

Stock Code: 1711



2020 Annual Report

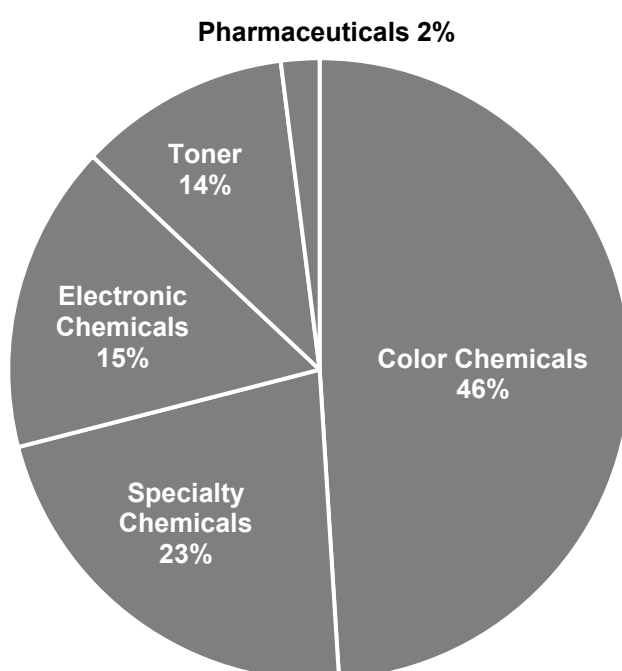
Everlight Chemical Industrial Corporation

March 30, 2021
<https://mops.twse.com.tw/mops/web/index>
<http://www.ecic.com>

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(02)2706-6006
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(03)386-8081
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(03)483-8088
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(03)483-7682
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(03)473-7366
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Financial Highlights

Revenue by B.U.



In Million NT\$

| Item | 2019 | 2020 |
|------------------------------|--------|--------|
| Revenues | 9,332 | 7,769 |
| Profit After Tax | 349 | 205 |
| Total Assets | 13,623 | 13,226 |
| Shareholder's Equity | 8,139 | 8,388 |
| Earnings Per Share (in NT\$) | 0.66 | 0.39 |

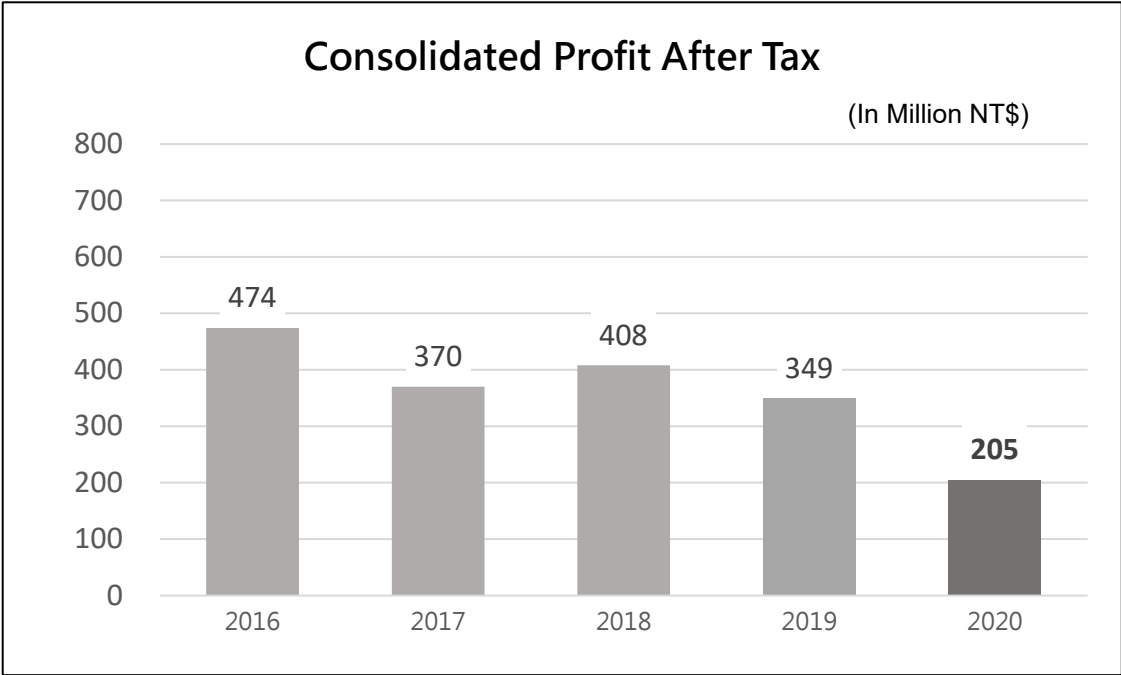
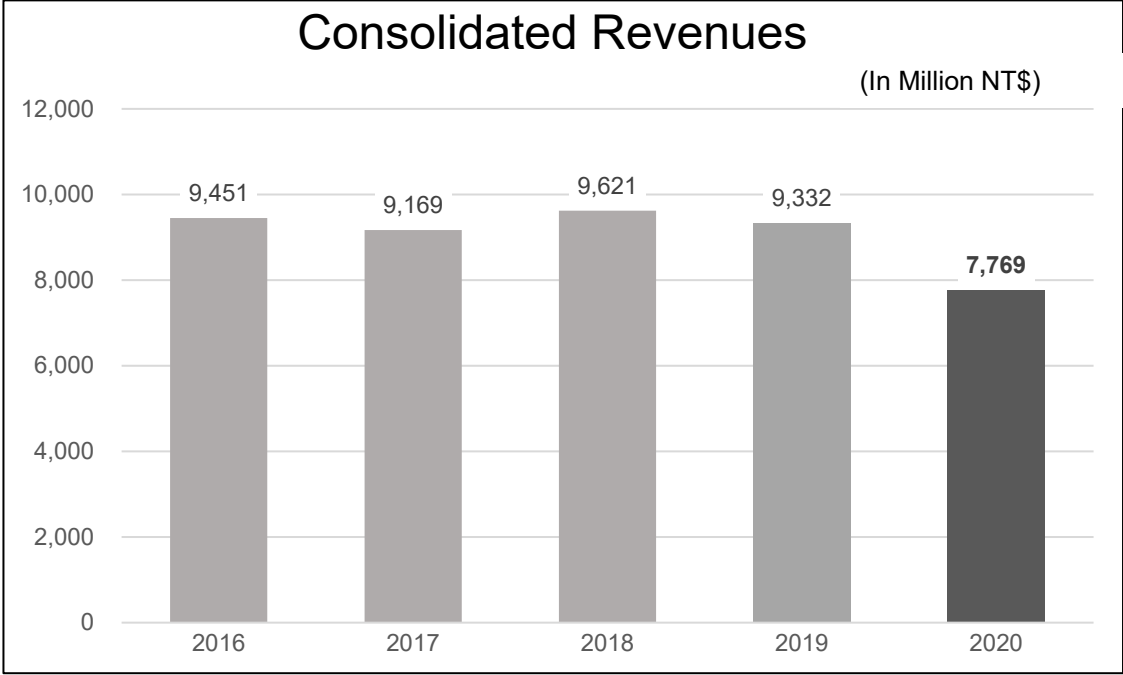




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Letter To Shareholders

Dear shareholders,

We have been through a troubling year last year together. With the active and effective containment by the government, Taiwan was able to keep the COVID-19 pandemic outside its borders. However, Everlight Chemical, whose major business involves export, has witnessed a decline of its overall revenue from the previous year of 17%, to only around NTD 7.77 billion. Major business: color chemical, specialty chemical, and toners declined by 23%, 14%, and 28%, respectively; electronic chemical and pharmaceuticals, however, grew by 18% and 7%, respectively. Net consolidated profit after tax amounted to NTD 205 million, with earnings per share of NTD 0.39; both declined by 41% compared to the previous year.

The results of each business are described below:

The operating revenue of the color chemical business was NTD 3.55 billion, which accounted for 46% and had an annual decrease of 23%. The main reason is that the major clients are from textiles and shoe-making industries, which suffered a severe hit from the pandemic. Fortunately, the business decline started to improve month by month from Q3. The economic outlook for this year is optimistic, and business is expected to return to its growth trajectory. We will continue to upgrade the capacity of online technical services, establish cloud promotion capabilities, with good supply chain management. At the same time, we will actively continue our efforts in launching differentiated products that are more eco-friendly, safer, energy and water conserving, and we will also continue to expand our digital ink production line. We will also expand the promotion of the application fields of dyes for paper and metals, in an effort to expand the business scope.

The sales revenue of the specialty chemical business amounted to NTD 1.77 billion, accounting for 23% and down by 14% as compared to the previous year. The main reason for the decrease is that the global automotive industry sold much fewer new cars due to the COVID-19 pandemic. Fortunately, the sales of high value-added light stabilizer products were not impacted, and thus the overall shock to the specialty chemical business was mitigated. Starting in Q3, the business rebounded gradually, and the outlook for this year is positive. Starting from this year, the prices of upstream raw materials have been rising, with higher costs of sea freight; the specialty chemical business cautiously responded to the unstable factors within the supply chain while actively expanding the business scope.

The sales revenue of the toner business amounted to NTD 1.09 billion, accounting for 14% and down by 28% compared to last year. The main reason is also the impact from the COVID-19 pandemic, as working and learning-from-home decreased the demand for printing in offices, and thus the sales of toner declined. The sales have recovered since Q4 last year. Since the beginning of the year, the lockdowns in various countries have gradually been lifted. As people return to offices and schools, the outlook seems promising. We will leverage online platforms and online technical meetings, to strengthen the brand image and serve clients actively. For product development, the color toners for MPFs, carriers, and toners for high-speed printers are developed continuously. Meanwhile, core technologies are applied to develop the ceramic toners and 3D printing materials for new industrial purposes, to expand the product breadth.

The sales revenue of the electronic chemical business was NTD 1.13 billion, accounting for 15%, an annual increase of 18%. The main reason is that the self-owned products and OEM products both grew, as well as the revenues in both Taiwan and China. Due to the COVID-19 pandemic, global business models shifted to contactless, remote communication, and thus the demands for semiconductor and opto-electronics industries increased. This year, thick-film photoresist for IC packaging, PSPI insulation material for the IC manufacturing process, and low-temperature materials of touch panels, materials for mini-OLED & micro-OLED manufacturing processes, and key manufacturing process materials for 3rd generation compound semiconductors will be continued to be developed this year, to enhance industry competitiveness.

The sales revenue of the pharmaceuticals business was NTD 202 million, accounting for 2.6%, an annual increase of 7%. Although the business grew it fell short of the expectations. With continuously improving processes and various austerity measures, the loss decreased 18% from the previous year. The batches of each major product continue to be expanded and new product are still being launched. It is expected that more competitive products will be offered in 2021 to positively contribute to the revenue. Meanwhile the OEM business is launched to increase the utilization rate. Partnerships with pharmaceutical companies will bring more business opportunities, while contributing to the bio-tech industry in Taiwan.

Last year, the Company actively undertook austerity measures. It was decided to stop the operations of the investees Daily Care BioMedical Inc. and Keystone Pharmaceutical Inc. so the Company could focus on core businesses. The results of CSR and ESG (environment, social, governance) for sustainable development are disclosed in detail in the Sustainability Report, and not repeated here.

For this year, the Company's operation guideline is "GROWING AGAIN" We shall be faster and more agile, to become the driver for the development of the circular economy in each downstream industry, to embrace the post-pandemic new normal. By focusing on niche industries, flexible teamwork, accelerating innovative transformation, and on integrating the global position, the Company welcomes global economic recovery in 2021.

Please keep encouraging and advising the management team as always.

Chairman Chen, Chien-Hsin

I. 2020 Operating Performance

(I) Implementation results of operating plan

The Company's consolidated operating revenue in 2020 was TWD 7,769,066,000 which was a decrease of 17%; in terms of operating income, the consolidated net income after tax was TWD 205,022,000, and EPS was TWD 0.39, which were reduced by 14% respectively comparing to previous year.

(II) Budget execution status

Unit: TWD thousand

| Account | Plan for the whole year | Actual amount | Achievement rate |
|------------------------|-------------------------|---------------|------------------|
| Operating revenue | 10,000,000 | 7,769,066 | 78% |
| Operating cost | 7,730,000 | 6,200,244 | 80% |
| Operating gross profit | 2,270,000 | 1,568,822 | 69% |
| Operating expense | 1,670,000 | 1,364,186 | 82% |
| Operating profit | 600,000 | 204,636 | 34% |
| Net income before tax | 600,000 | 264,776 | 44% |

(III) Analysis on revenue and expense and profitability

Unit: TWD thousand

| Item | | 2020 | 2019 | |
|------------------------|---------------------------|------------------|-----------|------|
| Revenue and expense | Operating revenue | 7,769,076 | 9,332,076 | |
| | Operating cost | 6,200,244 | 7,294,736 | |
| | Operating gross profit | 1,568,822 | 2,037,340 | |
| | Operating expense | 1,364,186 | 1,633,707 | |
| | Operating profit | 204,636 | 403,633 | |
| | Net non-operating revenue | 60,140 | 52,437 | |
| | Net income before tax | 264,776 | 456,070 | |
| | Income tax expense | 59,754 | 106,833 | |
| | Net income after tax | 205,022 | 349,237 | |
| | EPS (TWD) | 0.39 | 0.66 | |
| Profitability Analysis | ROA | 1.9% | 3.1% | |
| | ROE | 2.5% | 4.4% | |
| | To paid-in capital | Operating profit | 3.7% | 7.4% |
| | | Pre-tax income | 4.8% | 8.3% |
| | Profit margin | 2.6% | 3.7% | |
| | EPS (TWD) | 0.39 | 0.66 | |

(IV) R&D status

Developing high-tech, high value-added chemical products, and continuously improving ecological benefits are our R&D goals. R&D expense in 2020 was about TWD 370,000,000, which accounted for 4.8% of operating revenue. The specific results of R&D are as follows:

1. Intellectual property right:

In 2020, there were 8 patents granted. By the end of Feb. 2021, the cumulative number of patents was 184.

2. New product R&D results of each business:

In 2020, the completed items of new products developed by each business are: 70 items of color chemicals, 7 items of specialty chemicals, 10 items of electronic chemicals, 19 items of toner, which are 106 items in total.

II. Summary of 2021 Operation Plan

(I) Operation goals for the current year

The Company adopts “GROWING AGAIN” as its annual business policy, and implements the following strategies:

1. Niche and Lucrative Opportunities
2. Agile Marketing Teamwork
3. Innovation and Effectiveness
4. Global and Scalable Production

(II) Expected sales volume and its reference

According to the assessment of industrial environment and future market supply and demand, the expected sales targets of various products of the Company in 2020 are as follows:

| Business and product type | | Expected sales volume in 2021 | Sales volume in 2020 |
|---------------------------|--------------------------|-------------------------------|----------------------|
| Color chemicals | | 18,890 tons | 17,071 tons |
| Specialty chemicals | | 4,050 tons | 3,284 tons |
| Toner | | 6,650 tons | 5,670 tons |
| Electronic chemicals | Photoresist | 480 tons | 424 tons |
| | Others | 10,300 tons | 11,089 tons |
| Pharmaceuticals | Prostaglandin | 26,500 g | 19,468 g |
| | Other material medicines | 830 kg | 293 kg |

(III) Important production and sales policy

1. Sales policy:

- (1) Brand: Promoting “Green Chemical Solution,” strengthening “Better Chemistry Better Life” to enhance brand recognition.
- (2) Profit: Expand sales of niche products, develop strategic client management programs, and increase profits
- (3) Austerity: Attract clients with the marketing plan of “saving costs for customers.”
- (4) O2O: Actively develop a digital marketing platform, with offline activities, to create integrated O2O omnichannel marketing.

2. Production policy

- (1) Safety: Promote safety culture and reduce disaster risk.
- (2) Environment: Promote green chemistry, and improve environmental performance.
- (3) Pragmatics: deepen partnerships, and stabilize the supply of raw materials.
- (4) Innovation: Innovate production technologies, and move towards smart manufacturing.

III. Impacts of External Environment

(I) External competitive environment

1. The Sino-US trade war and the COVID-19 pandemic have accelerated the de-globalization of the industrial supply chain. Highly internationalized companies have inherent advantages within this trend. On the contrary, companies with concentrated production that rely heavily on international trade may face survival threats. It is advised that they should actively use new technologies and partnerships with multinational industries to enhance the resilience of the supply chain.
2. Circular economy, commitment to zero emissions of harmful chemicals to the environment, ChemScore assessment and other similar initiatives to promote sustainability and environment protection will affect major global brands and their supply chain manufacturers. They will adjust their strategy and reallocation of resources, eliciting a new round of competition.
3. Many countries are tightening environmental protection and industrial safety regulations on chemical industry. The pressure becomes the “new norm,” accelerating the survival of the fittest within the industry and leading to changes in the industrial pattern on the supply side. In the short term, small and medium-sized chemical plants will be driven out one after another. Limited and halted production will cause a reduction in supply and a rise in prices. In the long term, medium and large-sized chemical plants that succeed in upgrading themselves will acquire strong competitive advantages and expand market share.

(II) Regulatory environment:

1. Countries have successively promulgated the Chemicals Management Act and strengthened management measures, in order to achieve the vision of the United Nations 2023 Sustainable Development Goals,SDGs.
2. With the advent of the global anti-tax avoidance era, multinational corporations must conduct tax management with a more highly-integrated thinking, and face the challenges in different aspects set by tax bureaus in each country in a stable manner, in order to reduce global tax risk.

(III) Macroeconomic operating environment:

1. The trends of economic disconnection between the U.S. and China and de-globalization will result in the duplication of supply chains in various regions, increased supply costs, and decreased operational efficiency. In the post-pandemic era with real economic demands expanding, it is possible that the resilience of supply chains is insufficient, and thus raw material prices fluctuate. Cautious responses are essential.
2. Beijing does not give up its threat to unify Taiwan by armed force, and continues to compress Taiwan's space on the international stage and in international trade. For example, Taiwan has once again been excluded from RCEP. Taiwan's government takes the national security needs and the leverages of existing advantages of the industry into account, by focusing on promoting the six core strategic industries, namely information, information security, medical care, green energy, national defense, and war preparation, as well as the Southbound Policy, in an attempt to lead Taiwan industries' breakthrough the siege.
3. Taiwan and China have benefited from the outstanding results of pandemic containment in 2020. There is a wave of post-COVID-19 recovery in the short term, with continuous inflows of international funds, talents, technology and business opportunities.
4. The COVID-19 pandemic has accelerated the advent of the global “low-contact economy, high-tech solutions” era. Extended Reality (XR) was born as an all-round O2O solutions accordingly. Information security risks have also risen, such as network interruptions, hacking, ransomware, leakage of confidential and sensitive data, negative comments over the Internet, and news of which the authenticity is difficult to verify.

IV. Future Corporate Development Strategies

Everlight Chemical's vision is to “become the high-tech chemistry industrial group contributing to people's lives.” To enhance the life quality and health of people, we have strived to research and develop forward-looking chemicals and to produce high-tech products to enable outstanding chemicals to enrich peoples' lives, contribute to the life quality of our employees, product competitiveness, and sustainable future, and implement the brand promise of “Better Chemistry Better Life”.

Company Profile

I. Date of Establishment: September, 1972

II. Company History:

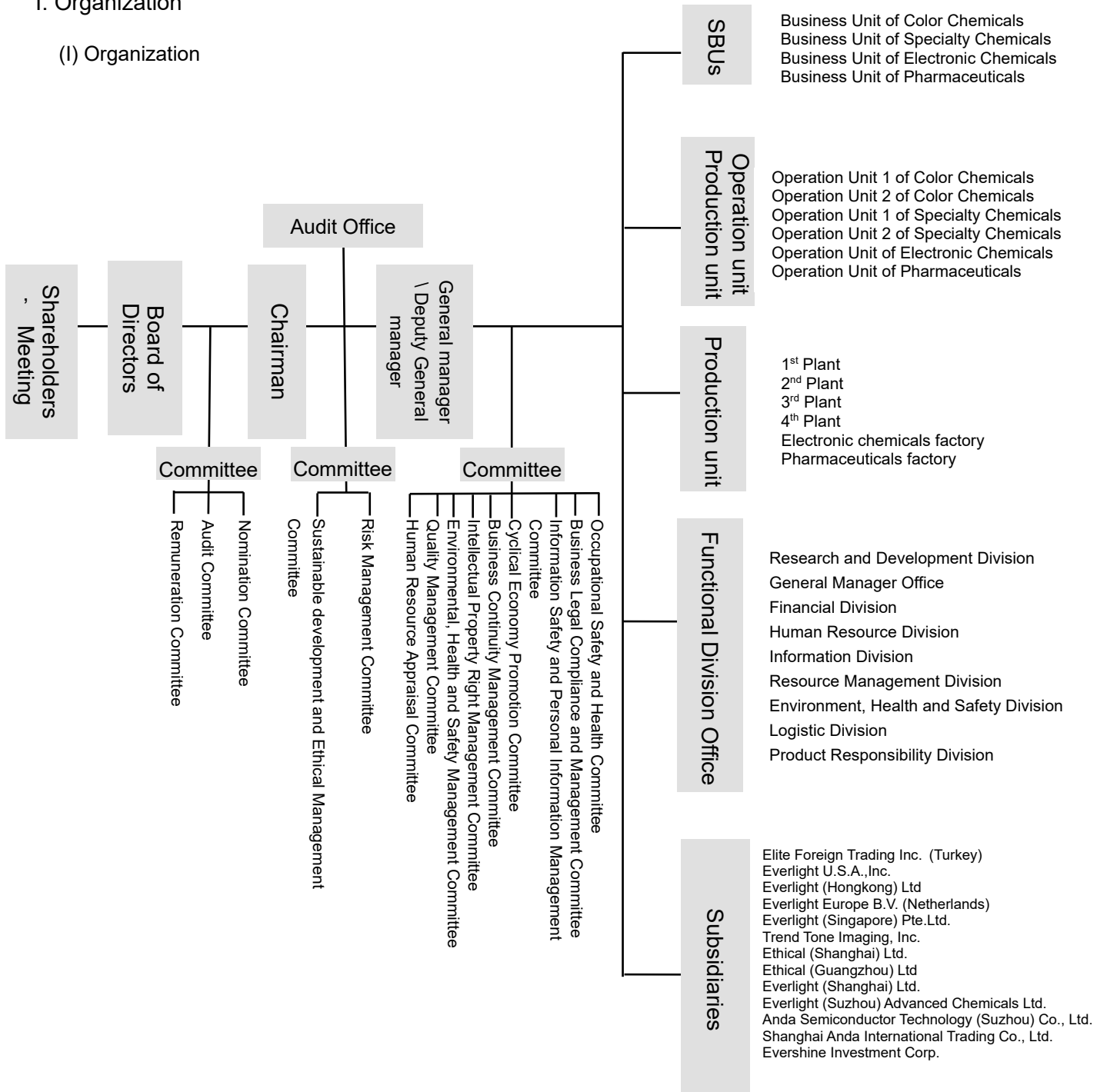
- 1972 • The Company was established with capital amount of TWD 4 million.
- 1976 • Purchased the land of Dayuan Industry Park in Taoyuan City and set up the 1st Plant.
- 1986 • Purchased the CTCI Building on Dunhua S. Rd. in Taipei City as the Group's headquarters.
- 1987 • Purchased the land of Guanyin Industry Park in Taoyuan City and set up the 2nd Plant.
- 1988 • Stocks went publicly listed with capital amount of TWD 0.5 billion.
- 1989 • Established the company, Elite in Turkey.
- 1991 • Established Everlight U.S.A.
- 1992 • Purchased the land of Guanyin Industry Park in Taoyuan City and set up the 3rd Plant.
 - Established Everlight (Hongkong) Ltd.
- 1993 • Passed the Quality Management System Examination of ISO 9002.
- 1994 • Passed the Quality Management System Examination of ISO 9001.
- 1995 • Won the Excellent Prize of the 3rd Premium Industry and Technology Development Award of MOEA.
- 1996 • Passed the Environment Management System Examination of ISO 14001.
 - Established Everlight Europe B.V. (Netherlands).
 - Established the factory for raw material medicine.
 - Won the Excellent Manufacturer Prize of Energy Saving Award of Bureau of Energy, MOEA.
- 1997 • Established the electronic chemicals factory.
 - Established Everlight (Singapore) Ltd.
 - Merged Trend Tone Imaging, Inc.
 - Won the Excellent Manufacturer Prize of Pollution Prevention Award of EPA.
- 1998 • Established Ethical (Shanghai) Ltd.
- 2000 • Won the 8th Premium Industry and Technology Development Award of MOEA. — Excellent Prize
- 2001 • Passed the Vocational Safety and Hygiene Management System Examination of OHSAS 18001.
- 2002 • Established Ethical (Guangzhou) Ltd.
 - Established Business Unit of Nanomaterial.
 - The material medicine of Prostaglandin, Misoprostol, passed the inspection of US FDA.
- 2003 • Approved by the MOEA to establish the headquarters of business operation.
 - Approved by the MOEA to establish High-Tech Chemicals Research and Development Division.
- 2004 • Won the Outstanding Corporate Citizen Award of MOEA.
 - Trend Tone Imaging passed the examination of ISO 9001.
 - DailyCare BioMedical Inc. passed the examinations of ISO 9001, ISO 13485, GMP for pharmaceuticals and equipment and CAMCAS.
- 2005 • Established Everlight (Shanghai) Ltd.
- 2012 • Established Qingdao Branch of Everlight (Shanghai) Ltd.
 - Established Suzhou Branch of Everlight (Shanghai) Ltd.
 - Established Zhuhai Branch of Everlight (Suzhou) Advanced Chemicals Ltd.
 - Passed the Business Continuity Management System (BCMS) Examination of BS 25999.
 - Introduced the inventory of product carbon footprint and passed the inspection of PAS 2050 and ISO/TS 14067.
 - Trend Tone Imaging won the Safety and Hygiene Role Model Award of MOEA.
- 2013 • Established Evershine Investment Corp.
 - Won the 1st Potential Mittelstand Award of MOEA.
 - The material medicine of Prostaglandin, Bimatoprost and Misoprostol-HPMC, passed the inspection of US FDA.
 - Won the Safety and Hygiene Role Model Award of MOEA.
 - Passed the Quality Management System Examination of ISO/TS16949.
 - Continually won the Excellence in Corporate Social Responsibility Award for seven years.
 - Everlight (Suzhou) Advanced Chemicals Ltd. passed the examinations of ISO 14001 and OHSAS 18001.
 - Trend Tone Imaging passed the examinations of TOSHMS CNS15066 and OHSAS 18001.
- 2014 • Passed the CG6008 General-Edition Corporate Governance System Evaluation of Taiwan Corporate Governance Association.
 - Passed the Business Continuity Management System Examination of ISO 22301.
 - Trend Tone Imaging passed the examination of ISO 14001.
 - Trend Tone Imaging passed the greenhouse gas inventory inspection of ISO 14064-1.
- 2015 • Won the National Invention and Innovation Award of MOEA.
 - Established Audit Committee and Nomination Committee.
- 2016 • Reactive dye (Everzol Black-B 133%) passed the Material Flow Cost Accounting inspection of ISO 14051 MFCA.
 - The 3rd Plant won the Work-Life Balance Award of MOL.
- 2017 • The Plant IV was awarded the Green Building Label certificate from the Ministry of the Interior.
 - 2016 CSR Report passed the inspection of British Standards Institution (BSI).
 - Won the Taiwan TOP50 Business Sustainability Award and Business Sustainability Report Award.
 - Trend Tone Imaging passed the Talent Quality-Management System (TTQS) Examination.
- 2018 • We signed the Safe Partner Declaration with the Occupational Safety and Health Administration, Ministry of Labor.
 - The Plant IV obtained the Certificate of Cleaner Production Assessment and Green Factory Label from the Industrial Development Bureau.
 - We passed the verification of Taiwan Intellectual Property Management System (TIPS) Grade A (Version 2016).
 - We won the China Dyestuff Centennial Merit Award, Outstanding Entrepreneur Award, Science and Technology Contribution Award and Outstanding Enterprise Award of the China Dyestuff Industry Association.

- 2006 • Established Everlight (Suzhou) Advanced Chemicals Ltd.
 - Won the Industry Innovation Award of MOEA.
- 2007 • The material medicine for cardiovascular disease, Felodipine, passed the inspection of US FDA.
- 2009 • Won the National Invention and Innovation Award of MOEA.
 - Won the Safety and Hygiene Role Model Award of MOEA.
 - Everlight (Suzhou) Advanced Chemicals Ltd. passed the examination of ISO 9001.
- 2010 • The 2nd Plant, also the bonded factory, went listed and formally began operation.
 - Passed the examination of Taiwan Intellectual Property Management System (TIPS).
 - Approved by the MOEA to establish Green Energy High-Tech Chemicals Research and Development Division.
- 2011 • Merged Anda Semiconductor Technology (Suzhou) Co., Ltd.
 - The material medicine of Prostaglandin, Misoprostol-HPMC, passed the inspection of EU GMP.
 - Elected as one of the Top 100 Taiwan Brands.
 - The 3rd Plant, also the bonded factory, went listed and formally began operation.
 - Established Tianjin Branch of Everlight (Shanghai) Ltd.
 - Elected into the special edition of Taiwan Ethical Corporate Management Stories.
 - The first company to pass the GMP examination for food additives in Taiwan.
 - Purchased the land of Taoyuan Technology Park in Taoyuan City and set up the 4th Plant.
- 2019 • Won the 1st Green Chemical Application and Innovation Award held by Environmental Protection Agency (EPA).
 - Passed the third party inspection for ISO 45001.
 - The administration building of the 1st Plant was awarded the Green Building Label certificate from the Ministry of the Interior (for the renovation of existing buildings category).
 - The 1st Plant passed the Cleaner Production Assessment by the MOEA.
- 2020. Won the 2st Green Chemical Application and Innovation.

Corporate Governance

I. Organization

(I) Organization



(II) Business of major department

| Department | Responsibility |
|---|--|
| Audit Office | Internal control audit business |
| Business Unit of Color Chemicals | Operational business of products related to color chemicals |
| Business Unit of Specialty Chemicals | Operational business of products related to specialty chemicals |
| Business Unit of Electronic Chemicals | Operational business of products related to electronic chemicals |
| Business Unit of Pharmaceuticals | Operational business of products related to pharmaceuticals |
| Operation Unit 1 of Color Chemicals | Sales business of color chemicals in the Greater China area |
| Operation Unit 2 of Color Chemicals | Sales business of color chemicals in Europe, USA, Japan and Korea |
| Operation Unit 1 of Specialty Chemicals | Sales business of UV-stabilizer in the Greater China and East Asia |
| Operation Unit 2 of Specialty Chemicals | Sales business of UV-stabilizer in Europe, USA, Middle East, South Asia and Africa |
| Operation Unit of Electronic Chemicals | Sales business of electronic chemicals |
| Operation Unit of Pharmaceuticals | Sales business of pharmaceuticals |
| 1 st Plant | Production business of color chemicals and other products |
| 2 nd Plant | Production business of color chemicals and other products |
| 3 rd Plant | Production business of UV-stabilizer and other products |
| 4 th Plant | Production business of green materials and other products |
| Electronic chemicals factory | Production business of electronic chemicals |
| Pharmaceuticals factory | Production business of pharmaceuticals |
| Research and Development Division | Business of product development and R&D in applied technology |
| General Manager Office | Planning for corporate development, and business of legal affairs and projects |
| Financial Division | Business related to financial, accounting, investment management and shareholder service |
| Human Resource Division | Business related to human resource |
| Information Division | Business of information and Internet planning and maintenance |
| Resource Management Division | Business of raw material and equipment procurement |
| Environment, Health and Safety Division | Business of environmental safety and hygiene |
| Logistic Division | Business related to delivery management of color chemicals finished goods |
| Product Responsibility Division | Business of product safety |

II. Directors, General Managers, Deputy General Managers, Associates and Managers of Each Department and Branch

(I) Director information

Mar. 30, 2020

| Title | Nationality or registration place | Name | Gender | Date Elected / Appointed | Term period | Date elected for the 1st time | Shareholding when elected | | Share number held currently | | Shareholdings of spouse and minor children | | Shares held with other person's name | | Major working (educational) experience (Note) | Positions concurrently served in the Company and other companies | Other managers, directors or supervisors with relationship of spouse or within the kinship of the second-degree relatives | | | |
|----------------------|-----------------------------------|------------------|--------|--------------------------|-----------------------------|-------------------------------|---------------------------|--------------------|-----------------------------|--------------------|--|--------------------|--------------------------------------|--------------------|--|---|---|---|--------------|--|
| | | | | | | | Share number | Shareholding ratio | Share number | Shareholding ratio | Share number | Shareholding ratio | Share number | Shareholding ratio | | | Title | Name | Relationship | |
| Chairman | Taiwan R.O.C | Chen, Chien-Hsin | Male | June 6, 2018 | Jun. 6, 2018 - Jun. 5, 2021 | May 26, 1997 | 6,725,250 | 1.23 | 6,730,000 | 1.23 | 500,000 | 0.09 | 0 | 0 | Master of Public Health (MPH), Harvard University | Chairman of companies such as Everlight Chemical Singapore, Trend Tone Imaging; Director of companies such as Elite Turkey and Good TV Broadcasting Corp, etc. | Director General Manager Associate Manager | Chen, Ding-Chuan Chen, Wei-Wang Jason Ju | and | Father and son Brothers Brother-in-law |
| Director | Taiwan R.O.C | Chen, Ding-Chuan | Male | June 6, 2018 | Jun. 6, 2018 - Jun. 5, 2021 | Aug. 26, 1972 | 81,000,000 | 14.79 | 68,000,000 | 12.41 | 7,000,000 | 1.28 | 0 | 0 | Department of International Trade, Tamkang University Honorary doctorate of Management at Chang Jung Christian University Honorary doctorate of Tamkang University | None | Director Chairman Director General Manager Associate Manager | Chen, Ding-Chi Chen, Chien-Hsin Chen, Wei-Wang Jason Ju | and | Brothers Father and son Father- and son-in-law |
| Director | Taiwan R.O.C | Chen, Ding-Chi | Male | June 6, 2018 | Jun. 6, 2018 - Jun. 5, 2021 | Aug. 26, 1972 | 14,975,254 | 2.73 | 14,195,254 | 2.59 | 987,659 | 0.18 | 0 | 0 | Doctor of Education, Cohen University, USA | None | Director Director | Chen, Ding-Chuan Chen, Chien-Ming | | Brothers Father and son |
| Director | Taiwan R.O.C | Chen, Wei-Wang | Male | June 6, 2018 | Jun. 6, 2018 - Jun. 5, 2021 | May 26, 2000 | 6,300,000 | 1.15 | 6,300,000 | 1.15 | 324,350 | 0.06 | 0 | 0 | PhD in Industrial and Operations Engineering, University of Michigan, USA | General Manager of Everlight Chemical, Chairman of companies such as Everlight (Hongkong) Ltd., Ethical (Shanghai) Ltd., Everlight (Shanghai) Ltd., Ethical (Guangzhou) Ltd., Everlight U.S.A., and Everlight Europe B.V. (Netherlands), and Director of companies such as Trend Tone Imaging, Inc., Everlight (Suzhou) Advanced Chemicals Ltd., Polytronics Technology Corp., Elite, Turkey, Anda Semiconductor Technology (Suzhou) Co., Ltd., and Suzhou Sanyi. | Director Chairman Associate Manager | Chen, Ding-Chuan Chen, Chien-Hsin Jason Ju | | Father and son Brothers Brother-in-law |
| Director | Taiwan R.O.C | Chen, Chien-Ming | Male | June 6, 2018 | Jun. 6, 2018 - Jun. 5, 2021 | Jun. 8, 2006 | 3,503,192 | 0.64 | 3,923,192 | 0.72 | 0 | 0 | 0 | 0 | PhD in Mechanical Engineering, University of Michigan, USA | Director and General Manager of Everlight U.S.A. and Director of Trend Tone Imaging, Inc. | Director | Chen, Ding-Chi | | Father and son |
| Director | Taiwan R.O.C | Lee, Yung-Long | Male | June 6, 2018 | Jun. 6, 2018 - Jun. 5, 2021 | May 26, 1994 | 2,281,007 | 0.42 | 2,281,007 | 0.42 | 201,672 | 0.04 | 0 | 0 | Department of Public Administration, National Chung Hsing University | None | None | None | None | None |
| Director | Taiwan R.O.C | Ken, Wen-Yuen | Male | June 6, 2018 | Jun. 6, 2018 - Jun. 5, 2021 | May 26, 2000 | 2,951,405 | 0.54 | 2,951,405 | 0.54 | 0 | 0 | 0 | 0 | Master in Science in Computer Science, University of San Francisco | Chairman and General Manager of Chung Hwa Chemical Industrial Works, Ltd., and Independent Director of via technologies, inc. | None | None | None | None |
| Director | Taiwan R.O.C | Tsai, Kuang-Feng | Male | June 6, 2018 | Jun. 6, 2018 - Jun. 5, 2021 | June 6, 2018 | 312,636 | 0.06 | 312,636 | 0.06 | 0 | 0 | 0 | 0 | Master in Chemical Engineering, University of Southern California, USA | Director of companies such as Everlight U.S.A. and Everlight Europe B.V. (Netherlands) | None | None | None | None |
| Independent Director | Taiwan R.O.C | Wang, Hsiu-Chun | Male | June 6, 2018 | Jun. 6, 2018 - Jun. 5, 2021 | May 24, 2012 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | PhD in Engineering economic systems, Stanford University, USA | Executive Partner of GRC SINOGREEN, Chairman of Sinogreenenergy Management Co., and Independent Director of Swancor Holding Co., LTD. | None | None | None | None |
| Independent Director | Taiwan R.O.C | Hung, Ying-Cheng | Male | June 6, 2018 | Jun. 6, 2018 - Jun. 5, 2021 | May 24, 2012 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | PhD in Commerce, Graduate Institute of Business Administration, National Chengchi University | Associate Professor, Department of Business Administration, Tamkang University | None | None | None | None |
| Independent Director | Taiwan R.O.C | Wu, Chung-Fern | Female | June 6, 2018 | Jun. 6, 2018 - Jun. 5, 2021 | June 11, 2015 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | PhD in Accounting and Information Management and Systems, UCLA, USA | Professor in Department of Accounting, Director of TWSE, Supervisor of Taiwan Cooperative Bank, Independent Director of Chunghua Precision Test Tech.Co., Ltd., Thai Kin Co., Ltd. and Taiwan sugar co. | None | None | None | None |

Note1: If experiences related to the current position were undertaken in the accounting firm which takes charge of auditing or in affiliates during the period mentioned above, the titles and responsibilities shall be clarified.

Note2: If the Company Chairman and the general manager, or manager of equivalent position (the highest manager) are the same person, or his or her spouse, or the kinship of the first degree, related information regarding the arrangement in term of reasons, rationale, necessity and response measures (e.g. increase the number of independent directors, and more than half of the directors do not concurrently serve as employees or managers and et cetera) shall be provided.

| Name | Criteria | Whether or not have at least five (5) years of working experience and the following professional qualifications | | | Status of independence (Note) | | | | | | | | | | | | Number of public-listed companies in which concurrently served as independent director |
|------------------|----------|---|---|--|-------------------------------|---|---|---|---|---|---|---|---|----|----|----|--|
| | | Lecturer or above in commerce, law, finance, accounting or subjects required by the business of the Company in public or private colleges or universities | Judge, public prosecutor, attorney-at-law, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company. | Required working experience in commerce, law, finance, accounting or other fields required by the business of the Company. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | |
| Chen, Chien-Hsin | | | ✓ | ✓ | | | | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | 0 | |
| Chen, Ding-Chuan | | | ✓ | ✓ | | | | | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | 0 | |
| Chen, Ding-Chi | | | ✓ | ✓ | | | | | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | 0 | |
| Chen, Wei-Wang | | | ✓ | | | | | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | 0 | |
| Chen, Chien-Ming | | | ✓ | | | | | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | 0 | |
| Lee, Yung-Long | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 | |
| Ken, Wen-Yuen | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 | |
| Tsai, Kuang-Feng | | | ✓ | | | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 | |
| Wang, Hsiu-Chun | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 1 | |
| Hung, Ying-Cheng | ✓ | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 | |
| Wu, Chung-Fern | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 3 | |

Note: For the directors meeting any of the following situations two (2) years before being elected and during their term of office, please write "✓" in the appropriate corresponding boxes.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of any of the Company's affiliates (however, being an independent director concurrently in the Company, its parent company, subsidiaries or subsidiaries of the same parent company in accordance with the Law or local regulations is not restricted here).
- (3) Not a natural-person shareholder or holder of shares, together with those held by a spouse, minor children, or held by the person under other names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranking within the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the managers mentioned in the paragraph (1) or persons mentioned in the paragraph (2), (3).
- (5) Not a director, supervisor, or employee of an institutional shareholder that directly holds five percent or more of the total number of issued shares of the Company, or ranks as its top five shareholders, or has designated representative in accordance of Article 27 Section 1 or 2 in the Company as director/supervisor (however, being an independent director concurrently in the Company, its parent company, subsidiaries or subsidiaries of the same parent company in accordance with the Law or local regulations is not restricted here).
- (6) Not a director, supervisor, or employee of other companies with the Board seats or more than half of the voting shares under control of one person (however, being an independent director concurrently in the Company, its parent company, subsidiaries or subsidiaries of the same parent company in accordance with the Law or local regulations is not restricted here).
- (7) Not a director, supervisor, or employee of other companies whose chairman or general manager are the same person or spouse of the Company (however, being an independent director concurrently in the Company, its parent company, subsidiaries or subsidiaries of the same parent company in accordance with the Law or local regulations is not restricted here).
- (8) Not a director, supervisor, manager, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the Company (however, if a specified company or institution possessing shareholdings of more than 20% and less than 50% of the total number of issued shares of the Company, and being an independent director concurrently in the Company, its parent company, subsidiaries or subsidiaries of the same parent company in accordance with the Law or local regulations is not restricted here).
- (9) Not a professional individual, or an owner, partner, director, supervisor, or manager or spouse thereof of a sole proprietorship, partnership, company, or institution that provides auditing services or for the past two years, has provided commercial, legal, financial, accounting or consultation services amounted to less than a cumulative NTD500,000 to the Company or to any affiliate of the Company. However, members of the Remuneration Committee, Public Tender Offer Review Committee or Special Merger and Acquisition Committee acting in accordance of Securities and Exchange Act or Business Mergers and Acquisitions Act are not restricted here.
- (10) Not having a marital relationship with, or not a relative within the second degree of kinship of any other director of the Company.
- (11) Not under any circumstances as noted in Article 30 of Company Act.
- (12) Not a governmental, juridical person or its representative as defined in Article 27 of Company Act.

(II) General Managers, Deputy General Managers, Associates and Managers of Each Department and Branch

Mar.30, 2020

| Title (Note 1) | Nationality | Name | Gender | Date Elected / Appointed | Shareholding | | Shareholdings of spouse and minor children | | Shares held with other person's name | | Major working (educational) experience (Note 2) | Positions concurrently served in other companies | Managers with relationship of spouse or within the kinship of the second-degree relatives(Note3) | | |
|---|-------------|-------------------------|--------|--------------------------------|-----------------|-----------------------|---|-----------------------|---|-----------------------|--|---|--|-----------------------|----------------|
| | | | | | Share number | Shareholding ratio | Share number | Shareholding ratio | Share number | Shareholding ratio | | | Title | Name | Relationship |
| General manager | R.O.C | Chen, Wei- Wang | Male | Jan. 1, 2001 | 6,300,000 | 1.15 | 494,350 | 0.09 | 0 | 0 | PhD in Industrial and Operations Engineering, University of Michigan, USA | Chairman of companies such as Everlight (Hongkong) Ltd., Ethical (Shanghai) Ltd., Everlight (Shanghai) Ltd., Ethical (Guangzhou) Ltd., Everlight U.S.A., and Everlight Europe B.V. (Netherlands), and Director of companies such as Trend Tone Imaging, Inc., Polytronics Technology Corp., Elite, Turkey, Everlight (Suzhou) Advanced Chemicals Ltd., Anda Semiconductor Technology (Suzhou) Co., Ltd., and Suzhou Sanyi. | Associate Manager | Jason Ju | Brother-in-law |
| Special Asst. to Chairman | R.O.C | Du, Yi- Zhong | Male | Jan. 1, 2020 | 13,989 | 0.00 | 9,951 | 0.00 | 0 | 0 | Master in Chemical Engineering, NTUST | Chairman of Everlight (Suzhou) Advanced Chemicals Ltd., and Director of companies such as Chung Hwa Chemical Industrial Works and Evershine Investment Corp., | None | None | None |
| Special Asst. to Chairman | R.O.C | Liao, Ming- Zhi | Male | Jan. 1, 2021 | 240,891 | 0.05 | 819 | 0.00 | 0 | 0 | Department of Business Management, Tatung University | None | None | None | None |
| Deputy General Manager | R.O.C | Tsai, Kuang- Feng | Male | Jan. 1, 2010 | 312,636 | 0.06 | 0 | 0 | 0 | 0 | Master in Chemical Engineering, University of Southern California, USA | Director of Everlight Europe B.V. (Netherlands) | None | None | None |
| Deputy General Manager | R.O.C | Lin, Zhao- Wen | Male | Jan. 1, 2013 | 71,691 | 0.01 | 270 | 0.00 | 0 | 0 | Macromolecule Fiber, NTUST Master | None | None | None | None |
| Deputy General Manager | R.O.C | Chen, Qing- Tai | Male | Jan. 1, 2020 | 14,037 | 0.00 | 0 | 0 | 0 | 0 | Master in Chemical Engineering, National Cheng Kung University | None | None | None | None |
| Deputy General Manager | R.O.C | Chen, Ke- Lun | Male | Nov.1, 2020 | 0 | 0 | 0 | 0 | 0 | 0 | PhD in Chemistry, National Tsing Hua University | Director of Evershine Investment Corp. | None | None | None |
| The 2 nd Plant Factory Director | R.O.C | Yeh, Shun- Xing | Male | Jan. 1, 2020 | 1,157 | 0.00 | 43,792 | 0.01 | 0 | 0 | MBA, National Central University | None | None | None | None |
| Deputy General Manager | R.O.C | Lee, Fu- Xing | Male | Mar. 31, 2020 | 40,647 | 0.01 | 11,850 | 0.00 | 0 | 0 | MBA, Saint Louis University, USA | Director of Everlight U.S.A. | None | None | None |
| Associate Manager | R.O.C | Wu, Tian- Wang | Male | Jan. 1, 2002 | 105,107 | 0.02 | 0 | 0 | 0 | 0 | Department of Chemistry, Tunghai University | None | None | None | None |
| Associate Manager | R.O.C | Wu, Yao- Ming | Male | Jan. 1, 2004 | 3,370 | 0.00 | 0 | 0 | 0 | 0 | Major in Chemical Fiber, NTUT | None | None | None | None |
| Associate Manager | R.O.C | Jason Ju | Male | Jan. 1, 2005 | 281,824 | 0.05 | 6,405,000 | 1.17 | 0 | 0 | PhD in Environmental Engineering, University of Delaware, USA | Director and General Manager of Everlight (Suzhou) Advanced Chemicals Ltd., Director of companies such as Trend Tone Imaging, Anda Semiconductor Technology (Suzhou), Shanghai Anda International Trading, and Supervisor of Suzhou Sanyi. | General manager | Chen, Wei- Wang | Brother-in-law |
| Associate Manager | R.O.C | Tseng, Kun- Mu | Male | Jan. 1, 2008 | 26,053 | 0.00 | 0 | 0 | 0 | 0 | Major in Chemical Engineering, NTUT | None | None | None | None |
| Associate Manager | R.O.C | Chen, Xin- Zhi | Male | Jan. 1, 2012 | 0 | 0 | 0 | 0 | 0 | 0 | MBA, Chang Gung University | None | None | None | None |
| Associate Manager | R.O.C | Liao, Nan- Ming | Male | Jan. 1, 2013 | 7,214 | 0.00 | 20,717 | 0.00 | 0 | 0 | Major in Fiber, NTUT | General Manager of companies such as Ethical (Shanghai) Ltd., and Everlight (Shanghai) Ltd., and Supervisor of Everlight Chemical. | None | None | None |
| Associate Manager | R.O.C | Chen, Yi- Tang | Male | Nov. 16, 2017 | 16,577 | 0.00 | 7,847 | 0.00 | 0 | 0 | Department of Fiber, NTUST | General Manager of Ethical (Guangzhou) Ltd. | None | None | None |
| Associate Manager | R.O.C | Huang, Tsong-Wen | Male | Jan. 1, 2018 | 10,000 | 0.00 | 0 | 0 | 0 | 0 | Master in Chemistry, National Sun Yat-sen University | Factory Director of Everlight (Suzhou) Advanced Chemicals Ltd. | None | None | None |
| Associate Manager | R.O.C | Chen, Wen- Zheng | Male | Jan. 1, 2020 | 1,153 | 0.00 | 0 | 0 | 0 | 0 | PhD in Fibe, University of Manchester, UK | None | None | None | None |
| Head of Operation Unit 1 of Color Chemicals | R.O.C | Hsiao, Chong-Kun | Male | Jan. 1, 2015 | 13,063 | 0.00 | 2,800 | 0.00 | 0 | 0 | MBA, Chinese Culture University | Director of companies such as Everlight (Hongkong) Ltd., Ethical (Shanghai) Ltd., Everlight (Shanghai) Ltd., and Ethical (Guangzhou) Ltd., etc. | None | None | None |
| Head of Technical Marketing Division | R.O.C | Lai, Bao- Kun | Male | Jan. 1, 2002 | 92,288 | 0.02 | 381 | 0.00 | 0 | 0 | MBA, Yuan Ze University | None | None | None | None |
| The 1 st Plant Factory Director | R.O.C | Chen, Kun- Mu | Male | Jan. 1, 2021 | 10,000 | 0.00 | 0 | 0 | 0 | 0 | Master in Chemistry, Chung Yuan Christian | None | None | None | None |

| Title (Note 1) | Nationality | Name | Gender | Date Elected / Appointed | Shareholding | | Shareholdings of spouse and minor children | | Shares held with other person's name | | Major working (educational) experience (Note 2) | Positions concurrently served in other companies | Managers with relationship of spouse or within the kinship of the second-degree relatives(Note3) | | |
|---|-------------|-------------------------|--------|--------------------------------|-----------------|-----------------------|---|-----------------------|---|-----------------------|--|---|--|------|--------------|
| | | | | | Share number | Shareholding ratio | Share number | Shareholding ratio | Share number | Shareholding ratio | | | Title | Name | Relationship |
| | | | | | | | | | | | University | | | | |
| The 3 rd Plant Factory Director | R.O.C | Kang, Yuan- Sheng | Male | Jan. 1, 2017 | 593 | 0.00 | 94,148 | 0.02 | 0 | 0 | Department of Chemical Engineering, Chung Yuan Christian University | None | None | None | None |
| Head of Specialty Chemicals Technics Division | R.O.C | Huang, Yao-Xing | Male | Apr.1, 2016 | 14,087 | 0.00 | 0 | 0 | 0 | 0 | PhD in Chemistry, National Tsing Hua University | None | None | None | None |
| Head of Pharmaceutical Chemicals Q&C Division | R.O.C | Chen, Si- Feng | Male | Jun. 1, 2020 | 7,018 | 0.00 | 0 | 0 | 0 | 0 | PhD in Chemistry, University of Maryland, USA | None | None | None | None |
| Head of Resource Management Division | R.O.C | Sung, Bai-Li | Male | Jul. 16, 2012 | 148,812 | 0.03 | 4,534 | 0.00 | 0 | 0 | Major in Chemical Engineering, NTUT | None | None | None | None |
| Head of Product Responsibility Division | R.O.C | Huang,Hui- Ching | Female | Jan. 1, 2020 | 3,782 | 0.00 | 0 | 0 | 0 | 0 | Master in Chemical Engineering, Chung Yuan Christian University | Chairman of Evershine Investment Corp. | None | None | None |
| Audit Office General Auditor | R.O.C | Tzeng, Mei- Rong | Female | Oct. 1, 2014 | 10,633 | 0.00 | 1,514 | 0.00 | 0 | 0 | Master in Business Management, Tatung University | None | None | None | None |
| Head of Financial Division and Supervisor of Financial and Accounting Department | R.O.C | Weng, Kuo- Pin | Male | Jan. 1, 2010 | 7,726 | 0.00 | 0 | 0 | 0 | 0 | Department of Business Administration, Feng Chia University | Director of companies such as Everlight U.S.A., Everlight (Singapore) Ltd., Ethical (Shanghai) Ltd., Everlight (Shanghai) Ltd. and Ethical (Guangzhou) Ltd., and Supervisor of Trend Tone Imaging, Inc., Evershine Investment Corp. | None | None | None |
| Corporate governance officer | R.O.C | Lee, Ming- Wen | Male | Jan. 1, 2021 | 0 | 0 | 0 | 0 | 0 | 0 | Master of Business Administration, Temple University, USA | Director of companies such as Everlight (Hongkong) Ltd., Everlight (Singapore) Ltd., and Supervisor of Ethical (Guangzhou) Ltd., Elite, Turkey. | None | None | None |

Note 1: Shall include information of general managers, deputy general managers, associate managers, and supervisors of each department and branch. Those whose positions equivalent with general managers, deputy general managers or associate managers shall also be disclosed no matter what the titles are.

Note 2: If experiences related to the current position were undertaken in the accounting firm which takes charge of auditing or in affiliates during the period mentioned above, the titles and responsibilities shall be clarified.

Note3: If the general manager, or manager of equivalent position (the highest manager) and the Company Chairman are the same person, or his or her spouse, or the kinship of the first degree, related information regarding the arrangement in term of reasons, rationale, necessity and response measures (e.g. increase the number of independent directors, and more than half of the directors do not concurrently serve as employees or managers and et cetera) shall be provided.

(III) Remuneration to Directors, General Managers and Deputy General Managers in the Most Recent Year

1. Remuneration paid to directors (including independent directors):

Unit: TWD thousand; thousand shares

| Title | Name | Remuneration to directors | | | | | | | | Total remuneration (A+B+C+D) as a percentage of net income (Note 10) | | Remuneration received for concurrently serving as employees | | | | Total remuneration (A+B+C+D+E+F+G) as a percentage of net income (Note 10) | | Whether receiving remuneration from invested companies other than subsidiaries or parent company (Note 11) | | | | |
|----------------------|------------------|---------------------------|--|--------------------------------|--|--|--|---|--|--|--|---|--|--------------------------------|--|--|--------------|--|-------------|--|-------------|--------------|
| | | Remuneration (A)(Note2) | | Severance pay and pensions (B) | | Remuneration to directors (C) (Note 3) | | Business execution expense (D) (Note 4) | | The Company | All companies in the financial statements (Note 7) | Wages, Bonuses and Special Disbursements, etc. (E) (Note 5) | | Severance pay and pensions (F) | | Remuneration to employees (G) (Note 6) | | | The Company | All companies in the financial statements (Note 7) | | |
| | | The Company | All companies in the financial statements (Note 7) | The Company | All companies in the financial statements (Note 7) | The Company | All companies in the financial statements (Note 7) | The Company | All companies in the financial statements (Note 7) | | | The Company | All companies in the financial statements (Note 7) | The Company | All companies in the financial statements (Note 7) | Cash amount | Stock amount | | | | Cash amount | Stock amount |
| Chairman | Chen, Chien-Hsin | | | | | | | | | | | | | | | | | | | | | |
| Director | Chen, Ding-Chuan | | | | | | | | | | | | | | | | | | | | | |
| Director | Chen, Ding-Chi | | | | | | | | | | | | | | | | | | | | | |
| Director | Chen, Wei-Wang | | | | | | | | | | | | | | | | | | | | | |
| Director | Chen, Chien-Ming | 3,605 | 3,605 | 0 | 0 | 5,631 | 5,631 | 2,938 (說明1) | 2,938 (說明1) | | | | | | | | | | | | | |
| Director | Lee, Yung-Long | | | | | | | | | 6.89 | 6.89 | 4,002 | 6,855 | 171 (說明2) | 171 (說明2) | 81 | 0 | 81 | 0 | 8.88 | 10.22 | None |
| Director | Ken, Wen-Yuen | | | | | | | | | | | | | | | | | | | | | |
| Director | Tsai, Kuang-Feng | | | | | | | | | | | | | | | | | | | | | |
| Independent director | Wang, Hsiu-Chun | | | | | | | | | | | | | | | | | | | | | |
| Independent director | Hung, Ying-Cheng | 0 | 0 | 0 | 0 | 0 | 0 | 2,520 | 2,520 | | | | | | | | | | | | | |
| Independent director | Wu, Chung-Fern | | | | | | | | | | | | | | | | | | | | | |

1. Please state the policy, system, standards and structure of independent directors' remuneration, and describe the relevance to the amount of remuneration according to the responsibilities, risks, and time invested:
The remuneration of the independent directors of the company is given to the board of directors after each new board of directors. After deliberation, it will be reported to the board of directors for approval.
2. In addition to those disclosed in the above statements, the remuneration paid to the Company's directors (if serving as non-employee consultants) for providing service to all companies in the financial statements in the most recent year: None.

Illustration 1: Business execution expenses include automobile and fuel expense; if there is a driver accompanied, the remuneration is TWD 1,092,000.

Illustration 2: Severance pay and pensions belong to the expense recognition amount of severance pay and pensions.

Table of Remuneration Range

| Range of the Remuneration Paid to Each Director of the Company | Name of Director | | | |
|--|--|--|--|--|
| | Total remuneration (A+B+C+D) | | Total remuneration (A+B+C+D+E+F+G) | |
| | The Company (Note 8) | All companies in the financial statements (Note 9) (I) | The Company (Note 8) | All companies in the financial statements (Note 9) (J) |
| < TWD 1,000,000 | Chen, Chien-Ming, Lee, Yung-Long, Ken, Wen-Yuen, Tsai, Kuang-Feng, Wang, Hsiu-Chun, Hung, Ying-Cheng, Wu, Chung-Fern | Chen, Chien-Ming, Lee, Yung-Long, Ken, Wen-Yuen, Tsai, Kuang-Feng, Wang, Hsiu-Chun, Hung, Ying-Cheng, Wu, Chung-Fern | Chen, Chien-Ming, Lee, Yung-Long, Ken, Wen-Yuen, Wang, Hsiu-Chun, Hung, Ying-Cheng, Wu, Chung-Fern | Lee, Yung-Long, Ken, Wen-Yuen, Wang, Hsiu-Chun, Hung, Ying-Cheng, Wu, Chung-Fern |
| TWD 1,000,000 (inclusive) ~ TWD 2,000,000 (exclusive) | Chen, Ding-Chuan, Chen, Ding-Chi, Chen, Wei-Wang | Chen, Ding-Chuan, Chen, Ding-Chi, Chen, Wei-Wang | Chen, Ding-Chuan, Chen, Ding-Chi | Chen, Ding-Chuan, Chen, Ding-Chi |
| TWD 2,000,000 (inclusive) ~ TWD 3,500,000 (exclusive) | | | Tsai, Kuang-Feng | Tsai, Kuang-Feng |
| TWD 3,500,000 (inclusive) ~ TWD 5,000,000 (exclusive) | | | Chen, Wei-Wang | Chen, Wei-Wang, Chen, Chien-Ming |
| TWD 5,000,000 (inclusive) ~ TWD 10,000,000 (exclusive) | Chen, Chien-Hsin | Chen, Chien-Hsin | Chen, Chien-Hsin | Chen, Chien-Hsin |
| TWD 10,000,000 (inclusive) ~ TWD 15,000,000 (exclusive) | | | | |
| TWD 15,000,000 (inclusive) ~ TWD 30,000,000 (exclusive) | | | | |
| TWD 30,000,000 (inclusive) ~ TWD 50,000,000 (exclusive) | | | | |
| TWD 50,000,000 (inclusive) ~ TWD 100,000,000 (exclusive) | | | | |
| > TWD 100,000,000 | | | | |

Note 1: The names of directors shall be listed separately (for corporate shareholder, the name of the corporate shareholder and its representative shall be listed respectively) and summarized for disclosure of each paid amount.

Note 2: Refer to the remuneration paid to directors in the most recent year (including wage, position bonus, severance pay, and each kind of bonus and reward, etc.)

Note 3: Fill in the director remuneration amount that is resolved to be distributed by the board in the most recent year.

Note 4: Refer to the business execution expense of directors in the most recent year (including transportation, special disbursements, each kind of bonuses, and real objects such as dormitory and company cars, etc.) When houses, automobiles and other transportation tools or personal exclusive expenditure are provided, the characteristics and costs of the assets provided, rent of actual value or evaluated at fair value, fuel expense and other payments shall be disclosed. In addition, if there is a driver accompanied, please clarify the driver's relevant remuneration in footnotes, which is not calculated into total remuneration.

Note 5: Refer to those directors received from serving concurrently as employees (including general managers, deputy general managers, other managers and employees) in the most recent year, including wages, position bonuses, severance pay, each kind of bonuses and rewards, transportation expenses, special disbursements, each kind of bonuses, and real objects such as dormitories and company cars, etc.) When houses, automobiles and other transportation tools or personal exclusive expenditure are provided, the characteristics and costs of the assets provided, rent of actual value or evaluated at fair value, fuel expense and other payments shall be disclosed. In addition, if there is a driver accompanied, please clarify the driver's relevant remuneration in footnotes, which is not calculated into total remuneration. In addition, the wage expense recognized according to IFRS 2 "Share-based Payment", including obtaining employee stock option certificates, employee restricted new shares and participating in share purchases in capital increase by cash, etc., shall be calculated into total remuneration.

Note 6: For the employee remuneration received by directors from serving concurrently as employees (including general managers, deputy general managers, other managers and employees) in the most recent year, the employee remuneration amount resolved to be distributed by the board in the most recent year shall be disclosed.

Note 7: The total remuneration paid to the Company's directors by all companies (including the Company) in the consolidated financial statements shall be disclosed.

Note 8: For the total remuneration paid to each director by the Company, the director's name shall be disclosed in the corresponding ranking.

Note 9: The total remuneration paid to each of the Company's director by all companies (including the Company) in the consolidated financial statements shall be disclosed, and the names of directors shall be disclosed in the corresponding ranking.

Note 10: Net income refers to the net income after tax in the most recent year; for those having adopted IFRS, net income refers to the net income after tax in the individual financial statements in the most recent year.

Note 11: a. This section shall state all forms of remuneration the director has received from the Company's invested businesses other than subsidiaries.

b. For directors who receive remuneration from invested businesses other than subsidiaries, the amount of remuneration from these invested businesses should be added to column I in the table of remuneration ranges, and please change the column name into "All invested businesses" in such cases.

c. The remuneration refers to any returns, compensation (including remuneration to employees, directors and supervisors) and professional fees, etc. which the Company's presidents and vice presidents have received for serving as directors, supervisors, or managers in invested businesses other than subsidiaries.

* The remuneration disclosed in this table is different from the income concept of the Income Tax Act, and thus this table is only for information disclosure but not for taxation.

2. Remuneration to General Managers and Deputy General Managers:

Unit: TWD thousand; thousand shares

| Title | Name | Salary (A) | | Severance pay and pensions (B) | | Bonus and special allowances, etc. (C) | | Amount of employee compensation (D) | | | | Total remuneration (A+B+C+D) as a percentage of net income (%) | | Whether receiving remuneration from invested companies other than subsidiaries or parent company |
|---------------------------|-------------------|-------------|---|--------------------------------|---|--|---|-------------------------------------|--------------|---|--------------|--|---|--|
| | | The Company | All companies in the financial statements | The Company | All companies in the financial statements | The Company | All companies in the financial statements | The Company | | All companies in the financial statements | | The Company | All companies in the financial statements | |
| | | | | | | | | Cash amount | Stock amount | Cash amount | Stock amount | | | |
| General manager | Chen, Wei-Wang | 14,858 | 14,858 | 560 (說明1) | 560 (說明1) | 2,534 (說明2) | 2,534 (說明2) | 297 | 0 | 297 | 0 | 8.60 | 8.60 | None |
| Special Asst. to Chairman | Du, Yi-Zhong | | | | | | | | | | | | | |
| | Liao, Ming-Zhi | | | | | | | | | | | | | |
| Deputy General Manager | Tsai, Kuang-Feng | 14,858 | 14,858 | 560 (說明1) | 560 (說明1) | 2,534 (說明2) | 2,534 (說明2) | 297 | 0 | 297 | 0 | 8.60 | 8.60 | None |
| | Chen, Chong-Kuang | | | | | | | | | | | | | |
| | Lin, Zhao-Wen | | | | | | | | | | | | | |
| | Chen, Qing-Tai | | | | | | | | | | | | | |
| | Chen, Ke-Lun | | | | | | | | | | | | | |
| Yeh, Shun-Xing | | | | | | | | | | | | | | |
| | Lee, Fu-Xing | | | | | | | | | | | | | |

Illustration 1: Severance pay and pensions belong to the expense recognition amount of severance pay and pensions

Illustration 2: Bonuses and special disbursements include automobiles and fuel expenses.

Table of Remuneration Range

| Range of the compensation paid to each general manager and deputy general manager of the Company | Name of general managers and deputy general managers | |
|--|---|---|
| | The Company | All companies in the financial statements |
| < TWD 1,000,000 | Chen, Chong-Kuang | Chen, Chong-Kuang |
| TWD 1,000,000 (inclusive) ~ TWD 2,000,000 (exclusive) | Tsai, Kuang-Feng, Liao, Ming-Zhi, Lin, Zhao-Wen, Chen, Qing-Tai, Chen, Ke-Lun, Yeh, Shun-Xing, Lee, Fu-Xing | Tsai, Kuang-Feng, Liao, Ming-Zhi, Lin, Zhao-Wen, Chen, Qing-Tai, Chen, Ke-Lun, Yeh, Shun-Xing, Lee, Fu-Xing |
| TWD 2,000,000 (inclusive) ~ TWD 3,500,000 (exclusive) | Chen, Wei-Wang, Du, Yi-Zhong | Chen, Wei-Wang, Du, Yi-Zhong |
| TWD 3,500,000 (inclusive) ~ TWD 5,000,000 (exclusive) | | |
| TWD 5,000,000 (inclusive) ~ TWD 10,000,000 (exclusive) | | |
| TWD 10,000,000 (inclusive) ~ TWD 15,000,000 (exclusive) | | |
| TWD 15,000,000 (inclusive) ~ TWD 30,000,000 (exclusive) | | |
| TWD 30,000,000 (inclusive) ~ TWD 50,000,000 (exclusive) | | |
| TWD 50,000,000 (inclusive) ~ TWD 100,000,000 (exclusive) | | |
| > TWD 100,000,000 | | |

3. Name of managers receiving employee compensation and the distribution status:

| Title | Name | Stock amount | Cash amount | Total | Total amount as a percentage of net income (%) |
|--|------|--------------|-------------|-------|--|
| For the name list, refer to the information of general managers, deputy general managers, associate managers and supervisors of each department. | | 0 | 733 | 733 | 0.34 |

Note: According to the Commission's regulation of Tai-Qai-Zheng-Zi No. 0920001301 published on Mar. 27, 2003, the applicable range for managers is as follows:

- (1) General manager and those with equivalent ranking;
- (2) Deputy general manager and those with equivalent ranking;
- (3) Associate manager and those with equivalent ranking;
- (4) Supervisor of Financial Department;
- (5) Supervisor of Accounting Department;
- (6) Others with rights of management and signing for the Company.

- (IV) The comparison analysis of the ratio of remuneration paid from the Company and from all consolidated entities in the most recent two (2) years to the Company's directors, general managers and deputy general managers to net income in the individual financial statement, and the illustration of remuneration policy, standards and packages, procedures of setting remuneration, and the linkage to operating performance and future risk exposure.
- (1) The ratio of total director remuneration to net income after tax increased by 1.73%, due to the drop in net income after tax as compared with the previous year. The ratio of total remuneration of general managers and deputy general manager to net income after tax increased by 3.22%, respectively, due to the drop in net income after tax as compared with the previous year. However, the total remuneration was lower than previous year.
 - (2) According to the Company's Articles of Incorporation, the Company's director remuneration is authorized to be determined by the Board of Directors based on the director's participation procedure in the Company's operation and the value of contribution, no matter whether the Company has realized profit or loss. The standard of the industry is also taken into consideration when deciding director remuneration. A rational remuneration was approved by the Remuneration Committee and the Board of Directors. The directors are paid with fixed remuneration instead of variable remuneration.
 - (3) According to the Company's standards of remuneration, the wages and bonuses paid to general managers and deputy general managers is individually examined and discussed by the Remuneration Committee periodically and then sent to the Board of Directors for resolution, considering the manager's position, contribution, performance and responsibility undertaken. If the Company has annual profit, the Remuneration Committee will propose the director remuneration and the amount and method of distribution (by cash or shares) of employee remuneration to directors and managers concurrently serving as employees in accordance with Articles of Incorporation, and then send them to the Board of Directors for resolution.

III. Status of Corporate Governance

(I) Operation status of the Board of Directors

In 2020, the Board of Directors has convened 5 meetings (A), and the participation status of directors is listed below:

| Title | Name | Attendance in person (B) | By proxy | Rate of attendance in person (%) (B/A) | Notes |
|----------------------|------------------|--------------------------|----------|--|-------|
| Chairman | Chen, Chien-Hsin | 5 | 0 | 100% | |
| Director | Chen, Ding-Chuan | 5 | 0 | 100% | |
| Director | Chen, Wei-Wang | 5 | 0 | 100% | |
| Director | Chen, Chien-Ming | 5 | 0 | 100% | |
| Director | Tsai, Kuang-Feng | 5 | 0 | 100% | |
| Director | Chen, Ding-Chi | 5 | 0 | 100% | |
| Director | Lee, Yung-Long | 5 | 0 | 100% | |
| Director | Ken, Wen-Yuen | 5 | 0 | 100% | |
| Independent director | Wang, Hsiu-Chun | 4 | 1 | 80% | |
| Independent director | Hung, Ying-Cheng | 5 | 0 | 100% | |
| Independent director | Wu, Chung-Fern | 5 | 0 | 100% | |

Note: Date of election inauguration of the 17th term of Directors: June 6, 2018.

Other items that shall be recorded:

1. The following situations did not occur during Board meetings:
 - (1) Matters listed in Article 14-3 of the Securities and Exchange Act.
 - (2) In addition to matters mentioned above, others that are opposed or reserved by the Independent Directors and have records or written statements.
2. Implementation status of Director's avoidance of conflict of interest:
 - (1) The 12th session of the 17th board of directors meeting had decided on the remuneration to the Securities and Exchange Act managers. The two directors Chen, Wei-Wang and Tasi, Kuang-Feng did not participate in the discussion and voting because of their concurrent positions of directors and managers; Directors Chen, Ding-Chuan and Chen, Jian-Xin are the second degree relatives of Director Chen, Wei-Wang, therefore, both of them had recused themselves from discussion and voting.
 - (2) The 12th session of the 17th board of directors meeting resolved to lift the prohibition of competition for the independent directors; Independent Director of Wu, Chung-Fem did not participate in the discussion and voting due to the recusal of being the parties in this case.
 - (3) The 16th session of the 17th board of directors meeting had decided on the adjusting remuneration to the Securities and Exchange Act managers. The two directors Chen, Wei-Wang and Tasi, Kuang-Feng did not participate in the discussion and voting because of their concurrent positions of directors and managers; Directors Chen, Ding-Chuan and Chen, Jian-Xin are the second degree relatives of Director Chen, Wei-Wang, therefore, both of them had recused themselves from discussion and voting.
 - (4) The 16th session of the 17th board of directors meeting had decided on the year-end bonuses to the Securities and Exchange Act managers. The two directors Chen, Wei-Wang and Tasi, Kuang-Feng did not participate in the discussion and voting because of their concurrent positions of directors and managers; Directors Chen, Ding-Chuan and Chen, Jian-Xin are the second degree relatives of Director Chen, Wei-Wang, therefore, both of them had recused themselves from discussion and voting.
3. Evaluation on the Board of Directors: Please refer to the table below for details.
4. Measures undertaken during the current year and the most recent years in order to strengthen the functions of the Board of Directors and assessment of their implementation:
 - (1) Strengthening the functions of the Board: To make the outside Directors have full participation in the development and discussions of the Company's important strategies, the development Strategy meeting of the Group was held on December 3-4, 2020. The responsible heads of the Company's business were reporting to all Directors, and were discussing and forming a strategy together. It will be held annually thereafter.
 - (2) Enhancing information transparency: Summary figures of quarterly earnings, dividends distribution and shareholders' meetings are all published in the form of material information. Each month, when the self-cleared profit and loss is cleared, it is entered into the MOPS, in order to lower the gap between inside and outside information and provide it to investors for reference.

The execution status of evaluation on the Board of Directors

| Assessment period | Term of assessment | Scope of assessment | Assessment methodology | Content of assessment |
|-------------------|-----------------------------|---|---|--|
| Once every year | Jan 1, 2020 to Dec 31, 2020 | The Board of Directors, individual Directors, and Functional Committees | <p>The assessment shall be executed by the Secretary of Nomination Committee via internal questionnaire.</p> <p>1. Self-assessment of the performance evaluation of the Board of Directors: members of Nomination Committee shall individually provide assessment for 45 evaluation items pertaining to five major areas.</p> <p>2. Self-assessment of Directors on self-evaluation: all Directors shall individually provide assessment for 23 evaluation items pertaining to six major areas.</p> <p>3. Self-assessment of the performance evaluation of Functional Committees: independent directors shall individually provide assessment for 24 evaluation items pertaining to five major areas.</p> | <p>1. Five major areas of the performance evaluation items of the Board of Directors:</p> <p>(1) Participation level in the Company's operation.</p> <p>(2) Improvement on the quality of decision making of the Board of Directors.</p> <p>(3) Composition and structure of the Board of Directors</p> <p>(4) Election and continued education of the directors.</p> <p>(5) Internal control.</p> <p>2. Six major areas of self-assessment of directors on self-evaluation:</p> <p>(1) Understanding of the goal and mission of the Company.</p> <p>(2) Understanding of director's responsibilities.</p> <p>(3) Participation level in the Company's operation.</p> <p>(4) Management and communication of internal relationship.</p> <p>(5) Professionalism and continued education of Directors.</p> <p>(6) Internal control.</p> <p>3. Five major areas of self-assessment on the performance evaluation of Functional Committees (Audit, Nomination, and Remuneration):</p> <p>(1) Participation level in the Company's operation.</p> <p>(2) Understanding of the responsibilities of Functional Committees.</p> <p>(3) Improvement on the quality of decision making of Functional Committees.</p> <p>(4) Composition and structure of Functional Committees.</p> <p>(5) Internal control.</p> |

(II) Operation of Audit Committee

The Audit Committee of the Company comprises three Independent Directors. The Audit Committee shall assist the Board in fulfilling its overseeing responsibilities in relation to accounting, auditing, financial reporting process and quality and integrity in financial control.

The matters under review of the Audit Committee for 2020 mainly include:

1. Audit of financial statements and accounting policies and procedures
2. Internal control system and related policies and procedures

3. Significant investment transactions
4. Report on the implementation of integrity management
5. Earnings distribution
6. Legal compliance
7. Whether or not the managerial officer and the Director have transactions with related parties and the possible conflicts of interest?
8. Complaint report
9. Fraud prevention plan and fraud investigation report
10. Information security
11. Corporate risk management
12. Qualifications, independence and performance evaluation of Certified Public Accountants
13. Appointment or dismissal of Certified Public Accountants, or remuneration to there to.
14. Implementation of the responsibilities of the Audit Committee
15. Audit Committee performance evaluation self-assessment questionnaire

Review of financial reports

The Board of Directors prepared the Company's 2020 annual business report, financial statements and proposal for distribution of earnings, in which the Financial Statements have been audited by the commissioned CPAs, Chia-Chien Tang and Ya-Ling Chen of KPMG Taiwan, with an Independent Audit Report being issued. The above-mentioned annual business report, financial statements and proposal for distribution of earnings have been reviewed and determined to be correct and accurate by the Audit Committee.

Evaluate the effectiveness of the internal control system

The Audit Committee assesses the effectiveness of the policies and procedures of the Company's internal control system (including finance, operations, risk management, information security, outsourcing, compliance and other control measures) and reviews the Company's Audit Department and Certified Public Accountant, as well as the management's periodic reports, including risk management and legal compliance. Referring to the internal control system issued by the Sponsoring Organizations of the Treadway Commission (COSO)– the Internal Control — Integrated Framework, the Audit Committee considers that the Company's risk management and internal control system are effective and that the Company has adopted the necessary control mechanisms to monitor and correct violations.

Commissioned Certified Public Accountant

The Audit Committee has been given the duty to supervise the CPA firm to ensure the fairness of the financial statements.

In general, other than tax-related services or specially approved items, CPA firm is not allowed to provide other services of the Company. All services provided by CPA firm are required to be approved by the Audit Committee.

To ensure the independence of the CPA firm, the Audit Committee has drawn up an independent assessment form referring to Article 47 of the Certified Public Accountant Act and the "integrity, Impartiality and objectivity and independence" of the Bulletins No. 10 of the Norm of Professional Ethics for Certified Public Accountant. It evaluates whether or not the CPA firm and the Company are related parties, have business with each other or have a relationship involving financial interests and others based on independence, professionalism and suitability of CPAs. The 15 th Meeting of the 2nd Term of the Audit Committee on December 17, 2020 and the 16 th Meeting of the 17th Term Board of Directors on December 17, 2020 reviewed and resolved that the two CPAs, Chia-Chien Tang and Ya-Ling Chen of KPMG Taiwan both met the standards for the evaluation of independence and are sufficient to act as CPAs for our financial statements.

In the most recent year, the Audit Committee has held the meeting 5 times (A), with the Independent Directors present and in attendance as follows:

| Title | Name | Attendance in person (B) | By proxy | Rate of attendance in person (%) (B/A)(Note) | Notes |
|--------------|------------------|--------------------------|----------|--|-------|
| Convener | Wu, Chung-Fern | 5 | 0 | 100% | |
| Commissioner | Wang, Hsiu-Chun | 4 | 1 | 80% | |
| Commissioner | Hung, Ying-Cheng | 5 | 0 | 100% | |

Note: The Audit Committee of the Company was established on June 11 2015, with 3 Committee members. Term of

office of the (2nd Term) Commission members: June 6, 2018 to June 5, 2120.

I. Operation of the year:

(I) Matters listed in Article 14-5 of the Securities and Exchange Act.

| Board of Directors Date and Term | Content of motion | Resolution results of Audit Committee | The Company's handling of the opinions expressed |
|--|--|--|--|
| March 19, 2020 The 17th Term The 12th Meeting | Proposal for 2019 Annual Report on Operations and Financial Statements | The Committee believes in the financial statements audited by the CPAs; After the chair has inquired all attending commissioners, the motion was passed without objection. | All attending Directors agreed and passed the motion. |
| | Proposal for 2019 Remuneration to Employees and Directors | After the chair has inquired all attending commissioners, the motion was passed without objection. | |
| | Proposal for 2019 Earnings Distribution | | |
| | Proposal for Review on the Internal Control Self-assessment Results | | |
| | Amendments to the Rules of Procedure of Shareholders Meeting | | |
| | Amendments to the Rules of Procedure for Board of Directors Meetings | | |
| | Amendment of the Organizational Regulations of Audit Committee | | |
| | Amendment of CSR Principles | | |
| | Amendment of enactment of Ethical Corporate Management Best Practice Principles and Behavioral Guidelines | | |
| Motion of extending loan of USD5,000,000 to subsidiary, Everlight (Suzhou) Advanced Chemicals Ltd. | | | |
| May 14, 2020 The 17th Term The 13rd Meeting | Amendments to the Self-Disciplinary Procedures for Disclosing M&A Information | After the chair has inquired all attending commissioners, the motion was passed without objection. | All attending Directors agreed and passed the motion. |
| August 13, 2020 The 17th Term The 14th Meeting | Proposal for the criteria to deem the material amounts of the Company's accounts receivable overdue for three months | After the chair has inquired all attending commissioners, the motion was passed without objection. | All attending Directors agreed and passed the motion. |
| | Proposal that the accounts receivable overdue of the client DyStar Textilfarben GmbH is not loaning of funds | | |
| | Proposal to transfer the stake of the subsidiary Ethical (Guangzhou) Ltd. | | |
| | Proposal to cease and liquidate the subsidiary Daily Care BioMedical Inc. | | |
| | Amendments to the Rules of Procedure of Shareholders Meeting | | |
| | Amendments to the Rules of Procedure for Board of Directors Meetings | After the chair has inquired all attending commissioners, the motion was passed without objection. | All attending Directors agreed and passed the motion. |
| | Amendments to the Rules Governing the Scope of Powers of Independent Directors | | |
| | Amendments to the Operating Regulations for Finance and Business Among Affiliates | | |
| | Amendments to the Guidelines for the Adoption of Codes of Ethical Conduct for Directors and Managerial Officers | | |

| | | | |
|--|---|--|---|
| | Amendments to the Director's Selection Procedures | | |
| November 12, 2020 The 17th Term The 15th Meeting | Proposal for disposing of long-term investment equity | After the chair has inquired all attending commissioners, the motion was passed without objection. | All attending Directors agreed and passed the motion. |
| December 17, 2020 The 17th Term The 16th Meeting | Proposal for 2021 Internal Audit Plan | After the chair has inquired all attending commissioners, the motion was passed without objection. | All attending Directors agreed and passed the motion. |
| | Proposal for 2021 Appointment of Certified Public Accountants for review on the Financial Statements and their compensation | | |
| | Proposal for establishing risk management procedures | After the chair has inquired all attending commissioners, the motion was passed without objection. Proper adjustment may be considered for the subsequent amendments to the Procedures, to be more focused and feasible. | |

(II) Other resolutions not approved by the Audit Committee but agreed by more than two-thirds of all Directors: None.

II. Implementation status of Independent Director's avoidance of conflict of interest: None.

III. Communication between Independent Directors and internal audit supervisors and accountants is as follows

(I) Independent Directors review monthly internal audit work reports and quarterly audit tracking reports.

(II) The audit supervisor attended the 2020 of Audit Committee for five times, and all conducted separate business reports to Independent Directors, and fully communicated the implementation and effectiveness of the audit business.

| Date of Audit Committee meeting | Matters of communication | Results |
|---------------------------------|--|---|
| March 19, 2020 | November 26, 2019~ February 28, 2020 Internal Audit Business Execution Report. | Acknowledged. |
| | Proposal for 2019 Management's Reports on Internal Control to be Discussed. | The motion was passed without objection, and was reported to the Board of Directors for resolution. |
| May 14, 2020 | March 1, 2020 ~ April 25 Internal Audit Business Execution Report. | Acknowledged. |
| August 13, 2020 | April 26, 2020 ~ July 31 Internal Audit Business Execution Report. | Acknowledged. |
| November 12, 2020 | August 1, 2020 ~ October 25 Internal Audit Business Execution Report. | Acknowledged. |
| December 17, 2020 | October 26, 2020 ~ November 30 Internal Audit Business Execution Report. | Acknowledged. |
| | The Company's 2021 Annual Audit Plan Discussion. | The motion was passed without objection, and was reported to the Board of Directors for resolution. |

(III) The accountants attended the 2020 Audit Committee for five times to report the review or review results and findings on Financial Statements to the Independent Directors.

| Date of Audit Committee meeting | Matters of communication | Results |
|---------------------------------|---|---------------|
| March 19, 2020 | Report of the Review on 2019 Financial Statements (separate). | Acknowledged. |

| | | |
|-------------------|--|---------------|
| May 14, 2020 | Report of the Review on the First Quarter 2020 Financial Statements. | Acknowledged. |
| August 13, 2020 | Report of the Review on the Second Quarter 2020 Financial Statements(separate). | Acknowledged. |
| November 12, 2020 | Report of the Review on the Third Quarter 2020 Financial Statements. | Acknowledged. |
| December 17, 2020 | The annual audit plan (including scope, key fields, and schedule). | Acknowledged. |
| | Countermeasures for lack of audit in-person due to the pandemic (overseas subsidiaries). | |

(IV) In normal times, the audit supervisor and the accountant may directly communicate with the Independent Director as necessary, and the communication goes well.

(V) The Company also makes a disclosure of the communication between Independent Directors and internal audit supervisors and accountants on the Company's website.

(III) The state of the Company's implementation of corporate governance, any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such departure

| Evaluation Item | Implementation Status | | | Departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such departure |
|---|-----------------------|----|--|---|
| | Yes | No | Summary | |
| I. Does the company follow the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" to establish and disclose its corporate governance practices? | V | | The practices were set up on Aug. 26, 2010, amended on Mar. 19, 2020, and disclosed on the company website and the MOPS. | No discrepancy. |
| II. Shareholding structure and shareholders' interests | | | | |
| (I) Does the company set up internal operation procedures for recommendations, concerns, disputes, and litigation raised by shareholders, and implement such matters in accordance with the procedures? | V | | (I) The Company has designated dedicated personnel such as the supervisor of Shareholder Service Room and the Company's spokesperson, etc., to handle the suggestions of shareholders or problems such as disputes. | No discrepancy. |
| (II) Does the company have a roster of its major, actual controlling shareholders as well as the ultimate controllers? | V | | (II) The Company's Shareholder Service Room regularly provides reports and statements and relevant information every quarter or during the preparation period of shareholders' meeting. | No discrepancy. |
| (III) Has the company built and executed risk management and firewall system between the Company and its affiliates? | V | | (III) The Company has formulated "Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises" and "Rules Governing Transfer Pricing in Affiliated Enterprises" to control the transaction management, endorsements and guarantees, fund lending, etc., with its affiliates. In addition, the Company has defined the operation of "Supervision and Management on Subsidiaries" in the "Internal Control System" and "Rules Governing Subsidiaries", in order to implement its risk control mechanism on subsidiaries. | No discrepancy. |
| (IV) Has the company established internal rules prohibiting insider trading on undisclosed information? | V | | (IV) The Company has formulated "Operating Procedures for Preventing Insider Trading," "Ethical Corporate Management Principles," and "Procedures for Ethical Management and Guidelines for Conduct," and volunteers to instantly publish its revenue and profitability information after clearance every month, which lowers the information gap of shareholders as much as possible and prevents insiders from seizing the opportunities of using unpublished information. The Company will also irregularly conduct reviews to meet the needs of the existing laws and regulations and practical management. The above-mentioned rules can be looked up from the Company's website. | No discrepancy. |

| Evaluation Item | Implementation Status | | | Departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such departure |
|--|-----------------------|----|--|---|
| | Yes | No | Summary | |
| <p>III. Composition and responsibilities of the Board of Directors</p> <p>(I) Has the company established a diversification policy for the composition of its Board of Directors and implemented it accordingly?</p> | V | | <p>(I)1.The Company has formulated the Corporate Governance Principles and Procedures for Electing Directors, defined clearly the policy of board diversity, and disclosed them on the company website.</p> <p>2.Among the name list of the Company's 17th directors, there is one female member; those accompanied with operation judgement, business management, crisis handling ability, industry knowledge, international market view and leading and decision-making ability are Chen, Chien-Hsin, Chen, Ding-Chuan, Chen, Ding-Chi, Chen, Wei-Wang, Chen, Chien-Ming, Tsai, Kuang-Feng, Ken, Wen-Yuen, Lee, Yung-Long, and Wang, Hsiu- Chun; those accompanied with accounting and financial abilities are Chen, Ding-Chuan and Wu, Chung-Fern; those accompanied with management education ability are Hung, Ying-Cheng and Wu, Chung-Fern; those having contribution to the charity business are Chen, Chien-Hsin, Chen, Ding-Chuan, Chen, Ding-Chi, Chen, Wei-Wang, and Hung, Ying-Cheng; besides, Wu, Chung-Fern once served as a dedicated commissioner of FSC.</p> <p>3.The Company's Directors that is also an employee represented 27% of the total number of Directors, and Independent Directors represented 27%. One Independent Director has served for 4 to 6 years and two Independent Directors have served for 7 to 9 years. Two Directors are over 70 years old, four are between 60 and 69 years old and five are under 60 years old. In addition, gender diversity of the members of the Directors is important to the Company. Currently, the target for female Director seat is one, and for the actual status, there is one female Director, which meets the target. It comprises 9% of the total number of Directors.</p> | No discrepancy. |
| <p>(II) Other than the Remuneration Committee and the Audit Committee which are established in accordance with laws, does the company plan to set up other functional committees?</p> | V | | <p>(II) The Company volunteered to establish the Nomination Committee in Jun. 2015.</p> | No discrepancy. |
| <p>(III) Has the company established methodology for evaluating the performance of its Board of Directors, and conducts performance evaluation annually and regularly, and reported the evaluation result to the Board of Director and used the result as a reference on the consideration of individual directors' remuneration and reelection nomination?</p> | V | | <p>(III) "Regulations for the Board Performance Evaluation" formulation has been adopted by the Company through Board of Directors resolution on March 26, 2015. Each year, the regular assessments shall be conducted by the Nomination Committee in accordance with the Regulations for the Board Performance Evaluation, and for at least three years conducted by an external institution. It has added the performance evaluation of the Functional Committee since 2018. In March every year, the evaluation result will be reported by the Convener of Nomination Committee to the Board of Directors and serves as a reference for future reelection nomination.</p> | The remuneration of the company's directors depends on the company's annual operating profit. |
| <p>(IV) Has the company regularly evaluate its auditor's independence?</p> | V | | <p>(IV) Before the Company's Board of Directors resolve to elect CPAs in the end of each year, the independence of CPAs will be examined first, in which the Company will check if they are not the Company's directors, shareholders or receive wages from the Company. At the same time, the CPAs will be checked if they are not stakeholders and have no other financial gains and business relationships with the Company except for receiving the fees for certificating and financial and tax cases. Once all of the above standards for independence have been met and the CPAs have provided the "Confirmation of independence," the audit on the CPAs' hiring and fees are then conducted.</p> | No discrepancy. |
| <p>IV. As a public listed company, has the Company allocated competent managers or sufficient number of managers to be in charge of corporate governance, and designated supervisors thereof to be in charge of corporate governance affairs (including but not limited to providing information required for business execution by directors and supervisors, assisting the Board and supervisors in legal compliance, handling matters related to the Board and shareholder meetings in accordance with laws, and producing handbooks of board meetings and shareholders meetings, and et cetera)?</p> | V | | <p>The Company's Board of Directors designated by the board of directors of the company is the Finance Division, and on January 1, 2021, Corporate Governance officer was established to be responsible for providing the data needed by directors in executing business, holding board meetings and handling matters related to the meetings, preparing minutes of board meetings, and arranging matters related to on-the-job further study courses for directors.</p> | No discrepancy. |
| <p>V. Has the company provided proper communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers, etc.), and created dedicated sections on its website to address corporate social responsibility</p> | V | | <p>The Company set up a "Stakeholder Engagement" section on the company website with specific window and contact information disclosed; maintains proper communication channels with suppliers, clients, banks, investors, local government and social group, etc.; actively contact or exchange visits with the parties thereof, to share various information with the stakeholders; and reply the queries of investors and others in correspondences. The Company publishes quarterly journals of Everlight Chemical and Corporate Social</p> | No discrepancy. |

| Evaluation Item | Implementation Status | | | Departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such departure |
|---|-----------------------|----|--|---|
| | Yes | No | Summary | |
| issues that are of significant concern to stakeholders? | | | Responsibility (CSR) Report on a regular basis, sharing the updates of the Company and responding to important issues concerning stakeholders. | |
| VI. Has the company appointed a professional shareholders service agent to process the affairs related to shareholders' meetings? | V | | Yes; since Apr. 20, 2015, the Company's shareholders' meeting affairs have been outsourced to Share Transfer Agency Department of Mega Securities Co., Ltd. | No discrepancy. |
| VII. Information disclosure (I) Has the company established a company website to disclose information regarding its financial, operational and corporate governance status? (II) Does the company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, and webcasting investors conference to be put on the company website, etc.)? (III) Does the Company publicly announce and file the annual financial reports within two months after the accounting year-end, and publicly announce and file the first, second and third quarterly financial reports and the monthly operating status report before stipulated deadlines? | V V V | | (I) Company website: http://www.ecic.com.tw/ (II) The Company has set up dedicated personnel in each department for collection the Company's information and sending to the Company's spokesperson for disclosure; the "Operation Guidelines for Company Spokesperson and Deputy Spokesperson" have been implemented and operated for many years; before investor conferences, important information is released and published in accordance with regulations, and slides prepared in Chinese and English and videos will be uploaded and disclosed on company website. (III) The annual, first, second and third quarterly financial reports, and the monthly operating status report are all publicly announced and filed within stipulated deadlines. | No discrepancy. No discrepancy. Financial reports are still unable to be made public at earlier dates. |
| H. Has the company disclosed other information to facilitate a better understanding of its corporate governance practices (including but not limited to employee rights, employee care, investor relations, supplier relations, rights of stakeholders, training of directors and supervisors, implementation of risk management policies and risk evaluation measures, implementation of customer relations policies, and purchasing insurance for directors and supervisors)? | V | | (I) Employee rights and care: Please refer to the section for labor-employer relationship in the annual report. (II) Investor relationship: 1.The Company published conditions of operation and profitability every month, and has a spokesperson set up for answering the questions asked by shareholders. 2.On the company website (http://www.ecic.com), there is information of investor relationship, CSR and stakeholders, providing information that investors care about. (III) Supplier relationship: The Company establishes long-term, trusting and beneficial relationship with its suppliers based on the Company's quality policy, environmental policy, and safety and hygiene policy; supports the spirit of green procurement and purchases from suppliers doing environmental protection well with priority; integrates the shipping mode of suppliers and utilizes information tools to lower carbon emission of the supply chain, enhance efficiency and transparency of procurement business; holds conferences; video; and educational training programs for suppliers to advocate cyclical economics, green gold vision, sustainability operation and fulfilling CSR; requires contractors to obey the Management Rules in Safety and Hygiene for Contractors, in order to maintain the safety in the work place and the rights of employees. (IV) Rights of related parties: 1.Setting up the Technical Marketing and Service Department, assisting customers in the application of technology and problem solving, and conducting customer satisfaction survey every year. 2.Sticking to the principles of fair competition and reaching business goals with methods not violating business ethics. 3.Others: such as starting up group meetings of risk management to respond to the sudden changes of the economic environment, and continuously communicating with stakeholders such as customers, suppliers, and correspondent banks, etc., in order to maintain the rights of both parties. (V) On-the-job further study of directors: All directors meet the time requirement of on-the-job further study. (VI) Implementation status of risk control policies and risk measuring standards: The formulation of risk control policy has been resolved by the board in Nov.14, 2013; refer to ESG risk management on the company's website. (VII) The Company's purchase of liability insurance for directors: The Company has bought liability insurance for all directors and has reported on the board meeting on Aug. 13, 2020. | No discrepancy. |
| IX. Please state the corrective actions already taken and also propose the matters to be improved as the first priority and countermeasures against them, based on the corporate governance evaluation results released by the Corporate Governance Center of TWSE in the most recent year. (1)The result of corporate governance evaluation for 2019: The Company is in the top 6% to 20% of the listed company category. Improved items as | | | | |

| Evaluation Item | Implementation Status | | | Departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such departure |
|--|-----------------------|----|---------|---|
| | Yes | No | Summary | |
| <p>compared to last year, Holding Annual Meeting of Shareholders before end of May; completing the English version annual report; holding investors conference twice every year; enacting human rights policy and disclosing on the company's website.</p> <p>(2) 2020 priority enhancements: Simultaneous release of material messages in both Chinese and English, risk management procedures, information security policies, and intellectual property management plans, etc., are reported to the board of directors and disclosed on the company's website.</p> | | | | |

(IV) Remuneration and the composition, responsibilities and operation status of Nomination Committee

1. Information about Remuneration and Nomination Committee members

| Identity | Criteria Name | Number of public companies where the person holds the title as a member of Remuneration Committee | Committee member | |
|----------------------|------------------|---|------------------|------------|
| | | | Remuneration | Nomination |
| Chairman | Chen, Chien-Hsin | 0 | | ✓ |
| Director | Chen, Ding-Chuan | 0 | | ✓ |
| Independent director | Wang, Hsiu-Chun | 1 | ✓ | ✓ |
| Independent director | Hung, Ying-Cheng | 0 | ✓ | ✓ |
| Independent director | Wu, Chung-Fern | 0 | ✓ | ✓ |

Note: For whether or not have at least five (5) years of working experience, professional qualifications and status of independence, please refer to data of directors.

2. Information about the operations of Remuneration Committee

(1) The Company's Remuneration Committee consists of 3 members.

(2) The term of the commissioners: Committee members is from June 6, 2018 until June 5, 2021. The Committee has convened 4 meetings (A) during the most recent year. The qualification and participation of the commissioners are listed below:

| Title | Name | Attendance in person (B) | By proxy | Rate of attendance in person (%) (B/A) | Notes |
|--------------|------------------|--------------------------|----------|--|-------|
| Convener | Wang, Hsiu-Chun | 3 | 1 | 75% | |
| Commissioner | Hung, Ying-Cheng | 4 | 0 | 100% | |
| Commissioner | Wu, Chung-Fern | 4 | 0 | 100% | |

Other items that shall be recorded:

Operation of the year

| Date/Term | Reasons for Discussion | Resolution Results | The Company's handling of Member's Opinions |
|--|--|---|---|
| March 19, 2020 The 4th Term The 11th Meeting | Proposal for the salary adjustment of the Company's managerial officers | All members agreed and passed the motion. | All attending Directors agreed and passed the motion. |
| | Proposal for pension payment of the Company's managerial officer | | |
| | Motion of salary of General Managers at subsidiaries, Trend Tone Imaging, Inc. | | |
| | Proposal for 2019 Remuneration to Directors | | |
| | 2019 the compensation distribution of the managerial officers defined in the Securities and Exchange Act | | |
| | Amendments to the Charter of the Remuneration Committee | | |

| | | | |
|---|--|---|---|
| May 14, 2020 The 4th Term The 12th Meeting | Division Chief Xue Zong-Yue pension payment | All members agreed and passed the motion. | All attending Directors agreed and passed the motion. |
| August 13, 2020 The 4th Term The 13th Meeting | Amendments to the Charter of the Remuneration Committee | All members agreed and passed the motion. | All attending Directors agreed and passed the motion. |
| December 12, 2020 The 4th Term The 14th Meeting | Proposal for job change and salary adjustment of the managerial officers | All members agreed and passed the motion. | All attending Directors agreed and passed the motion. |
| | Proposal for the promotion salary adjustment of the Company's managerial officers | | |
| | Proposal for 2020 annual year-end bonuses distribution of the managerial officers defined in the Securities and Exchange Act | | |
| | Proposal for the Company's annual high-level bonus distribution | | |

3. Information about the operations of Nomination Committee

- (1) The Company's Nomination Committee consists of 5 members.
- (2) The term of the commissioners: Committee members is from June 6, 2018 until June 5, 2021. The Nomination Committee has convened five meetings (A) during the most recent year. The qualification and participation of the commissioners are listed below:

| Title | Name | Attendance in person (B) | By proxy | Rate of attendance in person (%) (B/A) | Notes |
|--------------|------------------|--------------------------|----------|--|-------|
| Convener | Hung, Ying-Cheng | 5 | 0 | 100% | |
| Commissioner | Chen, Chien-Hsin | 5 | 0 | 100% | |
| Commissioner | Chen, Ding-Chuan | 5 | 0 | 100% | |
| Commissioner | Wang, Hsiu-Chun | 4 | 1 | 80% | |
| Commissioner | Wu, Chung-Fern | 5 | 0 | 100% | |

Responsibilities and operation status:

The Nomination Committee of the Company has been established since 2015. In accordance with the Organizational Regulations for the Nomination Committee of the Company, the Committee members consist of three Independent Directors plus two other Directors. The Committee, with the authority of the Board of Directors, faithfully performs its functions with the care of a good administrator and submits its suggestions to the Board of Directors for discussion:

- I. Develop the standards for professional knowledge, technology, experience, gender and other diversification in backgrounds as well as independence required by Board members and senior managers, and to seek, review and nominate candidates for Directors and senior managers accordingly.
- II. Construct and develop the organizational structure of the Board of Directors and committees, conduct performance evaluations of Board of Directors, committees, Directors and senior managers, and evaluate the independence of Independent Directors.
- III. Set up with regular reviews on the continuing education plan for Directors and the succession plan for Directors and senior managers.
- IV. Lay down the Company's Code of Practice on Corporate Governance.

The Committee shall convene at least twice every year, and may call a meeting at its discretion whenever necessary.

(V) Implementation of social responsibility and Departure of such implementation from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the reason for any such departure

| Evaluation Item | Implementation Status | | | Departure of such implementation from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the reason for any such departure |
|--|-----------------------|----|---|---|
| | Yes | No | Summary | |
| I. Has the Company adhered to Materiality Principle to conduct risk assessment on environmental, social and corporate governance issues related to its operations and established relevant risk management policies or strategies? | V | | The Company has issued "Implementation of Risk Management -Ensuring Sustainable Management" as its risk management policy and referred to Materiality Principle in the implementation of risk assessment for environmental (E), social (S) and corporate governance (G) issues as shown in the table below. | No discrepancy |
| II.Does the company have a dedicated (or concurrent) CSR organization which is taken charge of by the senior management under the authorization of the board and reports to the Board of Directors? | V | | On January 8, 2021, the Company's " Ethical Management and Corporate Social Responsibility Committee" has been reorganized as "Sustainable Development and Ethical Management Committee" (ESG Committee as short) as dedicated promotion unit.The Chairman serves as the chair commissioner. Four executive teams are also set up, which are in charge of governance team(promotion and improvement of systems related to corporate governance), environment team (promotion and improvement of systems related to sustainable development and environmental protection), social team (promotion of social welfare and character education), and ethical team (promotion of systems related to ethical corporate management and forbidding of unethical behavior), respectively. Four senior managers are authorized to supervise them respectively. There are two meetings convened every year. In 2020, they were held on May 21 and December 31 respectively, each team reports content of work and reviews execution status. On August 13, executive secretary reports execution results to the Board of Directors. | No discrepancy |
| III. Environmental Issues (I) Has the company set up an environmental management system that suits the industry characteristics? | V | | The Company passed the first ISO14001 certification by DNV-GL in 1996. Subsidiaries, Everlight (Suzhou) Advanced Chemicals Ltd. and Trend Tone Imaging, Inc., have also passed the certification in 2013 and 2014, respectively. through internal and external audits, the suitability, adequacy, and effectiveness of the environmental management system have been continuously improved. The validity period of the latest certificates is from November 21, 2019, to November 21, 2022. | No discrepancy |
| (II) Is the Company committed to improving resource-using efficiency and to the use of renewable materials with low environmental impact? | V | | From product R&D to production and supply, the Company insists on the philosophy of green chemistry and ecological benefits, and promotes the efficient use of various resources, such as passing clean production certification, improving the atom economy, constructing chemical leasing programs , installing solar panels on rooftops, implementing energy-saving actions and purchasing/replacing with energy-saving equipment, implementing water-saving measures and wastewater (including rainwater) recycling, expanding the recycling of industrial waste, and introducing wastewater treatment technology (such as ozone catalyst) to reduce sludge. The actual performance is measured with environmental cost accounting. | No discrepancy |
| (III)Has the Company assessed the potential risks and opportunities that climate change may bring to the Companyat present and in the future and adopted corresponding | V | | The Company recognizes that climate change leads to natural disasters and the rapid changes in the business environment. It has adopted appropriate solutions and continuous improvements, such as linking external resources to strengthen energy-saving, developing eco-friendly products | No discrepancy |

| Evaluation Item | Implementation Status | | | Departure of such implementation from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the reason for any such departure | | | | | | | | | | | | |
|---|-----------------------|--------|---|---|------|------|--|--------|--------|------------------------------|-----|-----|------------------|-------|--------|----------------|
| | Yes | No | Summary | | | | | | | | | | | | | |
| <p>response measures?</p> <p>(IV) Has the Company made an inventory of its total GHG emission volume, water consumption and waste volume for the past two years and established relevant management policies for energy conservation, carbon reduction, GHG reduction, water conservation and waste management?</p> | V | | <p>and attempting to increase clients' usage, establishing a continuous operation plan for countering climate change risks and situational exercises (such as blizzards, floods or water shortages).</p> <p>The Group's greenhouse gas emissions (Scope 1 & 2), water draft and total waste in the past two years are as indicated in the table below. Also, the target for 2023 is set to save >1% electricity (compared to 2022), greenhouse gas emission intensity <8 kgCO₂e/NTD 1,000 output value, water draft of ≤671 million liters, and waste recycling rate >75%.</p> <table border="1"> <thead> <tr> <th></th> <th>2020</th> <th>2019</th> </tr> </thead> <tbody> <tr> <td>greenhouse gas emissions (kgCO₂e)</td> <td>74,353</td> <td>86,290</td> </tr> <tr> <td>water draft (million liters)</td> <td>694</td> <td>716</td> </tr> <tr> <td>total waste (mt)</td> <td>9,240</td> <td>11,400</td> </tr> </tbody> </table> | | 2020 | 2019 | greenhouse gas emissions (kgCO ₂ e) | 74,353 | 86,290 | water draft (million liters) | 694 | 716 | total waste (mt) | 9,240 | 11,400 | No discrepancy |
| | 2020 | 2019 | | | | | | | | | | | | | | |
| greenhouse gas emissions (kgCO ₂ e) | 74,353 | 86,290 | | | | | | | | | | | | | | |
| water draft (million liters) | 694 | 716 | | | | | | | | | | | | | | |
| total waste (mt) | 9,240 | 11,400 | | | | | | | | | | | | | | |
| <p>IV. Social Issues</p> <p>(I) Does the company set up policies and procedures in compliance with regulations and internationally recognized human rights principles?</p> <p>(II) Has the company established and implemented reasonable employee welfare measures (including wages, leaves and other benefits) to reflect its operational performance/successes in employees' remuneration?</p> <p>(III) Does the company provide employees with a safe and healthy working environment, and regular safety and health trainings?</p> <p>(IV) Has the company established</p> | V | V | <p>The Company has adhered to the International Labor Organization (ILO)'s four fundamental principles and rights at work and insisted on Everlight's corporate culture, management philosophies and vision in becoming a Happy Enterprise. In addition, the Company has also taken steps to ensure that all branches of global operation are compliant with local regulations and referred to standard human right policies adopted in relevant sectors to issue Everlight Chemical's human rights policy on August 16, and specific management plans, human rights assessments and training are available on the company's website.</p> <p>Pursuant to Labor Standards Act, the Company has established specific procedures governing employees' leaves and established its Employee Welfare Committee to ensure that reasonable measures for employee benefits are duly implemented. Furthermore, the Company has also established relevant procedures including Procedures for Remuneration, Procedures for Year-End Bonus, Procedures for Performance Bonus, Procedures for Production Bonus to ensure the Company's management performance is duly reflected in employees' remunerations.</p> <p>The Company has passed ISO 45001 occupational safety and health management system certification. In addition to implementing system requirements, it also promotes voluntary management activities, such as safety culture surveys, high-level supervisor safety patrols, predictive hazard pointing and calling and 5S, employee operating environment satisfaction surveys, safety and health proposals, preventive maintenance of equipment, among other things, to effectively maintain a safe and healthy working environment. Safety and health courses are compulsorily included in the annual training plan for implementation and improvement. Health education courses are scheduled at the on-site medical care service activities, and doctors are also scheduled to explain the health check information and trends per employees' needs.</p> <p>The Company formulates educational training implementation</p> | <p>No discrepancy</p> <p>No discrepancy</p> <p>No discrepancy</p> <p>No discrepancy</p> | | | | | | | | | | | | |

| Evaluation Item | Implementation Status | | | Departure of such implementation from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the reason for any such departure |
|--|-----------------------|----|--|---|
| | Yes | No | Summary | |
| <p>effective career development training plans?</p> <p>(V) With regards to aspects of customer health and safety, customer privacy, marketing and labeling for the company's products and services, has the company adhered to pertinent regulations and international standards and established relevant policies and grievance procedures for the protection of consumer rights?</p> <p>(VI) Has the company established supplier management policies that require suppliers to comply with pertinent regulations relating to issues of environmental protection, occupational safety and health, labor rights and so forth and report their status of implementation?</p> | V | | <p>methods and class training implementation regulations to cultivate employees' knowledge, skills and attitudes.</p> <p>The Company's product packaging has a hazard label in accordance with the regulations of Global Harmonized System (GHS).</p> <p>The Company has set up Division of Technical Marketing to provide customers with product-related services, assist customers in the application of technical support and problem solving, while accepting customer complaints from the final-end-application on the products to protect customer rights, and conducts customer satisfaction survey every year.</p> <p>The Company has established its supplier management policy, with the specific goal of "supervising suppliers to fulfill their corporate social responsibilities and to achieve win-win through solid EHS measures, stable quality, punctual delivery, competitive prices and quality services in the provision of raw materials."</p> <p>The Company requires that the goods supplied by the suppliers comply with the requirements of the hazardous substances in the "Raw Material's Hazardous Substances Criteria" to protect end users in safely using the products of Everlight Chemical.</p> <p>Before dealing with the supplier, we will check the supplier's reputation, including the supplier's past record of environmental and social impacts, before deciding whether to proceed with the procurement process.</p> <p>The CSR clause is included in the procurement contract of Resource Management Division to inform the supplier's compliance; the supplier assessment form is also included in the CSR assessment items. If the supplier violates, it will assess whether to purchase from suppliers.</p> <p>In 2020, 17 key manufacturers/times were reviewed for their performance in environment, society, and CSR. Results:</p> <p>(1)Certifications of ISO 14001: 12 companies/times</p> <p>(2)Certifications of ISO 45001: 11 companies/times</p> <p>(3)CSR reports issued or declarations of compliance with CSR on official websites: 11 companies/times</p> <p>(4)Investigation for violation of occupational safety and health laws and regulations: 0 companies/times violation</p> <p>(5)Investigation for violation of labor laws and regulations: 0 companies/times violation</p> <p>(6) 6 companies/times provided new versions of supplier appraisals. These manufacturers have met the criteria in regards to environment and social assessment.</p> | <p>No discrepancy</p> <p>No discrepancy</p> |
| <p>V. Has the company referred to internationally adopted reporting guidelines or initiatives in the preparation of its CSR Report and other reports that disclose non-financial information of the</p> | V | | <p>Based on the basic concept of continuous improvement, we entrusted the independent notary unit, British Standards Institution (BSI), since 2017. Conducting the 3rd-party verification based on the AA1000 Assurance Standard (2008), in order to ensure that the content we collect and compose is in line with the core option standards of Global Resilience</p> | No discrepancy |

| Evaluation Item | Implementation Status | | | Departure of such implementation from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the reason for any such departure | | | | | | | | | | | | |
|--|--|-----------------------------|---|---|----------------------|--|-----------------------------|------------------------|-------------------------------------|-------|------------------------|-----|-----|----|----|-----|
| | Yes | No | Summary | | | | | | | | | | | | | |
| company? Has the aforementioned report been assured or guaranteed by a valid 3rd-party validation organization? | | | Report (GRI Standards), providing stakeholders with correct and complete information. | | | | | | | | | | | | | |
| <p>VI. If the Company has its own CSR principles based on the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", please describe the difference between its operation and that defined in the Principles: The Corporate Social Responsibility Principles for Everlight Chemical were formulated on March 28, 2013, and 3rd edition revised on March 19, 2020. the Implementation Team of Ethical Corporate Management and CSR Committee will promote the execution on a case-by-case basis in accordance with the Principles, and there is no difference.</p> | | | | | | | | | | | | | | | | |
| <p>VII. Other important information that is beneficial to understanding the operation status of CSR:</p> <p>(I) Participate in social welfare: The Company will appropriate at least 1% of after-tax earnings to the society every year, mainly for community education, social education, industrial development and public welfare activities, etc. Through in-kind donations, corporate volunteer services, community services, participation and sponsorship of charity events, school grants and academic research funds, the Company gives feedback to the community. The total amount of contributions for 2020 came to NTD 3,460,000 (accounting for 1.6% of the company's profit after tax). Various categories of activity and amounts were as follows:</p> <table border="1"> <thead> <tr> <th>Category of activity</th> <th>Community (Taoyuan) Education and Activities</th> <th>University/Social Education</th> <th>Industrial Development</th> <th>Religious Public Benefit Activities</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Amount (in NTD 10,000)</td> <td>142</td> <td>125</td> <td>17</td> <td>62</td> <td>346</td> </tr> </tbody> </table> | | | | | Category of activity | Community (Taoyuan) Education and Activities | University/Social Education | Industrial Development | Religious Public Benefit Activities | Total | Amount (in NTD 10,000) | 142 | 125 | 17 | 62 | 346 |
| Category of activity | Community (Taoyuan) Education and Activities | University/Social Education | Industrial Development | Religious Public Benefit Activities | Total | | | | | | | | | | | |
| Amount (in NTD 10,000) | 142 | 125 | 17 | 62 | 346 | | | | | | | | | | | |
| <p>(II)Promotion of children education: Long-term sponsorship of the "Discover Taiwan's Life Warriors" program organized by the Rainbow Family Life Education Association in Taiwan allows these children to think positively and cherish life and work towards their dreams in life's difficult moments.</p> | | | | | | | | | | | | | | | | |
| <p>(III)Character formation begins at school: Starting in 2005, the Company has hosted the "Children Character Camp" in elementary schools or communities near the Taoyuan Plant almost every year. Through the creative curriculum design, the merits of character are cultivated in the hearts of kids. Although the "Children Character Camp" was suspended in 2020 due to the pandemic, the Company continued to sponsor the "Morning Life Education" event in Shulin Elementary School and Caota Elementary School in Guanyin District; through storytelling by volunteers, students are taught to understand the definition of each character, to apply in practice, and become an excellent next generation with good character.</p> | | | | | | | | | | | | | | | | |
| <p>(IV)Care for the environment: 1. Everlight Plant II held Coastal Clean-Up Activities at Guanyin Beach on September 12, 2020 to remove a lot of accumulated manmade wastes and restore the coast to its original state. Our colleagues and their families, about a hundred people enthusiastically participated in solid actions to support environmental protection and together protect the marine environment. At the end of the Coastal Clean-Up Activity, a total of 300 kilograms of garbage were picked up. The fishing port was given back a clean beach. 2. Everlight Plant II cooperated with Taoyuan City Environmental Protection Bureau's "Water and Peach Blossom Source" enterprise river adoption activity and adopted the river section of Da Hori Creek; on November 24, 2020, it was awarded the honor of "Enterprise River Adoption Excellence Award" for two consecutive years. 3. Everlight Chemical also acts in accordance with the government's "Solar Photovoltaic Promotion Project." From 2018, it began planning to build 380kw and 160kw "solar power generators" in the Everlight Plant II and the Everlight Plant IV, respectively. Power generation started in May 2020, as another contribution for "environmental sustainability."</p> | | | | | | | | | | | | | | | | |
| <p>(V) Community care and feedback to the village: The impact of global climate change has produced extreme weather, which has caused the frequency of typhoons and rainfall in the flood season to hit new highs, causing great damage to the social environment. Driven by a commitment to humanitarian care and giving back to the community, Everlight Chemical's Plant II signed a Memorandum of Cooperation with the nearby Shulin Village in 2017 in an effort to enhance the community's disaster prevention capacity. The Company received the Trophy of Flood Control from Taoyuan City Government for its involvement. In 2019, the Company renewed the Memorandum once more with Shulin Village(once every two years) ,so as to continue helping the community to boost its disaster prevention capabilities.</p> | | | | | | | | | | | | | | | | |

| Evaluation Item | Implementation Status | | | Departure of such implementation from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the reason for any such departure |
|--|-----------------------|----|---------|---|
| | Yes | No | Summary | |
| At the beginning of 2020, the COVID-19 pandemic broke out all over the world. The number of confirmed cases in Taiwan also increased day by day. After visiting the Shulin and Datan Village out of concern for the current situation of the residents and the need for pandemic prevention resources, the Company donated a "Slightly Acidic Hypochlorous Water generator" in April 2020 to each Chief of Village Office, as a joint community pandemic containment measure to protect the health of the residents. | | | | |

Note 1: If "Yes" has been checked as the status of operation, please describe the adopted material policy/strategy/measure and its state of implementation. If "No" has been checked, please provide a reason for its absence and describe the Company's plan to adopt relevant policy/strategy/measure in the future.

Note 2: For companies that have already compiled and prepared their CSR reports, they may opt to provide specific references to their CSR report and index pages for the reporting of operation status.

Note 3: Material principles refer to issues pertaining to environment, society and corporate governance that stand to create significant impact on the company's investors and other stakeholders.

| Material Issues | Risk Assessment Items | Risk management policy or strategy |
|--------------------------|---|---|
| Environment (E) | 1.Environmental protection and water resources management | The Company is committed to environmental protection and has established an environmental protection policy to "cherish the earth's resources and comply with environmental regulations." Other than implementing the requirements of the ISO 14001 environmental management system, pursuant to the "12 principles of green chemistry," the Company also continuously improves manufacturing processes. At the same time, the Company also promotes industrial waste reduction and implements "recycling and reuse of water resources" and pollution prevention, among other measures. Tracking and reviews are conducted quarterly to ensure the achievement of management goals. |
| | 2.Greenhouse gases and energy management | In line with government policies, the Company actively promotes various energy-saving and carbon-reduction measures with the goal of "saving >1% electricity per year." Including: (1) replacement of old energy-consuming equipment and purchase of energy-saving facilities to improve equipment operation efficiency; (2) reducing electricity consumption through daily management mechanisms; (3) using steam produced by incinerator waste heat boiler for self-use; (4) adding green energy installations (solar panels) in the plant areas to comply with legal requirements. |
| | 3.Air pollutant emission management | Establish and implement reduction strategies and related measures for "sulfur oxide (SOx), nitrogen oxide (NOx), volatile organic compound (VOC), particulate matter." Including: (1) stopping the use of heavy oil boilers and replacing them with purchased steam or natural gas, (2) replacing wet scrubbers with dust collection bags, and (3) replacing activated carbon adsorption towers or wet scrubbers with regenerative incinerators (RTO), to effectively reduce and control the emission of air pollutants. |
| | 4. Waste management | Formulate and implement various waste reduction strategies (waste sludge, waste solvents, waste packaging materials), including: (1) using biological methods and ozone machines to effectively reduce chemical coagulation dosage and sludge output. (2) recycling of solvents in the manufacturing process. (3) reusing packaging materials through negotiation with suppliers. (4) increasing the "waste recycling rate" to effectively reduce waste output. |
| Society (S) | 1.Health and safety management | The Company values occupational safety and health significantly, and has imposed a safety and health policy of "respect for life, pursue zero disasters," while implementing the requirements of the ISO 45001 environmental safety and health management system, setting various management indicators and target values, and continuing to eradicate hazards and reducing EHS risks to protect employees' physical and mental health while promoting industrial safety. |
| | 2. Quality management | The Company's quality policy is "caring for customers and creating value together." All employees continue to implement the requirements of the "Quality Management System (ISO 9001 and IATF 16949)" to continuously improve product quality and customer satisfaction. |
| | 3.Chemical safety management | The Company has established "Hazardous Chemical Substance Management" and "Product Safety Assurance System and Management Process" for implementation, to make products compliant with national registration regulations and GHS labeling requirements in various countries. The Company also actively puts the promise of "Zero Discharge of Hazardous Substances" into practice to ensure safe product transportation and use. |
| | 4.Client privacy and personal information management | The Company has issued "Confidential Document Management Procedures" and "Trade Secret Management Regulations" to properly manage and protect clients' private information; the implementation is ensured through the internal control/internal auditing. |
| Corporate Governance (G) | 1.Ethical management and compliance | The Company's core culture is "upright operation, loving management." Through the establishment of a corporate governance organization, implementation of internal control mechanisms, and annual "ethical management" and "whistleblowing system" training, the awareness of personnel is strengthened, to ensure that employees and various operations actually comply with relevant laws and regulations. The Company also rents "Regulations |

| | | |
|--|------------------------------------|--|
| | | Cloud" software to effectively grasp the latest requirements due to changes in laws and regulations. |
| | 2.Information security management | The Company has established the "Information Security Management Policy: Implementation of protective measures to ensure information security." Through the adoption of various strategies: (1) Personnel training is implemented to enhance information security awareness. (2) Risk management is applied to control information security. (3) Response mechanisms are strengthened for the implementation of continuous improvement. By constructing a proper information security protection network, potential information security risks and possible hazardous impacts are minimized. |
| | 3.Intellectual property management | The Company has established the "Intellectual Property Management Policy: Compliance with Intellectual Property Regulations and Maintenance of Intellectual Property"; in 2018 the Company passed the "Taiwan Intellectual Property Management Standards (TIPS)" Level A certification. In addition to implementing various intellectual property management regulations, complying with government regulations, and respecting the intellectual property of others, the Company also ensures that its own key technologies such as patents, trademarks, copyrights, and trade secrets are properly protected. |

(VI) Implementation Status of ethical corporate management and Departure of such implementation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reason for any such departure

| Evaluation Item | Implementation Status | | | Departure of such implementation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reason for any such departure |
|--|-----------------------|----|---|--|
| | Yes | No | Summary | |
| I. Formulation of ethical corporate management policies and projects | | | | |
| (I) Has the Company enacted ethical management policies as per the motion passed by the Board, and stated in its Memorandum or external correspondences about the said policies, practices and the commitment of the Board and higher management in actively implementing the policies? | V | | (I) The Company has issued the "Ethical Corporate Management Principles" and "Procedures for Ethical Management and Guidelines for Conduct," and detailed the policy of the Company's ethical corporate management in the annual report and CSR report. With the business philosophy of integrity, transparency and responsibility, the Company developed a policy based on honesty and establish a good corporate governance and risk control mechanism to create an operating environment of sustainable development; the Board of Directors and the management level actively implement the commitment of ethical corporate management policies, and require all employees of the Group to abide by. | No discrepancy. |
| (II) Has the Company established evaluation mechanism for unethical conduct, analyzed and assessed operating activities that may contain a higher risk of unethical conduct on a regular basis, and provided solutions for prevention of unethical conduct, which at least comprise preventive measures for conducts as listed in Article 7 Section 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"? | V | | (II) The Company has established a risk evaluation mechanism for unethical conduct, analyzed and assessed operating activities that may contain a higher risk of unethical conduct on a regular basis, and provided solutions for prevention of unethical conduct. | No discrepancy. |
| (III) Has the Company specified relevant operating procedures, behavioral guidelines, disciplinary actions for violations and appeal system in the solutions for the | V | | (III) The Company has specified relevant operating procedures, behavioral guidelines and Reporting System for Violation of Ethical Corporate Management Regulations in the solutions for the prevention of unethical conduct established, and implemented | No discrepancy. |

| Evaluation Item | Implementation Status | | | Departure of such implementation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reason for any such departure |
|--|-----------------------|----|--|--|
| | Yes | No | Summary | |
| prevention of unethical conduct established, implemented accordingly, and review the aforementioned solution on a regular basis? | | | accordingly as stipulated. Those who are found to have violated the regulations are punished according to the Company's rules. The aforementioned solution is reviewed on a regular basis. | |
| <p>II. Implementation of ethical corporate management</p> <p>(I) Does the company evaluate the integrity of all counterparts it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?</p> <p>(II) Does the company set up a unit dedicated to or tasked with promoting the company's ethical standards that reports directly to the Board of Directors with periodical updates (at least once a year) on ethical corporate management policies, solutions for the prevention of unethical conduct and the status of supervision and execution thereof?</p> <p>(III) Does the company establish policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?</p> <p>(IV) Has the company implemented the ethical management by establishing an effective accounting system and internal control system, and had the internal audit unit devised relevant audit plans according to the evaluation result on risk of unethical conduct, as well as executing the said plan to inspect the compliance of solutions for the prevention of unethical conduct, or appointed an external auditor to conduct audits?</p> <p>(V) Does the company provide internal and external ethical conduct training programs on a regular basis?</p> | V | | <p>(I) The Company has assessed the integrity record of the counter party. The terms of ethical behavior are specified in the signed contract. If any act of dishonesty is involved, the Company may terminate or dissolve the terms of the contract at any time.</p> <p>(II) The Company's dedicated unit for promoting corporate integrity is the ESG Committee's Integrity team, which is responsible for promoting integrity management-related systems and prohibiting dishonest practices, as well as making recommendations for improvement. It also regularly Mar. reports to the Board of Directors about the system design and execution status every year.</p> <p>(III) The Company has formulated a policy to prevent conflicts of interest to identify, supervise and manage the risks of conflicts of interest that may lead to dishonest behavior. It has also provided appropriate channels for directors and managers and other stakeholders attending the Board of Directors to actively explain whether they have potential conflicts of interest with the Company.</p> <p>(IV) In response to the risk of higher dishonest behavior, the Company has established an effective accounting and internal control system. The internal audit department shall prepare an annual audit plan based on the risk assessment results, and report to the Board of Directors and the management level about the audit results and subsequent improvement plans, in order to implement audit effectiveness.</p> <p>(V) The Company regularly organizes internal education training and propagation on issues related to ethical corporate management every year, and arranges relevant personnel to receive external training courses as needed.</p> | <p>No discrepancy.</p> <p>No discrepancy.</p> <p>No discrepancy.</p> <p>No discrepancy.</p> <p>No discrepancy.</p> |

| Evaluation Item | Implementation Status | | | Departure of such implementation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reason for any such departure |
|---|-----------------------|----|---|--|
| | Yes | No | Summary | |
| | | | <p>On May 14, 2020, the Board of Directors was updated on all the important regulations: prevention of insider trading, integrity management code, integrity operation procedures and behavioral guidelines, and other important regulations.</p> <p>In the third quarter of 2020, via briefings and video clips, 26 awareness improving meetings were held, training 2,788 employees of the Group, totaling 232 hours of training.</p> | |
| <p>III. The operating status of the company's reporting system</p> <p>(I) Does the company establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received?</p> | V | | <p>(I) The Company has issued a "Reporting System for Violation of Ethical Corporate Management Regulations," which specifies the details of the reporting hotline : +886-2-2326-3502 and mailbox : informant@ecic.com.tw, and clearly designates dedicated personnel as the responsible person of Ethical Management Team. Also set up the Audit Committee mailbox : AuditCommittee@ecic.com.tw.</p> | After discussion, the Company temporarily excludes reward measures. |
| <p>(II) Does the company establish standard operating procedures for investigating complaints received, take follow-up measures after investigation, and implement confidentiality protocol?</p> | V | | <p>(II) The system of the preceding paragraph clearly defines the procedures for handling reports and the confidentiality measures for relevant personnel.</p> | No discrepancy. |
| <p>(III) Does the company adopt proper measures to protect a complainant from improper treatment for the filing of the complaint?</p> | V | | <p>(III)The Company shall keep the identity of the complainant and the contents of the report confidential, and promise to protect the complainant from being improperly treated due to their report.</p> | No discrepancy. |
| <p>IV.Strengthening information disclosure</p> <p>(I) Does the company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and the Market Observation Post System (MOPS)?</p> | V | | <p>The Company has disclosed the Ethical Corporate Management Best Practice Principles on the company website and MOPS, and has disclosed the promotion results on the company website.</p> | No discrepancy. |
| <p>V. If the company has established corporate governance policies based on the "Corporate Conduct and Ethics Best Practice Principles for TWSE/GTSM-Listed Companies," please describe any discrepancy between the policies and their implementation: No discrepancy.</p> | | | | |
| <p>VI. Other important information for facilitating better understanding of the company's implementation of Code of Ethics and Business Conduct: None.</p> | | | | |

(VII) If the Company has formulated Corporate Governance Principles and relevant regulations and articles, it shall disclose inquiry methods.

Yes; please refer to the section of corporate governance on the company website (<https://ecic.com/governance/regulation/>) or Corporate Governance / Rules for Formulating Relevant Regulations of Corporate Governance on the MOPS (http://mops.twse.com.tw/mops/web/t100sb04_1).

(VIII) Other important information that is enough to enhance the understanding of the operation of corporate governance shall be disclosed together.

The Company is a co-founder and permanent member of Taiwan Corporate Governance Association. The Chairman serves as the Supervisor of the Association. All directors of the Company are members of the Director and Supervisor Club founded by Taiwan Corporate Governance Association and definite members of the Association. They actively participate in various courses and forum activities of the Association to enhance their corporate governance concepts and grow from exchanging the experiences of corporate governance practices.

(IX) Execution status of internal control system

1. Statement of internal control:

Everlight Chemical Industrial Corporation
Statement of Internal Control System

Date: March 25, 2021

Based on the findings of the self-auditing, the Company states the following with regard to its internal control system during the year 2020:

- I. The Company knows that the board and the management are responsible for establishing, implementing, and maintaining the internal control system. The Company has established the system. It aims at providing reasonable assurance regarding the achievement of objectives in the effectiveness and efficiency of operations (including profitability, performance, and the safeguard of assets), reliability, timeliness and transparency of reporting, and compliance with all the applicable laws and regulations.
- II. The internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its above 3 stated objectives. Moreover, the effectiveness of the internal control system may change due to changes in the environment and situations. Nevertheless, the internal control system of the Company contains self-monitoring mechanisms, and corrective action is taken whenever a deficiency is identified.
- III. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems of Public Companies" (herein below, the Regulations). The criteria adopted by the "Regulations" identify five components of internal control based on the process of management control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring. Each component 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 above-mentioned Regulations.
- V. Based on the findings of the evaluation mentioned above, the Company believes that, on December 31, 2020, its internal control system (including the supervision on and management of subsidiaries), as well as the design and operations of internal control systems for understanding its operational effectiveness and efficiency, the achievement level of objectives, reliability, timeliness, transparency and regulatory compliance in reporting, and compliance with the applicable laws and regulations, were effective, and the Company can provide reasonable assurance that the above-stated objectives would be achieved.
- VI. This Statement is an integral part of the Company's annual report and prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This statement was passed by the Company's board in their meeting held on March 25, 2021, with none of the 11 attending directors expressing dissenting opinions, and all of them affirming the content of this Statement.

Everlight Chemical Industrial Corporation

Chairman: Chen, Chien-Hsin

General manager: Chen, Wei-Wang

2. While entrusting an accountant to review the internal control system on project basis, the review report shall be disclosed: None.

- (X) In the most recent year, up to the publication date of the annual report, where legal punishment imposed on the Company and its internal personnel, or the punishment imposed by the Company on its internal personnel due to violation of internal control regulations, which would affect the shareholders' interests and the share price significantly, should have the content of the punishments, the main wrongdoings and improvements thereafter disclosed: None

(XI) Important resolutions of board meetings and shareholders' meetings and the execution status of the resolved matters of shareholders' meetings in the most recent year and up to the publication date of the annual report

1. Resolutions of the Board meeting:

- (1) Resolutions of the Board meeting on March 19, 2020:
Approval of (1) Proposal for reporting items of the 2020 Annual Meeting of Shareholders;(2) Motion of 2019 Remuneration to Employees and Directors;(3) Motion of 2019 Remuneration to Employees and Directors;(4) Motion of 2019 Remuneration to Managers Defined in Securities and Exchange Act;(5) Motion of 2019 Financial Reports;(6) Motion of 2019 Earnings Distribution;(7) the ex-dividend record date for shareholders' cash dividends will be June 23, 2020 and distribution date will be July 15, 2020;(8) Motion of Auditing on 2020 Self-Evaluation Result of Internal Control;(9) Amendments to the Rules of Procedure of Shareholders Meeting;(10) Amendments to the Rules of Procedure for Board of Directors Meetings;(11) Motion of amendment of the Organizational Regulations of Audit Committee;(12) Motion of amendment of the Organizational Regulations of Remuneration Committee;(13) Motion of amendment of Corporate Governance Principles;
(14) Motion of amendment of CSR Principles;(15) Motion of enactment of Ethical Corporate Management Best Practice Principles and Behavioral Guidelines;(16) Motion of the Revision of the Agenda of the Company's 2020 Annual Meeting of Shareholders;(17) Motion of extending loan of USD5,000,000 to subsidiary, Everlight (Suzhou) Advanced Chemicals Ltd.:(18) Motion of cancellation of Non-competition Restriction on the independent directors of the Company;(19) Motion of pension payments of Deputy General Manager Chen;(20) Motion of appointment of Deputy General Manager of Color Chemicals Business Unit;(21) Motion of appointment of director of subsidiary, Everlight U.S.A.:(22) Motion of pension payments of General Manager of subsidiary, Trend Tone Imaging, Inc.:(23) Motion of renew of appointment of General Manager of subsidiary, Trend Tone Imaging, Inc.
- (2) Resolutions of the Board meeting on May 14, 2020:
Approval of (1) Amendments to the Self-Disciplinary Procedures for Disclosing M&A Information; (2) Division Chief Hsue's pension payment; (3) Proposal for re-assigning directors to subsidiaries; (4) Proposal for reassigning managerial officers to the subsidiary Everlight Hong Kong.
- (3) Resolutions of the Board meeting on August 13, 2020:
Approval of (1) Proposal for the criteria to deem the material amounts of the Company's accounts receivable overdue for three months; (2) Proposal that the accounts receivable overdue of the client DyStar Textilfarben GmbH is not loaning of funds; (3) Proposal to transfer the stake of the subsidiary Ethical (Guangzhou) Ltd.; (4) Proposal to cease and liquidate the subsidiary Daily Care BioMedical Inc.; (5) Amendments to the Rules of Procedure of Shareholders Meeting; (6) Amendments to the Rules of Procedure for Board of Directors Meetings; (7) Amendments to the Rules Governing the Scope of Powers of Independent Directors; (8) Amendments to the Charter of the Remuneration Committee; (9) Amendments to the Charter of the Nomination Committee; (10) Amendments to the Operating Regulations for Finance and Business Among Affiliates; (11) Board of Directors' Performance Appraisal Procedures; (12) Amendments to the Guidelines for the Adoption of Codes of Ethical Conduct for Directors and Managerial Officers; (13) Amendments to the Director's Selection Procedures.
- (4) Resolutions of the Board meeting on November 12, 2020:
Approval of (1) Proposal for disposing of long-term investment stake; (2) Proposal for the staff changes of the Company's supervisory pharmacist and the controlled drugs manager of the API plant; (3) Proposal to re-appoint the general manager of Ethical (Guangzhou) Ltd.
- (5) Resolutions of the Board meeting on December 17, 2020:
Approval of (1) Proposal for 2021 Operation Plan and Business Budget; (2) Proposal for 2021 Internal Audit Plan; (3) Proposal for 2021 Total Limits on Annual Short-term Bank Loans; (4) Proposal for 2019 Appointment of Certified Public Accountants for review of the Financial Statements and their compensation; (5) Proposal for convening the Annual Meeting of Shareholders on May 27, 2021; (6) Proposal for the period and places for the 2021 Annual Meeting of Shareholders to accept proposals and nominations from shareholders; (7) Proposal for establishing risk management procedures; (8) Proposal for job change and salary adjustment of the managerial officers; (9) Proposal for the promotion of personnel above the level of Associate Managers; (10) Proposal for assigning corporate governance officers; (11) Proposal for adjusting remuneration of the managerial officers defined in the Securities and Exchange Act; (12) Proposal for annual year-end bonuses of the managerial officers defined in the Securities and Exchange Act.
- (6) Resolutions of the Board meeting on January 25, 2021 :
Approval of(1) Proposal to subscribe the shares issued by Polytronics Technology for increasing capital in

cash.

(7) Resolutions of the Board meeting on March 25, 2021:

Approval of (1) Reported matters in the 2021 Annual General Meeting; (2) Proposal for distributing 2020 employees and directors' remuneration; (3) Proposal for 2020 directors' remuneration; (4) Proposal for remunerations of the managerial officers defined in the Securities and Exchange Act; (5) Proposal for 2020 Financial Statements; (6) Proposal for 2020 Earnings Distribution; (7) June 22, 2021, is the ex-dividend base date for cash dividends, which are distributed on July 14, 2020; (8) Deliberation of 2020 internal control self-assessment results review; (9) Proposal for re-electing directors; (10) Lifting the competition restrictions for new directors of the 18th term; (11) Amendments to the Rules of Procedure for Shareholders Meeting; (12) Amendments to the Procedures for Handling Long-term Equity Investments; (13) Proposal to dispose long-term investment equity; (14) Proposal for managerial officers' pension payment.

2. Implementation of the resolutions of the 2020 Annual Meeting of Shareholders

- (1) Approval of 2019 Annual Financial Statement.
- (2) Approval of proposal amending the Rules of Procedure for Shareholders Meeting; it is disclosed on the website and implemented as amended.
- (3) Approval of lifting the competition restriction for independent director Wu, Chung-Fem to serve as an independent director of Thai Kin Investment Company.

(XII) Recorded or written statements made by any director who specified dissent to important resolutions passed by the Board of Directors during the most recent year and up to the date of publication of the annual report: None.

(XIII) A summary of the resignation status of Chairman, General Manager, Accounting Supervisor, Financial Supervisor, Internal Audit Supervisor, managing supervisors and R&D Supervisor in the most recent year, up to the publication date of the annual report: None.

IV. Information of CPA's Professional Fees

Range Table of CPA's Audit Fee

Unit: TWD thousand

| Amount range | | Fee | Audit fee | Non-audit fee | Total |
|--------------|-------------------------------|-----|-----------|---------------|-------|
| 1 | 0 ~ TWD 1,999,999 | | | 1,010 | 1,010 |
| 2 | TWD 2,000,000 ~ TWD 3,999,999 | | 3,250 | | 3,250 |
| 3 | TWD 4,000,000 ~ TWD 5,999,999 | | | | 0 |
| 4 | TWD 6,000,000 ~ TWD 7,999,999 | | | | 0 |
| 5 | TWD 8,000,000 ~ TWD 9,999,999 | | | | 0 |
| 6 | TWD 10,000,000 and more | | | | 0 |

(I) Those with non-audit fee paid to CPAs, their subjected and other affiliated firms accounts for more than one-fourth of the audit fee:

Unit: TWD thousand

| Name of the accounting firm | Name of the CPA | Audit fee | Non-audit fee | | | | | Audit period of CPA | Notes |
|------------------------------------|--------------------------------|-----------|---------------|----------------------|----------------|--------|----------|------------------------------------|---|
| | | | System design | Company registration | Human resource | Others | Subtotal | | |
| KPMG | Chia-Chien Tang Ya-Lin Chen | 3,250 | | | | | | Jan. 1, 2020 ~ Dec. 31, 2020 | Transfer pricing Tax service |
| | Yeh, Wei-Dun | | | | | 710 | 710 | | |
| KPMG Business Management Co., Ltd. | Yu, Ji-Long | | | | | 300 | 300 | Jan. 1, 2020 ~ Dec. 31, 2020 | IT system maintenance and technical support |

(II) Whether there is any change of accounting firm and the audit fee paid in the replacement year is less than that paid in the preceding year: None.

(III) Whether the ratio of audit fee for the preceding year decreases by 10% or more: None.

V. Information of changing accountants: None.

- VI. Disclosure of any instance of the Company's chairman, general manager, and finance or accounting manager having held a position in the CPA firm or its affiliates in the most recent year: None.
- VII. Equity transfer and equity pledge changes of directors, managers and shareholders with shareholding exceeding 10% in the most recent year and up to the date when this annual report is printed

(I) Equity changes of directors, managers and major shareholders:

Unit: shares

| Title (Note 1) | Name | 2020 | | The current year as of Mar. 29, 2021 | | Notes |
|---|-------------------|------------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|-------------------------------|
| | | Increase (decrease) in shares held | Increase (decrease) in shares pledged | Increase (decrease) in shares held | Increase (decrease) in shares pledged | |
| Chairman | Chen, Chien-Hsin | 0 | 0 | 0 | 0 | |
| Director and major shareholder | Chen, Ding-Chuan | (5,000,000) | (10,000,000) | 0 | 0 | |
| Director and General Manager | Chen, Wei-Wang | 0 | 0 | 0 | 0 | |
| Director | Chen, Ding-Chi | (300,000) | 0 | (180,000) | 0 | |
| Director | Chen, Chien-Ming | 150,000 | 0 | 120,000 | 0 | |
| Director | Lee, Yung-Long | 0 | 0 | 0 | 0 | |
| Director | Ken, Wen-Yuen | 0 | 0 | 0 | 0 | |
| Director and Deputy General Manager | Tsai, Kuang-Feng | 0 | 0 | 0 | 0 | |
| Independent director | Wang, Hsiu-Chun | 0 | 0 | 0 | 0 | |
| Independent director | Hung, Ying-Cheng | 0 | 0 | 0 | 0 | |
| Independent director | Wu, Chung-Fern | 0 | 0 | 0 | 0 | |
| Special Asst. to Chairman | Du, Yi-Zhong | 0 | 0 | 0 | 0 | |
| Special Asst. to Chairman | Liao, Ming-Zhi | (60,000) | 0 | 0 | 0 | |
| Deputy General Manager | Chen, Chong-Kuang | 0 | 0 | 0 | 0 | Retired on March. 31, 2020 |
| Deputy General Manager | Lin, Zhao-Wen | 0 | 0 | 0 | 0 | |
| Deputy General Manager | Chen, Qing-Ta | 0 | 0 | 0 | 0 | |
| Deputy General Manager | Chen, Ke-Lun | 0 | 0 | 0 | 0 | |
| Factory Director of the 2 nd Plant | Yeh, Shun-Xing | 0 | 0 | 0 | 0 | |
| Deputy General Manager | Lee, Fu-Xing | 0 | 0 | 0 | 0 | |
| Associate Manager | Huang, Zheng-Lung | 0 | 0 | 0 | 0 | Retired on February. 26, 2021 |
| Associate Manager | Wu, Tian-Wang | (18,000) | 0 | 0 | 0 | |
| Associate Manager | Wu, Yao-Ming | 0 | 0 | 0 | 0 | |
| Associate Manager | Jason Ju | 0 | 0 | 0 | 0 | |
| Associate Manager | Tseng, Kun-Mu | 0 | 0 | 0 | 0 | |
| Associate Manager | Chen, Xin-Zhi | 0 | 0 | 0 | 0 | |
| Associate Manager | Liao, Nan-Ming | 0 | 0 | 0 | 0 | |
| Associate Manager | Chen, Yi-Tang | 0 | 0 | 0 | 0 | |
| Associate Manager | Huang, Tsung-Wen | 0 | 0 | 0 | 0 | |
| Associate Manager | Chen, Wen-Zheng | 0 | 0 | 0 | 0 | |
| Head of Operation Unit 1 of Color Chemicals | Hsiao, Chong-Kun | 0 | 0 | 0 | 0 | |
| Head of Technical Marketing Division | Lai, Bao-Kun | 0 | 0 | 0 | 0 | |
| Factory Director of the 1 st Plant | Chen, Kun-Mu | 0 | 0 | 0 | 0 | New in office on Jan. 1, 2021 |
| Factory Director of | Kang, Yuan-Sheng | 0 | 0 | 0 | 0 | |

| Title (Note 1) | Name | 2020 | | The current year as of Mar. 29, 2021 | | Notes |
|--|------------------|------------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|-------------------------------|
| | | Increase (decrease) in shares held | Increase (decrease) in shares pledged | Increase (decrease) in shares held | Increase (decrease) in shares pledged | |
| the 3 rd Plant | | | | | | |
| Head of Specialty Chemicals Technics Division | Huang, Yao-Xing | 0 | 0 | 0 | 0 | |
| Head of Pharmaceuticals Chemicals Q & C Division | Chen, Si-Feng | 0 | 0 | 0 | 0 | |
| Head of Information Division | Xue, Tzong-Yue | 0 | 0 | 0 | 0 | Retired on May 29, 2020 |
| Head of Resource Management Division | Sung, Bai-Li | 0 | 0 | 0 | 0 | |
| Head of Product Responsibility Division | Huang, Hui-Ching | (24,000) | 0 | 0 | 0 | |
| General Auditor of Audit Office | Tzeng, Mei-Rong | 0 | 0 | 0 | 0 | |
| Head of Financial Division and Supervisor of Accounting Department | Kuo-Pin Weng | 0 | 0 | 0 | 0 | |
| Corporate Governance Officer | Lee Ming-Wen | 0 | 0 | 0 | 0 | New in office on Jan. 1, 2021 |

Note 1: Those with more than 10% shareholding of the Company shall be noted as a major shareholder, and shall be listed separately.

Note 2: If the counter party of equity transfer or equity pledge is a related party, the following table shall be filled in.

(II) Information of stock transfer

| Name | Reasons for transfer | Transfer date | Counter parties | Relationship with the Company's directors, supervisors and shareholders with shareholdings of 10% and more | Share number (shares) | Transfer price |
|----------------|----------------------|---------------|--------------------------------------|--|-----------------------|----------------|
| Chen, Ding-Chi | Gifting | Mar. 4, 2020 | Chen, Chien-Ming Chen, Huang-Ming | Father and son | 150,000 150,000 | 14.75 |
| | | Feb. 26, 2021 | Chen, Chien-Ming Chen, Yi-jun | Father and son Father and Daughter | 120,000 60,000 | 15.30 |

(III) Information of equity pledge: Not applicable.

VIII. Information of the shareholders with top 10 shareholding ratio and are related to each other or spouses or within the kinship of second-degree relatives

Ex-dividend date: Mar. 29, 2021

| Rank | Name (Note 1) | Shareholding held by the person | | Shareholdings of spouse and minor children | | Total shares held with other person's name | | Disclosure of information on related parties, spousal relationship or relations within second degree of kinship, among the top ten shareholders, including their names and relationships (Note 3) | | Notes |
|------|------------------------------|---------------------------------|--------------------|--|--------------------|--|--------------------|---|---|------------------------------|
| | | Share number | Shareholding ratio | Share number | Shareholding ratio | Share number | Shareholding ratio | Name | Relationship | |
| 1 | Chen, Ding-Chuan | 68,000,000 | 12.41% | 7,000,000 | 1.28% | 0 | 0 | Chen, Ding-Chi Wu, Lee-Ji Chen, Chien-Hsin Chen, Wei-Wang Chen, Ru-Aei | Brothers Spouse Father and son Father and son Father and daughter | |
| 2 | Yung-De Investment Co., Ltd. | 37,000,000 | 6.75% | 0 | 0 | 0 | 0 | None | None | Representative, Chen, Ru-Aei |
| 3 | Chen, Ding-Chi | 14,195,254 | 2.59% | 987,659 | 0.18% | 0 | 0 | Chen, Ding-Chuan Chen, Chien-Ming | Brothers Father and son | |

| Rank | Name (Note 1) | Shareholding held by the person | | Shareholdings of spouse and minor children | | Total shares held with other person's name | | Disclosure of information on related parties, spousal relationship or relations within second degree of kinship, among the top ten shareholders, including their names and relationships (Note 3) | | Notes |
|------|---|---------------------------------|--------------------|--|--------------------|--|--------------------|---|--|--|
| | | Share number | Shareholding ratio | Share number | Shareholding ratio | Share number | Shareholding ratio | Name | Relationship | |
| 4 | iShares Core MSCI Emerging Markets ETF | 7,801,781 | 1.42% | 0 | 0 | 0 | 0 | None | None | |
| 5 | Wu, Lee-Ji | 7,000,000 | 1.28% | 68,000,000 | 12.41% | 0 | 0 | Chen, Ding-Chuan Chen, Chien-Hsin Chen, Wei-Wang Chen, Ru-Aei | Spouse Mother and son Mother and son Mother and daughter | |
| 6 | Chen, Chien-Hsin | 6,730,000 | 1.23% | 500,000 | 0.09% | 0 | 0 | Chen, Ding-Chuan Wu, Lee-Ji Chen, Wei-Wang Chen, Ru-Aei | Father and son Mother and son Brothers Brother and sister | |
| 7 | Chen, Wei-Wang | 6,300,000 | 1.15% | 324,350 | 0.06% | 0 | 0 | Chen, Ding-Chuan Wu, Lee-Ji Chen, Chien-Hsin Chen, Ru-Aei | Father and son Mother and son Brothers Brother and sister | |
| 8 | Chen, Ru-Aei | 5,966,000 | 1.09% | 720,824 | 0.13% | 0 | 0 | Chen, Ding-Chuan Wu, Lee-Ji Chen, Chien-Hsin Chen, Wei-Wang | Father and daughter Mother and daughter Brother and sister Brother and sister | Representative of Yung-De Investment Co., Ltd. |
| 9 | VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS | 5,648,200 | 1.03% | 0 | 0 | 0 | 0 | None | None | |
| 10 | Chen, Chien-Ming | 3,923,192 | 0.72% | 0 | 0 | 0 | 0 | Chen, Ding-Chi | Father and son | |

Note 1: The top 10 shareholders shall all be listed. For those corporate shareholders, the name of the corporate shareholder and the name of the representative shall be listed separately.

Note 2: The shareholding is calculated as the ratio of the shares held with the person, his or her spouse, minor children or others.

Note 3: The relationship between the above-mentioned shareholders (including legal and natural persons) shall be disclosed in accordance with Regulations Governing the Preparation of Financial Reports by Issuers.

IX. Comprehensive Shareholding Ratio

Shareholdings of the same investment business by the Company, the Company's directors and managers, and businesses directly or indirectly controlled by the Company, and the comprehensive shareholding ratio:

Dec. 31, 2020

Unit: shares; %

| Re-invested business (Note) | The Company's investment | | Investment by directors, managers and directly- or indirectly-controlled businesses | | Comprehensive investment | |
|-------------------------------------|--------------------------|--------------------|---|--------------------|--------------------------|--------------------|
| | Share number | Shareholding ratio | Share number | Shareholding ratio | Share number | Shareholding ratio |
| Elite, Turkey | 21,900 | 50% | 0 | 0% | 21,900 | 50% |
| Everlight U.S.A. | 300,000 | 100% | 0 | 0% | 300,000 | 100% |
| Everlight (Hongkong) Ltd. | 1,000,000 | 100% | 0 | 0% | 1,000,000 | 100% |
| Everlight Europe B.V. (Netherlands) | 500 | 100% | 0 | 0% | 500 | 100% |
| Everlight (Singapore) Ltd. | 24,300,000 | 100% | 0 | 0% | 24,300,000 | 100% |
| Trend Tone Imaging, Inc. | 44,906,400 | 76% | 230,924 | 0% | 45,137,324 | 77% |
| Evershine Investment Corp. | 10,000,000 | 100% | 0 | 0% | 10,000,000 | 100% |
| Good TV Broadcasting Corp | 1,900,000 | 22% | 0 | 0% | 1,900,000 | 22% |
| TAK Technology Co.,Ltd. | 10,000,000 | 17% | 3,000,000 | 5% | 13,000,000 | 22% |

Note: The investment made with Equity Method by the Company.

Capital Overview

I. Capital and Shares

(I) Source of capital

1. Shares and types of share in the most recent year and up to the publication date of the annual report:

Unit: shares; TWD thousand

| Month/Year | Issuing price | Authorized capital | | Paid-up capital | | Notes | | |
|------------|---------------|--------------------|---------------|-----------------|---------------|--|------------------------------------|--------|
| | | Share number | Dollar amount | Share number | Dollar amount | Source of capital | Paid in properties other than cash | Others |
| Aug., 2016 | 10 | 800,000,000 | 8,000,000,000 | 547,752,226 | 5,477,522,260 | Stock dividends from retained earnings 26,083,440 shares | None | Note 1 |

Note 1: JIN-SHOU-SHANG-TZU No.10501200760 has been completed registration on Aug. 18, 2016.

Unit: shares

| Share type | Authorized capital | | | Notes |
|--------------------------|--------------------|-----------------|-------------|----------------------------|
| | Outstanding shares | Unissued shares | Total | |
| Registered common shares | 547,752,226 | 252,247,774 | 800,000,000 | Shares of listed companies |

2. Relevant information of summary reporting system: Not applicable.

(II) Composition of shareholders:

Stop transfer day: Mar. 29, 2021

| Shareholder structure Amount | Government agency | Financial institution | Other corporations | Individual | Foreign institution and individual | Total |
|---------------------------------|-------------------|-----------------------|--------------------|-------------|------------------------------------|-------------|
| Number of shareholders | 0 | 10 | 147 | 55,621 | 126 | 55,904 |
| Shareholding | 0 | 799,027 | 48,773,383 | 452,685,541 | 45,494,275 | 547,752,226 |
| Shareholding ratio | 0.00% | 0.15% | 8.90% | 82.64% | 8.31% | 100.00% |

(III) Distribution of shares

1. Common stock:

Stop transfer day: Mar. 29, 2021

| Shareholder ownership | Number of shareholders | Shareholding | Shareholding ratio |
|-----------------------|------------------------|--------------|--------------------|
| 1 ~ 999 | 28,774 | 3,018,275 | 0.55% |
| 1,000 ~ 5,000 | 17,783 | 39,980,707 | 7.30% |
| 5,001 ~ 10,000 | 4,321 | 33,422,380 | 6.10% |
| 10,001 ~ 15,000 | 1,578 | 19,600,387 | 3.58% |
| 15,001 ~ 20,000 | 907 | 16,577,420 | 3.03% |
| 20,001 ~ 30,000 | 895 | 22,359,115 | 4.08% |
| 30,001 ~ 50,000 | 673 | 26,618,403 | 4.86% |
| 50,001 ~ 100,000 | 488 | 34,604,850 | 6.32% |
| 100,001 ~ 200,000 | 254 | 35,736,500 | 6.52% |
| 200,001 ~ 400,000 | 117 | 33,668,544 | 6.15% |
| 400,001 ~ 600,000 | 35 | 16,890,843 | 3.08% |
| 600,001 ~ 800,000 | 19 | 12,840,365 | 2.34% |
| 800,001 ~ 1,000,000 | 11 | 9,912,272 | 1.81% |
| 1,000,001 above | 49 | 242,522,165 | 44.28% |
| Total | 55,904 | 547,752,226 | 100.00% |

2. Preferred stock: Not applicable.

(IV) List of major shareholders: shareholders with shareholding ratio above 5%

Stop transfer day: Mar. 29, 2021

| Name of major shareholders | Shares | Share amount | Shareholding ratio |
|------------------------------|--------|--------------|--------------------|
| Chen, Ding-Chuan | | 68,000,000 | 12.41% |
| Yung-De Investment Co., Ltd. | | 37,000,000 | 6.75% |

Note: Information of the shareholders with top 10 shareholding ratio, please refer to page 40.

(V) Information of market price per share, net worth, earnings and dividends

Unit: TWD

| Item | | Year | 2020 | 2019 | The current year as of Feb. 28, 2021 (Note 8) |
|----------------------------------|---|--|---------|---------|---|
| Market price per share(Note 1) | Highest | | 19.05 | 18.25 | 17.80 |
| | Lowest | | 10.25 | 15.45 | 15.10 |
| | Average | | 15.49 | 16.44 | 16.68 |
| Net worth per share (Note 2) | Before distribution | | 14.76 | 14.28 | — |
| | After distribution | | — | 13.98 | — |
| EPS | Weighted average shares (thousand shares) | | 547,752 | 547,752 | — |
| | EPS (Note 3) | Before retroactive adjustment | 0.39 | 0.66 | — |
| | | After retroactive adjustment | — | 0.66 | — |
| Dividends per share | Cash dividends | | 0.3 | 0.3 | — |
| | Stock grants | Stock dividends from retained earnings | — | — | — |
| | | Stock dividends from capital reserve | — | — | — |
| | Accumulated undistributed dividend (Note 4) | | — | — | — |
| Analysis of return on investment | P/E Ratio (Note 5) | | 40 | 25 | — |
| | P/D Ratio (Note 6) | | 52 | 55 | — |
| | Cash dividend yield (Note 7) | | 0.02 | 0.02 | — |

*If new shares of capital increase are issued by earnings or capital surplus, the market price adjusted retrospectively by the issued shares and cash dividends shall also be disclosed.

Note 1: The highest and lowest market price of common shares in each year are listed, and the average market price each year is calculated according to the trading value and volume each year.

Note 2: Please refer to the shares issued at the end of the year and fill in based on the distribution resolved by the shareholders' meeting next year.

Note 3: If there are any numbers not needed to be retrospectively adjusted due to conditions such as stock grants, the EPS before and after adjustment shall be listed.

Note 4: If the issuing condition of equity securities contains the requirement that the undistributed dividends in the current year may be accumulated to the year with earnings, the accumulated undistributed dividends as of the current year shall be disclosed.

Note 5: PE ratio = Average closing price per share of the current year / EPS.

Note 6: PD ratio = Average closing price per share of the current year / cash dividends per share.

Note 6: Cash dividend yield = cash dividends per share / average closing price per share of the current year.

Note 8: Net worth per share and EPS shall be filled in with the data audited by the CPA in the most recent quarter and up to the date when the annual report was printed; the remaining columns shall be filled in with the data in the current year and up to the date when the annual report was printed.

(VI) Dividend policy and its implementation status

The Company's dividend policy is in line with the needs of the Company's various business development investments and takes into account the interests of shareholders. In no other special circumstances, the distributed dividends are no less than 50% of the earnings after-tax after deducting legal reserve.

The annual cash dividend is not less than 25% of the total dividends.

The above dividend policy was passed by the resolution of 2017 Shareholders' Meeting.

On March 25, 2021, the board of directors decided to distribute cash dividends of TWD 0.3 per share to shareholders.

(VII) The impact of the stock grants proposed by the shareholders' meeting on the Company's operating performance and EPS: The Company has no share dividends distributed, and thus is not applicable here.

(VIII) Remuneration to employees and directors

1. The percentages or ranges of remuneration to employees and directors listed in the Articles of Incorporation:

If the Company has profits in the current year, it shall appropriate 5% as employee remuneration and no more than 2% as director remuneration. However, when the Company still has accumulated losses, the amount for compensation should be retained in advance.

The parties whose remuneration is paid with stocks or cash defined in the preceding paragraph include the employees of the subordinate companies that are reported to and passed by the Board of Directors.

2. If there is any difference between the estimated basis of remuneration to employees and directors, the calculation basis for the number of shares distributed to employees as remuneration, the actual distribution amount and the estimated numbers in the current period, please state the method of accounting treatment:
 - (1) The estimated amount of the remuneration paid to employees and directors in the current period is based on the basis set out in the preceding paragraph, and the distributed amount has been passed by the resolution of the Board of Directors.
 - (2) Not applicable. The remuneration to employees and directors are all distributed with cash this period.
3. The remuneration distribution passed by the Board of Directors:
 - (1) Amount of remuneration to employees and directors distributed with cash or shares If there is any discrepancy with the estimated amount in the expense recognition year, the difference amount, reasons for the difference and the handling situation shall be disclosed:
The remuneration amount paid to employees and directors proposed to be distributed in the current period is the same with the estimated amount in the recognition year.
 - (2) The amount of employee remuneration paid by stocks and its proportion to the summation of net income after tax in individual financial reports and total amount of employee remuneration in the current period: Not applicable.
4. The actual distribution status of remuneration to employees and directors in the previous year (including number of shares, amount and stock price); if there is any discrepancy with the recognized remuneration to employees and directors, the difference amount, reasons for the difference and the handling situation shall be stated:

The amount of employee remuneration in 2019 was TWD 24,143,623 and the amount of director remuneration was TWD 9,657,449, which are the same as the original estimated amount recognized as expenses.

(IX) Conditions that the Company buys back its shares: None.

II. Issuance of corporate bonds: None.

III. Issuance of preferred stocks: None.

IV. Issuance of GDRs: None.

V. Issuance of employee stock warrants: None.

VI. Issuance of new restricted employee shares: None.

VII. Issuance of New Shares Upon any Merger and Acquisition With Other Companies: None.

VIII. Implementation of Capital Allocation Plans: None.

Operational Highlights

I. Contents of Business

(I) Scope of business

1. Main content of business:

- (1) C802200 Paints, Varnishes, Lacquers, Dyeing Mills and Dyestuff Manufacturing;
- (2) C802120 Industrial Catalyst Manufacturing;
- (3) C802990 Other Chemical Products Manufacturing;
- (4) C802041 Drugs and Medicines Manufacturing;
- (5) C802060 Animal Use Medicine Manufacturing;
- (6) C802100 Cosmetics Manufacturing;
- (3) C801990 Other Chemical Materials Manufacturing;
- (8) CA04010 Metal Surface Treating;
- (9) C801010 Basic Industrial Chemical Manufacturing;
- (10) F401010 International Trade;
- (11) C199990 Other Food Manufacturing Not Elsewhere Classified;
- (12) C802110 Cosmetics Ingredients Manufacturing;
- (13) F108051 Wholesale of Cosmetics Ingredients;
- (14) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval;

2. Business percentages in 2020:

| Business and product type | | Sales volume | Sales amount (TWD thousand) | Percentage |
|---------------------------|--------------------------|--------------|--------------------------------|------------|
| Color chemicals | | 17,071 tons | 3,557,854 | 45.8% |
| Specialty chemicals | | 3,284 tons | 1,772,638 | 22.8% |
| Toner | | 5,670 tons | 1,097,974 | 14.1% |
| Electronic chemicals | Photoresist | 424 tons | 390,892 | 14.6% |
| | Others | 11,089 tons | 745,532 | |
| Pharmaceuticals | Prostaglandin | 19,468 g | 184,651 | 2.6% |
| | Other material medicines | 293 kg | 17,104 | |
| Others | | 935 units | 2,421 | 0.1% |
| Total | | | 7,769,066 | 100.0% |

3. Current product items and new products planned to be developed:

| Product type | Current products | New products planned to be developed |
|----------------------|---|--|
| Color chemicals | <ul style="list-style-type: none"> ● Textile dye ● Leather dye ● High-purity dye used in ink jet printing ● High-purity dye used in digital textile printing ● Ink of digital textile printing ● Anodized aluminum dye ● Paper dye ● Functional chemicals used in textile ● Solar energy dye | <ul style="list-style-type: none"> ● Increasing items of each type of existing products |
| Specialty chemicals | <ul style="list-style-type: none"> ● UV-absorber ● Hindered amine light stabilizer ● Formulated product ● Functional Masterbatches ● Antioxidants ● High-molecular polymerizable dye | <ul style="list-style-type: none"> ● Increasing items of each type of existing products |
| Toner | <ul style="list-style-type: none"> ● Colored toner ● Black toner ● Toner finished cartridges ● Carrier and developer ● Ceramic toner | <ul style="list-style-type: none"> ● Increasing items of existing products ● Enhancing the applicable range of existing products |
| Electronic chemicals | Use in IC, LCD, LED and TP industry <ul style="list-style-type: none"> ● Photoresist ● Developer ● Slurry ● Wet chemicals ● Functional ink of thermosetting and UV curing ● Electronic functional chemicals | <ul style="list-style-type: none"> ● Increasing items of each type of existing products ● IC package amplified Photoresist ● Photoresist with low-temperature embedded covering ● Photosensitive polyimide |
| Pharmaceuticals | <ul style="list-style-type: none"> ● Material medicine for Prostaglandin ● Other material medicines | <ul style="list-style-type: none"> ● Increasing the items of material medicine for Prostaglandin ● Materials medicines for the elderly uses and other purposes |

(II) Industry overview

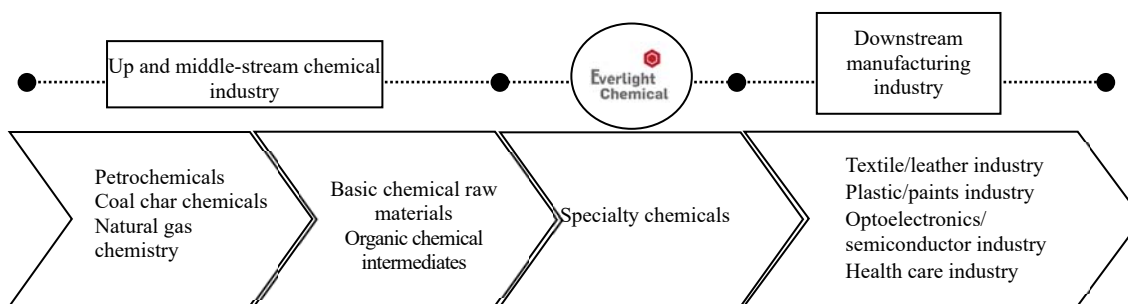
1. The current condition and development of the industry

Chemicals can be broadly classified into three categories: bulk chemicals, fine chemicals and specialty chemicals. Specialty chemicals are mainly used in processes or final products for the purpose of improving product characteristics, and are mostly high value-added products. The products of Everlight Chemical are all specialty chemicals. The demand for global specialty chemicals is growing steadily.

High value is the development direction of Taiwan's chemical industry. The so-called high value development includes the development of existing chemical products in the direction of high value, the development of high-priced or high value-added products, or the development of advanced materials, etc. The key to high value development is to master the core technology, key materials and intellectual property rights, as well as the ability to continuously innovate.

2. Relevance between the up, middle and downstream of industry

The direct upstream of the specialty chemicals industry is basic chemical raw material and organic chemical intermediate, and the next upstream is petrochemical, coal char chemical and natural gas chemistry. The specialty chemicals industry is the most technical and innovative field in the chemical industry, and is also a key industry directly supporting the manufacturing of electronics, optoelectronics, pharmaceuticals, and textile, etc., in the chemical industry. The development of specialty chemicals industry not only requires the strengthening of the upstream chemical industry supply chain and the effective grasping the source of key raw materials, but also needs the crossing of the gap between downstream and other industries and the development of application technology, in order to establish a bridge of technical communication with customers.



3. Product development trends and competition situations

All the products of the Company belong to the "specialty chemicals" with the characteristics of small amount, various type and high value-added, which are generally in a fully-competitive market with many manufacturers. The followings are the development trends of the products in the top four business divisions with the highest operating revenue:

In the Color Chemical business, the dye industry is developing steadily in the direction of environmental protection, energy saving, emission reduction, and green dyeing and finishing. Aside from supply and demand issues of raw materials affecting the price fluctuations of the dye market, the COVID-19 pandemic and its subsequent positive and negative developments will change or affect the growth of the downstream textile market. Reactive dye development continues to provide overall solutions for special fastness and differentiated commodity demand. For example, continuously developing new product applications of Everzol ERC, a highly effective, eco-friendly and energy saving cleaning process, PCA free dyes and enhancers related to textile fastness, cotton knitted fabric in the cold pressure dyeing application process, etc. In the dyeing of nylon fabrics, we continue to develop high-fastness bright color series acidic dye products, such as Everacid PA, S, X-Type. The development of digital textile printing technology has matured and stabilized. the main technology threshold is still in the hands of mechanical equipment merchants and ink suppliers, and the overall market demand is moving in a positive direction. Currently, for the PUR business, we have adhesives for industrial textiles for high temperature lamination with high bonding strength, and for fabric membranes for low temperature lamination with moderate bonding strength, and PUR glue with resistance to yellowing and fluorescent effects, making our product variety more exhaustive.

In the Specialty Chemical industry, the main development direction of polymer additives is the formulation technology to increase the weather resistance, yellowing resistance, easy processing and recyclability of polymer materials. The most potential growth applications include automotive component related industries, green energy, photovoltaic industry, composite materials, and beauty care products, etc.

In the toner business, with the popularity of color machines, color toner will become the mainstream of the market. Capital investment, technological innovation and upstream and downstream integration are the key to beating competitors. Black toner continues to maintain product competitiveness on the market by production management, simplified process and tightly-control costs. We have made a breakthrough in the application technology of ceramic toner and have commercialized small quantities.

In the Electronic Chemicals business, remote business activities have become the new norm, and 5G applications drive the development of AI and IoT integrated into wearable mobile devices, automotive applications, power semiconductors and sensors; therefore, the demand for MEMS process materials will continue to increase. High-end smartphone displays focusing on AMOLED paired with LTPS and embedded touch sensors (In-cell, On-cell) drive the demands for the low temperature processes, commercialization opportunities of new types of Micro/Mini LED displays, and IC packaging process materials.

(III) Overview of technology and R&D

The R&D expenses devoted and successfully developed technology or products in 2020 and up to the publication date of the annual report:

Amount: TWD thousand

| Item | Year | 2020 | The current year until Feb. 28, 2021 |
|--------------|---------------------|------|--------------------------------------|
| | R&D expense devoted | | 371,514 |
| R&D results: | | | |

| | | | |
|------------------------|---------------------|-----|-----|
| Patent | Patents granted | 8 | 2 |
| | Accumulated patents | 182 | 184 |
| New products developed | | 106 | 16 |

(IV) Development programs for long- and short-term business

1. Long-term development program:

Everlight Chemical's vision is to "become the high-tech chemistry industrial group contributing to people's lives." To enhance the life quality and health of people, we have strived to research and develop forward-looking chemicals and to produce high-tech products to enable outstanding chemicals to enrich peoples' lives, contribute to the life quality of our employees, product competitiveness, and sustainable future, and implement the brand promise of "Better Chemistry Better Life".

2. Short-term development program:

- (1) Optimization project for the human resources structure.
- (2) Optimization project for the financial structure.
- (3) Industrial supply chain project.
- (4) Green chemistry project.
- (5) Digital transformation and information security management system certification.
- (6) Sustainability issues: ChemScore self-assessment project.

II. Market and Production Profile

(I) Market analysis

1. Sales areas of major products:

Unit: TWD thousand

| Sales areas | 2020 | | 2019 | |
|-------------|---------------|----------------|---------------|----------------|
| | Dollar amount | Percentage (%) | Dollar amount | Percentage (%) |
| Asia | 4,199,730 | 54 | 5,107,268 | 55 |
| Taiwan | 1,478,331 | 19 | 1,494,626 | 16 |
| Europe | 1,255,795 | 16 | 1,576,784 | 17 |
| Americas | 649,267 | 8 | 984,045 | 10 |
| Other areas | 185,943 | 3 | 169,353 | 2 |
| Total | 7,769,066 | 100 | 9,332,076 | 100 |

2. Market share and supply and demand and growth of the market in the future:

Color Chemicals: In 2020, the total volume of the global dyestuffs market fell to 1,370,000 tons due to the impact of the COVID-19 pandemic. The company's market share is approximately 1.25%. Regarding the impact of the pandemic, if the vaccine is effective in suppressing the spread of the virus and the supply is sufficient, it is expected that the global dye demand will return to normal in 2022 and will show a compound growth rate of 4.39% by 2026. In the past decade, the dye capacity of Mainland China and India in the same industry has expanded rapidly and the supply is sufficient. Overall, the market situation is oversupply. However, the supply side of the dye and intermediate industry in the Mainland China has been tightening due to strengthening of chemical safety enforcement brought about by safety accidents, and high environmental compliance requirements. In the long run, there is an opportunity for supply and demand to reach a balance gradually. In the future, dye products will be researched and developed in the direction of high exhaustion, high fixation, water-saving and toxic-free due to the awareness of environmental protection.

Specialty Chemicals: In 2020, the global market for UV absorbers and light stabilizers totaled approximately TWD 52.5 billion, and the market share of Everlight Chemical was approximately 3.3%. The global compound annual growth rate is estimated to be 6%~7% in the next five years. The main growth momentum comes from the demand for various types of plastics, including packaging materials, automotive plastics and agricultural films. The second largest growth momentum comes from the coatings

industry, such as industrial coatings and construction coatings. Due to the high technical threshold, additive manufacturers are concentrated in a few developed industrial countries. Emerging markets and new application areas have become the most important growth opportunities.

Toner business: In 2020, the global AM (After Market), the demand for toner remained flat. The total market volume remained at 67,000 tons, and the Company's market share was about 9%. In the past two (2) years, with the popularity of color machines, the demand for color toner has gradually increased. Due to the withdrawal of individual manufacturers, the supply of low-level black toner has decreased. However, as the Chinese manufacturers continue to expand the capacity of their facility, the black toner is in oversupply. The launching of black toner products that can protect our market share is advantageous in strengthening our customer base. Expanding the European and US markets, and developing color toner, small packaging products will become the main opportunities for growth in the future.

Electronic Chemicals: In 2020, the global photoresist and process chemicals market size was about NTD 150 billion. There will be about 5~6% annual growth rate over the next 3 years. The Company's market share has not reached 1%. In the future, electronic consumer products will develop towards the mobile device with a rapid response speed, so FOWLP, FOPLP packaging technology will become the mainstream of the latter segment packaging, and then drive the demand for thick film light resistance and chemical amplified photoresist to grow. On the other hand, the flexible low-temperature process materials and high-end photoresists for Mini/Micro LEDs are growth opportunities.

3. Niche for competition:

- (1) Through the promotion of corporate brand and brand management, the Company's market competitiveness will be strengthened.
- (2) Continuing to accumulate autonomous key technologies, and continuously developing new products to meet the needs of customers.
- (3) The global logistic, marketing channel and technical service network have been established to provide fast and immediate service and increase customer satisfaction, in order to build long-term and stable partnerships.
- (4) Technological innovation, competitiveness enhancement and profitability:
 - ① Differentiating products and technologies to increase the market share of products.
 - ② Promoting niche and superior products to increase added value.

4. Favorable and unfavorable factors of development vision and responding measures:

(1) Favorable factors:

- ① Regional and national chemical-related regulations have been promulgated. Governments such as China have greatly improved the implementation of environmental protection regulations, resulting in higher environmental protection costs, rising entry thresholds and operating costs of the chemical industry. The survival space of low-cost competitors in developing countries will be compressed.
- ② Governments around the globe pay attention to the development of high-tech chemical materials that are environmentally sustainable.
- ③ The growth momentum of polymer materials driven by the application of innovation industries: for example, materials needed for smart cars, green electricity and other industries.
- ④ The price of color machines has decreased, and the color toner market has become more popular.

(2) Unfavorable factors:

- ① The global economy slows down. Protectionism is on the rise and market uncertainty increases.
- ② The tightening of Chinese environmental protection policies, imposing limitation on chemical industrial park, and forcing factory relocation and close-down, give rise to uncertainty in raw material supply and price increase. The management of supply chain is made more difficult and the control of costs become harder as well.
- ③ Taiwan's major trade competition countries have actively negotiated regional and bilateral free-trade agreements, which has certain degree of influence on Taiwan's export competitiveness.

- ④ Large-scale international chemical counterparts continue to conduct M&As, and the Chinese counterparts are actively expanding capacity to occupy market share with low prices.
- ⑤ The exchange rate has large variations, which causes the exchange gains and losses to fluctuate greatly.

(3) Response measures:

- ① Developing towards "high-tech knowledge industry" and "green economy industry," we will promote high-tech chemicals of environmental green energy with the core of R&D advantage, technology application and manufacturing capabilities.
- ② We will grasp the opportunity of global supply chain transfer due to China-US trade war and regionally politically conflicts, progressively developing the potential market.
- ③ Accelerating the expansion of service energy, extending to the upstream and downstream of the value chain, and becoming a multi-dimensional chemical company with equal emphasis on production and service.
- ④ Integrating the R&D, sales and production resources of the cross-strait toner business.

(II) Important uses of main products and their production process:

1. Important uses of main products:

| Product type | Product name | Purposes |
|----------------------------------|--|---|
| Color chemicals | Textile dye | For cotton, hemp, rayon, wool, silk and nylon |
| | Leather dye | For leather and fur |
| | High-purity dye used in ink jet printing | For office supplies, advertisement printing, labeling, and packaging materials |
| | High-purity dye used in digital textile printing | For textile printing, leather printing, wallpaper, and outdoor advertising |
| | Digital textile printing Printing ink | |
| | Anodized aluminum dye | For aluminum metal, 3C housing, bicycle, and screw |
| | Paper dye | Used in the paper industry |
| | Functional chemicals used in textile | Used in the textile/leather industry |
| Solar energy dye | For solar sensitized dye batteries | |
| Specialty chemicals | UV-absorber | For coatings, adhesives, plastics, polyurethanes, elastomers and cosmetics |
| | Hindered amine light stabilizer | |
| | Functional Masterbatches | |
| | Antioxidants | |
| | Formulated product | For polyurethane foams, adhesives and elastomers |
| High-molecular polymerizable dye | | |
| Toner | Colored toner | For color laser printers, color printers and multifunction printers |
| | Black toner | For black and white laser printers, black and white printers and multifunction printers |
| | Toner finished cartridges | For color / black and white printers and multifunction printers |
| | Carrier and developer | |
| | Ceramic toners | Used for coloring ceramic ware |
| Electronic chemicals | Photoresist | Used in yellow lithography process such as IC, LCD, LED, TP and IC assembly |
| | Developer | For rinsing imaging process |
| | Slurry | For substrate flattening process |
| | Wet chemicals | Used in semiconductor and substrate surface cleaning, and process such as electroplating |
| | Functional ink of thermosetting and UV curing | Used in surface coating for substrates such as metals and glass |
| | Electronic functional chemicals | Functional chemicals for the electronic assembly industry |
| Pharmaceuticals | Material medicine for Prostaglandin | Treatment of gastric ulcer, glaucoma, induction of labor, treatment of sexual dysfunction, and animal reproductive management, etc. |

| Product type | Product name | Purposes |
|--------------|--------------------------|---|
| | Other material medicines | Treatment of hypertension, Parkinson's disease, allergic conjunctivitis, cancer, and central nervous system, etc. |

2. Production process:

The production process of the Group's main products can be roughly divided into the following three categories:

(1) Production process based on chemical reaction:



Step 1: the basic raw material is formed into an intermediate through one or more chemical reactions.

Step 2: the intermediate is then converted into a semi-finished product by chemical changes.

Step 3: the semi-finished product is made into a product through different processes, such as refining, purification, drying, crushing, and batching, etc.

Products that fall into this type of production process include: various type of dyes, light stabilizers, yellowing resistance agents, and pharmaceuticals, etc.

(2) Production process based on formula mixing:



Step 1: precisely putting in the required raw materials.

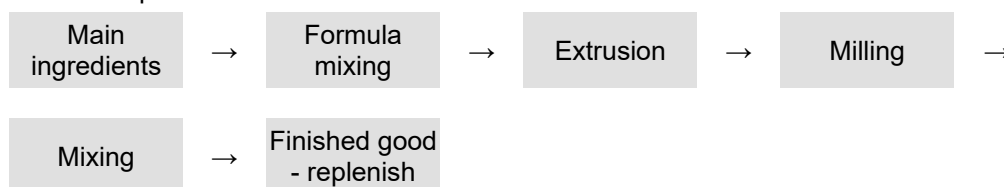
Step 2: mixing and performing a process inspection.

Step 3: conducting precision filtering through the various stages and performing a process inspection.

Step 4: the finished product is replenished and packaged, and then inspected.

Products that fall into this type of production process include: electronic chemicals, inkjet ink dyes, etc.

(3) Production process of toner:



Step 1: precisely putting in the required raw materials.

Step 2: mixing the raw materials with a mixer.

Step 3: the mixing of raw material is carried out by the extruder, so that the raw materials are uniformly dispersed, and then a process inspection is performed.

Step 4: grinding toner to the required particle size and a process inspection is performed.

Step 5: mixing toner and external additives into the mixer, and performing a process inspection.

Step 6: the finished product is replenished and packaged, and then inspected.

Products that fall into this type of production process include: colored toner, black toner, and ceramic toners, etc.

(III) Supply of main raw materials

The main raw materials of various specialty chemicals of the Company are organic chemical intermediates (benzene and naphthalene series, etc.) and basic chemicals (acid, alkali, salt, and solvent,

etc.). Mainland China, India and Taiwan are the main sources of the materials. The supply capacity and prices of raw materials are mainly affected by the following factors: due to the tightening of environmental protection and inspection of industrial security in the Mainland China and India, and occurrence of safety accidents, the production capacity of manufacturers is limited, while production cost and supply risks have increased. Severe smog in China, compulsory application of low-sulfur fuel at all ports, and the COVID-19 pandemic resulting in lack of workforce, compartments and containers, have led to an extension of voyages while cargo transportation costs increased significantly.

The main raw materials of toner are polymer materials such as acrylic and polyester resins, magnetic iron oxide and carbon black, etc. Japan, Europe and the United States are the main sources of supplies. Prices of resins rose due to an increase in the related raw material prices. As labor, energy and other production costs of the European, American and Japanese suppliers continue to climb year after year, we have sought supplies from Chinese resin manufacturers as a countermeasure. The magnetic iron oxide supply which was monopolized previously, saw the entry of Chinese and Indian suppliers. It is expected to be in oversupply in the future, and thus the price is expected to gradually fall.

(IV) The name of the customer who has once accounted for more than 10% of the total purchase (sales) of goods in any of the year within the most recent two (2) years, the amount and proportion of the purchase (sales), and the reasons for the increase or decrease: there were no such matters in the most recent two (2) years.

(V) Production volume and value in the most recent two (2) years

Unit: TWD thousand

| Production volume and value Business and product type | | 2020 | | | 2019 | | |
|--|--------------------------|---------------------|-------------------|------------------|---------------------|-------------------|------------------|
| | | Production capacity | Production amount | Production value | Production capacity | Production amount | Production value |
| Color chemicals | | 35,620tons | 17,163tons | 2,624,267 | 34,900tons | 20,407tons | 3,374,519 |
| Specialty chemicals | | 5,000tons | 3,031tons | 1,259,089 | 5,000tons | 3,963tons | 1,671,756 |
| Toner | | 11,000tons | 5,705tons | 974,291 | 11,000tons | 7,264tons | 1,281,070 |
| Electronic chemicals | Photoresist | 900tons | 449tons | 315,014 | 757tons | 386tons | 277,056 |
| | Others | 18,000tons | 10,528tons | 606,270 | 18,000tons | 9,116tons | 533,902 |
| Pharmaceuticals | Prostaglandin | 48,000g | 21,741g | 175,938 | 48,000g | 9,801g | 104,191 |
| | Other arterial medicines | 3,000kg | 840kg | 16,233 | 3,000kg | 516kg | 10,893 |
| Total | | | | 5,971,102 | | | 7,253,387 |

Note 1: Capacity refers to the quantity that can be produced using existing production equipment under normal operation after the Company has evaluated factors such as necessary stoppages and holidays, etc.

Note 2: The production value is calculated at cost.

(VI) Sales volume and value in the most recent two (2) years

Unit: TWD thousand

| Sales volume and value Business and product type | | 2020 | | | | 2019 | | | |
|---|--------------------------|----------------|-----------|--------------|-----------|----------------|-----------|--------------|-----------|
| | | Domestic sales | | Abroad sales | | Domestic sales | | Abroad sales | |
| | | Volume | Value | Volume | Value | Volume | Value | Volume | Value |
| Color chemicals | | 2,286tons | 373,621 | 14,785tons | 3,184,233 | 2,698tons | 472,005 | 18,241tons | 4,130,172 |
| Specialty chemicals | | 457tons | 235,036 | 2,827tons | 1,537,602 | 478tons | 254,807 | 3,146tons | 1,800,193 |
| Toner | | 95tons | 37,055 | 5,575tons | 1,060,919 | 106tons | 40,716 | 7,158tons | 1,475,106 |
| Electronic chemicals | Photoresist | 305tons | 189,565 | 119tons | 201,327 | 274tons | 167,189 | 101tons | 183,298 |
| | Others | 9,436tons | 632,347 | 1,653tons | 113,185 | 7,911tons | 548,051 | 1,419tons | 66,697 |
| Pharmaceuticals | Prostaglandin | 223g | 2,015 | 19,245g | 182,636 | 82g | 1,889 | 17,503g | 170,804 |
| | Other arterial medicines | 87kg | 6,271 | 206kg | 10,833 | 82kg | 5,414 | 545kg | 11,179 |
| Others | | 935units | 2,421 | 0units | 0 | 277units | 3,637 | 367units | 919 |
| Total | | | 1,478,331 | | 6,290,735 | | 1,493,708 | | 7,838,368 |

Note: In 2020, the Company's consolidated domestic and foreign sales ratio was 19%: 81%.

III. Information of the employees of the Company and affiliates

| Year | | 2020 | 2019 | The current year as of Mar. 30, 2021 |
|---|---------------------------------|------|------|--------------------------------------|
| Employee number | Company | 261 | 295 | 264 |
| | Factory | 1494 | 1633 | 1493 |
| | Total | 1755 | 1928 | 1757 |
| Average age | | 40.6 | 39.6 | 40.7 |
| Average service years | | 11.8 | 10.8 | 11.9 |
| Percentages distribution of education (%) | PhD | 2 | 2 | 2 |
| | Master | 22 | 23 | 22 |
| | College | 57 | 55 | 56 |
| | Below (and include) high school | 19 | 20 | 20 |

IV. Information of Environmental Protection Expenditure

(I) In the most recent year, up to the publication date of the annual report, losses incurred due to pollution:

1. losses incurred due to pollution (including damages): none.
2. violation of environmental protection law:

On November 25, 2019, the Department of Environmental Protection found that the air collection valve of the air pollution control equipment had not been opened due to human negligence during the audition. This violated the Air Pollution Control Act. On May 21, 2020, the Company was fined NTD 100,000. This was immediately improved, and employee training and operation patrol mechanisms were enhanced.

(II) Estimated amount of current and future possible losses and countermeasures

Plant 3 was announced as the "Soil and Groundwater Pollution Remediation Site" on December 9, 2016. Its remediation plan was approved by the Taoyuan City Government on January 16, 2020. An annual budget of more than NTD 30 million is expected to be invested in remediation work, and the project is expected to be completed in June 2025.

In 2020, the model test and hot zone remediation wells have been completed, and the remediation is in progress; in 2021, wells will be set and remediated in other sporadic areas, and pollution prevention facilities will be built.

V. Labor Relations

(I) Employee welfare measures, on-the-job further study, training, retirement system, working environment of the Company and personal safety protection of employees and its implementation, as well as the agreement between labor and employer and the maintenance measures of various employees' rights and interests

1. Welfare measures

The Company focuses on the care of employees, and provides employees with complete salary, reward, bonus and welfare system, so that employees can contribute their efforts in the workplace. Meanwhile, in order to honor the long-term contribution of senior staff and excellent employees to the Company, they will be given commemorative gold coins and awarded trophies respectively. General health checkups for employees and physical examinations for senior staff will be conducted regularly every year. Relevant welfare measures include the followings:

- (1) Rewards: year-end bonus / holiday gift / Labor Day bonus / birthday gift
- (2) Subsidies: wedding gift / maternity allowance / child education award and subsidy / travel subsidy / injury relief payment / death subsidy
- (3) Insurance: labor insurance / health insurance / employee group insurance / voluntary group insurance / business travel insurance

- (4) Systems: factory uniform / food stipend / performance bonus / proposal bonus / club activity
- (5) Equipment: nursing room / staff dorms / staff transportation vehicle / staff restaurant / gym / basketball court / library / special store
- (6) System of day-offs (vacations): pre-borrowed annual leave / paternity leave / family care leave / menstrual leave / nursing leave

2. Educational training

The Company promotes employee character education in the long run. Based on character education, in management, the supervisors embrace the service spirit of "servant," educate the staff full-heartedly and practice what they preach, in order to deepen the integration and cooperation of employees into the Company's business philosophy and corporate culture. Based on job functional structure, Everlight Chemical conducts talent selection, talents education, talents exertion and performance management. According to the annual training plan, the Company compares the structure with the education and training system (including inspiration training, orientation education, class training, professional training, and project training). The Company provides education and training for employees, in the hope of balancing the sustainable development of talents in the fields of production, R&D, marketing, and management. In addition, employees may be designated by the Company to study domestically or abroad (including retrieving master's degree or PhD degree or professional technical study) if necessary for their work or tasks.

3. Retirement system

The Company established the "Labor Pension Reserve Supervision Committee" in accordance with the Labor Standards Act, which monthly appropriates pension reserve into the account in Taiwan Bank; employees who meet retirement criteria may be distributed with pension fund, of which the pension base is calculated according to the service years. The Company will reimburse the pension fund by 6% in accordance with laws and remit it into the personal account of an employee who satisfies the new system of retirement. In addition, the Company has also formulated the "Application Rules for Early Retirement of Employees". Any qualified employees can be retired early if approved by the Company.

4. Working environment and employee personal safety protection and its implementation

The Company manages the corporation with the truth-love inspired by the Bible, shapes the working environment in which employees can exert their abilities, and motivates employees to achieve the mutual goals.

Adhering to the core values of decent management and love management, the Company holds gratitude worships every year to let employees feel a warm and grateful culture. The Company's introduction of the project, "Character First," has entered 24 years, which enables employees to cultivate good character in their work, in families and in lives and to regard character as the goal of lifelong learning.

The Company incorporates related regulations of Act of Gender Equality in Employment into the Work Rules and have reported to Taipei City Government for examination.

The Company adheres to an occupational safety and health policy of "respect for life, pursue zero disasters," and has been certified pursuant to laws, and implements an occupational safety and health management system (ISO 45001:2018, valid until October 24, 2022), to ensure employee safety and safeguard company assets through a management spirit that subscribes to the Plan-Do-Check-Action (PDCA) cycle.

In order to provide a safe and healthy workplace, the Company adopts personal safety protection measures for employees, including formulating work safety regulations and training methods, implementing health protection and promotion measures (conducting annual employee health checks and hierarchical management, or hiring commissioned medical practitioners to provide on-site services, implementing maternal/human factors/unlawful attacks in the workplace/abnormal workload and other hazard prevention plans, implementing respiratory protection plans, organizing beneficial physical and mental events, and providing fitness equipment), organizing regular emergency response drills, rewarding health and safety proposals, implementing environmental satisfaction surveys, promoting 5S and zero-disaster activities, safety inspections by senior managers, among other things, to prevent accidents and reduce occupational injuries.

In addition to the occupational safety and health committee's quarterly meeting, each plant discusses various safety and health issues, and also implements safety and health promotion at the plant's monthly meeting. The scope includes changes in regulations, defects of self-management, internal and external occupational safety accident cases, safety and health management plans and other matters.

(1) Zero-disaster exercise

Introducing zero-disaster activities. Every day before the start of work, the operation site supervisor will lead colleagues to carry out health confirmation, operational hazards and countermeasures, pointing and calling for single focus, to increase the alertness of employees during operations and reduce mistakes in the work.

(2) Emergency response

Every year, self-defense firefighting training and drills and poisoning disaster drills are regularly held in accordance with laws and regulations. The Company also continuously improves and holds irregular trainings to ensure that the Company can minimize disaster losses in any emergency.

(3) Monitoring of operation environment

The Company improves the working environment based on the characteristics of the job site, in order to provide a safe and comfortable working environment. To prevent occupational hazards and protect employees' health, the Company teaches and requires workers to properly wear and use personal protective equipment to reduce the exposed harm to an acceptable level.

The Company entrusts qualified institutions to carry out regular operation environment monitoring in accordance with the "Measures for Implementing Labor Operation Environmental Monitoring". The monitoring contents are all in accordance with statutory requirements (about chemical and physical factors). The unit may also propose an assessment for operations with concern of hazards. If there is any abnormality in the monitoring result, we will improve and correct it immediately to protect the safety of employees.

(4) External training

In accordance with the "Occupational Safety and Health Education and Training Rules," the personnel for special operations of the Company have completed safety and health education and training for special operations, and obtained operational qualification certificates/licenses. The Company also actively dispatches staff to participate in seminars related to occupational safety and health affairs, and strengthens and cultivates the safety and health awareness of personnel. The Company also actively participates in the operations of the Industrial Zone Safety and Health Promotion Association, to learn from the safety management experience of other factories. In the regards to managing contractors, the workers of contractors entering the Company's plants require safety and health training, and they are required to observe the Company's safety and health regulations, to ensure the safety of contracted work. Under the continuous deepening of various business concepts, the Company's corporate value has been significantly improved, which has also been positively recognized by all the staff and customers.

5. Negotiation between labor and employer and the status of each measure for maintaining employee rights:

Business trade unions have been established and will hold labor-management consultation meetings quarterly according to regulations, coordinating the management-union relation, promoting cooperation between management and labor, and improving work efficiency.

- (II) In the most recent year and up to the publication date of the annual report, losses due to labor-employer disputes (including violation of Labor Standard Act found in labor inspection, should have details of date of penalty, serial number of penalty, article of statute violated, content of article of statute violated and content of wrongdoings documented), estimated amount of current and future possible losses and response measures: None.

VI. Important Contracts

The contracts that are still valid and will expire in the most recent year as of the date of publication of the annual report are as follows:

| Contract characteristics | Litigant | Begin and End Date of contract | Main content | Restrictive covenant |
|--------------------------|--|--------------------------------|--|---|
| Engineering contract | Shun De Construction Co., Ltd. | November 2019 – February 2020 | Replacement of vaporizer | None |
| Borrowing contract | 7 banks such as CTBC Bank | March 2015 – March 2020 | Syndicated credit contract | <p>1. This case and the case of 2011 syndicated loan can coexist at the same time, but the total amount of money used shall not exceed the credit line of this case.</p> <p>2. The first use of the loan within three (3) months after the signing date.</p> <p>3. The first term starts from the 2nd year after the borrowing date. Afterwards, 1 term lasts for 6 months, and the loan is amortized in 7 terms in total. The amortization ratio is 10%, 10%, 10%, 15%, 15%, 20%, and 20%, respectively.</p> |
| Engineering contract | Bai Cheng Company | September 2019 – May 2020 | Installation of piping in glass reactor | None |
| Merchandising contract | Shimadzu Scientific Instruments (Taiwan) Co., Ltd. | April 2020 – August 2020 | Total organic carbon analyzer | None |
| Engineering contract | Today Water Equipment Company | February 2020 – August 2020 | Submersible mixers | None |
| Engineering contract | Shou Jing Construction Co., Ltd. | October 2018 – August 2020 | The first phase of the rehabilitation engineering for biology of first order | None |
| Engineering contract | Rahi Systems | September 2020 – December 2020 | Construction of new computer room/ ISO 27001 certification | None |
| Engineering contract | Ming Shun Mechanical Engineering Co., Ltd | July 2019 – December 2020 | 1 st biology wind pipe renovation | None |
| Engineering contract | Yi Cheng Corporation Co., Ltd | July 2019 – December 2020 | Construction of wiring board of biological treatment system | None |
| Engineering contract | Applied Catalyst Technology Inc. | July 2020 – December 2020 | Ozone catalyst system installation | None |
| Engineering contract | DayLight Refrigeration Equipment Co., Ltd. | May 2020 – December 2020 | Updating the A1 ice making machine/ Replacing the old one with a new one to improve capacity | None |
| Engineering contract | CTCI | September 2020 – April 2021 | Installation of smart billboard at Building F | None |
| Procurement contracts | Hua Ya Automobile Co., Ltd | April 2016 – April 2026 | Procurement of steam | None |

Financial Information, Financial Performance, And Risk Management

I. Condensed Balance Sheet and Comprehensive Income Statement Data in the Most Recent five (5) Years

(I) Condensed Balance Sheet and Comprehensive Income Statement Data

Condensed Balance Sheet - Consolidated

Unit: TWD thousand

| Item | Year | Financial data in the most recent 5 years (Note 1) | | | | |
|---|---------------------|--|------------|------------|------------|------------|
| | | 2020 | 2019 | 2018 | 2017 | 2016 |
| Current assets | | 6,344,115 | 6,302,008 | 6,577,789 | 6,301,647 | 6,323,846 |
| Property, plant and equipment (Note 2) | | 5,265,817 | 5,527,737 | 5,754,565 | 5,789,476 | 5,685,055 |
| Intangible assets | | 119,744 | 122,455 | 131,270 | 119,020 | 32,592 |
| Other assets (Note 2) | | 1,496,713 | 1,671,162 | 1,394,402 | 1,514,475 | 1,562,477 |
| Total assets | | 13,226,389 | 13,623,362 | 13,858,026 | 13,724,618 | 13,603,970 |
| Current liabilities | Before distribution | 3,029,687 | 3,982,351 | 4,070,946 | 3,414,980 | 4,173,084 |
| | After distribution | — | 4,146,677 | 4,344,822 | 3,688,856 | 4,446,960 |
| Non-Current liabilities | | 1,808,319 | 1,502,292 | 1,873,884 | 2,272,860 | 1,450,751 |
| Total liabilities | Before distribution | 4,838,006 | 5,484,643 | 5,944,830 | 5,687,840 | 5,623,835 |
| | After distribution | — | 5,648,969 | 6,218,706 | 5,961,716 | 5,897,711 |
| Equity attributable to owners of the parent company | | 8,087,304 | 7,823,140 | 7,599,139 | 7,724,086 | 7,658,408 |
| Capital stock | | 5,477,522 | 5,477,522 | 5,477,522 | 5,477,522 | 5,477,522 |
| Capital surplus | | 474,558 | 474,558 | 473,558 | 473,558 | 473,558 |
| Retained earnings | Before distribution | 2,019,285 | 1,901,498 | 1,797,826 | 1,673,952 | 1,571,900 |
| | After distribution | — | 1,737,172 | 1,523,950 | 1,400,076 | 1,298,024 |
| Other equity | | 115,939 | (30,438) | (149,767) | 99,054 | 135,428 |
| Treasury stock | | — | — | — | — | — |
| Non-controlling interests | | 301,079 | 315,579 | 314,057 | 312,692 | 321,727 |
| Total equity | Before distribution | 8,388,383 | 8,138,719 | 7,913,196 | 8,036,778 | 7,980,135 |
| | After distribution | — | 7,974,393 | 7,639,320 | 7,762,902 | 7,706,259 |

* If the Company has prepared individual financial statements, it shall also prepare the individual condensed balance sheets and comprehensive income statements for the most recent five (5) years separately.

* If the financial information prepared based on IFRSs refers to that for less than the most recent five (5) years, the Company shall also prepare the financial information based on the R.O.C. Financial Accounting Standards as shown in the following Table (2): Not applicable.

Note 1: The years of which data has not been audited by the CPA shall be noted.

Note 2: Those who have applied for asset revaluation in the current year shall list the date of processing and the value of revaluation.

Note 3: As of the date when the annual report is printed, companies that have been listed or whose stocks have been traded in the securities firm's business locations shall be disclosed together if they have the latest financial data audited by the CPA.

Note 4: For the above figures referred to as the number after distribution, please fill in according to the resolution of the shareholders' meeting of the next year.

Note 5: Financial data shall be listed with the corrected or restated numbers and be noted with the circumstances and reasons once the Company has been notified by the competent authority to make corrections or restatements by itself.

Condensed Balance Sheet - Individual

Unit: TWD thousand

| Item | Year | Financial data in the most recent 5 years | | | | |
|---|---------------------|---|------------|------------|------------|------------|
| | | 2020 | 2019 | 2018 | 2017 | 2016 |
| Current assets | | 4,518,431 | 4,389,443 | 4,678,231 | 4,419,149 | 4,236,078 |
| Property, plant and equipment | | 4,244,980 | 4,407,578 | 4,532,783 | 4,469,701 | 4,311,865 |
| Intangible assets | | 112,489 | 113,779 | 120,734 | 116,119 | 30,882 |
| Other assets | | 2,881,641 | 3,046,677 | 3,051,516 | 3,274,997 | 3,278,061 |
| Total assets | | 11,757,541 | 11,957,477 | 12,383,264 | 12,279,966 | 11,856,886 |
| Current liabilities | Before distribution | 2,094,534 | 2,922,645 | 3,004,070 | 2,422,266 | 2,942,901 |
| | After distribution | — | 3,086,971 | 3,277,946 | 2,696,142 | 3,216,777 |
| Non-Current liabilities | | 1,575,703 | 1,211,692 | 1,780,055 | 2,133,614 | 1,255,577 |
| Total liabilities | Before distribution | 3,670,237 | 4,134,337 | 4,784,125 | 4,555,880 | 4,198,478 |
| | After distribution | — | 4,298,663 | 5,058,001 | 4,829,756 | 4,472,354 |
| Equity attributable to owners of the parent company | | — | — | — | — | — |
| Capital stock | | 5,477,522 | 5,477,522 | 5,477,522 | 5,477,522 | 5,477,522 |
| Capital surplus | | 474,558 | 474,558 | 473,558 | 473,558 | 473,558 |
| Retained earnings | Before distribution | 2,019,285 | 1,901,498 | 1,797,826 | 1,673,952 | 1,571,900 |
| | After distribution | — | 1,737,172 | 1,523,950 | 1,400,076 | 1,298,024 |
| Other equity | | 115,939 | (30,438) | (149,767) | 99,054 | 135,428 |
| Treasury stock | | — | — | — | — | — |
| Non-controlling interests | | — | — | — | — | — |
| Total equity | Before distribution | 8,087,304 | 7,823,140 | 7,599,139 | 7,724,086 | 7,658,408 |
| | After distribution | — | 7,658,814 | 7,325,263 | 7,450,210 | 7,384,532 |

Condensed Comprehensive Income Statement - Consolidated

Unit: TWD thousand

| Item \ Year | Financial data in the most recent 5 years (Note 1) | | | | |
|---|--|-----------|-----------|-----------|-----------|
| | 2020 | 2019 | 2018 | 2017 | 2016 |
| Operating revenue | 7,769,066 | 9,332,076 | 9,621,019 | 9,169,480 | 9,450,874 |
| Operating gross profit | 1,568,822 | 2,037,340 | 2,165,218 | 1,970,272 | 2,098,902 |
| Operating income | 204,636 | 403,633 | 507,464 | 362,419 | 467,439 |
| Non-operating revenue and expense | 60,140 | 52,437 | 12,080 | 109,973 | 105,295 |
| Net income before tax | 264,776 | 456,070 | 519,544 | 472,392 | 572,734 |
| Net income of going-concern operation unit | 205,022 | 349,237 | 407,920 | 370,244 | 473,834 |
| Loss from discontinued unit | — | — | — | — | — |
| Net income (loss) | 205,022 | 349,237 | 407,920 | 370,244 | 473,834 |
| Other comprehensive income (Net amount after tax) | 208,968 | 132,755 | (263,835) | (29,590) | (202,659) |
| Total comprehensive income | 413,990 | 481,992 | 144,085 | 340,654 | 271,175 |
| Net income attributable to owners of the parent company | 213,279 | 362,447 | 401,983 | 366,138 | 468,534 |
| Net income attributable to non-controlling interests | (8,257) | (13,210) | 5,937 | 4,106 | 5,300 |
| Comprehensive income attributable to owners of the parent company | 428,490 | 496,877 | 138,502 | 344,353 | 269,561 |
| Comprehensive income attributable to non-controlling interests | (14,500) | (14,885) | 5,583 | (3,699) | 1,614 |
| EPS | 0.39 | 0.66 | 0.73 | 0.67 | 0.86 |

* If the Company has prepared individual financial statements, it shall also prepare the individual condensed balance sheets and comprehensive income statements for the most recent five (5) years separately.

* If the financial information prepared based on IFRSs refers to that for less than the most recent five (5) years, the Company shall also prepare the financial information based on the R.O.C. Financial Accounting Standards as shown in the following Table (2): Not applicable.

Note 1: The years of which data has not been audited by the CPA shall be noted.

Note 2: As of the date when the annual report is printed, companies that have been listed or whose stocks have been traded in the securities firm's business locations shall be disclosed together if they have the latest financial reports audited by the CPA.

Note 3: Loss from discontinued unit is listed with the net value after deducting income tax.

Note 4: Financial data shall be listed with the corrected or restated numbers and be noted with the circumstances and reasons once the Company has been notified by the competent authority to make corrections or restatements by itself.

Condensed Comprehensive Income Statement - Individual

Unit: TWD thousand

| Item | Year | Financial data in the most recent 5 years | | | | |
|---|------|---|-----------|-----------|-----------|-----------|
| | | 2020 | 2019 | 2018 | 2017 | 2016 |
| Operating revenue | | 6,085,544 | 7,203,554 | 7,405,726 | 6,833,550 | 6,925,150 |
| Operating gross profit | | 1,097,126 | 1,410,577 | 1,495,962 | 1,311,488 | 1,413,961 |
| Operating income | | 210,185 | 354,298 | 427,447 | 285,853 | 347,949 |
| Non-operating revenue and expense | | 51,657 | 94,773 | 66,464 | 148,585 | 182,494 |
| Net income before tax | | 261,842 | 449,071 | 493,911 | 434,438 | 530,443 |
| Net income of going-concern operation unit | | 213,279 | 362,447 | 401,983 | 366,138 | 468,534 |
| Loss from discontinued unit | | — | — | — | — | — |
| Net income (loss) | | 213,279 | 362,447 | 401,983 | 366,138 | 468,534 |
| Other comprehensive income (Net amount after tax) | | 215,211 | 134,430 | (263,481) | (21,785) | (198,973) |
| Total comprehensive income | | 428,490 | 496,877 | 138,502 | 344,353 | 269,561 |
| Net income attributable to owners of the parent company | | — | — | — | — | — |
| Net income attributable to non-controlling interests | | — | — | — | — | — |
| Comprehensive income attributable to owners of the parent company | | — | — | — | — | — |
| Comprehensive income attributable to non-controlling interests | | — | — | — | — | — |
| EPS | | 0.39 | 0.66 | 0.73 | 0.67 | 0.86 |

(II) Name of CPA and audited opinions

| Year | Name of CPA | | Audited opinions |
|-------------|-------------|---------------------------------|---------------------|
| 2016 - 2017 | KPMG | Lily Lu Chun-Hsiu Kuang | Unqualified opinion |
| 2018 | KPMG | Ya-Ling Chen Chun-Hsiu Kuang | Unqualified opinion |
| 2019-2020 | KPMG | Chia-Chien Tang Ya-Ling Chen | Unqualified opinion |

II. Financial analysis for the most recent 5 years

(I) Financial analysis - consolidated financial statements

| Analysis items (Note 3) | | Year (Note 1) | Financial analysis for the most recent 5 years | | | | |
|--------------------------------|---|---------------|--|------|------|------|------|
| | | | 2020 | 2019 | 2018 | 2017 | 2016 |
| Financial Structure (%) | Debt ratio | | 37 | 40 | 43 | 41 | 41 |
| | Long term fund to property, plant and equipment ratio | | 194 | 174 | 170 | 178 | 166 |
| Liquidity analysis (%) | Current ratio | | 209 | 158 | 162 | 185 | 152 |
| | Quick ratio | | 100 | 67 | 66 | 81 | 66 |
| | Interest coverage | | 5 | 5 | 6 | 7 | 9 |
| Operating Performance Analysis | Account receivable turnover (times) | | 4.8 | 5.4 | 5.3 | 5.2 | 5.1 |
| | Average collection turnover | | 76 | 68 | 69 | 71 | 71 |
| | Inventory turnover (times) | | 1.9 | 2.0 | 2.1 | 2.1 | 2.2 |
| | Account payable turnover (times) | | 12.2 | 13.6 | 11.8 | 11.3 | 12.2 |
| | Average inventory turnover days | | 197 | 182 | 175 | 172 | 163 |
| | PPE turnover (times) | | 1.4 | 1.7 | 1.7 | 1.6 | 1.7 |
| | Total assets turnover(times) | | 0.6 | 0.7 | 0.7 | 0.7 | 0.7 |
| Profitability | ROA (%) | | 2 | 3 | 3 | 3 | 4 |
| | ROE (%) | | 2 | 4 | 5 | 5 | 6 |
| | Net income before tax to paid-up capital ratio (%) (Note 7) | | 5 | 8 | 9 | 9 | 10 |
| | Net margin (%) | | 3 | 4 | 4 | 4 | 5 |
| | EPS (TWD) | | 0.39 | 0.66 | 0.73 | 0.67 | 0.86 |
| Cash flow | Cash flow ratio (%) | | 46 | 32 | 18 | 28 | 23 |
| | Cash flow adequacy ratio (%) | | 121 | 97 | 79 | 95 | 91 |
| | Cash reinvestment ratio (%) | | 6 | 5 | 3 | 4 | 4 |
| Leverage | Operating leverage | | 10 | 6 | 5 | 6 | 5 |
| | Financial leverage | | 1.5 | 1.3 | 1.2 | 1.3 | 1.2 |

The reasons for the change of each financial ratio in the most recent two years:

1. The increase of current ratio and quick ratio was mainly due to the decrease of current liability.
2. The decrease of ROA, ROE, Net income before tax to paid-up capital ratio, Net margin and EPS was mainly due to the decrease of Net income.
3. The increase of cash flow ratio was mainly due to the increase of net cash flows from operating activities and the decrease of current liability.
4. The increase of cash flow adequacy ratio was mainly due to the increase of net cash flows from operating activities and decrease of capital expense.
5. The increase of operating leverage was mainly due to the significant decrease of operating income.

* If the Company has prepared individual financial statements, it shall also prepare the individual financial ratio analysis separately.

* If the financial information prepared based on IFRSs refers to that for less than the most recent five years, the Company shall also prepare the financial information based on the R.O.C. Financial Accounting Standards as shown in the following Table (2): Not applicable.

Financial analysis - individual financial statements

| Analysis items (Note 3) | | Year (Note 1) | Financial analysis for the most recent 5 years | | | | |
|---|---|---------------|--|------|------|------|------|
| | | | 2020 | 2018 | 2017 | 2016 | 2015 |
| Financial Structure (%) | Debt ratio | | 31 | 35 | 39 | 37 | 35 |
| | Long term fund to property, plant and equipment ratio | | 228 | 205 | 207 | 221 | 207 |
| Liquidity analysis (%) | Current ratio | | 216 | 150 | 156 | 182 | 144 |
| | Quick ratio | | 105 | 64 | 64 | 83 | 62 |
| | Interest coverage | | 8 | 7 | 8 | 9 | 12 |
| Operating Performance Analysis | Account receivable turnover (times) | | 4.9 | 5.5 | 5.2 | 4.9 | 5.2 |
| | Average collection turnover | | 74 | 66 | 71 | 74 | 71 |
| | Inventory turnover (times) | | 2.1 | 2.3 | 2.4 | 2.4 | 2.5 |
| | Account payable turnover (times) | | 11.6 | 13.0 | 11.0 | 10.6 | 11.3 |
| | Average inventory turnover days | | 171 | 160 | 154 | 152 | 146 |
| | PPE turnover (times) | | 1.4 | 1.6 | 1.7 | 1.6 | 1.7 |
| | Total assets turnover(times) | | 0.5 | 0.6 | 0.6 | 0.6 | 0.6 |
| Profitability | ROA (%) | | 2 | 3 | 4 | 3 | 4 |
| | ROE (%) | | 3 | 5 | 5 | 5 | 6 |
| | Net income before tax to paid-up capital ratio (%) (Note 7) | | 5 | 8 | 9 | 8 | 10 |
| | Net margin (%) | | 4 | 5 | 6 | 5 | 7 |
| | EPS (TWD) | | 0.39 | 0.66 | 0.73 | 0.67 | 0.86 |
| Cash flow | Cash flow ratio (%) | | 55 | 35 | 24 | 29 | 26 |
| | Cash flow adequacy ratio (%) | | 109 | 90 | 66 | 62 | 71 |
| | Cash reinvestment ratio (%) | | 5 | 4 | 3 | 2 | 3 |
| Leverage | Operating leverage | | 8 | 5 | 5 | 7 | 6 |
| | Financial leverage | | 1.2 | 1.2 | 1.2 | 1.2 | 1.1 |
| <p>The reasons for the change of each financial ratio in the most recent two years:</p> <ol style="list-style-type: none"> 1.The increase of current ratio and quick ratio was mainly due to the decrease of current liability. 2.The decrease of ROA,ROE,Net income before tax to paid-up capital ratio , Net margin and EPS was mainly due to the decrease of Net income. 3.The increase of cash flow adequacy ratio was mainly due to the increase of net cash flows from operating activities and decrease of capital expense. 4.The increase of operating leverage was mainly due to the significant decrease of operating income. | | | | | | | |

Note 1: The years of which data has not been audited by the CPA shall be noted.

Note 2: As of the date when the annual report is printed, companies that have been listed or whose stocks have been traded in the securities firm's business locations shall be analyzed together if they have the latest financial data audited by the CPA.

Note 3: The following calculation formulas must be listed at the end of the foregoing table:

1. Financial structure

(1) Debt ratio = Total Liabilities / Total Assets

(2) Long-term funds to property, plant and equipment = (Total equity + Non-current liabilities) / Property, plant and equipment, net

2. Liquidity analysis

(1) Current ratio = Current assets / Current liability

(2) Quick ratio = (Current Assets - Inventories - Prepaid expenses) / Current liability

(3) Times interest earned = Profit Before Credit for Income Tax / Current interest expense

3. Operating performance analysis

(1) Average collection turnover (Including Accounts Receivable and Notes Receivable from operation) = Sales / Average trade receivables

(2) Days to collect accounts receivable = 365 / Average collection turnover

(3) Average inventory turnover = Cost of goods sold / Average inventories

(4) Average payment turnover (Including Accounts Payable and Notes Payable from operation) = operating costs / Average trade payables

(5) Average days to sell inventory = 365 / Average inventory turnover

(6) Property, plant and equipment turnover rate = Net sales / average property, plant and equipment, net

(7) Total assets turnover = Sales / Average total assets

4. Profitability

(1) Rate of return on assets = [Profit + Interest expense x (1 - Tax rate)] / Average assets

(2) Rate of return on equity = Profit / Average total Equity

(3) Profit to sales = Profit / Sales

(4) Earnings per share = (Equity attributable to owners of parent - Dividend-preferred stock) / Weighted average outstanding shares (Note 4)

5. Cash flow

(1) Cash flow ratio = Net cash provided by operating activities / Current liability

(2) Cash flow adequacy ratio = 5-year net cash provided by operating activities / 5-year (Capital expense + Increase in inventories + Cash dividend)

(3) Cash flow reinvestment ratio = (Net cash provided by operating activities - Cash dividend) - (Property, plant and equipment, net + Long-term investments + Other non-current assets + Operating Capital) (Note 5)

6. Leverage:

(1) Operating Leverage = (Net operating revenue - Variable cost and expense) / Operating income (Note 6)

(2) Financial leverage = Operating income / (Operating income - Interest expenses)

Note 4: Please note the following when measuring based on said calculation of EPS:

1. Based on the number of weighted average common shares, instead of the number of shares already issued at the end of year.

2. In the event of cash capital increase or exchange of treasury stock, please take the outstanding period into consideration when calculating the weighted average outstanding shares.

3. In the event of recapitalization of earnings or capital surplus, the calculation of annual and semi-annual EPS in the past shall be adjusted retroactively subject to the capital increase ratio, without taking the issuance period for the capital increase into consideration.

4. If the preferred stock refers to non-convertible accumulated preferred stock, the current stock dividend (whether allocated or not) shall be deducted from the net income after tax, or the net loss after tax should be increased. If the preferred stock refers to non-accumulated preferred stock, the preferred stock dividend shall be deducted from the net income after tax, if any, provided that if the Company suffers loss, it is not necessary to make the adjustment.

Note 5: Please note the following when measuring under cash flow analysis:

1. The net cash flow from operating activities means the net cash inflow from operating activities in the statement of cash flow.

2. The capital expenditure means the cash outflow from the capital investment each year.

3. The increase in inventory will be included only when the balance at ending is more than the balance at beginning. If the inventory decreases at the end of year, it should be calculated as 0.

4. The cash dividend includes the cash dividend on common stock and preferred stock.

5. The gross of property, plant and equipment means the total property, plant and equipment before deduction of accumulated depreciation.

Note 6: The issuer shall categorize various operating costs and expenses into fixed and floating ones by nature. If any estimation or subjective judgment is involved, please note the reasonableness and consistency thereof.

Note 7: If the Company's stock is a no-par-value stock or stock with par value other than TWD10, the paid-in capital ratio mentioned above shall be calculated based on the percentage of the equity attributed to owners of parent company in the balance sheet.

III. Audit Report of Audit Committee

Audit Committee's Review Report, Everlight Chemical Industrial Corporation

The Board of Directors have prepared the Company's 2020 Business Report, financial reports and the Motion of Earnings Distribution, etc., among which the financial reports have been audited by CPAs of KPMG, Chia-Chien Tang and Ya-Ling Chen, who have also prepared the audit reports. After the above Business Report, financial reports and the Motion of Earnings Distribution have been audited, the Audit Committee does not regard them as inappropriate and thus submits the report as above in accordance with the Securities and Exchange Act and Company Act.

Yours sincerely

To

The Company's 2021 General Shareholders' Meeting

Convener of Audit Committee, Wu, Chung-Fern

Mar. 25, 2021

- IV. If any financial problems are encountered by the Company and its affiliates which might affect the financial conditions of the Company in the most recent year and until the date of publication of this annual report, their impacts on the Company's financial condition shall be clarified: None.

V. Comparative analysis of financial conditions

Unit: TWD thousand

| Item \ Year | 2020 | 2019 | Difference | |
|-------------------------------|------------|------------|---------------|------|
| | | | Dollar amount | % |
| Current assets | 6,344,115 | 6,302,008 | 42,107 | 1 |
| Property, plant and equipment | 5,265,817 | 5,527,737 | (261,920) | (5) |
| Intangible assets | 119,744 | 122,455 | (2,711) | (2) |
| Other non-current assets | 1,496,713 | 1,671,162 | (174,449) | (10) |
| Total assets | 13,226,389 | 13,623,362 | (396,973) | (3) |
| Current liabilities | 3,029,687 | 3,982,351 | (952,664) | (24) |
| Non-Current liabilities | 1,808,319 | 1,502,292 | 306,027 | 20 |
| Total liabilities | 4,838,006 | 5,484,643 | (646,637) | (12) |
| Capital stock | 5,477,522 | 5,477,522 | 0 | — |
| Capital surplus | 474,558 | 474,558 | 0 | — |
| Retained earnings | 2,019,285 | 1,901,498 | 117,787 | 6 |
| Other equity | 115,939 | (30,438) | 146,377 | 481 |
| Non-controlling interests | 301,079 | 315,579 | (14,500) | (5) |
| Shareholders' equity | 8,388,383 | 8,138,719 | 249,664 | 3 |

- The main reasons for the significant changes of assets, liabilities and equity in the most recent two (2) years:
 - The decrease of current liabilities was mainly due to the decrease of short-term borrowings.
 - The increase of non-current liabilities was mainly due to the increase of long-term borrowings.
 - The increase of other equity was mainly due to the increase of “unrealized gains (loss) on financial assets measured at fair value through other comprehensive income” .
- Future response plan for matters with significant influence: There are no matters that have significant influence on the Company’s financial condition.

VI. Financial performance

Unit: TWD thousand

| Item \ Year | 2020 | 2019 | Increase (decrease) dollar amount | Changes % |
|--|-----------|-----------|-----------------------------------|-----------|
| Operating revenue | 7,769,066 | 9,332,076 | (1,563,010) | (17) |
| Operating cost | 6,200,244 | 7,294,736 | (1,094,492) | (15) |
| Operating gross profit | 1,568,822 | 2,037,340 | (468,518) | (23) |
| Operating expense | 1,364,186 | 1,633,707 | (269,521) | (16) |
| Net operating profit | 204,636 | 403,633 | (198,997) | (49) |
| Non-operating revenue and expense | 60,140 | 52,437 | 7,703 | 15 |
| Pre-tax profit of going-concern operation department | 264,776 | 456,070 | (191,294) | (42) |
| Income tax expense | 59,754 | 106,833 | (47,079) | (44) |
| Net income after tax of going-concern operation department | 205,022 | 349,237 | (144,215) | (41) |

- The main reasons for the significant changes of operating revenue, operating income and pre-tax income in the most recent two (2) years:
 - The decrease of operating income was mainly due to the decrease in demand due to the impact of the COVID-19 pandemic in 2020, which resulted in a decrease in operating revenue.
 - The decrease of net operating profit and Pre-tax profit was mainly due to the significant decrease in operating revenue.
- For expected sales volume and its reference, please refer to Summary of Operation Plan.
- Possible impacts on the Company's future financial operations and response measures: There are no significant impacts.

VII. Cash Flows

- The analysis of cash flow changes during recent year and corrective measures to be taken in response to illiquidity
 - The increase of cash flow ratio was mainly due to the increase of net cash flows from operating activities and the decrease of current liabilities compared with last period.
 - The increase of cash flow adequacy ratio was mainly due to the increase of net cash flows from operating activities in the last five years and the decrease in capital expenditures in the last five years.
 - The increase of cash reinvestment ratio was mainly due to the increase of net cash flows from operating activities compared with last period.
 - Corrective measures to be taken in response to insufficient liquidity: Not applicable.
- Liquidity analysis for the coming year:

Unit: TWD thousand

| Cash - beginning balance (1) | Expected net cash flow from operating activities for the year (2) | Expected cash outflow (3) | Expected cash balance (insufficiency) (1)+(2)-(3) | Countermeasures against cash insufficiency | |
|------------------------------|---|---------------------------|---|--|------------------------|
| | | | | Investment plan | Wealth management plan |
| 1,334,808 | 716,000 | 914,000 | 1,136,808 | 0 | 0 |

- Net cash flows from operating activities: mainly due to the increase of profit, depreciation recognition.
- Cash outflows: mainly due to the payment of each factory's significant capital expenditure, the payment of cash dividends and repayment of loans.

VIII. Impact of major capital expenditures on financial operations in the most recent year

Not applicable; there are no significant impacts on the Company's financial operations.

IX. Reinvestment policy in the most recent year, the main reasons for the profit or loss, improvement plans and investment plans in the upcoming year : Not applicable

X. Risk Items

(I) Risk management policy and procedures

The Company's risk management policy is "implementing risk management and ensuring sustainability operation," which has been discussed and passed by the Board of Directors on Nov. 14, 2013.

With reference to "ISO 31000:2018 Risk management — Guidelines" and related materials, the Company developed the "Risk Management Procedure," discussed and approved by the Board of Directors on December 17, 2020.

(II) Risk management strategy

1. Establishing risk management strategy for the Group's operation.
2. Implementing educational trainings to strengthen the staff's risk awareness.
3. Providing insight about the fluctuation trend of operation environment.
4. Abiding by international product safety rules.
5. Ensuring industrial safety and environmental protection.

(III) Risk management organization and operation

The Company has set up Risk Management Committee, which is convened by the Chairman and participated by the General Manager and supervisors of production, R&D, security and environmental protection, human resources, finance, procurement, auditing. Committee meetings are regularly held to discuss related issues. Every year two Risk Management Committee meetings are convened to discuss internal and external risk topics; the Audit Office will evaluate the effectiveness of risk management operations.

For the first meeting of the Risk Management Committee every year, the risk topics are prioritized by referring to the "BCI Horizon Scan Report" for discussing the countermeasures that the Company should adopt; for the second meeting of the Risk Management Committee, the risk assessment outcomes submitted by each unit are reviewed and discussed, to select the risk issues that the whole company needs to address first, and to develop the "Business Continuity Management (BCM) Plan" accordingly.

Every year, the executive secretary of the Risk Management Committee reports to the Board of Directors on the operations of the Risk Management Committee for the year and the results of discussions on various topics. The operations of Risk Management Committee in 2020 were reported to the Board of Directors on November 12.

The Company has established a "Business Continuity Management System (BCMS)" in accordance with ISO 22301. Regular third-party audits are conducted every year to verify the effectiveness of the management system.

(IV) Risk Management Area

The Company divides the risks it faces into seven major types: market risks, political risks, environmental risks, legal risks, financial risks, operational risks, and other risks. Each unit with authority is responsible for evaluating, reporting and implementing response/pre-response plans. The risk categories and control mechanisms are as follows:

1. Market risks: Each business division and functional unit conducts annual risk assessments of operating guidelines, analyzes and evaluates changes in laws, policies and the market, to formulate and implement various strategies.
2. Political risks: General Manager's Office will report the latest information and intelligence to the Company's business meeting or Risk Management Committee to discuss and implement countermeasures.
3. Environmental risks: The production units in the plant area take risk topics like the external environment and climate change into account and review the Company's internal weaknesses every year, conduct risk assessments, select risk issues that need to be addressed first, and reduce operational impact.
4. Legal risks: Based on the authorities and responsibilities of each plant division and functional unit, changes in laws and regulations are closely monitored, and various corresponding measures are implemented; the implementation results are reported to the "Compliance Management Committee."
5. Financial risk, liquidity risk, credit risk and legal risk: The financial accounting and legal units formulate

and implement various strategies, and take various response measures according to the analysis of laws, policies and market changes. The Audit Office controls over and audits on the risk items mentioned above.

6. Operational risks: The risk assessment of the annual operating guidelines and the management system is carried out by the management team of each business division each and functional office, to adopt proper strategies and measures and conduct regular performance tracking, to ensure that the operational strategies are in line with the Company's vision and that operational objectives are achieved.
7. Other risks: Based on their authorities and responsibilities, each unit will be alert at all times, and submit response/pre-response plans for execution upon approval by the responsible supervisor.

(V) Various risk evaluation

The analysis for the risk items in the latest annual report and up to the date when the annual report was printed is as follows:

1. The influence of changes in interest rates and exchange rates and inflation on the Group's profit and loss and future countermeasures:

(1) Changes in interest rates:

The Group's main borrowing currencies are USD and NTD. The interest rate trends of these two currencies in the next year are as follows: for the USD, as the U.S. responds to COVID-19, the Federal Reserve reiterated that it will maintain low interest rates to stimulate the economy. For the NTD, as the uncertainty of the global economic outlook persists, the stable recovery of the domestic economy has not overheated, the inflation outlook is moderate, among other factors, and the probability of interest rate hikes is still low.

The short-term and long-term borrowings of the Group are debts with floating interest rates. Changes in market interest rates will cause the effective interest rates of short-term and long-term borrowings to change, which will cause future cash flows to fluctuate. If market interest rate increases by 1%, the Group's net profit will decrease by about TWD 20 ~ 30 million.

The Group will continue to closely observe the trend of interest rates, and use interest rate hedging or other capital market financing channels in a timely manner to control the Group's financing costs to a relatively low point of market interest rates.

(2) Exchange rate fluctuation:

The Group's import and export is mainly based on USD and RMB. It is estimated that the appreciation of one NTD will reduce the Group's net profit margin by approximately 1%. The Group's foreign exchange policy is based on the principle that the foreign exchange position is self-squared, and the surplus or needed parts of the account are hedged in a timely manner. In addition, the Group's borrowings of Everlight (Suzhou) Advanced Chemicals Ltd., a subsidiary in Mainland China, was unable to be hedged because they are USD borrowings of foreign debts. The Group has consulted the bank to lend in RMB to facilitate the self-squaring of foreign exchange position to reduce the risk.

(3) Inflation:

According to the prediction of the Directorate General of Budget, Accounting and Statistics, Executive Yuan, the annual rate of increase in consumer price index will be only 1.07% in 2021, and inflation outlook remains moderate. Moreover, as COVID-19 vaccines are successively launched and rolled out, the economy will gradually get rid of the interference of the pandemic. The prices of raw materials such as international crude oil have begun to rise. It is expected that global inflation may temporarily rebound in 2021. However, it may subsequently still fall back, so it has no significant impact on the finance and business of the Group for the time being.

2. The policy, main reasons for the profit or loss, and future response measures of high risk, high leverage investment, lending of capital, endorsements and guarantees and derivatives tradings:

(1) The Company does not engage in investments of high risk and high leverage.

(2) Lending of capital, endorsements and guarantees: The purpose of the Company's lending of capital and endorsements and guarantees is to deal with the fund transfer within the group, which is handled according to the "Management Rules for Lending of Capital, Endorsements and Guarantees" formulated by the Company in accordance with government regulations. For the Company's lending of capital, endorsements and guarantees in 2020, please refer to XIII. Note Disclosure of Consolidated Financial Report.

(3) Derivatives tradings: The Company's derivatives tradings are for the purpose of hedging (including financial hedging) and the trading commodities should be selected to avoid the risks arising from the Company's business operations, which are based on the Company's "Regulations Governing

Derivatives Transactions” in accordance with government regulations. In order to avoid the impact of exchange rate changes, the derivatives business of foreign exchange in 2020 was mainly foreign currency option contracts. For its profit or loss, please refer to the notes VI (2) of Consolidated Financial Report. In addition, since Mar. 1, 2016, the FSC has set up many restrictions on financial derivative products. The Company will continue to pay attention to the exchange rate changes of the foreign currencies held and abide by relevant operational regulations of the competent authority. The restrictions mentioned above have not had a significant impact on the financial operations of the Company.

3. Research and development (R&D) plans to be carried out in the future and the expected R&D expenditures:

For sustainability operation and international development, Everlight Chemical is expected to invest TWD340 million in R&D expense in 2021. For future R&D plans, please refer to the section of Operational Profile about the new products planned to be developed.

4. The influence of important policies and changes in laws at home and abroad on the Company's financial business and the countermeasures:

The Company has established a compliance management system, and the relevant departments have carried out compliance checks on important policies and legal changes in accordance with internal regulations, while implementing necessary improvement or pre-response measures, such as adjusting internal systems or business activities, in order to comply with important domestic and foreign policies and legal requirements, and to reduce the Company's financial impact.

5. The influence of scientific and technological change and industrial transformation on the Company's financial business and the countermeasures:

Artificial intelligence, cloud computing and Industry 4.0, will whip up the huge waves of changes in the industrial intelligence technology. There will be an estimated influence on the Company's financial business.

Based on sustainable development and response to climate change, all businesses have been moving toward a trend of low-carbon environmental protection. Everlight Chemical takes a “low-carbon green energy” as the response strategy for product innovation and R&D. We do not use harmful substances but rather conduct R&D on green chemical processes, providing global customers green solutions, and sustainable new products which customers can safely use.

6. Effect of corporate image change on the Company's crisis management, and measures to be taken in response:

Since its establishment, the Company has been adhering to the business principle of "decent management," doing the right thing in the spirit of honesty, law-abiding and fairness, establishing a good reputation and image, and has been well received by all circles. There are no risks of changing business image.

7. Expected benefits and possible risks associated with any merger and acquisitions, and response measures to be taken:

As of the printed date, there are no plans for merger and acquisition, and thus is not applicable here.

8. Expected benefit and possible risk associated with plant expansion, and measures to be taken in response: None.

9. Risks associated with purchasing or sales consolidation, and measures to be taken in response:

The amount of single customer or supplier of the Company in 2020 was less than 10% of the total sales or purchase amount, and there was no risk of concentrated sales.

10. Effect upon and risk to the Company in the event a major quantity of shares held by a director or a major shareholder with more than 10% shareholding has been transferred or changed hands, and measures to be taken in response:

The directors of the Company and the major shareholder holding more than 10% of the shares have no significant transfer of shares and replacement of seats, which has no impacts on the Company and no special response measures are required.

11. Effect upon and risk to Company associated with any change in governance personnel or top management, and measures to be taken in response:

The major shareholders of the Company all focused on the operation of their own business, and harmoniously and unanimously support the development of the Company's various business

development. There should be no risk of changes in management rights, and no special response measures are required.

12. Litigious and non-litigious matters: List major litigious, non-litigious or administrative disputes that involve the Company and/or any of the Company's directors, supervisors, general manager, any persons with actual responsibility for the Company, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the Company and 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 of the above-mentioned people of the Company have the conditions mentioned in the previous paragraph.

13. Other important risks and response measures:

To implement information security and personal information protection management, the Company set up the Information Safety and Personal Information Management Committee in 2016. Annual information security management review meetings are held regularly, and the implementation of information security is reported to the Board of Directors. After evaluation, currently the information security threat issues that cause the organization not being operational are mainly cyber-attacks, data leaks, and unexpected information service interruptions. The Company takes the following measures in response to these information security threats:

- (1) For cyber-attacks, mainly referring to ransomware and hacking, other than strengthening the defense functions of firewall on the equipment, intercepting and filtering malicious messages and making updates to antivirus software and operating systems and data backup, the Company also instructs on information security risks and strengthens awareness of information security on a regular basis.
- (2) For confidential information leakage, the Company not only introduces the trade secret project counseling, but also strengthens account authorization management, and implements the file encryption system in the aspect of information, to reinforce the control of confidential files and prevent leakage of confidential information.
- (3) For unexpected information services interruption, the Company formulates the Business Continuity Plan in regard to information risks, adopts virtual host remote backup, remote data storage, signing backup contracts with the manufacturers for important equipment and other measures, and also conducts periodic exercises to ensure uninterrupted operations.

In July 2019, the Information Safety and Personal Information Management Committee resolved to seek external consultation, and in December of the same year established the "Introduction and Verification of Information Safety Management." The Company continues to make improvements to the information security system and network and system safeguards. The information safety management system is expected to pass ISO 27001 certification in 2021.

As of the printing date of the Company's annual report, there were four "ransomware" cyber attacks (2 pieces each for Taipei headquarters and subsidiaries) in 2020. Due to the proper handling of the incidents, there was no property loss and no material adverse impact on the Company's business and operation management.

XI. Other important matters: None.

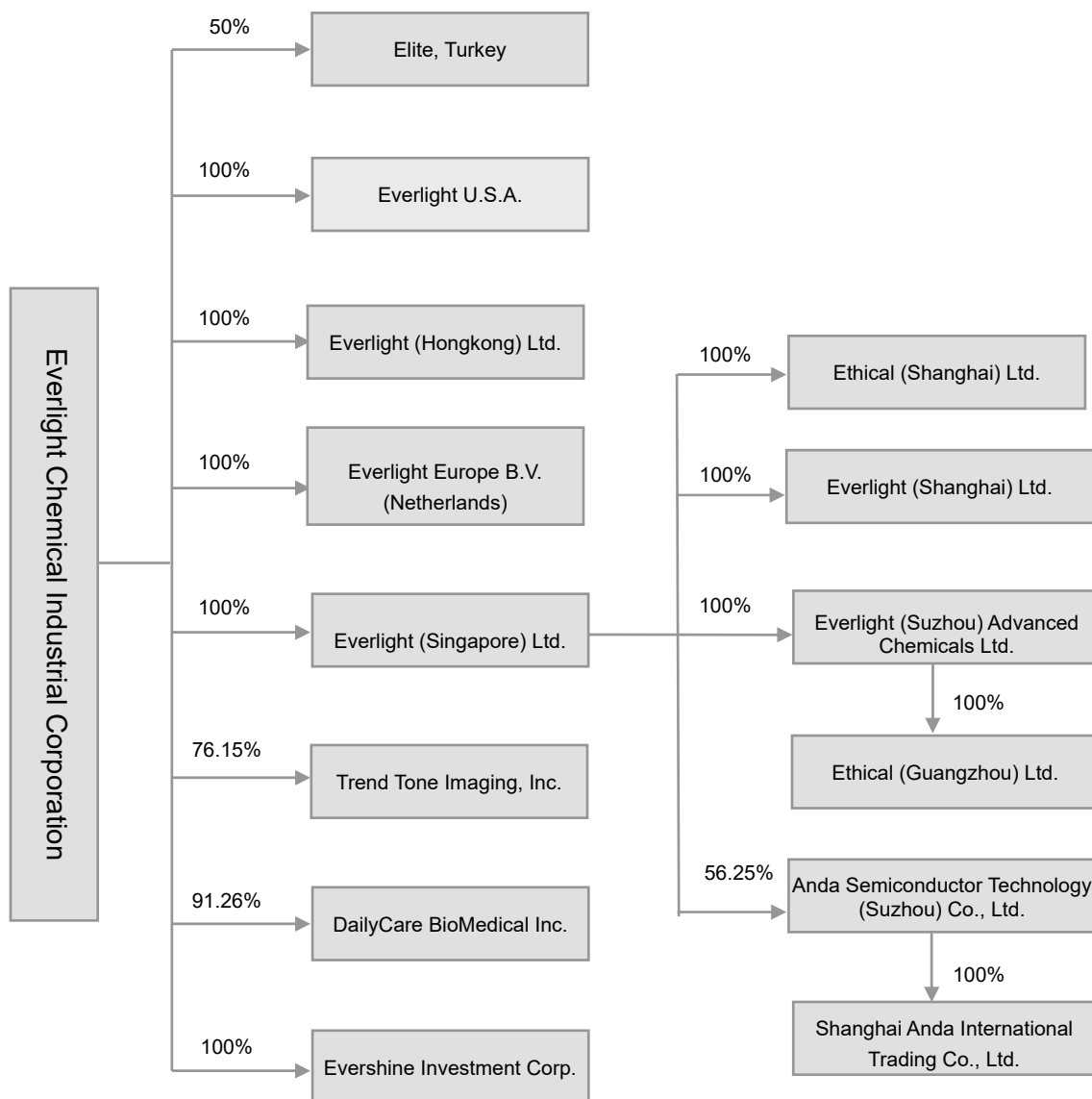
Special Disclosure

I. Information Related to the Company's Affiliates

(I) Overview of affiliates

1. Affiliates' Organizational Chart:

Mar. 30, 2021



2. Basic information of affiliates:

Unit: TWD thousand

| Name of business | Date of establishment | Address | Paid-in capital | Scope of business/production |
|---|-----------------------|--------------|-----------------|---|
| Parent company Everlight Chemical Industrial Corporation | Sep. 7, 1972 | Taipei City | NTD 5,477,522 | Color chemicals, Specialty chemicals, pharmaceuticals, and electronic chemicals |
| Elite, Turkey | Apr. 24, 1989 | Turkey | USD 5,604 | Merchandising chemical products and materials |
| Everlight U.S.A. | Apr. 3, 1991 | USA | USD 3,000 | Merchandising chemical products and materials |
| Everlight (Hongkong) Ltd. | Jun. 23, 1992 | Hong Kong | HKD 10,000 | Merchandising chemical products and materials |
| Everlight Europe B.V. (Netherlands) | Dec. 18, 1996 | Netherlands | EUR 227 | Merchandising chemical products and materials |
| Everlight (Singapore) Ltd. | Dec. 18, 1997 | Singapore | USD 24,300 | Investment as profession |
| Trend Tone Imaging, Inc. | Apr. 9, 1990 | Hsinchu City | NTD 589,680 | Production and sale of toner and cartridges for laser printers, photocopiers and fax machines |
| Ethical (Shanghai) Ltd. | Apr. 6, 1998 | Shanghai | USD 1,700 | Merchandising chemical products and materials |
| Everlight (Shanghai) Ltd. | Nov. 15, 2005 | Shanghai | USD 1,250 | Merchandising chemical products and materials |
| Everlight (Suzhou) Advanced Chemicals Ltd. | Mar. 15, 2006 | Suzhou | USD 20,700 | Production and sale of high-tech chemicals for toner and electronics |
| Ethical (Guangzhou) Ltd. | Dec. 30, 2001 | Guangzhou | RMB 5,700 | Merchandising chemical products and materials |
| Anda Semiconductor Technology (Suzhou) Co., Ltd. | Dec. 18, 2002 | Suzhou | USD 1,200 | Sale of high-tech chemicals for electronics |
| Shanghai Anda International Trading Co., Ltd. | Apr. 28, 2011 | Shanghai | RMB 1,000 | Sale of high-tech chemicals for electronics |
| Evershine Investment Corp. | Oct. 28, 2013 | Taipei City | NTD 100,000 | Investment as profession |

3. Presumptive reasons for the presumption of control and subordinate relationship and related information of personnel: None.

4. The industries covered by the business operations of overall affiliates and the division of labor:

- (1) All the remaining industries are chemical engineering, except that Evershine Investment Corp. is an investment business.
- (2) Everlight (Singapore) Ltd. is a holding company that indirectly invests in Mainland China.
- (3) Everlight U.S.A., Everlight Europe B.V. (Netherlands), Everlight (Hongkong) Ltd. and Elite, Turkey are overseas subsidiaries of the Company, which mainly engage in the sales of the parent company's products.
- (4) Ethical (Shanghai) Ltd., Everlight (Shanghai) Ltd. and Ethical (Guangzhou) Ltd., Everlight (Suzhou) Advanced Chemicals Ltd. and Anda Semiconductor Technology (Suzhou) Co., Ltd. are the Company's reinvested companies of subsidiaries in China; the remaining companies all focus on selling the products of the parent company, except that Everlight (Suzhou) Advanced Chemicals Ltd. produces and sells the parent company's color chemicals, electronic chemicals and the toner of affiliates, and that Anda Semiconductor Technology (Suzhou) Co., Ltd. focuses on the sales of electronic chemicals.
- (5) Shanghai Anda International Trading Co., Ltd. is the reinvested company of Anda Semiconductor Technology (Suzhou) Co., Ltd., which focuses on the sales of Anda Semiconductor Technology (Suzhou) Co., Ltd.

5. Information of directors, supervisors and general manager of the Company's affiliates:

Mar. 30, 2021

| Name of business | Title | Name or representative | Shareholding | |
|-------------------------------------|------------------------------|--|-----------------------|------------------------|
| | | | Share number (shares) | Shareholding ratio (%) |
| Elite, Turkey | Chairman and General Manager | SAMİR GÜNAŞTI | 3,942 | 9.00 |
| | Director | DILER GÜNAŞTI | 5,685 | 12.98 |
| | Vice Chairman | Everlight Chemical Industrial Corporation Representative, Chen, Chien-Hsin | 21,900 | 50.00 |
| | Director | Everlight Chemical Industrial Corporation Representative, Chen, Wei-Wang | | |
| | Director | Everlight Chemical Industrial Corporation Representative, Yang, Bao-Tai | | |
| | Supervisor | Everlight Chemical Industrial Corporation Representative, Lee, Ming-Wen | | |
| | Independent Supervisor | SELÇUK YÜCEL | 0 | 0 |
| Independent Supervisor | FARUK DELEN | 0 | 0 | |
| Everlight U.S.A. | Chairman | Everlight Chemical Industrial Corporation Representative, Chen, Wei-Wang | 300,000 | 100.00 |
| | Director | Everlight Chemical Industrial Corporation Representative, Lee, Fu-Xing | | |
| | Director | Everlight Chemical Industrial Corporation Representative, Weng, Kuo-Pin | | |
| | Director and General manager | Everlight Chemical Industrial Corporation Representative, Chen, Chien-Ming | | |
| | Director | Everlight Chemical Industrial Corporation Representative, Tsai, Kuang-Feng | | |
| Everlight (Hongkong) Ltd. | Chairman | Everlight Chemical Industrial Corporation Representative, Chen, Wei-Wang | 1,000,000 | 100.00 |
| | Director | Everlight Chemical Industrial Corporation Representative, Hsiao, Chong-Kun | | |
| | Director | Everlight Chemical Industrial Corporation Representative, Lee, Ming-Wen | | |
| | Manager | Chen, Yi-Tang | 0 | 0 |
| Everlight Europe B.V. (Netherlands) | Chairman | Everlight Chemical Industrial Corporation Representative, Chen, Wei-Wang | 500 | 100.00 |
| | Director | Everlight Chemical Industrial Corporation Representative, Tsai, Kuang-Feng | | |
| | Chairman and General manager | Everlight Chemical Industrial Corporation Representative, Yang, Bao-Tai | | |
| Everlight (Singapore) Ltd. | Chairman | Everlight Chemical Industrial Corporation Representative, Chen, Chien-Hsin | 24,300,000 | 100.00 |
| | Director | Everlight Chemical Industrial Corporation Representative, Weng, Kuo-Pin | | |
| | Chairman and Manager | Everlight Chemical Industrial Corporation Representative, Lee, Ming-Wen | | |
| | Director | Tan Hwa Seng | 0 | 0 |
| Trend Tone Imaging, Inc. | Chairman | Everlight Chemical Industrial Corporation Representative, Chen, Chien-Hsin | 44,906,400 | 76.15 |
| | Director | Everlight Chemical Industrial Corporation Representative, Chen, Wei-Wang | | |
| | Director | Everlight Chemical Industrial Corporation Representative, Chen, Chien-Ming | | |

| Name of business | Title | Name or representative | Shareholding | |
|--|------------------------------|---|-----------------------|------------------------|
| | | | Share number (shares) | Shareholding ratio (%) |
| | Director | Everlight Chemical Industrial Corporation Representative, Jason Ju | | |
| | Director | Everlight Chemical Industrial Corporation Representative, Huang, Jian-Sheng | | |
| | Chairman and General manager | Everlight Chemical Industrial Corporation Representative, Chiu, Gui-Ying | | |
| | Director | OuYang, Jin-Kun | 46,787 | 0.08 |
| | Supervisor | Huang, Qing-Yuan | 996,317 | 1.69 |
| | Supervisor | Yung-De Investment Co., Ltd., Representative, Weng ,Kuo-Pin | 4,796,150 | 8.13 |
| Ethical (Shanghai) Ltd. | Chairman | Everlight (Singapore) Ltd., Representative Chen, Wei-Wang | USD1,700,000 | 100.00 |
| | Director | Everlight (Singapore) Ltd., Representative Hsiao, Chong-Kun | | |
| | Director | Everlight (Singapore) Ltd., Representative Weng ,Kuo-Pin | | |
| | Supervisor | Everlight (Singapore) Ltd., Everlight (Singapore) Ltd., Representative Chen, Ru-Aei | | |
| | General manager | Liao, Nan-Ming | 0 | 0 |
| Everlight (Shanghai) Ltd. | Chairman | Everlight (Singapore) Ltd., Representative Chen, Wei-Wang | USD1,250,000 | 100.00 |
| | Director | Everlight (Singapore) Ltd., Representative Hsiao, Chong-Kun | | |
| | Director | Everlight (Singapore) Ltd., Representative Weng, Kuo-Pin | | |
| | Supervisor | Everlight (Singapore) Ltd., Representative Chen, Ru-Aei | | |
| | General manager | Liao, Nan-Ming | 0 | 0 |
| Everlight (Suzhou) Advanced Chemicals Ltd. | Chairman | Everlight (Singapore) Ltd., Representative Du, Yi-Zhong | USD20,700,000 | 100.00 |
| | Director | Everlight (Singapore) Ltd., Representative Chen, Wei-Wang | | |
| | Director | Everlight (Singapore) Ltd., Representative Chiu, Gui-Ying | | |
| | Director | Everlight (Singapore) Ltd., Representative Cao, Yin | | |
| | Director and General manager | Everlight (Singapore) Ltd., Representative Jason Ju | | |
| | Supervisor | Everlight (Singapore) Ltd., Representative Liao, Nan-Ming | | |
| Ethical (Guangzhou) Ltd. | Chairman | Everlight (Suzhou) Advanced Chemicals Ltd., Representative Chen, Wei-Wang | RMB 5,699,880 | 100.00 |
| | Director | Everlight (Suzhou) Advanced Chemicals Ltd., Representative Hsiao, Chong-Kun | | |
| | Director | Everlight (Suzhou) Advanced Chemicals Ltd., Representative Weng, Kuo-Pin | | |
| | Supervisor | Everlight (Suzhou) Advanced Chemicals Ltd., | | |

| Name of business | Title | Name or representative | Shareholding | |
|--|------------------------------|--|-----------------------|------------------------|
| | | | Share number (shares) | Shareholding ratio (%) |
| | | Representative Lee, Ming-Wen | | |
| | General manager | Chen, Yi-Tang | 0 | 0 |
| Anda Semiconductor Technology (Suzhou) Co., Ltd. | Chairman | Anda Technology Pte Ltd., Representative Cao, Yin | USD525,000 | 43.75 |
| | Director | Anda Technology Pte Ltd., Representative Tao, Yu-Jui | | |
| | Director | Everlight (Singapore) Ltd., Representative Chen, Wei-Wang | USD675,000 | 56.25 |
| | Director | Everlight (Singapore) Ltd., Representative Jason Ju | | |
| | Director and General manager | Everlight (Singapore) Ltd., Representative Sun, Zhe-Ren | | |
| | Supervisor | Everlight (Singapore) Ltd., Representative Chen, Ru-Aei | | |
| Shanghai Anda International Trading Co., Ltd. | Chairman | Anda Semiconductor Technology (Suzhou) Representative Cao, Yin | RMB1,000,000 | 100.00 |
| | Director | Anda Semiconductor Technology (Suzhou) Representative Jason Ju | | |
| | Director | Anda Semiconductor Technology (Suzhou) Representative Tao, Yu-Ju | | |
| | Supervisor | Anda Semiconductor Technology (Suzhou) Representative Chen, Ru-Aei | | |
| | General manager | Sun, Zhe-Ren | 0 | 0 |
| Evershine Investment Corp. | Chairman | Everlight Chemical Industrial Corporation Representative Huang, Hui-Cing | 10,000,000 | 100.00 |
| | Director | Everlight Chemical Industrial Corporation Representative Du, Yi-Zhong | | |
| | Director | Everlight Chemical Industrial Corporation Representative Chen, Ke-lun | | |
| | Supervisor | Everlight Chemical Industrial Corporation Representative Weng, Kuo-Pin | | |

(II) Operational highlights of business of various affiliates

Unit: TWD thousand

Dec. 31, 2020

| Name of business | Capital amount | Total assets | Total liabilities | Net worth | Operating revenue | Operating profit | Net income for the current period (after tax) | EPS (TWD) (after tax) |
|---|----------------|--------------|-------------------|-----------|-------------------|------------------|---|-----------------------|
| Parent company Everlight Chemical Industrial Corporation | 5,477,522 | 11,757,541 | 3,670,237 | 8,087,304 | 6,085,544 | 210,185 | 213,279 | 0.39 |
| Elite, Turkey | 156,320 | 296,366 | 88,937 | 207,429 | 459,172 | 7,233 | 10,629 | 242.67 |
| Everlight U.S.A. | 86,825 | 200,465 | 87,274 | 113,191 | 344,985 | (259) | 1,961 | 6.54 |
| Everlight (Hongkong) Ltd. | 34,580 | 48,489 | 7,857 | 40,632 | 88,889 | 3,136 | 3,743 | 3.74 |
| Everlight Europe B.V. (Netherlands) | 7,890 | 154,828 | 109,969 | 44,859 | 691,206 | 5,449 | 2,783 | 5.566 |
| Everlight (Singapore) Ltd. | 779,115 | 931,982 | 66 | 931,916 | 0 | (219) | 35,695 | 1.47 |
| Trend Tone Imaging, Inc. | 589,680 | 1,460,419 | 688,056 | 772,363 | 738,561 | (71,423) | (77,561) | (1.32) |
| Ethical (Shanghai) Ltd. | 53,326 | 195,228 | 48,010 | 147,218 | 219,834 | 12,739 | 11,804 | - |
| Everlight (Shanghai) Ltd. | 39,931 | 251,173 | 102,220 | 148,953 | 321,537 | 8,465 | 5,510 | - |
| Everlight (Suzhou) Advanced Chemicals Ltd. | 638,427 | 916,311 | 434,995 | 481,316 | 881,272 | 3,851 | (3,631) | - |
| Ethical (Guangzhou) Ltd. | 22,919 | 182,731 | 101,859 | 80,872 | 208,878 | 6,083 | 11,330 | - |
| Anda Semiconductor Technology (Suzhou) Co., Ltd. | 37,331 | 127,318 | 99,002 | 28,316 | 223,901 | 14,308 | 11,751 | - |
| Evershine Investment Corp. | 100,000 | 22,306 | 50 | 22,256 | 0 | (18,577) | (18,577) | (1.86) |

Note 1: The numbers of Anda Semiconductor Technology (Suzhou) Co., Ltd. are the combined ones including Shanghai Anda International Trading Co., Ltd.

Note 2: If affiliates are foreign companies, related numbers are listed with NT dollars exchanged at the rate on the reporting date.

(III) Consolidated financial statements of affiliates

Declaration

The Company is required to prepare consolidated financial statements for year 2020 (from January 1 to December 31, 2020) with its subsidiaries under the “Standards for the Preparation of Consolidated Report on Operation, Consolidated Financial Statements, and Report on Affiliations between Parent and Subsidiaries”. Subsidiaries to be included in the consolidated financial statements are identical to that prepared in accordance with IFRS 10 recognized by the FSC, and operation performance of such subsidiaries has been included in the disclosure of the aforementioned consolidated financial statement between parent and subsidiaries and therefore will not be prepared separately.

Issued by

Company name: Everlight Chemical Industrial Corporation

Chairman: Chen, Chien-Hsin

Date: Mar. 25, 2021

(IV) Affiliation Reports: None.

II. Status of private placement of securities: None.

III. Holding or disposal of shares in the Company by the Company's subsidiaries in the most recent year and until the date of publication of the annual report: None.

IV. Other Necessary Supplementary Explanations: None.

V. Any occurrence of the Matters Defined in Term 2, Provision 2, Article 36 of Securities Exchange Act that Have a Significant Impact on Shareholders' Equity or Security Price during the most recent year and up to the date of publication of this annual report: None.

Eight. Financial Report

I. Consolidated Financial Report



安侯建業聯合會計師事務所

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Independent Auditors' Report

To the Board of Directors of Everlight Chemical Industrial Corporation:

Opinion

We have audited the consolidated financial statements of Everlight Chemical Industrial Corporation and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretation developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit of the Consolidated financial statements as of and for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the 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 Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In our judgment, the key audit matters we communicated in the auditors' report were as follows:

1. Revenue recognition

Please refer to Note 4(o) “Revenue” for accounting policy and Note 6(u) to the consolidated financial statements for the disclosure of revenue recognition.



Description of key audit matters

The Group is a listed company in related to public interest, and the investors are highly expecting the financial performance, resulting in revenue recognition is one of the key judgmental areas of our audit.

How the matter was addressed in our audit

Our major audit procedures included testing of the design and implement of controls over sales and collection of receivable transactions; evaluate if there is any significant abnormal changes through performing trend analysis on top 10 customers by comparing the related changes or differences; assessing and testing if the management obtained sufficient external evidence showing that the controls of goods rewards of ownership have been transferred to the customers, to support the timing of revenue recognition; evaluating the adequacy of revenue recognition by testing the sale transactions during the period before and after the balance sheet date.

2. Valuation of accounts receivable

Please refer to Note 4(g) “Financial Instruments” for accounting policy, Note 5 for accounting assumption, judgments and estimation uncertainty of accounts receivable and Note 6(c) for the disclosure of the valuation of accounts receivable to the consolidated financial statements.

Description of key audit matters

Given the challenging economic climate, the risk of receivables recovery remains high, resulting in significant judgment being applied in the management's assessment of the recoverability of accounts receivable. Consequently, this is one of the key judgmental areas of our audit.

How the matter was addressed in our audit

Our major audit procedures included testing the adequacy of the formula of the calculation for the expected loss rate; testing the adequacy of aging report by tracing to related vouchers; evaluating the appropriateness of loss allowance and expected credit loss by testing if the loss allowance was made by expected loss rate; assessing if the evaluation document of loss allowance for accounts receivable was compliance with the Group's accounting policy; evaluating the adequacy of the disclosure of loss allowance for accounts receivable prepared by management.

Other Matter

Everlight Chemical Industrial Corporation has prepared its parent-company-only financial statements as of and for the years ended December 31, 2020 and 2019, on which we have issued an unmodified opinion.

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 with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission 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 Group'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 Group 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 Group's financial reporting process.

Auditor's 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 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 Group'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 Group'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 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 Group 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 appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit.

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 of the current period 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 review resulting in this independent auditors' report are Chia-Chien Tang and Ya-Ling Chen.

KPMG

Taipei, Taiwan (Republic of China)
March 25, 2021

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and cash flows in accordance with the 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 accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands New Taiwan Dollars)

| | December 31, 2020 | | December 31, 2019 | | December 31, 2020 | | December 31, 2019 | |
|---|----------------------|------------|-------------------|------------|-------------------|---|-------------------|---|
| | Amount | % | Amount | % | Amount | % | Amount | % |
| Assets | | | | | | | | |
| Current assets: | | | | | | | | |
| 1100 Cash and cash equivalents (note 6(a)) | \$ 1,334,808 | 10 | 978,856 | 7 | 2100 | | | |
| 1110 Financial assets at fair value through profit or loss-current (note 6(b)) | 60,100 | 1 | 30,023 | - | 2322 | | | |
| 1136 Financial assets at amortized cost-current (note 6(b)) | 12,896 | - | - | - | 2151 | | | |
| 1150 Notes receivable, net (notes 6(c) and (u)) | 213,396 | 2 | 233,735 | 2 | 2170 | | | |
| 1170 Accounts receivable, net (notes 6(c) and (u)) | 1,383,973 | 10 | 1,417,891 | 10 | 2209 | | | |
| 130X Inventories (note 6(d)) | 3,198,461 | 24 | 3,504,183 | 26 | 2213 | | | |
| 1476 Other current financial assets | 26,142 | - | 25,032 | - | 2230 | | | |
| 1479 Other current assets (note 6(i)) | 114,339 | 1 | 112,288 | 1 | 2280 | | | |
| Total current assets | <u>6,344,115</u> | <u>48</u> | <u>6,302,008</u> | <u>46</u> | <u>2399</u> | | | |
| Non-current assets: | | | | | | | | |
| 1517 Financial assets at fair value through other comprehensive income-non-current (notes 6(b) and (w)) | 994,805 | 8 | 1,102,127 | 8 | 2540 | | | |
| 1550 Investments accounted for using equity method (note 6(e)) | 112,156 | 1 | 126,934 | 1 | 2570 | | | |
| 1600 Property, plant and equipment (notes 6(f), (h) and 9) | 5,265,817 | 40 | 5,527,737 | 41 | 2580 | | | |
| 1755 Right-of-use-assets (note 6(j)) | 309,445 | 2 | 327,521 | 2 | 2640 | | | |
| 1780 Intangible assets (note 6(k)) | 119,744 | 1 | 122,455 | 1 | 2670 | | | |
| 1840 Deferred tax assets (note 6(q)) | 51,602 | - | 75,957 | 1 | | | | |
| 1915 Prepayments for equipment | 14,511 | - | 16,860 | - | | | | |
| 1980 Other non-current financial assets (notes 6(c) and (u)) | 3,635 | - | 4,191 | - | | | | |
| 1990 Other non-current assets | 10,559 | - | 17,572 | - | | | | |
| Total non-current assets | <u>6,882,274</u> | <u>52</u> | <u>7,321,354</u> | <u>54</u> | <u>3100</u> | | | |
| Total assets | <u>\$ 13,226,389</u> | <u>100</u> | <u>13,623,362</u> | <u>100</u> | | | | |
| Liabilities and Equity | | | | | | | | |
| Current liabilities: | | | | | | | | |
| Short-term borrowings (note 6(l)) | \$ 1,871,991 | 14 | 2,473,321 | 18 | | | | |
| Long-term borrowings, current portion (note 6(m)) | 40,000 | 1 | 470,000 | 3 | | | | |
| Notes payable (note 7) | 181,329 | 2 | 152,138 | 1 | | | | |
| Accounts payable (note 7) | 389,570 | 3 | 295,375 | 2 | | | | |
| Other payable (note 6(t)) | 407,211 | 3 | 428,330 | 4 | | | | |
| Payable on equipment | 17,545 | - | 11,902 | - | | | | |
| Current tax liabilities (note 6(q)) | 38,386 | - | 69,118 | 1 | | | | |
| Lease liabilities-current (note 6(n)) | 35,102 | - | 34,488 | - | | | | |
| Other current liabilities (note 6(o)) | 48,553 | - | 47,679 | - | | | | |
| Total current liabilities | <u>3,029,687</u> | <u>23</u> | <u>3,982,351</u> | <u>29</u> | | | | |
| Non-current liabilities: | | | | | | | | |
| Long-term borrowings (note 6(m)) | 1,250,000 | 9 | 989,748 | 7 | | | | |
| Deferred tax liabilities (note 6(q)) | 79,074 | 1 | 70,208 | 1 | | | | |
| Lease liabilities non-current (note 6(n)) | 258,608 | 2 | 274,557 | 2 | | | | |
| Net defined benefit liability (note 6(p)) | 130,566 | 1 | 167,779 | 1 | | | | |
| Other non-current liabilities (note 6(o)) | 90,071 | 1 | - | - | | | | |
| Total non-current liabilities | <u>1,808,319</u> | <u>14</u> | <u>1,502,292</u> | <u>11</u> | | | | |
| Total liabilities | <u>4,838,006</u> | <u>37</u> | <u>5,484,643</u> | <u>40</u> | | | | |
| Equity attributable to owners of parent (notes 6(b), (e), (g), (p), (q), (r) and (w)): | | | | | | | | |
| Common shares | 5,477,522 | 41 | 5,477,522 | 40 | | | | |
| Capital surplus | 474,558 | 4 | 474,558 | 4 | | | | |
| Retained earnings | 2,019,285 | 15 | 1,901,498 | 14 | | | | |
| Other equity | 115,939 | 1 | (30,438) | - | | | | |
| Total equity attributable to owners of parent | 8,087,304 | 61 | 7,823,140 | 58 | | | | |
| Non-controlling interests (notes 6(g) and (r)) | 301,079 | 2 | 315,579 | 2 | | | | |
| Total equity | 8,388,383 | 63 | 8,138,719 | 60 | | | | |
| Total liabilities and equity | <u>\$ 13,226,389</u> | <u>100</u> | <u>13,623,362</u> | <u>100</u> | | | | |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars Except for Earnings Per Share)

| | 2020 | | 2019 | |
|---|-------------------|-----------|------------------|------------|
| | Amount | % | Amount | % |
| 4000 Operating revenue (note 6(u)) | \$ 7,769,066 | 100 | 9,332,076 | 100 |
| 5000 Operating costs (notes 6(d), (h), (j), (k), (n), (p), (t), 7 and 12) | <u>6,200,244</u> | <u>80</u> | <u>7,294,736</u> | <u>78</u> |
| 5950 Gross profit from operations | <u>1,568,822</u> | <u>20</u> | <u>2,037,340</u> | <u>22</u> |
| 6000 Operating expenses (notes 6(c), (h), (j), (k), (n), (p), (t), 7 and 12): | | | | |
| 6100 Selling expenses | 687,171 | 9 | 843,205 | 9 |
| 6200 Administrative expenses | 304,015 | 4 | 349,277 | 4 |
| 6300 Research and development expenses | 371,514 | 4 | 434,190 | 5 |
| 6450 Expected credit loss | <u>1,486</u> | <u>-</u> | <u>7,035</u> | <u>-</u> |
| Total operating expenses | <u>1,364,186</u> | <u>17</u> | <u>1,633,707</u> | <u>18</u> |
| 6900 Net operating income | <u>204,636</u> | <u>3</u> | <u>403,633</u> | <u>4</u> |
| 7000 Non-operating income and expenses (notes 6(b), (e), (h), (l), (m), (n) and (v)): | | | | |
| 7100 Interest income | 3,601 | - | 4,363 | - |
| 7010 Other income | 49,867 | 1 | 54,219 | 1 |
| 7020 Other gains and losses | 62,495 | 1 | 88,159 | 1 |
| 7050 Finance costs | (63,925) | (1) | (96,284) | (1) |
| 7060 Share of gains of associates accounted for using equity method | <u>8,102</u> | <u>-</u> | <u>1,980</u> | <u>-</u> |
| Total non-operating income and expense | <u>60,140</u> | <u>1</u> | <u>52,437</u> | <u>1</u> |
| 7900 Income before income tax | 264,776 | 4 | 456,070 | 5 |
| 7951 Income tax expenses (note (q)) | <u>59,754</u> | <u>1</u> | <u>106,833</u> | <u>1</u> |
| 8200 Net income | <u>205,022</u> | <u>3</u> | <u>349,237</u> | <u>4</u> |
| 8300 Other comprehensive income (notes 6(e), (p), (q), (r) and (w)): | | | | |
| 8310 Components of other comprehensive income that will not be reclassified to profit or loss | | | | |
| 8311 Gains on remeasurements of defined benefit plans | 11,716 | - | 49,102 | 1 |
| 8316 Unrealized gains from financial assets measured at fair value through other comprehensive income | 198,156 | 3 | 139,876 | 1 |
| 8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | <u>(2,343)</u> | <u>-</u> | <u>(9,820)</u> | <u>-</u> |
| Total components of other comprehensive income that will not be reclassified to profit or loss | <u>207,529</u> | <u>3</u> | <u>179,158</u> | <u>2</u> |
| 8360 Components of other comprehensive income that will be reclassified to profit or loss | | | | |
| 8361 Exchange differences on translation of foreign financial statements | 4,286 | - | (46,008) | (1) |
| 8370 Share of other comprehensive income of associates accounted for using equity method | (2,847) | - | (395) | - |
| 8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total components of other comprehensive income that will be reclassified to profit or loss | <u>1,439</u> | <u>-</u> | <u>(46,403)</u> | <u>(1)</u> |
| 8300 Other comprehensive income (after tax) | <u>208,968</u> | <u>3</u> | <u>132,755</u> | <u>1</u> |
| 8500 Total comprehensive income | <u>\$ 413,990</u> | <u>6</u> | <u>481,992</u> | <u>5</u> |
| Profit attributable to: | | | | |
| 8610 Owners of parent | \$ 213,279 | 3 | 362,447 | 4 |
| 8620 Non-controlling interests | <u>(8,257)</u> | <u>-</u> | <u>(13,210)</u> | <u>-</u> |
| | <u>\$ 205,022</u> | <u>3</u> | <u>349,237</u> | <u>4</u> |
| Comprehensive income attributable to: | | | | |
| 8710 Owners of parent | \$ 428,490 | 6 | 496,877 | 5 |
| 8720 Non-controlling interests | <u>(14,500)</u> | <u>-</u> | <u>(14,885)</u> | <u>-</u> |
| | <u>\$ 413,990</u> | <u>6</u> | <u>481,992</u> | <u>5</u> |
| 9750 Basic earnings per share (note 6(s)) (expressed in New Taiwan dollars) | <u>\$ 0.39</u> | | <u>0.66</u> | |
| 9850 Diluted earnings per share (note 6(s)) (expressed in New Taiwan dollars) | <u>\$ 0.39</u> | | <u>0.66</u> | |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity
For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

| | Equity attributable to owners of parent | | | | | | | | | | |
|---|---|-----------------|---------------|-----------------|----------------------------------|--------------|---|---|-----------|---------------------------|--------------|
| | Retained earnings | | | | | Other equity | | | | | |
| | Common shares | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Total | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Total | Non-controlling interests | Total equity |
| Balance on January 1, 2019 | \$ 5,477,522 | 473,558 | 998,402 | 43,346 | 756,078 | 1,797,826 | (68,420) | (81,347) | (149,767) | 314,057 | 7,913,196 |
| Net income | - | - | - | - | 362,447 | 362,447 | - | - | - | (13,210) | 349,237 |
| Other comprehensive income | - | - | - | - | 39,209 | 39,209 | (43,634) | 138,855 | 95,221 | - | 132,755 |
| Total comprehensive income | - | - | - | - | 401,656 | 401,656 | (43,634) | 138,855 | 95,221 | (14,885) | 481,992 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | |
| Legal reserve | - | - | 40,198 | - | (40,198) | - | - | - | - | - | - |
| Special reserve | - | - | - | 106,421 | (106,421) | - | - | - | - | - | - |
| Cash dividends | - | - | - | - | (273,876) | (273,876) | - | - | - | (7,753) | (281,629) |
| Changes in non-controlling interests | - | - | - | - | - | - | - | - | - | 24,160 | 24,160 |
| Donation from shareholders | - | 1,000 | - | - | - | 1,000 | - | - | - | - | 1,000 |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | - | - | - | - | (24,108) | (24,108) | - | 24,108 | 24,108 | - | - |
| Balance on December 31, 2019 | \$ 5,477,522 | 474,558 | 1,038,600 | 149,767 | 713,131 | 1,901,498 | (112,054) | 81,616 | (30,438) | 315,579 | 8,138,719 |
| Net income | - | - | - | - | 213,279 | 213,279 | - | - | - | (8,257) | 205,022 |
| Other comprehensive income | - | - | - | - | 9,142 | 9,142 | 1,439 | 204,630 | 206,069 | (6,243) | 208,968 |
| Total comprehensive income | - | - | - | - | 222,421 | 222,421 | 1,439 | 204,630 | 206,069 | (14,500) | 413,990 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | | |
| Legal reserve | - | - | 37,755 | - | (37,755) | - | - | - | - | - | - |
| Special reserve | - | - | - | (119,329) | 119,329 | - | - | - | - | - | - |
| Cash dividends | - | - | - | - | (164,326) | (164,326) | - | - | - | - | (164,326) |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | - | - | - | - | 59,692 | 59,692 | - | (59,692) | (59,692) | - | - |
| Balance on December 31, 2020 | \$ 5,477,522 | 474,558 | 1,076,355 | 30,438 | 912,492 | 2,019,285 | (110,615) | 226,554 | 115,939 | 301,079 | 8,388,383 |

Disposal of investments in equity instruments designated at fair value through other comprehensive income

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

| | 2020 | 2019 |
|---|---------------------|------------------|
| Cash flows from operating activities: | | |
| Income before income tax | \$ 264,776 | 456,070 |
| Adjustments: | | |
| Adjustments to reconcile profit: | | |
| Depreciation expense | 679,301 | 679,270 |
| Amortization expense | 29,086 | 20,080 |
| Expected credit loss | 1,486 | 7,035 |
| Net gains on financial assets at fair value through profit and loss | (316) | (98) |
| Interest expense | 63,925 | 96,284 |
| Interest income | (3,601) | (4,363) |
| Dividend income | (49,867) | (54,219) |
| Share of gains of associates accounted for using equity method | (8,102) | (1,980) |
| Losses on disposal of property, plant and equipment | 2,258 | 1,726 |
| Losses on disposal of investment accounted for using equity method | 18,553 | - |
| Other | 240 | (521) |
| Total adjustments to reconcile profit | <u>732,963</u> | <u>743,214</u> |
| Changes in operating assets and liabilities: | | |
| Changes in operating assets: | | |
| Notes receivable | 20,991 | 93,546 |
| Accounts receivable and overdue receivable (under other non-current financial assets) | 34,424 | 13,518 |
| Inventories | 342,640 | 249,955 |
| Other current financial assets | (3,560) | 8,312 |
| Other current assets | (418) | 37,992 |
| Total changes in operating assets | <u>394,077</u> | <u>403,323</u> |
| Changes in operating liabilities: | | |
| Notes payable | 29,291 | (38,301) |
| Accounts payable | 86,799 | (129,601) |
| Other payable | (28,220) | (67,983) |
| Other current liabilities | (31,005) | (7,141) |
| Net defined benefit liability | (25,497) | (49,082) |
| Other non-current liability | (37,333) | - |
| Total changes in operating liabilities | <u>(5,965)</u> | <u>(292,108)</u> |
| Total changes in operating assets and liabilities | <u>388,112</u> | <u>111,215</u> |
| Total adjustments | <u>1,121,075</u> | <u>854,429</u> |
| Cash inflow generated from operations | 1,385,851 | 1,310,499 |
| Interest received | 3,649 | 4,406 |
| Dividends received | 49,867 | 54,219 |
| Income taxes paid | (33,377) | (78,744) |
| Net cash flows from operating activities | <u>1,405,990</u> | <u>1,290,380</u> |
| Cash flows from investing activities: | | |
| Increase in financial assets at amortized cost | (12,896) | - |
| Acquisition of financial assets at fair value through profit or loss | (255,500) | (30,000) |
| Proceeds from disposal of financial assets at fair value through profit or loss | 225,739 | 13,632 |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | 310,625 | 73,457 |
| Acquisition of property, plant and equipment | (181,867) | (343,401) |
| Proceeds from disposal of property, plant and equipment | 1,172 | 12,488 |
| Acquisition of intangible assets | (26,414) | (11,297) |
| Decrease (increase) in other non-current financial assets | 450 | (1,527) |
| Decrease (increase) in other non-current assets | (3,409) | 3,818 |
| Increase in prepayments for equipment | (30,468) | (96,306) |
| Proceeds from capital reduction of investments accounted for using equity method | 2,418 | - |
| Net cash outflows from losing control of subsidiary | - | (1,548) |
| Net cash inflows from business combination | - | 16,952 |
| Net cash inflows (outflows) used in investing activities | <u>29,850</u> | <u>(363,732)</u> |
| Cash flows used in financing activities: | | |
| Increase in short-term borrowings | 5,689,206 | 8,597,082 |
| Decrease in short-term borrowings | (6,294,275) | (8,683,483) |
| Proceeds from long-term borrowings | 200,000 | 150,000 |
| Repayments of long-term borrowings | (370,000) | (415,000) |
| Payment of lease liabilities | (35,575) | (34,257) |
| Cash dividends paid | (164,326) | (273,876) |
| Donation from shareholders | - | 1,000 |
| Interest paid | (68,172) | (104,363) |
| Subsidiaries distributed cash dividends to non-controlling interests | (7,527) | - |
| Net cash flows used in financing activities | <u>(1,050,669)</u> | <u>(762,897)</u> |
| Effect of exchange rate changes on cash and cash equivalents | <u>(29,219)</u> | <u>(23,488)</u> |
| Net increase in cash and cash equivalents | 355,952 | 140,263 |
| Cash and cash equivalents at beginning of period | 978,856 | 838,593 |
| Cash and cash equivalents at end of period | <u>\$ 1,334,808</u> | <u>978,856</u> |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Everlight Chemical Industrial Corporation (the “Company”) was incorporated on September 7, 1972 as a Company limited by shares and registered in accordance with the ROC Company Act. Everlight Chemical Industrial Corporation and subsidiaries (“the Group”) engage in manufacturing and selling of dye, UV absorber, specialty chemicals, toners, electronic chemicals, pharmaceutical product and material, chemical intermediary photoresistance, and etc.

(2) Approval date and procedures of the consolidated financial statements:

These consolidated financial statements were authorized for issuance by the board of directors on March 25, 2021.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Group has initially adopted the new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2020.

- (b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements.

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

| Standards or Interpretations | Content of amendment | Effective date per IASB |
|---|--|--------------------------------|
| Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” | The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. | January 1, 2023 |

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(4) Summary of significant accounting policies:

The significant accounting policies presented in the consolidated financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the Financial Supervisory Commission, ROC (hereinafter referred to as “the IFRSs endorsed by the FSC”).

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

- 1) Financial assets measured at fair value through profit or loss are measured at fair value;
- 2) Fair value through other comprehensive income are measured at fair value;
- 3) The defined benefit liabilities are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in Note 4(p).

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Functional and presentation currency

The functional currency is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan dollars, which is the Group's functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. When the Company is exposed to the variable remuneration from investing on other individual or sharing the rights of the remuneration, also, is able to influence the rewards, the Company controls the individual.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholder of parent.

(ii) List of subsidiaries in the consolidated financial statements

| Name of investor | Name of subsidiary | Principal activity | Shareholding percentage | | Note |
|--------------------|---|--|-------------------------|-------------------|----------|
| | | | December 31, 2020 | December 31, 2019 | |
| The Company (ECIC) | EVERLIGHT USA, INC. (EVUS) | Selling chemical product and related raw materials | 100.00 | 100.00 | - |
| ECIC | EVERLIGHT (HONG KONG) LIMITED (EVHK) | Selling chemical product and related raw materials | 100.00 | 100.00 | - |
| ECIC | EVERLIGHT CHEMICALS (SINGAPORE) PTE LTD. (EVSG) | Investing business | 100.00 | 100.00 | - |
| ECIC | EVERLIGHT EUROPE B.V. (EVEU) | Selling chemical product and related raw materials | 100.00 | 100.00 | - |
| ECIC | TREND TONE IMAGING, INC. (TTI) | Manufacturing and selling toners of laser printer, copier and fax machine | 76.15 | 76.15 | - |
| ECIC | ELITE FOREIGN TRADING INCORPORATION (ELITE) | Selling chemical product and related raw materials | 50.00 | 50.00 | (note 1) |
| ECIC | DAILYCARE BIOMEDICAL INC. (DCBM) | Manufacturing of medical supplies and providing service of biological technology | 91.26 | 91.26 | (note 2) |
| EVSG | ETHICAL INTERNATIONAL TRADING & WAREHOUSING (SHANGHAI) CO., LTD. (ETSH) | Selling chemical product and related raw materials | 100.00 | 100.00 | - |

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| Name of investor | Name of subsidiary | Principal activity | Shareholding percentage | | Note |
|------------------|---|---|-------------------------|-------------------|----------|
| | | | December 31, 2020 | December 31, 2019 | |
| EVSG | GUANGZHOU ETHICAL TRADING CO., LTD. (ETGZ) | Selling chemical product and related raw materials | 100.00 | 100.00 | - |
| EVSG | SHANGHAI EVERLIGHT TRADING CO., LTD. (EVSH) | Selling chemical product and related raw materials | 100.00 | 100.00 | - |
| EVSG | EVERLIGHT (SUZHOU) ADVANCED CHEMICALS LTD. (EVSZ) | Manufacturing and selling color chemicals, toners and electronic high-tech chemical product | 100.00 | 100.00 | - |
| EVSG | ANDA SEMICONDUCTOR TECHNOLOGY (SUZHOU) CO., LTD. (ANDA) | Selling electronic high-tech chemical product | 56.25 | 56.25 | - |
| ANDA | SHANGHAI ANDA INTERNATIONAL TRADING CO., LTD. (ADSH) | Selling electronic high-tech chemical product | 100.00 | 100.00 | - |
| ECIC | GREATLIGHT INVESTMENT COPRORATION (GLTP) | Investing business | 100.00 | 100.00 | - |
| GLTP | KEYSTONE PHARMACEUTICALS INC. (KEYSTONE) | Research and development and manufacturing pharmaceuticals | - | - | (note 3) |

(note 1): The Company has the right to appoint more than half of members of board of directors and has control over the board of directors. The subsidiary is deemed to be consolidated.

(note 2): The Company decided to resolve DCBM. As of December 31, 2020, the related procedure has not been completed.

(note 3): Despite the Company held the stock of KEYSTONE less than 50%, the Company obtained the substantial control of appointing operating policies at June 1, 2019, and therefore regarded KEYSTONE as subsidiary. Hence, its financial statement was combined into the consolidated financial statements since the day of acquisition control. GLTP lost the substantial control of appointing operating policies at December 1, 2019. Since the date the control ceased, the KEYSTONE was excluded from accompanying consolidate financial statements.

(iii) List of subsidiaries which are not included in the consolidated financial statement: None.

(d) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- Fair value through other comprehensive income equity investment

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Company disposes of only part of investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Group not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(f) Cash and cash equivalents

Cash comprised of cash on hand and cash in bank. Cash equivalents are those short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits, which meet the above criteria and for the purpose of fulfilling short-term commitments instead of the purpose of investing activities or others, are categorized as cash equivalents.

(g) Financial instruments

Account receivable are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Fair value through other comprehensive income (FVOCI)

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, financial assets at amortized cost, notes and accounts receivables, other receivable, refundable deposits and other financial assets).

The Group measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- Cash in bank, other receivable, refundable deposits and other financial assets for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forwardlooking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
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The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

The Group holds time deposits for domestic financial institutions, it is considered to be low credit risk.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 365 days past due or the borrower is unlikely to pay its credit obligations to the Group in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 365 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;
or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

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5) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities

1) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

2) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

3) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
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(iii) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition, less any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align their accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. The Group recognizes any changes, proportionately with the shareholding ratio under additional paid in capital, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual controlling power.

Unrealized profits resulting from transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Group's share of losses exceeds its interests in an associate, the carrying amount of the investment, including any long term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent the Group has an obligation or has made payments on behalf of the associate.

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(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

| | |
|------------------------|-------------|
| 1) Land improvements | 20 years |
| 2) buildings | 25~55 years |
| 3) plant and equipment | 3~15 years |

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Intangible assets

(i) Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
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(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

- | | |
|---------------------------------------|-----------|
| 1) REACH registration related expense | 5 years |
| 2) Others | 3~5 years |

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(l) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Site restoration

In accordance with the Group's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land is recognized when the land is contaminated.

(m) Lease

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the Group has the right to direct the use of the asset throughout the period of use only if either:
 - the Group has the right to direct how and for what purpose the asset is used throughout the period of use; or

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES

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- the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - the Group has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - the Group designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(ii) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or

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- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of office equipment and leases of transportation equipment that have a lease term of 12 months or less and leases of low-value asset.

(n) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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(o) Revenue

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

1) Sale of goods

The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over use the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

2) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
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Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(q) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years.

The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

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Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(r) **Business combinations**

The Company accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Company recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

All acquisition-related transaction costs are expensed as incurred, except for the issuance of debt or equity instruments.

For each business combination, the Group measures any noncontrolling interests in the acquiree either at fair value or at the noncontrolling interest's proportionate share of the acquiree's identifiable net assets, if the noncontrolling interests are present ownership interests and entitle their holders to a proportionate share of the Group's net assets in the event of liquidation. Other components of noncontrolling interests are measured at their acquisition-date fair values, unless another measurement basis is required by the IFRSs endorsed by the FSC.

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
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(s) Earnings per share

The Group discloses the Group's basic and diluted earnings per share attributable to common shareholders of the Group. Basic earnings per share are calculated as the profit attributable to common shareholders of the Group divided by the weighted-average number of common shares outstanding. Diluted earnings per share are calculated as the profit attributable to ordinary shareholders of the Group divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employ compensation.

(t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

(a) Judgment of whether the Group has substantive control over its investees

The Group holds 40% of the outstanding voting shares of 3E Chemical Co. (Suzhou) Ltd. and is the single largest shareholder of the investee. Although the remaining 60% of 3E Chemical Co. (Suzhou) Ltd.'s shares are not concentrated within specific shareholders, the Group still cannot obtain more than half of the total number of 3E Chemical Co. (Suzhou) Ltd.'s directors, and it also cannot obtain more than half of the voting rights at a shareholders' meeting. Therefore, it is determined that the Group has significant influence but not control over 3E Chemical Co. (Suzhou) Ltd..

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
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(b) Judgment regarding significant influence of investees

The Group holds 16.78% of the outstanding voting shares of TAK Technology Co., Ltd. and is the single largest shareholder of the investee. Although the remaining 83.22% of TAK Technology Co., Ltd.'s shares are not concentrated within specific shareholders, the Group still cannot obtain more than half of the total number of TAK Technology Co., Ltd.'s directors, and it also cannot obtain more than half of the voting rights at a shareholders' meeting. Therefore, it is determined that the Group has significant influence but not control over TAK Technology Co., Ltd.

The Group holds 22.35% of the outstanding voting shares of Good TV Broadcasting Corp. and is the single largest shareholder of the investee. Although the remaining 77.65% of Good TV Broadcasting Corp.'s shares are not concentrated within specific shareholders, the Group still cannot obtain more than half of the total number of Good TV Broadcasting Corp.'s directors, and it also cannot obtain more than half of the voting rights at a shareholders' meeting. Therefore, it is determined that the Group has significant influence but not control over Good TV Broadcasting Corp.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

(a) Impairment of accounts receivable

The Group has estimated the loss allowance of accounts receivable that is based on the risk of a default occurring and the rate of expected credit loss. The Group has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumption to be used in calculating the impairments and the selected inputs. The prevent assumptions and input values, please refer to Note 6(c).

(b) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to Note 6(d) for further description of the valuation of inventories.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

| | December 31, 2020 | December 31, 2019 |
|---------------------------|------------------------------|------------------------------|
| Cash on hand | \$ 2,396 | 2,418 |
| Cash in bank | 1,229,687 | 917,374 |
| Time deposits | 102,725 | 59,064 |
| Cash and cash equivalents | <u>\$ 1,334,808</u> | <u>978,856</u> |

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
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Please refer to Note 6(w) for the fair value sensitivity analysis of the financial assets and liabilities of the Group.

(b) Financial assets and liabilities

(i) Financial assets and liabilities at fair value through profit or loss:

| | December 31, 2020 | December 31, 2019 |
|--|------------------------------|------------------------------|
| Financial assets mandatorily measured at fair value through profit or loss: | | |
| Monetary market fund | \$ <u>60,100</u> | <u>30,023</u> |

(ii) Financial assets at fair value through other comprehensive income:

| | December 31, 2020 | December 31, 2019 |
|-----------------------------------|------------------------------|------------------------------|
| Stocks listed on domestic markets | \$ 944,615 | 1,040,091 |
| Domestic unlisted common shares | <u>50,190</u> | <u>62,036</u> |
| Total | \$ <u>994,805</u> | <u>1,102,127</u> |

The Group designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term strategic purposes.

For the years ended December 31, 2020 and 2019, the Group has sold the partial of financial assets at fair value through other comprehensive income for strategic purposes. The shares sold had a fair value of \$310,625 thousand and \$73,457 thousand, respectively, and the Group realized a gains (losses) of \$59,692 thousand and a loss of \$(24,108) thousand, respectively, which is already included in other comprehensive income. The gains (losses) has been transferred to retained earnings.

(iii) Financial assets at amortized cost-current

Due to the Group's foreign deposits which applied for the "The Management, Utilization, and Taxation of Repatriated Offshore Funds Act" has not been engaged in investment yet, therefore, recognized in financial assets at amortized cost-current as follows:

| | December 31, 2020 | December 31, 2019 |
|--|------------------------------|------------------------------|
| Financial assets at amortized cost-current | \$ <u>12,896</u> | <u>-</u> |

(iv) For credit risk and market risk, please refer to Note 6(w).

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- (v) The aforementioned financial assets were not pledged.
- (vi) Derivative financial instruments—not hedge

The Group hold derivative financial instruments to hedge its foreign currency and interest rate exposures. However, the derivative financial instruments can't meet the criteria for hedge accounting. The Group recognized gain on forward exchange contracts and foreign currency options amounted to \$3,315 thousand and \$6,489 thousand in 2020 and 2019, respectively.

(c) Receivables

| | December 31, 2020 | December 31, 2019 |
|---|------------------------------|------------------------------|
| Notes receivable | \$ 213,396 | 233,771 |
| Accounts receivable | 1,410,922 | 1,443,937 |
| Overdue receivable (under other non-current financial assets) | 39,567 | 46,414 |
| Less: loss allowance | <u>(66,516)</u> | <u>(72,496)</u> |
| | <u>\$ 1,597,369</u> | <u>1,651,626</u> |

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provisions were determined as follows:

| | December 31, 2020 | | |
|-----------------------------|----------------------------------|---------------------------------------|-------------------------------------|
| | Gross carrying amount | Weighted-average loss rate | Loss allowance provision |
| Current | \$ 1,502,202 | 0.01%~0.27% | 3,848 |
| 1 to 90 days past due | 103,378 | 1.97%~15.98% | 16,522 |
| 91 to 365 days past due | 18,738 | 22.94%~65.56% | 6,579 |
| More than 365 days past due | <u>39,567</u> | 100% | <u>39,567</u> |
| Total | <u>\$ 1,663,885</u> | | <u>66,516</u> |
| | December 31, 2019 | | |
| | Gross carrying amount | Weighted-average loss rate | Loss allowance provision |
| Current | \$ 1,475,486 | 0.01%~0.73% | 5,470 |
| 1 to 90 days past due | 183,764 | 6.81%~19.36% | 13,346 |
| 91 to 365 days past due | 18,458 | 33.46%~100% | 7,266 |
| More than 365 days past due | <u>46,414</u> | 100% | <u>46,414</u> |
| Total | <u>\$ 1,724,122</u> | | <u>72,496</u> |

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The detail of loss allowance were as follows:

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---------------------|------------------------------|------------------------------|
| Notes receivable | \$ - | 36 |
| Accounts receivable | 26,949 | 26,046 |
| Overdue receivable | <u>39,567</u> | <u>46,414</u> |
| | <u>\$ 66,516</u> | <u>72,496</u> |

The movement in the allowance for receivables was as follows:

| | <u>2020</u> | <u>2019</u> |
|---------------------------------------|-------------------------|----------------------|
| Balance on January 1, 2020 | \$ 72,496 | 96,594 |
| Impairment losses recognized | 1,486 | 7,035 |
| Amounts written off | (7,783) | (29,922) |
| Effect of movements in exchange rates | <u>317</u> | <u>(1,211)</u> |
| Balance on December 31, 2020 | <u>\$ 66,516</u> | <u>72,496</u> |

The aforementioned financial assets were not pledged.

(d) Inventories

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|----------------------|------------------------------|------------------------------|
| Raw materials | \$ 756,595 | 786,128 |
| Supplies | 19,831 | 18,296 |
| Work in progress | 603,687 | 709,057 |
| Finished goods | 1,698,193 | 1,907,798 |
| Materials in transit | <u>120,155</u> | <u>82,904</u> |
| | <u>\$ 3,198,461</u> | <u>3,504,183</u> |

Except cost of goods sold and inventories recognized as expenses, the remaining gain or losses which were recognized as operating cost or deduction of operating cost were as follows:

| | <u>2020</u> | <u>2019</u> |
|------------------------------------|--------------------------|-----------------------|
| Losses on valuation of inventories | \$ 2,792 | 4,246 |
| Losses (gains) on inventory count | (984) | 2,434 |
| Unallocated production overheads | 191,246 | 212,863 |
| Losses on obsolescence | 7,878 | 10,075 |
| Scrap income | <u>(1,326)</u> | <u>(1,712)</u> |
| | <u>\$ 199,606</u> | <u>227,906</u> |

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
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For the year ended December 31, 2019, the expense resulted from obtaining the certificated of GMP for pharmaceuticals division was included in unallocated production overhead. There was no such transaction for the year ended December 31, 2020.

As of December 31, 2020 and 2019, the inventories were not pledged.

(e) Investments accounted for using equity method

(i) The components of investments accounted for using the equity method at the reporting date were as follows:

| | December 31, 2020 | December 31, 2019 |
|------------|------------------------------|------------------------------|
| Associates | \$ 112,156 | 126,934 |

(ii) Associates

Summary of financial information for by the individually insignificant investments in associates accounted for using the equity method were as follows. The aforementioned financial information was included in the consolidated financial statements of the Group.

| | December 31, 2020 | December 31, 2019 |
|--|------------------------------|------------------------------|
| Carrying amount of individually insignificant associates | \$ 112,156 | 126,934 |
| Attributable to the Group: | | |
| Profit from continuing operations | \$ 8,102 | 1,980 |
| Other comprehensive income | (2,847) | (395) |
| Total comprehensive income | \$ 5,255 | 1,585 |

(iii) Pledge

As of December 31, 2020 and 2019, the aforementioned investment accounted for using equity method were not pledged.

Investment accounted for using equity method (KEYSTONE) has been liquidated in 2019. Repayment cost of investment by shareholding ratio is amounting to 2,418 thousand, the difference with the book value recognized in disposal of investments accounted for using equity method is amounting to 18,553 thousand.

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(f) Acquisition of subsidiary and losing control of subsidiary

(i) On June 1, 2019, the Group obtained the control of KEYSTONE, which is major in research and development and manufacturing pharmaceuticals, by acquiring substantial control of appointing operating policies of KEYSTONE. Therefore, KEYSTONE have been consolidated into the consolidated financial statements.

(ii) The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date.

| | | |
|--|-----------|-----------------------------|
| Cash and cash equivalents | \$ | 16,952 |
| Other current assets | | 31,311 |
| Plant, property, and equipment (Note 6(h)) | | 39,144 |
| Prepayments for equipment | | 3,796 |
| Other non-current financial assets | | 844 |
| Other non-current assets | | 301 |
| Notes payables | | (1,058) |
| Other payables | | (4,664) |
| Other current assets | | <u>(165)</u> |
| Total identifiable net assets acquired | \$ | <u><u>86,461</u></u> |

(iii) Losing control of subsidiary

The Group lost the substantial control of appointing operating policies over KEYSTONE on December 1, 2019. There was no profit or loss on the aforementioned transaction.

The following table summarizes the recognized amounts of assets and liabilities assumed on December 1, 2019.

| | | |
|--|-----------|-----------------------------|
| Cash and cash equivalents | \$ | 1,548 |
| Other current assets | | 15,609 |
| Plant, property, and equipment (Note 6(h)) | | 59,012 |
| Other non-current assets | | 500 |
| Short-term borrowing | | (14,500) |
| Other payables | | (77) |
| Other current liabilities | | <u>(533)</u> |
| Total identifiable net assets acquired | \$ | <u><u>61,559</u></u> |

There was no such transaction in 2020.

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(g) Material non-controlling interest of subsidiaries

The material non-controlling interests of subsidiaries were as follows:

| Subsidiaries | Main operation place | Percentage of non-controlling interests | |
|---------------------|-----------------------------|--|--------------------------|
| | | December 31, 2020 | December 31, 2019 |
| TTI | Taiwan | 23.85 % | 23.85 % |

The following information of the aforementioned subsidiaries have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Included in these information are the fair value adjustment made during the acquisition and relevant difference in accounting principles between the Group as at the acquisition date. Intra-group transactions were not eliminated in this information.

| | December 31, 2020 | December 31, 2019 |
|---|--------------------------|--------------------------|
| Current assets | \$ 554,032 | 644,051 |
| Non-current assets | 906,387 | 986,336 |
| Current liabilities | (501,960) | (533,445) |
| Non-current liabilities | (186,096) | (242,426) |
| Net assets | \$ 772,363 | 854,516 |
| Non-controlling interest | \$ 184,179 | 203,769 |
| | 2020 | 2019 |
| Operating revenues | \$ 738,561 | 1,050,047 |
| Net income (loss) | (77,561) | 6,168 |
| Other comprehensive income | (4,592) | 4,588 |
| Total comprehensive income | \$ (82,153) | 10,756 |
| Profit (loss), attributable to non-controlling interests | \$ (18,498) | 1,471 |
| Comprehensive income, attributable to non-controlling interests | \$ (19,593) | 2,565 |
| | 2020 | 2019 |
| Net cash flows from operating activities | \$ 65,624 | 157,167 |
| Net cash flows used in investing activities | (1,992) | (17,301) |
| Net cash flows used in financing activities | (45,980) | (72,617) |
| Net increase in cash and cash equivalents | \$ 17,652 | 67,249 |
| Cash dividend distributed to non-controlling interests | - | - |

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(h) Property, plant and equipment

The detail of movement of the property, plant and equipment for the Group were as follows:

| | <u>Land</u> | <u>Land Improvements</u> | <u>Buildings and construction</u> | <u>Equipment</u> | <u>Construction in progress and equipment to be inspected</u> | <u>Total</u> |
|---|-------------------|------------------------------|---------------------------------------|------------------|---|-------------------|
| Cost: | | | | | | |
| Balance on January 1, 2020 | \$ 894,063 | - | 4,408,204 | 9,627,222 | 183,082 | 15,112,571 |
| Additions | - | 127,200 | 4,662 | 69,896 | 105,002 | 306,760 |
| Disposals | - | - | (7,051) | (62,311) | - | (69,362) |
| Reclassification (note) | - | 31,800 | 9,444 | 140,801 | (111,154) | 70,891 |
| Effect of movements in exchange rates | (186) | - | 3,713 | 10,725 | 275 | 14,527 |
| Balance on December 31, 2020 | <u>\$ 893,877</u> | <u>159,000</u> | <u>4,418,972</u> | <u>9,786,333</u> | <u>177,205</u> | <u>15,435,387</u> |
| Balance on January 1, 2019 | \$ 894,153 | - | 4,312,840 | 9,182,889 | 409,611 | 14,799,493 |
| Additions | - | - | 20,333 | 150,021 | 146,252 | 316,606 |
| Disposals | - | - | (2,855) | (98,084) | - | (100,939) |
| Reclassification (note) | - | - | 90,823 | 429,460 | (372,596) | 147,687 |
| Effects of changes in consolidated entities | - | - | - | (8,138) | - | (8,138) |
| Effect of movements in exchange rates | (90) | - | (12,937) | (28,926) | (185) | (42,138) |
| Balance on December 31, 2019 | <u>\$ 894,063</u> | <u>-</u> | <u>4,408,204</u> | <u>9,627,222</u> | <u>183,082</u> | <u>15,112,571</u> |
| Accumulated depreciation and impairment: | | | | | | |
| Balance on January 1, 2020 | \$ - | - | 2,396,146 | 7,188,688 | - | 9,584,834 |
| Depreciation | - | 4,638 | 168,793 | 467,480 | - | 640,911 |
| Disposals | - | - | (6,848) | (59,084) | - | (65,932) |
| Effect of movements in exchange rates | - | - | 2,108 | 7,649 | - | 9,757 |
| Balance on December 31, 2020 | <u>\$ -</u> | <u>4,638</u> | <u>2,560,199</u> | <u>7,604,733</u> | <u>-</u> | <u>10,169,570</u> |
| Balance on January 1, 2019 | \$ - | - | 2,234,410 | 6,810,518 | - | 9,044,928 |
| Depreciation | - | - | 170,387 | 470,934 | - | 641,321 |
| Disposals | - | - | (2,855) | (83,870) | - | (86,725) |
| Reclassification | - | - | - | 11,730 | - | 11,730 |
| Effect of movements in exchange rates | - | - | (5,796) | (20,624) | - | (26,420) |
| Balance on December 31, 2019 | <u>\$ -</u> | <u>-</u> | <u>2,396,146</u> | <u>7,188,688</u> | <u>-</u> | <u>9,584,834</u> |
| Carrying amounts: | | | | | | |
| Balance on December 31, 2020 | <u>\$ 893,877</u> | <u>154,362</u> | <u>1,858,773</u> | <u>2,181,600</u> | <u>177,205</u> | <u>5,265,817</u> |
| Balance on January 1, 2019 | <u>\$ 894,153</u> | <u>-</u> | <u>2,078,430</u> | <u>2,372,371</u> | <u>409,611</u> | <u>5,754,565</u> |
| Balance on December 31, 2019 | <u>\$ 894,063</u> | <u>-</u> | <u>2,012,058</u> | <u>2,438,534</u> | <u>183,082</u> | <u>5,527,737</u> |

(note): Prepayments for business facilities were reclassified as property, plant and equipment.

- (i) For the years ended December 31, 2020 and 2019, the Group capitalized the interest expenses on construction in progress amounted to \$2,481 thousand and \$6,407 thousand respectively, and the monthly interest rate used for capitalization calculation were 0.08%~0.12% and 0.13~0.15%, respectively.
- (ii) As of December 31, 2020 and 2019, the property, plant and equipment of the Group had not been pledged.

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Other current assets

| | December 31, 2020 | December 31, 2019 |
|---|------------------------------|------------------------------|
| Prepayments | \$ 71,196 | 69,188 |
| Offset against business tax payable and input taxes | 29,821 | 32,925 |
| Payment on behalf of others | 12,337 | 9,157 |
| Others | 985 | 1,018 |
| | <u>\$ 114,339</u> | <u>112,288</u> |

(j) Right-of-use assets

The information about leases of land, buildings and construction, and equipment for which the Group as a lessee is presented below:

| | Land | Buildings and construction | Equipment | Total |
|---|--------------------------|---------------------------------------|----------------------|-----------------------|
| Cost: | | | | |
| Balance on January 1, 2020 | \$ 217,042 | 127,648 | 17,306 | 361,996 |
| Acquisitions | - | 24,668 | 3,241 | 27,909 |
| Disposals | - | (10,795) | (4,509) | (15,304) |
| Effect of changes in foreign exchange rates | 362 | 1,396 | 105 | 1,863 |
| Balance on December 31, 2020 | <u>\$ 217,404</u> | <u>142,917</u> | <u>16,143</u> | <u>376,464</u> |
| Balance on January 1, 2019 | \$ - | - | - | - |
| Effects of retrospective application for IFRS16 | 218,355 | 124,950 | 13,060 | 356,365 |
| Acquisitions | - | 16,620 | 4,320 | 20,940 |
| Disposals | - | (10,851) | - | (10,851) |
| Effect of changes in foreign exchange rates | (1,313) | (3,071) | (74) | (4,458) |
| Balance on December 31, 2019 | <u>\$ 217,042</u> | <u>127,648</u> | <u>17,306</u> | <u>361,996</u> |
| Accumulated depreciation: | | | | |
| Balance on January 1, 2020 | \$ 5,712 | 25,109 | 3,654 | 34,475 |
| Depreciation | 5,709 | 28,449 | 4,232 | 38,390 |
| Disposals | - | (3,445) | (2,880) | (6,325) |
| Effect of changes in foreign exchange rates | 23 | 421 | 35 | 479 |
| Balance on December 31, 2020 | <u>\$ 11,444</u> | <u>50,534</u> | <u>5,041</u> | <u>67,019</u> |
| Balance on January 1, 2019 | \$ - | - | - | - |
| Depreciation | 5,735 | 28,551 | 3,663 | 37,949 |
| Disposals | - | (1,869) | - | (1,869) |
| Effect of changes in foreign exchange rates | (23) | (1,573) | (9) | (1,605) |
| Balance on December 31, 2019 | <u>\$ 5,712</u> | <u>25,109</u> | <u>3,654</u> | <u>34,475</u> |
| Carrying amount: | | | | |
| Balance on December 31, 2020 | <u>\$ 205,960</u> | <u>92,383</u> | <u>11,102</u> | <u>309,445</u> |
| Balance on January 1, 2019 | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Balance on December 31, 2019 | <u>\$ 211,330</u> | <u>102,539</u> | <u>13,652</u> | <u>327,521</u> |

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(k) Intangible assets

The movement in intangible assets were as follows:

| | REACH registration related expenses | Others | Total |
|-------------------------------------|--|---------------|----------------|
| Cost : | | | |
| Balance on January 1, 2020 | \$ 165,165 | 18,782 | 183,947 |
| Additions | 25,731 | 683 | 26,414 |
| Disposals | - | (1,638) | (1,638) |
| Effect of movement in exchange rate | - | (2,421) | (2,421) |
| Balance on December 31, 2020 | <u>\$ 190,896</u> | <u>15,406</u> | <u>206,302</u> |
| Balance on January 1, 2019 | \$ 153,868 | 18,978 | 172,846 |
| Additions | 11,297 | - | 11,297 |
| Effect of movement in exchange rate | - | (196) | (196) |
| Balance on December 31, 2019 | <u>\$ 165,165</u> | <u>18,782</u> | <u>183,947</u> |
| Accumulated amortization: | | | |
| Balance on January 1, 2020 | \$ 52,089 | 9,403 | 61,492 |
| Amortization | 26,703 | 2,383 | 29,086 |
| Disposals | - | (1,638) | (1,638) |
| Effect of movement in exchange rate | - | (2,382) | (2,382) |
| Balance on December 31, 2020 | <u>\$ 78,792</u> | <u>7,766</u> | <u>86,558</u> |
| Balance on January 1, 2019 | \$ 34,064 | 7,512 | 41,576 |
| Amortization | 18,025 | 2,055 | 20,080 |
| Effect of movement in exchange rate | - | (164) | (164) |
| Balance on December 31, 2019 | <u>\$ 52,089</u> | <u>9,403</u> | <u>61,492</u> |
| Carrying amounts: | | | |
| Balance on December 31, 2020 | <u>\$ 112,104</u> | <u>7,640</u> | <u>119,744</u> |
| Balance on January 1, 2019 | <u>\$ 119,804</u> | <u>11,466</u> | <u>131,270</u> |
| Balance on December 31, 2019 | <u>\$ 113,076</u> | <u>9,379</u> | <u>122,455</u> |

(i) Amortization expense

For the years ended December 31, 2020 and 2019, the amortization of intangible assets are included in the statement of comprehensive income as follows:

| | 2020 | 2019 |
|-------------------|------------------|---------------|
| Operating costs | \$ 2,096 | 1,863 |
| Operating expense | 26,990 | 18,217 |
| | <u>\$ 29,086</u> | <u>20,080</u> |

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Pledge

As of December 31, 2020 and 2019, the intangible assets of the Group not pledged as collateral.

(l) Short-term borrowings

| | December 31, 2020 | December 31, 2019 |
|------------------------------------|------------------------------|------------------------------|
| Unsecured bank loans | \$ 1,782,108 | 2,403,358 |
| Short-term notes and bills payable | 89,883 | 69,963 |
| Total | \$ 1,871,991 | 2,473,321 |
| Unused credit lines | \$ 3,723,243 | 3,411,117 |
| Range of interest rate | 0.74%~5.15% | 1.00%~5.15% |

As of December 31, 2020 and 2019, the Group issued short-term notes and bills payable through Dah-Chung Bills Finance Corp. to obtain funds from the currency market.

(m) Long-term borrowings

| December 31, 2020 | | | |
|---|-------------|----------------------|----------------------------|
| Currency | Rate | Maturity year | Amount |
| Unsecured bank loans | NTD | 1.14%~1.75% | 2022.5~2023.6 \$ 1,290,000 |
| Less: long-term borrowings, current portion | | | (40,000) |
| Total | | | \$ 1,250,000 |
| Unused credit lines | | | \$ 310,000 |

| December 31, 2019 | | | |
|---|-------------|----------------------|--------------------------|
| Currency | Rate | Maturity year | Amount |
| Unsecured syndicated bank loan | NTD | 1.7895% | 2015.4~2020.4 \$ 179,748 |
| Unsecured bank loans | NTD | 1.33%~1.79% | 2020.3~2022.6 1,280,000 |
| Less: long-term borrowings, current portion | | | (470,000) |
| Total | | | \$ 989,748 |
| Unused credit lines | | | \$ 437,010 |

As of March 5, 2015, the Group entered into a five-year syndicated loan agreement with CTBC Bank and other six banks. The total credit line under this loan agreement is \$1,800,000 and is due in five years when the first draw on the loan. The first draw on the loan must be within three months after the date of the contract signed. Every draw on the loan, the amount was restricted to exceed \$50,000 and the portion of exceeding \$50,000 or unused credit line shall be a multiple of \$10,000.

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The credit line will be diminished by seven period from the date, that lasted twenty-four months from first draw on the loan and thereafter every six months. The diminished periods and diminished percentage are as follows:

- (i) Period 1 to period 3: 10%,
- (ii) Period 4 and period 5: 15%,
- (iii) Period 6 and period 7: 20%.

When the credit line is diminished, the Group had to redeem the loans if the loan outstanding amount is exceeding to the credit line.

The related financial covenants and restrictions for the syndicated loans mentioned above were as follows:

- (i) Current ratio (current assets/current liabilities): shall not be lower than 120%.
- (ii) Liability ratio (liabilities/tangible net assets value): shall not be higher than 100%.
- (iii) Interest coverage ratio (profit before tax + depreciation + amortization + interest expense) / (interest expense): shall not be lower than 4 time.
- (iv) Tangible net assets value (equity minus intangible assets): shall not be lower than \$6,000,000 thousand.

The aforementioned ratio and criteria shall be reviewed semi-annually from 2015 based on the year-end consolidated financial statements audited by certified public accountant, and the semi-annual consolidated financial statements reviewed by certified public accountant. The Group was in compliance with the above financial covenants and restrictions.

The aforementioned syndicated loan were repaid in 2020.

The Group had not pledged the assets as collateral for bank loans.

(n) Lease liabilities

The carrying amounts of lease liabilities were as follow:

| | December 31, 2020 | December 31, 2019 |
|-------------|------------------------------|------------------------------|
| Current | \$ 35,102 | 34,488 |
| Non-current | \$ 258,608 | 274,557 |

For the maturity analysis, please refer to Note 6(w).

The amounts recognized in profit or loss were as follows:

| | 2020 | 2019 |
|--|-----------------|--------------|
| Interest on lease liabilities | \$ 7,175 | 7,612 |
| Expenses relating to short-term leases | \$ 2,567 | 7,429 |

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The amounts recognized in the statement of cash flows for the Group was as follows:

| | 2020 | 2019 |
|-------------------------------|------------------|---------------|
| Total cash outflow for leases | \$ 45,317 | 49,298 |

- (i) Land, buildings and constructions, and equipment lease

For the years ended December 31, 2020 and 2019, the Group leases land, buildings and constructions, and equipment for its warehouses and office space. The leases of warehouses and office typically run for a period from 3 to 20 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

- (ii) The Group leases office equipment whose lease periods are 1 to 3 years, are recognized as short-term or lower-price lease. The Group elected to apply practical expedients not recognizing relative right-of-use assets and lease liabilities.

- (o) Provisions

The movements of the provisions were as follows:

| | 2020 |
|------------------------------|-------------------|
| Balance on January 1, 2020 | \$ - |
| Additions | 159,000 |
| Decreases | (39,750) |
| Balance on December 31, 2020 | \$ 119,250 |

A provision of \$159,000 thousand was made in respect of the Group's obligation to rectify environmental damage which recognized in other current liabilities and other non-current liabilities. There was no such transaction for the year ended December 31, 2020.

- (p) Employee benefits

- (i) Defined benefit plans

Reconciliations of defined benefit obligation at present value and plan asset at fair value were as follows:

| | December 31, 2020 | December 31, 2019 |
|--|------------------------------|------------------------------|
| Present value of the defined benefit obligations | \$ 831,966 | 882,465 |
| Fair value of plan assets | (701,400) | (714,686) |
| Net defined benefit liabilities | \$ 130,566 | 167,779 |

The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan and Insurance account with Bank of Nan Shan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employees to received retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
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1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance and Insurance account with Bank of Nan Shan amounted to \$701,400 thousand as of December 31, 2020. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

For the years ended December 31, 2020 and 2019, the movement in present value of the defined benefit obligations for the Group were as follows:

| | <u>2020</u> | <u>2019</u> |
|--|--------------------------|-----------------------|
| Defined benefit obligations as of January 1 | \$ 882,465 | 909,407 |
| Current service costs and interest cost | 19,185 | 23,070 |
| Net remeasurements of defined benefit liabilities: | | |
| — Actuarial losses (gains) arising from changes in financial assumptions | 8,188 | (27,948) |
| Benefits paid by the plan | <u>(77,872)</u> | <u>(22,064)</u> |
| Defined benefit obligations as of December 31 | <u><u>\$ 831,966</u></u> | <u><u>882,465</u></u> |

3) Movements of defined benefit plan assets

For the years ended December 31, 2020 and 2019, the movement in the fair value of the plan assets were as follows:

| | <u>2020</u> | <u>2019</u> |
|---|--------------------------|-----------------------|
| Fair value of plan assets as of January 1 | \$ 714,686 | 643,444 |
| Return on plan assets (excluding the interest expense) | 7,110 | 7,316 |
| Net remeasurements of the defined benefit assets: | | |
| — Actuarial gains arising from changes in financial assumptions | 19,904 | 21,154 |
| Contributions paid by employer | 19,363 | 59,818 |
| Benefits paid | <u>(59,663)</u> | <u>(17,046)</u> |
| Fair value of plan assets as of December 31 | <u><u>\$ 701,400</u></u> | <u><u>714,686</u></u> |

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

4) Expenses recognized in profit or loss

For the years ended December 31, 2020 and 2019, the expenses recognized in profit or losses for the Group were as follows:

| | 2020 | 2019 |
|---|------------------|---------------|
| Current service costs | \$ 10,516 | 12,884 |
| Net interest expense of net defined benefit liabilities | 1,559 | 2,870 |
| | \$ 12,075 | 15,754 |
| | 2020 | 2019 |
| Operating costs | \$ 6,994 | 9,054 |
| Operating expenses | 5,081 | 6,700 |
| | \$ 12,075 | 15,754 |

5) comprehensive income

The Group's re-measurement of the net defined benefit liabilities (assets) recognized in other comprehensive income for the years ended December 31, 2020 and 2019, were as follows:

| | 2020 | 2019 |
|--------------------------------------|---------------------|------------------|
| Accumulated amount as of January 1 | \$ (127,015) | (176,117) |
| Recognized during the period | 11,716 | 49,102 |
| Accumulated amount as of December 31 | \$ (115,299) | (127,015) |

6) Actuarial assumptions

At the reporting date, the principal actuarial assumptions were as follows:

| | December 31, 2020 | December 31, 2019 |
|-------------------------------|------------------------------|------------------------------|
| Discount rate | 0.625%~0.750% | 1.000%~1.125% |
| Future salary increasing rate | 1.200%~1.270% | 1.200%~1.270% |

The Group expects to make contributions of \$16,620 thousand to the defined benefit plans in the next year starting from December 31, 2020.

The weighted-average lifetime of the defined benefits plans is 11.42~16.08 years.

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

7) Sensitivity analysis

As of December 31, 2020 and 2019, if the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

| | The impact of defined benefit obligations | |
|--|--|------------------|
| | Increased | Decreased |
| December 31, 2020 | | |
| Discount rate decreased (increased) 0.25% | \$ 19,193 | (18,563) |
| Future salary increasing rate increased (decreased) 0.25% | 18,613 | (18,589) |
| December 31, 2019 | | |
| Discount rate decreased (increased) 0.25% | 23,255 | (17,853) |
| Future salary increasing rate increased (decreased) 0.25% | 17,353 | (22,794) |

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

The method and assumptions used on current sensitivity analysis is the same as those of the prior year.

(ii) Defined contribution plans

The Group allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The foreign entities of the Group have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the local regulations. Other than the monthly contributions, the Group has no further obligations.

The pension costs incurred from the contributions to the Bureau of Labor Insurance amounted to \$52,150 thousand and \$66,480 thousand for the years ended December 31, 2020 and 2019, respectively.

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(q) Income taxes

(i) Income tax expense

The components of income tax expenses (benefit) for the years ended December 31, 2020 and 2019 were as follows:

| | <u>2020</u> | <u>2019</u> |
|---|------------------|----------------|
| Current tax expense (benefit) | | |
| Current period | \$ 33,097 | 79,013 |
| Adjustment for prior periods | <u>(4,221)</u> | <u>(7,400)</u> |
| | <u>28,876</u> | <u>71,613</u> |
| Deferred tax expense | | |
| Origination and reversal of temporary differences | <u>30,878</u> | <u>35,220</u> |
| | <u>30,878</u> | <u>35,220</u> |
| Income tax expense | <u>\$ 59,754</u> | <u>106,833</u> |

The amount of income tax expenses (benefit) recognized in other comprehensive income for the years ended December 31, 2020 and 2019 were as follows:

| | <u>2020</u> | <u>2019</u> |
|---|-------------------|----------------|
| Components that with not be reclassified to profit or loss: | | |
| Re-measurements of defined benefit plans | <u>\$ (2,343)</u> | <u>(9,820)</u> |

Reconciliation of income tax expense and profit before tax for 2020 and 2019 were as follows:

| | <u>2020</u> | <u>2019</u> |
|---|-------------------|----------------|
| Profit before tax | <u>\$ 264,776</u> | <u>456,070</u> |
| Income tax using the Company's domestic tax rate | \$ 52,955 | 91,214 |
| Effect of tax rates in foreign jurisdiction | (9,520) | 10,002 |
| Disposal of investment | (10,806) | - |
| Dividend revenue | (9,833) | (10,565) |
| Current-year losses for which no deferred tax assets was recognized | 30,923 | 10,162 |
| Change in unrecognized temporary difference | (1,232) | (1,283) |
| Undistributed earnings additional tax | - | 232 |
| Tax credit of investment | (10,235) | (11,279) |
| Other | <u>17,502</u> | <u>18,350</u> |
| Total | <u>\$ 59,754</u> | <u>106,833</u> |

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following item:

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---------------------------------------|------------------------------|------------------------------|
| The carryforward of unused tax losses | \$ 308,277 | 158,438 |
| Others | - | 1,380 |
| | <u>\$ 308,277</u> | <u>159,818</u> |

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

As at December 31, 2020, the information of the Group's unutilized business losses, for which no deferred tax assets were recognized, are as follow:

| <u>Year of loss</u> | <u>Unutilized business loss</u> | <u>Expiry date</u> |
|---------------------|-------------------------------------|--------------------|
| 2011 | \$ 7,462 | 2021 |
| 2012 | 9,353 | 2022 |
| 2013 | 8,986 | 2023 |
| 2014 | 15,986 | 2024 |
| 2015 | 14,077 | 2025 |
| 2016 | 17,667 | 2026 |
| 2017 | 27,417 | 2027 |
| 2018 | 28,492 | 2028 |
| 2019 | 24,220 | 2029 |
| 2020 | <u>154,617</u> | 2030 |
| | <u>\$ 308,277</u> | |

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2020 and 2019 were as follows:

Deferred tax assets:

| | <u>Allowance for impairment of receivables</u> | <u>Allowance for valuation of inventories</u> | <u>Defined benefit plans</u> | <u>Other</u> | <u>Total</u> |
|--|--|---|----------------------------------|---------------|---------------|
| Balance as of January 1, 2020 | \$ 5,750 | 3,839 | 34,560 | 31,808 | 75,957 |
| Recognized in profit or loss | (960) | (261) | (4,156) | (16,635) | (22,012) |
| Recognized in other comprehensive income | - | - | (2,343) | - | (2,343) |
| Balance as of December 31, 2020 | <u>\$ 4,790</u> | <u>3,578</u> | <u>28,061</u> | <u>15,173</u> | <u>51,602</u> |

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | <u>Allowance for impairment of receivables</u> | <u>Allowance for valuation of inventories</u> | <u>Defined benefit plans</u> | <u>Other</u> | <u>Total</u> |
|--|--|---|----------------------------------|---------------|---------------|
| Balance as of January 1, 2019 | \$ 16,629 | 6,099 | 60,579 | 36,415 | 119,722 |
| Recognized in profit or loss | (10,879) | (2,260) | (16,199) | (4,607) | (33,945) |
| Recognized in other comprehensive income | - | - | (9,820) | - | (9,820) |
| Balance as of December 31, 2019 | <u>\$ 5,750</u> | <u>3,839</u> | <u>34,560</u> | <u>31,808</u> | <u>75,957</u> |

Deferred tax liabilities:

| | <u>Unrealized investment income under equity method</u> | <u>Unrealized foreign exchange gains</u> | <u>Total</u> |
|---------------------------------|---|--|-----------------|
| Balance as of January 1, 2020 | \$ (68,099) | (2,109) | (70,208) |
| Recognized in profit or loss | (6,323) | (2,543) | (8,866) |
| Balance as of December 31, 2020 | <u>\$ (74,422)</u> | <u>(4,652)</u> | <u>(79,074)</u> |
| Balance as of January 1, 2019 | \$ (67,008) | (1,925) | (68,933) |
| Recognized in profit or loss | (1,091) | (184) | (1,275) |
| Balance as of December 31, 2019 | <u>\$ (68,099)</u> | <u>(2,109)</u> | <u>(70,208)</u> |

(iii) The Company's income tax return for the years through 2018 were assessed and approved by the tax authorities, except 2017.

(r) Capital and other equity

(i) Common share

As of December 31, 2020 and 2019, the Company's authorized share capital consisted of 800,000 thousand shares of common share, with \$10 dollars par value per share, of which 547,752 thousand shares, respectively, were issued and outstanding.

(ii) Capital surplus

The balance of capital surplus as of December 31, 2020 and 2019, were as follows:

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|--|------------------------------|------------------------------|
| Cash subscription in excess of par value of shares | \$ 462,559 | 462,559 |
| Treasury share transactions | 10,999 | 10,999 |
| Donation from shareholders | 1,000 | 1,000 |
| | <u>\$ 474,558</u> | <u>474,558</u> |

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

According to the ROC Group Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

In accordance with amendment to Company's article of incorporation on May 30, 2019, it stipulates that the Company's net earning should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance is to appropriated as follows:

- 1) Legal reserve should be at 10%.
- 2) Special reserve should be appropriated (reversed) in accordance with related rules.
- 3) Remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

The Company's dividend policy is as follows:

In order for the requirement of future investment, the cash dividend ratio should not exceed 50% of total dividends. However, if the dividend of current year is not exceeded \$1 dollar per share, the dividend policy is not restricted by aforementioned restriction.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and the distribution amount is limited to the portion of legal reserve which exceeds 25% of the paid-in capital.

2) Special reserve

The Company adopted to exemptions of IFRS 1 First-time Adoption of International Financial Reporting Standards of first time adoption in accordance with the IFRSs approved by the FSC. Based on the exemptions, the Company increased retained earnings amounted to \$132,824 thousand from reserve for revaluation increment and cumulative translation adjustments (gains). In accordance with Rule No. 1010012865 issued by the FSC on April 6, 2012, the Company shall reserve a special reserve amounted to \$18,752 thousand, which is same as the increased amount at first time adoption of IFRSs. The Company shall reverse to distribute of earnings proportionately based on the prior special reserve when the related assets had been used, disposal or reclassified. As of December 31, 2020 and 2019, the special reserve is amounted to \$18,646 thousand.

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

According to the aforementioned ruling, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal to the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve to account for cumulative changes to other shareholders' equity, and does not qualify for earnings distribution. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

(iv) Distribution of earnings

On May 19, 2020, the Company board of directors resolved to appropriate the 2019 earning. On May 30, 2019, the shareholders's meeting resolved to distribute the 2018 earnings. These earnings were appropriated as follows:

| | 2019 | | 2018 | |
|---|---------------------|-------------------|---------------------|----------------|
| | Amount per share | Amount | Amount per share | Amount |
| Dividends distributed to ordinary shareholders: | | | | |
| Cash | \$ 0.30 | \$ <u>164,326</u> | 0.50 | <u>273,876</u> |

On March 25, 2021, the Company's Board of Directors proposed to resolved to appropriate the 2020 earnings. These earnings will be appropriated as follows:

| | 2020 | |
|---|---------------------|-------------------|
| | Amount per share | Amount |
| Dividends distributed to ordinary shareholders: | | |
| Cash | \$ 0.30 | \$ <u>164,326</u> |

(v) Other equity (net of tax)

| | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Non- Controlling interest | Total |
|---|--|---|---------------------------------|----------------|
| Balance on January 1, 2020 | \$ (112,054) | 81,616 | 534 | (29,904) |
| Unrealized losses from financial assets measured at fair value through other comprehensive income | - | 204,630 | (1,327) | 203,303 |
| Exchange differences on translation of foreign financial statements | 4,286 | - | (5,147) | (861) |
| Exchange differences on associates accounted for using equity method | (2,847) | - | - | (2,847) |
| Disposal of equity instruments designated at fair value through other comprehensive income | - | (59,692) | - | (59,692) |
| Balance on December 31, 2020 | <u>\$ (110,615)</u> | <u>226,554</u> | <u>(5,940)</u> | <u>109,999</u> |

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Non- Controlling interest | Total |
|--|---|--|---------------------------------|-----------------|
| Balance on January 1, 2019 | \$ (68,420) | (81,347) | 2,282 | (147,485) |
| Unrealized gains from financial assets measured at fair value through other comprehensive income | - | 138,855 | 1,021 | 139,876 |
| Exchange differences on translation of foreign financial statements | (43,239) | - | (2,769) | (46,008) |
| Exchange differences on associates accounted for using equity method | (395) | - | - | (395) |
| Disposal of equity instruments designated at fair value through other comprehensive income | - | 24,108 | - | 24,108 |
| Balance on December 31, 2019 | <u>\$ (112,054)</u> | <u>81,616</u> | <u>534</u> | <u>(29,904)</u> |

(s) Earning per share

The calculation of basic earnings per share and diluted earnings per share for the years ended December 31, 2020 and 2019 are as follows:

| | 2020 | 2019 |
|--|-------------------|----------------|
| Basic earning per share | | |
| Profit attributable to common shareholders of the Company | \$ <u>213,279</u> | <u>362,447</u> |
| Weighted-average number of common shares outstanding | \$ <u>547,752</u> | <u>547,752</u> |
| Basic earnings per share (express in New Taiwan Dollar) | \$ <u>0.39</u> | <u>0.66</u> |
| | 2020 | 2019 |
| Diluted earning per share | | |
| Profit attributable to common shareholders of the Company | \$ <u>213,279</u> | <u>362,447</u> |
| Weighted-average number of common shares outstanding (basic) | \$ 547,752 | 547,752 |
| Effect of employee compensation | 1,264 | 1,917 |
| Weighted-average number of common shares outstanding (diluted) | <u>549,016</u> | <u>549,669</u> |
| Diluted earnings per share (express in New Taiwan Dollar) | \$ <u>0.39</u> | <u>0.66</u> |

(t) Employees compensation and directors' remuneration

In accordance with the articles of incorporation, the Company should contribute 5% of the profit as employee compensation and a maximum of 2% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients may include the employees of the Company's affiliated companies who meet certain conditions.

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
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For the years ended December 31, 2020 and 2019, the Company estimated its employee compensation amounting to \$14,077 thousand and \$24,143 thousand, and directors' remuneration amounting to \$5,631 thousand and \$9,658 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses for each period. Related information would be available at the Market Observation Post System website. The amounts, as stated in the parent-company-only financial statements, are identical to those of the actual distributions for 2020 and 2019.

(u) Revenue from contract with customers

(i) Disaggregation of revenue

| | | 2020 | | | | | | |
|-------------------------------|-----------|---------------------|------------------------|-------------------------|------------------|-----------------|--------------|------------------|
| | | Color chemicals | Specialty chemicals | Electronic chemicals | Toners | Pharmaceuticals | Other | Total |
| Primary geographical markets: | | | | | | | | |
| | Taiwan | \$ 373,621 | 235,036 | 821,912 | 37,055 | 8,286 | 2,421 | 1,478,331 |
| | America | 217,321 | 268,417 | - | 121,021 | 42,508 | - | 649,267 |
| | Asia | 2,335,019 | 823,890 | 314,512 | 681,675 | 44,634 | - | 4,199,730 |
| | Europe | 563,031 | 398,612 | - | 228,966 | 65,186 | - | 1,255,795 |
| | Other | 68,862 | 46,683 | - | 29,257 | 41,141 | - | 185,943 |
| | | <u>\$ 3,557,854</u> | <u>1,772,638</u> | <u>1,136,424</u> | <u>1,097,974</u> | <u>201,755</u> | <u>2,421</u> | <u>7,769,066</u> |
| Major products: | | | | | | | | |
| | Chemicals | \$ 3,557,854 | 1,772,638 | 1,136,424 | - | - | - | 6,466,916 |
| | Toners | - | - | - | 1,097,974 | - | - | 1,097,974 |
| | Other | - | - | - | - | 201,755 | 2,421 | 204,176 |
| | | <u>\$ 3,557,854</u> | <u>1,772,638</u> | <u>1,136,424</u> | <u>1,097,974</u> | <u>201,755</u> | <u>2,421</u> | <u>7,769,066</u> |
| | | 2019 | | | | | | |
| | | Color chemicals | Specialty chemicals | Electronic chemicals | Toners | Pharmaceuticals | Other | Total |
| Primary geographical markets: | | | | | | | | |
| | Taiwan | \$ 472,004 | 254,807 | 715,240 | 40,716 | 7,303 | 4,556 | 1,494,626 |
| | America | 321,379 | 418,956 | - | 220,435 | 23,275 | - | 984,045 |
| | Asia | 3,061,226 | 865,122 | 249,995 | 889,084 | 41,841 | - | 5,107,268 |
| | Europe | 645,390 | 516,115 | - | 337,928 | 77,351 | - | 1,576,784 |
| | Other | 102,178 | - | - | 27,659 | 39,516 | - | 169,353 |
| | | <u>\$ 4,602,177</u> | <u>2,055,000</u> | <u>965,235</u> | <u>1,515,822</u> | <u>189,286</u> | <u>4,556</u> | <u>9,332,076</u> |
| Major products: | | | | | | | | |
| | Chemicals | \$ 4,602,177 | 2,055,000 | 965,235 | - | - | - | 7,622,412 |
| | Toners | - | - | - | 1,515,822 | - | - | 1,515,822 |
| | Other | - | - | - | - | 189,286 | 4,556 | 193,842 |
| | | <u>\$ 4,602,177</u> | <u>2,055,000</u> | <u>965,235</u> | <u>1,515,822</u> | <u>189,286</u> | <u>4,556</u> | <u>9,332,076</u> |

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Contract balance

| | December 31, 2020 | December 31, 2019 | January 1, 2019 |
|----------------------|------------------------------|------------------------------|----------------------------|
| Receivables | \$ 1,663,885 | 1,724,122 | 1,900,512 |
| Less: loss allowance | (66,516) | (72,496) | (96,594) |
| Total | \$ 1,597,369 | 1,651,626 | 1,803,918 |

For the detail on receivables and loss allowance, please refer to Note 6(c).

(v) Non-operating income and expenses

(i) Interest income

| | 2020 | 2019 |
|------------------------------------|-------------|-------------|
| Interest income from bank deposits | \$ 3,601 | 4,363 |

(ii) Other income

| | 2020 | 2019 |
|-----------------|-------------|-------------|
| Dividend income | \$ 49,867 | 54,219 |

(iii) Other gains and losses

| | 2020 | 2019 |
|--|------------------|---------------|
| Foreign exchange losses | \$ (15,520) | (451) |
| Losses from disposal of investment accounted for using equity method | (18,553) | - |
| Net gains on financial assets and liabilities at fair value through profit or loss | 316 | 98 |
| Losses on disposal of property, plant and equipment | (2,258) | (1,726) |
| Subsidy revenue | 10,372 | 10,620 |
| Gains on writing off overdue payment | 21,143 | - |
| Others | 66,995 | 79,618 |
| | \$ 62,495 | 88,159 |

(iv) Finance costs

| | 2020 | 2019 |
|------------------|-------------|-------------|
| Interest expense | \$ 63,925 | 96,284 |

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
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(w) Financial instruments

(i) Credit risk

1) Credit risk exposure

As of December 31, 2020 and 2019, the Group's exposure to credit risk and the maximum exposure were mainly from:

- a) The carrying amount of financial assets recognized in the balance sheet; and
- b) The amounts of liabilities as a result from the Company providing financial guarantees were \$56,960 thousand and \$59,960 thousand, respectively.

2) Concentration of credit risk

The Group has exposure to credit risk of individual counterparty or group of counterparties with similar credit characteristics. Those related parties of which having transactions with the Group are regarded as group of counterparties with similar credit characteristics. There was no concentration of credit risk.

3) Receivables securities

For credit risk exposure of receivables, please refer Note 6(c).

Other financial assets at amortized cost includes other receivables and refundable deposits. There were no loss allowance provision for the year ended December 31, 2020 and 2019. All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. (Regarding how the financial instruments are considered to have low credit risk, please refer to Note 4(g).

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payable and excluding the impact of netting agreements.

| | <u>Carrying amount</u> | <u>Contractual cash flows</u> | <u>within 1 year</u> | <u>1~2 years</u> | <u>2~5 years</u> | <u>Over 5 years</u> |
|---|----------------------------|-----------------------------------|--------------------------|------------------|------------------|-------------------------|
| December 31, 2020 | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Short-term borrowings | \$ 1,871,991 | 1,874,141 | 1,874,141 | - | - | - |
| Notes payable | 181,329 | 181,329 | 181,329 | - | - | - |
| Accounts payable | 389,570 | 389,570 | 389,570 | - | - | - |
| Lease liabilities | 293,710 | 368,784 | 41,390 | 46,065 | 53,220 | 228,109 |
| Other payable | 407,211 | 407,211 | 407,211 | - | - | - |
| Payables on equipment | 17,545 | 17,545 | 17,545 | - | - | - |
| Long-term borrowings (including current portion) | <u>1,290,000</u> | <u>1,315,642</u> | <u>40,342</u> | <u>1,074,168</u> | <u>201,132</u> | <u>-</u> |
| | \$ 4,451,356 | 4,554,222 | 2,951,528 | 4,453,355 | 4,588,835 | 228,109 |

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | <u>Carrying amount</u> | <u>Contractual cash flows</u> | <u>within 1 year</u> | <u>1~2 years</u> | <u>2~5 years</u> | <u>Over 5 years</u> |
|---|----------------------------|-----------------------------------|--------------------------|-----------------------|-----------------------|-------------------------|
| December 31, 2019 | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Short-term borrowings | \$ 2,473,321 | 2,476,739 | 2,476,739 | - | - | - |
| Notes payable | 152,138 | 152,138 | 152,138 | - | - | - |
| Accounts payable | 295,375 | 295,375 | 295,375 | - | - | - |
| Lease liabilities | 309,045 | 387,974 | 41,091 | 48,986 | 64,669 | 233,228 |
| Other payable | 252,252 | 252,252 | 252,252 | - | - | - |
| Payables on equipment | 11,902 | 11,902 | 11,902 | - | - | - |
| Long-term borrowings (including current portion) | <u>1,459,748</u> | <u>1,488,574</u> | <u>474,236</u> | <u>410,116</u> | <u>604,222</u> | <u>-</u> |
| | <u>\$ 4,953,781</u> | <u>5,064,954</u> | <u>3,703,733</u> | <u>459,102</u> | <u>668,891</u> | <u>233,228</u> |

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

| | <u>December 31, 2020</u> | | | <u>December 31, 2019</u> | | |
|------------------------------|-----------------------------|--------------------------|------------|-----------------------------|--------------------------|------------|
| | <u>Foreign currency</u> | <u>Exchange rate</u> | <u>TWD</u> | <u>Foreign currency</u> | <u>Exchange rate</u> | <u>TWD</u> |
| <u>Financial assets</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD | \$ 38,208 | 28.48 | 1,088,159 | 31,506 | 29.98 | 944,551 |
| JPY | 198,631 | 0.28 | 55,617 | 229,189 | 0.28 | 64,173 |
| RMB | 74,740 | 4.38 | 327,363 | 74,855 | 4.31 | 322,007 |
| <u>Non-monetary items</u> | | | | | | |
| JPY | - | - | - | 423,000 | 0.28 | 116,748 |
| <u>Financial liabilities</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD | 33,857 | 28.50 | 964,247 | 33,955 | 30.00 | 1,018,650 |
| JPY | 139,703 | 0.28 | 39,117 | 153,310 | 0.28 | 42,927 |
| RMB | 8,032 | 4.40 | 35,179 | 1,792 | 4.33 | 7,759 |

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
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2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, loans and borrowings, and accounts payable that are denominated in foreign currency. A strengthening (weakening) 1% of appreciation (depreciation) of the NTD against the USD, JPY and RMB for the years ended December 31, 2020 and 2019, would have changed the profit by \$3,461 and \$2,091 thousand, respectively, and equity by \$0 thousand and \$1,168 thousand, respectively. The analysis is performed on the same basis for 2020 and 2019.

3) Foreign exchange gains and losses on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gains (losses) on monetary items is disclosed by total amount. For the years ended December 31, 2020 and 2019, foreign exchange losses (including realized and unrealized portions) are exchange losses amounted to \$15,520 and \$451 thousand, respectively.

(iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increase or decreases by 1% when reporting to management internally, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate had increased/decreased by 1%, the Group's profit would have changed by \$25,296 thousand and \$31,465 thousand, respectively, for the years ended December 31, 2020 and 2019, with all other variable factors that remain constant. This is mainly due to the Group's borrowing at floating rates.

(v) Other price risk

For the years ended December 31, 2020 and 2019, the sensitivity analyses for changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

| Prices of securities at reporting day | 2020 | | 2019 | |
|--|---|------------|---|------------|
| | Other comprehensive income after tax | Net income | Other comprehensive income after tax | Net income |
| Increase 1% | \$ 9,948 | - | 11,021 | - |
| Decrease 1% | \$ (9,948) | - | (11,021) | - |

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
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(vi) Fair value of financial instruments

1) Categories and fair values of financial instruments

The fair value of financial assets and liabilities at fair value through profit and loss and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows, however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

| | December 31, 2020 | | | | |
|--|----------------------------|-------------------------|-----------------|----------------------|-------------------------|
| | Carrying amount | Fair value | | | Total |
| Level 1 | | Level 2 | Level 3 | | |
| Financial assets mandatorily measured at fair value through profit or loss | | | | | |
| Monetary market fund | \$ 60,100 | 60,100 | - | - | 60,100 |
| Financial assets at fair value through other comprehensive income | | | | | |
| Stocks listed on domestic markets | 944,615 | 944,615 | - | - | 944,615 |
| Domestic unlisted common shares | 50,190 | - | - | 50,190 | 50,190 |
| Subtotal | <u>994,805</u> | <u>944,615</u> | <u>-</u> | <u>50,190</u> | <u>994,805</u> |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | \$ 1,334,808 | - | - | - | - |
| Financial assets at amortized cost | 12,896 | - | - | - | - |
| Notes and accounts receivable | 1,597,369 | - | - | - | - |
| Other financial assets | 29,777 | - | - | - | - |
| Subtotal | <u>2,974,850</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total | \$ <u>4,029,755</u> | <u>1,004,715</u> | <u>-</u> | <u>50,190</u> | <u>1,054,905</u> |
| Financial liabilities measured at amortized cost | | | | | |
| Bank loans | \$ 3,161,991 | - | - | - | - |
| Notes and accounts payable | 570,899 | - | - | - | - |
| Lease liabilities | 293,710 | - | - | - | - |
| Other payable | 407,211 | - | - | - | - |
| Payables on equipment | 17,545 | - | - | - | - |
| Total | \$ <u>4,451,356</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | December 31, 2019 | | | | |
|--|---------------------|------------------|----------|---------------|------------------|
| | Carrying amount | Fair value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets mandatorily measured at fair value through profit or loss | | | | | |
| Monetary market fund | \$ 30,023 | 30,023 | - | - | 30,023 |
| Financial assets at fair value through other comprehensive income | | | | | |
| Stocks listed on domestic and foreign markets | 1,040,091 | 1,040,091 | - | - | 1,040,091 |
| Domestic unlisted common shares | 62,036 | - | - | 62,036 | 62,036 |
| Subtotal | <u>1,102,127</u> | <u>1,040,091</u> | <u>-</u> | <u>62,036</u> | <u>1,102,127</u> |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | \$ 978,856 | - | - | - | - |
| Notes and accounts receivable | 1,651,626 | - | - | - | - |
| Other financial assets | 29,223 | - | - | - | - |
| Subtotal | <u>2,659,705</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 3,791,855</u> | <u>1,070,114</u> | <u>-</u> | <u>62,036</u> | <u>1,132,150</u> |
| Financial liabilities measured at amortized cost | | | | | |
| Bank loans | \$ 3,933,069 | - | - | - | - |
| Notes and accounts payable | 447,513 | - | - | - | - |
| Lease liabilities | 309,045 | - | - | - | - |
| Other payable | 252,252 | - | - | - | - |
| Payables on equipment | 11,902 | - | - | - | - |
| Total | <u>\$ 4,953,781</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

2) Valuation techniques for financial instruments measured at fair value

a) Non-derivative instruments

The fair value of financial instruments traded in an active market is based on the quoted market prices. The quotations, which is published by the main exchange center, is included in the fair value of the listed securities instruments in an active market with open bid.

A financial instrument is regarded as the quoted price in an active market if the quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency; and if those prices represent the actual and regularly occurring market transactions on an arm's length basis. Otherwise, the market is deemed to be inactive. Normally, a market is considered to be inactive as follows:

- i) the bid-ask spread is increasing; or

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- ii) the bid-ask spread varies significantly; or
- iii) there has been a significant decline in trading volume.

When the financial instrument of the Group is traded in an active market, its fair value is illustrated by the category and nature as follows:

- The fair value of stocks listed on domestic and foreign markets, which are the financial assets with standard terms and conditions and traded in an active market, are based on the market closing prices.

Except the aforementioned financial instruments, with active market the others' fair value is based on valuation techniques. Fair value, measured by using valuation technique that can be extrapolated from either similar financial instruments or discounted cash flow method or other valuation techniques, including models, is calculated based on available market data at the reporting data.

When the financial instrument of the Group is traded in an inactive market, its fair value is illustrated by the category and nature as follows:

- Unquoted equity instruments: the fair value of financial instruments transactions in an inactive market, which is valued by comparable method. The main hypothesis is referred from the quotations of comparable listed companies and earning multiplies of PBR proportion as basic, which is adjusted by the discount affections of equity securities lacking market liquidity.

b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models. Fair value of forward currency is usually determined by the forward currency exchange rate.

3) Transfers between Level 1 and Level 2

The Group didn't have any fair value transfer between levels for the years ended December 31, 2020 and 2019.

4) Reconciliation of Level 3 fair values

| | Fair value through other comprehensive income |
|--|--|
| | Unquoted equity instruments |
| Balance on January 1, 2020 | \$ 62,036 |
| Total gains or losses: | |
| Recognized in other comprehensive income | (11,846) |
| Balance on December 31, 2020 | \$ 50,190 |

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
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| | Fair value through other comprehensive income |
|--|--|
| | Unquoted equity instruments |
| Balance on January 1, 2019 | \$ 92,769 |
| Total gains or losses: | |
| Recognized in other comprehensive income | (30,733) |
| Balance on December 31, 2019 | \$ 62,036 |

The aforementioned total gains or losses were included “unrealized gains (losses) on equity investment measured at fair value through other comprehensive income”, which related to holding assets on December 31, 2020 and 2019 were as follows:

| | 2020 | 2019 |
|--|--------------------|-----------------|
| Recognized in other comprehensive income | \$ (11,846) | (30,733) |

- 5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value were “financial assets measured at fair value through other comprehensive income – debt investments”.

Most of the Group's financial instruments that use level 3 inputs to measure fair value have multiple significant unobservable inputs. There is no correlation existence among the significant unobservable inputs of equity investments that have no active markets because they were independent of each other.

Quantified information of significant unobservable inputs was as follows:

| Item | Valuation technique | Significant unobservable inputs | Inter-relationship between significant unobservable inputs and fair value measurement |
|---|--------------------------------------|--|--|
| Financial assets measured at fair value through other comprehensive income- equity investments without an active market | Comparable Listed companies approach | <ul style="list-style-type: none"> • Price-Book Ratio (as of December 31, 2020 and 2019 were 3.35~4.46 and 3.57~4.03, respectively) • Market liquidity discount rate (as of December 31, 2020 and 2019 were all 20%) | <ul style="list-style-type: none"> • The estimated fair value would increase if the multiplier was higher. • The estimated fair value would decrease if market liquidity discount rate was higher. |

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
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- 6) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The Group's measurements of financial instruments' fair value were reasonable, only if using different variables leading different results. For the fair value measurements in level 3, if changing valuation variables, would have the following effects on other comprehensive income on December 31, 2020 and 2019:

| Inputs | Upwards or Downwards | Fair value variation on other comprehensive income | | | |
|--------------------------------|----------------------|--|-------------------|-------------------|-------------------|
| | | Favorable | | Unfavorable | |
| | | December 31, 2020 | December 31, 2019 | December 31, 2020 | December 31, 2019 |
| Price-book ratio | 5% | 2,557 | 2,958 | (2,557) | (2,958) |
| Market liquidity discount rate | 5% | 2,483 | 3,205 | (2,483) | (3,205) |

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

- (x) Financial risk management

- (i) Overview

The Group have exposures to the following risks from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

Detailed information about exposure risk arising from the aforementioned risk and the Group's objective, policies and process for managing risks have been stated below. Further quantitative disclosures have been disclosed as notes to the consolidated financial statements.

- (ii) Risk management framework

The Group's inter departmental management and committee, which consists of general manager and managers from all departments, including manufacturing, research and development, environment, health and safety, financial and audit, is responsible to hold a meeting regularly for monitoring the Group's risk management policies.

The executive and responsible departments of risk management are as follows:

- 1) Financial risk, liquidity risk, credit risk and legal risk: based on regulations, government policy and analysis of market change, financial division and legal division make the strategy to reflect, then execute the strategy. The internal auditor reviews the risks control and procedures for the aforementioned risks.

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- 2) Market risk: the Group's SBUs and functional division are responsible to make the strategy to identify risk based on regulation, government policy and analysis of market change, then execute the strategy. In order to manage the risk of market change dramatically, management with SBUs managers will establish a task force when it is necessary.
- 3) Operating strategy risk: in order to monitor the operating strategy in compliance with the Group's vision and meet the operating goals, general manager division with management of SBUs will evaluate the risk of operational policy through performance evaluation periodically.

The Group's Audit Committee oversees how management monitors counterparty with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's Audit Committee is assisted in its oversight role by the internal auditor. The internal auditor undertakes both regular and exceptional reviews of risk management controls and the procedures, and the result of which are reported to the Audit Committee.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to financial instruments fails to meet its contractual obligations that arises principally from the Group's accounts receivable and investments in securities.

1) Accounts receivable and other receivable

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. According to the credit policy, the Group analyzes each new customer individually for their credit worthiness before granting the new customer standard payment terms. Credit lines are established for each customer and reviewed periodically.

The Group did not require any collateral for accounts receivable and other receivable.

2) Investments

The credit risk exposure in the bank deposits, and equity instruments are measured and monitored by the Group's finance department. Since the Group's transactions resulted from the external parties with good credit standing highly rated financial institutions, publicly-traded stock companies and unlisted companies with good reputation, there are no non-compliance issues and therefore no significant credit risk.

3) Guarantees

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries.

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
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(iv) Liquidity risk

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

Loans and borrowings from the bank form an important source of liquidity for the Group. As of December 31, 2020 and 2019, the Group's unused credit line were amounted to \$4,033,243 thousand and \$3,848,127 thousand, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risk. All such transactions are carried out within the guidelines of derivative transaction management set by the board of directors and general meeting of shareholders and the related financial transactions are under oversight by internal auditor. The management of the Group's market risk are as follows:

1) Currency risk

The Group is exposed to currency risk on foreign currency assets and liabilities resulted from operating, financing and investing activities. The Group hedges the currency risk by derivatives. Most of the foreign exchange gains and losses arising from foreign currency assets and liabilities will be offset by the gains or losses on derivative instruments. The Group may reduce the currency risk through derivative instruments but do not avoid all of the currency influence resulted from foreign currency exchange.

The Group monitors the exposure of individual foreign currency assets and liabilities periodically. When necessary, the Group uses foreign currency options and forward exchange contracts to hedge above currency risk exposure. The duration of foreign currency options and forward exchange contracts are within one year and do not meet the criteria for hedge accounting.

2) Interest rate risk

The Group's exposure of interest rate risk is mainly from floating-rate loans. Any change in interest rates will cause influence in the effective interest rates of loans and thus cause the alternation of future cash flows. The Group enters into and designates interest rate swaps and other capital market financing as hedges of the variability in cash flows by continuing to review the interest rate variability in order to control the financial cost at the relatively low in market interest rate.

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3) Other market price risk

The Group monitors the risk arising from its available-for-sale security instruments, which are held for monitoring cash flow requirements and unused capital. The management of the Group monitors the combination of equity securities in its investment portfolio based on cash flow requirements. Material investments within the portfolio are managed on an individual basis, and all buy-and-sell decisions are approved by the Board of Directors.

(y) Capital management

The Board's policy is to keep a strong capital base in order to maintain investor, creditor and market confidence, and to sustain future development of the business. Capital consists of ordinary shares, paid-in capital, retained earnings and non-controlling interest of the Company. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

| | December 31, 2020 | December 31, 2019 |
|---------------------------------|------------------------------|------------------------------|
| Total liability | \$ 4,838,006 | 5,484,643 |
| Less: cash and cash equivalents | 1,334,808 | 978,856 |
| Net liability | \$ 3,503,198 | 4,505,787 |
| Total equity | \$ 8,388,383 | 8,138,719 |
| Debt-to-equity ratio | 42 % | 55 % |

There were no change in the Group's approach to capital management for the year ended December 31, 2020.

(z) Investing and financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities were as follows:

| | January 1, 2020 | Cash flows | Non-cash changes | | December 31, 2020 |
|---|------------------------|-------------------|--------------------------------------|---------------|--------------------------|
| | | | Foreign exchange movement | Others | |
| Short-term borrowings | \$ 2,473,321 | (605,069) | 3,739 | - | 1,871,991 |
| Long-term borrowings | 1,459,748 | (170,000) | - | 252 | 1,290,000 |
| Lease liabilities | 309,045 | (35,575) | 1,070 | 19,170 | 293,710 |
| Total liabilities from financing activities | \$ 4,242,114 | (810,644) | 4,809 | 19,422 | 3,455,701 |

| | January 1, 2019 | Cash flows | Non-cash changes | | December 31, 2019 |
|---|------------------------|-------------------|--------------------------------------|---------------|--------------------------|
| | | | Foreign exchange movement | Others | |
| Short-term borrowings | \$ 2,589,403 | (86,401) | (29,681) | - | 2,473,321 |
| Long-term borrowings | 1,723,988 | (265,000) | - | 760 | 1,459,748 |
| Lease liabilities | 333,450 | (34,257) | (820) | 10,672 | 309,045 |
| Total liabilities from financing activities | \$ 4,646,841 | (385,658) | (30,501) | 11,432 | 4,242,114 |

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
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(7) Related-party transactions:

(a) Names and relationship with related parties

The following is the entity that has had transactions with related party during the periods covered in the consolidated financial statements.

| Name of related party | Relationship with the Group |
|--|--|
| Chung Hwa Chemical Industrial Works, Ltd. (CHCIW) | The entity's chairman is the director of the Company |

(b) Significant transactions with related parties

(i) Purchase

The amounts of significant purchases by the Group from related parties were as follows:

| | 2020 | 2019 |
|-------|-----------|--------|
| CHCIW | \$ 33,079 | 36,439 |

The prices, payment terms and other terms and conditions of purchase transactions with related parties were not materially different from those of the third-party vendors.

(ii) Payables to related parties

| Account | Name of related party | December 31, 2020 | December 31, 2019 |
|----------------------------|-----------------------|----------------------|----------------------|
| Notes and accounts payable | CHCIW | \$ 14,751 | 11,829 |

(c) Key management personnel compensation

| | 2020 | 2019 |
|------------------------------|-----------|--------|
| Short-term employee benefits | \$ 31,055 | 33,529 |
| Post-employment benefits | 560 | 904 |
| | \$ 31,615 | 34,433 |

(8) Pledged assets: None.

(9) Commitments and contingencies:

(a) The Group's unrecognized contractual commitment are as follows:

| | December 31, 2020 | December 31, 2019 |
|--|----------------------|----------------------|
| Acquisition of property, plant and equipment | \$ 58,272 | 106,770 |

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
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(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

(12) Other:

(a) A summary of employee benefits, depreciation, and amortization, by function, is as follows:

| By item | By function | 2020 | | | 2019 | | |
|----------------------------|-------------|-----------------|--------------------|-----------|-----------------|--------------------|-----------|
| | | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Employee benefits | | | | | | | |
| Salary | | 662,769 | 561,473 | 1,224,242 | 750,709 | 608,364 | 1,359,073 |
| Labor and health insurance | | 66,786 | 53,721 | 120,507 | 71,813 | 58,893 | 130,706 |
| Pension | | 34,143 | 30,082 | 64,225 | 45,092 | 37,142 | 82,234 |
| Remuneration of directors | | - | 14,694 | 14,694 | - | 18,717 | 18,717 |
| Others | | 26,747 | 19,651 | 46,398 | 33,119 | 28,714 | 61,833 |
| Depreciation (note) | | 515,635 | 163,582 | 679,217 | 515,968 | 163,302 | 679,270 |
| Amortization | | 2,096 | 26,990 | 29,086 | 1,863 | 18,217 | 20,080 |

Note: For the year ended December 31, 2020, depreciation expenses recognized were \$679,301 thousand, less deferred gains of \$84 thousand.

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(13) Other disclosures:

(a) Information on significant transactions

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the year ended December 31, 2020:

1. Loans to other parties:

| Number | Name of lender | Name of borrower | Account name | Other receivable from related parties | Related Party | Highest balance of financing to other parties during the period | Ending balance | Actual usage amount during the period | Range of interest rates during the period | Purposes of fund financing for the borrower | Transaction amount for business between two parties | Reasons for short-term financing | Allowance for bad debt | Collateral | | Individual funding loan limits (Note 1) | Maximum limit of fund financing (Note 1) |
|--------|----------------|------------------|--------------|---------------------------------------|---------------|---|----------------|---------------------------------------|---|---|---|----------------------------------|------------------------|------------|-------|---|--|
| | | | | | | | | | | | | | | Item | Value | | |
| 0 | ECIC | EVSZ | | Other receivable from related parties | Yes | 151,125 | 142,400 | - | - | 2 | - | Short-term operation financing | - | NA | - | 808,730 | 3,234,921 |

Note1 : According to the Company’s Operating Procedures of Fund Lending and Guarantee, the amount of loaned fund shall be limited to 40% of the lending company’s net worth. The individual lending amount shall not exceed 10% of the lending company’s net worth.

Note2 : The nature of financing as follow:

1. Business transaction calls for a loan arrangement.
2. The need for short-term financing.

2. Guarantees and endorsements for other parties

| Number | Name of guarantor | Counter-party of guarantee and endorsement | | Limitation on amount of guarantees and endorsements for a specific enterprise (Note 1) | Highest balance for guarantees and endorsements during the period | Balance of guarantees and endorsements as of reporting date | Actual usage amount during the period | Property pledged for guarantees and endorsements Amount | Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements | Maximum amount for guarantees and endorsements (Note 1) | Parent company endorsements/guarantees to subsidiary | Subsidiary endorsements/guarantees to parent company | Endorsements/guarantees to the companies in mainland China |
|--------|-------------------|--|--|--|---|---|---------------------------------------|---|---|---|--|--|--|
| | | Name | Relationship with the Company (Note 2) | | | | | | | | | | |
| 0 | ECIC | EVSZ | Subsidiary | 808,730 | 60,500 | 56,960 | 19,936 | - | 0.70% | 2,021,826 | Yes | No | No |

Note1 : According to the Company’s Operating Procedures of Fund Lending and Guarantee, the amount of guarantees shall be limited to 25% of the Company’s net worth. The individual guarantee amount shall not exceed 10% of the Company’s net worth.

Note2 : The relationship of guarantee and endorsement with the Company and counter-party:

1. The Company that has a business relationship with endorsement/guarantee provider.
2. A subsidiary in which endorser/guarantor provider holds directly over 50% of equity interest.
3. An investee in which endorsement/guarantee provider and its subsidiaries hold over 50% of equity interest.
4. An investor which holds directly or indirectly over 50% of equity interest of endorser/guarantor provider.
5. The Company that has provided guarantees to endorsement/guarantee provider, and vice versa, due to contractual requirements.
6. An investee in which endorsement/guarantee provider jointly invests with other stockholders, and for which endorsement/guarantee provider has provided endorsement/guarantee provider in proportion to its shareholding percentage.
7. Peer engaged in the escrow of the sales contract on pre-sale house under the Consumer Protection Act.

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Notes to Consolidated Financial Statements

3. Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

| Name of holder | Category and name of security | Relationship with company | Account | Shares/Units | Ending balance | | Highest balance during the year | Note |
|----------------|---|---------------------------|---|--------------|----------------|-------------------------|---------------------------------|------|
| | | | | | Carrying value | Percentage of Ownership | | |
| ECIC | Jin Sun Money Market Fund | - | Financial assets at fair value through profit or loss-current | 2,010 | 30,051 | - | 2,010 | |
| " | Franklin Templeton Sinoam Money Market Fund | - | " | 2,881 | 30,049 | - | 2,881 | |
| | Total | | | | 60,100 | | | |
| ECIC | Polytronics Technology Corp. | - | Financial assets at fair value through other comprehensive income-non-current | 8,000 | 440,606 | 10% | 10,000 | |
| " | Chung Hwa Chemical Industrial Works, LTD | - | " | 5,500 | 92,217 | 5% | 10,500 | |
| " | General Plastic Industrial Co., Ltd. | - | " | 2,140 | 74,900 | 2% | 2,140 | |
| GLTP | Andros Pharmaceuticals Co., Ltd. | - | " | 3,880 | 77,800 | 15% | 3,880 | |
| TTI | Taiwan Bio Therapeutics Co., Ltd. | - | " | 414 | 11,400 | 3% | 414 | |
| | General Plastic Industrial Co., Ltd. | - | " | 2,140 | 74,900 | 2% | 2,140 | |
| | Total | | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | - | 222,982 | | | |
| | | | | | 994,805 | | | |
| | | | | | | | 994,805 | |

4. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

5. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

6. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

7. Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:

| Name of company | Counter-party | Nature of relationship | Purchase/Sale | Transaction details | | Transactions with terms different from others | | Notes/Accounts receivable (payable) |
|-----------------|---------------|------------------------|---------------|---------------------|-------------------------------------|--|---|-------------------------------------|
| | | | | Amount | Percentage of total purchases/sales | Unit price | Payment terms | |
| ECIC | EVUS | Subsidiary | Sale | 165,271 | 2.72% | OA 100 | Payment terms | Ending balance |
| | | | | | | Non material differences from those of third-parties | Non material differences from those of third-parties | 49,959 |
| " | ELITE | " | " | 348,880 | 5.73% | OA 100 | " | 83,474 |
| " | EYEU | " | " | 580,529 | 9.54% | OA 90 | " | 85,289 |
| " | EVSH | " | " | 215,232 | 3.54% | OA 90 | " | 32,825 |
| " | EVSZ | " | " | 231,133 | 3.80% | OA 90 | " | 46,617 |
| " | ETGZ | " | " | 131,737 | 2.16% | OA 90 | " | 65,653 |
| " | ETSH | " | " | 177,289 | 2.91% | OA 90 | " | 38,825 |
| | | | | | | | Percentage of total notes/accounts receivable (payable) | |
| | | | | | | | | 6.41% |
| | | | | | | | | Note |
| | | | | | | | | Note |
| | | | | | | | | Note |
| | | | | | | | | Note |
| | | | | | | | | Note |
| | | | | | | | | Note |
| | | | | | | | | Note |

Note : The amounts of the transaction and the ending balance had been eliminated in the consolidated financial statements.

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

8. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.

9. Trading in derivative instruments: Please refer to Note 6(b).

10. Significant transactions and business relationships between the parent company and its subsidiaries:

| Number (Note 1) | Name of company | Name of counter-party | Nature of relationship (Note 2) | Intercompany transactions | | | Percentages of the consolidated net revenue or total assets |
|--------------------|--------------------|-----------------------|---------------------------------------|---------------------------|---------|---|---|
| | | | | Account name | Amount | Trading terms | |
| 0 | ECIC | EVEU | 1 | Operating revenue | 580,529 | No material differences from those of third parties | 9.54% |
| 0 | " | ELITE | 1 | " | 348,880 | " | 5.73% |
| 0 | " | EVSZ | 1 | " | 231,133 | " | 3.80% |
| 0 | " | EVSH | 1 | " | 215,232 | " | 3.54% |
| 0 | " | EVUS | 1 | " | 165,271 | " | 2.72% |
| 0 | " | ETSH | 1 | " | 177,289 | " | 2.91% |
| 0 | " | ETGZ | 1 | " | 131,737 | " | 2.16% |
| 0 | " | ADSH | 1 | " | 98,112 | " | 1.61% |
| 0 | " | EVHK | 1 | " | 77,903 | " | 1.28% |
| 1 | TTI | EVSZ | 2 | " | 95,581 | " | 1.57% |

Note 1: Company numbering as follows:

Parent company - 0

Subsidiary starts from 1

Note 2: The numbering of the relationship between transaction parties as follows:

Parent company to subsidiary - 1

Subsidiary to subsidiary - 2

Note 3: These accounts are disclosed based on the amounts represented to 1% of consolidated net sales.

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(b) Information on investments (excluding investment in mainland China):

The following are the information on investees for the nine months ended December 31, 2020 (excluding investment in mainland China):

| Name of investor | Name of investee | Location | Main businesses and products | Original investment amount | | Shares (thousands) | Balance of December 31, 2020 | | Highest balance during the year | Net income (losses) of investee | Share of profits/losses of investee | Note |
|------------------|----------------------------------|--------------|--|----------------------------|-------------------|--------------------|------------------------------|----------------|---------------------------------|---------------------------------|-------------------------------------|----------|
| | | | | December 31, 2020 | December 31, 2019 | | Percentage of ownership | Carrying value | | | | |
| ECIC | EVUS | America | Main businesses and products related raw materials | 88,868 | 88,868 | 300 | 100.00% | 113,192 | 300 | 1,961 | 1,961 | (Note 3) |
| " | EVHK | Hong Kong | Selling chemical product and related raw materials | 34,579 | 34,579 | 1,000 | 100.00% | 40,634 | 1,000 | 3,743 | 3,743 | (Note 3) |
| " | EVSG | Singapore | Investing business | 779,115 | 779,115 | 24,300 | 100.00% | 931,109 | 24,300 | 35,695 | 35,695 | (Note 3) |
| " | EVEU | Netherlands | Selling chemical product and related raw materials | 7,890 | 7,890 | 1 | 100.00% | 44,858 | 1 | 2,783 | 2,783 | (Note 3) |
| " | TTI | Hsinchu City | Manufacturing and selling toners of laser printer, copier and fax machine | 242,192 | 242,192 | 44,906 | 76.15% | 587,963 | 44,906 | (77,561) | (59,033) | (Note 3) |
| " | ELITE | Turkey | Selling chemical product and related raw materials | 45,016 | 45,016 | 22 | 50.00% | 103,714 | 22 | 10,629 | 5,315 | (Note 3) |
| " | GOODTV | Taipei City | Cable TV channels | 19,000 | 19,000 | 1,900 | 22.35% | 20,593 | 1,900 | 430 | 96 | (Note 1) |
| " | TAK | Taoyuan City | Manufacturing of inductance core and cathode materials of Lithium ion battery | 58,600 | 58,600 | 10,000 | 16.78% | 36,064 | 10,000 | 19,143 | 3,736 | (Note 1) |
| " | DCBM | Taoyuan City | Manufacturing of medical supplies and providing service of biological technology | 62,555 | 62,555 | 6,325 | 91.26% | 8,340 | 6,325 | (2,479) | (2,263) | (Note 3) |
| " | GLTP | Taipei City | Investing business | 100,000 | 100,000 | 10,000 | 100.00% | 22,256 | 10,000 | (18,577) | (18,577) | (Note 3) |
| | Unrealized gross profit on sales | | | - | - | | | (55,642) | | - | - | |
| | | | | 1,437,815 | 1,437,815 | | | 1,853,081 | | (26,544) | | |
| GLTP | KEYSTONE | Taipei City | Research and development and manufacturing pharmaceuticals | - | 75,000 | - | 0.00% | - | 7,500 | - | - | (Note 2) |

Note 1: These companies are the investees of investments accounted for using equity method. Investment income (loss) arisen from these companies were included in share of profit of subsidiaries accounted for using equity method of the Company.

Note 2: KEYSTONE has been dissolved and liquidated in 2020, and the related procedure has been completed.

Note 3: The amounts of the transactions and the ending balance had been eliminated in the consolidated financial statements.

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(c) Information on investment in mainland China:

(i) The names of investees in mainland China, the main businesses and products, and other information:

| Name of investee | Main businesses and products | Total amount of paid-in capital | | Method of investment | Accumulated outflow of investment from Taiwan as of | | Investment flows | | Net income (losses) of the investee | Percentage of ownership | Highest balance during the year | Investment income (losses) (Note 2) | Book value | Units in Thousands | |
|------------------|---|---------------------------------|---------|----------------------|---|---------|------------------|---------|-------------------------------------|-------------------------|---------------------------------|-------------------------------------|------------|--------------------|--------|
| | | USD | NTD | | USD | NTD | Outflow | Inflow | | | | | | USD | TWD |
| ETSH (Note 7) | Selling chemical product and related raw materials | 1,700 (Note 6) | 48,416 | (Note 1) | 700 | 19,936 | 700 | 19,936 | 11,804 | 100.00% | 100.00% | 11,804 | 147,218 | 2,961 | 84,329 |
| ETGZ (Note 7) | Selling chemical product and related raw materials | 700 (Note 4) | 19,936 | (Note 1) | 200 | 5,696 | 200 | 5,696 | 11,330 | 100.00% | 100.00% | 11,330 | 80,871 | 1,523 | 43,375 |
| EYSH (Note 7) | Selling chemical product and related raw materials | 1,250 (Note 4) | 35,600 | (Note 1) | 1,100 | 31,328 | 1,100 | 31,328 | 5,510 | 100.00% | 100.00% | 5,510 | 148,955 | 950 | 27,056 |
| EVSZ (Note 7) | Manufacturing and selling color chemical, toner and electronic high tech chemical product | 20,000 (Note 4) | 569,600 | (Note 1) | 18,600 | 529,728 | 18,600 | 529,728 | (3,631) | 100.00% | 100.00% | (3,631) | 481,316 | - | - |
| ANDA (Note 7) | Selling electronic high tech chemical product | 1,200 (Note 4) | 34,176 | (Note 1) | 650 | 18,512 | 650 | 18,512 | 11,751 | 56.25% | 56.25% | 6,610 | 15,927 | - | - |
| ADSH (Note 7) | Selling electronic high tech chemical product | 157 (Note 5) | 4,471 | (Note 5) | - | - | - | - | 10,654 | 56.25% | 56.25% | 5,993 | 7,802 | - | - |
| 3ESZ | Manufacturing and selling chemical product and related raw materials | 6,600 (Note 4) | 187,968 | (Note 1) | 2,490 | 70,915 | 2,490 | 70,915 | 10,675 | 40.00% | 40.00% | 4,270 | 55,499 | - | - |

Note 1: Reinvest in mainland China through third place (EYSG).

Note 2: These financial statements are audited by the same auditor of the Taiwan parent company and accounted for equity method.

Note 3: Exchange rate: NTD vs USD (1:28.48). Expressed in thousands of New Taiwan Dollars unless otherwise specified.

Note 4: EVSG invested in ETGZ USD 500 thousand, EVSH USD 150 thousand, EVSZ USD 1,400 thousand, ANDA USD 25 thousand and 3ESZ USD 150 thousand by owned funds.

Note 5: ANDA invested in ADSH amounted to RMB 1,000 thousand (USD 157 thousand) by owned funds.

Note 6: Included the capital increasing amounted to USD 1,000 thousand from earning.

Note 7: The amounts of the transaction and the ending balance had been eliminated in the consolidated financial statements.

(ii) Limitation on investment in mainland China:

| Accumulated investment in mainland China as of December 31, 2020 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment |
|--|--|---------------------------|
| 724,446 (USD 25,437) | 659,198 (USD 23,146) | 5,033,029 |

As of December 31, 2020, the difference between accumulated investment in mainland China and investment amounts authorized by Investment Commission, MOEA was amounted to USD (2,291) thousand, including the follows:

(i) ETSH: capital increasing amounted to USD 1,000 thousand from earning.

(ii) EVSG: investment amounted to USD 2,425 thousand by owned funds.

(iii) EVSG: remittance of earnings amounted to USD (5,716) thousand.

(iii) Significant transactions:

For the year ended December 31, 2020, the information on direct or indirect significant transactions with investees in mainland China, which had been eliminated in the consolidated financial statements, is disclosed in Note (13)(a) Information on significant transactions.

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(d) Major shareholders :

| | | (In Shares) | |
|--------------|--------------------------------|-------------|------------|
| Shareholding | Shareholder's Name | Shares | Percentage |
| | CHEN, DING-CHUAN | 68,000,000 | 12.41% |
| | ETHICAL INVESTMENT CORPORATION | 36,900,000 | 6.73% |

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(14) Segment information:

(a) General information

The reportable segments and its operating were as follows:

- (i) Color chemicals: manufacturing textile dye, leather dye, inkjet dye, metal dye, paper dye, textile functional chemicals, digital textile printing ink, dye for DSSC, colors pigments and etc.
- (ii) Specialty chemicals: manufacturing of weatherability HALS, plastic HALS, PU/TPU anti-yellowing materials and cosmetic sun-screening materials.
- (iii) Pharmaceuticals: manufacturing of prostaglandin API, cardiovascular disease API and Parkinson disease API.
- (iv) Electronic chemicals: manufacturing of industrial photoresist for IC, LCD, LED and TP, developers, slurry and functional surface nano coating.
- (v) Toner: manufacturing and sale of toner for laser printer, copier and fax machine.

(b) Information about reportable segments and their measurement and reconciliations

Taxation, are managed on a group basis, and hence they are not able to be allocated to each reportable segment. The reportable amount is similar to that in the report used by the chief operating decision maker.

The operating segment accounting policies are similar to those described in note 4 "summary of significant accounting policies". The Group uses operating segment profit or loss as the basis to determine resource allocation and make a performance evaluation. The Group treated intersegment sales and transfers as third-party transactions.

The Group's operating segment information and reconciliation are as follow:

| | 2020 | | | | | | | Reconciliation and elimination | Total |
|---|---------------------|------------------------|-------------------------|------------------|------------------|---------------|----------|-----------------------------------|-------|
| | Color chemicals | Specialty chemicals | Electronic chemicals | Toner | Pharmaceuticals | Others | - | | |
| Revenue from external customers | \$ 3,557,854 | 1,772,638 | 1,136,424 | 1,097,974 | 201,755 | 2,421 | - | 7,769,066 | |
| Intersegment revenue | - | - | - | - | - | - | - | - | |
| Interest revenue | - | - | - | - | - | 3,601 | - | 3,601 | |
| Total revenue | \$ 3,557,854 | 1,772,638 | 1,136,424 | 1,097,974 | 201,755 | 6,022 | - | 7,772,667 | |
| Interest expense | \$ 28,307 | 11,856 | 7,667 | 13,562 | 2,531 | 2 | - | 63,925 | |
| Depreciation and amortization | \$ 319,857 | 112,038 | 48,367 | 119,952 | 101,388 | 6,701 | - | 708,303 | |
| Gains on investment | \$ - | - | - | - | - | 8,102 | - | 8,102 | |
| Reportable segment profit (loss) | \$ 290,341 | 166,489 | 37,275 | (97,657) | (165,676) | 34,004 | - | 264,776 | |

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| | 2019 | | | | | | | Total |
|----------------------------------|---------------------|------------------------|-------------------------|------------------|---------------------------|---------------|-----------------------------------|------------------|
| | Color chemicals | Specialty chemicals | Electronic chemicals | Toner | Pharmaceuticals (Note) | Others | Reconciliation and elimination | |
| Revenue from external customers | \$ 4,602,177 | 2,055,000 | 965,235 | 1,515,822 | 189,286 | 4,556 | - | 9,332,076 |
| Intersegment revenue | - | - | - | - | - | - | - | - |
| Interest revenue | - | - | - | - | - | 4,363 | - | 4,363 |
| Total revenue | <u>\$ 4,602,177</u> | <u>2,055,000</u> | <u>965,235</u> | <u>1,515,822</u> | <u>189,286</u> | <u>8,919</u> | - | <u>9,336,439</u> |
| Interest expense | <u>\$ 46,673</u> | <u>18,747</u> | <u>8,016</u> | <u>18,808</u> | <u>4,038</u> | <u>2</u> | - | <u>96,284</u> |
| Depreciation and amortization | <u>\$ 300,883</u> | <u>105,199</u> | <u>44,566</u> | <u>135,185</u> | <u>94,849</u> | <u>18,668</u> | - | <u>699,350</u> |
| Gains on investment | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,980</u> | - | <u>1,980</u> |
| Reportable segment profit (loss) | <u>\$ 448,345</u> | <u>230,045</u> | <u>5,252</u> | <u>(41,160)</u> | <u>(201,701)</u> | <u>15,289</u> | - | <u>456,070</u> |

Note: The expense resulted from obtaining the certification of GMP for Pharmaceuticals division, please refer to Note 6(d).

(c) Information for the entity as a whole

- (i) Product and service information: the information is disclosed in Note (14)(b), the Group's operating segment information and reconciliation.
- (ii) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

Revenue from the external customers:

| Area | 2020 | 2019 |
|---------|---------------------|------------------|
| Taiwan | \$ 1,478,331 | 1,494,626 |
| Europe | 1,255,795 | 1,576,784 |
| China | 4,199,730 | 5,107,268 |
| America | 649,267 | 984,045 |
| Other | 185,943 | 169,353 |
| | <u>\$ 7,769,066</u> | <u>9,332,076</u> |

Non-current assets

| Area | December 31, 2020 | December 31, 2019 |
|---------|----------------------|----------------------|
| Taiwan | \$ 5,249,659 | 5,499,609 |
| Europe | 15,678 | 10,446 |
| China | 436,827 | 480,208 |
| America | 17,912 | 21,882 |
| | <u>\$ 5,720,076</u> | <u>6,012,145</u> |

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Non-current assets included property, plant and equipment, intangible assets and other assets, not including investments accounted for using equity method financial instruments, deferred tax assets, and rights arising from an contract (non-current).

(iii) Major customers

There is no revenue from the external customers greater than 10% of net revenue.

II. Individual Financial Report



安侯建業聯合會計師事務所

KPMG

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Independent Auditors' Report

To the Board of Directors of Everlight Chemical Industrial Corporation:

Opinion

We have audited the financial statements of Everlight Chemical Industrial Corporation (“the Company”), which comprise the balance sheets as of December 31, 2020 and 2019, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its 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 as of and for the ended December 31, 2020 in accordance with Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing, the Ruling No. 1090360805 issued by the FSC, and Certification of Financial Statements by Certified Public Accountants and the 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 Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis of 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 financial statements of the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition

Please refer to Note 4(o) “Revenue” for accounting policy and Note 6(s) for the disclosure of revenue recognition to the parent-company-only financial statements.

Description of key audit matters

The Company is a listed company in related to public interest, and the investors are highly expecting the financial performance, resulting in revenue recognition is one of the key judgmental areas of our audit.



How the matter was addressed in our audit

Our major audit procedures included testing of the design and implement of controls over sales and collection of receivable transactions; evaluate if there is any significant abnormal changes through performing trend analysis on top 10 customers by comparing the related changes or differences; assessing and testing if the management obtained sufficient external evidence showing that the good controls of ownership have been transferred to the customers, to support the timing of revenue recognition; evaluating the adequacy of revenue recognition by testing the sale transactions during the period before and after the balance sheet date.

2. Valuation of accounts receivable

Please refer to Note 4(f) “Financial Instruments” for accounting policy, Note 5 for accounting assumptions, judgments and estimation uncertainty of accounts receivable and Note 6(c) for the disclosure of the valuation of accounts receivable to the parent-company-only financial statements.

Description of key audit matters

Given the challenging economic climate, the risk of receivables recovery remains high, resulting in significant judgment being applied in the management's assessment of the recoverability of accounts receivable. Consequently, this is one of the key judgmental areas of our audit.

How the matter was addressed in our audit

Our major audit procedures included testing the adequacy of the formula of the calculation for expected loss rate; testing the adequacy of aging report by tracing to related vouchers; evaluating the appropriateness of loss allowance and expected credit loss by testing if the loss allowance was made by expected loss rate; assessing if the evaluation document of loss allowance for accounts receivable was compliance with the Company's accounting policy; evaluating the adequacy of the disclosure of loss allowance for accounts receivable prepared by management.

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

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.



As part of an audit in accordance with 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 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 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 financial statements, including the disclosures, and whether the 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 the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period 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 Chia-Chien Tang and Ya-Ling Chen.

KPMG

Taipei, Taiwan (Republic of China)
March 25, 2021

Notes to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with the 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 financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements and Report Originally Issued in Chinese)
EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION

Balance Sheets

December 31, 2020 and 2019

(expressed in thousands New Taiwan dollars)

| | December 31, 2020 | | December 31, 2019 | | December 31, 2020 | | December 31, 2019 | |
|---|-------------------|-----|-------------------|-----|-------------------|---|-------------------|-----|
| | Amount | % | Amount | % | Amount | % | Amount | % |
| Assets | | | | | | | | |
| Current assets: | | | | | | | | |
| 1100 Cash and cash equivalents (note 6(a)) | \$ 864,307 | 7 | 554,683 | 5 | 2100 | Short-term borrowings (note 6(j)) | \$ 1,172,531 | 10 |
| 1110 Financial assets at fair value through profit or loss-current (note 6(b)) | 60,100 | 1 | 30,023 | - | 2322 | Long-term borrowings, current portion (note 6(k)) | - | - |
| 1136 Financial assets at amortized cost-current (note 6(b)) | 12,869 | - | - | - | 2151 | Notes payable (note 7) | 181,329 | 2 |
| 1150 Notes receivable, net (notes 6(c) and (s)) | 58,914 | - | 54,757 | 1 | 2170 | Accounts payable (note 7) | 326,587 | 3 |
| 1170 Accounts receivable, net (notes 6(c) and (s)) | 701,152 | 6 | 718,837 | 6 | 2209 | Other payable (notes 6(r) and 7) | 316,660 | 3 |
| 1180 Accounts receivable due from related parties, net (notes 6(c), (s) and 7) | 482,170 | 4 | 450,599 | 4 | 2213 | Payable on equipment | 15,638 | - |
| 1210 Other receivables due from related parties (note 7) | 3,957 | - | 39,872 | - | 2230 | Current tax liabilities | 30,669 | - |
| 130X Inventories (note 6(d)) | 2,234,719 | 19 | 2,443,983 | 20 | 2280 | Lease liabilities-current (note 6(l)) | 9,856 | - |
| 1476 Other current financial assets | 17,886 | - | 18,613 | - | 2399 | Other current liabilities (note 6(m)) | 41,264 | - |
| 1479 Other current assets (note 6(g)) | 82,357 | 1 | 78,076 | 1 | | Total current liabilities | 2,094,534 | 18 |
| Total current assets | 4,518,431 | 38 | 4,389,443 | 37 | | Non-current liabilities: | | |
| Non-current assets: | | | | | | Long-term bank loans (note 6(k)) | 1,250,000 | 10 |
| 1517 Financial assets at fair value through other comprehensive income-non-current (notes 6(b) and (u)) | 928,694 | 8 | 1,031,371 | 8 | 2541 | Deferred tax liabilities (note 6(o)) | 79,074 | 1 |
| 1550 Investments accounted for using equity method (note 6(e)) | 1,853,081 | 16 | 1,881,566 | 16 | 2580 | Lease liabilities non-current (note 6(l)) | 27,957 | - |
| 1600 Property, plant and equipment (notes 6(f), 7 and 9) | 4,244,980 | 36 | 4,407,578 | 37 | 2640 | Net defined benefit liability (note 6(n)) | 128,806 | 1 |
| 1755 Right-of-use-assets (note 6(h)) | 37,176 | - | 46,669 | - | 2670 | Other non-current liabilities, others (note 6(m)) | 89,866 | 1 |
| 1780 Intangible assets (note 6(i)) | 112,489 | 1 | 113,779 | 1 | | Total non-current liabilities | 1,575,703 | 13 |
| 1840 Deferred tax assets (note 6(o)) | 47,818 | 1 | 69,090 | 1 | | Total liabilities | 3,670,237 | 31 |
| 1915 Prepayments for equipment | 12,680 | - | 15,551 | - | | Equity (notes 6(b), (e), (n), (o), (p) and (u)): | | |
| 1980 Other non-current financial assets (notes 6(c) and (s)) | 2,192 | - | 2,430 | - | 3100 | Common shares | 5,477,522 | 47 |
| Total non-current assets | 7,239,110 | 62 | 7,568,034 | 63 | 3200 | Capital surplus | 474,558 | 4 |
| | | | | | 3300 | Retained earnings | 2,019,285 | 17 |
| | | | | | 3400 | Other equity | 115,939 | 1 |
| | | | | | | Total equity | 8,087,304 | 69 |
| Total assets | \$ 11,757,541 | 100 | 11,957,477 | 100 | | Total liabilities and equity | \$ 11,757,541 | 100 |

(English Translation of Financial Statements and Report Originally Issued in Chinese)
EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION

Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

(expressed in thousands of New Taiwan dollars except for earnings per share)

| | 2020 | | 2019 | |
|--|-------------------|-----------|------------------|------------|
| | Amount | % | Amount | % |
| 4000 Operating revenue (notes 6(s) and 7) | \$ 6,085,544 | 100 | 7,203,554 | 100 |
| 5000 Operating costs (notes 6(d), (f), (h), (i), (l), (n), (r), 7 and 12) | <u>5,005,499</u> | <u>82</u> | <u>5,801,125</u> | <u>81</u> |
| 5900 Gross profit from operations | 1,080,045 | 18 | 1,402,429 | 19 |
| 5910 Realized profit from sales | <u>17,081</u> | <u>-</u> | <u>8,148</u> | <u>-</u> |
| 5950 Gross profit from operations | <u>1,097,126</u> | <u>18</u> | <u>1,410,577</u> | <u>19</u> |
| 6000 Operating expenses (notes 6(c), (f), (h), (i), (l), (n), (r), 7 and 12): | | | | |
| 6100 Selling expenses | 424,883 | 7 | 532,997 | 7 |
| 6200 Administrative expenses | 145,028 | 2 | 163,405 | 2 |
| 6300 Research and development expenses | 317,463 | 5 | 360,357 | 5 |
| 6450 Expected credit gain | <u>(433)</u> | <u>-</u> | <u>(480)</u> | <u>-</u> |
| Total operating expenses | <u>886,941</u> | <u>14</u> | <u>1,056,279</u> | <u>14</u> |
| 6900 Net operating income | <u>210,185</u> | <u>4</u> | <u>354,298</u> | <u>5</u> |
| 7000 Non-operating income and expenses (notes 6(b), (c), (f), (j), (k), (l) and (t)): | | | | |
| 7100 Interest income | 1,549 | - | 1,585 | - |
| 7010 Other income | 44,731 | 1 | 49,939 | 1 |
| 7020 Other gains and losses | 68,575 | 1 | 77,105 | 1 |
| 7050 Finance costs | (36,654) | (1) | (62,243) | (1) |
| 7060 Share of (losses) gains of associates accounted for using equity method | <u>(26,544)</u> | <u>-</u> | <u>28,387</u> | <u>-</u> |
| Total non-operating income and expense | <u>51,657</u> | <u>1</u> | <u>94,773</u> | <u>1</u> |
| 7990 Income before income tax | 261,842 | 5 | 449,071 | 6 |
| 7950 Income tax expenses (note (o)) | <u>48,563</u> | <u>1</u> | <u>86,624</u> | <u>1</u> |
| Net income | <u>213,279</u> | <u>4</u> | <u>362,447</u> | <u>5</u> |
| 8300 Other comprehensive income (notes 6(e), (n), (o), (p) and (u)): | | | | |
| 8310 Components of other comprehensive income that will not be reclassified to profit or loss | | | | |
| 8311 Gains on remeasurements of defined benefit plans | 10,501 | - | 48,717 | 1 |
| 8316 Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income | 207,948 | 3 | 137,460 | 2 |
| 8330 Share of other comprehensive income of subsidiaries, accounted for using equity method | (2,577) | - | 1,630 | - |
| 8349 Income tax related to components that may not be reclassified to profit or loss | <u>(2,100)</u> | <u>-</u> | <u>(9,743)</u> | <u>-</u> |
| Total components of other comprehensive income that will not be reclassified to profit or loss | <u>213,772</u> | <u>3</u> | <u>178,064</u> | <u>3</u> |
| 8360 Components of other comprehensive income (loss) that will be reclassified to profit or loss | | | | |
| 8361 Exchange differences on translation of foreign financial statements | 4,286 | - | (43,239) | (1) |
| 8380 Share of other comprehensive income of associates accounted for using equity method | (2,847) | - | (395) | - |
| 8399 Income tax related to components that may be reclassified to profit or loss | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total components of other comprehensive income that will be reclassified to profit or loss | <u>1,439</u> | <u>-</u> | <u>(43,634)</u> | <u>(1)</u> |
| 8300 Other comprehensive income(after tax) | <u>215,211</u> | <u>3</u> | <u>134,430</u> | <u>2</u> |
| 8500 Total comprehensive income | <u>\$ 428,490</u> | <u>7</u> | <u>496,877</u> | <u>7</u> |
| 9750 Basic earnings per share (note 6(q)) (expressed in New Taiwan dollars) | <u>\$ 0.39</u> | | <u>0.66</u> | |
| 9850 Diluted earnings per share (note 6(q)) (expressed in New Taiwan dollars) | <u>\$ 0.39</u> | | <u>0.66</u> | |

See accompanying notes to parent-company-only financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)
EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION

Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(expressed in thousands of New Taiwan dollars)

| | Retained earnings | | | | Other equity | | | | | |
|---|-------------------|-----------------|---------------|-----------------|----------------------------------|-----------|---|---|-----------|-----------|
| | Common shares | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Total | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income | Total | |
| Balance on January 1, 2019 | 5,477,522 | 473,558 | 998,402 | 43,346 | 756,078 | 1,797,826 | (68,420) | (81,347) | (149,767) | 7,599,139 |
| Net income | - | - | - | - | 362,447 | 362,447 | - | - | - | 362,447 |
| Other comprehensive income | - | - | - | - | 39,209 | 39,209 | (43,634) | 138,855 | 95,221 | 134,430 |
| Total comprehensive income | - | - | - | - | 401,656 | 401,656 | (43,634) | 138,855 | 95,221 | 496,877 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | |
| Legal reserve | - | - | 40,198 | - | (40,198) | - | - | - | - | - |
| Special reserve | - | - | - | 106,421 | (106,421) | - | - | - | - | - |
| Cash dividends | - | - | - | - | (273,876) | (273,876) | - | - | - | (273,876) |
| Other changes in capital surplus: | | | | | | | | | | |
| Donation from shareholders | - | 1,000 | - | - | - | - | - | - | - | 1,000 |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | - | - | - | - | (24,108) | (24,108) | - | 24,108 | 24,108 | - |
| Balance on December 31, 2019 | 5,477,522 | 474,558 | 1,038,600 | 149,767 | 713,131 | 1,901,498 | (112,054) | 81,616 | (30,438) | 7,823,140 |
| Net income | - | - | - | - | 213,279 | 213,279 | - | - | - | 213,279 |
| Other comprehensive income | - | - | - | - | 9,142 | 9,142 | 1,439 | 204,630 | 206,069 | 215,211 |
| Total comprehensive income | - | - | - | - | 222,421 | 222,421 | 1,439 | 204,630 | 206,069 | 428,490 |
| Appropriation and distribution of retained earnings: | | | | | | | | | | |
| Legal reserve | - | - | 37,755 | - | (37,755) | - | - | - | - | - |
| Special reserve | - | - | - | (119,329) | 119,329 | - | - | - | - | - |
| Cash dividends | - | - | - | - | (164,326) | (164,326) | - | - | - | (164,326) |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | - | - | - | - | 59,692 | 59,692 | - | (59,692) | (59,692) | - |
| Balance on December 31, 2020 | 5,477,522 | 474,558 | 1,076,355 | 30,438 | 912,492 | 2,019,285 | (110,615) | 226,554 | 115,939 | 8,087,304 |

See accompanying notes to parent-company-only financial statements.

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION

Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(expressed in thousands of New Taiwan dollars)

| | 2020 | 2019 |
|---|-------------------|------------------|
| Cash flows from operating activities: | | |
| Income before income tax | \$ 261,842 | 449,071 |
| Adjustments: | | |
| Adjustments to reconcile profit: | | |
| Depreciation expense | 526,157 | 503,744 |
| Amortization expense | 27,021 | 18,252 |
| Expected credit gain | (433) | (480) |
| Net gains on financial assets at fair value through profit and loss | (265) | (23) |
| Interest expense | 36,654 | 62,243 |
| Interest income | (1,549) | (1,585) |
| Dividend income | (44,731) | (49,939) |
| Share of losses (gains) of associates and accounted for using equity method | 26,544 | (28,387) |
| Gains on disposal of property, plants and equipment | (31) | (863) |
| Realized gross profit on sale to subsidiaries | (17,081) | (8,148) |
| Total adjustments to reconcile profit | <u>552,286</u> | <u>494,814</u> |
| Changes in operating assets and liabilities: | | |
| Changes in operating assets: | | |
| Notes receivable | (4,157) | 43,093 |
| Accounts receivable and overdue receivable (under other non-current financial assets) | 18,118 | 37,383 |
| Accounts receivable due from related parties | (31,571) | 88,978 |
| Other receivable due from related parties | 733 | 1,290 |
| Inventories | 209,264 | 206,819 |
| Other current financial assets | 678 | 6,566 |
| Other current assets | (4,029) | 14,078 |
| Total changes in operating assets | <u>189,036</u> | <u>398,207</u> |
| Changes in operating liabilities: | | |
| Notes payable | 29,500 | (38,924) |
| Accounts payable | 123,072 | (145,384) |
| Other payable | (7,265) | (79,180) |
| Other current liabilities | (32,144) | 71 |
| Net defined benefit liabilities | (15,490) | (48,765) |
| Decrease in other non-current liabilities | (37,333) | - |
| Total changes in operating liabilities | <u>60,340</u> | <u>(312,182)</u> |
| Total changes in operating assets and liabilities | <u>249,376</u> | <u>86,025</u> |
| Total adjustments | <u>801,662</u> | <u>580,839</u> |
| Cash inflow generated from operations | 1,063,504 | 1,029,910 |
| Interest received | 1,598 | 1,601 |
| Dividends received | 97,796 | 54,662 |
| Income taxes paid | (20,908) | (65,137) |
| Net cash flows from operating activities | <u>1,141,990</u> | <u>1,021,036</u> |
| Cash flows used in investing activities: | | |
| Acquisition of financial assets at fair value through profit or loss | (240,000) | (30,000) |
| Proceeds from disposal of financial assets at fair value through profit or loss | 210,188 | - |
| Increase in financial assets at amortized cost | (12,869) | - |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | 310,625 | 73,457 |
| Acquisition of property, plant and equipment | (158,197) | (279,680) |
| Proceeds from disposal of property, plant and equipment | 951 | 2,156 |
| Acquisition of intangible assets | (25,731) | (11,297) |
| Decrease in other non-current assets | 238 | 422 |
| Increase in prepayments for equipment | (26,805) | (84,589) |
| Net cash flows from (used in) investing activities | <u>58,400</u> | <u>(329,531)</u> |
| Cash flows used in financing activities: | | |
| Increase in short-term borrowings | 4,100,621 | 6,587,473 |
| Decrease in short-term borrowings | (4,645,720) | (6,663,103) |
| Proceeds from long-term borrowings | 200,000 | 150,000 |
| Repayments of long-term borrowings | (330,000) | (370,000) |
| Payment of lease liabilities | (10,495) | (10,145) |
| Cash dividends paid | (164,326) | (273,876) |
| Donation from shareholders | - | 1,000 |
| Interest paid | (40,846) | (69,866) |
| Net cash used in financing activities | <u>(890,766)</u> | <u>(648,517)</u> |
| Net increase in cash and cash equivalents | 309,624 | 42,988 |
| Cash and cash equivalents at beginning of period | 554,683 | 511,695 |
| Cash and cash equivalents at end of period | <u>\$ 864,307</u> | <u>554,683</u> |

See accompanying notes to parent-company-only financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)
EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND ITS SUBSIDIARIES

Notes to the Parent-Company-Only Financial Statements

For the years ended December 31, 2020 and 2019

(expressed in thousands of New Taiwan dollars , unless otherwise specified)

(1) Company history

Everlight Chemical Industrial Corporation (the “Company”) was incorporated on September 7, 1972 as a Group limited by shares and registered in accordance with the ROC Company Act. The Company engages in manufacturing and selling of dye, UV absorber, specialty chemicals, electronic chemicals, pharmaceutical product and material, chemical intermediary photoresistance, and etc.

(2) Approval date and procedures of the financial statements:

These parent-company-only financial statements were authorized for issuance by the board of directors on March 25, 2021.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Company has initially adopted the new amendments, which do not have a significant impact on its financial statements, from January 1, 2020.

- (b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its parent-company-only financial statements.

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

| <u>Standards or Interpretations</u> | <u>Content of amendment</u> | <u>Effective date per IASB</u> |
|--|--|--------------------------------|
| Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” | The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. | January 1, 2023 |

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(4) Summary of significant accounting policies:

The significant accounting policies presented in the parent-company-only financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the parent-company-only financial statements.

(a) Statement of compliance

These parent-company-only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”).

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the parent-company-only financial statements have been prepared on a historical cost basis:

- 1) Financial assets at fair value through profit or loss are measured at fair value;
- 2) Fair value through other comprehensive income are measured at fair value; and
- 3) The defined benefit liabilities are present value of the defined benefit obligation, limited as explained in Note 4(p) less the measured at fair value of the plan assets.

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

(ii) Functional and presentation currency

The functional currency is determined based on the primary economic environment in which the entity operates. The parent-company-only financial statements are presented in New Taiwan dollars, which is the Company's functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Company disposes of only part of investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Company not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and cash in bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

Account receivables issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a account receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A account receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI)– equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, financial assets at amortized cost, notes and accounts receivable, other receivable, refundable deposits and other financial assets).

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION

Notes to the Parent-Company-Only Financial Statements

- Cash in bank, other receivable, refundable deposits and other financial assets for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for account receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

The Company holds time deposits for domestic financial institutions, it is considered to be low credit risk.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 365 days past due or the borrower is unlikely to pay its credit obligations to the Company in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 365 days past due;

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION

Notes to the Parent-Company-Only Financial Statements

- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

5) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities

1) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

2) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

3) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Derivative financial instruments and hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition, less any accumulated impairment losses.

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
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The parent-company-only financial statements include the Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual significant influence.

Gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated Company's interests in the associate.

(i) Investment in subsidiaries

When preparing the parent-company-only financial statements, investments in subsidiaries which are controlled by the Company, are accounted for using the equity method. Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The Company also recognized its share in the changes in the equity of subsidiaries.

Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

| | |
|-------------------------------|-------------|
| 1) Land improvements | 20 years |
| 2) buildings and construction | 25~55 years |
| 3) equipment | 3~15 years |

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Intangible assets

(i) Other intangible assets

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

| | |
|---------------------------------------|-----------|
| 1) REACH registration related expense | 5 years |
| 2) Others | 3~5 years |

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(l) Provisions

A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
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Site restoration

In accordance with the Company's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land is recognized when the land is contaminated.

(m) Lease

(i) Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the Company has the right to direct the use of the asset throughout the period of use only if either:
 - the Company has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - the Company has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - the Company designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

(ii) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
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The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of office equipment and leases of transportation equipment that have a lease term of 12 months or less and leases of low-value assets.

(n) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

(o) Revenue

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

1) Sale of goods

The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over use the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

2) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(q) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years.

The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

- 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

- (r) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to common shareholders of the Company. Basic earnings per share are calculated as the profit attributable to common shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee compensation.

- (s) Operating segments

The Company discloses its segment reporting in the consolidated financial statements. Therefore, the Company does not disclose segment information in the parent-company-only financial statements.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the parent-company-only financial statements in conformity with the Regulations requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

- (a) Judgment of whether the Company has substantive control over its investees, please refer to consolidated financial statements for the year ended December 31, 2020.
- (b) Judgment regarding significant influence of investees

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The Company holds 16.78% of the outstanding voting shares of TAK Technology Co., Ltd. and is the single largest shareholder of the investee. Although the remaining 83.22% of TAK Technology Co., Ltd.'s shares are not concentrated within specific shareholders, the Company still cannot obtain more than half of the total number of TAK Technology Co., Ltd.'s directors, and it also cannot obtain more than half of the voting rights at a shareholders' meeting. Therefore, it is determined that the Company has significant influence but not control over TAK Technology Co., Ltd.

The Company holds 22.35% of the outstanding voting shares of Good TV Broadcasting Corp. and is the single largest shareholder of the investee. Although the remaining 77.65% of Good TV Broadcasting Corp.'s shares are not concentrated within specific shareholders, the Company still cannot obtain more than half of the total number of Good TV Broadcasting Corp.'s directors, and it also cannot obtain more than half of the voting rights at a shareholders' meeting. Therefore, it is determined that the Company has significant influence but not control over Good TV Broadcasting Corp.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

(a) Impairment of accounts receivable

When there is objective evidence of impairment loss, the Company takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. Where the actual future cash flows are less than expected, a material impairment loss may arise. Please refer to Note 6(c) for further description of the impairment of accounts receivable.

(b) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to Note 6(d) for further description of the valuation of inventories.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

| | December 31, 2020 | December 31, 2019 |
|---------------------------|------------------------------|------------------------------|
| Cash on hand | \$ 1,331 | 1,632 |
| Cash in bank | 801,613 | 493,987 |
| Time deposits | <u>61,363</u> | <u>59,064</u> |
| Cash and cash equivalents | <u>\$ 864,307</u> | <u>554,683</u> |

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

Please refer to Note 6(u) for the fair value sensitivity analysis of the financial assets and liabilities of the Company.

(b) Financial assets

(i) Financial assets at fair value through profit and loss

| | December 31, 2020 | December 31, 2019 |
|---|------------------------------|------------------------------|
| Financial assets mandatorily measured at fair value through profit and loss: | | |
| Monetary market fund | \$ 60,100 | 30,023 |

(ii) Financial assets at fair value through other comprehensive income

| | December 31, 2020 | December 31, 2019 |
|-----------------------------------|------------------------------|------------------------------|
| Stocks listed on domestic markets | \$ 884,695 | 974,607 |
| Domestic unlisted common shares | 43,999 | 56,764 |
| | \$ 928,694 | 1,031,371 |

The Company designated the investments shown above as equity securities as at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term for strategic purposes.

For the years ended December 31, 2020 and 2019, the Company has sold the partial of financial assets at fair value through other comprehensive income for strategic plan. The shares sold had a fair value of \$310,625 thousand and \$73,457 thousand, respectively, and the Company realized a gain (loss) of \$59,692 thousand and \$(24,108) thousand, respectively, which is already included in other comprehensive income. The gain (loss) has been transferred to retained earnings.

(iii) Financial assets at amortized cost-current

Due to the Company's foreign deposits which applied for the "The Management, Utilization, and Taxation of Repatriated Offshore Funds Act" has not been engaged in investment yet, therefore, recognized in financial assets at amortized cost-current as follows:

| | December 31, 2020 | December 31, 2019 |
|--|------------------------------|------------------------------|
| Financial assets at amortized cost-current | \$ 12,869 | - |

(iv) For credit risk and market risk, please refer to Note 6(u).

(v) The aforementioned financial assets were not pledged.

(vi) Derivative financial instruments – non-hedge

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The Company hold derivative financial instruments to hedge its foreign currency and interest rate exposures. However, the derivative financial instruments can't meet the criteria for hedge accounting. The Company recognized gain on forward exchange contracts and foreign currency options amounted to \$3,315 thousand and \$6,489 thousand in 2020 and 2019, respectively.

(c) Receivables

| | December 31, 2020 | December 31, 2019 |
|---|------------------------------|------------------------------|
| Notes receivable | \$ 58,914 | 54,757 |
| Accounts receivable | 713,622 | 731,305 |
| Accounts receivable from related parties | 482,170 | 450,599 |
| Overdue receivable (under other non-current financial assets) | 19,873 | 23,421 |
| Less: loss allowance | <u>(32,343)</u> | <u>(35,889)</u> |
| | <u>\$ 1,242,236</u> | <u>1,224,193</u> |

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, account receivables have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provisions were determined as follows:

| | December 31, 2020 | | |
|-----------------------------|----------------------------------|---------------------------------------|-------------------------------------|
| | Gross carrying amount | Weighted-average loss rate | Loss allowance provision |
| Current | \$ 1,241,415 | 0.00%~0.09% | 1,076 |
| 1 to 90 days past due | 13,099 | 6.04%~85.52% | 11,202 |
| 91 to 365 days past due | 192 | 92.68%~100% | 192 |
| More than 365 days past due | <u>19,873</u> | 100% | <u>19,873</u> |
| Total | <u>\$ 1,274,579</u> | | <u>32,343</u> |
| | December 31, 2019 | | |
| | Gross carrying amount | Weighted-average loss rate | Loss allowance provision |
| Current | \$ 1,159,460 | 0.01%~0.11% | 1,213 |
| 1 to 90 days past due | 76,180 | 6.82%~26.63% | 10,743 |
| 91 to 365 days past due | 1,021 | 30.53%~100% | 512 |
| More than 365 days past due | <u>23,421</u> | 100% | <u>23,421</u> |
| Total | <u>\$ 1,260,082</u> | | <u>35,889</u> |

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
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The detail of loss allowance were as follows:

| | December 31, 2020 | December 31, 2019 |
|---------------------|------------------------------|------------------------------|
| Accounts receivable | \$ 12,470 | 12,468 |
| Overdue receivable | 19,873 | 23,421 |
| | <u>\$ 32,343</u> | <u>35,889</u> |

The movement in the allowance for receivables were as follows:

| | For the years ended December 31, | |
|------------------------------|---|----------------------|
| | 2020 | 2019 |
| Balance on January 1, 2020 | \$ 35,889 | 43,528 |
| Impairment losses reversed | (433) | (480) |
| Amounts written off | (3,113) | (7,159) |
| Balance on December 31, 2020 | <u>\$ 32,343</u> | <u>35,889</u> |

The aforementioned financial assets were not pledged.

(d) Inventories

| | December 31, 2020 | December 31, 2019 |
|----------------------|------------------------------|------------------------------|
| Raw materials | \$ 610,615 | 601,558 |
| Supplies | 12,748 | 10,475 |
| Work in progress | 354,422 | 431,788 |
| Finished goods | 1,172,560 | 1,356,426 |
| Materials in transit | 84,374 | 43,736 |
| | <u>\$ 2,234,719</u> | <u>2,443,983</u> |

Except cost of goods sold and inventories recognized as expenses, the remaining gain or losses which were recognized as operating cost or deduction of operating cost were as follows:

| | For the year ended December 31 | |
|-----------------------------------|---------------------------------------|-----------------------|
| | 2020 | 2019 |
| Gains on valuation of inventories | \$ (838) | (2,350) |
| Losses on obsolescence | 3,783 | 10,075 |
| Losses (gains) on inventory count | (991) | 2,488 |
| Unallocated production overheads | 144,084 | 196,252 |
| Scrap income | (1,278) | (1,712) |
| | <u>\$ 144,760</u> | <u>204,753</u> |

For the year ended December 31, 2019, the expense resulted from obtaining the certification of GMP for pharmaceuticals division was included in unallocated production overheads. There was no such transaction for the year ended December 31, 2020.

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
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(e) Investments accounted for using equity method

- (i) The components of investments accounted for using the equity method at the reporting date were as follows:

| | December 31, 2020 | December 31, 2019 |
|--------------|------------------------------|------------------------------|
| Subsidiaries | \$ 1,796,424 | 1,825,894 |
| Associates | 56,657 | 55,672 |
| | \$ 1,853,081 | 1,881,566 |

- (ii) Subsidiaries

Please refer to consolidated financial statements for the year ended December 31, 2020.

- (iii) Associates

Summary of financial information for the individually insignificant investments in associates accounted for using the equity method were as follows. The aforementioned financial information was included in the parent-company-only financial statements of the Company.

| | December 31, 2020 | December 31, 2019 |
|--|------------------------------|------------------------------|
| Carrying amount of individually insignificant associates | \$ 56,657 | 55,672 |
| | 2020 | 2019 |
| Attributable to the Company: | | |
| Profit from continuing operations | \$ 3,832 | 2,071 |
| Other comprehensive income | (2,847) | (395) |
| Total comprehensive income | \$ 985 | 1,676 |

- (iv) The aforementioned investment accounted for using equity method were not pledged.

(f) Property, plant and equipment

The detail of movement of the property, plant and equipment for the Company were as follows:

| | Land | Land improvement | Buildings and construction | Equipment | Construction in progress and equipment to be inspected | Total |
|---------------------------------|-------------------|-----------------------------|---------------------------------------|------------------|---|-------------------|
| Cost: | | | | | | |
| Balance on of January 1, 2020 | \$ 890,375 | - | 3,277,993 | 7,886,677 | 178,336 | 12,233,381 |
| Additions | - | 127,200 | 4,557 | 58,802 | 93,814 | 284,373 |
| Disposals | - | - | (7,051) | (42,549) | - | (49,600) |
| Reclassification (note) | - | 31,800 | 9,444 | 136,971 | (108,790) | 69,425 |
| Balance on of December 31, 2020 | \$ 890,375 | 159,000 | 3,284,943 | 8,039,901 | 163,360 | 12,537,579 |
| Balance on of January 1, 2019 | \$ 890,375 | - | 3,175,461 | 7,436,883 | 403,631 | 11,906,350 |
| Additions | - | - | 15,039 | 97,325 | 144,735 | 257,099 |
| Disposals | - | - | - | (42,205) | - | (42,205) |
| Reclassification (note) | - | - | 87,493 | 394,674 | (370,030) | 112,137 |
| Balance on of December 31, 2019 | \$ 890,375 | - | 3,277,993 | 7,886,677 | 178,336 | 12,233,381 |

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

| | <u>Land</u> | <u>Land improvement</u> | <u>Buildings and construction</u> | <u>Equipment</u> | <u>Construction in progress and equipment to be inspected</u> | <u>Total</u> |
|--|-------------------|-------------------------|-----------------------------------|------------------|---|------------------|
| Accumulated depreciation and impairment: | | | | | | |
| Balance on of January 1, 2020 | \$ - | - | 1,991,344 | 5,834,459 | - | 7,825,803 |
| Depreciation | - | 4,638 | 130,586 | 380,252 | - | 515,476 |
| Disposals | - | - | (6,848) | (41,832) | - | (48,680) |
| Balance on of December 31, 2020 | <u>\$ -</u> | <u>4,638</u> | <u>2,115,082</u> | <u>6,172,879</u> | <u>-</u> | <u>8,292,599</u> |
| Balance on of January 1, 2019 | \$ - | - | 1,860,267 | 5,513,300 | - | 7,373,567 |
| Depreciation | - | - | 131,077 | 362,071 | - | 493,148 |
| Disposals | - | - | - | (40,912) | - | (40,912) |
| Balance on of December 31, 2019 | <u>\$ -</u> | <u>-</u> | <u>1,991,344</u> | <u>5,834,459</u> | <u>-</u> | <u>7,825,803</u> |
| Carrying amounts: | | | | | | |
| Balance on of December 31, 2020 | <u>\$ 890,375</u> | <u>154,362</u> | <u>1,169,861</u> | <u>1,867,022</u> | <u>163,360</u> | <u>4,244,980</u> |
| Balance on of January 1, 2019 | <u>\$ 890,375</u> | <u>-</u> | <u>1,315,194</u> | <u>1,923,583</u> | <u>403,631</u> | <u>4,532,783</u> |
| Balance on of December 31, 2019 | <u>\$ 890,375</u> | <u>-</u> | <u>1,286,649</u> | <u>2,052,218</u> | <u>178,336</u> | <u>4,407,578</u> |

(note): Prepayments for business facilities were reclassified as property, plant and equipment.

- (i) For the years ended December 31, 2020 and 2019, the Company capitalized the interest expenses on construction in progress, amounted to \$2,460 thousand and \$6,313 thousand, respectively, and the monthly interest rate used for capitalization calculation were 0.11% and 0.15%, respectively.
- (ii) As of December 31, 2020 and 2019, the property, plant and equipment of the Company had not been pledged.
- (g) Other current assets

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---|------------------------------|------------------------------|
| Prepayments | \$ 44,693 | 48,209 |
| Offset against business tax payable and input taxes | 25,327 | 20,710 |
| Payment on behalf of others | 12,337 | 9,157 |
| | <u>\$ 82,357</u> | <u>78,076</u> |

- (h) Right-of-use assets

The information about lease of buildings and construction, and equipment for which the Company as a lessee is presented below:

| | <u>Buildings and construction</u> | <u>Equipment</u> | <u>Total</u> |
|------------------------------|-----------------------------------|------------------|---------------|
| Cost: | | | |
| Balance on January 1, 2020 | \$ 43,320 | 13,945 | 57,265 |
| Acquisitions | 67 | 1,181 | 1,248 |
| Disposals | - | (2,334) | (2,334) |
| Balance on December 31, 2020 | <u>\$ 43,387</u> | <u>12,792</u> | <u>56,179</u> |

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

| | <u>Buildings and construction</u> | <u>Equipment</u> | <u>Total</u> |
|--|---------------------------------------|----------------------|----------------------|
| Balance on January 1, 2019 | \$ - | - | - |
| Effects of retrospective application for IFRS 16 | 43,320 | 12,143 | 55,463 |
| Acquisitions | <u>-</u> | <u>1,802</u> | <u>1,802</u> |
| Balance on December 31, 2019 | <u>\$ 43,320</u> | <u>13,945</u> | <u>57,265</u> |
| Accumulated depreciation: | | | |
| Balance on January 1, 2020 | \$ 7,659 | 2,937 | 10,596 |
| Depreciation | 7,662 | 3,019 | 10,681 |
| Disposals | <u>-</u> | <u>(2,274)</u> | <u>(2,274)</u> |
| Balance on December 31, 2020 | <u>\$ 15,321</u> | <u>3,682</u> | <u>19,003</u> |
| Balance on January 1, 2019 | \$ - | - | - |
| Depreciation | <u>7,659</u> | <u>2,937</u> | <u>10,596</u> |
| Balance on December 31, 2019 | <u>\$ 7,659</u> | <u>2,937</u> | <u>10,596</u> |
| Carrying amount: | | | |
| Balance on December 31, 2020 | <u>\$ 28,066</u> | <u>9,110</u> | <u>37,176</u> |
| Balance on January 1, 2019 | <u>\$ -</u> | <u>-</u> | <u>-</u> |
| Balance on December 31, 2019 | <u>\$ 35,661</u> | <u>11,008</u> | <u>46,669</u> |

(i) Intangible assets

The movement in intangible assets were as follows:

| | <u>REACH registration related expenses</u> | <u>Others</u> | <u>Total</u> |
|----------------------------------|--|---------------------|-----------------------|
| Cost: | | | |
| Balance on of January 1, 2020 | \$ 165,165 | 2,267 | 167,432 |
| Additions | <u>25,731</u> | <u>-</u> | <u>25,731</u> |
| Balance on of December 31, 2020 | <u>\$ 190,896</u> | <u>2,267</u> | <u>193,163</u> |
| Balance on of January 1, 2019 | \$ 153,868 | 2,267 | 156,135 |
| Additions | <u>11,297</u> | <u>-</u> | <u>11,297</u> |
| Balance on of December 31, 2019 | <u>\$ 165,165</u> | <u>2,267</u> | <u>167,432</u> |
| Accumulated amortization: | | | |
| Balance on of January 1, 2020 | \$ 52,090 | 1,563 | 53,653 |
| Amortization | <u>26,703</u> | <u>318</u> | <u>27,021</u> |
| Balance on of December 31, 2020 | <u>\$ 78,793</u> | <u>1,881</u> | <u>80,674</u> |
| Balance on of January 1, 2019 | \$ 34,064 | 1,337 | 35,401 |
| Amortization | <u>18,026</u> | <u>226</u> | <u>18,252</u> |
| Balance on of December 31, 2019 | <u>\$ 52,090</u> | <u>1,563</u> | <u>53,653</u> |
| Carrying amounts: | | | |
| Balance on of December 31, 2020 | <u>\$ 112,103</u> | <u>386</u> | <u>112,489</u> |
| Balance on of January 1, 2019 | <u>\$ 119,804</u> | <u>930</u> | <u>120,734</u> |
| Balance on of December 31, 2019 | <u>\$ 113,075</u> | <u>704</u> | <u>113,779</u> |

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

(i) Amortization expense

For the years ended December 31, 2020 and 2019, the amortization of intangible assets are included in the statement of comprehensive income as follows:

| | 2020 | 2019 |
|------------------------------|------------------|---------------|
| Operating costs and expenses | \$ 27,021 | 18,252 |

(ii) Pledge

As of December 31, 2020 and 2019, the intangible assets of the Company were not pledged as collateral.

(j) Short-term borrowings

| | December 31, 2020 | December 31, 2019 |
|------------------------|------------------------------|------------------------------|
| Unsecured bank loans | \$ 1,172,531 | 1,717,630 |
| Unused credit lines | \$ 2,412,189 | 2,484,334 |
| Range of interest rate | 0.77%~3.09% | 1.00%~3.09% |

(k) Long-term borrowings

| December 31, 2020 | | | | |
|---|-----------------|-------------|----------------------|---------------------|
| | Currency | Rate | Maturity year | Amount |
| Unsecured bank loans | NTD | 1.14%~1.2% | 2022.5~2023.6 | \$ 1,250,000 |
| Unused credit lines | | | | \$ 150,000 |
| December 31, 2019 | | | | |
| | Currency | Rate | Maturity year | Amount |
| Unsecured syndicated bank loan | NTD | 1.7895% | 2015.4~2020.4 | \$ 179,748 |
| Unsecured bank loans | NTD | 1.33%~1.45% | 2020.3~2022.6 | 1,200,000 |
| Less: long-term borrowings, current portion | | | | (430,000) |
| Total | | | | \$ 949,748 |
| Unused credit lines | | | | \$ 317,010 |

As of March 5, 2015, the Company entered into a five-year syndicated loan agreement with CTBC Bank and other six banks. The total credit line under this loan agreement is \$1,800,000 thousand and is due in five years when the first draw on the loan. The first draw on the loan must be within three months after the date of the contract signed. Every draw on the loan, the amount was restricted to exceed \$50,000 thousand and the portion of exceeding \$50,000 thousand or unused credit line shall be a multiple of \$10,000 thousand.

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

The credit line will be diminished by seven period from the date, that lasted twenty-four months from first draw on the loan and thereafter every six months. The diminished periods and diminished percentage are as follows;

- (i) Period 1 to period 3: 10%,
- (ii) Period 4 and period 5: 15%,
- (iii) Period 6 and period 7: 20%.

When the credit line is diminished, the Company had to redeem the loans if the loan outstanding amount is exceeding to the credit line.

The related financial covenants and restrictions for the syndicated loans mentioned above were as follows:

- (i) Current ratio (current assets/current liabilities): shall not be lower than 120%.
- (ii) Liability ratio (liabilities/tangible net assets value): shall not be higher than 100%.
- (iii) Interest coverage ratio (profit before tax + depreciation + amortization + interest expense) / (interest expense): shall not be lower than 4 times.
- (iv) Tangible net assets value (equity minus intangible assets): shall not be lower than \$6,000,000 thousand.

The aforementioned ratio and criteria shall be reviewed semi-annually from 2015 based on the year-end consolidated financial statements audited by certified public accountant, and the semi-annual consolidated financial statements reviewed by certified public accountant. The Company was in compliance with the above financial covenants and restrictions.

The aforementioned syndicated loan were repaid in 2020

The Company had not pledged the assets as collateral for bank loans.

(l) Lease liabilities

The carry amount of lease liabilities were as follow:

| | December 31, 2020 | December 31, 2019 |
|-------------|------------------------------|------------------------------|
| Current | <u>\$ 9,856</u> | <u>10,181</u> |
| Non-current | <u>\$ 27,957</u> | <u>36,939</u> |

For the maturity analysis, please refer to Note 6(u).

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

The amounts recognized in profit or loss were as follows:

| | <u>2020</u> | <u>2019</u> |
|--|-----------------|--------------|
| Interest on lease liabilities | \$ <u>634</u> | <u>767</u> |
| Expenses relating to short-term leases | \$ <u>1,449</u> | <u>1,662</u> |

The amounts recognized in the statement of cash flows for the Company was as follows:

| | <u>2020</u> | <u>2019</u> |
|-------------------------------|------------------|---------------|
| Total cash outflow for leases | \$ <u>12,578</u> | <u>12,574</u> |

- (i) Land, buildings and constructions, and equipment lease

For the years ended December 31, 2020 and 2019, the Company leases buildings and constructions, and equipment for its warehouses and office space. The leases of warehouses and office typically run for a period from 3 to 7 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

- (ii) The Company leases office equipment whose lease periods are 1 to 3 years, are recognized as short-term or lower-price lease. The Company elected to apply practical expedients not recognizing relative right-of-use assets and lease liabilities.

- (m) Provisions

The movements of the provisions were as follows:

| | <u>Site restoration</u> |
|------------------------------|-------------------------|
| Balance on January 1, 2020 | \$ - |
| Additions | 159,000 |
| Decreases | <u>(39,750)</u> |
| Balance on December 31, 2020 | \$ <u>119,250</u> |

A provision of \$159,000 thousand was made in respect of the Company obligation to rectify environmental damage, which was recognized in other current liabilities and other non-current liabilities. There was no such transaction for the year ended December 31, 2019.

- (n) Employee benefits

- (i) Defined benefit plans

Reconciliations of defined benefit obligation at present value and plan asset at fair value are as follows:

| | <u>December 31,</u> <u>2020</u> | <u>December 31,</u> <u>2019</u> |
|--|------------------------------------|------------------------------------|
| Present value of the defined benefit obligations | \$ 817,786 | 851,729 |
| Fair value of plan assets | <u>(688,980)</u> | <u>(696,932)</u> |
| Net defined benefit liabilities | \$ <u>128,806</u> | <u>154,797</u> |

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan and Nanshan life insurance nonforfeiture values that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employees to received retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance and Nan-shan life insurance nonforfeiture values amounted to \$688,980 thousand as of December 31, 2020. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

For the years ended December 31, 2020 and 2019, the movement in present value of the defined benefit obligations for the Company were as follows:

| | <u>2020</u> | <u>2019</u> |
|--|-------------------|----------------|
| Defined benefit obligations as of January 1 | \$ 851,729 | 879,593 |
| Current service costs and interest cost | 18,712 | 22,305 |
| Net remeasurements of defined benefit liabilities: | | |
| – Actuarial losses (gains) arising from changes in financial assumptions | 8,859 | (28,105) |
| Benefits paid by the plan | (61,514) | (22,064) |
| Defined benefit obligations as of December 31 | <u>\$ 817,786</u> | <u>851,729</u> |

3) Movements of defined benefit plan assets

For the years ended December 31, 2020 and 2019, the movement in the fair value of the plan assets were as follows:

| | <u>2020</u> | <u>2019</u> |
|--|-------------------|----------------|
| Fair value of plan assets as of January 1 | \$ 696,932 | 627,314 |
| Return on plan assets (excluding the interest expense) | 6,958 | 7,103 |
| Net remeasurements of the defined benefit assets: | | |
| – Actuarial gains (losses) arising from changes in financial assumptions | 19,360 | 20,612 |
| Contributions paid to the plan | 18,775 | 58,949 |
| Benefits paid by the plan | (53,045) | (17,046) |
| Fair value of plan assets as of December 31 | <u>\$ 688,980</u> | <u>696,932</u> |

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

4) Expenses recognized in profit or loss

| | 2020 | 2019 |
|---|------------------|---------------|
| Current service costs | \$ 10,336 | 12,521 |
| Net interest expense of net defined benefit liabilities | 1,418 | 2,681 |
| | \$ 11,754 | 15,202 |
| | 2020 | 2019 |
| Operating costs | \$ 6,814 | 8,728 |
| Administration expenses | 3,400 | 4,339 |
| Research and development expenses | 1,540 | 2,135 |
| | \$ 11,754 | 15,202 |

5) Remeasurement of net defined benefit liabilities (assets) recognized in other comprehensive income

The Company's remeasurement of the net defined benefit liabilities (assets) recognized in other comprehensive income for the years ended December 31, 2020 and 2019, were as follows:

| | 2020 | 2019 |
|--------------------------------------|---------------------|------------------|
| Accumulated amount as of January 1 | \$ (116,870) | (165,587) |
| Recognized during the period | 10,501 | 48,717 |
| Accumulated amount as of December 31 | \$ (106,369) | (116,870) |

6) Actuarial assumptions

The principal actuarial assumptions were as follows:

| | December 31, 2020 | December 31, 2019 |
|-------------------------------|------------------------------|------------------------------|
| Discount rate | 0.625 % | 1.000 % |
| Future salary increasing rate | 1.200 % | 1.200 % |

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is \$16,266 thousand.

The weighted-average lifetime of the defined benefits plans is 11.42 years.

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

7) Sensitivity analysis

As of December 31, 2020 and 2019, if the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

| | The impact of defined benefit obligations | |
|--|--|------------------|
| | Increased | Decreased |
| December 31, 2020 | | |
| Discount rate decreased (increased) 0.25% | \$ 18,668 | (18,061) |
| Future salary increasing rate increased (decreased) 0.25% | 18,100 | (17,601) |
| December 31, 2019 | | |
| Discount rate decreased (increased) 0.25% | 22,584 | (17,215) |
| Future salary increasing rate increased (decreased) 0.25% | 16,695 | (22,165) |

Reasonable possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

The method and assumptions used on current sensitivity analysis is the same as those of the prior year.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of Labor Insurance amounted to \$33,991 thousand and \$37,299 thousand for the years ended December 31, 2020 and 2019, respectively.

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

(o) Income taxes

(i) Income tax expense

The components of income tax expenses (benefit) for the years ended December 31, 2020 and 2019 were as follows:

| | <u>2020</u> | <u>2019</u> |
|---|-------------------------|----------------------|
| Current tax expense | | |
| Current period | \$ 24,746 | 60,180 |
| Adjustment for prior periods | <u>(4,221)</u> | <u>(7,400)</u> |
| | <u>20,525</u> | <u>52,780</u> |
| Deferred tax expense | | |
| Origination and reversal of temporary differences | <u>28,038</u> | <u>33,844</u> |
| Income tax expense | <u><u>\$ 48,563</u></u> | <u><u>86,624</u></u> |

The amount of income tax expenses (benefit) recognized in other comprehensive income for the years ended December 31, 2020 and 2019 were as follows:

| | <u>2020</u> | <u>2019</u> |
|---|------------------------|---------------------|
| Components that with not be reclassified to profit or loss: | | |
| Remeasurements from defined benefit plans | <u><u>\$ 2,100</u></u> | <u><u>9,743</u></u> |

Reconciliation of income tax expense and profit before tax for 2020 and 2019 were as follows:

| | <u>2020</u> | <u>2019</u> |
|--|--------------------------|-----------------------|
| Profit excluding income tax | <u><u>\$ 261,842</u></u> | <u><u>449,071</u></u> |
| Income tax using the Company's domestic tax rate | \$ 52,368 | 89,814 |
| Dividend revenue | (8,806) | (9,709) |
| Tax credit of investment | (10,235) | (11,279) |
| Others | <u>15,236</u> | <u>17,798</u> |
| Income tax expense | <u><u>\$ 48,563</u></u> | <u><u>86,624</u></u> |

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets and liabilities

As of December 31, 2020 and 2019, the Company has no unrecognized deferred tax assets and liabilities.

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2020 and 2019 were as follows:

Deferred tax assets:

| | Allowance for impairment of receivables | Allowance for valuation of inventories | Defined benefit plans | Other | Total |
|---|--|---|----------------------------------|---------------|---------------|
| Balance as of January 1, 2020 | \$ 5,736 | 2,335 | 31,963 | 29,056 | 69,090 |
| Recognized in profit or loss | (991) | (168) | (4,102) | (13,911) | (19,172) |
| Recognized in other comprehensive income | - | - | (2,100) | - | (2,100) |
| Balance as of December 31, 2020 | <u>\$ 4,745</u> | <u>2,167</u> | <u>25,761</u> | <u>15,145</u> | <u>47,818</u> |
| Balance as of January 1, 2019 | \$ 13,085 | 3,914 | 57,843 | 36,415 | 111,257 |
| Recognized in profit or loss | (7,349) | (1,579) | (16,137) | (7,359) | (32,424) |
| Recognized in other comprehensive income | - | - | (9,743) | - | (9,743) |
| Balance as of December 31, 2019 | <u>\$ 5,736</u> | <u>2,335</u> | <u>31,963</u> | <u>29,056</u> | <u>69,090</u> |

Deferred tax liabilities:

| | Unrealized investment income under equity method | Unrealized foreign exchange gains | Total |
|---------------------------------|---|--|-----------------|
| Balance as of January 1, 2020 | \$ (68,098) | (2,110) | (70,208) |
| Recognized in profit or loss | (6,323) | (2,543) | (8,866) |
| Balance as of December 31, 2020 | <u>\$ (74,421)</u> | <u>(4,653)</u> | <u>(79,074)</u> |
| Balance as of January 1, 2019 | \$ (67,008) | (1,780) | (68,788) |
| Recognized in profit or loss | (1,090) | (330) | (1,420) |
| Balance as of December 31, 2019 | <u>\$ (68,098)</u> | <u>(2,110)</u> | <u>(70,208)</u> |

(iii) The Company's tax return for the years through 2018 were assessed and approved by the Taipei National Tax Administration, except for 2017.

(p) Capital and other equity

(i) Common share

As of December 31, 2020 and 2019, the Company's authorized share capital consisted of 800,000 thousand shares of common share, with \$10 dollars par value per share, of which 547,752 thousand shares, were issued and outstanding.

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

(ii) Capital surplus

The balance of capital surplus as of December 31, 2020 and 2019, were as follows:

| | December 31, 2020 | December 31, 2019 |
|--|------------------------------|------------------------------|
| Cash subscription in excess of par value of shares | \$ 462,559 | 462,559 |
| Treasury share transactions | 10,999 | 10,999 |
| Donation from shareholders | 1,000 | 1,000 |
| | \$ 474,558 | 474,558 |

According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

In accordance with the Company's article of incorporation on May 30, 2019, it stipulates that the Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance is to be appropriated as follows:

- 1) Legal reserve should be at 10%.
- 2) Special reserve should be appropriated (reversed) in accordance with related rules.
- 3) Remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

In order for the requirement of future investment and shareholders' interest, the dividend payment is not lower than 50% of net profit of current year deduct legal reserve and the payment of cash dividend should exceed 25% of total dividends. It is authorized the resolution has been adopted by a majority vote at a meeting of the Board of Directors attends by two-thirds of total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

2) Special reserve

The Company adopted to exemptions of IFRS 1 First-time Adoption of International Financial Reporting Standards of first time adoption in accordance with the IFRSs approved by the FSC. Based on the exemptions, the Company increased retained earnings amounted to \$132,824 thousand from reserve for revaluation increment and cumulative translation adjustments (gains). In accordance with Rule No. 1010012865 issued by the FSC on April 6, 2012, the Company shall reserve a special reserve amounted to \$18,752 thousand, which is same as the increased amount at first time adoption of IFRSs. The Company shall reverse to distribute of earnings proportionately based on the prior special reserve when the related assets had been used, disposal or reclassified. As of December 31, 2020 and 2019, the special reserve is amounted to \$18,646 thousand.

According to the aforementioned ruling, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal to the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve to account for cumulative changes to other shareholders' equity, and does not qualify for earnings distribution. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

On March 19, 2020, the Company's board of directors resolved to appropriate the 2019 earnings. On May 30, 2019, the shareholders' meeting resolved to distribute the 2018 earnings. These earnings were appropriated as follows:

| | 2019 | | 2018 | |
|--|---------------------|-------------------|---------------------|----------------|
| | Amount per share | Amount | Amount per share | Amount |
| Dividends distributed to common shareholders: | | | | |
| Cash | \$ 0.30 | \$ <u>164,326</u> | 0.50 | <u>273,876</u> |

On March 25, 2021, the Company's Board of Directors proposed to resolve to appropriate the 2020 earnings. These earnings will be appropriated as follows:

| | 2020 | |
|---|---------------------|-------------------|
| | Amount per share | Amount |
| Dividends distributed to common shareholders: | | |
| Cash | \$ 0.30 | \$ <u>164,326</u> |

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

(iv) Other equity (net of tax)

| | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Total |
|---|---|--|----------------|
| Balance on January 1, 2020 | \$ (112,054) | 81,616 | (30,438) |
| Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | - | 207,948 | 207,948 |
| Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income on subsidiaries accounted for using equity method | - | (3,318) | (3,318) |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | - | (59,692) | (59,692) |
| Exchange differences on translation of foreign financial statements | 4,286 | - | 4,286 |
| Exchange differences on associates accounted for using equity method | (2,847) | - | (2,847) |
| Balance on December 31, 2020 | <u>\$ (110,615)</u> | <u>226,554</u> | <u>115,939</u> |

| | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Total |
|---|---|--|-----------------|
| Balance on January 1, 2019 | \$ (68,420) | (81,347) | (149,767) |
| Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | - | 137,460 | 137,460 |
| Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income on subsidiaries accounted for using equity method | - | 1,395 | 1,395 |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | - | 24,108 | 24,108 |
| Exchange differences on translation of foreign financial statements | (43,239) | - | (43,239) |
| Exchange differences on associates accounted for using equity method | (395) | - | (395) |
| Balance on December 31, 2019 | <u>\$ (112,054)</u> | <u>81,616</u> | <u>(30,438)</u> |

(q) Earning per share

The calculation of basic earnings per share and diluted earnings per share for the years ended December 31, 2020 and 2019 are as follows:

| | <u>2020</u> | <u>2019</u> |
|---|-------------------|----------------|
| Basic earning per share | | |
| Profit attributable to common shareholders of the Company | <u>\$ 213,279</u> | <u>362,447</u> |
| Weighted-average number of common shares | <u>\$ 547,752</u> | <u>547,752</u> |
| Basic earnings per share (express in New Taiwan dollar) | <u>\$ 0.39</u> | <u>0.66</u> |

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

| | 2020 | 2019 |
|--|-------------------|----------------|
| Diluted earning per share | | |
| Profit attributable to common shareholders of the Company | \$ <u>213,279</u> | <u>362,447</u> |
| Weighted average number of common shares (basic) | 547,752 | 547,752 |
| Effect of employee compensation | <u>1,264</u> | <u>1,917</u> |
| Weighted-average number of common shares outstanding (diluted) | <u>549,016</u> | <u>549,669</u> |
| Diluted earnings per share (express in New Taiwan dollar) | \$ <u>0.39</u> | <u>0.66</u> |

(r) Employee compensation and directors' remuneration

In accordance with the articles of incorporation, the Company should contribute 5% of the profit as employee remuneration and a maximum of 2% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The recipients may include the employees of the Company's affiliated companies who meet certain conditions.

For the years ended December 31, 2020 and 2019, the Company estimated its employee compensation amounting to \$14,077 thousand and \$24,143 thousand and directors' remuneration amounting to \$5,631 thousand and \$9,658 thousand, respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2020 and 2019 for each period. Related information would be available at the Market Observation Post System website. The amounts, as stated in the parent-company-only financial statements, are identical to those of the actual distributions for 2020 and 2019.

(s) Revenue from contract with customers

(i) Disaggregation of revenue

| | For the years ended December 31, 2020 | | | | |
|-------------------------------|---------------------------------------|------------------------|-------------------------|-----------------|------------------|
| | Color chemicals | Specialty chemicals | Electronic chemicals | Pharmaceuticals | Total |
| Primary geographical markets: | | | | | |
| Taiwan | \$ 373,502 | 235,036 | 821,912 | 8,286 | 1,438,736 |
| America | 187,359 | 201,848 | - | 42,508 | 431,715 |
| Asia | 2,063,744 | 773,671 | 226,885 | 44,634 | 3,108,934 |
| Europe | 518,161 | 366,126 | - | 65,186 | 949,473 |
| Other | <u>68,862</u> | <u>46,683</u> | <u>-</u> | <u>41,141</u> | <u>156,686</u> |
| | <u>\$ 3,211,628</u> | <u>1,623,364</u> | <u>1,048,797</u> | <u>201,755</u> | <u>6,085,544</u> |
| Major products: | | | | | |
| Chemicals | \$ 3,211,628 | 1,623,364 | 1,048,797 | - | 5,883,789 |
| Other | <u>-</u> | <u>-</u> | <u>-</u> | <u>201,755</u> | <u>201,755</u> |
| | <u>\$ 3,211,628</u> | <u>1,623,364</u> | <u>1,048,797</u> | <u>201,755</u> | <u>6,085,544</u> |

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

| For the years ended December 31, 2019 | | | | | |
|---------------------------------------|---------------------|------------------------|-------------------------|-----------------|------------------|
| | Color chemicals | Specialty chemicals | Electronic chemicals | Pharmaceuticals | Total |
| Primary geographical markets: | | | | | |
| Taiwan | \$ 472,005 | 254,807 | 715,240 | 7,302 | 1,449,354 |
| America | 283,737 | 336,269 | - | 23,275 | 643,281 |
| Asia | 2,778,407 | 814,612 | 181,790 | 41,841 | 3,816,650 |
| Europe | 597,865 | 477,358 | - | 77,351 | 1,152,574 |
| Other | 102,179 | - | - | 39,516 | 141,695 |
| | \$ 4,234,193 | 1,883,046 | 897,030 | 189,285 | 7,203,554 |
| Major products: | | | | | |
| Chemicals | \$ 4,234,193 | 1,883,046 | 897,030 | - | 7,014,269 |
| Other | - | - | - | 189,285 | 189,285 |
| | \$ 4,234,193 | 1,883,046 | 897,030 | 189,285 | 7,203,554 |

(ii) Contract balance

| | December 31, 2020 | December 31, 2019 | January 1, 2019 |
|----------------------|----------------------|----------------------|--------------------|
| Receivables | \$ 1,274,579 | 1,260,082 | 1,436,693 |
| Less: loss allowance | (32,343) | (35,889) | (43,528) |
| Total | \$ 1,242,236 | 1,224,193 | 1,393,165 |

For the detail on receivable and allowance, please refer to Note 6(c).

(t) Non-operating income and expenses

(i) Interest income

| | 2020 | 2019 |
|-----------------------------------|-----------------|--------------|
| Interest income for bank deposits | \$ 1,549 | 1,585 |

(ii) Other income

| | 2020 | 2019 |
|-----------------|------------------|---------------|
| Dividend income | \$ 44,731 | 49,939 |

(iii) Other gains and losses

| | 2020 | 2019 |
|---|------------------|---------------|
| Foreign exchange gains (losses) | \$ (19,684) | 5,989 |
| Net gains on disposal of financial assets and liabilities at fair value through profit or loss | 265 | 23 |
| Gains on disposal of property plant and equipment | 31 | 863 |
| Subsidy revenue | 10,372 | 10,620 |
| Gains on writing off over due payment | 21,143 | - |
| Others | 56,448 | 59,610 |
| | \$ 68,575 | 77,105 |

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

(iv) Finance costs

| | 2020 | 2019 |
|------------------|------------------|---------------|
| Interest expense | \$ 36,654 | 62,243 |

(u) Financial instruments

(i) Credit risk

1) Credit risk exposure

As of December 31, 2020 and 2019, the Company's exposure to credit risk and the maximum exposure were mainly from:

- a) The carrying amount of financial assets recognized in the balance sheet; and
- b) The amounts of liabilities as a result from the Company providing financial guarantees were \$56,960 thousand and \$59,960 thousand , respectively.

2) Concentration of credit risk

The Company has exposure to credit risk of individual counterparty or group of counterparties with similar credit characteristics. Those related parties of which having transactions with the Company are regarded as group of counterparties with similar credit characteristics. The concentrations of credit risk on notes and accounts receivables due from subsidiaries resulted that the Company distributed product through subsidiaries. Please refer to Note 7.

3) Receivables securities

For credit risk exposure of receivables, please refer Note 6(c).

Other financial assets at amortized cost includes other receivables and refundable deposits. There were no loss allowance provision for the years ended December 31, 2020 and 2019. All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. (Regarding how the financial instruments are considered to have low credit risk, please refer to Note 4(f).

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payable and excluding the impact of netting agreements.

| | <u>Carrying amount</u> | <u>Contractual cash flows</u> | <u>within 1 year</u> | <u>1~2 years</u> | <u>2~5 years</u> | <u>Over 5 years</u> |
|---|----------------------------|-----------------------------------|--------------------------|-------------------------|-----------------------|-------------------------|
| December 31, 2020 | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Short-term borrowings | \$ 1,172,531 | 1,174,406 | 1,174,406 | - | - | - |
| Notes payable | 181,329 | 181,329 | 181,329 | - | - | - |
| Accounts payable | 326,587 | 326,587 | 326,587 | - | - | - |
| Other payable | 316,660 | 316,660 | 316,660 | - | - | - |
| Payables on equipment | 15,638 | 15,638 | 15,638 | - | - | - |
| Lease liabilities | 37,813 | 39,021 | 10,345 | 9,896 | 16,792 | 1,988 |
| Long-term borrowings (including current portion) | <u>1,250,000</u> | <u>1,275,300</u> | <u>-</u> | <u>1,074,168</u> | <u>201,132</u> | <u>-</u> |
| | <u>\$ 3,300,558</u> | <u>3,328,941</u> | <u>2,024,965</u> | <u>1,084,064</u> | <u>217,924</u> | <u>1,988</u> |
| December 31, 2019 | | | | | | |
| Non derivative financial liabilities | | | | | | |
| Short-term borrowings | \$ 1,717,630 | 1,721,048 | 1,721,048 | - | - | - |
| Notes payable | 151,828 | 151,828 | 151,828 | - | - | - |
| Accounts payable | 203,515 | 203,515 | 203,515 | - | - | - |
| Other payable | 156,412 | 156,412 | 156,412 | - | - | - |
| Payables on equipment | 8,712 | 8,712 | 8,712 | - | - | - |
| Lease liabilities | 47,120 | 48,941 | 10,805 | 9,747 | 24,941 | 3,448 |
| Long-term borrowings (including current portion) | <u>1,379,748</u> | <u>1,406,999</u> | <u>433,040</u> | <u>369,737</u> | <u>604,222</u> | <u>-</u> |
| | <u>\$ 3,664,965</u> | <u>3,697,455</u> | <u>2,685,360</u> | <u>379,484</u> | <u>629,163</u> | <u>3,448</u> |

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

(iii) Currency risk

1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk was as follows:

| | December 31, 2020 | | | December 31, 2019 | | |
|------------------------------|---------------------|------------------|---------|---------------------|------------------|---------|
| | Foreign currency | Exchange rate | TWD | Foreign currency | Exchange rate | TWD |
| <u>Financial assets</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD | \$ 34,039 | 28.48 | 968,751 | 24,200 | 29.98 | 725,516 |
| JPY | 171,904 | 0.27 | 47,153 | 214,664 | 0.28 | 60,106 |
| RMB | 65,426 | 4.35 | 284,735 | 66,208 | 4.31 | 284,694 |
| <u>Non-monetary items</u> | | | | | | |
| JPY | - | - | - | 423,000 | 0.28 | 118,440 |
| <u>Financial liabilities</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD | 29,064 | 28.50 | 828,319 | 28,027 | 30.00 | 840,810 |
| JPY | 61,650 | 0.28 | 17,157 | 24,802 | 0.28 | 6,945 |
| RMB | 7,914 | 4.40 | 34,836 | 1,792 | 4.33 | 7,759 |

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, account receivable, and accounts payable that are denominated in foreign currency. A strengthening (weakening) 1% of appreciation (depreciation) of the NTD against the USD, JPY, and RMB for the years ended December 31, 2020 and 2019, would have changed the profit by \$3,363 thousand and \$1,718 thousand, respectively, and other comprehensive income by \$0 thousand and \$1,184 thousand, respectively. The analysis is performed on the same basis for 2020 and 2019.

3) Foreign exchange gains and losses on monetary items

Since the Company has many kinds of functional currency, the information on foreign exchange gains (losses) on monetary items is disclosed by total amount. For the years 2020 and 2019, foreign exchange gains (losses) (including realized and unrealized portions) are exchange losses (gains) amounted to \$19,684 thousand and \$(5,989) thousand, respectively.

(iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Company's financial assets and liabilities.

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
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The following sensitivity analysis is based on the exposure to the interest rate risk of non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increase or decreases by 1% when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

If the interest rate had increased/decreased by 1%, the Company's profit would have decreased/increased by \$19,380 thousand and \$24,779 thousand, respectively, for the years ended December 31, 2020 and 2019, with all other variable factors that remain constant. This is mainly due to the Company's borrowing at floating rates.

(v) Other market price risk

For the years ended December 31, 2020 and 2019, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

| | 2020 | | 2019 | |
|---|--------------------------------------|------------|--------------------------------------|------------|
| | Other comprehensive income after tax | Net income | Other comprehensive income after tax | Net income |
| Prices of securities at the reporting date | | | | |
| Increasing 1% | \$ 9,287 | - | 10,314 | - |
| Decreasing 1% | \$ (9,287) | - | (10,314) | - |

(vi) Fair value of financial instruments

1) Categories and fair values of financial instruments

The fair value of financial assets and liabilities at fair value through profit and loss and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows, however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

| | December 31, 2020 | | | | |
|--|-------------------|------------|---------|---------|---------|
| | Carrying amount | Fair value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial assets mandatorily measured at fair value through profit or loss | | | | | |
| Monetary market fund | \$ 60,100 | 60,100 | - | - | 60,100 |
| Financial assets at fair value through other comprehensive income | | | | | |
| Stocks listed on domestic markets | 884,695 | 884,695 | - | - | 884,695 |
| Domestic unlisted common shares | 43,999 | - | - | 43,999 | 43,999 |
| Subtotal | 928,694 | 884,695 | - | 43,999 | 928,694 |

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

| | December 31, 2020 | | | | |
|--|---------------------|------------------|----------|---------------|------------------|
| | Carrying amount | Fair value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | 864,307 | - | - | - | - |
| Financial assets at amortized cost | 12,869 | - | - | - | - |
| Notes and account receivable (included related parties) | 1,242,236 | - | - | - | - |
| Other financial assets (included other receivables-related parities) | 24,035 | - | - | - | - |
| Subtotal | <u>2,143,447</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 3,132,241</u> | <u>944,795</u> | <u>-</u> | <u>43,999</u> | <u>988,794</u> |
| Financial liabilities measured at amortized cost | | | | | |
| Bank loans | \$ 2,422,531 | - | - | - | - |
| Notes and trade payable | 507,916 | - | - | - | - |
| Other payable | 316,660 | - | - | - | - |
| Lease liabilities | 37,813 | - | - | - | - |
| Payables on equipment | 15,638 | - | - | - | - |
| Total | <u>\$ 3,300,558</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | | | | | |
| | December 31, 2019 | | | | |
| | Book value | Fair value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| Financial assets mandatorily measured at fair value through profit or loss | | | | | |
| Monetary market fund | \$ 30,023 | <u>30,023</u> | <u>-</u> | <u>-</u> | <u>30,023</u> |
| Financial assets at fair value through other comprehensive income | | | | | |
| Stocks listed on domestic and foreign markets | 974,607 | 974,607 | - | - | 974,607 |
| Domestic unlisted common shares | 56,764 | - | - | 56,764 | 56,764 |
| Subtotal | <u>1,031,371</u> | <u>974,607</u> | <u>-</u> | <u>56,764</u> | <u>1,031,371</u> |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | 554,683 | - | - | - | - |
| Notes and account receivable (included related parties) | 1,224,193 | - | - | - | - |
| Other financial assets (included other receivables-related parities) | 60,915 | - | - | - | - |
| Subtotal | <u>1,839,791</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 2,901,185</u> | <u>1,004,630</u> | <u>-</u> | <u>56,764</u> | <u>1,061,394</u> |

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

| | December 31, 2019 | | | | |
|--|---------------------|------------|----------|----------|----------|
| | Book value | Fair value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial liabilities measured at amortized cost | | | | | |
| Bank loans | \$ 3,097,378 | - | - | - | - |
| Notes and trade payable | 355,343 | - | - | - | - |
| Other payable | 156,412 | - | - | - | - |
| Lease liabilities | 47,120 | - | - | - | - |
| Payables on equipment | 8,712 | - | - | - | - |
| Total | <u>\$ 3,664,965</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

2) Valuation techniques for financial instruments measured at fair value

a) Non-derivative instruments

The fair value of financial instruments traded in an active market is based on the quoted market prices. The quotations, which is published by the main exchange center, is included in the fair value of the listed securities instruments in an active market with open bid.

A financial instrument is regarded as the quoted price in an active market if the quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency; and if those prices represent the actual and regularly occurring market transactions on an arm's length basis. Otherwise, the market is deemed to be inactive. Normally, a market is considered to be inactive as follows:

- i) the bid-ask spread is increasing; or
- ii) the bid-ask spread varies significantly; or
- iii) there has been a significant decline in trading volume.

When the financial instrument of the Company is traded in an active market, its fair value is illustrated by the category and nature as follows:

- The fair value of stocks listed on domestic and foreign markets, which are the financial assets with standard terms and conditions and traded in an active market, are based on the market closing prices.

Except the aforementioned financial instruments, with active market the others' fair value is based on valuation techniques. Fair value, measured by using valuation technique that can be extrapolated from either similar financial instruments or discounted cash flow method or other valuation techniques, including models, is calculated based on available market data at the reporting data.

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
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When the financial instrument of the Company is traded in an inactive market, its fair value is illustrated by the category and nature as follows:

- Unquoted equity instruments: the fair value of financial instruments transactions in an inactive market, which is valued by comparable method. The main hypothesis is referred from the quotations of comparable listed companies and earning multiplies of PBR proportion as basic, which is adjusted by the discount affections of equity securities lacking market liquidity.

b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models. Fair value of forward currency is usually determined by the forward currency exchange rate.

3) Transfers between Level 1 and Level 2

The Company didn't have any fair value transfer between levels for the years ended December 31, 2020 and 2019.

4) Reconciliation of Level 3 fair values

| | Fair value through other comprehensive income |
|--|--|
| | Unquoted equity instruments |
| Balance on adjustment January 1, 2020 | \$ 56,764 |
| Total gains or losses: | |
| Recognized in other comprehensive income | (12,765) |
| Balance on December 31, 2020 | \$ 43,999 |
| Balance on adjustment January 1, 2019 | \$ 85,632 |
| Total gains or losses: | |
| Recognized in other comprehensive income | (28,868) |
| Balance on December 31, 2019 | \$ 56,764 |

The aforementioned total gains or losses were included “unrealized gains (losses) on equity investment measured at fair value through other comprehensive income”, which related to holding assets on December 31, 2020 were as follows:

| | 2020 | 2019 |
|--|--------------------|-----------------|
| Recognized in other comprehensive income | \$ (12,765) | (28,868) |

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

- 5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company's financial instruments that use Level 3 inputs to measure fair value were “financial assets measured at fair value through other comprehensive income – debt investments”.

Most of the Company's financial instruments that use level 3 inputs to measure fair value have multiple significant unobservable inputs. There is no correlation existence among the significant unobservable inputs of equity investments that have no active markets because they were independent of each other.

Quantified information of significant unobservable inputs was as follows:

| <u>Item</u> | <u>Valuation technique</u> | <u>Significant unobservable inputs</u> | <u>Inter-relationship between significant unobservable inputs and fair value measurement</u> |
|--|--------------------------------------|--|--|
| Financial assets at fair value through other comprehensive income- equity investments without an active market | Comparable Listed companies approach | <ul style="list-style-type: none"> • Price-Book Ratio (as of December 31, 2020 and 2019 were 3.99 and 3.57, respectively) • Market liquidity discount rate (as of December 31, 2020 and 2019 were all 20%) | <ul style="list-style-type: none"> • The estimated fair value would increase if the multiplier was higher. • The estimated fair value would decrease if market liquidity discount rate was higher. |

- 6) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The Company's measurements of financial instruments' fair value were reasonable, only if using different variables leading different results. For the fair value measurements in level 3, if changing valuation variables, would have the following effects on other comprehensive income on December 31, 2020:

| <u>Inputs</u> | <u>Upwards or Downwards</u> | <u>Fair value variation on other comprehensive income</u> | | | |
|--------------------------------|-----------------------------|---|--------------------------|--------------------------|--------------------------|
| | | <u>Favorable</u> | | <u>Unfavorable</u> | |
| | | <u>December 31, 2020</u> | <u>December 31, 2019</u> | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
| Price-book ratio | 5% | 2,250 | 2,176 | (2,250) | (2,176) |
| Market liquidity discount rate | 5% | 2,173 | 2,949 | (2,173) | (2,949) |

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the inter-relationships with another input.

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

(v) Financial risk management

(i) Overview

The Company have exposures to the following risks from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

Detailed information about exposure risk arising from the aforementioned risk and the Company's objective, policies and process for managing risks have been stated below. Further quantitative disclosures have been disclosed as notes to the parent-company-only financial statements.

(ii) Structure of risk management

The Company's inter departmental management and committee, which consists of general manager and managers from all departments, including manufacturing, research and development, environment, health and safety, financial and audit, is responsible to hold a meeting regularly for monitoring the Company's risk management policies.

The executive and responsible departments of risk management are as follows:

- 1) Financial risk, liquidity risk, credit risk and legal risk: based on regulations, government policy and analysis of market change, financial division and legal division make the strategy to reflect, then execute the strategy. The internal auditor reviews the risks control and procedures for the aforementioned risks.
- 2) Market risk: the Company's SBUs and functional division are responsible to make the strategy to identify risk based on regulation, government policy and analysis of market change, then execute the strategy. In order to manage the risk of market change dramatically, management with SBUs managers will establish a task force when it is necessary.
- 3) Operating strategy risk: in order to monitor the operating strategy in compliance with the Company's vision and meet the operating goals, general manager division with management of SBUs will evaluate the risk of operational policy through performance evaluation periodically.

The Company's Audit Committee oversees how management monitors counterparty with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Audit Committee is assisted in its oversight role by the internal auditor. The internal auditor undertakes both regular and exceptional reviews of risk management controls and the procedures, and the result of which are reported to the Audit Committee.

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to financial instruments fails to meet its contractual obligations that arises principally from the Company's accounts receivable and investments in securities.

1) Accounts receivable and other receivable

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. According to the credit policy, the Company analyzes each new customer individually for their credit worthiness before granting the new customer standard payment terms. Credit lines are established for each customer and reviewed periodically.

The Company did not have any collateral or other enhancements to avoid credit risk of financial assets.

2) Investments

The credit risk exposure in the bank deposits, and equity instruments are measured and monitored by the Company's finance department. Since the Company's transactions resulted from the external parties with good credit standing highly rated financial institutions, publicly-traded stock companies and unlisted companies with good reputation, there are no compliance issues and therefore no significant credit risk.

3) Guarantees

The Company's policy is to provide financial guarantees only to wholly owned subsidiaries. As of December 31, 2020 and 2019, the outstanding balance of guarantees were \$56,960 thousand and \$59,960 thousand, respectively.

(iv) Liquidity risk

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

Loans and borrowings from the bank form an important source of liquidity for the Company. As of December 31, 2020 and 2019, the Company's unused credit line were amounted to \$2,562,189 thousand and \$2,801,344 thousand, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

The Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risk. All such transactions are carried out within the guidelines of derivative transaction management set by the board of directors and general meeting of shareholders and the related financial transactions are under oversight by internal auditor. The management of the Company's market risk are as follows:

1) Currency risk

The Company is exposed to currency risk on foreign currency assets and liabilities resulted from operating, financing and investing activities. The Company hedges the currency risk by derivatives. Most of the foreign exchange gains and losses arising from foreign currency assets and liabilities will be offset by the gains or losses on derivative instruments. The Company may reduce the currency risk through derivative instruments but do not avoid all of the currency influence resulted from foreign currency exchange.

The Company monitors the exposure of individual foreign currency assets and liabilities periodically. When necessary, the Company uses foreign currency options and forward exchange contracts to hedge above currency risk exposure. The duration of foreign currency options and forward exchange contracts are within one year and do not meet the criteria for hedge accounting.

2) Interest rate risk

The Company's exposure of interest rate risk is mainly from floating-rate loans. Any change in interest rates will cause influence in the effective interest rates of loans and thus cause the alternation of future cash flows. The Company enters into and designates interest rate swaps and other capital market financing as hedges of the variability in cash flows by continuing to review the interest rate variability in order to control the financial cost at the relatively low in market interest rate.

3) Other market price risk

The Company is exposed to equity price risk due to the investments in equity securities. This is a strategic investment and is not held for trading. The Company does not actively trade in these investments. Material investments within the portfolio are managed on an individual basis, and all buy-and-sell decisions are approved by the Board of directors.

(w) Capital management

The Board's policy is to keep a strong capital base in order to maintain investor, creditor and market confidence, and to sustain future development of the business. Capital consists of common shares, capital surplus, retained earnings and other equity of the Company. The Board of Directors monitors the return on capital as well as the level of dividends to common shareholders.

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

| | <u>December 31, 2020</u> | <u>December 31, 2019</u> |
|---------------------------------|------------------------------|------------------------------|
| Total liabilities | \$ 3,670,237 | 4,134,337 |
| Less: cash and cash equivalents | <u>864,307</u> | <u>554,683</u> |
| Net liabilities | <u>\$ 2,805,930</u> | <u>3,579,654</u> |
| Total equity | <u>\$ 8,087,304</u> | <u>7,823,140</u> |
| Debt-to-equity ratio | <u>35 %</u> | <u>46 %</u> |

There were no change in the Company's approach to capital management for the year ended December 31, 2020.

- (x) Investing and financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities were as follows:

| | <u>January 1, 2020</u> | <u>Cash flows</u> | <u>Non-cash changes Other</u> | <u>December 31, 2020</u> |
|---|----------------------------|-------------------|-----------------------------------|------------------------------|
| Short-term borrowings | \$ 1,717,630 | (545,099) | - | 1,172,531 |
| Lease liabilities | 47,120 | (10,495) | 1,188 | 37,813 |
| Long-term borrowings | <u>1,379,748</u> | <u>(130,000)</u> | <u>252</u> | <u>1,250,000</u> |
| Total liabilities from financing activities | <u>\$ 3,144,498</u> | <u>(685,594)</u> | <u>1,440</u> | <u>2,460,344</u> |

| | <u>January 1, 2019</u> | <u>Cash flows</u> | <u>Non-cash changes Other</u> | <u>December 31, 2019</u> |
|---|----------------------------|-------------------|-----------------------------------|------------------------------|
| Short-term borrowings | \$ 1,793,260 | (75,630) | - | 1,717,630 |
| Lease liabilities | 55,463 | (10,145) | 1,802 | 47,120 |
| Long-term borrowings | <u>1,598,988</u> | <u>(220,000)</u> | <u>760</u> | <u>1,379,748</u> |
| Total liabilities from financing activities | <u>\$ 3,447,711</u> | <u>(305,775)</u> | <u>2,562</u> | <u>3,144,498</u> |

(7) Related-party transactions:

- (a) Parent company and ultimate controlling company

The Company is the ultimate controlling party of the Company and its subsidiaries.

- (b) Names and relationship with related parties

The following are entities that have had transactions with related party during the periods covered in the parent-company-only financial statements.

| <u>Name of related party</u> | <u>Relationship with the Company</u> |
|---|--------------------------------------|
| EVERLIGHT USA, INC. (EVUS) | Subsidiary |
| EVERLIGHT (HONG KONG) LIMITED (EVHK) | Subsidiary |
| EVERLIGHT CHEMICALS (SINGAPORE) PTE LTD. (EVSG) | Subsidiary |
| EVERLIGHT EUROPE B.V. (EVEU) | Subsidiary |
| TREND TONE IMAGING, INC. (TTI) | Subsidiary |
| ELITE FOREIGN TRADING INCORPORATION (ELITE) | Subsidiary |
| DAILYCARE BIOMEDICAL INC. (DCBM) | Subsidiary |

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

| <u>Name of related party</u> | <u>Relationship with the Company</u> |
|--|--|
| ETHICAL INTERNATIONAL TRADING & WAREHOUSING (SHANGHAI) CO.,LTD. (ETSH) | Subsidiary |
| GUANGZHOU ETHICAL TRADING CO., LTD. (ETGZ) | Subsidiary |
| SHANGHAI EVERLIGHT TRADING CO., LTD. (EVSH) | Subsidiary |
| EVERLIGHT (SUZHOU) ADVANCED CHEMICALS LTD. (EVSZ) | Subsidiary |
| ANDA SEMI CONDUCTOR TECHNOLOGY (SUZHOU) CO., LTD. (ANDA) | Subsidiary |
| GREATLIGHT INVESTMENT CORPORATION (GLTP) | Subsidiary |
| SHANGHAI ANDA INTERNATIONAL TRADING CO., LTD. (ADSH) | Subsidiary |
| 3E CHEMICAL (SUZHOU) CO., LTD. (3ESZ) | Affiliate company |
| CHUNG HWA CHEMICAL INDUSTRIAL WORKS, LTD. (CHCIW) | The entity's chairman is the director of the Company |
| KEYSTONE PHARMACEUTICALS INC. (KEYSTONE) | Affiliate company |

(c) Significant transactions with related parties

(i) Operating revenue

Significant sales to related parties of the Company were as follow:

| | <u>2020</u> | <u>2019</u> |
|------------|----------------------------|-------------------------|
| Subsidiary | \$ <u><u>2,120,879</u></u> | <u><u>2,480,677</u></u> |

The payment terms for related parties, except EVUS and ELITE are Open Account 100 days and Open Account 90 days, respectively, are same as those of the third-parties sales. There was no collateral on the accounts receivable from related parties. The Company did not recognized allowance of impairment after considerations.

(ii) Purchase

The amounts of significant purchases by the Group from related parties were as follows:

| | <u>2020</u> | <u>2019</u> |
|-----------------------|-------------------------|----------------------|
| Other related parties | \$ <u><u>33,079</u></u> | <u><u>36,439</u></u> |

The prices, payment terms and other terms and conditions of purchase transactions with related parties were not materially different from those of the third-party vendors.

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

(iii) Other

- 1) The Company had provided a guarantee for loans taken out by related parties were as follows:

| | December 31, 2020 | December 31, 2019 |
|------|------------------------------|------------------------------|
| EVUS | \$ 56,960 | 59,960 |

- 2) As of December 31, 2020 and 2019, other receivables of dividends from subsidiaries were \$0 thousand and \$35,181 thousand, respectively.
- 3) As of December 31, 2020 and 2019, other receivables of prepayments for subsidiaries were \$3,957 thousand and \$4,691 thousand, respectively.
- 4) As of December 31, 2020 and 2019, other payables of prepayments for subsidiaries were \$5,081 thousand and \$3,396 thousand, respectively.

(iv) Receivable from related parties

The Company's receivable from related parties were as follows:

| Account | Name of Entity | December 31, 2020 | December 31, 2019 |
|---|-----------------------|------------------------------|------------------------------|
| Accounts receivable due from related parties, net | EVUS | \$ 49,959 | 60,910 |
| | EVEU | 85,289 | 62,345 |
| | Elite | 83,474 | 116,576 |
| | Other subsidiaries | 263,448 | 210,768 |
| | | 482,170 | 450,599 |
| Other receivables due from related parties | Subsidiaries | 3,957 | 39,872 |
| | | \$ 486,127 | 490,471 |

(v) Payable from related parties

The Company's payable from related parties were as follows:

| Account | Name of Entity | December 31, 2020 | December 31, 2019 |
|----------------------------|-----------------------|------------------------------|------------------------------|
| Notes and accounts payable | Other related parties | \$ 14,751 | 11,829 |
| Other payable | Subsidiaries | 5,081 | 3,396 |
| | | \$ 19,832 | 15,225 |

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

(vi) Property transactions

In 2019, the Company purchased machinery equipment from the affiliate company amounting to \$6,600 thousand. As of December 31, 2019, the payment has been paid. There was no such transaction in 2020.

(d) Key management personnel compensation

| | 2020 | 2019 |
|------------------------------|------------------|---------------|
| Short-term employee benefits | \$ 26,945 | 28,350 |
| Post-employment benefits | 560 | 904 |
| | \$ 27,505 | 29,254 |

(8) Pledged assets: None.

(9) Commitments and contingencies:

(a) The Company's unrecognized contractual commitment are as follows:

| | December 31, 2020 | December 31, 2019 |
|--|------------------------------|------------------------------|
| Acquisition of property, plant and equipment | \$ 58,272 | 103,172 |

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

(12) Other:

(a) A summary of employee benefits, depreciation, and amortization, by function, is as follows:

| By item | 2020 | | | 2019 | | |
|----------------------------|-----------------|--------------------|---------|-----------------|--------------------|---------|
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Employee benefits | | | | | | |
| Salary | 525,811 | 364,367 | 890,178 | 586,295 | 401,201 | 987,496 |
| Labor and health insurance | 56,084 | 36,454 | 92,538 | 59,877 | 38,182 | 98,059 |
| Pension | 25,031 | 20,714 | 45,745 | 29,269 | 23,232 | 52,501 |
| Remuneration of directors | - | 14,694 | 14,694 | - | 18,717 | 18,717 |
| Others | 23,124 | 11,466 | 34,590 | 28,736 | 14,386 | 43,122 |
| Depreciation (note) | 420,569 | 105,504 | 526,073 | 397,835 | 105,909 | 503,744 |
| Depletion | - | - | - | - | - | - |
| Amortization | 318 | 26,703 | 27,021 | 226 | 18,026 | 18,252 |

Note: For the year ended December 31, 2020, depreciation expense recognized were \$526,157 thousand, less deferred gains of \$84 thousand.

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EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

As of December 31, 2020 and 2019, the additional information for employee numbers and employee benefits were as follows:

| | <u>2020</u> | <u>2019</u> |
|--|----------------|--------------|
| Average employee numbers | <u>1,344</u> | <u>1,402</u> |
| Average directors numbers without serving concurrently as employee | <u>9</u> | <u>9</u> |
| Average employee benefits | <u>\$ 796</u> | <u>848</u> |
| Average employee salaries | <u>\$ 667</u> | <u>709</u> |
| Average adjustment rate of employee salaries | <u>(5.92)%</u> | |
| Remuneration of supervisor | <u>\$ -</u> | <u>-</u> |

Directors:

According to the Company's Articles of Incorporation, the Company's director remuneration is authorized to be determined by the Board of Directors based on the director's participation procedure in the Company's operation and the value of contribution, no matter whether the Company has realized profit or loss. The standard of the industry is also taken into consideration when deciding director remuneration. A rational remuneration was approved by the Remuneration Committee and the Board of Directors.

General managers and employees:

The salaries and bonuses of general managers and employees are based on the Company's salary standards, taking into their positions, contribution and performance, not due to age, gender, race, religion, political position, marital status or membership in a trade union. The principle is the salary level meet the basic need of maintain basic lives and takes into the motivation and sense of accomplishment. The remuneration board of directors for resolution by the Board of Directors for resolution by the Remuneration Committee.

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

(13) Other disclosures:

(a) Information on significant transactions

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company for the year ended December 31, 2020:

1. Loans to other parties:

| Number | Name of lender | Name of borrower | Account name | Highest balance of financing to other parties during the period | Actual usage amount during the period | Ending balance | Actual usage amount during the period | Range of interest rates during the period | Purposes of fund financing for the borrower (Note 2) | Transaction amount for business between two parties | Reasons for short-term financing | Collateral | | Individual funding loan limits (Note 1) | Maximum limit of fund financing (Note 1) |
|--------|----------------|------------------|---------------------------------------|---|---------------------------------------|----------------|---------------------------------------|---|--|---|----------------------------------|------------|-------|---|--|
| | | | | | | | | | | | | Item | Value | | |
| 0 | ECIC | EVSZ | Other receivable from related parties | Yes | 151,125 | 142,400 | - | - | 2 | - | Short-term operating financing | NA | - | 808,730 | 3,234,921 |

Note1 : According to the Company’s Operating Procedures of Fund Lending and Guarantee, the amount of loaned fund shall be limited to 40% of the lending company’s net worth. The individual lending amount shall not exceed 10% of the lending company’s net worth.

Note2 : The nature of financing as follow:

1. Business transaction calls for a loan arrangement.
2. The need for short-term financing.

2. Guarantees and endorsements for other parties

| Number | Name of guarantor | Counter-party of guarantee and endorsement | | Limitation on amount of guarantees and endorsements for a specific enterprise (Note 1) | Highest balance for guarantees and endorsements during the period | Balance of guarantees and endorsements as of reporting date | Actual usage amount during the period | Property pledged for guarantees and endorsements Amount | Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements | Maximum amount for guarantees and endorsements (Note 1) | Parent company endorsements/guarantees to subsidiary | Subsidiary endorsements/guarantees to parent company | Endorsements/guarantees to the companies in mainland China |
|--------|-------------------|--|--|--|---|---|---------------------------------------|---|---|---|--|--|--|
| | | Name | Relationship with the Company (Note 2) | | | | | | | | | | |
| 0 | ECIC | EVUS | Subsidiary | 808,730 | 60,500 | 56,960 | 19,936 | - | 0.70% | 2,021,826 | Yes | No | No |

Note1 : According to the Company’s Operating Procedures of Fund Lending and Guarantee, the amount of guarantees shall be limited to 25% of the Company’s net worth. The individual guarantee amount shall not exceed 10% of the Company’s net worth.

Note2 : The relationship of guarantee and endorsement with the Company and counter-party:

2. A subsidiary in which endorser/guarantor provider holds directly over 50% of equity interest.
3. An investee in which endorserment/guarantee provider and its subsidiaries hold over 50% of equity interest.
4. An investor which holds directly or indirectly over 50% of equity interest of endorser/guarantor provider.
5. The Company that has provided guarantees Investment Amounts Authorized by Investment Commission, MOEA
6. An investee in which endorserment/guarantee provider conjunctly invests with other stockholders, and for which endorserment/guarantee provider has provided endorserment/guarantee provider in proportion to its shareholding percentage.
7. Peer engaged in the escrow of the sales contract on pre-sale house under the Consumer Protection Act.

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
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3. Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

| Name of holder | Category and name of security | Relationship with company | Account | Ending balance | | | Note |
|----------------|---|---------------------------|---|----------------|----------------|-------------------------|---------|
| | | | | Shares/Units | Carrying value | Percentage of Ownership | |
| ECIC | Jin Sun Money Market Fund | - | Financial assets at fair value through profit or loss-current | 2,010 | 30,051 | - | 30,051 |
| " | Franklin Templeton Sinoam Money Fund | - | " | 2,881 | 30,049 | - | 30,049 |
| | | | | | 60,100 | | 60,100 |
| ECIC | Polytronic Technology Corp. | - | Financial assets at fair value through other comprehensive income-non-current | 8,000 | 440,606 | 10% | 764,000 |
| " | Chung Hwa Chemical Industrial Works, Ltd. | - | " | 5,500 | 92,217 | 5% | 60,775 |
| " | General Plastic Industrial Co., Ltd. | - | " | 2,140 | 74,900 | 2% | 59,920 |
| " | Andros Pharmaceuticals Co., Ltd. | - | " | 3,880 | 77,800 | 15% | 43,999 |
| GLTP | Taiwan Bio Therapeutics Co., Ltd. | - | " | 414 | 11,400 | 3% | 6,191 |
| TTI | General Plastic Industrial Co., Ltd. | - | " | 2,140 | 74,900 | 2% | 59,920 |
| | | | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | | 222,982 | | - |
| | | | Total | | 994,805 | | 994,805 |

4. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
5. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
6. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

7. Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock.

| Name of company | Counter-party | Nature of relationship | Purchase/Sale | Transaction details | | | Transactions with terms different from others | | Notes/Accounts receivable (payable) notes/accounts receivable (payable) | Note |
|-----------------|---------------|------------------------|---------------|---------------------|-------------------------------------|---------------|--|--|---|--------|
| | | | | Amount | Percentage of total purchases/sales | Payment terms | Unit price | Payment terms | | |
| ECIC | EVUS | Subsidiary | Sale | 165,271 | 2.72% | OA 100 | Non material differences from those of third-parties | Non material differences from those of third-parties | 49,959 | 6.41% |
| " | ELITE | " | " | 348,880 | 5.73% | OA 100 | " | " | 83,474 | 10.70% |
| " | EYEU | " | " | 580,529 | 9.54% | OA 90 | " | " | 85,289 | 10.94% |
| " | EYSH | " | " | 215,232 | 3.54% | OA 90 | " | " | 32,825 | 4.21% |
| " | EVSZ | " | " | 231,133 | 3.80% | OA 90 | " | " | 46,617 | 5.98% |
| " | ETGZ | " | " | 131,737 | 2.16% | OA 90 | " | " | 65,653 | 8.42% |
| " | ETSH | " | " | 177,289 | 2.91% | OA 90 | " | " | 38,825 | 4.98% |

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

8. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.

9. Trading in derivative instruments: Please refer to Note 6(b).

(b) Information on investments:

The following is the information on investees for the year ended December 31, 2020 (excluding information on investees in mainland China):

| Name of investor | Name of investee | Location | Main businesses and products | Original investment amount | | Balance of December 31, 2020 | | Percentage of ownership | Carrying value | Net income (losses) of investee | Share of profits/losses of investee | Note |
|------------------|----------------------------------|--------------|--|----------------------------|-------------------|------------------------------|-----------|-------------------------|----------------|---------------------------------|-------------------------------------|----------|
| | | | | December 31, 2020 | December 31, 2019 | Shares (thousands) | Value | | | | | |
| EGIC | EVUS | America | Selling chemical product and related raw materials | 88,868 | 88,868 | 300 | 113,192 | 100.00% | 113,192 | 1,961 | 1,961 | |
| " | EVHK | Hong Kong | Selling chemical product and related raw materials | 34,579 | 34,579 | 1,000 | 40,634 | 100.00% | 40,634 | 3,743 | 3,743 | |
| " | EVSG | Singapore | Investing business | 779,115 | 779,115 | 24,300 | 931,109 | 100.00% | 931,109 | 35,695 | 35,695 | |
| " | EVEU | Netherland | Selling chemical product and related raw materials | 7,890 | 7,890 | 1 | 44,858 | 100.00% | 44,858 | 2,783 | 2,783 | |
| " | TTI | Hsinchu City | Manufacturing and selling toners of laser printer, copier and fax machine | 242,192 | 242,192 | 44,906 | 587,963 | 76.15% | 587,963 | (77,561) | (59,033) | |
| " | ELITE | Turkey | Selling chemical product and related raw materials | 45,016 | 45,016 | 22 | 103,714 | 50.00% | 103,714 | 10,629 | 5,315 | |
| " | GOOOTV | Taipei City | Cable TV channels | 19,000 | 19,000 | 1,900 | 20,593 | 22.35% | 20,593 | 430 | 96 | |
| " | TAK | Taoyuan City | Manufacturing of inductance core and cathode materials of Lithiumion battery | 58,600 | 58,600 | 10,000 | 36,064 | 16.78% | 36,064 | 19,143 | 3,736 | |
| " | DCBM | Taoyuan City | Selling medical supplies and providing service of biological technology | 62,555 | 62,555 | 6,325 | 8,340 | 91.26% | 8,340 | (2,479) | (2,263) | (Note 1) |
| " | GLTP | Taipei City | Investing business | 100,000 | 100,000 | 10,000 | 22,256 | 100.00% | 22,256 | (18,577) | (18,577) | |
| | Unrealized gross profit on sales | | | - | - | - | (55,642) | | (55,642) | - | - | |
| | | | | 1,437,815 | 1,437,815 | - | 1,853,081 | | 1,853,081 | - | (26,544) | |
| GLTP | KEYSTONE | Taipei City | Research and development and manufacturing pharmaceuticals | - | 75,000 | - | - | - | - | - | - | (Note 2) |

Note 1 : The Company decided to dissolved DCBM. As of December 31, 2020, the related procedure has not been completed.

Note 2 : KEYSTONE has been dissolved and liquidated in 2020, and the related procedure has been completed.

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
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(c) Information on investment in mainland China:

(i) The names of investees in mainland China, the main businesses and products, and other information:

| Name of investee | Main businesses and products | Total amount of paid-in capital | | Method of investment | Accumulated outflow of investment from January 1, 2020 | | Investment flows | | Net income (losses) of the investee | Percentage of ownership | Investment income (losses) (Note 2) | Book value | Units in Thousands | |
|------------------|--|---------------------------------|---------|----------------------|--|---------|------------------|--------|-------------------------------------|-------------------------|-------------------------------------|------------|--------------------|--------|
| | | USD | NTD | | USD | NTD | Outflow | Inflow | | | | | USD | TWD |
| ETSH | Selling chemical product and related raw materials | 1,700 (Note 6) | 48,416 | (Note 1) | 700 | 19,936 | | | 11,804 | 100.00% | 11,804 | 147,218 | 2,961 | 84,329 |
| ETGZ | Selling chemical product and related raw materials | 700 (Note 4) | 19,936 | (Note 1) | 200 | 5,696 | | | 11,330 | 100.00% | 11,330 | 80,871 | 1,523 | 43,375 |
| EVSH | Selling chemical product and related raw materials | 1,250 (Note 4) | 35,600 | (Note 1) | 1,100 | 31,328 | | | 5,510 | 100.00% | 5,510 | 148,955 | 950 | 27,056 |
| EVSZ | Manufacturing and selling color chemical, toners and electronic high tech chemical product | 20,000 (Note 4) | 569,600 | (Note 1) | 18,600 | 529,728 | | | (3,631) | 100.00% | (3,631) | 481,316 | - | - |
| ANDA | Selling electronic high tech chemical product | 1,200 (Note 4) | 34,176 | (Note 1) | 650 | 18,512 | | | 11,751 | 56.25% | 6,610 | 15,927 | - | - |
| ADSH | Selling electronic high tech chemical product | 157 (Note 5) | 4,471 | (Note 6) | - | - | | | 10,654 | 56.25% | 5,993 | 7,802 | - | - |
| 3ESZ | Manufacturing and selling chemical product and related raw materials | 6,600 (Note 4) | 187,968 | (Note 1) | 2,490 | 70,915 | | | 10,675 | 40.00% | 4,270 | 55,499 | - | - |

Note 1: Reinvest in mainland China through third place (EVSG).

Note 2: These financial statements are audited by the same auditor of the Taiwan parent company and accounted for equity method.

Note 3: Exchange rate: NTD vs USD (1:28.48). Expressed in thousands of New Taiwan Dollars unless otherwise specified.

Note 4: EVSG invested in ETGZ USD 500 thousand, EVSH USD 150 thousand, EVSZ USD 1,400 thousand, ANDA USD 25 thousand and 3ESZ USD 150 thousand by owned funds.

Note 5: ANDA invested in ADHS amounted to RMB 1,000 thousand (USD 157 thousand) by owned funds.

Note 6: Included the capital increasing amounted to USD 1,000 thousand from earning.

(ii) Limitation on investment in mainland China:

| Accumulated Investment in mainland China as of December 31, 2020 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment |
|--|--|---------------------------|
| 724,446 (USD 25,437) | 659,198 (USD 23,146) | 5,033,029 |

As of December 31, 2020, the difference between accumulated investment in mainland China and investment amounts authorized by Investment Commission, MOEA was amounted to USD (2,291) thousand, including the follows:

- (i) ETSH: capital increasing amounted to USD 1,000 thousand from earning.
- (ii) EVSG: investment amounted to USD 2,425 thousand by owned funds.
- (iii) EVSG: remittance of earnings amounted to USD (5,716) thousand.

(iii) Significant transactions:

For the year ended December 31, 2020, the information on direct or indirect significant transactions with investees in mainland China, is disclosed in Note (13)(a) Information on significant transactions.

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(d) Major shareholders :

| | | (In Shares) | |
|--------------------------------|------------|-------------|--|
| Shareholding | Shares | Percentage | |
| Shareholder's Name | | | |
| CHEN,DING-CHUAN | 68,000,000 | 12.41% | |
| ETHICAL INVESTMENT CORPORATION | 36,900,000 | 6.73% | |

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(14) Segment information:

Please see the consolidated financial statements for the year ended December 31, 2020.

Everlight Chemical Industrial Corporation



Chairman Chen, Chien-Hsin