Remark
Non-related parties			
Others (Note)		\$ 2,475,769	
Less: Allowance for loss		<u>(55,666)</u>	
		<u>\$ 2,420,103</u>	
Related parties			
Eternal Specialty Materials (Zhuhai) Co., Ltd.	Sales of goods	\$ 121,302	
Eternal Chemical (China) Co., Ltd.	Sales of goods	102,523	
Eternal Technology Corporation	Sales of goods	84,308	
Eternal Electronic Material (Thailand) Co., Ltd.	Sales of goods	79,588	
CHOU-KOU Materials Co., Ltd.	Sales of goods	65,809	
Eternal Electronic (Suzhou) Co., Ltd.	Sales of goods	60,354	
Eternal Materials (Guangdong) Co., Ltd.	Sales of goods	60,801	
Eternal Electronic Material (Guangzhou) Co., Ltd.	Sales of goods	55,027	
Eternal (China) Investment Co., Ltd.	Sales of goods	49,307	
Others (Note)		<u>166,772</u>	
		845,791	
Less: Allowance for loss		<u>(6,028)</u>	
		<u>\$ 839,763</u>	

Note: The amount of individual client included in others does not exceed 5% of the account balance.

STATEMENT 3

Eternal Materials Co., Ltd.

**STATEMENT OF OTHER RECEIVABLES
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)**

Item	Description	Amount
Receivable for trademark license fee		\$ 246,722
Receivable for service fee		112,378
Receivable for business tax		61,494
Receivable for authorization fee		54,938
Receivable for endorsement and guarantee fee		41,580
Others (Note)		<u>91,075</u>
		<u>\$ 608,187</u>

Note: The amount of individual item included in others does not exceed 5% of the account balance.

STATEMENT 4

Eternal Materials Co., Ltd.

STATEMENT OF INVENTORIES

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Item	Description	Amount		Remark
		Cost	Net Realizable Value	
Raw materials		\$ 1,124,147	\$ 1,131,230	Note
Supplies		30,462	30,462	Note
Finished goods		1,280,195	1,635,247	Note
Inventory in transit		<u>59,770</u>	<u>59,770</u>	Note
		<u>\$ 2,494,574</u>	<u>\$ 2,856,709</u>	

Note: Refer to Note 4 (6) for the method used in determining the net realizable value.

Eternal Materials Co., Ltd.

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME-NONCURRENT
 FOR THE YEAR ENDED DECEMBER 31, 2019
 (In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Name	Beginning of the Year		Additions (Note 1)		Decrease (Note 2)		End of the Year		Guarantee or Pledge	Remark
	Number of Shares	Fair Value (Note 3)	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Fair Value (Note 3)		
Domestic listed shares										
President Securities Corp.	34,252,383	\$ 393,902	-	\$ 101,045	-	\$ -	34,252,383	\$ 494,947	No	
Domestic unlisted shares										
The Orchard Corp. of Taiwan Ltd.	2,296,285	41,556	-	38,125	(2,296,285)	(79,681)	-	-	-	
Universal Venture Capital Investment Corp.	5,000,000	37,707	-	-	-	(3,697)	5,000,000	34,010	No	
Universal Development & Investment Capital I Co., Ltd.	2,827,400	24,450	-	-	-	(2,854)	2,827,400	21,596	No	
Der Yang Biotechnology Venture Capital Co., Ltd.	505,706	4,331	-	1,138	-	-	505,706	5,469	No	
Mega I Venture Capital Co., Ltd.	1,653,750	2,609	-	-	(1,653,750)	(2,609)	-	-	-	
Hwa Nan Venture Capital Co., Ltd.	57,438	-	-	-	-	-	57,438	-	No	
Foreign listed shares										
TBG Diagnostics Limited	40,200,000	<u>49,643</u>	-	<u>-</u>	-	<u>(26,844)</u>	40,200,000	<u>22,799</u>	No	
		<u>\$ 554,198</u>		<u>\$ 140,308</u>		<u>\$ (115,685)</u>		<u>\$ 578,821</u>		

Note 1: The additions for the year are valuation adjustment.

Note 2: The decreases for the year are due to disposal, liquidation and valuation adjustment.

Note 3: Fair value is determined by the closing price or market approach and arrived at by reference to the type of industry, similar companies and the company's operations at the balance sheet date.

Eternal Materials Co., Ltd.

**STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2019**
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Name	Balance, Beginning of the Year		Additions (Note 1)		Decrease (Note 2)		Investment Gain (Loss)	Other Adjustments (Note 3)	Balance, End of the Year			Market Value or Net Assets Value		Guarantee or Pledge	Remark
	Number of Shares (In Thousands)	Amount	Number of Shares (In Thousands)	Amount	Number of Shares (In Thousands)	Amount			Number of Shares (In Thousands)	%	Amount	Unit price (NT\$)	Total Amount		
Eternal Holdings Inc.	213,364	\$ 16,496,052	2,940	\$ 90,626	-	\$ -	\$ 769,438	(\$ 639,518)	216,304	100.00	\$ 16,716,598	\$ 77	\$ 16,662,920	No	
Eternal Global (BVI) Co., Ltd.	19,321	4,495,084	-	-	(2,500)	(313,426)	446,194	(167,784)	16,821	100.00	4,460,068	277	4,664,698	No	
Mixville Holdings Inc.	29,530	4,277,420	-	-	-	(237,518)	368,889	(133,602)	29,530	100.00	4,275,189	145	4,292,507	No	
Eternal Materials (Malaysia) Sdn. Bhd.	165,856	893,340	-	-	-	-	(219,335)	(5,700)	165,856	90.00	668,305	4	670,565	No	
Nikko-Materials Co., Ltd.	12	851,745	-	-	-	(102,490)	170,914	(13,588)	12	100.00	906,581	79,007	910,163	No	
Daxin Materials Corporation	23,424	603,924	-	-	-	(117,120)	148,296	-	23,424	22.80	635,100	91	2,122,197	No	
Advanced PETFILM Investment Co., Ltd.	-	394,765	-	-	-	-	26,617	(14,806)	-	20.00	406,576	1,412,659	381,418	No	Note 4
New E Materials Co., Ltd.	17,269	171,864	-	-	(10,361)	(103,614)	(9,126)	-	6,908	62.80	59,124	9	59,118	No	
DSM Resins (Far East) Co., Ltd.	3,660	109,973	-	-	-	(36,720)	56,293	-	3,660	40.00	129,546	35	129,546	No	
Eternal Electronic Material (Thailand) Co., Ltd.	938	119,176	-	-	-	(11,048)	22,648	7,625	938	75.00	138,401	155	145,581	No	
CHOU-KOU Materials Co., Ltd.	4	87,122	-	-	-	-	(6,818)	(575)	4	100.00	79,729	20,813	83,254	No	
Elga Europe S.r.l.	-	225,694	-	-	-	-	(48,047)	(3,036)	-	72.68	174,611	-	46,147	No	Note 5
Eternal Capatech Co., Ltd.	14,700	<u>31,568</u>	-	-	(14,700)	<u>(27,191)</u>	<u>(62)</u>	-	-	96.71	<u>4,315</u>	-	-	No	Note 6
		<u>\$ 28,757,727</u>		<u>\$ 90,626</u>		<u>\$ (949,127)</u>	<u>\$ 1,725,901</u>	<u>\$ (970,984)</u>			<u>\$ 28,654,143</u>		<u>\$ 30,168,114</u>		

Note 1: Subscription for new shares and share dividends.

Note 2: Capital reduction, disposal of the shares of investee and cash dividends.

Note 3: Other adjustments:

- 1) Exchange differences on translating foreign operations that are recognized using the equity method.
- 2) Recognized remeasurement of defined benefit plans of investments accounted for using the equity method.
- 3) Recognized unrealized gains and losses on financial assets at FVTOCI of investments accounted for using the equity method.

Note 4: Less than a thousand shares.

Note 5: No shares issued; not applicable.

Note 6: The liquidation process had been completed in August 2019, and the balance at the end of the year was the remaining liquidation amount.

Eternal Materials Co., Ltd.

**STATEMENT OF CHANGES IN RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)**

Item	Balance, Beginning of the Year	Adjustments Arising from Initial Application	Additions	Decrease	Balance, End of the Year	Remark
Land	\$ -	\$ 10,556	\$ 69	\$ -	\$ 10,625	
Buildings	-	19,406	1,333	-	20,739	
Machinery and equipment	-	132	-	-	132	
Other equipment	<u>-</u>	<u>9,198</u>	<u>18,044</u>	<u>-</u>	<u>27,242</u>	
	<u>\$ -</u>	<u>\$ 39,292</u>	<u>\$ 19,446</u>	<u>\$ -</u>	<u>\$ 58,738</u>	

Eternal Materials Co., Ltd.**STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF RIGHT-OF-USE ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)**

Item	Balance, Beginning of the Year	Additions	Decrease	Balance, End of the Year	Remark
Land	\$ -	\$ 434	\$ -	\$ 434	
Buildings	-	7,298	-	7,298	
Machinery and equipment	-	75	-	75	
Other equipment	<u>-</u>	<u>3,904</u>	<u>-</u>	<u>3,904</u>	
	<u>\$ -</u>	<u>\$ 11,711</u>	<u>\$ -</u>	<u>\$ 11,711</u>	

STATEMENT 9

Eternal Materials Co., Ltd.

STATEMENT OF ACCOUNTS PAYABLE

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Vendor Name	Description	Amount	Remark
Chang Chun Plastics Co., Ltd.	Purchase of goods	\$ 125,815	
Nan Ya Plastics Corporation	Purchase of goods	117,140	
Formosa Plastics Corporation	Purchase of goods	90,905	
Formosa Chemicals & Fibre Corporation	Purchase of goods	63,581	
Chang Chun Petrochemical Co., Ltd.	Purchase of goods	58,776	
Others (Note)		<u>582,670</u>	
		<u>\$ 1,038,887</u>	

Note: The amount of individual vendor in others does not exceed 5% of the account balance.

STATEMENT 10

Eternal Materials Co., Ltd.

STATEMENT OF OTHER PAYABLES - OTHERS

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Item	Description	Amount
Payable for equipment		\$ 220,061
Employee compensation		122,000
Bonus		100,893
Payable for packaging materials		68,833
Others (Note)		<u>310,171</u>
		<u>\$ 821,958</u>

Note: The amount of individual item in others does not exceed 5% of the account balance.

Eternal Materials Co., Ltd.

STATEMENT OF OTHER NON-CURRENT LIABILITIES

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Remark
Net defined benefit liabilities		\$ 970,904	
Others (Note)		<u>18,213</u>	
		<u>\$ 989,117</u>	

Note: The amount of individual item in others does not exceed 5% of the account balance.

Eternal Materials Co., Ltd.

STATEMENT OF LONG-TERM BORROWINGS
 DECEMBER 31, 2019
 (In Thousands of New Taiwan Dollars)

Creditors	Description	Loan Amount	Agreement Period	Interest Rate Range (%)	Pledge or Guarantee	Remark
Unsecured loans						
Syndicated credit facility with 11 banks led by Taipei Fubon Commercial Bank Co., Ltd.	Repay in installment, non-revolving credit	\$ 1,750,000	2015.08-2020.08	1.79-1.80	No	
First commercial bank	Bullet repayment, non-revolving credit	1,200,000	2015.08-2022.11	1.61-1.94	No	
Syndicated credit facility with 8 banks led by E.SUN Commercial Bank, Ltd.	Repay in installment, non-revolving credit	2,700,000	2018.07-2023.05	1.79	No	
HSBC Bank (Taiwan) Limited	Repay in installment, non-revolving credit	450,000	2017.08-2022.12	1.16	No	
Mizuho bank, Ltd.	Bullet repayment, revolving credit	200,000	2019.10-2021.02	0.88	No	
Mega International Commercial Bank Co., Ltd.	Bullet repayment, non-revolving credit	800,000	2017.09-2022.09	1.58	No	
E.SUN Commercial Bank, Ltd.	Repay in installment, non-revolving credit	400,000	2016.09-2021.09	1.20	No	
Taipei Fubon Commercial Bank Co., Ltd.	Repay in installment, non-revolving credit	350,000	2016.07-2021.07	1.45	No	
Bank of Taiwan	Repay in installment, non-revolving credit	850,000	2017.08-2022.09	1.16-1.195	No	
CTBC Bank Co., Ltd.	Bullet repayment, non-revolving credit	115,258	2018.03-2021.03	0.95	No	
The Export-Import Bank of the Republic of China	Repay in installment, non-revolving credit	576,000	2017.10-2023.10	1.21	No	
Bank SinoPac	Repay in installment, non-revolving credit	300,000	2019.12-2022.12	1.09	No	
Bank of China	Bullet repayment, revolving credit	200,000	2019.04-2021.04	0.8	No	
		9,891,258				
Long-term bills payable Commercial paper (Note 1)		899,150	Note 2	1.398	No	
		10,790,408				
Less: Current portion of long-term borrowings		(2,994,000)				
		<u>\$ 7,796,408</u>				

Note 1: The commercial papers were issued by Taiwan Cooperative Bills Finance Corporation and International Bills Finance Corporation and were guaranteed by a syndicated credit facility agreement with 8 banks led by E.SUN Commercial Bank, Ltd.

Note 2: Revolving credit, the period of the agreement is five years. Maturity date is May 2023. Only banking surcharge and interests have to be paid before the maturity date.

Eternal Materials Co., Ltd.

STATEMENT OF BONDS PAYABLE

DECEMBER 31, 2019

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

Bond Name	Trustee	Issuance Date	Interest Payment Date and Repayment Method	Annual Rate	Amount					Collateral
					Total Amount	Repayment Paid	Balance, End of the Year	Issuance Costs	Carring Value	
5-year secured bonds	Bank Sino Pac	2019.11-2024.11	Bullet repayment, interest payable annually	0.82	<u>\$ 3,000,000</u>	<u>\$ -</u>	<u>\$ 3,000,000</u>	<u>\$ (5,808)</u>	<u>\$ 2,994,192</u>	Note 17

Eternal Materials Co., Ltd.

STATEMENT OF LEASE LIABILITIES
 DECEMBER 31, 2019
 (In Thousands of New Taiwan Dollars)

Item	Description	Lease Term	Discount Rate	Balance, End of the Year	Remark
Land		2019.01-2043.06	2.29	\$ 5,593	
Buildings		2019.01-2023.10	1.67-3.64	13,407	
Machinery and equipment		2019.01-2020.10	1.67	57	
Other equipment		2019.01-2024.11	1.67-3.64	<u>23,430</u>	
				42,487	
Less: Current portion of lease liabilities				<u>(12,893)</u>	
				<u>\$ 29,594</u>	

Eternal Materials Co., Ltd.

**STATEMENT OF OPERATING REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)**

Item	Quantity	Amount	Remark
Resins materials	144 thousand tons	\$ 8,282,190	
Electronic materials	849,030 thousand square feet and 6 thousand tons	4,266,672	
High performance materials	15 thousand tons	2,235,476	
Others		<u>19,680</u>	
		<u>\$ 14,804,018</u>	

Eternal Materials Co., Ltd.**STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)**

Item	Amount
Balance of raw materials and materials in transit, beginning of the of year	\$ 1,401,223
Add: Raw materials purchased	8,764,527
Transferred from finished goods to manufacturing	8,372,542
Less: Raw materials sold	(215,190)
Others	(66,989)
Balance of raw materials and materials in transit, end of the year	<u>(1,188,501)</u>
Raw materials used	17,067,612
Direct labor	356,540
Manufacturing expenses	<u>2,134,187</u>
Manufacturing cost	19,558,339
Balance of finished goods, beginning of the year	1,471,122
Add: Finished goods purchased	468,317
Less: Transferred to manufacturing	(8,372,542)
Others	(17,088)
Balance of finished goods, end of the year	<u>(1,321,738)</u>
Operating costs - cost of finished goods	11,786,410
Operating costs - cost of raw materials	215,190
Operating costs - others	<u>162,759</u>
Operating costs	<u>\$ 12,164,359</u>

Eternal Materials Co., Ltd.

**STATEMENT OF SELLING AND MARKETING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)**

Item	Description	Amount	Remark
Export expense		\$ 262,399	
Payroll expense		160,010	
Freight		59,934	
Commission		55,187	
Others (Note)		<u>184,152</u>	
		<u>\$ 721,682</u>	

Note: The amount of individual item in others does not exceed 5% of the account balance.

Eternal Materials Co., Ltd.

**STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)**

Item	Description	Amount	Remark
Payroll expense		\$ 428,061	
Others (Note)		<u>327,359</u>	
		<u>\$ 755,420</u>	

Note: The amount of individual item in others does not exceed 5% of the account balance.

Eternal Materials Co., Ltd.

**STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)**

Item	Description	Amount	Remark
Payroll expense		\$ 498,494	
Depreciation expense		128,338	
Laboratory fees		103,898	
Others (Note)		<u>300,689</u>	
		<u>\$ 1,031,419</u>	

Note: The amount of individual item in others does not exceed 5% of the account balance.

Eternal Materials Co., Ltd.

**STATEMENT OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION
FOR THE YEAR
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)**

Function \ Nature	For the Year Ended December 31, 2019		
	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefit expense			
Salaries	739,451	1,086,565	1,826,016
Labor and health insurance	68,085	81,563	149,648
Pension	44,460	56,638	101,098
Board compensation	-	19,135	19,135
Others	50,377	70,091	120,468
Depreciation	485,437	168,637	654,074
Amortization	-	7,630	7,630

Function \ Nature	For the Year Ended December 31, 2018		
	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefit expense			
Salaries	721,783	1,065,650	1,787,433
Labor and health insurance	67,657	79,696	147,353
Pension	47,615	59,141	106,756
Board compensation	-	18,150	18,150
Others	47,909	73,373	121,282
Depreciation	494,230	150,952	645,182
Amortization	-	3,489	3,489

Note 1: As of December 31, 2019 and 2018, the Company had 1,972 and 2,005 employees, respectively. There were 8 and 7 non-employee directors, respectively.

Note 2: Companies whose stock are listed on Taiwan Stock Exchange (TWSE) or Taipei Exchange (TPEX) should disclose the following information.

- 1) Average employee benefit expense for the year ended December 31, 2019 was \$1,119 thousand (calculated as total employee benefit expense net of total board compensation for the year divided by number of employees net of number of non-employee directors for the year). Average employee benefit expense for the year ended December 31, 2018 was \$1,082 thousand (calculated as total employee benefit expense net of total board compensation for the previous year divided by the number of employees net of number of non-employee directors for the previous year).
- 2) Average salaries for the year ended December 31, 2019 was \$930 thousand (calculated as total salaries for the year divided by number of employees net of number of non-employee directors for the year).

Average salaries for the previous year was \$895 thousand (calculated as total salaries for the previous year divided by number of employees net of number of non-employee directors for the previous year).

- 3) Adjustment of average salaries was 3.91% (calculated as average salaries for the year net of average salaries for the previous year divided by average salaries for the previous year).