

Stock Code: 1717

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

## **2019 Annual Report**

**Printed on May 22, 2020**

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

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

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# Chapter 1 Report to the Shareholders

## Business Report

Shareholders' trust and support to the Company and management team are highly appreciated in 2019, the US-China trade continued to affect the prosperity of the mainland region. Since mainland China is an important production and sales region of the Company, so the trade resulted in a decline in overall revenue compared with the previous year. However, benefiting from factors such as raw material prices, internal management optimization and other factors, the overall profit has grown significantly this year.

The year 2020 is still a challenging year. Although the US-China trade reached an agreement stage and Brexit ended, the international political and economic uncertainties have subsided slightly. But the COVID-19 pandemic broke out after the beginning of the year. As Taiwan and the mainland China have built a close relationship for a long time, the investment relations, industrial settlements, supply chains and trade exchanges will affect the cross-strait economy. In this regard, the Company will use its advantage to deploy existing production capacity in Taiwan, Europe, America, and Southeast Asia, continue stable production activities and market development, and seek growth opportunities amidst changes. The new ERP system has successfully completed the first phase of the launch in early 2020, and will be more able to meet the Group's globalization and growth goals and provide energy for management.

In addition, the Company will continue to uphold the corporate culture of law-abiding, trustworthy and ethical, attach importance to public security and environmental protection and fulfill its social responsibilities, and continue to contribute to ESG (environmental, social responsibility, corporate governance) to achieve sustainable management, and create value for shareholders, stakeholders and the public .

The operating results in 2019 are reported as follows:

### I. 2019 Operating Results

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

In 2019, consolidated net revenue of the Company was NT\$40.4 billion, a decrease of 6.78% from 2018. In terms of operating profit, net profit before tax was NT\$2.914 billion, an increase of 56.33% from the previous year; net profit after tax attributable to owners of the parent company was NT\$2.466 billion, with the earnings per share after tax at NT\$1.99.

(II) Implementation of the budget

As the Company did not disclose financial forecasts in 2019, the relevant information for implementation of the budget was unavailable.

(III) Analysis of receipts, expenditures, and profitability

1. Receipts and expenditures: Unit: NT\$1,000

Item	Amount in 2019
Operating revenue	40,363,238
Operating gross profit	7,856,953
Operating profit	2,335,050
Non-operating income and expenses	578,881
Net profit before tax	2,913,931
Net profit	2,428,081
Net comprehensive loss after tax	(945,873)
Total comprehensive income	1,482,208
Net profit attributable to owners of the parent company	2,466,356
Net profit attributable to non-controlling interests	(38,275)
Total comprehensive income attributable to owners of the parent company	1,531,715
Total comprehensive income attributable to non-controlling interests	(49,507)
Earnings per share (NT\$)	1.99

2. Profitability analysis: Unit: %

Item	Percentage
Return on assets (ROA)	5
Return on equity (ROE)	11
Ratio of net profit before tax to paid-in capital	23
Profit margin	6
Earnings per share (NT\$)	1.99

#### (IV) Research and development

1. Research and development results in 2019:
  - (1) Membrane detection enzyme
  - (2) Blood test enzyme
  - (3) Silicone elastic microspheres
  - (4) LCD 3D printing materials
  - (5) Environmentally friendly CTP rinse-free photosensitive plate
  - (6) Water-based photocurable resin for 3C plastic parts
  - (7) Special polyester polyol for polyurethane hot melt adhesive
  - (8) Acrylic PSA glue for polarizer protective stickers
  - (9) Profile coated reactive polyurethane hot melt adhesive
  - (10) Application technology of waterborne acrylic polyol dispersion in industrial baking paint
2. Future research and development:
  - (1) 5G high-frequency materials
  - (2) Bio-medical testing materials
  - (3) Green energy/energy storage materials
  - (4) Soft electronic materials
  - (5) Semiconductor packaging materials
  - (6) High performance engineering plastic materials
  - (7) Silicon materials
  - (8) Sustainable environmentally friendly materials

#### II. Summary of 2020 Business Plan

##### (I) Estimated sales volume

The Company's 2020 business plan is to achieve stable revenue and profitable growth in the medium and long term. The management team will actively achieve operational goals and work together to enhance corporate value.

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

1. The product structure will focus on the development of high-end products, such as functional resins, rubber materials, and membrane materials required for industrial applications (including coating, electrical materials, adhesives, compound materials, inks and silicon materials). The Company will also accelerate the commercialization of New Products Development (NPD) and New Business Development (NBD) to

obtain higher market value.

2. Actively expand emerging markets such as Northeast Asia, ASEAN, and India. The Company will be able to expand the sales promotion in the Malaysian region after the completion of the construction and operation of the factory; Strengthen technology and market expansion for Japan and South Korea. At the same time, the Company will continue to strengthen cooperation with major international manufacturers in Asia to make the business growth more comprehensive and the product structure more diversified.

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

The Federal Reserve Board cut interest rates three times last year to combat the recession. Global economic growth may slow down. The Chinese market has been hit hard by COVID-19 pandemic, which will have a short-term impact on the Company. Facing operational challenges, the Company will still adhere to the principles of stable operation, improve investment efficiency, optimize management efficiency, strengthen financial structure, and continue to invest in research and development to accelerate the research and development and commercialization of key materials for future market demand, and obtain and maintain competitive advantage.

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

Chairman: Kao, Kuo-Lun

President: Mao, Hui-Kuan

## Chapter 2 Company Profile

### I. Date of Incorporation: December 3, 1964

### II. Brief History of the Company

- In 1964 The Company was founded in Kaohsiung City with the initial capital of NT\$800,000.
- In 1965 The plant in Kaohsiung was completed and began to produce resin products.
- In 1973 Lu-Chu Plant was completed and relocated.
- In 1988 The Company and the Netherlands' DSM jointly established DSM Resins (Far East) Co., Ltd. in Pingtung.
- In 1994 The Company's stock was listed on the Taiwan Stock Exchange on March 31.
- In 1995 Eternal Chemical (China) Co., Ltd. was established in Jiangsu, China.
- In 1995 Eternal Chemical (Guangzhou) Co., Ltd. was established in Guangdong, China.
- In 1996 Eternal Chemical (Japan) Co., Ltd. was established in Japan.
- In 1996 Eternal Electronic Materials (Kunshan) Co., Ltd. was established in Jiangsu, China.
- In 1997 Eternal Corporation of America was established in the United States (U.S.).
- In 1997 The Company and the Netherlands' DSM Resins B.V. jointly established DSM Eternal Resins (Kunshan) Co., Ltd. in Jiangsu, China.
- In 1998 Eternal Technologies (Shanghai) Co., Ltd. was established in Shanghai, China.
- In 1999 Eternal Technology Corporation was established in the U.S.
- In 1999 Shanghe International Trading (Shanghai) Co., Ltd. was established in Shanghai, China.
- In 1999 Eternal Photoelectric Material Industry (Kunshan) Co., Ltd. was established in Jiangsu, China.
- In 2000 Eternal Chemical (Guangdong) Co., Ltd. was established in Guangdong, China.
- In 2000 Lu-Chu Plant was shut down for three months due to the Gaoping River water pollution incident.
- In 2001 Eternal Electronic Material (Guangzhou) Co., Ltd. was established in Guangdong, China.
- In 2001 Changhe International Trading (GZFTZ) Co., Ltd. was established in Guangdong, China.
- In 2003 The U.S. subsidiary, Eternal Technology Corporation acquired the Dry Film business of Shipley Company L.L.C.
- In 2003 Eternal Specialty Chemical (Zhuhai) Co., Ltd. was established in Guangdong, China.
- In 2003 ESCO Specialty Coatings (Guangzhou) Co., Ltd. was established in Guangdong, China.
- In 2003 Eternal Development Technology Co., Ltd. was established in Southern Taiwan Science Park (STSP) in Kaohsiung.
- In 2004 Eternal Photosensitive Liquid Materials (Kunshan) Co., Ltd. was established in Jiangsu, China.
- In 2004 A Dutch company, Cognis B.V., invested and acquired 10% shares of Eternal Specialty Chemical (Zhuhai) Co., Ltd.
- In 2006 Eternal Optical Material (Suzhou) Co., Ltd. was established in Jiangsu, China.
- In 2006 Eternal Chemical Industry (China) Co., Ltd. invested and established Eternal Synthetic Resins (Changshu) Co., Ltd. in Jiangsu, China.
- In 2006 The Company and AU Optronics Corporation formed a joint venture to establish Daxin Materials Corporation in Hsinchu.
- In 2006 Eternal Photoelectric Materials (Guangzhou) Co., Ltd. was established in Guangdong, China.

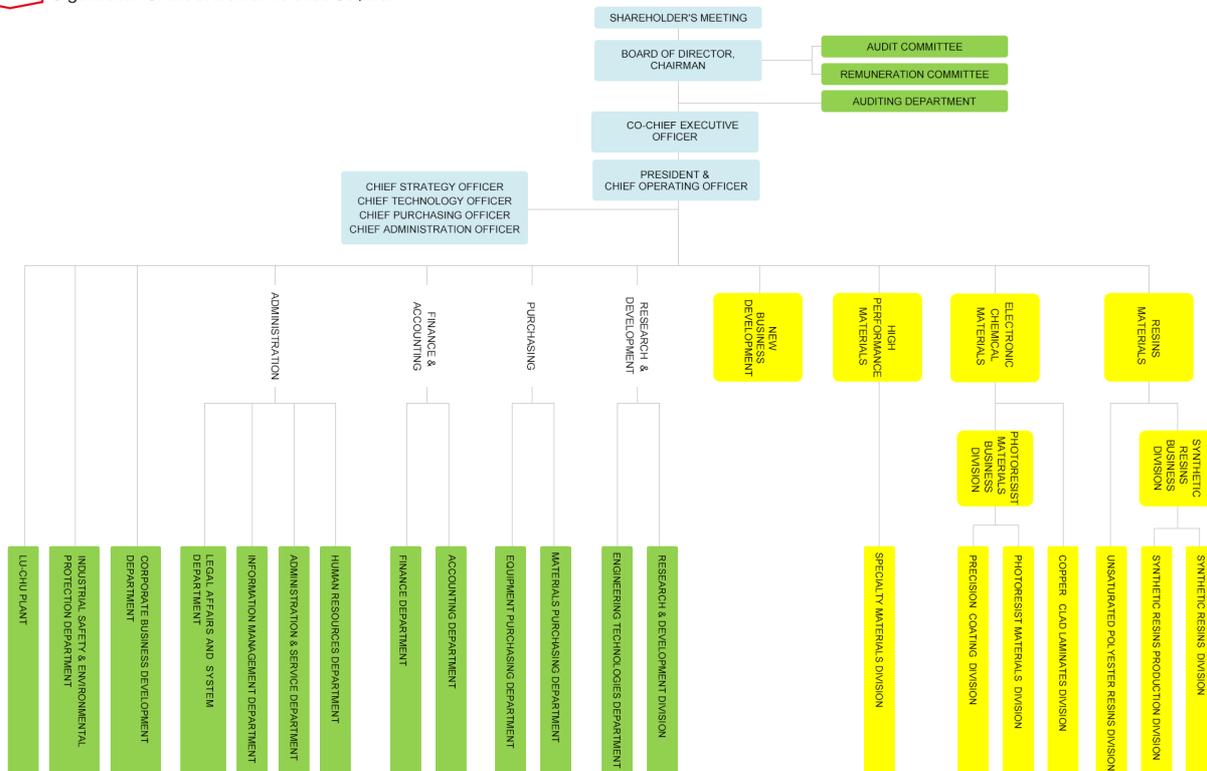
- In 2007 ESCO Specialty Coatings (Shanghai) Co., Ltd. was established in Shanghai, China.
- In 2007 Eternal Photoelectric Material Industry (Yingkou) Co., Ltd. was established in Liaoning, China.
- In 2008 The Company invested and acquired 75% shares in Eternal Electronic Materials (Thailand) Co., Ltd. in Thailand.
- In 2008 Eternal Chemical Europe B.V. was established in the Netherlands.
- In 2009 Eternal Chemical (Tianjin) Co., Ltd. was established in Tianjin, China.
- In 2009 The Company and Kwang Yang Motor Co., Ltd., etc. formed a joint venture to establish New E Materials Co., Ltd. in STSP in Kaohsiung.
- In 2010 The Company (holding 20% of the shares) and Mitsubishi Plastics, Inc. formed a joint venture to establish Advanced PETFILM Investment Co., Ltd.
- In 2011 Eternal (China) Investment Co., Ltd. was established in Shanghai, China.
- In 2011 Eternal (Guangzhou) Chemical Industry Co., Ltd. was merged into Eternal (Guangzhou) Electronic Material Co., Ltd. in China.
- In 2011 Eternal Electronic (Suzhou) Co., Ltd. was established in Jiangsu, China.
- In 2011 Eternal Chemical (Chengdu) Co., Ltd. was established in Sichuan, China.
- In 2012 Eternal Technology (Shanghai) Co., Ltd. was merged into Eternal (China) Investment Co., Ltd. in China.
- In 2012 Eternal Corporation of America was merged into the Eternal Technology Corporation.
- In 2013 The Company and Sun A. Kaken Co., Ltd. formed a joint venture to establish Eternal Sun A. (Suzhou) Co., Ltd. in Jiangsu, China.
- In 2013 The Company invested and acquired 100% shares of Nichigo-Morton Co., Ltd. in Japan.
- In 2013 Eternal invested and acquired 35% shares of Elga Europe S.R.L.
- In 2014 Eternal Specialty Chemical (Suzhou) Co., Ltd. was established in Jiangsu, China.
- In 2014 The Company, Eternal Chemical Co., Ltd. was renamed as Eternal Materials Co., Ltd.
- In 2014 The Company and Gemmy Electronics Co., Ltd. formed a joint venture to establish Eternal Capatech Co., Ltd. in Kaohsiung.
- In 2015 The Company and Allnex S.a.r.l formed a joint venture to establish Allnex-Eternal Resins Corporation Ltd. in Hong Kong.
- In 2015 The Company and Showa Denko Co., Ltd. formed a joint venture to establish Showa Denko New Material (Zhuhai) Co., Ltd. in China.
- In 2015 The Company and Tong Seng Holdings Pte. Ltd. formed a joint venture to establish Eternal Materials (Malaysia) Sdn. Bhd. in Malaysia.
- In 2015 the Company invested and 18.48% shares in TBG Diagnostics Ltd (an affiliated company of Medigen Biotech Corporation) in Australia.
- In 2017 The Company increased its investment in Elga Europe S.R.L. to 95% of shares in Italy.
- In 2017 The Company and Zhejiang Nanyang Technology Co., Ltd. formed a joint venture to establish Hangzhou Yongxin Yangguang Electronic Material Co., Ltd. in China.
- In 2018 The Company increased its investment in Polymer Instrumentation and Consulting Services, Ltd. to 30% of shares in the U.S.

# Chapter 3 Corporate Governance Report

## I. Organizational System

### (I) Company's Structure

 Organization Charts of Eternal Materials Co., Ltd.



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## (II) Tasks of Principal Departments

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

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

### (I)

#### 1. Information on Directors and Supervisors

April 20, 2020; Unit: Thousand Shares, %

Title	Nationality/ Country of Origin	Name	Gender	Date Elected (Appointed)	Term (Years)	Date first elected (Note 1)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholdin g		Shareholding by Nominee Arrangement		Experience (Education)	Other Position (Notes 2 & 3)	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Chairman	Republic of China	Kao, Kuo-Lun	Male	2019.06.26	3 years	1992.07.15	50,139	4.04	50,139	4.04	5,731	0.46	0	0	Master of Business Administration, University of Southern California President of the Company	Chief Executive Officer of the Company	None	None	None	(Note 7)
Vice Chairman	Republic of China	Hsieh, Chin- Kun	Male	2019.06.26	3 years	2004.04.14	723	0.06	723	0.06	0	0	0	0	Master of Business Administration, National Sun Yat-sen University President of the Company	Vice Chairman and Chief Strategy Officer of the Company	None	None	None	
Director	Republic of China	Kwang Yang Motor Co., Ltd. Co. Ltd.	—	2019.06.26	3 years	1995.04.28	123,002	9.92	124,000	9.99	N/A	N/A	0	0	N/A	N/A	N/A			
		Representative: Ko, Chun-Ping	Male				0	0	0	0	10	0	0	0	Master of Management Science, Tamkang University	(Note 4)	None	None	None	
Director	Republic of China	Kao, Ying- Chih	Male	2019.06.26	3 years	2010.06.15	19,852	1.60	19,852	1.60	1,047	0.08	6,349	0.51	Bachelor of Physics, Chung Yuan Christian University Chairman of Orchard Taiwan Co., Ltd.	Supervisor of Chengfu International Investment Co., Ltd.	None	None	None	
Director	Republic of China	Yang, Huai- Kung	Male	2019.06.26	3 years	1972.05.14	16,176	1.30	16,176	1.30	0	0	0	0	Bachelor of Accounting, Soochow University Vice President of the Company	None	None	None	None	
Director	Republic of China	Huang, Wu- Tung	Male	2019.06.26	3 years	1976.05.23	3,921	0.32	3,921	0.32	2,257	0.18	0	0	Bachelor of Chemical Engineering, National Cheng Kung University Vice President of the Company	None	None	None	None	

Title	Nationality/ Country of Origin	Name	Gender	Date Elected (Appointed)	Term (Years)	Date first elected (Note 1)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholdin g		Shareholding by Nominee Arrangement		Experience (Education)	Other Position (Notes 2 & 3)	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Director	Republic of China	Shiao, Tzu-Fei	Male	2019.06.26	3 years	1998.04.10	558	0.05	558	0.05	0	0	0	0	Master of Business Administration, National Chengchi University President of the Company	Chief Strategy Officer of the Company	None	None	None	
Director	Republic of China	Yen, Shu-Fen	Female	2019.06.26	3 years	2019.06.26	299	0.02	299	0.02	16	0	0	0	Bachelor of Business Administration, National Cheng Kung University Vice President of the Company	None				
Independent Director	Republic of China	Chen, I-Heng (Note 5)	Male	2016.06.15	3 years	2016.06.15	327	0.03	471	0.04	82	0	0	0	Professor of Institute of Human Resource Management, National Sun Yat-sen University	(Note 5)	None	None	None	
Independent Director	Republic of China	Hung, Lee- Jung	Female	2019.06.26	3 years	2016.06.15	0	0	0	0	0	0	0	0	Department of Accountancy, National Cheng Kung University Certified Public Accountant and Partner of PricewaterhouseCoopers Taiwan	Member of the Audit Committee and Convenor of the Remuneration Committee of the Company. Independent Director of Launch Tech International Technology Co., Ltd. and Advanced International Multitech Co., Ltd.	None	None	None	
Independent Director	Republic of China	Hsu, Jui-Yuan (Note 6)	Male	2019.06.26	3 years	2016.06.15	0	0	0	0	0	0	0	0	S.J.D., Fu Jen Catholic University Assistant Professor of Chung Yuan Christian University, Tamkang University, and Hsuan Chuang University	(Note 6)	None	None	None	

Title	Nationality/ Country of Origin	Name	Gender	Date Elected (Appointed)	Term (Years)	Date first elected (Note 1)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholdin g		Shareholding by Nominee Arrangement		Experience (Education)	Other Position (Notes 2 & 3)	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Independent Director	Republic of China	Lo, Li-Chun	Male	2019.06.26	3 years	2019.06.26	0	0	0	0	0	0	0	0	PhD of Management, Hong Kong Polytechnic University Visiting Associate Professor, Nanyang Business School Chief Executive Officer of Protrend Global Financial Information Co., Ltd.  Chief Executive Officer of Protrend Management Consulting Co., Ltd.	Chairperson of the Audit Committee and Member of the Remuneration Committee of the Company, Chief Executive Officer of Protrend Global Financial Information Co., Ltd.  Chief Executive Officer of Protrend Management Consulting Co., Ltd.	None	None	None	

Note 1. Chairman Kao, Kuo-Lun was elected as a director of the Company for the first time on July 15, 1992 and has been elected by the Board of Directors as the Chairman since June 15, 2010.

Director Hsieh, Chin-Kun was elected as the director of the Company for the first time from April 4, 2004 to April 13, 2007. He has been elected as a director of the Company since June 15, 2010.

Director Kao, Ying-Chih has been elected as the supervisor of the Company since May 23, 1976 and has been elected as the director of the Company for the first time since June 15, 2010.

Note 2. The directors of the Company have not been employed by the accounting firm or its affiliated companies.

Note 3. Position(s) held concurrently in the Company and/or in any other companies: Please refer to the “Information on Directors, Supervisors, and Presidents of Affiliated Companies” on pages 300~305 of the Annual Report.

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

Note 5. Independent Director Chen, I-Heng was discharged due to his tenure of office on June 26, 2019 and his shareholding was disclosed as of the month of his discharge; He was appointed as the committee member of the 4th Remuneration Committee on March 27, 2020.

Note 6. Independent Director Hsu, Jui-Yuan was discharged due to resignation on December 31, 2019 and his shareholding was disclosed as of the month of his discharge.

Note 7. The Board of Directors appointed Kao, Kuo-Lun as the Company’s Chief Executive Officer on June 26, 2019. Since the duties of the Chief Executive Officer and the Chairman are different, it is necessary to establish these positions. The main responsibility of the Chairman is to preside over board meetings and execute matters authorized by the Board of Directors, while the Chief Executive Officer is responsible for the execution of promotion of the Company's business plan. More than half of the directors of the Company's Board of Directors do not concurrently serve as the employees or managers of the Company.

2. Major Shareholders of Institutional Shareholders

April 20, 2020

Name of Institutional Shareholder	Major Shareholders of Institutional Shareholder	Shareholding Percentage (%)
Kwang Yang Motor Co., Ltd.	Xinsheng Investment Co., Ltd.	11.31
	Hongguang Investment Co., Ltd.	7.99
	Kuang Chou Investment Co., Ltd.	6.66
	Daming Investment Co., Ltd.	6.33
	Kwang Hsing Industrial Co., Ltd.	5.39
	Ko, Chia-Cheng	1.05
	Ko, Hung-Ming	1.03
	Ko Wang, Shu-Yuan	1.03
	Ko, Hsing-Lang	1.00
	Hung Sheng Investment Co., Ltd.	1.00

3. Major Shareholders of Institutional Shareholders Whose Major Shareholders are Institutional Shareholders

April 20, 2020

Institutional Shareholder	Major Shareholder of Institutional Shareholder	Shareholding Percentage (%)
Xinsheng Investment Co., Ltd.	Ko, Hung-Ming	0.005
	Ko, Hsing-Lang	0.005
	Ko Wang, Shu-Yuan	0.005
Hongguang Investment Co., Ltd.	Ko Wang, Shu-Yuan	20.00
	Ko, Hung-Ming	20.00
Kuang Chou Investment Co., Ltd.	Xindong Investment Co., Ltd.	7.74
	Hsien Yu Li Investment Co., Ltd.	7.70
	He Wei Investment Co., Ltd.	5.23
	Chou An Investment Co., Ltd.	4.51
	Yi Cheng Investment Co., Ltd.	0.50
	Ko, Lu-Chieh	4.51
	Ko, Chun-Sung	2.66
	Ko, Chun-Yang	2.15
	Ko, Mei-Hui	0.76
	Ko, Chun-Nan	0.76
	Ko, Chun-Ming	0.53
Daming Investment Co., Ltd.	Ko, Wen-Tan	0.50
	Ko, Chen-Hsien	0.06
	Ko, Chung-Hsiung	4.95
	Ko, Jung-Chia	4.65
Kwang Hsing Industrial Co., Ltd.	Ko, Hsiao-Hsiung	10.12
	Ko, Chia-Nan	3.29
	Kwang Yang Motor Co., Ltd.	100.00
Hung Sheng Investment Co., Ltd.	Ho Sheng Investment Co., Ltd.	12.50
	Pai Yao Investment Co., Ltd.	13.63
	Chien Yao Investment Co., Ltd.	11.37
	Shuo Ting Investment Co., Ltd.	12.50
	Po Hsin Investment Co., Ltd.	12.50
	Chen Hsun Investment Co., Ltd.	12.50
	Hou Kang Investment Co., Ltd.	12.50
	Hing Yi Investment Co., Ltd.	12.50

#### 4. Information on Directors and Supervisors

April 20, 2020

Name	Whether One of the Following Professional Qualifications Is Met, together with at Least 5 Years of Work Experience			Compliance with Independence criteria (Note)												Number of Independent Directorships at Other Public Companies
	Instructor or Higher in a Department of Commerce, Law, Finance, Accounting, or Any Other Business-related Academic Department in a Public or Private College or University	Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Any Other Professional or Technical Specialist Having Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business Operations of the Company	Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business Operations of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Kao, Kuo-Lun			v					v	v	v	v	v	v	v	v	0
Hsieh, Chin-Kun			v			v		v	v	v	v	v	v	v	v	0
Kwang Yang Motor Co., Ltd. Representative: Ko, Chun-Ping			v	v		v		v	v	v		v	v	v		0
Kao, Ying-Chih			v	v		v	v	v	v	v	v	v	v	v	v	0
Yang, Huai-Kung			v	v	v		v	v	v	v	v	v	v	v	v	0
Huang, Wu-Tung			v	v	v		v	v	v	v	v	v	v	v	v	0
Shiao, Tzu-Fei			v		v	v		v	v	v	v	v	v	v	v	0
Yen, Shu-Fen			v	v	v	v	v	v	v	v	v		v	v	v	0
Chen, I-Heng (Note 2)	v		v	v	v	v	v	v	v	v	v	v	v	v	v	2
Hung, Lee-Jung		v	v	v	v	v	v	v	v	v	v	v	v	v	v	2
Hsu, Jui-Yuan (Note 3)	v	v		v	v	v	v	v	v	v	v	v	v	v	v	0
Lo, Li-Chun	v		v	v	v	v	v	v	v	v	v	v	v	v	v	0

Note 1. Note: For any director or supervisor who fulfills the relevant condition(s) for two fiscal years before being elected to the office or during the term of office, please provide the [✓] sign in the field next to the corresponding conditions.

- (1) Not an employee of the Company or any of its affiliated companies.
- (2) Not a director or supervisor of the Company or any of its affiliated companies. However, this is not applicable in cases where the person is an independent director of the Company, its parent company, any subsidiary, or its parent company or subsidiaries, as appointed in accordance with the Act or laws of the

country where the parent or subsidiary is located.

- (3) Not a natural-person shareholder who (together with those held by the person's spouse, mini children, or in the name of another person (nominees)) holds an aggregate amount of 1% or more in the total number of issued shares of the Company, or ranks in top 10 in shareholding.
- (4) Not a manager listed in (1) or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship listed in (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company, or that ranks among top five in shareholdings, or that designates its representatives to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act (This restriction does not apply to independent directors in the Company or its parent company, subsidiary or subsidiary of the same parent, which have been appointed in accordance with local laws or laws of the registered country).
- (6) Not a director, supervisor, or employee of another company controlled by the same person with more than half of the Company's director seats or voting shares. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
- (7) Not a director, supervisor, or employee of a company where the chairman, president or any equivalent position are held by the same person or by his/her spouse separately. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
- (8) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specific company or institution which has a financial or business relationship with the Company (excluding specific companies or institutions holding more than 20% but less than 50% of the total issued shares of the Company, and independent directors appointed by both the Company and its parent company, subsidiary or subsidiaries under the same parent company pursuant to this regulation or the local regulations).
- (9) Not a professional individual who is an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution, or a spouse thereof, that provides commercial, legal, financial, accounting services or consultation to the Company or its affiliated companies, or those made an accumulated profit of less than NT\$500,000 over the last 2 years. This restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not a spouse or relative within the second degree of kinship of another director or supervisor.
- (11) No circumstance subjected to the subparagraphs of Article 30 of the Company Act occurs.
- (12) Not elected in the capacity of the government, a juridical person, or a representative thereof, as provided in Article 27 of the Company Act.

Note 2. Independent Director Chen, I-Heng was discharged due to his tenure of office on June 26, 2019

Note 3. Independent Director Hsu, Jui-Yuan was discharged due to resignation on December 31, 2019

## (II) Information on managerial officers

Unit: Thousand shares, %

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position Held in Other Companies	Managers who are Spouses or Within the Second Degree of Kinship			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Chief Executive Officer	Republic of China	Kao, Kuo-Lun	Male	2016.11.11	50,139	4.04	5,731	0.46	0	0	Master of Business Administration, University of Southern California	(Notes 1 & 2)	None	None	None	Note 14
President and Chief Operating Officer	Republic of China	Mao, Hui-Kuan	Male	2019.06.26	217	0.02	0	0	0	0	Master of Chemical Engineering, National Taiwan University	(Note 2)	None	None	None	
Chief Strategy Officer	Republic of China	Hsieh, Chin-Kun	Male	2019.06.26	723	0.06	0	0	0	0	Master of Business Administration, National Sun Yat-sen University	(Note 1)	None	None	None	
Chief Strategy Officer	Republic of China	Shiao, Tzu-Fei	Male	2016.06.15	558	0.05	0	0	0	0	Master of Business Administration, National Chengchi University	(Note 1)	None	None	None	
Vice President	Republic of China	Chen, Ming-Jen	Male	2011.02.21	336	0.03	0	0	0	0	Bachelor of Chemistry, National Cheng Kung University	None	None	None	None	
Vice President	Republic of China	Chen, Chin-Yuan	Male	2011.02.21	285	0.02	0	0	0	0	Bachelor of Chemical Engineering, National Taiwan University	(Note 2 & 4)	None	None	None	
Vice President	Republic of China	Yen, Shu-Fen (Note 3)	Female	2013.01.01	299	0.02	16	0	0	0	Bachelor of Business Administration, National Cheng Kung University	(Note 1)	None	None	None	
Vice President	Republic of China	Liao, Heng-Ning	Male	2017.01.01	253	0.02	0	0	0	0	Bachelor of Chemical Engineering, National Taiwan University	(Notes 2 & 5)	None	None	None	
Assistant Vice President	Republic of China	Lin, Chih-Kuo	Male	1999.07.01	626	0.05	0	0	0	0	PhD in Human Resource Management, National Sun Yat-sen University	None	None	None	None	
Assistant Vice President	Republic of China	Sung, Chun-Lung	Male	2003.01.01	0	0	0	0	0	0	Bachelor of Chemistry, National Cheng Kung University	(Note 2)	None	None	None	
Assistant Vice President	Republic of China	Lee, Shan-Heng (Note 3)	Male	2006.01.01	101	0.01	0	0	0	0	Master of Business Administration, California State University	None	None	None	None	
Assistant	Republic of	Lin, He-	Male	2010.01.01	112	0.01	3	0	0	0	Master of Chemical	None	None	None	None	

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position Held in Other Companies	Managers who are Spouses or Within the Second Degree of Kinship			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Vice President	China	Hsing (Note 3)									Engineering, National Tsing Hua University					
Assistant Vice President	Republic of China	Hung, Chao-Cheng	Male	2010.01.01	259	0.02	0	0	0	0	Bachelor of Chemical Engineering, National Taiwan University	(Notes 2 & 6)	None	None	None	
Assistant Vice President	Republic of China	Kao, Chih-Yu	Male	2010.01.01	63	0.01	10	0	0	0	PhD in Chemical Engineering, National Taiwan University	(Note 7)	None	None	None	
Assistant Vice President	Republic of China	Chao, Yu-Wen (Note 3)	Male	2012.01.01	278	0.02	25	0	0	0	Master of Mineral Science, National Cheng Kung University	None	None	None	None	
Assistant Vice President	Republic of China	Chang, Shih-Fang	Male	2014.01.01	98	0.01	483	0.04	0	0	Bachelor of Chemical Engineering, Tunghai University	(Notes 2 & 8)	None	None	None	
Assistant Vice President	Republic of China	Huang, Chin-Lung	Male	2015.01.01	214	0.02	55	0	0	0	Bachelor of Chemical Engineering, Chung Yuan Christian University	(Note 2)	None	None	None	
Assistant Vice President	Republic of China	Su, Wen-Pin	Male	2015.01.01	53	0	39	0	0	0	Master of Industrial Engineering, Taiwan Institute of Technology	None	None	None	None	
Assistant Vice President	Republic of China	Cheng, Yu-Cheng (Note 3)	Male	2017.01.01	1	0	0	0	0	0	PhD in of Philosophy, Huazhong University of Science & Technology, China	None	None	None	None	
Assistant Vice President	Republic of China	Pan, Chin-Cheng	Male	2017.01.01	239	0.02	110	0.01	0	0	Master of Chemistry, National Cheng Kung University	(Note 2 & 9)	Assistant Vice President	Chu, Jui-Hsin	Spouse	
Assistant Vice President	Republic of China	Wang, Mao-Yung (Note 3)	Male	2018.01.01	104	0.01	0	0	0	0	Master of Chemical Engineering, Tatung Institute of Technology	None	None	None	None	
Assistant Vice President	Republic of China	Yeh, Mao-Jung	Male	2019.01.01	0	0	0	0	0	0	Master of Chemical Engineering, National Tsing Hua University	None	None	None	None	
Assistant Vice President	Republic of China	Weng, Chin-Yi	Male	2019.01.01	10	0	0	0	0	0	Master of Chemical Engineering, National Tsing Hua University	None	None	None	None	
Assistant Vice President	Republic of China	Chu, Jui-Hsin	Female	2020.01.01	110	0.01	239	0.02	0	0	Master of Business Administration, National Sun Yat-sen University	(Notes 2 & 10)	Assistant Vice President	Pan, Chin-Cheng	Spouse	

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position Held in Other Companies	Managers who are Spouses or Within the Second Degree of Kinship			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Assistant Vice President	Republic of China	Lin, Chao-Kun	Male	2020.01.01	30	0	35	0	0	0	Master of Chemistry, National Sun Yat-sen University	(Notes 2 & 11)	None	None	None	
Assistant Vice President	Republic of China	Chen, Hung-Yi	Male	2020.01.01	43	0	29	0	0	0	Master of Chemical Engineering, Chung Yuan Christian University	(Notes 2 & 12)	None	None	None	
Finance Manager	Republic of China	Liu, Bing-Cheng	Male	2018.12.01	15	0	0	0	0	0	Master of Finance, National Taiwan University (NTU) Master of Information Technology, Loughborough University	(Note 2)	None	None	None	
Accounting Manager	Republic of China	Su, Hui-Fang	Female	2014.07.01	0	0	0	0	0	0	Master of Accounting, National Cheng Kung University Master of Business Administration, National Sun Yat-sen University	(Note 2 & 13)	None	None	None	
Corporate Governance Supervisor	Republic of China	Liu, Bing-Cheng	Male	2019.05.10	15	0	0	0	0	0	Master of Finance, National Taiwan University (NTU) Master of Information Technology, Loughborough University	None	None	None	None	

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

Note 2. Position(s) held in other Companies: Please refer to the "Information on Directors, Supervisors, and Presidents of Affiliated Companies" on pages 300-305 of the Annual Report.

Note 3. Yen, Shu-Fen, Lee, Shan-Heng, Lin, He-Hsing, Chao, Yu-Wen, Cheng, Yu-Cheng and Wang, Mao-Yung retired/were discharged on January 2, 2019, February 17, 2019, February 8, 2019, June 26, 2019, April 5, 2020 and August 1, 2019 respectively. Their shareholdings were disclosed as of the month of their retirement/discharge.

Note 4. Chen, Chin-Yuan: Director of Daxin Materials Corporation, Director of ESCO Specialty Coatings (Shanghai) Co., Ltd., and Director of Eternal Electronic Materials (Kunshan) Co., Ltd.

Note 5. Liao, Heng-Ning: Director of Allnex-Eternal Resins Corporation Ltd. and Director of Allnex-Eternal Resins (Guangdong) Corporation Ltd.

Note 6. Hung, Chao-Cheng: Director of Hangzhou Yongxinyang Optoelectronics Materials Co., Ltd. and Supervisor of Advanced PETFILM Investment Co., Ltd.

Note 7. Kao, Chih-Yu: Director of DSM Resins (Far East) Co., Ltd. and Director of DSM Eternal Resins (Kunshan) Co., Ltd.

Note 8. Chang, Shih-Fang: Director of Showa Denko New Material (Zhuhai) Co., Ltd.

Note 9. Pan, Chin-Cheng: Director of ESCO Specialty Coatings (Shanghai) Co., Ltd.

Note 10. Chu, Jui-Hsin: Director of Global Strategic Investment Fund.

Note 11. Lin, Chao-Kun: Director of Allnex-Eternal Resins Corporation Ltd., Director of Allnex-Eternal Resins (Guangdong) Corporation Ltd., Director of DSM Resins (Far East) Co., Ltd. and Director of DSM Eternal Resins (Kunshan) Co., Ltd.

Note 12. Chen, Hung-Yi: Director of Allnex-Eternal Resins Corporation Ltd., Director of Allnex-Eternal Resins (Guangdong) Corporation Ltd., Director of DSM Resins (Far East)

Co., Ltd. and Director of DSM Eternal Resins (Kunshan) Co., Ltd.

- Note 13. Su, Hui-Fang: Director of Global Strategic Investment Fund, Supervisor of Hangzhou Yongxinyang Optoelectronics Materials Co., Ltd., Supervisor of DSM Resins (Far East) Co., Ltd., Supervisor of DSM Eternal Resins (Kunshan) Co., Ltd., Supervisor of Allnex-Eternal Resins (Guangdong) Corporation Ltd., Supervisor of ESCO Specialty Coatings (Shanghai) Co., Ltd., Supervisor of Eternal Electronic Materials (Kunshan) Co., Ltd., and Supervisor of Showa Denko New Material (Zhuhai) Co., Ltd.
- Note 14. Since the duties of Chief Executive Officer and the Chairman are different, the main responsibility of the Chairman is to preside over board meetings and execute matters authorized by the Board of Directors, while the Chief Executive Officer is responsible for the execution of promotion of the Company's business plan, so it is necessary to establish these positions, and more than half of the directors of the Company's Board of Directors are not the employees or managers of the Company.

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

(I)

1. Remuneration Paid to Directors

Unit: Thousand NT\$

Title	Name	Remuneration of Directors								Ratio of Total Remuneration (A, B, C, and D) to Net Income after Tax (NIAT)		Remuneration Paid to Concurrent Employees								Ratio of Total Remuneration (A, B, C, D, E, F, and G) to Net Income after Tax (NIAT)		Compensation Paid to Directors from an Invested Company Other Than the Company's Subsidiaries or Parent Company
		Remuneration (A)		Retirement Pension (B)		Director's Remuneration (C)		Allowances (D)		The Company	All Companies in Financial Statements	Salary, Bonus and Allowances (E) (Note 1)		Retirement Pension (F)		Employee Bonus (G) (Note 2)				The Company	All Companies in Financial Statements	
		The Company	All Companies in Financial Statements	The Company	All Companies in Financial Statements	The Company	All Companies in Financial Statements	The Company	All Companies in Financial Statements			The Company	All Companies in Financial Statements	The Company	All Companies in Financial Statements	The Company		All Companies in Financial Statements				
Amount of Cash	Amount of Stock	Amount of Cash	Amount of Stock	The Company	All Companies in Financial Statements																	
Director	Chairman	Kao, Kuo-Lun																				
	Vice Chairman	Hsieh, Chin-Kun																				
	Director	Kwang Yang Motor Co., Ltd. Representative: Ko, Chun-Ping																				
	Director	-	-	-	-	15,325	15,325	510	513	0.64	0.64	29,653	29,653	734	734	9,103	-	9,103	-	2.21	2.21	-
	Director	Yang, Huai-Kung																				
	Director	Huang, Wu-Tung																				
	Director	Shiao, Tzu-Fei																				
Director	Yen, Shu-Fen																					
Independent Director	Independent Director	Chen, I-Heng																				
	Independent Director	3,000	3,000	-	-	-	-	300	300	0.13	0.13	-	-	-	-	-	-	-	0.13	0.13	-	
	Independent Director	Hsu, Jui-Yuan																				
	Independent Director	Lo, Li-Chun																				
<p>1. Please state the policies, systems, standards, and structure of independent directors' remuneration payment, and describe the relevance to the amount of remuneration according to their responsibilities, risks, and time of investment:                      According to the Company's Directors' Remuneration and Remuneration Distribution Guidelines, each independent director's remuneration will be paid quarterly, with NT\$1 million per person per year.</p> <p>2. Company car dispatch expenses are included. Additionally, compensation paid to the drivers amounted to NT\$852 thousand, but this is not included in this type of remuneration.</p> <p>3. The Company's 2019 earnings to be distributed to employees in 2020 are provisional in nature.</p>																						

### Range of Remuneration Paid to Directors

Range of Remuneration Paid to Each Director	Name of Director			
	A+B+C+D		A+B+C+D+E+F+G	
	The Company (Note 8)	All Companies in Financial Statements (Note 9) H	The Company (Note 8)	All Companies in Financial Statements (Note 9) I
Less than NT\$1 million	Yen, Shu-Fen, Chen, I-Heng an Lo, Li-Chun	Yen, Shu-Fen, Chen, I-Heng an Lo, Li-Chun	Yen, Shu-Fen, Chen, I-Heng an Lo, Li-Chun	Yen, Shu-Fen, Chen, I-Heng an Lo, Li-Chun
NT\$1 million (inclusive)~NT\$2 million (exclusive)	Hsieh, Chin-Kun, Shiao, Tzu-Fei, Huang, Wu-Tung, Yang, Huai-Kung, Kao, Ying-Chih, representative of Kwang Yang Motor Co., Ltd. Ko, Chun-Ping, Hung, Lee-Jung, and Hsu, Jui-Yuan	Hsieh, Chin-Kun, Shiao, Tzu-Fei, Huang, Wu-Tung, Yang, Huai-Kung, Kao, Ying-Chih, representative of Kwang Yang Motor Co., Ltd. Ko, Chun-Ping, Hung, Lee-Jung, and Hsu, Jui-Yuan	Huang, Wu-Tung, Yang, Huai-Kung, Kao, Ying-Chih, representative of Kwang Yang Motor Co., Ltd. Ko, Chun-Ping, Hung, Lee-Jung, and Hsu, Jui-Yuan	Huang, Wu-Tung, Yang, Huai-Kung, Kao, Ying-Chih, representative of Kwang Yang Motor Co., Ltd. Ko, Chun-Ping, Hung, Lee-Jung, and Hsu, Jui-Yuan
NT\$2 million (inclusive)~NT\$3.5 million (exclusive)	-	-	-	-
NT\$3.5 million (inclusive)~NT\$5 million (exclusive)	Kao, Kuo-Lun	Kao, Kuo-Lun	-	-
NT\$ 5 million (inclusive) to NT\$10 million (exclusive)	-	-	Shiao, Tzu-Fei	Shiao, Tzu-Fei
NT\$ 10 million (inclusive) to NT\$15 million (exclusive)	-	-	-	-
NT\$ 15 million (inclusive) to NT\$30 million (exclusive)	-	-	Kao, Kuo-Lun and Hsieh, Chin-Kun	Kao, Kuo-Lun and Hsieh, Chin-Kun
NT\$ 30 million (inclusive) to NT\$50 million (exclusive)	-	-	-	-
NT\$50 million (inclusive)~NT\$100 million (exclusive)	-	-	-	-
More than NT\$100 million				
Total	12	12	12	12

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

Unit: Thousand NT\$

Title	Name	Salary (A)		Pension (B)		Bonuses and Special Expenses (C) (Note 1)		Employee's remuneration (D) (Note 2)				Ratio of Total Remuneration (A, B, C, and D) to Net Income after Tax (NIAT) (%)		Whether or Not the Person Receives Remuneration from Other Non-subsidiary Companies the Company Has Invested in
		The Company	All Companies in Financial Statements	The Company	All Companies in Financial Statements	The Company	All Companies in Financial Statements	The Company		All Companies in Financial Statements		The Company	All Companies in Financial Statements	
								Amount of Cash	Stock Amount	Amount of Cash	Amount of Stock			
CEO	Kao, Kuo-Lun													
President and Chief Operating Officer	Mao, Hui-Kuan													
Chief Strategy Officer	Hsieh, Chin-Kun													
Chief Strategy Officer	Shiao, Tzu-Fei													
Vice President	Chen, Ming-Jen	29,101	29,101	734	734	23,865	23,868	14,339	-	14,339	-	2.73	2.73	-
Vice President	Chen, Chin-Yuan													
Vice President	Yen, Shu-Fen													
Vice President	Liao, Heng-Ning													

Note 1. Company car dispatch expenses are included. Additionally, compensation paid to the drivers amounted to NT\$852 thousand, but this is not included in this type of remuneration.

Note 2. The Company's 2019 earnings to be distributed to employees in 2020 are provisional in nature.

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

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

Range of Remuneration Paid to Chief Executive Officers, President, Chief Strategy Officer, and Vice Presidents	Name of Chief Executive Officer, President, Chief Strategy Officer, and Vice President	
	A+B+C	
	The Company (Note 6)	All companies listed in the Financial Statements (Note 7) D
Less than NT\$1 million	-	-
NT\$1 million (inclusive)~NT\$2 million (exclusive)	Yen, Shu-Fen	Yen, Shu-Fen
NT\$2 million (inclusive)~NT\$3.5 million (exclusive)	-	-
NT\$3.5 million (inclusive)~NT\$5 million (exclusive)	-	-
NT\$5 million (inclusive)~NT\$10 million (exclusive)	Mao, Hui-Kuan, Shiao, Tzu-Fei, Chen, Ming-Jen, Chen, Chin-Yuan, Yen, and Liao, Heng-Ning	Mao, Hui-Kuan, Shiao, Tzu-Fei, Chen, Ming-Jen, Chen, Chin-Yuan, Yen, and Liao, Heng-Ning
NT\$10 million (inclusive)~NT\$15 million (exclusive)	-	-
NT\$15 million (inclusive)~NT\$30 million (exclusive)	Kao, Kuo-Lun and Hsieh, Chin-Kun	Kao, Kuo-Lun and Hsieh, Chin-Kun
NT\$30 million (inclusive)~NT\$50 million (exclusive)	-	-
NT\$50 million (inclusive)~NT\$100 million (exclusive)	-	-
More than NT\$100 million	-	-
Total	8	8

3. Employee Remuneration Paid to Managerial Officers

December 31, 2019; Unit: Thousand NT\$

	Title	Name	Amount of Stock	Amount of Cash	Total	Ratio of Total Amount to Net Income After Tax (NIAT) (%)
Executive Officers	Chief Executive Officer	Kao, Kuo-Lun	0	23,241	23,241	0.94
	President and Chief Operating Officer	Mao, Hui-Kuan (Note 1)				
	Chief Strategy Officer	Hsieh, Chin-Kun (Note 2)				
	Chief Strategy Officer	Shiao, Tzu-Fei				
	Vice President	Chen, Ming-Jen				
	Vice President	Chen, Chin-Yuan				
	Vice President	Yen, Shu-Fen (Note 3)				
	Vice President	Liao, Heng-Ning				
	Assistant Vice President	Lin, Chih-Kuo				
	Assistant Vice President	Sung, Chun-Lung				
	Assistant Vice President	Lee, Shan-Heng (Note 3)				
	Assistant Vice President	Lin, He-Hsing (Note 3)				
	Assistant Vice President	Hung, Chao-Cheng				
	Assistant Vice President	Kao, Chih-Yu				
	Assistant Vice President	Chao, Yu-Wen (Note 3)				
	Assistant Vice President	Chang, Shih-Fang				
	Assistant Vice President	Huang, Chin-Lung				
	Assistant Vice President	Su, Wen-Pin				
	Assistant Vice President	Cheng, Yu-Cheng				
	Assistant Vice President	Pan, Chin-Cheng				
	Assistant Vice President	Wang, Mao-Yung (Note 3)				
	Assistant Vice President	Yeh, Mao-Jung				
Assistant Vice President	Weng, Chin-Yi					
Manager	Liu, Bing-Cheng					
Manager	Su, Hui-Fang					

Note 1. Mao, Hui-Kuan took over the position of President and Chief Operating Officer on June 26, 2019.

Note 2. Hsieh, Chin-Kun was appointed as Chief Strategy Officer on June 26, 2019.

Note 3. Yen, Shu-Fen, Lee, Shan-Heng, Lin, He-Hsing, Chao, Yu-Wen and Wang, Mao-Yung retired/were discharged on January 2, 2019, February 17, 2019, February 8, 2019, June 26, 2019 and August 1, 2019 respectively.

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

1.

Year	Ratio of Total Remuneration to NIAT (%)			
	2019		2018	
	The Company	All Companies in Financial Statements	The Company	All Companies in Financial Statements
Target				
Directors (Note 1)	0.77	0.77	1.17	1.17
President, Vice Presidents (Note 2)	2.73	2.73	4.81	4.81

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

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

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

IV. State of Implementation of Corporate Governance

(I) State of Operations of the Board of Directors

A total of 7 meetings (A) were held by the Board of Directors in 2019, and the Board of Directors was re-elected on June 26, 2019. 17th Board of Directors held 3 meetings and 18th Board of Directors held 4 meetings. The attendance of directors is as follows:

Title	Name	Times of Attendance in Person (B)	Times of Attendance by Proxy	Rate of Attendance in Person (%) [B/A]	Note
Chairman	Kao, Kuo-Lun	7	0	100	Re-elected in re-election on June 26, 2019
Vice Chairman	Hsieh, Chin-Kun	7	0	100	Re-elected in re-election on June 26, 2019
Director	Kwang Yang Motor Co., Ltd. Representative: Ko, Chun-Ping	6	0	86	Re-elected in re-election on June 26, 2019
Director	Kao, Ying-Chih	6	0	86	Re-elected in re-election on June 26, 2019
Director	Yang, Huai-Kung	7	0	100	Re-elected in re-election on June 26, 2019
Director	Huang, Wu-Tung	7	0	100	Re-elected in re-election on June 26, 2019
Director	Shiao, Tzu-Fei	7	0	100	Re-elected in re-election on June 26, 2019
Director	Yen, Shu-Fen	4	0	100	Elected in re-election on June 26, 2019
Independent Director	Hung, Lee-Jung	7	0	100	Re-elected in re-election on June 26, 2019
Independent Director	Chen, I-Heng	3	0	100	Discharged in re-election on June 26, 2019

Independent Director	Hsu, Jui-Yuan	3	4	43	Re-elected in re-election on June 26, 2019 Resigned on December 31, 2019
Independent Director	Lo, Li-Chun	4	0	100	Elected in re-election on June 26, 2019

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

Other items to be recorded:

- I. If any of the following applies to the operations of the Board of Directors, the date and session of the Board meeting, the content of the proposal, opinions of all Independent Directors and the Company's actions in response to the opinions of Independent Directors shall be stated:
- (I) Items listed in Article 14-3 of the Securities and Exchange Act: The Company has set up an Audit Committee. Please refer to other items that should be recorded in the section "State of Operations of the Audit Committee" below.
- (II) In addition to the aforementioned items, other resolutions of the Board of Directors that have been objected or reserved by the independent directors and are documented or stated in writing: None.
- II. In regard to the recusal of directors from voting due to conflict of interests, the name of the directors, the content of the proposal, reasons for abstention, and the results of voting counts shall be stated:  
Proposals on managerial officers' annual salary adjustment, business operation performance bonus, profit performance bonus, annual performance bonus, regulations concerning remunerations, and managers' employee bonus distribution. Chairman Kao, Kuo-Lun, Director Hsieh, Chin-Kun, and Director Shiao, Tzu-Fei recused themselves from the discussion in accordance with interest avoidance regulations. Chairman Kao, Kuo-Lun then appointed Director Yang, Huai-Kung to preside as the acting chairman over the proposals. The acting chairman consulted all the remaining directors present without any dissenting opinion.
- III. The Board of Directors' self or peer evaluations with details on the cycle, period, scope, method, and content of the evaluation.

Evaluation cycle	Period of Evaluation	Scope	Evaluation methods	Assessment Content
Annually	2019.06.26~ 2019.12.31 (Note)	Performance evaluation for Board of Directors, individual Board members, and functional committees (Audit Committee and Remuneration Committee)	Internal self-evaluation of Board of Directors, self-evaluation and peer assessment of board members	Report on the internal evaluation of board performance

Note: The directors (including independent directors) were re-elected on June 26, 2019

To implement corporate governance and enhance the functions of the Board of Directors, the Company established the "Board Performance Evaluation Method" approved by the Board of Directors on May 10, 2019. The Board of Directors should perform an internal board performance evaluation at least once a year. The internal evaluation period is from the end of each year to the end of the first quarter of the following year, and the current year's performance evaluation is conducted in accordance with the evaluation procedures and evaluation indicators under Articles 6 and 8.

Assessment Category

Assessment Object	Assessment Items	Number of Questions	Indicator Score
Board of Directors	1. Level of participation in corporate operations 2. Improving Board of Directors decision-making 3. Composition and structure of the Board of Directors 4. The election of the Directors and their continuing professional education 5. Internal control	45	96

Board members (Self or peer)	<ol style="list-style-type: none"> <li>1. Control over the Company's goals and tasks</li> <li>2. Understanding of director duties and functions</li> <li>3. Involvement in the Company's business activities</li> <li>4. Management of internal relations and communication</li> <li>5. Directors' professional and continuing education and training</li> <li>6. Internal control</li> </ol>	23	97
Functional Committees (Audit Committee & Remuneration Committee)	<ol style="list-style-type: none"> <li>1. Level of participation in corporate operations.</li> <li>2. Understanding of the duties of the functional committee.</li> <li>3. Improvement in the quality of decision making by the functional committee.</li> <li>4. The composition of the functional committee, and election and appointment of committee members</li> <li>5. Internal control</li> </ol>	24	85

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

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

1. The Company has established the "Procedural Rules for Board of Directors Meetings of Eternal Materials Co., Ltd." to comply with the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies" and enter the Board of Directors' attendance on the Market Observation Post System (MOPS). The Board of Directors has also disclosed material resolutions on the company website.
2. The Company has formed a Remuneration Committee (three members) on October 21, 2011. It is responsible for assisting the Board of Directors in assessing the remuneration level of directors and managerial officers.
3. To implement the spirit of corporate governance and effectively improve information transparency, the Company has fully disclosed various operational and financial information in the annual report, company website, and MOPS.
4. The Company has established an Audit Committee (comprised of all independent directors) in 2016 to strengthen internal control mechanism and assist the Board of Directors with decision-making process.

(II) State of Operations of the Audit Committee

A total of 5 meetings (A) were held by the Audit Committee in 2019. 1st Audit Committee held 2 meetings and 2nd Audit Committee held 3 meetings. The attendance of the independent directors is as follows:

Title	Name	Times of Attendance in Person (B)	Times of Attendance by Proxy	Attendance Rate (%) (B/A) (Note)	Note
Independent Director	Hung, Lee-Jung	5	0	100	Re-elected on June 26, 2019
Independent Director	Chen, I-Heng	2	0	100	Discharged in re-election on June 26, 2019
Independent Director	Hsu, Jui-Yuan	3	0	60	Re-elected on June 26, 2019 and resigned on December 31, 2019

Independent Director	Lo, Li-Chun	3	0	100	Elected on June 26, 2019
<p>Note: As disclosed in the above table as of December 31, 2019, the actual attendance rate (%) is calculated based on the number of audit committee meetings and actual attendance during tenure.</p> <p>Other items to be recorded:</p> <p>I. If any of the following applies to the operations of the Audit Committee, the date and session of the Audit Committee meeting, contents of the proposal, and resolution of the Audit Committee as well as the Company's actions in response to the opinions of the Audit Committee shall be stated.</p> <p>(I) Items listed in Article 14-5 of the Securities and Exchange Act:</p>					
Date of Meeting	Proposal and Subsequent Handling				
2016.03.19 18th meeting of the 1st Audit Committee	1. Discussion over the 2018 consolidated and standalone financial statements.				
	2. Evaluation on the appointment and independence of CPAs from Q2 2019 to Q1 2020.				
	3. 2018 business report.				
	4. 2018 earnings distribution.				
	5. Agreement to the Company's 2018 internal control system's design and implementation proposal.				
	6. Amendments to the Procedures for Acquisition or Disposal of Assets.				
	7. Provision of endorsements/guarantees for banks for the line of credit of subsidiaries.				
	8. Annual review, update, and adjustment of loans and line of credit (HSBC Bank cash pooling) among subsidiaries.				
	9. Annual review, update, and adjustment of loans and line of credit (BNP Paribas cash pooling) among subsidiaries.				
	10. Annual review, update, and adjustment of Loans and line of credit (Mizuho Bank cash pooling) among subsidiaries.				
	11. Loans and line of credit (entrusted loans) among subsidiaries.				
	12. Loans and line of credit (external debt) among subsidiaries.				
Committee Members' Opinion: No objections or reservations. Resolution: Approved by the Chairman upon consultation with all the Independent Directors present. The Company's response to the opinions of the Audit Committee: Approved by all the Directors present.					
2019.05.06 19th meeting of the 1st Audit Committee	1. Capital reduction of ElgaEuropeS.r.l for cover accumulated deficits.				
	2. Provision of endorsements/guarantees for banks for the line of credit of subsidiaries.				
	3. Loans and line of credit (external debt) among subsidiaries.				
	4. Loans (entrusted loans) among affiliated companies.				
	5. Amendment to the Company's Seal Management Regulations.				
Committee Members' Opinion: No objections or reservations. Resolution: Approved by the Chairman upon consultation with all the Independent Directors present. The Company's response to the opinions of the Audit Committee: Approved by all the Directors present.					
2019.08.06 1st meeting of the 2nd	1. Consolidated financial statements for Q2 2019.				
	2. The Company proposed to issue 1st term guaranteed ordinary corporate bonds for 2019.				

Audit Committee	3. To issue guaranteed ordinary corporate bonds to repay bank loans and to increase working capital for mid-term operations, the Company proposed to apply for syndicated loans from the bank.
	4. Partial amendments to the Audit Committee Charter.
	5. Amendments to "Authorization Regulations of Eternal Materials Co., Ltd."
	Committee Members' Opinion: No objections or reservations. Resolution: Approved by the Chairman upon consultation with all the Independent Directors present. The Company's response to the opinions of the Audit Committee: Approved by all the Directors present.
2019.11.05 2nd meeting of the 2nd Audit Committee	1. Cash capital decrease in subsidiary New E Materials Co., Ltd. Co., Ltd.
	2. Cash capital decrease in subsidiary Eternal Global (BVI) Co.,Ltd
	3. Loans and line of credit (entrusted loans) among subsidiaries.
	4. Loans and line of credit (external debt) among subsidiaries.
	Committee Members' Opinion: No objections or reservations. Resolution: Approved by the Chairman upon consultation with all the Independent Directors present. The Company's response to the opinions of the Audit Committee: Approved by all the Directors present.
2019.12.24 3rd meeting of 2nd Audit Committee	1. Cancellation of the investment in synthetic resin Li-Yang Plant.
	2. Establishment of subsidiary and investment in India.
	3. Provision of endorsements/guarantees for the syndicated loan to Eternal Materials (Malaysia) Sdn. Bhd.
	4. Endorsements and guarantees between subsidiaries.
	Committee Members' Opinion: No objections or reservations. Resolution: Approved by the Chairman upon consultation with all the Independent Directors present. The Company's response to the opinions of the Audit Committee: Approved by all the Directors present.
2020.03.23 4th meeting of 2nd Audit Committee	1. Discussion over the 2019 consolidated and standalone financial statements.
	2. Evaluation on the appointment and independence of CPAs from Q2 2020 to Q1 2021.
	3. Agreement on the Company's 2019 internal control system's design and implementation proposal.
	4. 2019 Business report
	5. 2019 earnings distribution
	6. Amendments to the Company's "Procedures for Lending Funds to Others"
	7. Amendments to the Company's "Procedures for Endorsements and Guarantees"
	8. Amendments to the Company's "Rules Governing the Scope of Powers of Independent Directors"
	9. Annual review, update, and adjustment of loans and line of credit (cash pooling) among subsidiaries
	10. Loans and line of credit (entrusted loans) among subsidiaries
	11. Loans and line of credit (external debt) among subsidiaries
	12. Loans (entrusted loans) among affiliated companies
	13. Adjustment of the overseas investment holding structure and establishment of a new holding subsidiary in SAMOA
	14. Capital reduction of joint venture.

	<p>15. Merge of Eternal Electronic Material (Guangzhou) Co., Ltd. and Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.</p> <p>Committee Members' Opinion: No objections or reservations.</p> <p>Resolution: Approved by the Chairman upon consultation with all the Independent Directors present.</p> <p>The Company's response to the opinions of the Audit Committee: Approved by all the Directors present.</p>
(II)	In addition to the aforementioned items, other resolutions passed by two-thirds of all the directors but yet to be approved by the Audit Committee: None.
II.	In regard to the recusal of independent directors from voting due to conflict of interests, the name of the independent directors, the content of the proposal, reasons for abstention, and the results of voting counts shall be stated: None.
III.	Communication between independent directors and internal audit manager, and CPAs (including material issues, methods, and results of communication regarding the Company's finance and business)
(I)	Communication with the internal audit manager
1.	In accordance with the law, the audit manager shall submit the audit report and follow-up reports on a monthly and quarterly basis to the independent directors.
2.	The audit manager shall hold seminars with directors and independent directors before the Board meetings and make a record. The audit manager shall attend the regular Board meetings to report on audit operations.
3.	Communication with the internal audit manager:
Date	Key Points of Communication
March 27, 2019	<ol style="list-style-type: none"> <li>The audit manager's key point report to the Board of Directors focused on the audit operations between December 2018 and January 2019.</li> <li>The audit manager reported to the Board of Directors in the seminar the business management project review direction, the Group's Seal and Credential Management review conclusion and future improvement measures, and answered and communicated the questions raised.</li> </ol>
May 10, 2019	<ol style="list-style-type: none"> <li>The audit manager's key point report to the Board of Directors focused on the audit operations between February and March 2019.</li> <li>The audit manager reported to the Board of Directors in the seminar the operational management project implementation status, confidential technical document management review results and discussion on how to strengthen related management, and answered and communicated the questions raised.</li> </ol>
August 9, 2019	<ol style="list-style-type: none"> <li>The audit manager's key point report to the Board of Directors focused on the audit operations between April and June 2019.</li> <li>The audit manager reported to the Board of Directors in the seminar the client transaction security management project progress, VAT verification results of mainland subsidiaries, and answered and communicated the questions raised.</li> </ol>
November 8, 2019	<ol style="list-style-type: none"> <li>The audit manager's key point report to the Board of Directors focused on the audit operations between July and August 2019.</li> <li>The audit manager reported to the Board of Directors in the seminar the client transaction security management project progress and environmental protection management project verification conclusions, and answered and communicated the questions raised.</li> </ol>
December 30, 2019	The audit manager's key point report to the Board of Directors focused on the audit operations between September and October 2019.
(II)	Communication with the CPAs
The Audit Committee communicates with the CPAs annually on topics such as audit results of the Company's financial statements, implementation of internal control, estimates on material accounting, and the selection or change of the accounting principles, and major audit adjustments; the Audit Committee evaluates the CPAs regarding their selection and appointment.	

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

Evaluation Item	State of Operations			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
I. Did the Company follow the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies to establish and disclose its corporate governance best practice principles?	V		The Company has established the Corporate Governance Regulations and disclosed it on the company website.	None
II. Shareholding structure & shareholders' rights				
(I) Did the Company have internal operating procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters? Were such matters handled according to the internal operating procedures?	V		(I) The Company has established the Regulations Governing Shareholder Service, appointed a spokesperson and a deputy spokesperson, and entrusted a professional stock transfer agent to handle shareholder-related matters. The Legal Affairs and System Department and the entrusted law firm can provide necessary consulting service and assistance for related legal affairs.	None
(II) Did the Company maintain a register of major shareholders with controlling power and a register of persons exercising ultimate control over those major shareholders?	V		(II) The Company maintained a register of major shareholders with controlling power and a register of persons exercising ultimate control over those major shareholders and designated President Securities Corporation as the stock transfer agent.	
(III) Did the Company establish and enforce risk control and firewall systems with its affiliated companies?	V		(III) The Company has established the Related Party Transaction Guidelines and the Regulations for Supervision and Management of Subsidiaries as the reference for business dealings with affiliated companies. In addition, the assets and finances of affiliated companies are independent and controlled by the designated personnel and audited by the parent company to avoid any risk of corporate fraud arising from affiliated companies.	

Evaluation Item	State of Operations			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
(IV) Did the Company establish internal rules to prohibit insiders from trading in securities using information not disclosed to the market?			(IV) The Company has established the Management Rules for Internal Material Information Handling and Insider Trading Prevention to prohibit insiders from trading in securities using information not disclosed to the market.	
III. Composition and responsibility of the Board of Directors (I) Did the Board of Directors establish and implement the diversification policy for its composition?	V		(I) 1. The Company has established the "Corporate Governance Code of Practice". In Chapter 3, "Strengthening the Functions of the Board of Directors", a diversity policy is established. The members of the Board of Directors should generally possess the knowledge, skills and qualities necessary to perform their duties. According to the Regulations Governing the Election of Directors, the directors of the Board are nominated and elected based on the nomination system to ensure the diversity and independence of the directors of the Board. 2. The current Board of Directors of the Company is composed of 10 directors and 2 independent directors, including 2 female directors (one independent director shall be re-elected in 2020 Annual Shareholders' Meeting). Kao, Kuo-Lun, Hsieh, Chin-Kun, Ko, Chun-Ping, Kao, Ying-Chih, Yang, Huai-Kung, Huang, Wu-Tung, Shiao, Tzu-Fei, and Yen, Shu-Fen are good at leadership, operational judgment, management, crisis management, and have the industry knowledge and international market views; independent directors for Hung, Lee-Jung and Lo, Li-Chun are audit, taxation and financial management professionals. 3. Among the current directors of the Company, directors with employee status account for 30%, independent directors account for 20%, and female directors account for 20%. The two independent directors have not served more than three consecutive terms, and the three directors are aged over 70 years old, seven directors are between 50 and 70 years old.	None
(II) Did the Company set up other functional committees voluntarily in addition to the		V	(II) The Remuneration Committee and the Audit Committee were established in October 2011 and June 2016, respectively, to execute their respective authority. No other functional committee has been	Other functional committees will be set

Evaluation Item	State of Operations			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
<p>Remuneration Committee and the Audit Committee that had been established as required by the law?</p> <p>(III) Did the Company establish the board performance evaluation method and evaluation method, conduct performance evaluation annually and regularly, and report the results of the performance evaluation to the Board of Directors?</p> <p>(IV) Did the Company evaluate the independence of CPAs on a regular basis?</p>	V		<p>set up.</p> <p>(III) On May 10, 2019, the Board of Directors of the Company approved the board performance evaluation method, and submitted the evaluation method, scope and results to the Board of Directors on March 27, 2020 in accordance with the provisions of the method. For the reference of directors' remuneration and nomination renewal, please refer to the relevant descriptions of " (I) State of Operations of the Board of Directors, and (III) The Board of Directors' self or peer evaluations with details on the cycle, period, scope, method, and content of the evaluation".</p> <p>(IV)</p> <ol style="list-style-type: none"> <li>1. The Company reviews the independence of CPAs every year on a regular basis to check whether they are the directors of the Board or shareholders of the Company or receive remuneration from the Company and to ensure that they are not the stakeholders of the Company. CPAs are required to provide the statement of independence and report the results of audits to the Board of Directors every year. In addition, the replacement of CPAs also complies with related regulations.</li> <li>2. In 2018, the independence of CPAs was verified to comply with the independence criteria and related laws and regulations.</li> </ol>	<p>up in the future as necessary.</p> <p>None</p> <p>None</p>
<p>IV. Did the TWSE/TPEX listed company has qualified and an appropriate number of corporate governance personnel, and appointed corporate governance directors responsible for matters related to corporate governance (including but not limited to providing directors and supervisors with</p>	V		<p>The Company appointed the financial manager Liu, Bing-Cheng on May 10, 2019 as the head of corporate governance, coordinating corporate governance-related matters, and assisted by the finance department and approved by the Board of Directors. Manager Liu, Bing-Cheng has at least three years of experience as a financial controller in a public offering company. The main responsibilities of corporate governance supervisors are to handle matters related to the meetings of the Board of Directors and shareholders' meetings in accordance with the law, to prepare minutes for Board meetings and the shareholders' meetings, to assist directors in taking office and continuing education, to provide directors and supervisors with the necessary</p>	None

Evaluation Item	State of Operations			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
the necessary information for operation, assisting directors and supervisors in following regulations, handling matters related to Board meetings and the shareholders' meetings in accordance with the regulations, preparing minutes for Board meetings and the shareholders' meetings, etc.)?			<p>information for operation, and to assist directors in following regulations.</p> <p>I. Implementation status in 2019 is as follows:</p> <p>1. Assist independent directors and general directors in performing their duties by providing the necessary information and arranging for continuing education for directors:</p> <p>(1) To comply with the relevant regulations and decrees required by regulations, relevant courses were provided to board members when taking office this year.</p> <p>(2) Review and provide company information required by the Directors so as to maintain smooth communication and interaction between the Board of Directors and the heads of departments.</p> <p>(3) Arrange meetings with the head of internal audit or CPAs for Independent Directors who are in need of investigating the Company's financial or business operation, in accordance with the Corporate Governance Best Practice Principles.</p> <p>(4) Assist Independent Directors and general directors in drawing up annual further education plan and making arrangement for courses in accordance with the nature of the industry to which the Company belongs and the experience and background of directors.</p> <p>2. Assist in matters related to the proceedings of the Board of Directors' meetings and shareholders meetings as well as legal compliance of resolutions:</p> <p>(1) Report the implementation of corporate governance to the Board of Directors, independent directors and the Audit Committee, and confirm whether the meetings of the Company's Shareholders' meeting and the Board of Directors' meeting are held in compliance with relevant laws and regulations and the Corporate Governance Best Practice Principles.</p> <p>(2) Assist and remind Directors of laws and regulations they shall comply with when performing their duties or when making resolutions of the Board of Directors.</p> <p>(3) Be responsible for checking the release of the major information related to the important resolutions made by the Board of Directors, and ensure the legality and accuracy of the contents of such information, so as to keep the consistency of</p>	

Evaluation Item	State of Operations			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons																						
	Yes	No	Summary																							
			<p>investor’s trading information.</p> <p>3. Draw up agendas for meetings of the Board of Directors and notify Directors of the agendas seven days before the meeting, convene meetings and provide information about the meetings, send out reminders regarding agendas that require recusal of Directors and complete the minutes of the Board of Directors' meeting within 20 days after the meeting.</p> <p>4. Handle prior registration for shareholders meetings, prepare meeting notices, agenda handbook, meeting minutes within the statutory period, as well as handle registration of changes due to amendment of regulations and re-election of directors</p> <p>II. Continuing education is as follows:</p> <table border="1"> <thead> <tr> <th>Date</th> <th>Organizer</th> <th>Course Name</th> <th>Training Hour</th> <th>Total hours</th> </tr> </thead> <tbody> <tr> <td>July 31, 2019</td> <td>Taiwan Investor Relations Institute</td> <td>The scope and practice analysis of directors' information rights and company's cooperation obligations</td> <td>3</td> <td rowspan="4">18 (Note)</td> </tr> <tr> <td>September 10, 2019</td> <td>Taiwan Academy of Banking and Finance</td> <td>Corporate Governance Seminar (42nd session)</td> <td>3</td> </tr> <tr> <td>October 15, 2019</td> <td>Taiwan Institute of Directors</td> <td>Core Enterprise Sustainability Index: The Key to a Win-Win Situation for Profitable Growth and Corporate Sustainability</td> <td>3</td> </tr> <tr> <td>October 29, 2019</td> <td>Taiwan Academy</td> <td>Analyze Crisis Management</td> <td>3</td> </tr> </tbody> </table>	Date	Organizer	Course Name	Training Hour	Total hours	July 31, 2019	Taiwan Investor Relations Institute	The scope and practice analysis of directors' information rights and company's cooperation obligations	3	18 (Note)	September 10, 2019	Taiwan Academy of Banking and Finance	Corporate Governance Seminar (42nd session)	3	October 15, 2019	Taiwan Institute of Directors	Core Enterprise Sustainability Index: The Key to a Win-Win Situation for Profitable Growth and Corporate Sustainability	3	October 29, 2019	Taiwan Academy	Analyze Crisis Management	3	
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Evaluation Item	State of Operations				Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons																					
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February 19, 2020		Analysis on Enterprise's Business Performance from the Perspectives of HR and Functions	3	6																						
March 18, 2020		Discussion on the Use of Employee Reward Strategies and Tools	3																							
			Note: Has met the requirement of 18 hours of advanced training in any year (May 10, 2019 to May 9, 2020)																							
V. Did the Company establish a means of communication with its stakeholders and create a stakeholder section on the company website to respond to stakeholders' questions about its corporate social responsibility?	V		<p>1. The Company provides sufficient information for financial institutions and creditors and has established a means of communication with employees; in addition, information on the acquisition or disposal of assets and endorsements/guarantees is disclosed on the exchange website to maintain the rights and interests of stakeholders.</p> <p>2. The Company has created a stakeholder section on the company website to appoint the designated personnel to respond to questions raised by stakeholders, including investors, customers, suppliers, and employees, in a proper manner.</p>		None																					
VI. Did the Company entrust a professional stock transfer agent to	V		The Company has designated the Shareholding Service Department of President Securities Corporation as the stock transfer agent.		None																					

Evaluation Item	State of Operations			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
manage shareholders' meetings and other relevant affairs?				
VII. Information disclosure (I) Did the Company establish a website to disclose information on financial operations and corporate governance? (II) Did the Company have other information disclosure channels (e.g., setting up an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, and webcasting investor conferences)? (III) Did the Company publish and report its annual financial report within two months after the end of a fiscal year, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline?	V  V  V		(I) The Company has established the company website and created the stakeholder and corporate social responsibility sections to disclose its finances, business, and corporate governance.  (II) 1. The Company has designated persons to collect and disclose company information, appointed a spokesperson, and disclosed investor conferences on the company website. 2. The Company has established the online information filing system in accordance with the Guidelines for Online Filing of Public Information by Public Companies to disclose material information.  (III) The Company publishes and reports its annual financial reports and first, second, and third-quarter financial reports within the prescribed period, together with its operations.	None
VIII. Did the Company have other important information that can facilitate the understanding of its operations of corporate governance (including but not limited to employee rights,	V		(I) Employee rights and employee care: The Company offers a variety of employee benefits, including allowances for childbirth, marriage, and funerals, travel subsidies, group insurance, birthday and festival bonuses, senior employee reward, regular health examination, year-end bonus, employee cafeteria, shuttle bus service, dormitory, and library access. According to the Labor Standards Act, the years of	None

Evaluation Item	State of Operations			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
employee care, investor relations, supplier relationships, stakeholder rights, continuing education of directors and supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, and purchase of liability insurance for directors and supervisors)?			<p>service of regular employees before the implementation of the Labor Pension Act on July 1, 2005 and the years of service to which the regular employees choose to apply the Labor Standards Act after the implementation of the Labor Pension Act shall be included in the calculation of the years of service for retirement. In addition, the Company appropriates 10% of total salaries to the designated account at the Bank of Taiwan and reviews the balance every month. If the balance is insufficient to pay the statutory retired employees in the following year, the Company will complete the appropriation by the end of the following March to ensure the rights and interests of the retired employees. Since July 1, 2005, new recruits shall apply to the Labor Pension Act, which stipulates that the Company shall appropriate 6% of an employee's salary to the employee's account at the Bureau of Labor Insurance every month as the pension. In addition, subsidiaries in Mainland China are required to pay pension insurance every month in accordance with the local government regulations.</p> <p>A labor-management meeting is held on a regular basis to improve communication regarding agreements and maintenance of employee rights and ensure the harmonious labor relations.</p> <p>(II) Investor relations: The Company discloses material information on its finances and business on the company website and MOPS immediately to improve investors' understanding of the Company's directors and business strategies.</p> <p>(III) Supplier relationships: The Company has maintained a good relationship with suppliers and customers to create a business ecosystem of mutual trust.</p> <p>(IV) Stakeholder rights: The Company values stakeholder rights and has disclosed information on its finances, business, and corporate governance on the company website. Stakeholders may express their opinions by phone, E-mail or fax at any time.</p> <p>(V) The continuing education of directors in 2019 is tabulated below and disclosed on the Market Observation Post System (MOPS) according to the regulations.</p>	

Evaluation Item	State of Operations					Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons		
	Yes	No	Summary					
			Title/ Name	Date	Organizer	Course Name	Training Hour	
			Director Ko, Chun- Ping	May 23	Chinese National Association of Industry and Commerce, Taiwan	Risks Faced by Directors and supervisors and Liability Insurance Practices	3	
			Director Yen, Shu- Fen	October 4	Taiwan Corporate Governance Association	Digital Resilience – New Challenges for Directors, Supervisors, and Senior Executives	3	
				October 29	Taiwan Corporate Governance Association	Criminal Legal Risks and Countermeasures of Business Directors and Supervisors - Corporate Fraud and Money Laundering Prevention	3	
				November 1	Taiwan Stock Exchange (TWSE)	Advocacy of Effective Performance of Board Functions The Human Resources Strategy for Enterprise	3	
				November 5	Taiwan Corporate Governance Association	Mergers and Acquisitions from the Perspective of Directors and Supervisors	3	
			Independent Director Hung, Lee- Jung	November 6	Accounting Research and Development Foundation	Enterprises Set Up "Independent Directors" and "audit Committees" Auditing Law Compliance Practices	6	
			Independent Director Hsu, Jui- Yuan (Note)	March 13	Taiwan Academy of Banking and Finance	Corporate Governance Seminar (Session 31) How to Understand Financial Statements - A Lesson for Non-	3	
				July 12	Taiwan Corporate Governance Association		3	

Evaluation Item	State of Operations			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons																												
	Yes	No	Summary																													
			<table border="1"> <tr> <td></td> <td></td> <td></td> <td>Financial Background Directors and Supervisors</td> <td></td> </tr> <tr> <td></td> <td>July 18</td> <td>Securities &amp; Futures Institute</td> <td>Discussion on Directors and Supervisors and Special Crime of Breaching Trust</td> <td>3</td> </tr> <tr> <td></td> <td>July 26</td> <td>Taiwan Corporate Governance Association</td> <td>The Roles and Responsibilities of Directors, Supervisors and Managers</td> <td>3</td> </tr> <tr> <td rowspan="3">Independent Director Lo, Li-Chun</td> <td>September 24 ~ September 25</td> <td>Securities and Futures Institute</td> <td>Practical Workshop for Directors and Supervisors (Including Independent Directors) and Corporate Governance Officers</td> <td>3</td> </tr> <tr> <td>December 24</td> <td>Accounting Research and Development Foundation</td> <td>Corporate Governance Practices</td> <td>3</td> </tr> <tr> <td>December 27</td> <td>Taiwan Institute of Directors</td> <td>Lecture for Director - Sustainable and Influential Investment</td> <td>3</td> </tr> </table>				Financial Background Directors and Supervisors			July 18	Securities & Futures Institute	Discussion on Directors and Supervisors and Special Crime of Breaching Trust	3		July 26	Taiwan Corporate Governance Association	The Roles and Responsibilities of Directors, Supervisors and Managers	3	Independent Director Lo, Li-Chun	September 24 ~ September 25	Securities and Futures Institute	Practical Workshop for Directors and Supervisors (Including Independent Directors) and Corporate Governance Officers	3	December 24	Accounting Research and Development Foundation	Corporate Governance Practices	3	December 27	Taiwan Institute of Directors	Lecture for Director - Sustainable and Influential Investment	3	
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	December 27	Taiwan Institute of Directors	Lecture for Director - Sustainable and Influential Investment	3																												
<p>Note: Independent Director Hsu, Jui-Yuan was discharged on December 31, 2019</p> <p>(VI) Implementation of risk management policies and risk measurement standards: The Company has established rules for risk assessment and measurement in accordance with laws and internal policies.</p> <p>(VII) Implementation of customer policies: The Company has established the Guidelines for Handling Customer Complaints to solve customers' problems in a quick and effective manner.</p> <p>(VIII) Purchase of liability insurance for directors and supervisors: The Company has purchased liability insurance for its directors and managerial officers.</p>																																
<p>IX. Describe improvements made according to the corporate governance assessment made in the latest fiscal year by the Corporate Governance Center of the Taiwan Stock Exchange Corporation (TWSE), and provide priority improvements and measures to be taken for improvements that have yet to be carried out. (not required for companies that is not an assessed company)</p>																																

Evaluation Item	State of Operations			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
The state of improvements based on the results of the 5th Corporate Governance Evaluation (2018) announced in April 2019 is as follows:				
(I) Improvements made:				
No.	Evaluation indicators			
1.09	Did the Company upload the English version of the meeting notice 30 days prior to the annual shareholders' meeting?			
1.10	Did the Company upload the English version of the meeting handbook and additional references 21 days prior to the annual shareholders' meeting?			
1.11	Did the Company upload the English version of the annual report 7 days prior to the annual shareholders' meeting?			
The improvement of the above three items: The relevant information has been completed in English at the meeting of the 2019 shareholders' meeting, and the announcement has been completed within the announcement period of the above three items.				
3.05	Does the Company disclose the English version of the financial report (including financial statements and notes) on the company website or MOPS?			
3.18	Did the Company provide an English website and did the website include information related to the company's Finances, Business, and Corporate Governance?			
The improvement of the above two items: The Company's website has been completed and the English version of the relevant information has been built, and the English annual financial report has been announced on the Company's website and MOPS.				
2.21	Did the Company appoint dedicated corporate governance personnel responsible for the matters related to corporate governance, and disclosed the operation and implementation of the unit in the annual report and on the Company's website?			
The improvement of the above item: On May 10, 2019, the Board of Directors passed relevant measures, set up a corporate governance supervisor, and disclosed relevant information on the annual report and Company website.				
2.22	Did the Company establish a performance evaluation mechanism and evaluation method for the Board of Directors? Is such evaluation conducted regularly every year? And are the evaluation results disclosed on the Company's website or annual report?			
2.23	Have the rules adopted by the Company for assessing the performance of the Board of Directors been passed by the Board, with clear statement that an external assessment shall be carried out at least once every three years, and has it furthermore carried out the assessment within the time limit under its rules, and disclosed the implementation status and assessment results on its website or in its annual report?			
The improvement of the above two items: The Board of Directors passed the Board performance evaluation method on May 10, 2019. According to the method, the evaluation was completed in the first quarter of 2020, and was reported in the meeting of the Board of Directors on March 27, 2020 and disclosed in the annual report.				
3.17	Did the Company website disclose information on the Company's finance, operations, and corporate governance?			
4.15	Did the Company disclose its business integrity management policy and the corporate ethical management policies on the Company's website or annual report, and specify the practices and plans for the prevention of dishonest conduct?			

Evaluation Item	State of Operations			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Summary	
4.14			Did the company website or the annual report disclose the identity of stakeholders, issues of concern, and communication channels?	The improvement of the above three items: Related information has been disclosed on the Company website.
4.05			Did the Company obtain a third-party verification or assurance for reports disclosing non-financial information of the Company such as its corporate social responsibility report?	
4.17			Has the Company established a supplier management policy that requires suppliers' cooperation to comply with the relevant regulations on environmental protection, safety or health issues, and work together to improve corporate social responsibilities and disclosed them on the Company's website or in the corporate social responsibility report?	The improvement of the above two items: It has been disclosed and verified in the Company's corporate social responsibility report.

(II) Priorities for improvement: The Company will review the evaluation items to be improved one by one in line with the spirit of corporate governance.

(IV) Composition, Duties, and State of Operations of the Remuneration Committee

The purpose of the Remuneration Committee is to assist the Board of Directors in evaluating the remuneration paid to directors and managerial officers. A total of 5 meetings were convened in 2019, and all members attended the meetings in person.

Information on the Members of the Remuneration Committee

Identity	Name	Whether One of the Following Professional Qualifications Is Met, together with at Least 5 Years of Work Experience			Compliance with Independence Criteria (Note 2)										Number of Other Public Companies where the Individual Concurrently Serves as a Member of the Remuneration Committee	Note			
		Currently serving as an instructor or higher post in a private or public college or university in the field of business, law, finance, accounting, or the business sector of a company	Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Any Other Professional or Technical Specialist Having Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business Operations of the Company	Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business Operations of the Company	1	2	3	4	5	6	7	8	9	10					
Independent Director	Chen, I-Heng (Note 1)	√		√	√	√	√	√	√	√	√	√	√	√	√	√	√	2	None
Independent Director	Hung, Lee-Jung		√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	2	None
Independent Director	Hsu, Jui-Yuan (Note 2)	√	√		√	√	√	√	√	√	√	√	√	√	√	√	√	0	None
Independent Director	Lo, Li-Chun	√		√	√	√	√	√	√	√	√	√	√	√	√	√	√	0	None

- Note 1. Independent Director Chen, I-Heng was discharged due to his tenure of office on June 26, 2019 and was appointed as the committee member of the 4th Remuneration Committee on March 27, 2020.
- Note 2. Independent Director Hsu, Jui-Yuan was discharged due to resignation on December 31, 2019.
- Note 3. Please check “✓” the corresponding boxes if the remuneration committee members meet the following conditions during the two years prior to the nomination and during the term of office.
- (1) Not an employee of the Company or any of its affiliated companies.
  - (2) Not a director or supervisor of the Company or any of its affiliated companies. However, this is not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary, as appointed in accordance with the Act or laws of the country where the parent or subsidiary is located.
  - (3) Not a natural-person shareholder who (together with those held by the person's spouse, mini children, or in the name of another person (nominees)) holds an aggregate amount of 1% or more in the total number of issued shares of the Company, or ranks in top 10 in shareholding.
  - (4) Not a manager listed in (1) or a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship listed in (2) and (3).
  - (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company, or that ranks among top five in shareholdings, or that designates its representatives to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act (This restriction does not apply to independent directors in the Company or its parent company, subsidiary or subsidiary of the same parent, which have been appointed in accordance with local laws or laws of the registered country).
  - (6) Not a director, supervisor, or employee of another company controlled by the same person with more than half of the Company's director seats or voting shares. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
  - (7) Not a director, supervisor, or employee of a company where the chairman, president or any equivalent position are held by the same person or by his/her spouse separately. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
  - (8) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specific company or institution which has a financial or business relationship with the Company (excluding specific companies or institutions holding more than 20% but less than 50% of the total issued shares of the Company, and independent directors appointed by both the Company and its parent company, subsidiary or subsidiaries under the same parent company pursuant to this regulation or the local regulations).
  - (9) Not a professional individual who is an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution, or a spouse thereof, that provides commercial, legal, financial, accounting services or consultation to the Company or its affiliated companies, or those made an accumulated profit of less than NT\$500,00 over the last 2 years. This restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
  - (10) No circumstances subjected to the subparagraphs of Article 30 of the Company Act occur.

### State of Operations of the Remuneration Committee

1. The Remuneration Committee has three members.
2. The term of the current members: From June 26, 2019 to June 25, 2022. A total of 5 meetings (A) were held by the Remuneration Committee in the most recent year. The Committee held 2 meetings in the previous term, 3 meetings in the current term. The qualifications and attendance of the members are as follows:

Title	Name	Number of Actual Attendance (B) (B)	Times of Attendance by Proxy	Attendance Rate (%) (B/A) (Note)	Note
Convener	Hung, Lee-Jung	5	0	100%	Re-elected on June 26, 2019
Member	Hsu, Jui-Yuan	3	0	60%	Re-elected on June 26, 2019; Resigned on December 31, 2019
Member	Lo, Li-Chun	3	0	100%	Elected on June 26, 2019
Member	Chen, I-Heng	2	0	100%	Discharged on June 26, 2019

Note: As disclosed in the table above as of December 31, 2019, the actual attendance rate (%) is calculated based on the number of meetings of the Remuneration Committee and the actual number of attendances during tenure.

Other items to be recorded:

- I. The state of operations of the Remuneration Committee in 2019, including the date and session of the Remuneration Committee meeting, contents of the proposal, and resolution of the Remuneration Committee as well as the Company's actions in response to the opinions of the Remuneration Committee, is as follows:

Date of Meeting	Proposal	Salary and Remuneration Committee Resolution	Handling of Opinions of the Remuneration Committee
2019.03.19 11th Meeting of the 3rd Remuneration Committee	1. Distribution of 2018 Remuneration paid to directors and employees	No dissenting opinion	Approved by the Board of Directors
	2. Distribution of business performance bonuses paid to managerial officers in 2018.	No dissenting opinion	Approved by the Board of Directors
	3. Deliberation on salaries paid to managerial officers due to job adjustments.	No dissenting opinion	Approved by the Board of Directors
2019.05.06 12th Meeting of the 3rd Remuneration Committee	1. Distribution of 2018 employee remuneration paid to managerial officers.	No dissenting opinion	Approved by the Board of Directors
	2. Deliberation on the salary paid to the new corporate governance officer	No dissenting opinion	Approved by the Board of Directors
2019.08.03 1st Meeting of the 4th Remuneration Committee	1. Deliberation on salaries paid to managerial officers due to job adjustments.	No dissenting opinion	Approved by the Board of Directors
2019.11.05 2nd Meeting of the 4th Remuneration Committee	1. Amendments to annual salary adjustment management regulations.	No dissenting opinion	Approved by the Board of Directors
2019.12.24 3rd Meeting of the 4th Remuneration	1. Amendments to the Management Regulations on Subsidies for Self-Owned Vehicles for Business Use	No dissenting opinion	Approved by the Board of Directors

Committee	2. Adjustment of salaries paid to managerial officers for 2020.	No dissenting opinion	Approved by the Board of Directors
	3. Distribution of 2019 performance bonuses and business performance bonuses paid to managerial officers.	No dissenting opinion	Approved by the Board of Directors
	4. Deliberation on salaries paid to newly-promoted managerial officers for 2020 and managerial officers due to job adjustments.	No dissenting opinion	Approved by the Board of Directors
II. If the Board of Directors rejects or amends the suggestions of the Remuneration Committee, the date and session of the Board meeting, contents of the proposal, and resolution of the Board of Directors as well as the Company's response to the opinions of the Remuneration Committee shall be stated: None.			
III. Regarding resolutions of the meeting of the Remuneration Committee, if there is any written record or statement pertaining to members' objections or reservations, the date and session of the Remuneration Committee meeting, contents of the proposal, the opinion of the said member, and the response to the said opinion shall be stated: None.			

(V) State of Performance of Corporate Social Responsibilities

Evaluation Item	Implementation Status (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies and the Reason for Such Deviation
	Yes	No	Summary (Note 2)	
I. Does the Company conduct risk assessments on environmental, social and corporate governance issues related to the Company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	V		Refer to the GRI Standards materiality principles for risk assessments and policy responses.	None
II. Did the Company establish an exclusively (or part-time) dedicated unit for promoting Corporate Social Responsibility? Is the unit authorized by the Board of Directors to implement CSR activities at the executive level? Does the unit report the progress of such activities to the Board of Directors?	V		The Administration and Service Department plans and implements initiatives relating to corporate governance, environmental protection, green products, energy management, employee well-being, and social welfare. Depending on the condition and authorization level, these initiatives are reported to the President, the Chairman, and the Board of Directors.	None
III. Environmental Issues (I) Did the Company establish a suitable environmental management system based on its industrial characteristics?	V		(I) The Company has always paid high attention to environmental protection. It has implemented an environmental management system in accordance with ISO14001 international standards. After obtained ISO14001 environmental	None

<p>(II) Is the Company committed to improving the efficiency of utilizing various resources and using recycled materials with low impacts on the environment?</p>	<p>V</p>	<p>management system certification in 1999. In 2017, the Company further received ISO14001: 2015 revisited edition of certification.</p> <p>(II) By using green production technology, the Company has developed waste management measures to reduce raw materials used. The Company has also dedicated to the research and development of green products and green energy industrial products. Designing low-energy, low-pollution and high-efficiency applied materials have become the Company's actual practices in its green environmental efforts.</p>	
<p>(III) Has the Company assessed the present and future potential risks and opportunities of climate change for the entity, and taken measures to respond to climate-related issues?</p>	<p>V</p>	<p>(III) In accordance with regulations of the Bureau of Energy, Ministry of Economic Affairs, the Company has pledged to save 1% of annual electricity, based on the total electricity consumption of 2014. Furthermore, in accordance with ISO14064-1 international regulations, the Company implemented the inspection of greenhouse gas emission baseline. Since 2011, the Company inspected the greenhouse gas emission annually and the third party, Bureau Veritas Certification (Taiwan) Co., Ltd., was commissioned by the Company for inspection. The inspections for the years from 2011 to 2019 have been completed. Besides, the Company also establishes an inventory of greenhouse gas emissions annually. The Company successfully passed the PAS2050 Carbon Footprint Verification for three products on November 15, 2013.</p>	
<p>(IV) Has the Company calculated its GHG emissions, water consumption and total waste weight in the past two years, and formulated policies for energy conservation, reductions of carbon, GHG and water consumption, or other waste management?</p>	<p>V</p>	<p>(IV) The Company completes greenhouse gas inventory operations and applies for greenhouse gas exchange projects each year; Statistics, reporting (reporting to the competent authority), and disclosure (such as CSR report) will be completed for water consumption, air pollution discharge, waste sewage discharge, and waste output. The policy implementation results of various energy conservation, carbon reduction and environmental issues</p>	

			will be regularly reviewed and continuously improved in the plants and the Group.	
IV. Social Issues				None
(I) Did the Company establish management policies and procedures following relevant regulations and international human rights treaties?	V	(I)	The Company is people-oriented, respects professionalism and takes good care of employee welfare, and considers "law-abiding, trustworthy, and moral" as its corporate culture and core values. To declare its determination to abide by international human rights conventions, Eternal Materials Co., Ltd. has stipulated "Eternal Materials Co., Ltd. Human Rights Policy". Other provisions such as hiring, attendance, leave, rewards and punishments also regulate related protection and preventive measures regarding child labor, female labor and forced labor, and avoiding discrimination.	
(II) Did the Company establish and implement reasonable employee benefits measures (including compensation, leave, and other benefits, etc.), and appropriately link the operating performance or results to employee compensation?	V	(II)	To attract and retain the best talents, and reward colleagues for creating performance and long-term contributions, Eternal Materials Co., Ltd. conducts salary surveys every year to measure the market's salary level and overall economic indicators. Appropriate adjustments have been made to the overall salary policy. For example, the annual salary adjustment and the perfect promotion system, etc. Various reward systems have been made to encourage colleagues with superior performance, e.g. research and development bonuses, patent bonuses, business bonuses, production bonuses, performance bonuses, employee compensation, and the award of long-term employee bonuses, exemplary employees, etc. These incentives are implemented without preferential treatment or discrimination on gender, age, race, nationality, religion or political stance.	
(III) Did the Company provide a healthy and safe work environment, and does it organize health and safety training for its employees on a regular basis?	V	(III)	In accordance with the requirements of laws and regulations, the annual health inspection needs are thoroughly implemented, and an analysis report of the inspection results is issued. Special personnel (factory	

<p>(IV) Did the Company establish effective career development and training plans for its employees?</p>	<p>V</p>	<p>medical staff) follow up and control the abnormal items. The special operations personnel also undergo special health inspections every year. The Company provides complete and compliant safety facilities, regularly conducts working environment monitoring to ensure that workers have a safe working environment; meanwhile, health inspection software is used to statistically analyze the health inspection status of each plant. The Company also promotes various health education knowledge, organizes walking activities for employees, and sets up sports clubs.</p> <p>All factories have held health seminars to promote healthy concepts. Factory doctors and experts are assigned regularly to the factories to conduct training related to occupational illness prevention and government health policies. Additionally, the factories will offer healthy lunches based on actual needs. At the same time, in conjunction with the government's policies in promoting healthiness, in terms of employees working overtime, ergonomics in workplace, and maternal protection upon female staff, the Company has organized relevant plans to prevent cardiovascular diseases and work-related musculoskeletal disorders, as well as strengthened the prevention of mother and child risks. The Company also arranges smoking cessation, weight loss and other related activities. In 2019, the Pingnan Plant won the Excellence Award of various fields of addiction prevention education promotion and effectiveness evaluation plan of Taipei Medical University, and the Health Management Award of the National Health Administration of the Ministry of Health and Welfare.</p> <p>(IV) The Company plans different training courses for different personnel (new recruits, general employees, management</p>	
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<p>(V) Has the Company complied with relevant laws and regulations and international standards for its products and services respecting customer health and safety, customer privacy, marketing and labeling, and formulated relevant consumer protection policies and grievance procedures?</p>	<p>V</p>	<p>personnel). For new recruits, the Company sets up "orientation training", "new recruit training", "factory tour", department OJT, etc. .; General staff is divided into business, research and development, manufacturing quality, etc. .; Management personnel is divided into basic-level, middle-level, high-level management and business management. Relevant internal and external training courses will be provided every year according to needs. The Company also provides overseas supervisors with relevant cultivation resources to create cultivation courses for them. For the cultivation of key personnel, another personal development plan and mentor are set to complete the cultivation plan.</p> <p>(V) To ensure and maintain the health and safety of customers and guarantee the comprehensive service quality of customers, each business department will respond to the review of product quality issues and regularly hold production and sales meetings and business meetings, and also formulate customer complaint handling management methods as appeal channels. The Company has also set up a special section for stakeholders on the website. If consumers complain, they can contact the Company at any time by telephone, letter and email.</p>	
<p>(VI) Does the Company formulate a supplier management policy that requires suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights? And, how well are those policies implemented?</p>	<p>V</p>	<p>(VI) For supplier management, there is a "supplier evaluation procedure" for annual evaluation. Suppliers are required to sign a "supplier code of conduct", which includes labor, health and safety, environment, ethics, and integrity. Quality assurance and procurement departments also irregularly conduct on-site audits on existing suppliers' production, quality management, safe environment and health. Most of the suppliers are long-term cooperative manufacturers. If the existing suppliers are found to have a negative impact on environments,</p>	

			labor conditions, human rights, society, etc., the Group can change the supply source in the following month (quarter).	
V. Did the Company follow internationally recognized guidelines, prepare and publish reports such as its Corporate Social Responsibility report to disclose non-financial information of the Company? Has the Company received assurance or certification of the aforesaid reports from a third party accreditation institution?	V		With reference to GRI Standards and AA1000, the CSR report was prepared and verified by a third-party verification unit. The relevant information was disclosed on the Company's website and reported to MOPS in accordance with regulations.	
VI. If the Company has formulated the Corporate Social Responsibility Best Practice Principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies, please specify the differences between the Principles and actual implementation: Executing corporate governance, fostering a sustainable environment, preserving public welfare, and enhancing disclosure of information. For the rest of the implementation, please refer to the above description. Consistent with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies				
VI. Other important information that helps to understand the operations of CSR: The Company has set up an exclusive section for CSR ( <a href="https://www.eternal-group.com/WebData/Corporate02">https://www.eternal-group.com/WebData/Corporate02</a> ) on the company website, which states the Company's CSR promotion and performance and discloses the CSR report that covers the operations of each evaluation item.				

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

State of Performance of Ethical Corporate Management

Evaluation Item	State of Operations			Any Deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and the Reason for Such Deviation
	Yes	No	Summary	
I. Establishing ethical corporate management policies and measures (I) Does the Company formulate its ethical corporate management policies that have been approved by the Board of Directors? Has the Company declared its ethical corporate management policies and procedures in its guidelines and external documents, and does the Board of Directors and management work proactively to implement their commitment to those management policies?	V		(I) The Company has established a clear "Code of Integrity Management" approved by the Board of Directors and submitted to the shareholders' meeting in August 2013. The Board and all employees should abide by the integrity management policy to comply with corporate culture and integrity management policy of "compliance, trustworthiness, and morality", and disclose the above information on the Company's website and MOPS.	None
(II) Does the Company establish an assessment mechanism for	V		(II) The Company clearly stated in the "Code of Integrity Management"	

<p>unethical risks, according to which it analyzes and assesses operating activities with high potential unethical risks? Does the mechanism include any precautionary measures against all the conducts as stated in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?</p> <p>(III) Has the Company established policies to prevent unethical conduct, with clear statements regarding relevant procedures, conduct guidelines, punishments for violation, and rules for appeal, and does the Company implement them accordingly, and regularly review and correct such measures?</p>	<p>V</p>	<p>that it prohibits dishonest conduct stated in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, and disclosed relevant regulations in the Company's internal system for colleagues to review and implement at any time. In addition, the Company reinforces the concepts during education and training to implement relevant regulations.</p> <p>(III) To prevent the occurrence of dishonesty, the Company has formulated a "whistleblowing system" implementation and management method. Through internal control operations, routine audits and other methods to reduce the risk of various types of dishonesty.</p>	
<p>II. Implementing ethical corporate management</p> <p>(I) Did the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts?</p> <p>(II) Did the Company establish an exclusively (or concurrently) dedicated unit under the Board to implement ethical corporate management, and report to the Board on a regular basis (at least annually) about the ethical corporate management policies, precautionary measures against unethical conducts, as well as the implementation and supervision thereof?</p> <p>(III) Did the Company establish policies to prevent conflicts of interests, provided proper channels of appeal, and enforced these policies and channels accordingly?</p>	<p>V</p> <p>V</p> <p>V</p>	<p>(I) Evaluations and credit investigations have been conducted upon all types of partners to avoid transaction with partners who have records of unethical behaviors.</p> <p>(II) The Company has established a dedicated unit to formulate and implement ethical corporate management principles, with the internal auditing unit regularly reports to the Board of Directors.</p> <p>(III) In the "Corporate Social Responsibility Code of Practice", the Company clearly stipulates that the implementation of corporate social responsibility should be based on respecting social ethics and paying attention to the rights and interests of other stakeholders. While pursuing sustainable operation and profit, the Company also pay attention to the environment, social and corporate governance factors, and incorporate</p>	<p>None</p>

<p>(IV) Did the Company establish effective accounting systems and internal control systems to implement ethical corporate management and had its internal audit unit, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit the compliance with the prevention programs accordingly or entrusted a CPA to conduct the audit?</p>	<p>V</p>	<p>them into Company's management and operations.</p> <p>(IV) The company has established an effective accounting system and internal control system. The internal auditors will also evaluate the high-risk activities listed in the annual audit plan and prepare the audit results into an audit report which will be submitted to the Audit Committee for review and directors attending the board meeting on a regular basis. In addition, departments are required to self-evaluate their internal control systems each year to ensure the effectiveness of the design and implementation.</p>	
<p>(V) Did the Company regularly hold internal and external training in ethical corporate management?</p>	<p>V</p>	<p>(V) Following the corporate culture of "compliance, trustworthiness, and morality (public morality, ethics, and personal morality)", the Company promotes the concept of honest management for employees through written and course promotion.</p> <p>1. Written promotion: The personnel will provide education promotion when handling new recruit orientation training, and the remaining employees will undergo internal training through the Company's internal announcement information or publications every year.</p> <p>2. Course promotion: On December 20, 2019, 20 minutes was arranged in the training course for new recruits, on the concept of corporate governance internal control and legal compliance guidance (including anti-corruption, integrity management and internal transactions, etc.)</p>	
<p>III. Implementing the whistle-blowing system</p> <p>(I) Did the Company establish concrete whistle-blowing and reward system, build convenient reporting channel, and assign appropriate personnel to investigate the reported party?</p> <p>(II) Did the Company establish standard operating procedures for the reported matters, the measures to be taken after</p>	<p>V</p> <p>V</p>	<p>(I) The Company has established the "Ethical Corporate Management Principles" to regulate the relevant whistle-blowing system, establish a reporting channel, and assign appropriate personnel to investigate the reported party.</p> <p>(II) The implementation and management measures for the "whistle-blowing system" have been formulated and announced by</p>	<p>None</p>

investigation is completed, and the relevant confidential mechanism? (III) Did the Company take any measures to protect whistleblowers so that they are safe from mishandling?	V	the Company.  (III) The Company has clearly adopted measures to protect whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing, assigned dedicated personnel or unit to investigate the reports, and kept the identity of the whistle-blower and content of the report confidential.	
IV. Enhancing disclosure of information Did the Company disclose the content and performance of the ethical management principles on its website and MOPS?	V	The Company's website ( <a href="http://www.tpcc.com.tw">http://www.tpcc.com.tw</a> ) discloses the Company's integrity management philosophy. The Company maintains a smooth communication channel at all times, fully utilizes the spokesperson mechanism, and upholds the principle of good faith to immediately disclose public information at MOPS to protect the rights of investors and stakeholders. In addition, the Company discloses in the annual report on the implementation of integrity management and adoption measures.	None
V. If the Company has established the Ethical Corporate Management Principles based on the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies", please specify the differences between the Principles and actual implementation: None.			
VI. Other significant information that helps to understand the implementation of ethical corporate management (e.g. amendments to the Ethical Corporate Management Principles): Disclosed in the Company website and MOPS.			

(VII) If the Company Has Adopted Corporate Governance Best-practice Principles or Related Bylaws, Disclose how These Are to Be Searched:

Refer to the company website at [www.eternal-group.com](http://www.eternal-group.com).

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

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

(IX) State of Implementation of the Internal Control System

1. Statement of Internal Control

Eternal Materials Co., Ltd.  
Statement of Internal Control

Date: March 27, 2020

The 2019 internal control performance of the Company, based on the results of the self-assessment, is as follows:

- I. The Company is fully aware that establishing, operating, and maintaining an internal control system is the responsibility of its Board of Directors and management. The Company has established such a system aimed at providing reasonable assurance in achieving the objectives of effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security), delivery of timely and reliable financial reporting, and compliance with applicable laws and regulations.
- II. Any internal control system has its inherent limitations. However perfectly designed, an effective internal control system can only provide reasonable assurance of accomplishing the three goals mentioned above. Furthermore, the effectiveness of an internal control system may be affected by changes in environment or circumstances. Nevertheless, a self-monitoring mechanism has been built within the Company's internal control system. Therefore, whenever a deficiency or defect is identified, the Company will immediately take initiatives and action to correct it.
- III. Based on the criteria provided in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (the "Regulations"), the Company judges the design and operating effectiveness of its internal control system. The internal control system judgment criteria adopted by the Regulations divide internal control into five elements based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring of processes. Each element further contains several items. Please refer to the Regulations for details.
- IV. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforementioned criteria.
- V. Based on the findings of the evaluation mentioned in the preceding paragraph, the Company believes that as of December 31, 2019, its internal control system (including its supervision and management of its subsidiaries) is effectively designed and operated. The internal control system also reasonably assures the achievement of objectives, which include knowledge of the degree of achievement of operational effectiveness and efficiency objectives; reliability, timing, and transparency of financial reporting; as well as compliance with applicable laws and regulations.
- VI. This statement will become a major part of the Company's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This statement has been passed by the meeting of the Board of Directors of the Company held on March 27, 2020 where none of the 10 attending directors expressed dissenting opinions, and all attending directors affirmed the content of this statement.

Eternal Materials Co., Ltd.

Chairman Kao, Kuo-Lun

President Mao, Hui-Kuan

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

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

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

1. 2019 Annual Meeting of Shareholders

Proposal	Material Resolution	Status of Implementation
1	Recognition of 2018 financial statements.	Implemented as proposed.
2	Recognition of 2018 earnings distribution.	Cash dividend of NT\$0.9 per share was distributed on August 9, 2019 and the distribution was completed.
3	Passage of the amendments to the Company's Articles of Incorporation.	The resolution was passed. The Company handles the relevant operations in accordance with the revised Articles of Incorporation and discloses on the Company's external website.
4	Passage of the amendments to the Procedures for Acquisition or Disposal of Assets.	The acquisition or disposal of assets has been conducted in accordance with the amended Procedures for Acquisition or Disposal of Assets.

2. Meetings of the Board of Directors

Date	Resolutions
2019.01.31	1. Passage of the plan for establishing a corporation in India.
2019.03.27	1. Passage of the 2018 business report. 2. Passage of the discussion over the 2018 consolidated and standalone financial statements. 3. Passage of the evaluation on the appointment and independence of CPAs from Q2 2019 to Q1 2020. 4. Passage of the convening of the 2019 annual meeting of shareholders. 5. Passage of the 2018 earnings distribution. 6. Passage of the 2018 remuneration paid to directors and employees. 7. Passage of the election of the 18th Board of Directors 8. Passage of the candidate list for directors of the Board (including independent directors). 9. Passage of the release of the 18th directors of the Board from non-compete restrictions. 10. Passage of the amendments to the Articles of Incorporation. 11. Passage of the amendments to the Procedures for Acquisition or Disposal of Assets. 12. Passage of the issuance of the 2018 Statement of Internal Control. 13. Passage of the provision of endorsements/guarantees for banks for the line of credit of subsidiaries. 14. Passage of the annual review, update, and adjustment of loans and line of credit (HSBC Bank cash pooling) among subsidiaries. 15. Passage of the annual review, update, and adjustment of loans and line of credit (BNP Paribas cash pooling) among subsidiaries. 16. Passage of the annual review, update, and adjustment of loans and line of credit (Mizuho Bank cash pooling) among subsidiaries. 17. Passage of the loans and line of credit (entrusted loans) among subsidiaries. 18. Passage of the loans (external debt) among subsidiaries.

	<p>19. Passage of the 2018 excess profit performance bonuses for managerial officers.</p> <p>20. Passage of the deliberation on salaries paid to managerial officers due to job adjustments</p>
2019.05.10	<ol style="list-style-type: none"> <li>1. Passage of capital reduction of Elga Europe Srl to make up for losses</li> <li>2. Passage of the provision of endorsements/guarantees for banks for the line of credit of subsidiaries.</li> <li>3. Passage of the loans and line of credit (external debt) among subsidiaries.</li> <li>4. Passage of the loans (entrusted loans) among affiliated companies.</li> <li>5. Passage of the amendments to the Company's Seal Management Regulation.</li> <li>6. Passage of the establishment of "Standard Operating Procedures for Dealing with Directors' Requests" and "Board Performance Evaluation Measures" and the amendments to "Procedural Rules for Board of Directors Meetings"</li> <li>7. Passage of the appointment of the corporate governance officer.</li> <li>8. Passage of the distribution of remuneration paid to managerial officers.</li> </ol>
2019.06.26	<ol style="list-style-type: none"> <li>1. Passage of the election of 18th chairman and vice-chairman.</li> <li>2. Passage of the appointment of the chief executive officer.</li> <li>3. Passage of the appointment of the president and chief operating officer.</li> <li>4. Passage of the appointment of the Company's managers</li> <li>5. Passage of the appointment of 4th Audit Committee members</li> </ol>
2019.08.09	<ol style="list-style-type: none"> <li>1. Passage of the amendment of the 2019 Group Business Plan</li> <li>2. Passage of the amendments to 2019 mid-year cash flow plan.</li> <li>3. Passage of the issuance of the 1st term secured ordinary corporate bonds for 2019</li> <li>4. Passage of the application for syndicated loans from the bank in order to issue secured ordinary corporate bonds to repay bank borrowings and to increase interim operating capital.</li> <li>5. Passage of the amendments to the "Audit Committee Charter".</li> <li>6. Passage of the amendments to the "Eternal Materials Co., Ltd. Authorization Regulations"</li> <li>7. Passage of the change of the Company's functional officers</li> <li>8. Passage of the deliberation on salaries paid to managerial officers due to job adjustments.</li> </ol>
2019.11.08	<ol style="list-style-type: none"> <li>1. Passage of cash capital decrease in New E Materials Co., Ltd.</li> <li>2. Passage of cash capital decrease in Eternal Global (BVI) Co., Ltd.</li> <li>3. Passage of the loans and line of credit (entrusted loans) among subsidiaries.</li> <li>4. Passage of the loans and line of credit (external debt) among subsidiaries.</li> <li>5. Passage of the establishment of "Process Technology Department"</li> <li>6. 6. Passage of the amendments to "Annual Salary Adjustment Regulations"</li> </ol>
2019.12.30	<ol style="list-style-type: none"> <li>1. Passage of the 2020 Group Business Plan</li> <li>2. Passage of the 2020 cash flow pan (with profit plan)</li> <li>3. Passage of the cancellation of investment in synthetic resin Li-yang plant</li> <li>4. Passage of establishment of subsidiary and investment in India</li> <li>5. Passage of the provision of endorsements/guarantees for the syndicated loan to Eternal Materials (Malaysia) Sdn. Bhd.</li> <li>6. Passage of the provision of endorsements/guarantees between subsidiaries.</li> <li>7. Passage of the authorization to the Chairman from the Board of Directors to approve the Company's application for opening accounts, closing accounts, depositing, and borrowing with financial institutions in 2020, including the application or renewal of the relevant credit to fulfill the requirement of banks, loan procedures and fund scheduling.</li> <li>8. Passage of the 2020 audit plan.</li> <li>9. Passage of the amendments to "Management Regulations on Subsidies for Self-Own Vehicles for Business Use"</li> </ol>

	<p>10. Passage of the adjustment of salaries paid to managerial officers in 2020.</p> <p>11. Passage of the distribution of 2019 performance bonuses and business performance bonuses paid to managerial officers.</p> <p>12. Passage of the appointment of the Administration Management Officer</p> <p>13. Passage of the salaries paid to newly promoted managerial officers in 2020 and salary paid to the managerial officers due to job adjustment.</p>
2020.03.27	<p>1. Passage of the discussion over the 2019 consolidated and standalone financial statements.</p> <p>2. Passage of the evaluation on the appointment and independence of CPAs from Q2 2020 to Q1 2021.</p> <p>3. Passage of the 2019 business report.</p> <p>4. Passage of the issuance of the 2019 Statement of Internal Control.</p> <p>5. Passage of the 2019 earnings distribution.</p> <p>6. Passage of the 2019 remuneration paid to directors and employees.</p> <p>7. Passage of the convention of the 2020 annual meeting of shareholders.</p> <p>8. Passage of the re-election of the independent directors</p> <p>9. Passage of the nomination and review of the list of candidates for the independent directors</p> <p>10. Passage of the capital reduction for joint-venture</p> <p>11. Passage of the merger of Eternal Electronic Material (Guangzhou) Co., Ltd. and Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.</p> <p>12. Passage of the adjustment to the structure of overseas investment holdings and establishment of a new subsidiary in SAMOA</p> <p>13. Passage of the loans (external debt) among subsidiaries.</p> <p>14. Passage of the annual review, update, and adjustment of loans and line of credit (cash pooling) among subsidiaries.</p> <p>15. Passage of the loans and line of credit (entrusted loans) among subsidiaries.</p> <p>16. Passage of the loans (entrusted loans) among affiliated companies.</p> <p>17. Passage of the amendments to "Procedures for Lending Funds to Others"</p> <p>18. Passage of the amendments to "Procedures for Endorsements and Guarantees"</p> <p>19. Passage of the amendments to "Rules of Procedure for Shareholders' Meetings"</p> <p>20. Passage of the amendments to "Regulation of Independent Director Responsibilities"</p> <p>21. Passage of the amendments to "Corporate Governance Regulations"</p> <p>22. Passage of the 2019 excess profit performance bonuses for managerial officers.</p> <p>23. Passage of appointment of 4th Audit Committee members</p>

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

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

As of April 20, 2020

Title	Name	Date of Office Assumption	Date of Dismissal	Reason for Resignation or Dismissal
Audit Supervisor	Lee, Shan-Heng	2016.07.01	2019.02.01	Retirement
President	Hsieh, Chin-Kun	2013.06.20	2019.06.26	Dismissal
Research and Development Manager	Mao, Hui-Kuan	2018.07.01	2019.08.09	Job adjustment

## V. Information on CPA Professional Fees

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

Accounting Firm	Name of CPA		Period of Audit	Note
Deloitte Taiwan	Kuo, Li-Yuan	Kung, Chun-Chi	2019.1.1~2019.12.31	None

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

Unit: Thousand NT\$

Interval of Amount		Category of Fees	Audit Fees	Non-audit Fees	Total
1	Less than NT\$2,000 thousand		0	300	300
2	NT\$2,000 thousand (inclusive)~NT\$4,000 thousand		0	0	0
3	NT\$4,000 thousand (inclusive)~NT\$6,000 thousand		0	0	0
4	NT\$6,000 thousand (inclusive)~NT\$8,000 thousand		0	0	0
5	NT\$8,000 thousand (inclusive)~NT\$10,000 thousand		8,660	0	8,660
6	More than NT\$10,000 thousand (inclusive)		0	0	0

Unit: Thousand NT\$

Accounting Firm	Name of CPA	Audit Fees	Non-audit Fees					Period of Audit	Note
			System Design	Business Registration	Human Resources	Others	Subtotal		
Deloitte Taiwan	Kuo, Li-Yuan Kung, Chun-Chi	8,660	0	0	0	300	300	2019.01.01~2019.12.31	Others include provisional filing, consultation service

- (II) Change in the Accounting Firm with the Audit Fees Paid for the Year of Such Change Lower than Those for the Previous Year: None.
- (III) Audit Fees Paid for the Current Year Lower than Those for the Previous Year by 10% or More: None.

## VI. Information on Replacement of CPA

(I) Replacement of CPA within the Most Recent Two Years or Any Subsequent Interim Period: None.

1. Regarding the Former CPA: None.

2. Regarding the Successor CPA: None.

3. Response by the Former CPA by Mail to the Disclosure under Items 1 and 2-3, Subparagraph 6, Article 10 of the Regulations: N/A.

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

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

(I) Transfer of Equity Interests

Title	Name	2019		As of April 20, 2020	
		Increase/Decrease in Number of Shares Held	Increase/Decrease in Number of Shares Pledged	Increase/Decrease in Number of Shares Held	Increase/Decrease in Number of Shares Pledged
Chairperson and CEO	Kao, Kuo-Lun	-	-	-	-
Vice-Chairman & Chief Strategy Officer	Hsieh, Chin-Kun	-	-	-	-
President & Chief Operating Officer	Mao, Hui-Kuan	-	-	-	-
Director & Chief Strategy Officer	Shiao, Tzu-Fei	-	-	-	-
Director	Kao, Ying-Chih	-	-	-	-
	Kwang Yang Motor Co., Ltd.	-	-	997,884	-
	Representative : Ko, Chun-Ping	-	-	-	-
	Yang, Huai-Kung	(400,000)	-	-	-
	Huang, Wu-Tung	-	-	-	-
	Yen, Shu-Fen	-	-	-	-
Independent Director	Chen, I-Heng	-	-	-	-
	Hung, Lee-Jung	-	-	-	-

Title	Name	2019		As of April 20, 2020	
		Increase/Decrease in Number of Shares Held	Increase/Decrease in Number of Shares Pledged	Increase/Decrease in Number of Shares Held	Increase/Decrease in Number of Shares Pledged
	Hsu, Jui-Yuan	-	-	-	-
	Lo, Li-Chun	-	-	-	-
Vice President	Chen, Ming-Jen	-	-	-	-
	Chen, Chin-Yuan	-	-	-	-
	Yen, Shu-Fen (Note)	-	-	N/A	N/A
	Liao, Heng-Ning	-	-	-	-
Assistant Vice President	Lin, Chih-Kuo	(40,000)	-	(10,000)	-
	Sung, Chun-Lung	-	-	-	-
	Lee, Shan-Heng (Note)	-	-	N/A	N/A
	Lin, He-Hsing (Note)	-	-	N/A	N/A
	Hung, Chao-Cheng	-	-	-	-
	Kao, Chih-Yu	-	-	-	-
	Chao, Yu-Wen (Note)	-	-	N/A	N/A
	Chang, Shih-Fang	-	-	-	-
	Huang, Chin-Lung	-	-	-	-
	Su, Wen-Pin	-	-	-	-
	Cheng, Yu-Cheng (Note)	-	-	-	-
	Pan, Chin-Cheng	-	-	-	-
	Wang, Mao-Yung (Note)	-	-	N/A	N/A
	Yeh, Mao-Jung	-	-	-	-
	Weng, Chin-Yi	-	-	-	-
	Chu, Jui-Hsin (Note)	N/A	N/A	-	-
	Lin, Chao-Kun (Note)	N/A	N/A	-	-
	Chen, Hung-Yi (Note)	N/A	N/A	-	-
Finance Manager	Liu, Bing-Cheng	-	-	15,000	-
Accounting Manager	Su, Hui-Fang	-	-	-	-
Chief Corporate Governance Officer	Liu, Bing-Cheng	-	-	15,000	-

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

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

As of April 20, 2020

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

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

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

Information on Relationship between Top 10 Shareholders

Unit: Thousand shares, %

Name	Shares held in person		Shares held by spouse and children of minor age		Shares held in the name of another person (nominees)		Information on relationship if among top 10 shareholders any one is a related party or a relative within the second degree of kinship of another		Note
	Shares	%	Shares	%	Shares	%	Title (or Name)	Relationship	None
Kwang Yang Motor Co., Ltd.	124,000	9.99	0	0.00	0	0.00	Kwang Hsing Industrial Co., Ltd.	Parent company and subsidiary	None
Representative: Ko, Sheng-Feng	0	0.00	0	0.00	0	0.00	None	None	None
Kwang Hsing Industrial Co., Ltd.	84,000	6.77	0	0.00	0	0.00	Kwang Yang Motor Co., Ltd.	Parent company and subsidiary	None
Representative: Ko, Chun-Ping	0	0.00	10	0.00	0	0.00	None	None	None
Kao, Ying-Shih	69,424	5.59	20,221	1.63	0	0.00	Kao, Kuo-Lun Kao Cheng, Li-Hua Kao, Ying-Chih	Father and son Husband and wife Brother	None
Kao, Kuo-Lun	50,139	4.04	5,731	0.46	0	0.00	Kao, Ying-Shih Kao Cheng, Li-Hua	Father and son Mother and son	None
Fubon Life Insurance Co., Ltd.	44,246	3.56	0	0.00	0	0.00	None	None	None
Representative: Tsai, Ming-Hsing	0	0.00	0	0.00	0	0.00	None	None	None
Cathay Life Insurance Co., Ltd.	26,436	2.13	0	0.00	0	0.00	None	None	None
Representative: Huang, Tiao-Kuei	0	0.00	0	0.00	0	0.00	None	None	None
LGT Bank AG in custody of Standard Chartered	22,471	1.81	0	0.00	0	0.00	None	None	None
Kao Cheng, Li-Hua	20,221	1.63	69,424	5.59	0	0.00	Kao, Ying-Shih Kao, Kuo-Lun Kao, Ying-Chih	Husband and wife Mother and son Brother-in-law and sister-in-law	None
Kao, Ying-Chih	19,852	1.60	1,047	0.08	6,349	0.51	Kao, Ying-Shih Kao Cheng, Li-Hua	Brother Brother-in-law and sister-in-law	None
Yang, Huai-Kung	16,176	1.30	0	0.00	0	0.00	None	None	None

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

Ratio of Consolidated Shares Held

December 31, 2019; Unit: Shares, %

Investee companies (Note 1)	Investment of the Company		Investment of Directors, Supervisors, Managerial Officers, and Directly or Indirectly Controlled Businesses		Total Ownership	
	Shares	Shareholding Percentage	Shares	Shareholding Percentage	Shares	Shareholding Percentage
Eternal Holdings Inc.	216,303,859	100.00	0	0	216,303,859	100.00
Eternal Global (BVI) Co.,Ltd.	16,821,024	100.00	0	0	16,821,024	100.00
Mixville Holdings Inc.	29,530,000	100.00	0	0	29,530,000	100.00
Advanced PETFILM Investment Co., Ltd.	270	20.00	0	0	270	20.00
Daxin Materials Corporation	23,423,812	22.80	546,089 Note 4	0.53	23,969,901	23.33
New E Materials Co., Ltd.	6,907,585	62.80	1,200,000	10.91	8,107,585	73.71
DSM Resins (Far East) Co., Ltd.	3,660,000	40.00	0	0	3,660,000	40.00
Eternal Capatech Co.,Ltd.	Note 2	96.71	0	0	Note 2	96.71
Eternal Electronic Material(Thailand) Co.,Ltd.	937,500	75.00	0	0	937,500	75.00
CHOU-KOU Material Co., Ltd.	4,000	100.00	0	0	4,000	100.00
Nikko-Materials Co.,Ltd.	11,520	100.00	0	0	11,520	100.00
Eternal Materials (Malaysia) Sdn. Bhd.	165,855,600	90.00	0	0	165,855,600	90.00
Elga Europe S.r.l.	Note 3	72.68	Note 3	22.32	Note 3	95.00

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

Note 2. At the end of December 2018, it was dissolved by the resolution of the Company's shareholders' meeting, and the liquidation was approved by the Kaohsiung District Court in August 2019. As of December 31, 2019, there are still remaining liquidation funds to be recovered.

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

Note 4. The data on book closure date of Daxin Materials Corporation shareholders' meeting on April 21, 2020.

## Chapter 4 Capital Raising Activities

### I. Capital and Shares

#### (I) Source of Capital

##### 1.Capital category

April 20, 2020; Unit: Thousand shares

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

## 2.Capital formation

Year/Month	Issue Price (NOTE)	Authorized Capital		Paid-in Capital		Note		
		Shares	Amount	Shares	Amount	Source of Capital	Issued for Consideration Other than Cash	Others
1964.12	100	8	800	8	800	Registered capital	None	--
1966.01	100	40	4,000	40	4,000	Issuance of common stock for cash 3,200	None	--
1968.01	100	100	10,000	100	10,000	Issuance of common stock for cash 6,000	None	--
1972.01	100	160	16,000	160	16,000	Issuance of common stock for cash 6,000	None	--
1972.11	100	360	36,000	360	36,000	Issuance of common stock for cash 20,000	None	--
1973.11	100	700	70,000	700	70,000	Issuance of common stock for cash 34,000	None	--
1975.09	100	770	77,000	770	77,000	Issuance of common stock for cash 7,000	None	--
1976.09	100	800	80,000	800	80,000	Issuance of common stock for cash 3,000	None	--
1978.08	100	1,000	100,000	1,000	100,000	Issuance of common stock for cash 20,000	None	--
1979.11	100	1,500	150,000	1,500	150,000	Capitalization of retained earnings 25,000 Issuance of common stock for cash 25,000	None	--
1985.11	10	20,000	200,000	20,000	200,000	Issuance of common stock for cash 50,000	None	--
1987.01	10	30,000	300,000	30,000	300,000	Issuance of common stock for cash 100,000	None	--
1988.07	10	45,500	455,000	45,500	455,000	Issuance of common stock for cash 155,000	None	1988.07.21 ( 77 ) Taiwan-Finance-Securities-(I) No.08700
1990.08	10	60,000	600,000	60,000	600,000	Capitalization of retained earnings 145,000	None	1990.08.03 ( 79 ) Taiwan-Finance-Securities-(I) No.31539
1992.07	10	72,000	720,000	72,000	720,000	Capitalization of retained earnings 120,000	None	1992.06.03 ( 81 ) Taiwan-Finance-Securities-(I) No.01142
1993.07	10	90,942	909,419	90,942	909,419	Capitalization of retained earnings 189,419	None	1993.06.22 ( 82 ) Taiwan-Finance-Securities-(I) No.01524
1994.07	40	131,677	1,316,774	131,677	1,316,774	Capitalization of retained earnings 227,355 Issuance of common stock for cash 180,000	None	1994.06.27 ( 83 ) Taiwan-Finance-Securities-(I) No.27511
1995.07	10	164,597	1,645,967	164,597	1,645,967	Capitalization of retained earnings 197,516 Capital surplus transferred 131,677	None	1995.06.08 ( 84 ) Taiwan-Finance-Securities-(I) No.33684
1996.07	10	197,516	1,975,161	197,516	1,975,161	Capitalization of retained earnings 164,597 Capital surplus transferred 164,597	None	1996.06.25 ( 85 ) Taiwan-Finance-Securities-(I) No.38778
1997.07	10	300,000	3,000,000	257,633	2,576,329	Capitalization of retained earnings 434,535 Capital surplus transferred 158,013 Employees' bonuses 8,620	None	1997.06.12 ( 86 ) Taiwan-Finance-Securities-(I) No.46433

1998.06	10	400,000	4,000,000	336,103	3,361,025	Capitalization of retained earnings 566,793 Capital surplus transferred 206,106 Employees' bonuses 11,797	None	1998.05.06 ( 87 ) Taiwan-Finance-Securities-(I) No.38173
1999.06	10	500,000	5,000,000	404,352	4,043,517	Capitalization of retained earnings 571,374 Capital surplus transferred 100,831 Employees' bonuses 10,287	None	1999.05.18 ( 88 ) Taiwan-Finance-Securities-(I) No.46053
1999.10	35	500,000	5,000,000	407,352	4,073,517	Issuance of common stock for cash 30,000	None	1999.10.13 ( 88 ) Taiwan-Finance-Securities-(I) No.88150
2000.05	35	500,000	5,000,000	418,782	4,187,817	Issuance of common stock for cash 114,300	None	2000.05.12 ( 89 ) Taiwan-Finance-Securities-(I) No.42830
2000.07	10	600,000	6,000,000	501,877	5,018,766	Capitalization of retained earnings 766,229 Capital surplus transferred 16,245 Employees' bonuses 48,475	None	2000.05.20 ( 89 ) Taiwan-Finance-Securities-(I) No.44222
2001.05	10	650,000	6,500,000	554,175	5,541,752	Capitalization of retained earnings 401,501 Capital surplus transferred 100,375 Employees' bonuses 21,110	None	2001.05.24 ( 90 ) Taiwan-Finance-Securities-(I) No.132348
2002.05	10	650,000	6,500,000	583,667	5,836,668	Capitalization of retained earnings 277,088 Employees' bonuses 17,828	None	2002.05.21 ( 91 ) Taiwan-Finance-Securities-(I) No.127586
2005.07	10	753,000	7,530,000	642,034	6,420,335	Capitalization of retained earnings 583,667	None	2005.07.06 Financial-Supervisory-Securities No.0940127266
2006.06	10	850,000	8,500,000	711,451	7,114,512	Capitalization of retained earnings 642,034 Employees' bonuses 52,143	None	2006.06.23 Financial-Supervisory-Securities No.0950126034
2007.07	10	950,000	9,500,000	803,547	8,035,468	Capitalization of retained earnings 853,741 Employees' bonuses 67,215	None	2007.06.06 Financial-Supervisory-Securities No.0960028997
2008.08	10	1,200,000	12,000,000	891,221	8,912,212	Capitalization of retained earnings 803,547 Employees' bonuses 73,197	None	2008.07.24 Financial-Supervisory-Securities No.0970037454
2009.07	10	1,200,000	12,000,000	900,133	9,001,334	Capitalization of retained earnings 89,122	None	2009.06.23 Financial-Supervisory-Securities No.0980031147
2010.09	10	1,200,000	12,000,000	945,140	9,451,401	Capitalization of retained earnings 450,067	None	2010.07.21 Financial-Supervisory-Securities No.0990037977
2011.08	10	1,200,000	12,000,000	992,397	9,923,971	Capitalization of retained earnings 472,570	None	2011.06.22 Financial-Supervisory-Securities No.000028589
2014.08	10	1,200,000	12,000,000	1,022,169	10,221,690	Capitalization of retained earnings 297,719	None	2014.07.02 Financial-Supervisory-Securities- Corporate No.030025006
2016.08	10	1,200,000	12,000,000	1,103,943	11,039,425	Capitalization of retained earnings 817,735	None	2016.08.19 Jin-Shou-Shang-Zi No. 10501207920
2017.08	10	1,200,000	12,000,000	1,159,140	11,591,397	Capitalization of retained earnings 551,972	None	2017.08.21 Jin-Shou-Shang-Zi No. 10601118100
2018.08	10	1,800,000	18,000,000	1,240,280	12,402,795	Capitalization of retained earnings 811,398	None	2018.08.16 Jin-Shou-Shang-Zi No. 10701099770

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

(II) Shareholder Structure

April 20, 2020; Unit: Thousand Shares, %

Shareholder Structure \ Quantity	Government Agencies	Financial Institutions	Other Institutions	Individuals	Foreign Institutions and Individuals	Total
Number of People	0	12	150	33,576	212	33,950
Number of Shares Held	0	91,669	319,151	645,448	184,012	1,240,280
Shareholding Percentage	0	7.39	25.73	52.04	14.84	100

(III) Diffusion of Ownership

1. Common Shares

April 20, 2020; Unit: NT\$10 per share, %

Class of Shareholding	Number of Shareholders	Number of Shares Held	Shareholding Percentage
1 to 999	11,445	2,653,041	0.21
1,000 to 5,000	12,859	29,339,545	2.37
5,001 to 10,000	3,898	28,083,322	2.26
10,001 to 15,000	1,817	22,155,781	1.79
15,001 to 20,000	882	15,381,718	1.24
20,001 to 30,000	972	23,787,045	1.92
30,001 to 50,000	784	30,303,845	2.44
50,001 to 100,000	592	41,443,877	3.34
100,001 to 200,000	323	44,508,903	3.59
200,001 to 400,000	162	45,222,170	3.65
400,001 to 600,000	48	23,247,995	1.88
600,001 to 800,000	27	18,894,359	1.52
800,001 to 1,000,000	22	19,734,188	1.59
1,000,001 or Above	119	895,523,666	72.20
Total	33,950	1,240,279,455	100.00

2. Preferred Shares: None.

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

April 20, 2020; Unit: Shares, %

Name of Major Shareholder	Shareholding	Number of Shares Held	Shareholding Percentage
Kwang Yang Motor Co., Ltd.		124,000,000	9.99
Kwang Hsing Industrial Co., Ltd.		84,000,000	6.77
Kao, Ying-Shih		69,423,758	5.59
Kao, Kuo-Lun		50,138,856	4.04
Fubon Life Insurance Co., Ltd.		44,245,923	3.56
Cathay Life Insurance Co., Ltd.		26,435,687	2.13
LGT Bank AG in custody of Standard Chartered		22,470,610	1.81
Kao Cheng, Li-Hua		20,221,072	1.63
Kao, Ying-Chih		19,851,560	1.60
Yang, Huai-Kung		16,175,900	1.30

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

Item	Year		2018	2019	As of March 31, 2020 (Note 8)
Market price per share (Note 1)	Highest	Before retrospective adjustment	31.85	27.15	28.75
		After retrospective adjustment	31.85	(Note 9)	-
	Lowest	Before retrospective adjustment	22.90	23.30	20.20
		After retrospective adjustment	22.90	(Note 9)	-
	Average	Before retrospective adjustment	27.38	25.66	25.78
		After retrospective adjustment	27.38	(Note 9)	-
Net worth per share (Note 2)	Before distribution		16.93	17.27	17.25
	After distribution		16.93	(Note 9)	-

Earnings per share	Weighted average number of shares (in thousand shares)		1,240,280	1,240,280	1,240,280
	Earnings per share (Note 3)	Before retrospective adjustment	1.25	1.99	0.17
		After retrospective adjustment	1.25	(Note 9)	-
Dividends per Share	Cash dividends		0.9	1.4	-
	Stock dividends	Stock dividends appropriated from earnings	0	0	-
		Stock dividends appropriated from capital reserve	0	0	-
	Accumulated undistributed dividends (Note 4)		0	0	-
Return on investment	Price-to-earnings ratio (Note 5)		21.90	12.89	-
	Price-to-dividend ratio (Note 6)		30.42	18.33	-
	Cash dividend yield (Note 7)		3.29	5.46	-

\*If there is a capital increase from earnings or capital reserve, the market price and cash dividends adjusted based on the number of shares issued shall be disclosed.

Note 1. The highest and lowest market prices of common stock for each year are listed. The average market price for each year is calculated based on the transaction value and volume.

Note 2. The number of shares that have been issued by the end of the year and the resolution at the shareholders' meeting in the following year shall apply.

Note 3. If there is any retrospective adjustment required due to stock dividends, earnings per share before and after adjustment shall be listed.

Note 4. If the equity securities issuance conditions specify that the undistributed dividends that are not distributed in a given year can be distributed in another year when the Company makes a profit, the accumulated undistributed dividends as of that given year shall be disclosed.

Note 5. Price-to-earnings ratio = Average closing price per share for the year / Earnings per share.

Note 6. Price-to-dividend ratio = Average closing price per share for the year / Cash dividends per share.

Note 7. Cash dividend yield = Cash dividends per share / Average closing price per share for the year.

Note 8. For the net worth per share and earnings per share, data from the most recent quarter that has been audited (reviewed) by the CPAs up to the date of publication of the Annual Report shall be filled in. For all other fields, the annual data up to the date of publication of the Annual Report shall be filled in.

Note 9. The Company's 2019 earnings distribution has been approved by the Board of Directors but yet to be resolved in the shareholders' meeting.

(VI) Dividend Policy and Its Implementation

1. Dividend Policy Stipulated in the Articles of Incorporation

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

2. Distribution of Dividends Proposed in the Shareholders' Meeting

(1) The distribution of 2019 earnings is based on Article 18 of the Articles of Incorporation.

(2) In 2019, the Company reported earnings after tax of NT\$2,466,356,251. Distributable earnings were NT\$1,288,528,433 after appropriating 10% as legal reserve and appropriating special reserve. With undistributed earnings of NT\$3,179,096,153 at the beginning of 2019, the earnings distributable to shareholders amounted to NT\$4,467,624,586. The Company proposed distributing the cash dividends of NT\$1,736,391,237 at NT\$1.4 per share to shareholders.

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

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

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

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

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

If the Company makes a profit in the current year, 4.5% (inclusive) to 5.5% of the profit shall be appropriated as remuneration to employees and no more than 1% as remuneration to directors and supervisors. However, if the Company has accumulated losses, the amount for offsetting the losses shall be reserved first.

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

2. Basis for Estimating the Amount of Remuneration Paid to Employees, Directors, and Supervisors, for Calculating the Number of Shares to Be Distributed as Employee Remuneration, and the Accounting Treatment of Any Discrepancy between the Actual Distributed Amount and the Estimated Figure for the Current Period: The discrepancy shall be treated in accordance with the changes in accounting estimates and recognized in the following year's profit or loss.

3. Distribution of Remuneration Approved by the Board of Directors

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

Employee remuneration in cash: There was a discrepancy (NT\$823,392) between the proposed distribution of remuneration to employees in cash (NT\$121,176,608) and the estimate (NT\$122,000,000) in 2019. Such discrepancy was treated in accordance with the changes in accounting estimates and recognized in the following year's profit or loss. The remuneration distributed to directors was NT\$15,325,000, which was the same as the estimated amount.

- (2) The ratio of “amount of remuneration distributed to employees in the form of stock” to the sum of “net income after tax (NIAT) specified in the standalone financial statements and total remuneration paid to employees”: The amount of stock dividends distributed to employees was NT\$0.
4. Actual Distribution of Remuneration to Employees and Directors and Supervisors for the Previous Year
- (1) The remuneration of NT\$72,180,642 was distributed to employees in the form of cash; the remuneration of NT\$14,400,000 was distributed to directors and supervisors in the form of cash.
- (2) Where there is any discrepancy between the actual amount and the recognized amount of remuneration to employees, directors, and supervisors, the amount, cause, and treatment of such a discrepancy shall be stated:  
There was a discrepancy (NT\$5,363,791) between the proposed distribution of remuneration to employees and the estimate (NT\$77,544,433) in 2018. This discrepancy was treated in accordance with the changes in accounting estimates and recognized in the following year's profit or loss. The remuneration distributed to directors and supervisors was NT\$14,400,000, which was the same as the estimated amount.

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

## II. Issuance of Corporate Bonds:

Type of Corporate Bonds	Issuance of first secured corporate bond for 2019
Date of issuance (placement)	November 6, 2019 to November 6, 2024
Denomination	NT\$10,000 thousand
Place of issuance and transaction	Republic of China
Issuing Price	Issue by denomination
Total amount	NT\$3 billion
Coupon Rates	0.82% per annum
Tenor	Five years
Warranty Institution	The corporate bonds are provided by Bank of Taiwan Co., Ltd., E.SUN Commercial Bank Co., Ltd., Changhwa Commercial Bank Co., Ltd., and Shanghai Commercial Savings Bank Co., Ltd. as the joint guarantee bank in accordance with the joint appointment guarantee contract signed and the performance of the corporate bond guarantee obligations Guarantee.
Trustee	Trust Division, Bank SinoPac
Underwriting Agency	E.SUN Commercial Bank Co., Ltd. as the major underwriter
Legal Counsel	Meridian Attorneys-at-Law
CPA	Deloitte Taiwan
Terms of Payment	One-time repayment according to the issuance period
Unpaid Principal	NT\$3 billion
Redemption or Early Repayment Clause	None

Covenants		None
Name of Credit Rating Agency, Rating Date and the Results of Corporate Bond Ratings		N/A
Other rights	Amount of converted or exchanged common shares, Global Depository Receipts or other securities as of the publication date of this annual report	None
	Issuance and conversion/exchange methods	None
Possible dilution effect and other adverse effects on existing shareholders caused by regulations on the issuance and conversion, exchange to stocks		None
Custodian		None

III. Preferred Shares: None.

IV. Global Depository Receipts: None.

V. Employee Stock Option Plan and Employee Restricted Stock: None.

VI. New Shares Issuance in Connection with Mergers or Acquisitions: None.

VII. Financing Plans and Implementation: None.

## Chapter 5 Overview of Business Operations

### I. Description of Business

#### (I) Scope of Business

##### 1. Major Lines of Business

- (1) Synthetic resin manufacturing.
- (2) Electronic parts and components manufacturing.
- (3) Coating and paints manufacturing.
- (4) Industrial catalyst manufacturing.
- (5) Plastic materials manufacturing.
- (6) Other plastic products manufacturing
- (7) Other chemical materials manufacturing
- (8) Petrochemicals manufacturing.
- (9) Basic industrial chemical manufacturing.
- (10) Medical equipment manufacturing.
- (11) Wholesale of medical equipment.
- (12) Retail sale of medical equipment.
- (13) All business items that are not prohibited or restricted by law, except those that are subject to special approval.

##### 2. Weight of Major Lines of Business in 2019:

Product Name	Percentage (%)
Resins materials	52%
Electronic Materials	30%
High Performance Materials	18%
Others	0%

3. Products and Services
  - (1) General resin
  - (2) Coating resin
  - (3) Polyester resin
  - (4) Circuit substrate
  - (5) Photoresist dry film
  - (6) Optical film for liquid-crystal display (LCD)
  - (7) Specialty chemicals
  - (8) Packaging materials
  - (9) Panel materials for solar modules
4. New Products and Services Planned for Development
  - (1) 5G high-frequency materials: Extruded LCP Film, resin for coated LCP flexible board, LCP film blowing process, precision coating process, high-frequency measurement system.
  - (2) Medical materials: Enzyme fermentation process, dengue fever type test strips, glycosylated hemoglobin antibody screening technology, Zika and other mosquito vector infectious diseases rapid screening technology, enzyme / antibody reagent materials.
  - (3) Green energy/energy storage materials: Silicon negative electrode adhesives, solar module materials, nano-energy materials; negative electrode silicon-carbon materials, lithium battery electrode adhesives, electrolyte additives; conductive polymer coatings, solid-liquid capacitor polymer materials, laminated solid-liquid capacitor polymer materials.
  - (4) Soft electronic materials: Polyimide and photosensitive polyimide for semiconductors and flexible printed circuit boards.
  - (5) Semiconductor packaging materials: 3D-IC/SIP high-end packaging materials and silicone packaging materials.
  - (6) High-performance engineering plastic materials: High-performance thermoplastic materials for aerospace, communication and medical treatment.
  - (7) Recyclable materials: Eco-friendly printing plates, water-based resin, UV materials, and non-lead/halogen-free/chromium-free materials.

(II) Industry Overview and Future Business Development Plans

1. Current Status and Development of the Industry

(1) Resins materials

A. General resin and coating resin

1) General resin

With the gradual recovery of the global economy, the rise of the red supply chain in mainland China has led to more intense competition. To expand the market share of existing products, the Company enhances after-sales and technical service in addition to real-time price adjustments with the market trends. In terms of investment in the new industries, currently PSA products have extended to protective films and tapes used in high-end electronic products, screen-print PSA, and Polyol for PU/PUD adhesives. In terms of new productions, chemical products used in the steel industry are being developed, such as

quenching liquid and cutting oil. In response to the trend of environmental protection, acrylic adhesive, silane-terminated polyurethane (STPU) adhesive, and high polymer polyester adhesive for the solar energy industry are developed.

2) Coating resin

In the past year, due to the influence of China-US trade war, China's overall domestic market demand on petrochemical raw materials has reduced, which has caused the raw materials to continue to decline quarter by quarter throughout the year. However, the low-end in the fourth quarter and the impact of the epidemic early this year have caused a sharp decline in upstream oil demand and other relevant material, leading to a price plunge. Overall, last year's China-US trade war has significantly reduced overall demand; this year, coupled with the impact of the epidemic, the overall market demand and visibility in 2020 are low, causing difficulties in expected sales growth. Facing this situation and challenges, the Company follows the pace of existing customers to maintain the existing market, reduces cost and improves services by maintaining raw material procurement and local production base delivery. The Company also adopts flexible price adjustment to meet market expectation, and secures the existing market share in red ocean market. Furthermore, the Company even actively cooperates with existing and new strategic partners to strengthen and deepen the cooperative relations by carrying out new cooperation projects, new applications for old products, and enhancing market share of new products and new markets.

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

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

B. Unsaturated polyester resin

In the past year, the upstream petrochemical raw materials of unsaturated polyester resins have remained stable at a relatively low level. However, due to the China-US trade war and China's environmental protection control, the Chinese market has shrunk, which indirectly affects the

competition between unsaturated resin industries. China reduced VAT and raised tax rebates to stimulate the economy, causing a few Chinese peers began to export at low prices to disrupt the Southeast Asian market. In addition to the establishment of the Malaysian plant, which benefits the Company in producing and selling unsaturated polyesters in the regions, the Company continues to develop green and environmentally friendly products and maintain the market share as the emerging markets focus more on infrastructure development, developed country markets have higher requirements for organic volatile substances (VOC) regulations and the development of lightweight composite materials arise.

(2) Electronic materials

A. Photoresist materials

Photoresist dry film is a key material for Image transfer during the production process of printed circuit boards (PCB). In recent years, the product structure of the electronic industry is becoming more connected to HDI and high-density fine lines. This is in response to demand for light, thin and high-performance portable products, such as smart phones. Thus, the role of photoresist dry film becomes more important in image transfer of fine circuits. In addition, due to the increasing demand for product precision during the HDI manufacturing process, the application of LDI photoresist dry film will continue to increase in the future. In the first half of 2019, the overall printed circuit board industry was affected by the China-US trade war. The PrisMark report shows that the estimated decline is about 1.7% from 2018. As for 2020, the PrisMark report estimates that the industry will grow by about 4.0% compared with 2019. The main terminal demand will gradually shift from smartphone applications to related applications of Netcom.

B. Prism film

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

C. Circuit substrate

According to the market research report by Prismark, in 2019, the decay rate of output value of global PCB was approximately 1.7%, as compared to 2018. In particular, the decay rate of composite epoxy copper clad

laminates (CEM-1) was 7.9%. Additionally, the total output value of paper phenolic copper clad laminates (FR-1) and CEM-1 in 2019 were US\$914 million and US\$1,834 million, respectively. In recent years, the business departments have worked diligently to certify TV brand factories and electronics factories, but due to the COVID-19, it is estimated that the composite epoxy copper foil substrate CEM-1 in 2020 will grow slowly.

### (3) High Performance Materials

#### A. Special materials

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

#### B. Special coating

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

#### C. Organic silicone materials

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

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

### (1) Resins materials

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

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

(2) Electronic materials

A. Photoresist materials

The upstream materials of photoresist dry films are mainly composed of optical polyester films, polyethylene films, resins and photoinitiators. The downstream materials of photoresist dry films are mainly PCB, FPC and packaging substrates.

B. Prism film

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

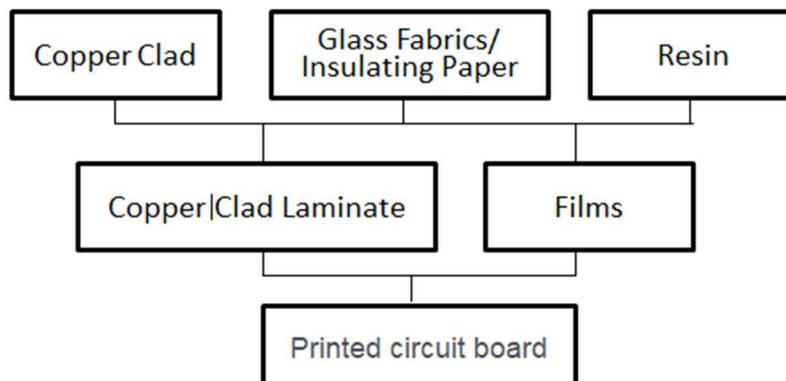
Upstream materials:

PET: Yihua Toray Polyester Film Co., Ltd. and Chinese manufacturers, such as Fuwei Films (Shandong) Co., Ltd., Hefei Lucky Science & Technology Industry Co., Ltd., and Zhejiang Nanyang Technology Co., Ltd., UV glue is dispensed by the Company or purchased from Mainland China.

Downstream customers:

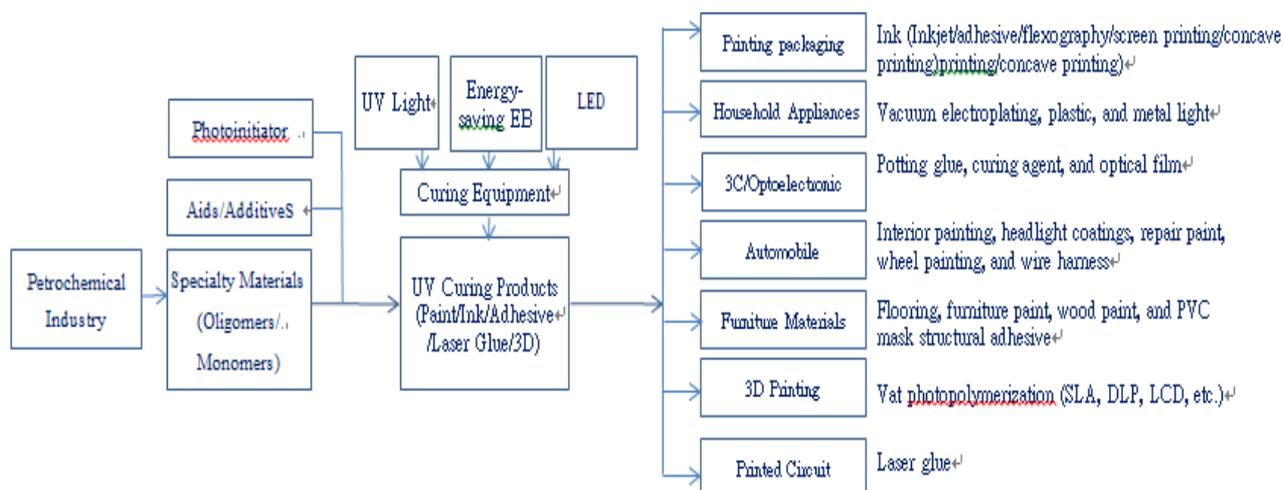
The direct customers are cutting plants, which will then forward products to television brands or assembly plants.

C. Circuit substrate



### (3) High Performance Materials

#### A. Special materials and coatings



#### B. Organic silicone materials

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

### 3. Product Development Trends

#### (1) Resins materials

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

##### 1) General resin

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

##### 2) Coating resin

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

##### B. Unsaturated polyester resin

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

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

- 2) High-solids, low-VOC resin:  
In the 21st century when the awareness of environmental protection and the requirements for occupational safety and health are high, developing high-solids, low-VOC resins that are used to reduce the usage and evaporation of styrene monomer, as well as to maintain the quality of the working environment has become a global trend.
- 3) Composite materials are widely used in the highly demanding flame-retardant applications:  
Flame retardant materials are used to slow down the burning process or minimize the likelihood of a fire. Therefore, demanding flame-retardant resins for building materials and transportation are developed to meet market demand.

(2) Electronic materials

A. Photoresist materials

- 1) Dry film photoresist is mainly applied to the production of PCB. Different PCB electronics have different requirements for dry film photoresist, which are divided into the following:  
PWB for general PC, communications, automotive, and other consumer electronics: Mainly for multi-layer boards, this type of dry film photoresist is applied to different internal and external processes. In recent years, due to the development of internet, electric vehicles and 5G application, the demand for dry film photoresist for automotive and communication will continue to grow in the next five years.  
Mobile phones and some notebooks: As the smart phone market drives the rapid development of HDI/AnyLayer process, there is a growing demand for high-resolution dry film photoresists. In addition to high-resolution dry film photoresists, LDI-specific dry film with low exposure and high throughput will be the focus of future development.  
Semiconductor packaging substrates: Most of the processes followed Japanese process technology in early days, so many direct and indirect materials were imported directly from Japan. In recent years, with the continuous efforts made by Taiwan's packaging and IC substrate manufacturers, most of the current processes have been directly developed by domestic manufacturers. High-resolution dry film photoresists for ball grid array packages and wafer-sized packages will also be the focus of future development.  
Other dry film photoresists for special uses, such as dry film used in electroplating or special dry and wet etching and FanOutWLCSP, thick film for special processes.

2) Prism film

For market segmentation, South Korean manufacturers provide laminates (consisting of multiple optical films) for South Korean TV brands. In 2020, the development trends of TV will continue to be high resolution (8K), high color saturation (quantum dots or panels), and large sizes.

#### B. Circuit substrate

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

#### (3) High Performance Materials

Featuring high-solids (100%), fast hardening (in seconds), and solvent contamination-free, UV light curing coatings have advantages of environmental protection, energy conservation, and efficient production. The growth rate of UV light curing coatings remains about 5% in the global market. The average growth rate of UV light curing coatings in emerging markets, such as India and Southeast Asia, is more than 10%, making them the main regions for sustainable development and expansion in the future. As the world's major market for LED lighting and LCDs, China is growing at a rate of more than 10% per year with the strong demand for diffusing agents, in addition to the new demand from 5G industry, driving the continued growth of PSQ microspheres. Due to the high growth of UV light curing coatings, it has attracted more competitors to expand production. In 2019, UV light curing coatings still showed oversupply in the global market.

#### 4. Competition

##### (1) Resins materials

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

The major competitors and their main products are as follows:

The Company	General resin, coating resin, unsaturated polyester resin, photoresist, circuit substrate, prism film, UV light curing materials, epoxy resin packaging materials, and liquid packaging materials
Qualipoly hemical Corporation	UV light curing materials, unsaturated polyester resin, coating resin, PU resin, and casting resin
Headway Group	Coating resin, leather resin, adhesive, hardener, polyol resin, ink resin, water-based PU resin, and anti-static resin
Daily Polymer Corporation	Coating resin, alkyd resin, textile resin, unsaturated polyester resin, and LCD materials
Young Shun Chemical Co., Ltd.	Unsaturated polyester resin, polyester polyol resin, and alkyd resin
Lidye Chemical Co., Ltd.	PU polymer resin, polymer emulsion (synthetic leather, insulation foam, textiles use), polymer resin for ink, and polymer resin for coating (automobile, 3C product, and special construction)

Quick Stick Enterprise Co, Ltd.	Adhesive tape, double-sided tape adhesive, self-adhesive label glue, glue for protection laminating tape, advertising stickers, and self-adhesive glue for shoes
Asia Titan Chemical Co., Ltd.	Electronic tape, conductive glue, thermal adhesive, temperature-sensitive glue, optoelectronic glue, acetate cloth tape, flame-retardant glue, and anti-static adhesive
BASF	Coating resin, acrylic resin, and unsaturated polyester resin
ALLNEX	Coating resin, acrylic resin, and amino resin
Sumei Chemical Co., Ltd.	Water/oil-based pressure-sensitive adhesive, vinyl acetate coating, and curing hot-melt pressure-sensitive adhesive
Covestro Taiwan	Polyurethane material and system, thermoplastic polyurethane, polycarbonate and polycarbonate blends, coating, adhesive and medical polymer, textile coating, elastomers, and cosmetic materials
Dow Chemical Company	Special polymer, adhesive, coating, water-based flooring and protection coating, and personal care products

(2) Electronic materials

A. Photoresist materials

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

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

2) Prism film

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

## B. Circuit substrate

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

### (3) High Performance Materials

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

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

## (III) Overview of Technologies and Research and Development

### 1. Expenditures on Research and Development

In 2019, the expenditures on research and development amounted to NT\$1,368 million.

As of March 31, 2020, the expenditures on research and development have reached NT\$291 million.

### 2. Results of Research and Development in 2019

- (1) Membrane detection enzyme
- (2) Blood test enzyme
- (3) Silicone elastic microspheres
- (4) LCD 3D printing materials
- (5) Environmentally friendly CTP rinse-free photosensitive plate
- (6) Water-based photocurable resin for 3C plastic parts
- (7) Special polyester polyol for polyurethane hot melt adhesive
- (8) Acrylic PSA glue for polarizer protective stickers
- (9) Profile coated reactive polyurethane hot melt adhesive
- (10) Application technology of waterborne acrylic polyol dispersion in industrial baking paint

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

### 1. Long-term Business Development Plans

#### (1) Resins materials

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

- 1) Increasing R&D manpower and developing high value-added products.
- 2) Tapping into new industries, such as steel, solar power, and functional textile.

- 3) Cooperating with international major coating manufacturers to secure the Company's position as the key supplier and strategic partner in Asia.
- 4) Integrating polymer synthesis technology and strengthening the development of new process technologies, applications, and products.
- B. Unsaturated polyester resin
  - 1) Developing chemical materials required for the production of FRP composites.
  - 2) Developing high-end resin for carbon fiber reinforced plastics (CFRP) and derivative heterogeneous composite.
  - 3) Supplying raw materials required for composites as a world-class manufacturer and supplier in Asia.
- (2) Electronic materials
  - A. Photoresist and prism film
    - 1) Forming strategic alliances to develop markets in Japan and South Korea.
    - 2) Expanding the application of vacuum laminating machines to substrate packaging, passive components, flexible PCBs, and semiconductors.
    - 3) Maintaining the existing OEM customers and expanding the application of precision coating processing.
    - 4) Improving the production capacity of precision coatings to meet customers' needs.
    - 5) Cooperation with Chinese PET manufacturers in the development of diffuser film, and brightness enhancement film.
  - B. Circuit substrate
    - 1) Fully controlling changes in raw materials to stabilize the source of raw materials.
    - 2) Layout of hard and soft board electronic materials certification.
    - 3) Gradually plan to expand production capacity and increase product size to meet customer needs
    - 4) Seeking for opportunities for OEM to build a foundation for future growth.
- (3) High Performance Materials
  - 1) Developing eco-friendly products, high-end products, and high value-added products.
  - 2) Developing new core technologies to achieve the diversification of business.
  - 3) Strengthening the development and application of products for emerging industries.
  - 4) Develop new industries in UV hot melt adhesives, UV pressure-sensitive adhesive materials, water-based UV materials, LED curing industries, and actively expand to non-UV applications and other fields.
  - 5) Developing high-value silicon materials
2. Short-term Business Development Plans
  - (1) Resins materials
    - A. General resin and coating resin

- 1) Strengthening the development of Southeast Asian and South Asian markets in response to the advantages of production as a result of the construction of a new plant in Malaysia, and expand to countries with tariff advantages.
  - 2) Adjusting market prices in line with the changes in raw materials and exchange rates and expanding the market in Japan. Promoting high-end new products in Japan.
  - 3) Strengthening the development and sales of water-based, low-VOC and low-odor products, high-solids fluorocarbon, and hardener-free oil-based acrylic acid.
- B. Unsaturated polyester resin
- 1) Promoting unsaturated polyester resin and vinyl resin worldwide.
  - 2) Establishing and expanding operations in Southeast Asia in response to the construction of a new plant in Malaysia.
  - 3) Strengthening the development and sales of niche-based (mechanical molding/eco-friendly) resins.
- (2) Electronic materials
- A. Photoresist and prism film
- 1) Increasing market share in niche markets (such as DF, DFMS, and PIC/PSPI for LDI, HDI, FPC, IC substrate, and WLP processes).
  - 2) Strengthening the production and sales in Mainland China in response to the trend of market growth.
  - 3) Controlling the source of key materials to keep the cost of materials under control.
- B. Circuit substrate
- 1) Developing markets, such as Southeast Asia, India, and Turkey.
  - 2) Increasing the number of new customers.
  - 3) Expanding the applications of products.
  - 4) Adding the certification of new electronic plants.
- (3) High Performance Materials
- 1) Developing markets, such as Japan, South Korea, India, and Southeast Asia.
  - 2) Strengthen the expansion of overseas markets, such as Middle East, Europe, and South America.
  - 3) Integrating the technological resources of business units and enhancing the proportion of sales of high-value products.
  - 4) Promoting plastic adhesives and UV water-based materials, and expanding market share in traditional industries, such as plastic, wood, and ink.
  - 5) Securing the long-term customer relations with a full range of products and services.
  - 6) Adjusting the product structure of silicon materials and increasing the proportion of high value-added products. Increase sales of PSQ microspheres in the export market, especially in Japan and South Korea

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

### (I) Market Analysis

#### 1. Sales Territories of Main Products

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

Unit: Thousand NT\$

Sales Territory	2018		2019	
	Amount	%	Amount	%
Taiwan	4,594,316	11	4,509,800	11
Mainland China	26,824,127	62	24,584,451	61
Others	11,881,712	27	11,268,987	28
Total	43,300,155	100	40,363,238	100

## 2. Main Competitors and Market Share

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

The Company's global market share is as follows:

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

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

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

### (1) Resins materials

Synthetic resin is a midstream and downstream material in the petrochemical industry and an upstream material for daily necessities. The growth of demand can be expected according to the global population forecast. To accelerate the momentum of growth and realize the short-term and long-term business development plans, the Company will strengthen the integration of core technologies, develop special polymer synthesis technology and precision coating technology, and apply customized adhesives and special tapes to automotive, LCD, LED, and solar power industries; in addition, the Company will develop polyester polyol, acrylic acid, water-based PU, and wet-curing PU adhesives and accelerate the development of eco-friendly products, such as water-based anti-corrosive paint, water-based box paint, and water-based wood paint. To keep products competitive and distinctive, the Company will develop high-performance products, such as anti-corrosive, weather-resistant, insulation, and self-cleaning products. With the increasing control over VOCs and hazardous goods, the Company will continue to develop green products.

### (2) Electronic materials

Dry film photoresist and related chemical products: The demand for PCBs increases as portable electronics, information, home appliance, communications, and automotive electronics industries continue to grow every year. Important production bases around the world have been moved to

Asia and Greater China, making Taiwan and China the important bases for production and sales. The Company has secured its market presence in Taiwan and China with market share increasing year by year. In 2019, market share of dry film photoresist reached 34% worldwide.

Prism film: Top two suppliers are LGE and Exciton Technology, with market share accounting for about 60%. The demand is mainly Chinese factories, and the quality and price are market-oriented. The growth of large-size OLED panels is slow, and the light-gathering film is still the demand of the LCD industry in the short term. In 2018, the Company re-established a joint venture in China and has been partially completed in the Q2 2019. Trial production and customer certification began in the second half of 2019. Widespread promotion will be conducted in 2020.

Due to the slowdown in demand for most end products, PrisMark estimated the growth rate of the global output value of PCBs at about 4% in 2020. In terms of new product trends, high-frequency, high-speed HDI, FPC and ultra-fine line, multi-layer, and thin coreless IC substrate and FCBGA Carrier Board for Server for 5G wireless communications and platforms will become the main driving force for future growth. In addition to seeking for the quantitative growth, the Company will continuously develop new products for different niche markets to ensure the quality and profitability.

(3) High Performance Materials

Featuring high-solids (100%), fast hardening (in seconds), and solvent contamination-free, UV light curing coatings have advantages of environmental protection, energy conservation, and efficient production. The growth rate of UV light curing coatings remains at 5%. The average growth rate of UV light curing coatings in emerging markets, such as Brazil, Russia, India and Southeast Asia, is more than 10%, making them the main regions for sustainable development and expansion in the future. As the world's major market for LED lighting and LCDs, China is growing at a rate of more than 10% per year with the strong demand for diffusing agents, in addition to the new demand from 5G industry, driving the continued growth of PSQ microspheres. Due to the high growth of UV light curing coatings, it has attracted more competitors to expand production. In 2019, UV light curing coatings still showed oversupply in the global market. In response to an increasingly competitive environment, the Company has been committed to increasing the proportion of sales of high value-added products, reducing the production costs, and developing new industries and applications to secure its long-term competitive advantages and market presence.

4. Positive and Negative Factors for Future Development, and Response Measures

(1) Positive factors

A. The Company has a full range of products covering upstream, midstream, and downstream industries. In addition to integrating key technology, the Company has been developing new business units to facilitate transformation and distribute the negative effect of a single industry's downturn.

B. The Company has sound production facilities and operations, cost advantages, and good reputation for management both in Taiwan and

China. In response to the construction of a new plant in Malaysia, the Company can further strengthen its market presence in Asia-Pacific, ASEAN, South Asia, and India.

- C. Products are exported to Asia, Europe, America, Africa, and Oceania. With the global network and a sound industry chain, the Company has forged strategic alliances with internationally renowned companies at a regional and global level. The Company has also established production bases in line with the needs of key accounts and markets to strengthen the strategic cooperation.
- D. The Company focuses on the products with a higher price-performance ratio, accelerates the development of new industries, products, and process technologies, and strengthens the development of emerging markets worldwide to improve competitiveness, market share, and revenue and profitability.
- E. The scale of business continues to grow, along with the market leadership. The quality of products remains competitive; the capacity for research and development of new products has been constantly strengthened. With the integration and development of core technologies, the Company plans to tap into high value-added products, such as specialty chemicals and key materials for mainstream industries.
- F. The Company continues to accelerate the establishment of the ERP Core Network by material integration, strategic investments, and mergers and acquisitions and through the long-term development of human resources to expand its presence in Taiwan, Asia and the world.

(2) Negative factors

- A. Drastic changes in raw materials can affect the Company's operations and profitability. As a result, the Company has integrated raw materials and sourced from international major suppliers to strengthen its bargaining power. In terms of sales, the Company controls changes in the prices of raw materials at any time and adjusts the sales strategy in a timely manner.
- B. The Chinese market, which has a relatively high revenue, has slowed down due to the influence of the China-US trade and the new coronavirus pneumonia (COVID-19) and other factors. The new plant increased production to reduce its dependence on the Chinese market.
- C. Some customers in downstream industries relocating to China and Southeast Asia have sourced from local suppliers, or plants need to be set up overseas to serve customers due to high tariffs.
- D. The VAT rate of the manufacturing industry in China has dropped from 16% to 13%, increasing export rebate; due to an economic slowdown in China, regional competition may increase.

(II) Usage and Manufacturing Processes for Main Products

1. Usage

- (1) Coating resin: Water-based and oil-based coating for construction, wood coating, PU coating, coiled steel and can coating, automotive refinish coating, and solar power materials.

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

## 2. Manufacturing Processes

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

### (III) Supply of Main Materials

Main Material	Source of Supply	State of Supply
SM - Styrene	Formosa Chemicals & Fibre Corporation, Taiwan Styrene Monomer Corporation, Grand Pacific Petrochemical Corporation, and Mainland China	Good
MPA - Phthalic Anhydride	UPC Technology Corporation, Nan Ya Plastics Corporation, and Mainland China	Good
AA - Acrylic	Formosa Plastics Corporation, Mainland China, Malaysia, and Japan	Good

Xylene	Hongyang Enterprise, Chi Mei Trading Co., Ltd., and Mainland China	Good
Polyester Film	Japan, Mainland China, and South Korea	Good
Methacrylate Monomer	Formosa Plastics Corporation, Kaohsiung Monomer Company, Nippon Shokubai Co., Ltd., Evonik Taiwan, and Mainland China	Good
MA - Maleic Anhydride	EXCEL Chemical Corporation, Nan Ya Plastics Corporation, Prosperity Dielectrics Co., Ltd., and Mainland China	Good
MPG - Propylene Glycol	Dow Chemical Company, Shell, LyondellBasell Industries, and Mainland China	Good
PENTA - Pentaerythritol	LCY Chemical Corporation and Mainland China	Good
AA - Adipic Acid	Mainland China, Japan AKC, Europe RADICI	Good

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

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

Unit: Thousand NT\$

Item	2018				2019				1Q of 2020			
	Name	Amount	Percentage of Total Procurement in the Year	Relationship with the Issuer	Name	Amount	Percentage of Total Procurement in the Year	Relationship with the Issuer	Name	Amount	Percentage of Total Procurement in the First Quarter of the Year	Relationship with the Issuer
1	Supplier A	2,628,176	9%	None	Supplier A	2,825,286	11%	None	Supplier A	961,813	15%	None
	Others	27,418,950	91%	None	Others	23,104,584	89%	None	Others	5,317,730	85%	None
	Net procurement amount	30,047,126	100%	-	Net procurement amount	25,929,870	100%	-	Net procurement amount	6,279,543	100%	-

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

(V) Production Volume for the Most Recent Two Years

Unit: Thousand NT\$

Major Product	Year	2018			2019		
		Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Resins materials (ton)		601,031	440,663	19,945,547	589,811	430,726	16,227,213
Electronic Materials (KFT2)		5,456,140	4,550,819	8,575,258	5,928,114	4,246,246	7,733,633
High Performance Materials (ton)		93,374	60,744	5,776,895	101,201	67,052	5,787,674
Others (others)		-	-	4,239	-	-	2,482
Total				34,301,939			29,751,002

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

Unit: Thousand NT\$

Primary commodity	2018		2019		2018		2019	
	Domestic Sales		Export		Domestic Sales		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Resins materials (ton)	48,487	2,679,168	359,384	20,347,453	47,365	2,579,116	345,939	18,276,772
Electronic Materials (KFT2)	516,462	1,103,369	4,082,289	10,602,155	503,360	1,084,457	3,815,062	9,415,152
Electronic Materials (Others)	-	13,653	-	1,409,602	-	52,165	-	1,751,059
High Performance Materials (ton)	5,557	748,480	52,677	6,342,825	6,156	769,845	55,843	6,306,028
Others (others)	-	49,646	-	3,804	-	24,217	-	104,427
Total		4,594,316		38,705,839		4,509,800		35,853,438

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

## III. Number of Employees Employed

Year		2018	2019	Current fiscal year up to March 31, 2020
No. of employees (Note)	Direct labor	1,168	1,203	1,168
	Indirect labor	3,604	3,587	3,599
	Total	4,772	4,790	4,767
Average Age		38.46	38.59	38.39
Average Year of Services		10.03	10.15	10.45
Distribution Ratio of Education	Doctor	2.04%	1.92%	1.91%
	Master	12.70%	12.21%	12.40%
	Bachelor (University)	33.03%	34.18%	34.34%
	Bachelor (College)	16.92%	16.58%	16.61%
	Senior High School or Below	35.31%	35.11%	34.74%

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

#### IV. Disbursements for Environmental Protection

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

1. In April 2019, Eternal Chemical (Tianjin) Co., Ltd. paid a fine of RMB30,000 for violation of the Regulation of the People's Republic of China on the Safety Management of Hazardous Chemicals.
2. In May 2019, Eternal Synthetic Resins (Changshu) Co., Ltd. paid a fine of RMB50,000 for violation of the Regulation of the People's Republic of China on the Safety Management of Hazardous Chemicals.
3. In May 2019, Luzhu Plant of Eternal Materials Co., Ltd. paid a fine of NT\$100,000 for violation of the Law of the People's Republic of China on the Prevention and Control of Air Pollution.
4. In November 2019, Luzhu Plant of Eternal Materials Co., Ltd. paid a fine of NT\$100,000 for violation of the Law of the People's Republic of China on the Prevention and Control of Air Pollution.
5. In December 2019, Dafa Plant of Eternal Materials Co., Ltd. paid a fine of NT\$100,000 for violation of the Law of the People's Republic of China on the Prevention and Control of Air Pollution.

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

In compliance with the government's environmental regulations and self-regulation requirements, safety and environmental expenditures include the operation and maintenance of pollution prevention equipment, waste treatment, environmental monitoring and training. To the extent of technological feasibility, the Company will budget for purchase and replacement of related equipment. In 2020, the Company expects to invest NT\$561,953 thousand in reducing emissions, improving the efficiency of energy and resources, and strengthening production safety.

#### V. Labor Relations

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

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

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

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

1. Continuing Education and Training on Corporate Governance for Managerial Officers in 2019

Title	Name	Date of Training	Organizer	Course Name	Training Hour
Vice President	Chen, Chin-Yuan	July 11, 2019	Accounting Research and Development Foundation	Analysis of Legal Responsibility of Enterprises Signing "Business Contract": Review, Negotiation and Dispute Resolution	3.0
Vice President	Chen, Chin-Yuan	July 11, 2019	Accounting Research and Development Foundation	The impact of the latest major income tax and business tax changes on business operations	3.0
Assistant Vice President	Yeh, Mao-Jung	April 30, 2019	SR Business Department SR Technology Department	Lectures on Innovative Materials - Application of Ion Exchange Membranes and Hydrogen Fuel Cells	3.0
Assistant Vice President	Su, Wen-Pin	October 9, 2019	Department of Information Management	Personal Information and Information Security Promotion (Supervisor)	2.0
Assistant Vice President	Weng, Chin-Yi	April 30, 2019	Synthetic Resin Division Headquarters Synthetic Resin Production Division Technical Department	Lectures on Innovative Materials - Application of Ion Exchange Membranes and Hydrogen Fuel Cells	3.0
Accounting Manager	Su, Hui-Fang	April 24, 2019	Accounting Research and Development Foundation	Analysis of International Financial Reporting Standards No. 16 "Lease" (IFRS16)	3.0
Accounting Manager	Su, Hui-Fang	April 26, 2019	Accounting Research and Development Foundation	Fiscal and tax thinking of Taiwanese companies transferring production capacity to other countries	3.0
Accounting Manager	Su, Hui-Fang	May 24, 2019	Accounting Research and Development Foundation	The impact of the latest major income tax and business tax changes on business operations	3.0
Accounting Manager	Su, Hui-Fang	June 20, 2019	Accounting Research and Development Foundation	Discussion on the Application of "Commercial Judgment Rule" and Legal Responsibility in Economic Crime	3.0

Note: For continuous education of Corporate Governance Supervisor, please refer to item 4 of (III) State of Operations of Corporate Governance, Any Departure from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and the Reason for Such Departure

2. Continuing Education and Training for Employees

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

Company has established related training regulations and makes and implements training plans on a yearly basis.

Training expenses in 2019 are as follows:

Unit: NT\$

Company	Training Expense	Percentage (%)
Head Office	5,740,655	42%
Subsidiaries in Mainland China	6,790,171	50%
Subsidiaries in Other Regions	1,183,982	8%
Total	13,714,808	100%

3. Certificates Obtained by Persons in Charge of Financial Information Transparency per Regulators' Request in 2019:

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

4. Code of Conduct or Code of Ethics

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

- (1) Ethical Corporate Management Principles  
To develop a sound structure of business operations and fulfill the corporate culture of compliance, trust, and integrity.
- (2) Corporate Governance Regulations  
To develop a sound corporate governance system that ensures the rights and interests of shareholders, enhances the functions of the Board of Directors, and fulfills corporate social responsibility.
- (3) Management Rules for Internal Material Information Handling and Insider Trading Prevention  
To develop an internal material information handling and disclosure system that prevents the improper leak or use of information and ensures the consistence and correctness of information disclosure.
- (4) Regulations Governing Trade Secrets and Intellectual Property Rights  
Trade secrets are the intellectual property of the Company. The regulations are established to protect trade secrets from leakage or disclosure, maintain competitiveness of the Company, and manage intellectual property rights in a proper manner.
- (5) Personal Information Protection Regulations

To comply with and implement the regulations relating to personal information protection and ensure that the collection, processing, and use of personal information is properly protected and managed.

- (6) Regulations Governing Safety and Health and Environmental Protection  
The regulations define the overall principle of safety, health, and environmental requirements and the scope of safety, health, and environmental management, providing the guidelines for the structure of safety, health, and environmental management.
- (7) Procedures for Workplace Grievances  
To provide employees a work environment free of violation and avoid any physical and mental abuse during the performance of duties; the procedures also define the preventive, corrective, and disciplinary action and response measures against sexual harassment to protect the rights and privacy of parties concerned.
- (8) Regulations Governing Rewards and Punishments  
To regulate the rewards and punishments for employees' conduct.

(II) Losses Arising from Labor Disputes in the Most Recent Year up to the Date of Publication of the Annual Report, Estimated Amount of Losses, and Response Measures: None.

## VI. Important Contracts

Nature of Contract	Contracting Party	Commencement Date and Expiration Date	Major Content	Restrictive Clause
Supply Contract	Grand Pacific Petrochemical Corporation	2020.01.01-2020.12.31	Supply of raw materials	None
	Formosa Chemicals & Fibre Corporation	2020.01.01-2020.12.31		None
	Taiwan Styrene Monomer Corporation	2020.01.01-2020.12.31		None
	Kunshan Juchuan Chemical Co., Ltd. (Note 1)	2020.02.01-2021.01.31		None
	Wanhua Petrochemical (Yantai) Co., Ltd. (Note 1)	2020.01.01-2021.12.31		None
	Formosa Industries (Ningbo) Co., Ltd. (Note 1)	2020.01.01-2020.12.31		None
	Kunshan Juchuan Chemical Co., Ltd. (Note 2)	2020.01.01-2020.12.31		None
	Methyl Trading (Shanghai) Co., Ltd.	2020.01.01-2020.12.31		None
	Sinochem Petrochemical Distribution Co., Ltd. (Note 3)	2020.02.01-2021.01.31		None
	Wanhua Petrochemical (Yantai) Co., Ltd. (Note 3)	2020.01.01-2022.12.31		None
	Nantong Chemical & Light Industry Co., Ltd. (Note 3)	2020.03.01-2021.02.28		None
Syndicated Loan	Syndicate banks, including E.SUN Commercial Bank	2018.07.11~2023.05.16	Repayment of financial institution loans and replenishment of working capital	None
	Syndicate banks, including Taipei Fubon Bank	2015.08.20~2020.08.20	Improvement in financial structure and replenishment of working capital	None

	Syndicate banks, including Taipei Fubon Bank (Note 4)	2018.08.23~2022.08.23	Repayment of financial institution loans and replenishment of working capital	None
	Syndicate banks, including BNP Paribas Malaysia Berhad (Note 5)	2016.08.05~2020.01.31	Capital investment in factory	None
	Bank of Taiwan and other syndicated banks	2019.11.06~2024.11.06	Corporate bond guarantee	None
	Syndicate banks, including BNP Paribas Malaysia Berhad (Note 5)	2020.01.06~2025.01.06	Repayment of financial institution loans	None
Loan Contract	Syndicate banks, including First Commercial Bank	2005.08.17~2023.10.02	Repayment of financial institution loans and replenishment of working capital	None

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

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

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

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

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

## VII. Work Environment and Personal Safety Protection Measures

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

#### 1. Safety and Health Policy

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

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

##### (1) OHSAS 18001: 2007 Occupational Safety and Health Management System

Original verification date: January 7, 2009

Certificate validity period: January 6, 2021

##### (2) CNS15506:2011 Taiwan Occupational Safety and Health Management System

Original verification date: January 7, 2009

Certificate validity period: January 4, 2021

##### (3) ISO 14001:2015 Environmental Management System

Original verification date: July 23, 1999

Certificate validity period: July 23, 2020

##### (4) ISO 5001:2011 Energy Management System

Original verification date: November 21, 2017

Certificate validity period: November 20, 2020

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

3. Risk Assessment and Countermeasure  
The Company conducts hazard identification and risk assessment, makes EHS management plans or controls based on the requirements for work safety, and reports the results of assessment to the safety and health review meetings for review.
4. Disaster Reduction  
To promote safety in the work environment and minimize the incidence of occupational disasters, the Company encourages employees to improve hazardous factors in the work environment on their own initiative by proposing for improvement and reporting disaster-free working hours.
5. Monitoring of Operating Environment  
According to the Regulation Governing the Implementation of Environmental Monitoring, the Company has entrusted qualified environmental monitoring institutions to test for physical factors in the work environment and the compliance. Any abnormalities found in the test will be corrected to protect the health of employees.
6. Health Care and Management  
According to the Regulations of the Labor Health Protection, the Company organizes health examinations for general operations and special hazard operations, including chest X-ray, blood pressure, abdominal ultrasound, urine, and blood test. The Company also analyzes the results of health examinations and provides health promotion activities for employees with hypertension, hyperlipidemia, hyperglycemia, and abnormal body mass. For employees working in special hazard operations, such as noise, organic solvents, and specific chemicals, additional examination items will be provided, and the employees will be graded for health management based on the results of special health examinations. For employees overloaded with work or human factors engineering and female employees, health evaluation and protection are provided to avoid the incidence of cardiovascular diseases, musculoskeletal injuries, and harm to babies. On-site physicians are also employed to give follow-up checks and medical advice.

(II) Control over Work Safety

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

against unacceptable risks.

7. In addition to external audits, the Industrial Safety & Environmental Protection Department organizes safety and health audits of the environment, equipment, and operations on a regular basis to ensure the compliance with operating procedures and work safety.

## Chapter 6 Overview of Financial Status

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

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

Unit: Thousand NT\$

Item		Year (Note 1)	Financial Information for the Most Recent Five Years					As of March 31, 2020
			2015	2016	2017	2018	2019	
Current assets			28,929,485	30,440,271	33,149,934	30,666,571	30,227,516	29,257,507
Property, plant and equipment			16,149,813	17,263,366	18,466,249	18,792,384	17,435,546	16,924,714
Intangible assets			49,428	38,266	318,014	385,279	343,782	402,477
Other assets			3,988,950	4,060,153	4,531,308	4,516,045	5,789,885	5,989,444
Total assets			49,117,676	51,802,056	56,465,505	54,360,279	53,796,729	52,574,142
Current liabilities	Before distribution		9,533,629	13,416,662	18,124,943	14,482,801	15,828,650	13,737,375
	After distribution		11,066,883	15,072,576	18,704,513	15,599,053	Note 2	Note 2
Non-current liabilities			17,196,292	17,146,165	17,272,451	18,252,309	16,048,344	16,953,614
Total liabilities	Before distribution		26,729,921	30,562,827	35,397,394	32,735,110	31,876,994	30,690,989
	After distribution		28,263,175	32,218,741	35,976,964	33,851,362	Note 2	Note 2
Equity attributable to owners of the parent company			21,865,027	20,692,420	20,506,760	21,003,079	21,415,337	21,398,644
Ordinary shares			10,221,690	11,039,425	11,591,397	12,402,795	12,402,795	12,402,795
Capital reserve			359,884	359,900	359,900	356,046	356,046	356,046
Retained earnings	Before distribution		8,691,967	8,868,023	8,497,081	8,755,131	10,099,185	10,310,924
	After distribution		6,340,978	6,660,137	7,106,113	7,638,879	Note 2	Note 2
Other equity			2,591,486	425,072	58,382	(510,893)	(1,442,689)	(1,671,121)
Treasury stock			0	0	0	0	0	0
Non-controlling interests			522,728	546,809	561,351	622,090	504,398	484,509
Total equity	Before distribution		22,387,755	21,239,229	21,068,111	21,625,169	21,919,735	21,883,153
	After distribution		20,854,501	19,583,315	20,488,541	20,508,917	Note 2	Note 2

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

Note 2: The 2019 earnings distribution is yet to be resolved in the shareholders' meeting.

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

Unit: Thousand NT\$

Item \ Year (Note)	Financial Information for the Most Recent Five Years					As of March 31, 2020
	2015	2016	2017	2018	2019	
Operating revenue	38,486,943	38,679,640	41,551,117	43,300,155	40,363,238	7,629,515
Operating gross profit	8,746,889	8,582,499	7,438,276	7,279,839	7,856,953	1,621,950
Operating profit or loss	3,397,427	3,129,593	1,861,551	1,813,005	2,335,050	311,600
Non-operating income and expenses	93,693	62,718	409,058	50,966	578,881	(61,212)
Net profit before tax	3,491,120	3,192,311	2,270,609	1,863,971	2,913,931	250,388
Net income from continuing operation	2,872,776	2,606,155	1,864,100	1,492,323	2,428,081	203,445
Loss from discontinued departments	0	0	0	0	0	0
Net profit (loss)	2,872,776	2,606,155	1,864,100	1,492,323	2,428,081	203,445
Other comprehensive income (loss) in this period (net income after tax)	(654,615)	(2,313,351)	(494,191)	(600,017)	(945,873)	(239,881)
Total comprehensive income	2,218,161	292,804	1,369,909	892,306	1,482,208	(36,436)
Net profit attributable to owners of the parent company	2,871,636	2,626,384	1,909,634	1,550,515	2,466,356	211,739
Net profit attributable to non-controlling interests	1,140	(20,229)	(45,534)	(58,192)	(38,275)	(8,294)
Total comprehensive income attributable to owners of the parent company	2,229,465	357,343	1,416,409	952,243	1,531,715	(16,693)
Total comprehensive income attributable to non-controlling interests	(11,304)	(64,539)	(46,500)	(59,937)	(49,507)	(19,743)
Earnings per share (NT\$)	2.60	2.27	1.54	1.25	1.99	0.17

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

## (III) Condensed Balance Sheet - Standalone

Unit: Thousand NT\$

Item \ Year (Note 1)		Financial Information for the Most Recent Five Years				
		2015	2016	2017	2018	2019
Current assets		7,628,781	8,073,286	8,649,017	7,847,541	7,114,450
Property, plant and equipment		5,516,439	5,639,478	5,909,844	6,034,560	6,184,393
Intangible assets		3,827	7,744	7,779	89,365	88,005
Other assets		28,380,877	27,958,658	29,823,490	29,612,160	29,569,146
Total assets		41,529,924	41,679,166	44,390,130	43,583,626	42,955,994
Current liabilities	Before distribution	4,810,135	6,861,704	8,209,256	7,720,218	7,006,246
	After distribution	6,343,389	8,517,618	8,788,826	8,836,470	Note 2
Non-current liabilities		14,854,762	14,125,042	15,674,114	14,860,329	14,534,411
Total liabilities	Before distribution	19,664,897	20,986,746	23,883,370	22,580,547	21,540,657
	After distribution	21,198,151	22,642,660	24,462,940	23,696,799	Note 2
Equity attributable to owners of the parent company		N/A	N/A	N/A	N/A	N/A
Ordinary shares		10,221,690	11,039,425	11,591,397	12,402,795	12,402,795
Capital reserve		359,884	359,900	359,900	356,046	356,046
Retained earnings	Before distribution	8,691,967	8,868,023	8,497,081	8,755,131	10,099,185
	After distribution	6,340,978	6,660,137	7,106,113	7,638,879	Note 2
Other equity		2,591,486	425,072	58,382	(510,893)	(1,442,689)
Treasury stock		0	0	0	0	0
Non-controlling interests		N/A	N/A	N/A	N/A	N/A
Total equity	Before distribution	21,865,027	20,692,420	20,506,760	21,003,079	21,415,337
	After distribution	20,331,773	19,036,506	19,927,190	19,886,827	Note 2

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

Note 2: The 2019 earnings distribution is yet to be resolved in the shareholders' meeting.

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

Unit: Thousand NT\$

Item	Year (Note)	Financial Information for the Most Recent Five Years				
		2015	2016	2017	2018	2019
Operating revenue		16,834,193	16,462,702	16,451,548	16,113,899	14,804,018
Operating gross profit		3,457,180	3,516,178	2,785,879	2,296,895	2,639,659
Operating profit or loss		925,002	980,013	304,297	(158,239)	144,187
Non-operating income and expenses		2,261,378	1,830,406	1,686,665	1,670,309	2,411,301
Net profit before tax		3,186,380	2,810,419	1,990,962	1,512,070	2,555,488
Net income from continuing operation		2,871,636	2,626,384	1,909,634	1,550,515	2,466,356
Loss from discontinued departments		0	0	0	0	0
Net profit (loss)		2,871,636	2,626,384	1,909,634	1,550,515	2,466,356
Other comprehensive income (net after tax)		(642,171)	(2,269,041)	(493,225)	(598,272)	(934,641)
Total comprehensive income		2,229,465	357,343	1,416,409	952,243	1,531,715
Net profit attributable to owners of the parent company		N/A	N/A	N/A	N/A	N/A
Net profit attributable to non-controlling interests		N/A	N/A	N/A	N/A	N/A
Total comprehensive income attributable to owners of the parent company		N/A	N/A	N/A	N/A	N/A
Total comprehensive income attributable to non-controlling interests		N/A	N/A	N/A	N/A	N/A
Earnings per share (NT\$)		2.6	2.27	1.54	1.25	1.99

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

## (V) Name and Opinion of CPAs

Year	Accounting Firm	Name of CPA	Opinion
2015	PwC Taiwan	Liu, Tzu-Meng and Chang, Ming-Hui	Unqualified opinion with explanatory language
2016	Deloitte Taiwan	Kuo, Li-Yuan and Kung, Chun-Chi	Unqualified opinion with other matter paragraphs
2017	Deloitte Taiwan	Kuo, Li-Yuan and Kung, Chun-Chi	Unqualified opinion with other matter paragraphs
2018	Deloitte Taiwan	Kuo, Li-Yuan and Kung, Chun-Chi	Unqualified opinion with other matter paragraphs
2019	Deloitte Taiwan	Kuo, Li-Yuan and Kung, Chun-Chi	Unqualified opinion with other matter paragraphs

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

### (I) Financial Analysis - Consolidated

Items for Analysis		Year	Financial Analysis for the Most Recent Five Years					As of March 31, 2020
			2015	2016	2017	2018	2019	
Financial Structure (%)	Debt-asset ratio		54	59	63	60	59	58
	Ratio of long-term capital to property, plant and equipment		245	222	208	212	218	229
Solvency (%)	Current ratio		303	227	183	212	191	213
	Quick ratio		228	170	133	151	140	152
	Interest coverage ratio		12	10	6	4	7	3
Operating Ability	Receivables turnover rate (times)		3.0	3.0	2.9	2.9	2.6	2.1
	Average collection days		122	120	125	128	139	176
	Inventory turnover rate (times)		4.4	4.6	4.6	4.5	4.2	3.2
	Payables turnover rate (times)		11	10	10	11	8	6
	Average days for sale		83	80	79	81	86	113
	Property, plant and equipment turnover rate (times)		3	2	2	2	2	2
	Total asset turnover rate (times)		1	1	1	1	1	1
Profitability	Return on assets (%)		6	6	4	4	5	2
	Return on equity (%)		13	12	9	7	11	4
	Ratio of net profit before tax to paid-in capital (Note 7)		34	29	20	15	23	8
	Profit margin (%)		7	7	4	3	6	3
	Earnings per share (NT\$)		2.60	2.27	1.54	1.25	1.99	0.17
Cash flow	Cash flow ratio (%)		62	21	-3	20	31	9
	Cash flow adequacy ratio (%)		92	90	60	58	67	60
	Cash flow reinvestment ratio (%)		7	2	-4	4	7	2
Leverage	Operating leverage		2	2	3	3	3	4
	Financial leverage		1	1	1	1	1	2

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

1. Reasons for changes in the most recent two years

- (1) Interest coverage ratio: The increase is mainly due to a decrease in raw material prices, an increase in the gross profit margin, and a decrease in interest expenses.
- (2) Receivables turnover rate: The increase is mainly due to the note not being de-booked yet.
- (3) Profitability: The increase is mainly due to a decrease in raw material prices, an increase in the gross profit margin, and profit from sale of land.
- (4) Cash flow ratio and cash flow reinvestment ratio: The increase is mainly due to an increase in net cash flows generated from operating activities.

2. Reasons for changes in 2019 and the first quarter of 2020:

- (1) Interest coverage ratio: The decrease is mainly due to the Chinese New Year and COVID-19.
- (2) Operating ability: The decrease is mainly due to the decrease in operating revenue affected by COVID-19.
- (3) Profitability: The decrease is mainly due to the Chinese New Year and COVID-19.
- (4) Cash flow ratio and cash flow reinvestment ratio: Only calculate the net cash inflow from operating activities.
- (5) Leverage: Mainly due to a low season in the first quarter.

## (II) Financial Analysis - Standalone

Items for Analysis		Year	Financial Analysis for the Most Recent Five Years				
			2015	2016	2017	2018	2019
Financial Structure (%)	Debt-asset ratio	47	50	54	52	50	
	Ratio of long-term capital to property, plant and equipment	666	617	612	594	581	
Solvency (%)	Current ratio	159	118	105	102	102	
	Quick ratio	98	76	66	63	65	
	Interest coverage ratio	17	13	9	6	11	
Operating Ability	Receivables turnover rate (times)	4.6	4.5	4.1	3.9	3.9	
	Average collection days	80	81	89	93	94	
	Inventory turnover rate (times)	4.6	4.6	4.6	4.5	4.4	
	Payables turnover rate (times)	11.1	10.5	9.9	9.5	9.4	
	Average days for sale	79	79	80	81	83	
	Property, plant and equipment turnover rate (times)	3	3	3	3	2	
	Total asset turnover rate (times)	0.4	0.4	0.4	0.4	0.3	
Profitability	Return on assets (%)	8	7	5	4	6	
	Return on equity (%)	13	12	9	7	12	
	Ratio of net profit before tax to paid-in capital (Note 7)	31	25	17	12	21	
	Profit margin (%)	17	16	12	10	17	
	Earnings per share (NT\$)	2.60	2.27	1.54	1.25	1.99	
Cash flow	Cash flow ratio (%)	42	24	6	24	25	
	Cash flow adequacy ratio (%)	84	94	66	64	70	
	Cash flow reinvestment ratio (%)	0	0	-3	3	1	
Leverage	Operating leverage	3	3	8	-12	16	
	Financial leverage	1	1	5	0	-1	

Analysis of financial ratio difference for the last two years (if the increase or decrease is less than 20%, the analysis can be exempted)

1. Interest coverage ratio: The increase is mainly due to a decrease in raw material prices, an increase in the gross profit margin, and a decrease in interest expense.
2. Profitability: The increase is mainly due to a decrease in raw material prices, an increase in the gross profit margin, and profit from sales of land.
3. Cash flow reinvestment ratio: Mainly due to an increase in net cash flows generated from operating activities.
4. Leverage: Mainly due to an increase in the gross profit margin and an increase in the operating profit.

## Calculation formulas:

1. Financial Structure
  - (1) Debt-asset ratio = Total liabilities / Total assets.
  - (2) Ratio of long-term capital to property, plant and equipment = (Total equity + Non-current liabilities) / Net worth of property, plant and equipment.
2. Solvency
  - (1) Current ratio = Current assets / Current liabilities.
  - (2) Quick ratio = (Current assets - Inventories - Prepaid expenses) / Current liabilities.
  - (3) Interest coverage ratio = Earnings before income tax and interest expenses / Current interest expenses.
3. Operating Ability
  - (1) Receivables (including accounts receivable and notes receivable arising from business operations) turnover rate = Net sales / Average receivables (including accounts receivable and notes receivable arising from business operations) for each period.
  - (2) Average collection days = 365 / Receivables turnover rate.
  - (3) Inventory turnover rate = Cost of sales / Average inventory.
  - (4) Payables (including accounts payable and notes payable arising from business operations) turnover rate = Cost of sales / Average payables (including accounts payable and notes payable arising from business operations) for each period.
  - (5) Average days for sale = 365 / Inventory turnover rate.
  - (6) Property, plant and equipment turnover rate = Net sales / Average net worth of property, plant and equipment.
  - (7) Total asset turnover rate = Net sales / Average total assets.
4. Profitability
  - (1) Return on assets = [Net income + Interest expenses (1- tax rate)] / Average total assets.
  - (2) Return on equity = Net income / Average total equity.
  - (3) Profit margin = Net income / Net sales.
  - (4) Earnings per Share = (Income Attributable to Owners of Parent Company – Dividends on Preferred Stock)/Weighted Average Number of Shares Issued.
5. Cash Flow
  - (1) Cash flow ratio = Net cash flow from operating activities / Current liabilities.
  - (2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (Capital expenditures + Inventory increase + Cash dividends) for the most recent five years.
  - (3) Cash flow reinvestment ratio = (Net cash flow from operating activities - Cash dividends) / Gross property, plant and equipment value + Long-term investment + Other non-current assets + Working capital).
6. Leverage
  - (1) Operating leverage = (Net operating revenue - Variable operating costs and expenses) / Operating profit.
  - (2) Financial leverage = Operating profit / (Operating profit - Interest expenses).

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

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

#### Audit Committee's Review Report

Approved

The Company's 2019 business report, earnings distribution, financial statements and consolidated financial statements submitted by the Board of Directors have been reviewed by the Audit Committee, and no irregularities were found. The review report is hereby presented in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Sincerely,

2020 Annual General Meeting

Eternal Materials Co., Ltd.

Convener of the Audit Committee:

March 27, 2020

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

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

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

Very truly yours,

Eternal Materials Co., Ltd.

By

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Kao, Kuo-Lun  
Chairman

March 27, 2020

## **INDEPENDENT AUDITORS' REPORT**

Eternal Materials Co., Ltd.

### **Opinion**

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

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

### **Basis for Opinion**

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

### **Key Audit Matters**

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

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

## Revenue Recognition

### 1. Description

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

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

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

## **Other Matter**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 27, 2020

Notice to Readers

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

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

## Eternal Materials Co., Ltd. and Subsidiaries

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

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

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

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

## Eternal Materials Co., Ltd. and Subsidiaries

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

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

(Continued)

## Eternal Materials Co., Ltd. and Subsidiaries

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

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

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

(Concluded)

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

## Eternal Materials Co., Ltd. and Subsidiaries

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

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

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

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

## Eternal Materials Co., Ltd. and Subsidiaries

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

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

(Continued)

## Eternal Materials Co., Ltd. and Subsidiaries

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

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

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

(Concluded)

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

# Eternal Materials Co., Ltd. and Subsidiaries

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

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### 1. GENERAL INFORMATION

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

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

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

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

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

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

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

#### IFRS 16 "Leases"

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

#### 1) Definition of a lease

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

#### 2) The Company and its subsidiaries as lessee

The Company and its subsidiaries recognize right-of-use assets or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the

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

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

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

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

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

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

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

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

(Continued)

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

3) The Company and its subsidiaries as lessor

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

venture, the gain or loss resulting from the transaction is recognized only to the extent of the Company and its subsidiaries' interest as an unrelated investor in the associate or joint venture, i.e., the Company and its subsidiaries' share of the gain or loss is eliminated.

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

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

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

c. Classification of current and noncurrent assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and

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

Current liabilities include:

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

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

d. Basis of consolidation

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

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

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

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

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

e. Business combinations

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

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

liabilities assumed.

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

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

f. Foreign currencies

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

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

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

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

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

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

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

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

g. Inventories

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

h. Investments in associates and joint ventures

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

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

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

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

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

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

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

the recoverable amount of the investment has subsequently increased.

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

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

i. Property, plant, and equipment

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

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

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

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

j. Investment properties

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

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

Depreciation is recognized using the straight-line method.

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

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

k. Goodwill

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

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

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

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

l. Intangible assets

1) Intangible assets acquired separately

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

2) Intangible assets acquired in a business combination

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

3) Derecognition of intangible assets

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

m. Impairment of tangible and intangible assets other than goodwill

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

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

recognized in profit or loss.

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

n. Non-current assets held for sale

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

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

o. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i Financial assets at FVTPL

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

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

ii Financial assets at amortized cost

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

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

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

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

iii Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

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

c) Derecognition of financial assets

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

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

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

2) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

p. Revenue recognition

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

1) Revenue from the sale of goods

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

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

## 2) Revenue from the rendering of services

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

## q. Leasing

### 2019

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

#### 1) The Company and its subsidiaries as lessor

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

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

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

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

#### 2) The Company and its subsidiaries as lessee

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

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

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

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

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

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

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

## 2018

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

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

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

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

### r. Borrowing costs

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

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

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

s. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

t. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes for the year

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

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

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

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

a. Income taxes

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

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

b. Estimated impairment of accounts receivable

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

c. Write-down of inventories

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

d. Recognition and measurement of defined benefit plans

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

## 6. CASH AND CASH EQUIVALENTS

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

## 7. NOTES AND ACCOUNTS RECEIVABLE

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

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

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

payments over the credit period.

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

December 31, 2019

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

December 31, 2018

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

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

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

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

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

## 8. INVENTORIES

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

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

## 9. NON-CURRENT ASSETS HELD FOR SALE

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

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

## 10. OTHER FINANCIAL ASSETS - CURRENT

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Time deposits with original maturities of more than three months	\$ <u>66,950</u>	\$ <u>241,780</u>

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

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
<u>Non-derivative financial assets</u>		
Mutual fund		
Pacven Walden Ventures V, L.P.	\$ <u>12,483</u>	\$ <u>7,341</u>

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

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
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	22,799	49,643
Unlisted shares		
Grace THW Holdings Limited	164,488	130,624

(Continued)

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Certificate of interest		
Orchard Decorative Materials (China) Co., Ltd.	\$ <u>-</u>	\$ <u>31,215</u>
	<u>187,287</u>	<u>211,482</u>
	<u>\$ 743,309</u>	<u>\$ 716,037</u>
		(Concluded)

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

### 13. SUBSIDIARIES

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

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

(Continued)

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

(Concluded)

- 1) Dissolved in December 2018 after resolution of the shareholders of the subsidiary in its shareholders' meeting. The liquidation process had been completed with the consent of the Taiwan Kaohsiung District Court in August 2019.
- 2) In 2018, the Company subscribed for a cash increase of EUR2,375 thousand (NT\$84,241 thousand) in the subsidiary. The Company and its subsidiaries still own 95% of the equity of the subsidiary after the cash increase.

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

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

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

(Continued)

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

a. Investments accounted for using the equity method

Investments in associates

	<u>December 31</u>	
	2019	2018
Associates that are not individually material	<u>\$ 2,287,302</u>	<u>\$ 2,101,788</u>

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

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

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

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

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

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

Investments in joint ventures

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

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

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

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

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

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

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

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

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

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

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

## 15. PROPERTY, PLANT AND EQUIPMENT

### For the Year Ended December 31, 2019

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

### For the Year Ended December 31, 2018

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

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

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

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

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

## 16. LEASE ARRANGEMENTS

### a. Right-of-use assets - 2019

	<b>December 31, 2019</b>
Carrying amounts	
Land	\$ 893,794
Buildings	88,425
Machinery	26,514
Other equipment	<u>28,446</u>
	<u>\$ 1,037,179</u>
	<b>For the Year Ended December 31, 2019</b>
Additions to right-of-use assets	<u>\$ 97,918</u>
Depreciation charge for right-of-use assets	
Land	\$ 23,993
Buildings	44,952
Machinery	8,406
Other equipment	<u>7,001</u>
	<u>\$ 84,352</u>

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

### b. Lease liabilities - 2019

	<b>December 31, 2019</b>
Carrying amounts	
Current	<u>\$ 45,281</u>
Non-current	<u>\$ 108,755</u>

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

	<b>December 31, 2019</b>
Land	0.93-6.66
Buildings	0.86-5.35
Machinery	1.67-4.40
Other equipment	0.86-5.35

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

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

d. Other lease information

2019

**For the Year  
Ended  
December, 2019**

Expenses relating to short-term and low-value asset leases	<u>\$ 37,699</u>
Total cash outflow for all lease arrangements (including short-term and low-value asset leases)	<u>\$ 100,731</u>

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

## 17. INVESTMENT PROPERTIES

For the Year Ended December 31, 2019

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

(Continued)

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

For the Year Ended December 31, 2018

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

	<b>Land</b>	<b>Land Use Rights</b>	<b>Buildings</b>	<b>Total</b>
Effect of foreign currency exchange differences	\$ _____ -	\$ _____ -	\$ _____ 10	\$ _____ 10
Balance at December 31, 2018	<u>\$ _____ -</u>	<u>\$ _____ 1,900</u>	<u>\$ _____ 108,683</u>	<u>\$ _____ 110,583</u>
Carrying amounts at December 31, 2018	<u>\$ _____ 17,057</u>	<u>\$ _____ 4,690</u>	<u>\$ _____ 30,997</u>	<u>\$ _____ 52,744</u> (Concluded)

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

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

	<b>2019</b>
Year 1	\$ 193,599
Year 2	203,333
Year 3	173,227
Year 4	85,852
Year 5	62,608
Year 6 onwards	<u>222,593</u>
	<u>\$ 941,212</u>

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

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

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

## 18. INTANGIBLE ASSETS

For the Year Ended December 31, 2019

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

(Continued)

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

(Concluded)

### For the Year Ended December 31, 2018

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

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

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

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

## 19. BORROWINGS

a. Short-term borrowings

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

b. Long-term borrowings

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

(Continued)

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

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

c. Facility agreements and financial covenants

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

accrued interest immediately due. The Company was in compliance with the syndicated credit facility agreements based on its consolidated financial statements for the years ended December 31, 2019 and 2018.

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

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

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

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

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

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

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

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

d. Bonds Payable

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

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

## 20. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

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

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

### b. Defined benefit plans

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

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

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Present value of defined benefit obligation	\$ 2,142,823	\$ 2,227,098
Fair value of plan assets	<u>(1,120,831)</u>	<u>(1,187,487)</u>
Net defined benefit liabilities	<u>\$ 1,021,992</u>	<u>\$ 1,039,611</u>

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

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

(Continued)

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

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Operating costs	\$ 22,784	\$ 24,474
Operating expenses	<u>25,721</u>	<u>30,617</u>
	<u>\$ 48,505</u>	<u>\$ 55,091</u>

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

1) Investment risk

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

2) Interest risk

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

3) Salary risk

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

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

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

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rate		
0.25% increase	<u>\$ (61,054)</u>	<u>\$ (64,402)</u>
0.25% decrease	<u>\$ 63,505</u>	<u>\$ 67,042</u>

(Continued)

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
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>
		(Concluded)

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
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	12-13 years	12-14 years

## 21. EQUITY

### a. Share capital

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
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 dividends of 81,140 thousand shares from the unappropriated earnings of NT\$811,398 thousand, and the paid-in capital amounted to NT\$12,402,795 thousand.

### b. Capital surplus

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
May be used to offset deficit, distributed as cash or transferred to share capital (Note)		
Additional paid-in capital	\$ 309,017	\$ 309,017
Treasury share transactions	<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 a deficit and distribute as cash dividends or transfer to capital when the Company has no deficit (limited to a certain percentage of the Company's paid-in capital and once a year).

c. Retained earnings and dividend policy

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

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

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

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

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

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

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

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

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

d. Other equity items

1) Exchange differences on translating foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
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	<u>169,442</u>	<u>(159,755)</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	<u>(72,795)</u>	<u>5,786</u>
Balance, end of the year	<u>\$ 242,219</u>	<u>\$ 145,572</u>

e. Non-controlling interests

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

## 22. REVENUE

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

	<b>December 31</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Notes and accounts receivable (Note 7)	<u>\$ 15,361,112</u>	<u>\$ 14,783,126</u>	<u>\$ 14,977,046</u>
Contract liabilities (recorded as other current liabilities - others)			
Sale of goods	<u>\$ 9,720</u>	<u>\$ 16,495</u>	<u>\$ 13,575</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 of the reporting period recognized from the balance of contract liabilities at the beginning of the year is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
From the balance of contract liabilities at the beginning of the year		
Sale of goods	<u>\$ 16,470</u>	<u>\$ 13,533</u>

## 23. PROFIT BEFORE INCOME TAX

### a. Other income

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Interest income	\$ 120,498	\$ 112,028
Dividend income	23,945	49,519
Others	<u>242,484</u>	<u>194,110</u>
	<b><u>\$ 386,927</u></b>	<b><u>\$ 355,657</u></b>

### b. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Gains on disposal of non-current assets held for sale	\$ 480,640	\$ -
Gains on disposal of investments	-	167,537
		(Continued)

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

c. Finance costs

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

Information about capitalized interest was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Capitalized interest amount	<u>\$ 32,861</u>	<u>\$ 67,686</u>
Capitalization rates (%)	1.56-5.56	1.48-5.35

d. Depreciation and amortization

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

f. Operating expenses directly related to investment properties

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Rental income	\$ 98,448	\$ 425
Direct operating expenses from investment properties	<u>(53,417)</u>	<u>(406)</u>
	<u>\$ 45,031</u>	<u>\$ 19</u>

g. Employee benefits

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

h. Employees' compensation and remuneration of directors

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

	<b>For the Year Ended December 31, 2019</b>	
	<b>Accrual Amounts Recognized in the Financial Statements</b>	<b>Amounts Approved by the Company's Board of Directors</b>
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 amounts recognized and approved by Company's board of directors is recorded as a change in accounting estimate and will be adjusted in the next year.

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

	<b>For the Year Ended December 31</b>			
	<b>2018</b>		<b>2017</b>	
	<b>Employees' Compensation</b>	<b>Remuneration of Directors</b>	<b>Employees' Compensation</b>	<b>Remuneration of Directors</b>
Amounts approved in the board of directors' meeting	\$ 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.

## 24. INCOME TAX

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

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

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

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

(Continued)

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

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

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

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

b. Income tax recognized directly in equity

	<b>For the Year Ended December 31, 2019</b>
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

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

d. Current tax assets and liabilities

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

e. Deferred tax assets and liabilities

Movements of deferred tax assets and liabilities were as follows:

For the Year Ended December 31, 2019

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

For the Year Ended December 31, 2018

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

f. Income tax assessment

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

**25. EARNINGS PER SHARE**

Unit: NT\$ Per Share

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
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:

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

Number of ordinary shares

Unit: Thousand Shares

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
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.

**26. CASH FLOW INFORMATION**

a. Information on investment activities

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

(Continued)

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

b. Changes in major liabilities arising from financing activities

For the year ended December 31, 2019

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

For the year ended December 31, 2018

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

## 27. CAPITAL MANAGEMENT

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

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

## 28. FINANCIAL INSTRUMENTS

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

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

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

1) Fair value hierarchy

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

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

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

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

For the Year Ended December 31, 2019

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

For the Year Ended December 31, 2018

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

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

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

c. Categories of financial instruments

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

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

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

d. Financial risk management objectives and policies

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

1) Market risk

a) Foreign currency risk

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

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

### Sensitivity analysis

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

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

#### b) Interest rate risk

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

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

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

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

c) Other price risk

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

2) Credit risk

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

3) Liquidity risk

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

December 31, 2019

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

December 31, 2018

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

e. Transfers of financial assets

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

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

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

## 29. TRANSACTIONS WITH RELATED PARTIES

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

### a. Related party names and relationships

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

### b. Operating revenue

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

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

c. Purchase of goods

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

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

d. Other income

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

Inclusive of rental income, service fees and so on.

e. Disposals of property, plant and equipment

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

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

f. Disposal of financial assets

For the year ended December 31, 2019

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

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

g. Receivables from related parties

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

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

h. Loans to related parties

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

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

i. Other prepayments

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

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

j. Compensation of key management personnel

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

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

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

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

The composition of finance lease receivables was as follows:

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

### 30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

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

### 31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- a. The Company and its subsidiaries have issued but unused letters of credit with an aggregate amount of NT\$158,522 thousand as of December 31, 2019.
- b. The Company and its subsidiaries have contracts that were not yet incurred to purchase property, plant and equipment and intangible assets of NT\$171,122 thousand at December 31, 2019.

### 32. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

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

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

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

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

(Continued)

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

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

### 34. ADDITIONAL DISCLOSURES

#### a. Information about significant transactions and investees:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (Table 2)
- 3) Marketable securities held (Table 3)
- 4) Marketable securities acquired or disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital: None
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (Table 4)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 6)
- 9) Trading in derivative instruments: None
- 10) Others: The business relationship between the parent company and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions (Table 7)
- 11) Information on investees (Table 8)

#### b. Information on investments in mainland China

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

investment in the mainland China area. (Table 9)

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
  - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period (Table 5)
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period (Table 5)
  - c) The amount of property transactions and the amount of the resultant gains or losses (Note 29)
  - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes (Table 2)
  - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds (Table 1)
  - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services (Note 29 and Table 7)

### 35. SEGMENT INFORMATION

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

- Resins Materials.

Mainly operating variety of industrial resins materials.

- Electronic Materials

Mainly operating electronic and optoelectronic industry raw material.

- High Performance Materials

Mainly operating UV - light curing raw material.

- Others

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

- a. Segment revenues and operating results

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

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

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

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

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

- c. Information about major customers

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

## Eternal Materials Co., Ltd. and Subsidiaries

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

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

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

(Continued)

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

(Concluded)

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

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

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

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

Note 4: Nature of financing is as follows:

1. Business relationship.
2. Short-term financing

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

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

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

## Eternal Materials Co., Ltd. and Subsidiaries

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

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

No. (Note 1)	Endorser/Guarantor	Endorsee/Guarantee		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:

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

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

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

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

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

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

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

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

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

## Eternal Materials Co., Ltd. and Subsidiaries

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

DECEMBER 31, 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.

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

## Eternal Materials Co., Ltd. and Subsidiaries

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

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars)

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

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

Note 2: Recorded as other accounts receivable.

## 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.

(Concluded)

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

### **INDEPENDENT AUDITORS' REPORT**

Eternal Materials Co., Ltd.

#### **Opinion**

We have audited the accompanying standalone financial statements of Eternal Materials Co., Ltd. (the Company), which comprise the standalone balance sheets as of December 31, 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.

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	%
<b>CURRENT ASSETS</b>				
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>
<b>NONCURRENT ASSETS</b>				
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>
<b>TOTAL</b>	<u>\$ 42,955,994</u>	<u>100</u>	<u>\$ 43,583,626</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
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>
<b>NONCURRENT LIABILITIES</b>				
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>
<b>EQUITY (Note 19)</b>				
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>
<b>TOTAL</b>	<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)

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
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	<u>1,415,053</u>	<u>1,544,019</u>
Interest received	604	775
Dividends received	767,213	694,158
Interest paid	(281,816)	(291,513)
Income taxes paid	<u>(155,291)</u>	<u>(104,667)</u>
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>	
	2019	2018
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
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>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
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)

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### 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:

	<b>As Originally Stated on January 1, 2019</b>	<b>Adjustments Arising from Initial Application</b>	<b>Restated on January 1, 2019</b>
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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note)</b>
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 ceases to be an associate. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gains or losses on disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

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

i. Property, plant, and equipment

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

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

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

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

j. Investment properties

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

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

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is 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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
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

	<b>Not Past Due</b>	<b>0 to 30 Days</b>	<b>31 to 90 Days</b>	<b>91 to 180 Days</b>	<b>Over 180 Days</b>	<b>Total</b>
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:

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
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

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
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

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
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

	<b>December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Amount</b>	<b>Percentage</b>	<b>Amount</b>	<b>Percentage</b>
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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
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:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
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:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
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)

	<b>December 31, 2019</b>
Buildings	\$ 13,441
Machinery	57
Other equipment	<u>23,338</u>
	<u>\$ 47,027</u> (Concluded)
	<b>For the Year Ended December 31, 2019</b>
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	
	<b>December 31, 2019</b>
Carrying amounts	
Current	<u>\$ 12,893</u>
Non-current	<u>\$ 29,594</u>
 Range of discount rate (%) for lease liabilities was as follows:	
	<b>December 31, 2019</b>
Land	2.29
Buildings	1.67-3.64
Machinery	1.67
Other equipment	1.67-3.64
 c. Other lease information	
<u>2019</u>	<b>For the Year Ended December 31, 2019</b>
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

	<b>Land</b>
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

	<b>Computer Software</b>	<b>Other Intangible Assets</b>	<b>Total</b>
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

	<b>Computer Software</b>	<b>Other Intangible Assets</b>	<b>Total</b>
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
Long-term bills payable			
Commercial paper	Revolving credit, the period of the agreement is five years. Maturity date is May 2023. Only banking surcharge and interests have to be paid before the maturity date.	1.40	900,000
Less: Unamortized discounts			<u>(850)</u>
			<u>899,150</u>
			10,790,408
Less: Current portion of long-term borrowings			<u>(2,994,000)</u>
			<u>\$ 7,796,408</u>
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
Long-term bills payable			
Commercial paper	Revolving credit, the period of the agreement is five years. Maturity date is May 2023. Only banking surcharge and interests have to be paid before the maturity date.	1.33	900,000

(Continued)

Type of Borrowings	Agreement Period and Interest Payable Schedule	Interest Rate Range (%)	Amount
Less: Unamortized discounts			\$ <u>(1,035)</u> 898,965
			14,304,142
Less: Current portion of long-term borrowings			<u>(3,283,000)</u>
			<u>\$ 11,021,142</u> (Concluded)

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

c. Facility agreements and financial covenants

- 1) During the period of the credit facility agreements, the Company undertook with the creditors that the current ratio, liability ratio, interest coverage ratio and net tangible assets of the consolidated financial statements will be maintained within a certain specified ratio or amount and reviewed at least once a year. If the Company breaches these clauses, the bank and syndicated banks can cancel the credit line or declare that part or all of the loan together with accrued interest immediately due. The Company was in compliance with the syndicated credit facility agreements based on its consolidated financial statements for the years ended December 31, 2019 and 2018.
- 2) As of December 31, 2019, the Company utilized the credits under signed facility agreements of the following banks.

Bank	Currency	Credit line
HSBC Bank (Taiwan) Limited	NTD	\$ 75,000
E.SUN Commercial Bank, Ltd.	NTD	400,000
Bank SinoPac	NTD	1,200,000
Taipei Fubon Commercial Bank Co., Ltd.	NTD	350,000
CTBC Bank Co., Ltd.	NTD	300,000
CTBC Bank Co., Ltd.	JPY	417,604

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

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

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

d. Bonds payable

	<b>December 31, 2019</b>
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:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
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:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
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:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
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:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
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:

	<u>December 31</u>	
	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.

	<u>December 31</u>	
	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

	<u>December 31</u>	
	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

	<u>December 31</u>	
	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:

	<b>Appropriations of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
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:

	<b>Appropriation of Earnings</b>	<b>Dividend Per Share (NT\$)</b>
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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
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**

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
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

	<b>December 31, 2019</b>	<b>December 31, 2018</b>	<b>January 1, 2018</b>
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:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
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

	<b>Reportable Segments</b>				<b>Total</b>
	<b>Resins Materials</b>	<b>Electronic Materials</b>	<b>High Performance Materials</b>	<b>Others</b>	
<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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
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:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
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:

	<b>For the Year Ended December 31, 2019</b>	
	<b>Accrual Amounts Recognized in the Financial Statements</b>	<b>Amounts Approved by the Company's Board of Directors</b>
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:

	<b>For the Year Ended December 31</b>			
	<b>2018</b>		<b>2017</b>	
	<b>Employees’ Compensation</b>	<b>Remuneration of Directors</b>	<b>Employees’ Compensation</b>	<b>Remuneration of Directors</b>
Amounts approved in the board of directors’ meeting	\$ 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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
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:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
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

	<b>For the Year Ended December 31, 2019</b>
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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Deferred tax		
Effect of tax rate changes		
Remeasurement of defined benefit plans	\$ -	\$ (12,899)
Remeasurement of defined benefit plans of subsidiaries, associates and joint ventures accounted for using the equity method	-	17
Unrealized gains and losses on financial assets at fair value through other comprehensive income	-	(4,166)
Recognized for the year		
Remeasurement of defined benefit plans	(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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
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

	<b>Balance, Beginning of the Year</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Balance, End of the Year</b>
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit plan	\$ 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

	<b>Balance, Beginning of the Year</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Balance, End of the Year</b>
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit plan	\$ 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

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
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:

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

### Number of ordinary shares

Unit: Thousand Shares

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
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

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
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

Financial assets	<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

Financial assets	<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>	
	<b>2019</b>	<b>2018</b>
<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.

	<b>Impact on Profit or Loss</b>	
	<b>2019</b>	<b>2018</b>
<hr/>		
<b>Foreign Currencies : Functional Currency</b>		
<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:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
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	
	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)

	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>		<b>Carrying Amount</b>
December 31, 2018				
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% of the parent company's net worth. However, subsidiaries in which the Company own directly or indirectly 100% of the voting shares are not included.

## Eternal Materials Co., Ltd. and Subsidiaries

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

DECEMBER 31, 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)**

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<b>Item</b>	<b>Description</b>	<b>Amount</b>
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)**

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<b>Item</b>	<b>Description</b>	<b>Amount</b>
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)**

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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>	-	<u>-</u>	(14,700 )	<u>(27,191 )</u>	<u>(62 )</u>	<u>-</u>	-	96.71	<u>4,315</u>	-	<u>-</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)**

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<b>Item</b>	<b>Balance, Beginning of the Year</b>	<b>Adjustments Arising from Initial Application</b>	<b>Additions</b>	<b>Decrease</b>	<b>Balance, End of the Year</b>	<b>Remark</b>
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)**

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<b>Item</b>	<b>Balance, Beginning of the Year</b>	<b>Additions</b>	<b>Decrease</b>	<b>Balance, End of the Year</b>	<b>Remark</b>
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)**

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<b>Vendor Name</b>	<b>Description</b>	<b>Amount</b>	<b>Remark</b>
Chang Chun Plastics Co., Ltd.	Purchase of goods	\$ 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.

**Eternal Materials Co., Ltd.**

**STATEMENT OF OTHER PAYABLES - OTHERS**

**DECEMBER 31, 2019**

**(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Description</b>	<b>Amount</b>
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)**

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<b>Item</b>	<b>Description</b>	<b>Amount</b>	<b>Remark</b>
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)**

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<b>Item</b>	<b>Quantity</b>	<b>Amount</b>	<b>Remark</b>
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>	

**STATEMENT 16****Eternal Materials Co., Ltd.****STATEMENT OF OPERATING COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

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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)**

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<b>Item</b>	<b>Description</b>	<b>Amount</b>	<b>Remark</b>
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)**

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<b>Item</b>	<b>Description</b>	<b>Amount</b>	<b>Remark</b>
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)**

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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).

VI. Effect of Financial Difficulties the Company and Affiliated Companies Have Experienced on the Company's Financial Position  
N/A.

Chapter 7 Review and Analysis of the Company's Financial Position and Financial Performance, and Listing of Risks

I. Financial Position

Unit: Thousand NT\$

Item \ Year	2018	2019	Amount of Increase (Decrease)	Percentage of Change
Current assets	30,666,571	30,227,516	(439,055)	-1.43%
Property, plant and equipment	18,792,384	17,435,546	(1,356,838)	-7.22%
Intangible assets	385,279	343,782	(41,497)	-10.77%
Other assets	4,516,045	5,789,885	1,273,840	28.21%
Total assets	54,360,279	53,796,729	(563,550)	-1.04%
Current liabilities	14,482,801	15,828,650	1,345,849	9.29%
Non-current liabilities	18,252,309	16,048,344	(2,203,965)	-12.07%
Total liabilities	32,735,110	31,876,994	(858,116)	-2.62%
Capital	12,402,795	12,402,795	0	0.00%
Capital reserve	356,046	356,046	0	0.00%
Retained earnings	8,755,131	10,099,185	1,344,054	15.35%
Other equity	(510,893)	(1,442,689)	(931,796)	182.39%
Non-controlling interests	622,090	504,398	(117,692)	-18.92%
Total equity	21,625,169	21,919,735	294,566	1.36%

Analysis of increase or decrease in the ratio by 20% or above:

1. Other asset: Mainly due to the transfer from property, plant and equipment to investment properties.
2. Other equity: Mainly due to a decrease in exchange differences in the translation of financial statements of foreign operations.

## II. Financial Performance

Unit: Thousand NT\$

Item \ Year	2018	2019	Amount of Increase (Decrease)	Percentage of Change
Operating revenue	43,300,155	40,363,238	-2,936,917	-6.78%
Operating gross profit	7,279,839	7,856,953	577,114	7.93%
Operating profit	1,813,005	2,335,050	522,045	28.79%
Non-operating income and expenses	50,966	578,881	527,915	1035.82%
Net profit before tax	1,863,971	2,913,931	1,049,960	56.33%

- (I) Analysis of increase or decrease in the ratio by 20% or above
- Operating profit: Mainly due to a decrease in raw material price, and an increase in the gross profit margin.
  - Non-operating income and expenses: Mainly due to an increase in profit from the disposal of land.
  - Net profit before tax: Mainly due to a decrease in raw material price, an increase in the gross profit margin, and an increase in profit from the disposal of land.
- (II) Reasons for changes in major business, existing or expected material changes in business strategies, market situation, economic environment or other internal or external factors and their possible effect on the Company's future finances and operations, and measures to be taken in response: N/A.
- (III) Estimated sales volume and the basis for the coming year and major factors in its continuous growth or decline: The Company's 2020 business plan to achieve stable revenue and profitable growth in the medium and long term. The management team will actively achieve the operational goals and work together to enhance corporate value.

## III. Cash Flow

- (I) Analysis of Changes in Cash Flow for the Most Recent Two Years

Item \ Year	2018	2019	Increase (Decrease) (%)
Cash Flow Ratio	20%	31%	55%
Cash Flow Adequacy Ratio	58%	67%	16%
Cash Reinvestment Ratio	4%	7%	75%

The changes in cash flow were mainly due to an increase in net cash flow generated from operating activities.

- (II) Liquidity Analysis for the Coming Year

Unit: Thousand NT\$

Cash Balance, Beginning of Year (1)	Expected Annual Net Cash Flow from Operating Activities (2)	Expected Annual Cash Flow Used (3)	Expected Cash Surplus (Deficit) Amount	Expected Corrective Measures for Illiquidity	
			(1)+(2)-(3)	Investment Plans	Financial Plans
6,009,646	3,761,150	4,339,883	5,430,913	-	-

1. Analysis of Changes in Cash Flow
  - (1) Operating activities: It is expected that operating revenue and profit will continue to grow.
  - (2) Investing activities: It is expected that domestic and foreign investments will continue.
  - (3) Financing activities: Cash dividends will be distributed, along with the repayment of bank loans.
2. Corrective Measures for Illiquidity and Liquidity Analysis  
None.

#### IV. Effect of Major Capital Expenditures on Financial Operations for the Most Recent Year

- (I) The capital expenditures in 2019 included the construction of new plants and construction of the China headquarters building, purchase of equipment, and replacement and maintenance of old equipment.
- (II) Expected Benefits  
The overall industrial competitiveness of the Company was improved by adhering to the spirit of continuous research and development, enhancing core technologies, creating value-added products, and promoting industrial innovation.

#### V. Reinvestment Policy for the Most Recent Year, Main Reasons for Profits/Losses Generated Thereby, Improvement Plans, and Investment Plans for the Coming Year

- (I) Reinvestment Policy: Based on the core technology of the chemical industry, the Company developed various products, such as electronic and special materials, and adjusted production and sales policies in a timely manner according to the upstream and downstream supply chain in Mainland China and other overseas regions to provide customized technical services and products.
- (II) For the year ended December 31, 2019, the standalone financial statements reported the reinvestment profit of NT\$1,725,901 thousand, and the consolidated financial statements reported NT\$278,973 thousand.  
Improvement Plans: The Company will continuously improve the business performance of invested subsidiaries, and carry out the disposal of non-effective investments or adopting exception management to adjust physique, and dispose of some investments in a timely manner to realize the investment profit.
- (III) Investment Plans for the Coming Year: The exhaust gas burner at Luzhu plant in Taiwan will be replaced at an estimated amount of investment totaling NT\$30 million. The upgrade in the production capacity of fluorocarbon resin will be carried out in Eternal Chemical (Tianjin) Co., Ltd at an estimated amount of investment totaling NT\$56,290 thousand.

#### VI. Risk Analysis and Assessment

- (I) Effect of Interest and Exchange Rate Fluctuations and Inflation upon the Company's Profit or Loss, and Response Measures to Be Taken in the Future
  1. Effect of Interest Rate Fluctuations upon the Company's Profit or Loss, and Response Measures to Be Taken in the Future

Unit: Thousand NT\$

Item	2019
Net interest	(380,014)
Operating revenue	40,363,238
Net profit before tax	2,913,931
Ratio of net interest to operating revenue	(0.94%)
Ratio of net interest to net profit before tax	(13.04%)

Effect: Net interest in 2019 was NT\$(380,014) thousand, accounting for (0.94%) and (13.04%) of operating revenue and net profit before tax, respectively. For loans to debtors in 2019 that were fixed rated, there was no liquidity risk of changes in interest rates; for those that were floating-rate debtors, changes in market interest rates would cause their effective interest rates to change, leading to fluctuations in future cash flows. When the market interest rate increased by 1%, the cash outflow would increase by NT\$110,910 thousand in 2019.

Response Measures: The Company will regularly assess the bank loan interest rates and obtain the average market interest rates, while making close contact with banks to obtain the most favorable bank loan interest rates.

## 2. Effect of Exchange Rate Fluctuations upon the Company's Profit or Loss, and Response Measures to Be Taken in the Future

Unit: Thousand NT\$

Item	2019
Net exchange profit or loss	(4,563)
Operating revenue	40,363,238
Net profit before tax	2,913,931
Ratio of exchange profit or loss to operating revenue	(0.01%)
Ratio of exchange profit or loss to net profit before tax	(0.16%)

Exchange profit in 2018 was NT\$(4,563) thousand, accounting for (0.01%) and (0.16%) of operating revenue and net profit before tax, respectively. Since the export market accounts for a high proportion of the Company's revenue, exchange rate fluctuations of New Taiwan dollar against the US dollar may have an impact on the Company's profit or loss. Therefore, the Company always pays attention to the exchange rate fluctuations in the international market and continuously takes the following response measures:

- (1) The Finance Department makes close contact with the foreign exchange departments of financial institutions, collected information on exchange rate changes at any time, and fully controlled the international exchange rate trends as a reference for daily settlement and hedging to actively respond to the negative impact of exchange rate fluctuations.
- (2) The Finance Department periodically makes an internal assessment report on the net foreign currency assets (liabilities), and reports to the management of the Company to make decisions on hedging.
- (3) For large amounts of foreign currency assets, the Company adopts hedging strategies, such as increase in foreign currency financing positions or forward exchange trading.
- (4) The Company opens a foreign currency deposit account and adjusts foreign currency positions held according to the actual demand for capital and exchange rate trend.

- (5) The Company uses the same currency for sales revenue and purchases and circumvents most of the foreign exchange risks with a natural hedge. Therefore, for net foreign currency assets (liabilities), the Company uses other tools to avoid foreign exchange risks based on the exchange rate fluctuations.
- (6) Before business units offered customers prices, an appropriate and reasonable quotations based on the estimation of the foreign currency exchange rates must be made by the Finance Department after comprehensive consideration and evaluation.
- (II) Policies on High-risk, Highly Leveraged Investments, Loans to Other Parties, Endorsements/Guarantees, and Derivatives Trading, Main Reasons for Profits/Losses Generated thereby, and Response Measures to Be Taken in the Future  
It is forbidden to engage in high-risk, highly leveraged investment; the sum and scope of loans to other parties, endorsements/guarantees, and derivatives trading were treated with caution, and therefore the risks were controllable.
- (III) Future Research and Development Plans and Expected Expenditures on Future Research and Development

Unit: Thousand NT\$

Future Research and Development Plan	Expected Expenditure on Future Research and Development
5G High Frequency Materials	28,501
Green Energy / Energy Storage Materials	45,431
Soft Electronic Materials	49,066
Semiconductor Packaging Materials	25,886
High-performance Engineering Plastic Materials	14,460
Sustainable Environmentally-friendly Materials	41,251
Healthcare Biomedical Materials	39,625

Main Factors in the Success of Future Research and Development:

1. Master the development trend of materials in the mainstream industries.
  2. Break through obstacles to formulation and process technology and improve customer satisfaction with high-quality materials.
  3. Provide customization and respond fast.
  4. Offer better technologies and prices than competitive products'.
- (IV) Effect of Major Changes in Policies and the Legal Environment on the Company's Finances and Operations, and Response Measures  
The Company continues to pay attention to major changes in policies, the political and economic environment and related laws and regulations at home and abroad. Legal, finance and accounting departments pay close attention to changes and provide assessments, recommendations, and response measures in a timely manner to comply with laws and regulations and reduce any effect on the Company's finance and operations. No major change in policies and the legal environment has affected the Company's finances and operations in 2019 up to the date of publication of the Annual Report.
- (V) Effects of Changes in Technology and Industry on the Company's Finances and Operations, and Response Measures  
The Company is committed to the research and development of technology. A large amount of resources is invested in R&D every year in conjunction with industrial trends and technological changes. The Company also develops new materials and products to ensure sustainable business and growth and continues to strengthen traditional products via quality improvement and professional technical services to maintain existing customers and expand new markets.

- (VI) Effect of Changes in the Corporate Image on the Company's Crisis Management, and Response Measures: The Company strives to uphold the business philosophy of being law-abiding, trustworthy, honest, and responsible for the environment, with an aim to build a corporate image that is pragmatic, beneficial to society, and fulfills its corporate social responsibility.
- (VII) Expected Benefits and Possible Risks Associated with Mergers and Acquisitions, and Response Measures: The Company did not engage in any major mergers and acquisitions in 2019.
- (VIII) Expected Benefits and Possible Risks Associated with Plant Expansion, and Response Measures: The Company assessed the investment benefits based on the market prospects, needs, and core technologies, capabilities, and costs of capital. The Company also reviewed market and industry changes at any time to reduce possible risks.
- (IX) Risks Associated with Consolidation of Purchasing or Sales Operations, and Response Measures: Raw materials used by the Company could be sourced from many suppliers in the market, and sales were not concentrated on few major customers; therefore, the risk of consolidation of purchasing or sales operations was small.
- (X) Effect on and Risk to the Company in the Event a Major Quantity of Shares Belonging to a Director, Supervisor, or Shareholder Holding Greater than a 10% Stake Has Been Transferred or Has Otherwise Changed Hands, and Response Measures: None.
- (XI) Effect on and Risk to Company Associated with Changes in Management Rights, and Response Measures: The equity of the directors of the Company is stable. There was no change in management rights in 2019.
- (XII) Litigious and Non-litigious Matters (list major litigious, non-litigious or administrative disputes that: (1) involve the Company and any director, any supervisor, the President, any person with actual responsibility, any major shareholder holding a stake of greater than 10%, and any companies controlled by the Company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the Annual Report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the Annual Report): None.
- (XIII) Other Important Risks and Response Measures: None.

VII. Other Important Matters: None.

## Chapter 8 Special Items to Be Included

### I. Information on Affiliated Companies

- (I) Consolidated Business Report: Please refer to pages 103~190.
- (II) Consolidated Financial Statements: Please refer to pages 295~307.
- (III) Affiliation Report: None.

### II. Private Placement of Securities in the Most Recent Year up to the Date of Publication of the Annual Report: None.

### III. Holding or Disposal of Shares in the Company by Subsidiaries in the Most Recent Year up to the Date of Publication of the Annual Report: None.

### IV. Other Matters Requiring Additional Description: None.

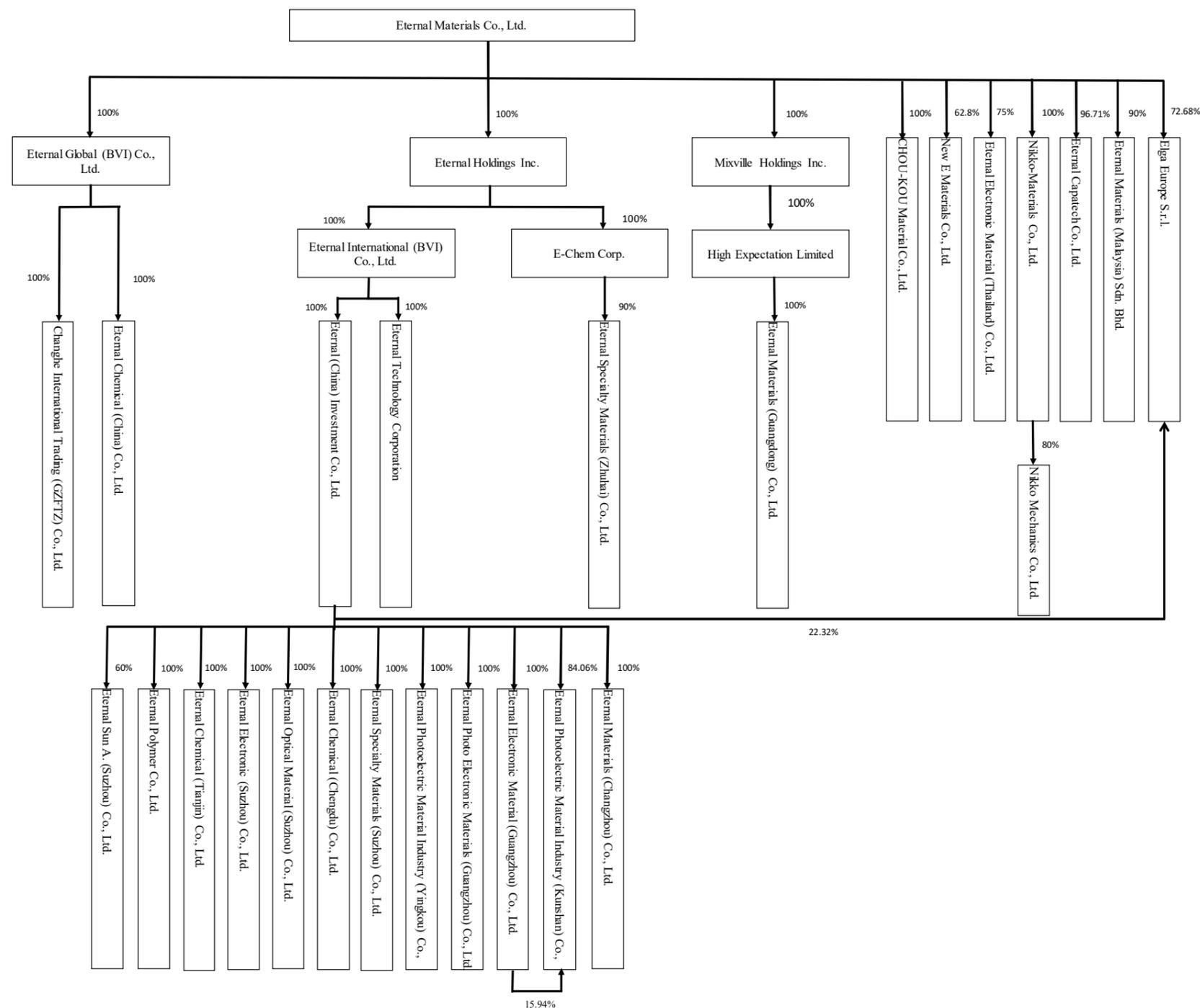
## Chapter 9 Any of the Situations Listed in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act which Might Materially Affect Shareholders' Equity or Price of the Company's Securities: None.

# Eternal Materials Co., Ltd. 2018 Consolidated Business Report

## I. Overview of Affiliated Companies

### (I) Organization of affiliated companies

#### 1. Organizational chart of affiliated companies (December 31, 2018)



2. Companies under the existence of the controlling and subordinate relation according to Article 369-3 of the Company Act: None.

3. Subordinate companies of which the Company has a direct control over the management of the personnel, financial or business operation according to Paragraph 2, Article 369-2 of the Company Act: None. Although the presidents of DSM Resins (Far East) Ltd., Allnex-Eternal Resins Corporation Limited, and Allnex-Eternal Resins (Guangdong) Corporation Limited were respectively appointed by the Company, the Company had no control over these companies. According to the joint venture agreement, the Company had no control over Hangzhou Yongxin Yang Photoelectric Material Co., Ltd.

(II) Basic information on affiliated companies December 31, 2019

Affiliated Company	Date of Incorporation	Address	Paid-up Capital	Main Business or Production Activities
Eternal Materials Co., Ltd. (Note 1)	December 3, 1964	No. 578, Jiangong Road, Sanmin District, Kaohsiung City	NT\$12,402,795 thousand	Research and development, manufacture, processing, and sale of industrial synthetic resins, epoxy resins, acrylates, methacrylates, coating, packaging materials, printed circuit boards, film materials, solar cell materials, photoresist materials, and electronic chemical materials as well as general import and export trade.
Eternal Holdings Inc.	November 15, 2002	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa.	NT\$ 6,603,283 thousand	Investment in other regions.
Eternal Global (BVI) Co., Ltd.	June 15, 1995	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG 1110, British Virgin Islands.	NT\$717,527 thousand	Investment in other regions.
Mixville Holdings Inc.	August 11, 1999	OMC Chambers, Wickhams Cay I, Road Town, Tortola, British Virgin Islands.	NT\$989,582 thousand	Investment in other regions.
New E Materials Co., Ltd.	October 22, 2009	2F, No. 3, Luke 1st Road, Luzhu District, Kaohsiung City (Southern Taiwan Science Park)	NT\$110,000 thousand	Research and development, manufacture, and sale of electronic and chemical materials and equipment components relating to optoelectronic and semiconductor processes.
Eternal Capatech Co., Ltd. (Note 2)	August 6, 2014	No. 5, Lane 60, Mingui Street, Daliao District, Kaohsiung	NT\$152,000 thousand	Production and sale of electronic components and related materials.
Eternal Electronic Material (Thailand) Co., Ltd.(Note 2)	January 30, 1997	335/8 Moo 9 Bangna-Trad Rd. Km 19, Tambol Bangchalong, Amphur Bangplee, Samutprakarn 10540	NT\$121,225 thousand	Import and export trade and cutting and sale of dry film photoresist.
CHOU-KOU Material Co., Ltd.	January 17, 1996	Room 507, Concurred Yokohama, Kinkocho, Kanagawa Ward, Yokohama, Kanagawa	NT\$60,431 thousand	Sale, trading and service of resin, electronic materials, and related products.
Nikko-Material Co., Ltd. (Note 2)	September 30, 1997	Room 507, Concurred Yokohama, Kinkocho, Kanagawa Ward, Yokohama, Kanagawa	NT\$125,176 thousand	Manufacture and sale of dry film photoresist and vacuum molding press.
Eternal Materials (Malaysia) Sdn. Bhd.	January 30, 2015	No. (Unit 1), Jalan Harmonium 23/12, Taman Desa Tebrau, Johor Bahru, Johor, Malaysia35a	NT\$1,469,227 thousand	Manufacture, sale, trading and service of synthetic resin related products
Elga Europe S.r.l. (Note 2)	May 24, 1973	Via della Merlata,8 20014 Nerviano MILANO	NT\$95,441 thousand	Production, sale, distribution, and processing of electronic chemicals.
Eternal International (BVI) Co., Ltd.	October 14, 1994	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola VG 1110, British Virgin Islands.	NT\$6,550,737 thousand	Investment in other regions.
E-Chem Corp.	January 3, 2003	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa.	NT\$165,608 thousand	Investment in other regions.
Eternal Technology Corporation (Note 2)	December 9, 1998	1800 Touchstone Road Colonial Heights, VA 23834 U.S.A	NT\$600,693 thousand	Production and sale of photoresist.
High Expectation Limited	August 2, 1999	Vistra (Cayman) Limited, Grand Pavilion, Hibiscus Way,802 West Bay Road, P.O. Box 3119, Grand Cayman,KY1-1205 Cayman Islands	NT\$871,519 thousand	Investment in other regions.

(Continued to next page)

Affiliated Company	Date of Incorporation	Address	Paid-up Capital	Main Business or Production Activities
Nikko Mechanics Co., Ltd. (Note 2)	February 10, 2017	3-1,Kofukada,Shinbayashi-cho,Chiryu-shi,Aichi-ken 472-0017,Japan	NT\$21,712 thousand	Manufacture and sale of industrial machinery, engineering machinery and equipment.
Eternal Chemical (China) Co., Ltd.	October 31, 1995	No. 566, Qingyang North Road, Kunshan City, Jiangsu Province, China	NT\$755,651 thousand	Production and sale of synthetic resin and processed products.
Changhe International Trading (GZFTZ) Co., Ltd.	December 14, 2001	Room 3001, Baotong Building, No. 8, Dongyong Road, Guangzhou Free Trade Zone	NT\$13,661 thousand	International trade, commercial trading, transit trade, commodity display, bonded warehouse and business consulting services.
Eternal Photoelectric Material Industry (Kunshan) Co., Ltd. (Note 2)	December 24, 1999	No. 363, Changjiang North Road, Kunshan City, Jiangsu Province, China	NT\$191,777 thousand	Cutting, processing, and sale of dry film photoresist.
Eternal Electronic Material (Guangzhou) Co., Ltd. (Note 2)	March 26, 2001	No. 69, Dongpeng Avenue, East Zone of Guangzhou Economic and Technological Development Zone, Guangzhou Province, China	NT\$1,259,046 thousand	Coating, slitting, cutting, processing and packaging, and sale of photoresist.
Eternal Optical Material (Suzhou) Co., Ltd. (Note 2)	December 23, 2005	No. 111, Songshan Road, Gaoxin District, Suzhou City, Jiangsu Province, China	NT\$614,887 thousand	Production and sale of optical film.
Eternal Photo Electronic Materials (Guangzhou) Co., Ltd. (Note 2)	December 28, 2006	No. 8, Ruihe Road, China National High-Tech Industrial Development Zone, Guangzhou City, Guangdong Province, China	NT\$997,694 thousand	Research and development and production of high-tech chemicals and related products for electronics and sale of the Company's products.
Eternal Photoelectric Material Industry (Yingkou) Co., Ltd. (Note 2)	September 28, 2007	No.102, XinHai Street, Coastal Industrial Base, Yingkou, Liaoning Province, China	NT\$124,282 thousand	Research and development and production of anti-corrosion dry film photoresist, liquid photosensitive solder resist, and related auxiliary materials for printed circuit boards.
Eternal Synthetic Resins (Changshu) Co., Ltd. (Note 2)	May 24, 2006	No. 15, Xinggang Road, Changshu Economic Development Zone Tonggang Industrial Park, Jiangsu Province, China	NT\$726,426 thousand	Production and sale of unsaturated polyester resin.
Eternal Chemical (Tianjin) Co., Ltd. (Note 2)	August 26, 2009	No. 652, Jinyuan Road, Dagang Petrochemical Industrial Park, Tianjin City, China	NT\$1,008,004 thousand	Production and sale of self-produced adhesive, synthetic resin and processed products.
Eternal Specialty Materials (Zhuhai) Co., Ltd. (Note 2)	April 23, 2003	No. 307,Petrochemical 9 Road, Shihua District, Gaolan, Lingang Industry District, Zhuhai City, Guangdong Province, China	NT\$611,011 thousand	Production and sale of acrylate and other ethyl methacrylate products.
Eternal Materials (Guangdong) Co., Ltd. (Note 2)	January 21, 2000	NO.9523, Zhuhai Avenue,Dalangwan Industrial Park, Nanshui Town, Zhuhai City	NT\$1,297,259 thousand	Production and sale of self-produced adhesive, synthetic resin and processed products.
Eternal (China) Investment Co., Ltd.	March 17, 2011	Room 1401, 14/F, Tower A, No. 1397 Yishan Road, Xuhui District, Shanghai, China	NT\$8,369,307 thousand	Business management, investment consulting service, research and development, production and sale of resin and optoelectronic materials.
Eternal Chemical (Chengdu) Co., Ltd. (Note 2)	November 1, 2011	No. 15, Yang Heng 4 Road, Yangan Industrial Park, Qionglai City, Chengdu, Sichuan Province, China	NT\$450,351 thousand	Technological research and development of synthetic resin related products

Affiliated Company	Date of Incorporation	Address	Paid-up Capital	Main Business or Production Activities
Eternal Electronic (Suzhou) Co., Ltd. (Note 2)	August 29, 2013	No. 2, Zhenhuaqiao Road, Qishuguan Town, Suzhou New District, Jiangsu Province, China	NT\$1,381,040 thousand	Research and development and production of dry film photoresist, anti-weld dry film electronic special materials, sale of self-produced products, and after-sales technical services.
Eternal Sun A. (Suzhou) Co., Ltd. (Note 2)	December 9, 2013	No. 111, Songshan Road, Gaoxin District, Suzhou City, Jiangsu Province, China	NT\$751,443 thousand	Research and development and production of optical grade display protective film for electronic products, sale of self-produced products, and technical support and after-sales services.
Eternal Specialty Materials (Suzhou) Co., Ltd. (Note 2)	March 11, 2014	Building 2, No. 15, Xinggang Road, Changshu Economic & Technological Development Zone, Jiangsu Province, China	NT\$1,199,225 thousand	Research and development of chemical products, sale of self-produced products, and technical services.
Eternal Materials (Changzhou) Co., Ltd.	June 29, 2017	No. 99, Chuangxin Road, Nandu New Materials Industry Centralized Area, Liyang City, China	NT\$602,000 thousand	Sale of fluorocarbon resin and polyester resins materials.

Note 1: The Company has Lu-Chu Plant (established at No. 22, Changxing Road, Luzhu District, Kaohsiung City in 1973 to produce resin, special materials, and electronic materials), Da-Fa Plant (established at No. 30, Yumin Street, Daliao District, Kaohsiung City (Dafa Industrial Park) in 1990 to produce electronic materials), and Ping-Nan Plant (established at No. 23, Pingnan Road, Fangliao Township, Pingtung County (Pingnan Industrial Park) in 1994 to produce resin).

Note 2: The company has a factory, and the name, date of establishment, address and main products of the factory are the same as those of the company.

(III) For companies concluded as the existence of the controlling and subordinate relation, information on the same shareholders: None.

(IV) Overall business scope of affiliated companies

1. The business scope of the Company and affiliated companies mainly includes synthetic resins, electronic materials, specialty materials, general investment, and import and export trade.
2. The main business activities of the Company are research and development, manufacture, processing, and sale of industrial synthetic resins, epoxy resins, acrylates, methacrylates, coating, packaging materials, printed circuit boards, film materials, solar cell materials, photoresist materials, and electronic chemical materials as well as general import and export trade. As of December 31, 2019, the dealings between the Company and affiliated companies are described as follows:

- (1) To meet the needs of existing customers in Mainland China and save transportation costs, the Company engaged in the research and development, manufacture, processing, and sale of industrial synthetic resins, epoxy resins, acrylates, methacrylates, coating, packaging materials, printed circuit boards, film materials, solar cell materials, photoresist materials, and electronic chemical materials through Eternal Chemical (China) Co., Ltd., Eternal (China) Investment Co., Ltd., Eternal Electronic Material (Guangzhou) Co., Ltd., Eternal Photoelectric Material Industry (Kunshan) Co., Ltd., Eternal Optical Material (Suzhou) Co., Ltd., Eternal Photoelectric Material Industry (Yingkou) Co., Ltd., Eternal Photo Electronic Materials (Guangzhou) Co., Ltd., Eternal Specialty Materials (Zhuhai) Co., Ltd., Eternal Polymer Co., Ltd., Eternal Materials (Guangdong) Co., Ltd., Eternal Chemical (Tianjin) Co., Ltd., Eternal Chemical (Chengdu) Co., Ltd., Eternal Sun A. (Suzhou) Co., Ltd., Eternal Electronic (Suzhou) Co., Ltd., Eternal Specialty Materials (Suzhou) Co., Ltd., and Eternal Materials (Changzhou) Co., Ltd.
- (2) To expand markets in America and Asia, the Company engaged in the production or processing and sale of photoresist materials through Eternal Technology Corporation, Elga Europe S.r.l., Eternal Electronic Material (Thailand) Co., Ltd., and Nikko-Material Co., Ltd. To improve the competitiveness of products, the Company engaged in the manufacture and sale of vacuum molding press and provided complete solutions for customers' materials and equipment through Nikko Mechanics Co., Ltd.
- (3) In response to the needs of customers in Japan, Europe, and the Greater China, the Company sold related products through CHOU-KOU Material Co., Ltd. and Changhe International Trading (GZFTZ) Co., Ltd. to save transportation costs and improve the competitiveness of products.
- (4) In response to the trend of regional economic integration, the Company established Eternal Materials (Malaysia) Sdn. Bhd to meet the demand in RCEP and drive revenue.
- (5) In response to the research and development and sale of electronic chemical materials and equipment components for optoelectronic and semiconductor processes, the Company established New E Materials Co., Ltd. to forge an alliance with international technology companies and improve the competitiveness of products.

## (V) Information on directors (including independent directors), supervisors and presidents of affiliate companies

As of December 31, 2019 Unit: NT\$ thousands; shares; %

Affiliated Company	Title	Name or Representative	Number of Shares Held (Note 2) (Note 3)	
	(Note 1)		Number of Shares	Shareholding Percentage
Eternal Materials Co., Ltd.	Chairman	Kao, Kuo-Lun	50,138,856	4.04%
	Director	Hsieh, Chin-Kun	722,595	0.06%
	Director	Ko, Chun-Ping (representative of Kwang Yang Motor Co., Ltd.)	123,002,116	9.92%
	Director	Kao, Ying-Chih	19,851,560	1.60%
	Director	Yang, Huai-Kung	16,575,900	1.34%
	Director	Huang, Wu-Tung	3,921,010	0.32%
	Director	Shiao, Tzu-Fei	558,416	0.05%
	Director	Yen, Shu-Fen	299,235	0.02%
	Independent Director	Hung, Lee-Jung	-	0
	Independent Director	Lo, Li-Chun	-	0
	President	Mao, Hui-Kuan	217,338	0.02%
Eternal Holdings Inc.	Director	Kao, Kuo-Lun (representative of Eternal Materials Co., Ltd.)	216,303,859 shares	100%
Eternal Global (BVI) Co., Ltd.	Director	Kao, Kuo-Lun (representative of Eternal Materials Co., Ltd.)	16,821,024 shares	100%
Mixville Holdings Inc.	Director	Kao, Kuo-Lun (representative of Eternal Materials Co., Ltd.)	29,530,000 shares	100%
New E Materials Co., Ltd.	Chairman	Wen, Ching-Chang	801,200	7.28%
	Director	Mao, Hui-Kuan, Sung, Chun-Lung, Yeh, Mao-Jung and Tai, Ming-Te (representative of Eternal Materials Co., Ltd.)	6,907,585	62.80%
	Director	Yang, Hsin-Hua (representative of Inventec Corporation)	1,760,000	16%
	Director	Ko, Chun-Ping (representative of Kwang Yang Motor Co., Ltd.)	1,100,000	10%
	Supervisor	Su, Hui-Fang and Cheng, Hsien-He	-	-
	President	Sung, Chun-Lung	-	-
Eternal Capatech Co., Ltd.	(Note 4)			

Eternal Electronic Material (Thailand) Co., Ltd.	Chairman	Hung, Chao-Cheng (representative of Eternal Materials Co., Ltd.)	937,500 shares	75%
	Director	Hsu, Shih-Hao and Hsieh, Yen-Fen (representative of Eternal Materials Co., Ltd.)		
	Director	Tsai, Shu-Chun and Cheng, Tsang-Chao	312,500 shares	25%
	President	Hsu, Shih-Hao	—	—
CHOU-KOU Material Co., Ltd.	Director	Cheng, Chuan-Neng, Chang, Shih-Fang, and Tai, Ming-Te (representative of Eternal Materials Co., Ltd.)	4,000 shares	100%
	Supervisor	Su, Hui-Fang	—	—
	President	Cheng, Chuan-Neng	—	—
Nikko-Material Co., Ltd.	Chairman	Yang, Ming-Hsiung (representative of Eternal Materials Co., Ltd.)	11,520 shares	100%
	Director	Hung, Chao-Cheng, Hsieh, Yen-Fen and Kazutoshi Iwata (representative of Eternal Materials Co., Ltd.)		
	Supervisor	Su, Hui-Fang	—	—
	President	Yang, Ming-Hsiung	—	—
Eternal Materials(Malaysia) Sdn. Bhd.	Chairman	Liao, Heng-Ning (representative of Eternal Materials Co., Ltd.)	165,855,600 shares	90%
	Director	Chang, Shih-Fang and Lin, Chao-Kun (representative of Eternal Materials Co., Ltd.)		
	Director	Chi, Hua-Han (representative of Alliance Chemicals Pte. Ltd.)	18,428,400 shares	10%
	President	Tien, Chih-Hsiung	—	—
Elga Europe S.r.l.	Chairman	Hung, Chao-Cheng (representative of Eternal Materials Co., Ltd.)	\$ 345,779	95%
	Director	Hsieh, Yen-Fen (representative of Eternal Materials Co., Ltd.)		
	Director	Giorgio Favini	\$ 18,199	5%
Eternal International (BVI) Co., Ltd.	Director	Kao, Kuo-Lun (representative of Eternal Holdings Inc.)	211,823,592 shares	100%
E -Chem Corp.	Director	Kao, Kuo-Lun (representative of Eternal Holdings Inc.)	4,990,000 shares	100%

Eternal Technology Corporation	Chairman	Hung, Chao-Cheng (representative of Eternal International (BVI) Co., Ltd.)	2,333 shares	100%
	Director	Hsieh, Yen-Fen and Li Wei (representative of Eternal International (BVI) Co., Ltd.)		
	President	Li Wei	—	—
High Expectation Limited	Director	Kao, Kuo-Lun (representative of Mixville Holdings Inc.)	26,005,000 shares	100%
Nikko Mechanics Co., Ltd.	Director	Hung, Chao-Cheng and Yang, Ming-Hsiung (representative of Eternal Materials Co., Ltd.)	5,248 shares	80%
	Director	Kondo Koji, Kazutoshi Iwata and Akita Yoshihiro,	1,312 shares	20%
	Supervisor	Su, Hui-Fang	—	—
	President	Yang, Ming-Hsiung	—	—
Eternal Chemical (China) Co., Ltd.	Chairman	Liao, Heng-Ning (representative of Eternal Global (BVI) Co., Ltd.)	\$ 755,651	100%
	Director	Chen, Hung-Yi and Lin, Chao-Kun (representative of Eternal Global (BVI) Co., Ltd.)		
	Supervisor	Su, Hui-Fang	—	—
	President	Lin, Hsueh-Chuan	—	—
Changhe International Trading (GZFTZ) Co., Ltd.	Chairman	Huang, Chin-Lung (representative of Eternal Global (BVI) Co., Ltd.)	\$ 13,661	100%
	Director	Mao, Hui-Kuan (representative of Eternal Global (BVI) Co., Ltd.)		
	Supervisor	Su, Hui-Fang	—	—
	President	Su, Jui-Sung	—	—
Eternal Photoelectric Material Industry (Kunshan) Co., Ltd.	Chairman	Hung, Chao-Cheng (representative of Eternal (China) Investment Co., Ltd.)	\$ 191,777	100%
	Director	Hsieh, Yen-Fen and Lin, Yu-Wei (representative of Eternal (China) Investment Co., Ltd.)		
	Supervisor	Su, Hui-Fang	—	—
	President	Chang, Tsung-Ming	—	—
Eternal Electronic Material (Guangzhou) Co., Ltd.	Chairman	Hung, Chao-Cheng (representative of Eternal (China) Investment Co., Ltd.)	\$ 1,259,046	100%

	Director	Hsieh, Yen-Fen and Liao, Keng-Chung (representative of Eternal (China) Investment Co., Ltd.)		
	Supervisor	Su, Hui-Fang	—	—
	President	Hsieh, Yen-Fen	—	—
Eternal Optical Material (Suzhou) Co., Ltd.	Chairman	Hung, Chao-Cheng (representative of Eternal (China) Investment Co., Ltd.)	\$ 614,887	100%
	Director	Hsieh, Yen-Fen and Lin, Yu-Wei (representative of Eternal (China) Investment Co., Ltd.)		
	Supervisor	Su, Hui-Fang	—	—
	President	Lin, Yu-Wei	—	—
Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	Chairman	Hung, Chao-Cheng (representative of Eternal (China) Investment Co., Ltd.)	\$ 997,694	100%
	Director	Hsieh, Yen-Fen and Liao, Keng-Chung (representative of Eternal (China) Investment Co., Ltd.)		
	Supervisor	Su, Hui-Fang	—	—
	President	Liao, Keng-Chung	—	—
Eternal Photoelectric Material Industry (Yingkou) Co., Ltd.	Chairman	Hung, Chao-Cheng (representative of Eternal (China) Investment Co., Ltd.)	\$ 124,282	100%
	Director	Hsieh, Yen-Fen and Lin, Yu-Wei (representative of Eternal (China) Investment Co., Ltd.)		
	Supervisor	Su, Hui-Fang	—	—
	President	Li, Chi-Sheng	—	—
Eternal Synthetic Resins (Changshu) Co., Ltd.	Chairman	Liao, Heng-Ning (representative of Eternal (China) Investment Co., Ltd.)	\$ 726,426	100%
	Director	Chang, Shih-Fang and Liu, Chia-Hsing (representative of Eternal (China) Investment Co., Ltd.)		
	Supervisor	Su, Hui-Fang	—	—
	President	Liu, Chia-Hsing	—	—
Eternal Chemical (Tianjin) Co., Ltd.	Chairman	Liao, Heng-Ning (representative of Eternal (China) Investment Co., Ltd.)	\$ 1,008,004	100%
	Director	Chen, Hung-Yi and Lin, Chao-Kun (representative of Eternal (China) Investment Co., Ltd.)		
	Supervisor	Su, Hui-Fang	—	—

	President	Li, Chih-Chiang	—	—
Eternal Specialty Materials (Zhuhai) Co., Ltd.	Chairman	Chen, Chin-Yuan (representative of E-Chem Corp.)	\$ 549,910	90%
	Director	Pan, Chin-Cheng, Chen, Kun-Hsiung, and Lin, Ching-Yao (representative of E-Chem Corp.)		
	Director	HENRY PÄCKERT (representative of Cognis B.V.)	\$ 61,101	10%
	Supervisor	Su, Hui-Fang	—	—
	President	Lin, Ching-Yao	—	—
Eternal Materials (Guangdong) Co., Ltd.	Chairman	Liao, Heng-Ning (representative of High Expectation Limited)	\$ 1,297,259	100%
	Director	Chen, Hung-Yi and Lin, Chao-Kun (representative of High Expectation Limited)		
	Supervisor	Su, Hui-Fang	—	—
	President	Lin, Chen-Yi	—	—
Eternal (China) Investment Co., Ltd.	Chairman	Kao, Kuo-Lun (representative of Eternal International (BVI) Co., Ltd.)	\$ 8,369,307	100%
	Director	Mao, Hui-Kuan and Chu, Jui-Hsin (representative of Eternal International (BVI) Co., Ltd.)		
	Supervisor	Su, Hui-Fang and Liu, Bing-Cheng	—	—
	President	Mao, Hui-Kuan	—	—
Eternal Chemical (Chengdu) Co., Ltd.	Chairman	Liao, Heng-Ning (representative of Eternal (China) Investment Co., Ltd.)	\$ 450,351	100%
	Director	Chen, Hung-Yi and Lin, Chao-Kun (representative of Eternal (China) Investment Co., Ltd.)		
	Supervisor	Su, Hui-Fang	—	—
	President	Tung, Shih-Kang	—	—
Eternal Electronic (Suzhou) Co., Ltd.	Chairman	Hung, Chao-Cheng (representative of Eternal (China) Investment Co., Ltd.)	\$ 1,381,040	100%
	Director	Hsieh, Yen-Fen and Lin, Yu-Wei (representative of Eternal (China) Investment Co., Ltd.)		
	Supervisor	Su, Hui-Fang	—	—
	President	Lin, Yu-Wei	—	—

Eternal Sun A. (Suzhou) Co., Ltd.	Chairman	Takeshi Ashida (representative of Sun A. Kaken Co., Ltd.)	\$ 300,577	40%
	Director	Akihiko Shibasaki (representative of Sun A. Kaken Co., Ltd.)		
	Vice Chairman	Mao, Hui-Kuan (representative of Eternal (China) Investment Co., Ltd.)	\$ 450,866	60%
	Director	Mai, Wen-Chen and Hung, Chao-Cheng (representative of Eternal (China) Investment Co., Ltd.)		
	Supervisor	Su, Hui-Fang and Goshō Takabe	—	—
	President	Mai, Wen-Chen	—	—
Eternal Specialty Materials (Suzhou) Co., Ltd.	Chairman	Chen, Chin-Yuan (representative of Eternal (China) Investment Co., Ltd.)	\$ 1,199,225	100%
	Director	Pan, Chin-Cheng and Wang, Hung-Yu (representative of Eternal (China) Investment Co., Ltd.)		
	Supervisor	Su, Hui-Fang	—	—
	President	Wang, Hung-Yu	—	—
Eternal Materials (Changzhou) Co., Ltd.	Chairman	Liao, Heng-Ning (representative of Eternal (China) Investment Co., Ltd.)	\$ 602,000	100%
	Director	Huang, Chin-Lung and Chen, Hung-Yi (representative of Eternal (China) Investment Co., Ltd.)		
	Supervisor	Su, Hui-Fang	—	—
	President	Lin, Hsueh-Chuan	—	—

Note 1: If an affiliated company is a foreign company, an equivalent position should be specified.

Note 2: If an investee company issues shares, the number of shares and shareholding percentage should be specified. If no share is issued, the capital contribution and capital contribution ratio should be specified.

Note 3: If an affiliated company is a foreign company, the capital contribution should be specified in New Taiwan dollars at a historical exchange rate.

Note 4: Company status of the company registered in the Ministry of Economic Affairs: Dissolution has been liquidated, and the Board of Directors no longer exists. The account was canceled in the first quarter of 2020.

## II. Business Overview of Affiliated Companies

Financial conditions and operating results of affiliated companies are as follows:

December 31, 2019 Unit: NT\$ thousands

Affiliated Company	Capital (Note 1)	Total Assets (Note 2)	Total Liabilities (Note 2)	Net Worth	Operating Revenue (Note 2)	Operating Profit (Note 2)	Net Profit or Loss (Note 1)	Earnings per share (NT\$)
Eternal Materials Co., Ltd.	\$12,402,795	\$42,955,994	\$21,540,657	\$21,415,337	\$14,804,018	\$144,187	\$2,466,356	\$1.99
Eternal Holdings Inc.	6,603,283	17,371,492	490,406	16,881,086	0	(8,584)	773,410	3.58
Eternal Global (BVI) Co., Ltd.	717,527	4,727,520	9	4,727,511	0	(89)	446,369	26.54
Mixville Holdings Inc.	989,582	4,352,798	0	4,352,798	0	(71)	368,187	12.47
New E Materials Co., Ltd.	110,000	99,666	5,529	94,137	14,819	(15,500)	(14,531)	(1.32)
Eternal Capatech Co.,Ltd.	152,000	4,462	0	4,462	0	(82)	(64)	-
Eternal Electronic Material (Thailand) Co.,Ltd.	121,225	290,332	96,223	194,109	539,742	23,279	26,392	21.11
CHOU-KOU Material Co., Ltd.	60,431	224,115	140,861	83,254	373,618	(10,155)	(4,513)	(1,128.25)
Nikko-Materials Co.,Ltd.	125,176	1,427,734	517,571	910,163	1,462,441	146,676	168,671	14,641.58
Eternal Materials (Malaysia) Sdn. Bhd.	1,469,227	2,879,719	2,134,646	745,073	1,481,449	(179,251)	(242,699)	(1.32)
Elga Europe S.r.l.	95,441	687,394	623,901	63,493	544,690	(39,312)	(48,152)	-
Eternal International (BVI) Co., Ltd.	6,550,737	14,306,834	1,017	14,305,817	0	(63)	505,703	2.39
E-Chem Corp.	165,608	2,052,627	0	2,052,627	0	(31)	220,984	44.29
Eternal Technology Corporation	600,693	512,654	570,757	(58,103)	285,099	(28,295)	(51,121)	(21,912.13)
High Expectation Limited	871,519	4,166,308	0	4,166,308	0	(179)	361,709	13.91
Nikko Mechanics Co., Ltd.	21,712	666,870	427,926	238,944	561,394	63,620	44,641	6,805.03
Eternal Chemical (China) Co., Ltd.	\$755,651	\$5,404,644	\$1,116,675	\$4,287,969	\$1,787,800	\$170,406	\$398,480	-
Changhe International Trading (GZFTZ) Co., Ltd.	13,661	22,265	864	21,401	0	(55)	540	-
Eternal Photoelectric Material Industry (Kunshan) Co., Ltd.	191,777	233,891	603	233,288	0	(10,423)	(3,813)	-

Affiliated Company	Capital (Note 1)	Total Assets (Note 2)	Total Liabilities (Note 2)	Net Worth	Operating Revenue (Note 2)	Operating Profit (Note 2)	Net Profit or Loss (Note 1)	Earnings per share (NT\$)
Eternal Electronic Material (Guangzhou) Co., Ltd.	1,259,046	5,664,872	644,084	5,020,788	2,483,500	112,067	292,884	-
Eternal Optical Material (Suzhou) Co., Ltd.	614,887	290,487	890,487	(600,000)	49,705	(50,386)	(77,044)	-
Eternal Photo Electronic Materials (Guangzhou) Co., Ltd.	997,694	4,426,874	649,958	3,776,916	2,839,319	481,328	473,325	-
Eternal Photoelectric Material Industry (Yingkou) Co., Ltd.	124,282	189,451	388,254	(198,803)	175,668	6,765	(6,396)	-
Eternal Synthetic Resins (Changshu) Co., Ltd.	726,426	1,477,519	1,292,296	185,223	1,533,390	97,683	58,584	-
Eternal Chemical (Tianjin) Co., Ltd.	1,008,004	2,487,356	1,738,040	749,316	2,069,438	117,762	87,069	-
Eternal Specialty Materials (Zhuhai) Co., Ltd.	611,011	3,020,008	810,480	2,209,528	4,127,635	260,418	237,967	-
Eternal Materials (Guangdong) Co., Ltd.	1,297,259	5,120,887	1,017,320	4,103,567	4,637,401	304,919	361,881	-
Eternal (China) Investment Co., Ltd.	8,369,307	15,275,887	1,134,135	14,141,752	1,016,742	(96,422)	556,113	-
Eternal Chemical (Chengdu) Co., Ltd.	450,351	1,133,697	1,380,934	(247,237)	550,780	(112,030)	(169,266)	-
Eternal Electronic (Suzhou) Co., Ltd.	1,381,040	3,213,073	1,913,598	1,299,475	2,251,713	78,544	53,422	-
Eternal Sun A. (Suzhou) Co., Ltd.	751,443	700,248	448,141	252,107	374,988	(84,411)	(97,204)	-
Eternal Specialty Materials (Suzhou) Co., Ltd.	1,199,225	2,015,630	823,651	1,191,979	1,914,000	135,953	105,045	-
Eternal Materials (Changzhou) Co., Ltd.	602,000	633,350	0	633,350	0	(32)	28,746	-

Note 1: If an affiliated company is a foreign company, the capital contribution should be specified in New Taiwan dollars at a historical exchange rate.

Note 2: If an affiliated company is a foreign company, the total assets and total liabilities should be specified in New Taiwan dollars at an exchange rate on the reporting date, and the operating revenue, operating profit, net profit or loss, and earnings per share should be specified in New Taiwan dollars at the average monthly exchange rate in the fiscal year.

**Eternal Materials Co., Ltd.**

**Chairman: Kao, Kuo-Lun**