Share Code: 1711

Everlight Chemical

2019 Annual Report

Everlight Chemical Industrial Corporation

March 30, 2020

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https://ecic.com

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  Title: Head of Financial Division
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  1st Plant: No.271, Zhongshan N. Rd., Dayuan Dist., Taoyuan City
  (03)386-8081
  2nd Plant: No. 12, Gongye Rd. 3, Guanyin Dist., Taoyuan City
  (03)483-8088
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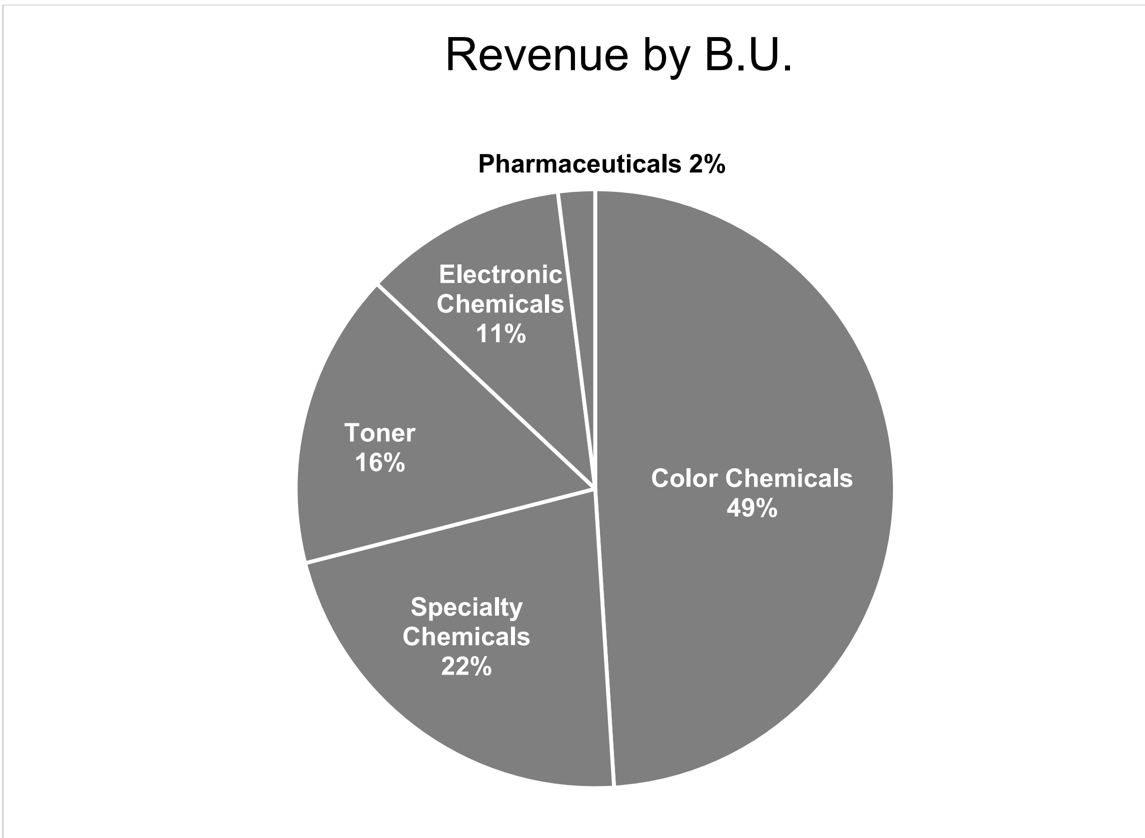
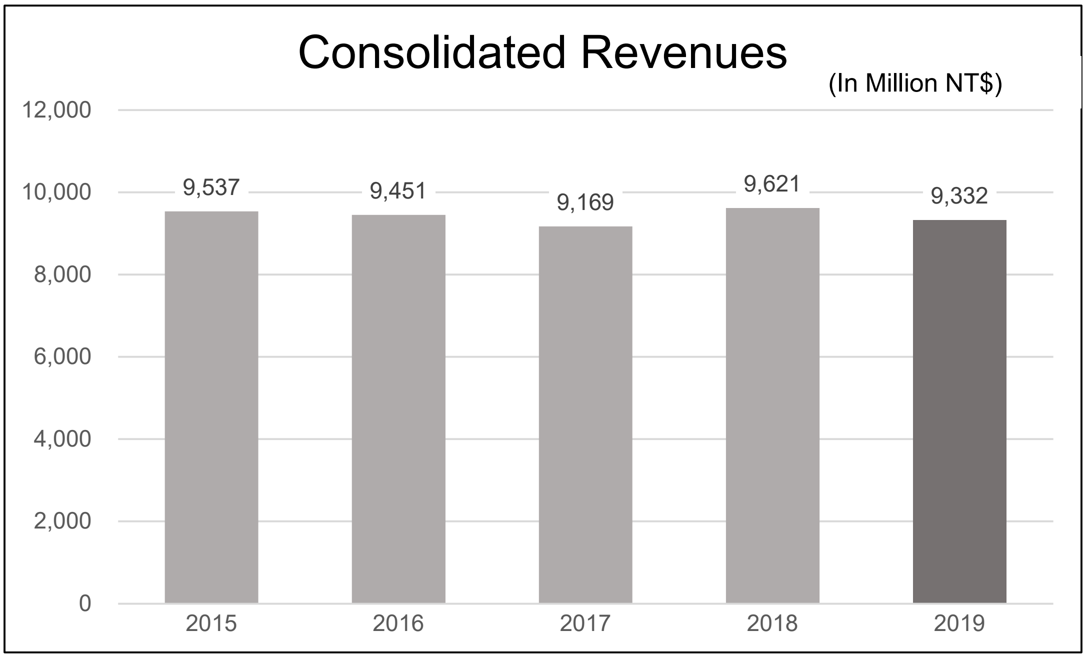
  (03)483-7682
  4th Plant: No.399, Datan N. Rd., Guanyin Dist., Taoyuan City
  (03)473-7366
  Pharmaceutical Factory: No. 12, Gongye Rd. 3, Guanyin Dist., Taoyuan City
  (03)483-8088
  Electronic Chemical Factory: No. 12, Gongye Rd. 3, Guanyin Dist., Taoyuan City
  (03)483-8088
- Stock Transfer Agency
  Name: Share Transfer Agency Dept., Mega Securities Co., Ltd.
  Address: 1F., No.95, Sec. 2, Zhongxiao E. Rd., Zhongzheng Dist., Taipei City
  Website: https://www.emega.com.tw/emegaRegistrar/index.do
  TEL: (02)3393-0898
- CPA for the Financial Reports in the Most Recent Year
  Name: CPA Chia-Chien Tang and Ya-Ling Chen
  Accounting Firm: KPMG
  Address: 68F., No.7, Sec. 5, Xinyi Rd., Xinyi Dist., Taipei City
  Website: https://home.kpmg/tw/zh/home.html
  TEL: (02)8101-6666
- Transaction location for overseas securities going listed: Not applicable
- Company Website: http://ecic.com

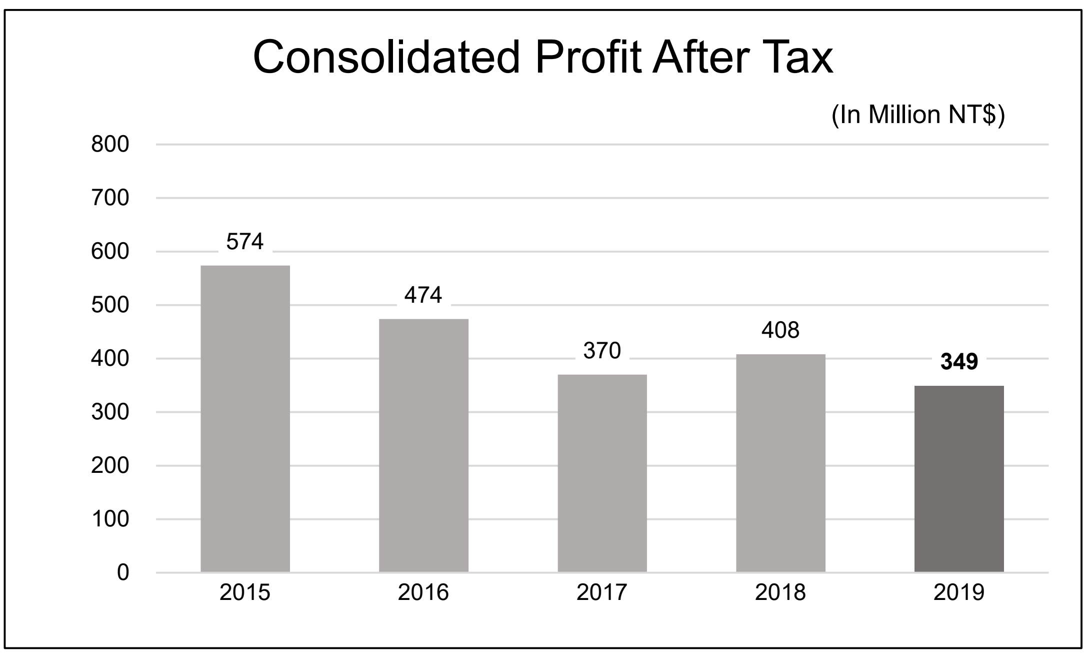
Financial Highlights



In Million NT$

Item	2018	2019
Revenues	9,621	9,332
Profit After Tax	408	349
Total Assets	13,858	13,623
Shareholder’s Equity	7,913	8,139
Earnings Per Share (in NT$)	0.73	0.66


Consolidated Revenues
(In Million NT$)
12,000
10,000
8,000
6,000
4,000
2,000
0
9,537
9,451
9,169
9,621
9,332
2015
2016
2017
2018
2019


Consolidated Profit After Tax
(In Million NT$)
800
700
600
500
400
300
200
100
0
574
474
370
408
349
2015
2016
2017
2018
2019

Contents

Letter To Shareholders

Dear shareholders,

Last year was a tumultuous year. The optimistic economic outlook for the first half of the year began to deteriorate around the third quarter. The operating revenue for the whole year of Everlight Chemical amounted to NTD9.33 billion, decreasing slightly by 3%. With the exception of the Color Chemicals Business that saw a growth of 1.7%, all other businesses suffered a decline. Net profit after tax amounted to NTD349 million, an annual decrease of 14%, whereas earnings per share amounted to NTD0.66, an annual decrease of 10%.

The results of operation are analyzed as below:

The sales revenue of the Color Chemicals Business amounted to NTD4.6 billion, accounting for 49%, and saw an annual increase of 1.7%. Traditional textiles, digital ink, leather, and pulp are the four major application domains. Last year, the paper dye and digital ink (including two major areas of digital textile and commercial printing) saw a sizeable growth, while traditional textiles dropped slightly. This year, we will continue our effort in launching differentiated commodities that are more eco-friendly, safe, energy and water conserving, as well as expanding our digital ink production. We will also expand our scale of operation in producing the chemicals for industrial and functional textiles, as well as dyes for metals.

The sales revenue of the Specialty Chemicals Business Unit amounted to NTD2.06 billion, accounting of 22%, down by 4.9% as compared to the previous year. In March last year, a major explosion occurred at a chemical plant in Yancheng, Jiangsu Province. As a result, the Chinese government set to revamp the industrial safety and environmental protection rigorously, affecting part of the upstream supply of raw materials. Compounded by competitors actively lowering their pricing to our customers, the Specialty Chemicals Business Unit was unable to meet its yearly operating target. However, after years of endeavor, the sales of many high value adding light stabilizers underwent substantial growth, leading to a profit-making improvement last year. This year, the competition remains stiff. We will continue to adopt a differentiation strategy, and are actively charting to control the upstream raw materials.

The sales revenue of the Toner business amounted to NTD1.51 billion, accounting for 16%, down by 7% compared to last year. Under many suppliers in China emerging and uniting to compete to put into production, the supply of Toner (particularly the black bulk products) has still exceeded the demand, and Toner prices continue to dip into red territory. In addition to launching products that can protect our market share, and continuing the development of color toners and high-speed copy machine toners, we have also developed new ceramic toners for industrial usage, in the hope of increasing profit. Since the beginning of the year, as the outbreak of Covid-19 virus occurred throughout China, our toner production line in Suzhou Industrial Park was shut down temporarily, drastically curtailing our operational capacity. Whereas, the order placed with our Taiwan production line remained consistent. For the outlook of future prospects, due to the global pandemic, it is difficult to remain optimistic. However, we will closely monitor the response and recovery of different countries toward the outbreak, so as to make good use of more business opportunities.

The sales revenue of the Electronic Chemicals business amounted to NTD965 million, accounting for 11%, down by 11% compared to last year, mainly due to the decrease in the sales revenue generated by OEM products. Last year, our private brands saw many breakthroughs: the revenue from China grew strongly, and for the first time, I-line photoresist was successfully installed in 12-inch wafer; the use of masking tape in frameless screen continued to grow as well; newly launched photosensitive polyimide (PSPI) and low temperature photoresistant material that could be applied on flexible substrate was well received by customers. In addition, this year, we will continue to develop high-end photoresist in IC and thick film photoresist for electroplating in IC packaging.

The sales revenue of the Pharmaceuticals business amounted to NTD 189 million, accounting for 2.0%, down by 16% compared to the previous year. In October last year, the factory under the Business Unit of Pharmaceuticals was once again inspected by the US FDA. Our team passed the inspection without the assistance of a consultant. As such, the confidence of our customers in us was boosted further. Despite loss of customers and deterioration of last year’s performance, from the fourth quarter onward, the orders for eye medicine began to increase gradually, and the customers of animal use medicine were returning as well. Meanwhile, Business Unit of Pharmaceuticals began to make plans to increase the lot size of multiple products, so as to meet requirements and increase product competitiveness, as well as promoting new markets to increase market share of its products. Business Unit of Pharmaceuticals will continue to seek to complete the project on radiopharmaceutical OEM products, and launch new products for prostaglandin to increase sales revenue.

Last year, IMF had already projected the global economy in 2020 to be “in a synchronized slow-down,” while the Economist pointed out that from 2020 onward, the world would experience low growth for a decade. As the outbreak of Covid-19 virus since early this year developed into a global pandemic, many countries have closed their borders and imposed lockdown measures on cities, aggravating the economic growth. In addition to active engagement in epidemic prevention, we have also made adjustment to our planning in operating capital, including retaining liquidity and reducing dividend distribution, so as to brace ourselves in the coming economic downturn.

The strategy of Everlight Chemical in 2020 is to “ Focusing growth engines and conquering challenges .” With a strong financial foundation, we shall target our growth engines, concentrating our resources to make the most of our opportunities. We will engage in practical measures, curtailing expenses and spending, so as to maximize our efficiency.

We thank you for your support. With conviction, we shall overcome the economic hardship together.

Chairman Chen, Chien-Hsin 

I. 2019 Operating Performance

(I) Implementation results of operating plan

The Company's consolidated operating revenue in 2019 was TWD 9,332,076,000 which was a decrease of 3%; in terms of operating income, the consolidated net income after tax was TWD 349,237,000, and EPS was TWD 0.66, wichich were reduced by 14% and 10% respectively comparing to previous year.

(II) Budget execution status

Unit: TWD thousand

Account	Plan for the whole year	Actual amount	Achievement rate
Operating revenue	11,000,000	9,332,076	85%
Operating cost	8,400,000	7,294,736	87%
Operating gross profit	2,600,000	2,037,340	78%
Operating expense	1,765,000	1,633,707	93%
Operating profit	835,000	403,633	48%
Net income before tax	800,000	456,070	57%

(III) Analysis on revenue and expense and profitability

Unit: TWD thousand

<table>
<tr><th colspan="3">Item</th><th>2019</th><th>2018</th></tr>
<tr><td rowspan="10">Revenue and expense</td><td colspan="2">Operating revenue</td><td>9,332,076</td><td>9,621,019</td></tr>
<tr><td colspan="2">Operating cost</td><td>7,294,736</td><td>7,455,801</td></tr>
<tr><td colspan="2">Operating gross profit</td><td>2,037,340</td><td>2,165,218</td></tr>
<tr><td colspan="2">Operating expense</td><td>1,633,707</td><td>1,657,754</td></tr>
<tr><td colspan="2">Operating profit</td><td>403,633</td><td>507,464</td></tr>
<tr><td colspan="2">Net non-operating revenue</td><td>52,437</td><td>12,080</td></tr>
<tr><td colspan="2">Net income before tax</td><td>456,070</td><td>519,544</td></tr>
<tr><td colspan="2">Income tax expense</td><td>106,833</td><td>111,624</td></tr>
<tr><td colspan="2">Net income after tax</td><td>349,237</td><td>407,920</td></tr>
<tr><td colspan="2">EPS (TWD)</td><td>0.66</td><td>0.73</td></tr>
<tr><td rowspan="6">Profitability Analysis</td><td colspan="2">ROA</td><td>3.1%</td><td>3.5%</td></tr>
<tr><td colspan="2">ROE</td><td>4.4%</td><td>5.1%</td></tr>
<tr><td rowspan="2">To paid-in capital</td><td>Operating profit</td><td>7.4%</td><td>9.3%</td></tr>
<tr><td>Pre-tax income</td><td>8.3%</td><td>9.5%</td></tr>
<tr><td colspan="2">Profit margin</td><td>3.7%</td><td>4.2%</td></tr>
<tr><td colspan="2">EPS (TWD)</td><td>0.66</td><td>0.73</td></tr>
</table>

(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 2019 was about TWD 430,000,000, which accounted for 4.7% of operating revenue. The specific results of R&D are as follows:

1. Intellectual property right:

   In 2019, there were 5 patents granted. By the end of Feb. 2020, the cumulative number of patents was 174.

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

   In 2019, the completed items of new products developed by each business are: 19 items of color chemicals, 7 items of specialty chemicals, 8 items of electronic chemicals, 39 items of toner, which are 73 items in total.

II. Summary of 2020 Operation Plan

(I) Operation goals for the current year

The Company adopts "Focusing growth engines and conquering challenges." as its annual business policy, and implements the following strategies:

1. Making the most of opportunities: targeting growth engines, concentrating resources.
2. Maximizing efficiency: curtailing expenses and spending, simplifying procedures.

(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 2020	Sales volume in 2019
Color chemicals		22,800 tons	20,939 tons
Specialty chemicals		4,275 tons	3,624 tons
Toner		8,000 tons	7,264 tons
Electronic chemicals	Photoresist	409 tons	375 tons
	Others	7,350 tons	9,330 tons
Pharmaceuticals	Prostaglandin	25,400 g	17,644 g
	Other material medicines	600 kg	627 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: Expanding the sales of niche products, along with big-ticket low priced products to improve the sales portfolio and secure the overall profit.
   (3) Flexibility: Increasing the flexibility and expediting quotation process to retain customers and ensure the utilization rate of our factories.
   (4) Innovation: Using innovative marketing of "help customers cut cost" to increase customer satisfaction, overcoming hardship together.
2. Production policy
   (1) Safety: Construct safety culture and reduce disaster risk.
   (2) Environment: Promote circular economy and achieve environmental goals.
   (3) Flexibility: Integrate the resources of the plant area and exert production efficiency.
   (4) Innovation: Accelerate smart production and enhance ecological benefits.

III. Impacts of External Environment

(I) External competitive environment

1. The consolidation of multinational chemical companies to compete for market dominance will accelerate the adjustment of global industrial ecology.
2. Circular economy, commitment to zero emissions of harmful chemicals to the environment, 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.
4. "Industry 4.0" has prompted the manufacturing industry to think about new business strategies and new business models.

(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 2020 International Chemical Use Safety and Management.
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. In 2020, market uncertainty will increase. The global economy is encountering three reversals in trend: Trump protectionism, stagnation of the European economy and the unstable growth of the Chinese economy. Due to shrinking of global trade, the economy might go into recession. Business operators should adopt a prudent and reserved attitude, and re-assess their position in the value chain. They should be more flexible and responsive in running the operation in facing new risks.
2. The increase in prices or volatility of raw materials, such as international oil prices, mainly due to trade warand geopolitical risks ratcheting up, requires our cautious response.
3. Information security risk will interfere with corporate operations, such as hacking, blackmailing viruses, corporate savvy data leakage, and negative network evaluation.

IV. Future Corporate Development Strategies

Everlight Chemical's 2020 Green Gold Vision is to "become a global happy company that will continue to innovate and provide green chemical solutions", and focus on four major aspects: sustainable environmental protection, innovative value, integrity and happiness, and global partners for development. We strive to provide a better life for human beings 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.

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.

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 • Merged DailyCare BioMedical Inc.
• 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.

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.

2008 • Merged Everlight Honduras S.A (Honduras).

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.

• Trend Tone Imaging passed the Talent Quality-Management System (TTQS) Examination.

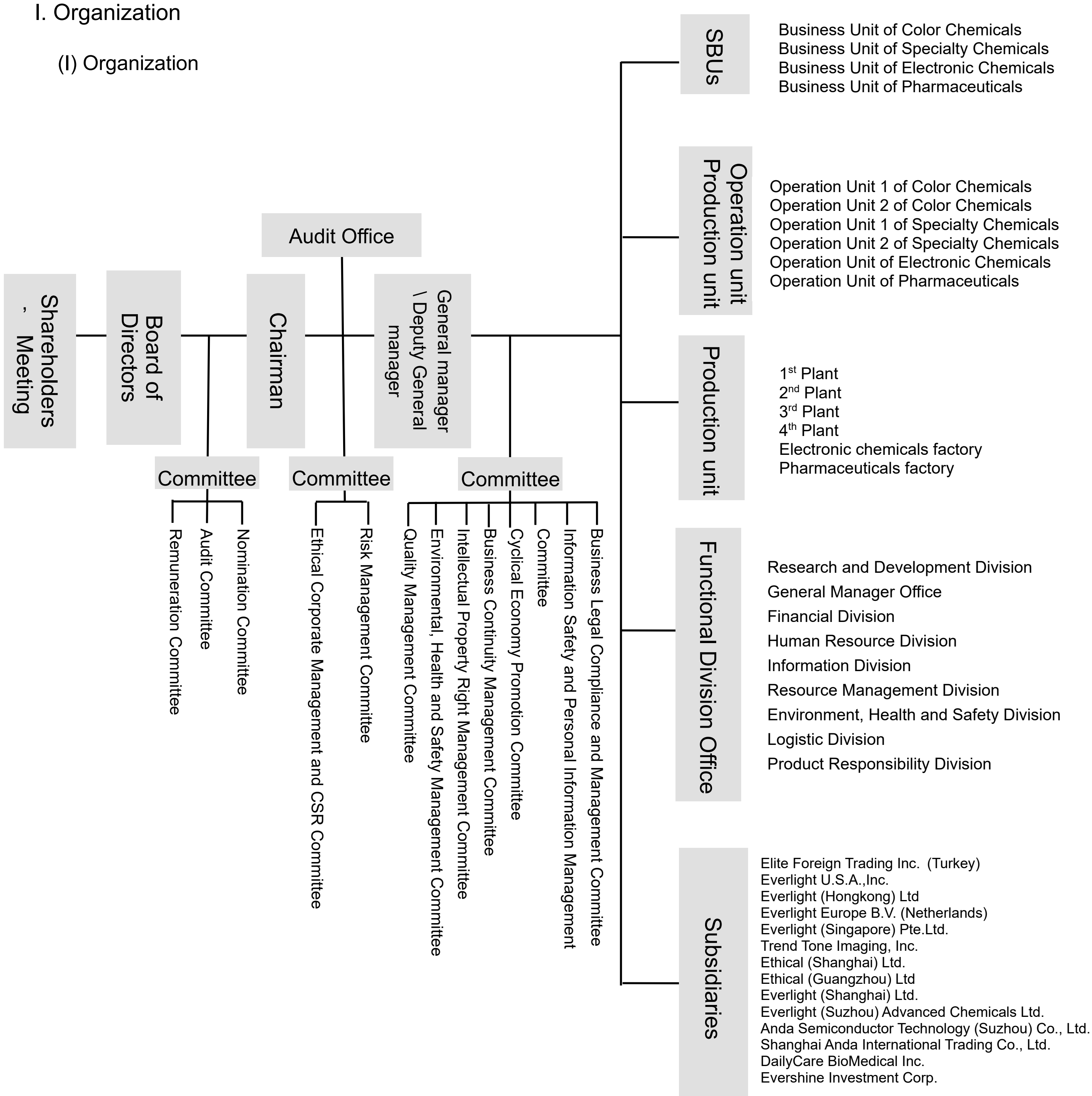
2018 • We signed the Safe Partner Declaration with the Occupational Safety and Health Administration, Ministry of Labor.
• The Plant IV obtained the Certificate of Cleaner Production Assessment and Green Factory Label from the Industrial Development Bureau.
• We passed the verification of Taiwan Intellectual 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.

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.
• The 1st and 2nd Plants received Excellent Enterprise in Green Procurement Awards from Taoyuan City Government and EPA respectively.
• The 2nd Plant won the Excellency Award of River Adoption from Taoyuan City Government.

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
1st Plant	Production business of color chemicals and other products
2nd Plant	Production business of color chemicals and other products
3rd Plant	Production business of UV-stabilizer and other products
4th 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, 2019

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, Daily Care BioMedical etc.; Director of companies such as Elite Turkey and Good TV Broadcasting Corp, etc.	Director Director and General Manager Associate Manager	Chen, Ding-Chuan Chen, Wei-Wang Jason Ju	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	73,000,000	13.33	7,800,000	1.42	0	0	Department of International Trade, Tamkang Junior College of English Honorary doctorate in Management, Chang Jung Christian University	None	Director Chairman Director and General Manager Associate Manager	Chen, Ding-Chi Chen, Chien-Hsin Chen, Wei-Wang Jason Ju	Brothers Father and son 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	14,375,254	2.62	1,167,659	0.21	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	494,350	0.09	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	3,803,192	0.69	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
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 Director of HONEST FINE CHEMICAL CO., LTD.	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
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 Sinogeenergy, and Independent Director of Swancor Holding Co., LTD.	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
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, NTU, Director of Taiwan Cooperative Financial Holding Co., Ltd. (Representative of Ministry of Finance), Director of TWSE, Supervisor of Taiwan Cooperative Bank, Independent Director of Chunghwa Precision Test Tech.Co., Ltd.and Thai Kin Co., Ltd.	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.

Mar. 30, 2019

Criteria / Name	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	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

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
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	Liao, Ming-Zhi	Male	Jan. 1, 2010	300,891	0.05	819	0.00	0	0	Department of Business Management, Tatung University	None	None	None	None
Deputy General Manager	R.O.C	Chen, Chong-Kuang	Male	Apr.1, 2010	174,521	0.03	44,309	0.01	0	0	Department of Fiber and Composite Materials, Feng Chia University	Director of Everlight U.S.A.	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
Special Asst. to Chairman	R.O.C	Du, Yi-Zhong	Male	Jan. 1, 2019	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
Deputy General Manager	R.O.C	Chen, Qing-Tai	Male	Jan. 1, 2019	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, 2019	0	0	0	0	0	0	PhD in Chemistry, National Tsing Hua University	Director of Evershine Investment Corp.	None	None	None
The 2nd 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
Associate Manager	R.O.C	Huang, Zheng-Lung	Male	Jan. 1, 1997	1,587	0.00	3,933	0.00	0	0	Major in Commerce and Arts, TSVS	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	27,847	0.01	0	0	Department of Fiber, NTUST	General Manager of Ethical (Guangzhou) Ltd.	None	None	None
Associate Manager	R.O.C	Huang, Tsung-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	Wu, Tian-Wang	Male	Jan. 1, 2002	105,107	0.02	0	0	0	0	Department of Chemistry, Tunghai University	None	None	None	None
The 3rd 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

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
Head of Operation Unit 1 of Color Chemicals	R.O.C	Hsiao, Chong-Kun	Male	Jan. 1, 2015	13,063	0.00	14,800	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 Operation Unit 2 of Color Chemicals	R.O.C	Lee, Fu-Xing	Male	Jan. 1, 2017	40,647	0.01	11,850	0.00	0	0	MBA, Saint Louis University, USA	None	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
Head of Color Chemicals R&D Division	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 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, 2019	7,018	0.00	0	0	0	0	PhD in Chemistry, University of Maryland, USA	None	None	None	None
Head of Information Division	R.O.C	Xue, Tzong-Yue	Male	Jan. 1, 2010	9,118	0.00	0	0	0	0	Department of Industrial Engineering, Tunghai University	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, 2019	27,782	0.01	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	Kuo-Pin Weng	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

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)				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)	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	3,605	3,605	0	0	9,657	9,657	2,935 (Illustration 1)	2,935 (Illustration 1)	5.16	5.16	4,043	7,055	217 (Illustration 2)	217 (Illustration 2)	138	0	138	0	6.38	7.21	None
Director	Chen, Ding-Chuan																					
Director	Chen, Ding-Chi																					
Director	Chen, Wei-Wang																					
Director	Chen, Chien-Ming																					
Director	Lee, Yung-Long																					
Director	Ken, Wen-Yuen																					
Director	Tsai, Kuang-Feng																					
Director	Chen, Chong-Kuang																					
Independent director	Wang, Hsiu-Chun	0	0	0	0	0	0	2,520	2,520													
Independent director	Hung, Ying-Cheng																					
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 1,165,000.
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	Wang, Hsiu-Chun, Hung, Ying-Cheng Wu, Chung-Fern	Wang, Hsiu-Chun, Hung, Ying-Cheng Wu, Chung-Fern	Wang, Hsiu-Chun, Hung, Ying-Cheng Wu, Chung-Fern	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, Chien-Ming,Lee,Yung-Long,Ken,Wen-Yuen, Tsai, Kuang-Feng	Chen, Ding-Chuan, Chen, Ding-Chi, Chen, Chien-Ming,Lee,Yung-Long,Ken,Wen-Yuen, Tsai, Kuang-Feng	Chen, Ding-Chuan, Chen, Ding-Chi, Chen, Chien-Ming,Lee,Yung-Long,Ken,Wen-Yuen,	Chen, Ding-Chuan, Chen, Ding-Chi, Lee,Yung-Long,Ken,Wen-Yuen,
TWD 2,000,000 (inclusive) ~ TWD 3,500,000 (exclusive)	Chen, Wei-Wang	Chen, Wei-Wang	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	15,268	15,268	904 (Illustration 1)	904 (Illustration 1)	2,856 (Illustration 2)	2,856 (Illustration 2)	460	0	460	0	5.38	5.38	None
Deputy General Manager	Chou, De-Kang,													
	Tsai, Kuang-Feng													
	Liao, Ming-Zhi													
	Chen, Chong-Kuang													
	Lin, Zhao-Wen													
	Chen, Si-Feng													
	Du, Yi-Zhong													
	Chen, Qing-Tai													
	Zhang, Wei-Min													
	Chen, Ke-Lun													

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.

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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, Si-Feng, Zhang, Wei-Min, Chen, Ke-Lun	Chen, Si-Feng, Zhang, Wei-Min, Chen, Ke-Lun
TWD 1,000,000 (inclusive) ～ TWD 2,000,000 (exclusive)	Chou, De-Kang, Chen, Qing-Tai	Chou, De-Kang, Chen, Qing-Tai
TWD 2,000,000 (inclusive) ～ TWD 3,500,000 (exclusive)	Chen, Wei-Wang, Tsai, Kuang-Feng, Liao, Ming-Zhi,Chen, Chong-Kuang, Lin, Zhao-Wen, Du, Yi-Zhong	Chen, Wei-Wang, Tsai, Kuang-Feng, Liao, Ming-Zhi,Chen, Chong-Kuang, Lin, Zhao-Wen, 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	1,343	1,343	0.37

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 0.26%, 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 0.66%, 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 2019, the Board of Directors has convened 6 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	6	0	100%	
Director	Chen, Ding-Chuan	6	0	100%	
Director	Chen, Wei-Wang	6	0	100%	
Director	Chen, Chien-Ming	6	0	100%	
Director	Tsai, Kuang-Feng	6	0	100%	
Director	Chen, Ding-Chi	6	0	100%	
Director	Lee, Yung-Long	6	0	100%	
Director	Ken, Wen-Yuen	6	0	100%	
Independent director	Wang, Hsiu-Chun	6	0	100%	
Independent director	Hung, Ying-Cheng	6	0	100%	
Independent director	Wu, Chung-Fern	6	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) During the resolution by the 6th Meeting of the 17th Term Board of Directors on the compensation of the managerial officers as defined in the Securities and Exchange Act, two Directors - Chen, Wei-Wang and Tsai, Kuang-Feng both recused themselves from participating in discussion and voting due to their holding concurrent positions as managerial officers.
   (2) During the resolution by the 11th Meeting of the 17th Term Board of Directors on the year-end bonuses of the managerial officers defined in the Securities and Exchange Act, two Directors - Chen, Wei-Wang and Tsai, Kuang-Feng both recused themselves from participating in the discussion and voting due to their holding concurrent positions as managerial officers.
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 November 6th, 2019. 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, 2019 to Dec 31, 2019	The Board of Directors, individual Directors, and Functional Committees	The assessment shall be executed by the Secretary of Nomination Committee via internal questionnaire. 1. Self-assessment of the performance evaluation of the Board of Directors: members of Nomination Committee shall individually provide	1. Five major areas of the performance evaluation items of the Board of Directors: (1) Participation level in the Company's operation. (2) Improvement on the quality of decision making of the Board of Directors. (3) Composition and structure of the Board of Directors

Assessment period	Term of assessment	Scope of assessment	Assessment methodology	Content of assessment
			assessment for 45 evaluation items pertaining to five major areas. 2. Self-assessment of Directors on self-evaluation: all Directors shall individually provide assessment for 23 evaluation items pertaining to six major areas. 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.	(4) Election and continued education of the directors. (5) Internal control. 2. Six major areas of self-assessment of directors on self-evaluation: (1) Understanding of the goal and mission of the Company. (2) Understanding of director's responsibilities. (3) Participation level in the Company's operation. (4) Management and communication of internal relationship. (5) Professionalism and continued education of Directors. (6) Internal control. 3. Five major areas of self-assessment on the performance evaluation of Functional Committees (Audit, Nomination, and Remuneration): (1) Participation level in the Company's operation. (2) Understanding of the responsibilities of Functional Committees. (3) Improvement on the quality of decision making of Functional Committees. (4) Composition and structure of Functional Committees. (5) Internal control.

(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 2019 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 2019 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) in 2013 – 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 10 th Meeting of the 2nd Term of the Audit Committee on December 12, 2019 and the 11 th Meeting of the 17th Term Board of Directors on December 12, 2019 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%	Reelected
Commissioner	Wang, Hsiu-Chun	5	0	100%	Reelected
Commissioner	Hung, Ying-Cheng	5	0	100%	Reelected

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 28, 2019 The 17th Term The 6th Meeting	Proposal for 2018 Remuneration to Employees and Directors	After the chair has inquired all attending commissioners, the motion was passed without objection.	All attending Directors agreed and passed the motion.
	Proposal for 2018 Financial Statements		
	Proposal for 2018 Earnings Distribution		
	Proposal for Review on the Internal Control Self-assessment Results		
	Motion of the Amendments to the Management Regulations for Acquisition or Disposal of Assets		
	Motion of the Amendments to the Regulations Governing Derivatives Transactions		
	Motion of the Amendments to the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees		
	Motion of Handling the formulation of Standard Operating Procedures required by Directors		
	Motion of 2019 Re-appointment of Certified Public Accountants for review on the Financial Statements		
May 9, 2019 The 17th Term The 7nd Meeting	Motion of Equity Disposal of Invested Business, Formosa Laboratories, Inc.	After the chair has inquired all attending commissioners, the motion was passed without objection.	All attending Directors agreed and passed the motion.
	Motion of Self-Regulatory Rules on Disclosure of Merger and Acquisition Information		
August 8, 2019 The 17th Term The 9th Meeting	Second Quarter 2019 Financial Statements	After the chair has inquired all attending commissioners, the motion was passed without objection.	Report by the Board of Directors.
	Motion of Amending Articles of Association of Audit Committee		All attending Directors agreed and passed the motion.
	Motion of Ethical Corporate Management Best Practice Principles		
	Motion of Closing business and clearing of KEYSTONE PHARMACEUTICALS, INC.		
	Proposal of Reinvestment on DailyCare BioMedical Inc.	Independent director, Wang, Hsiu-Chun proposed to search for case studies of foreign companies securing channels as a reference for transaction prices. After discussion, Director Wang's proposal was unanimously agreed by the Committee and reported to the Board of Directors for discussion.	The resolution of the Audit Committee was agreed by all attending Directors
November 7, 2019 The 17th Term The 10th Meeting	Proposal to purchase equipment from subsidiary KEYSTONE PHARMACEUTICALS, INC.	Independent director, Wang, Hsiu-Chun proposed that purchases should be made via public auction procedure. After discussion, Director Wang's proposal was unanimously agreed by the Committee and reported to the Board of Directors for discussion.	The resolution of the Audit Committee was agreed by all attending Directors

December 12, 2019 The 17th Term The11th Meeting	Proposal for 2020 Internal Audit Plan Proposal for 2020 Appointment of Certified Public Accountants for review on the Financial Statements and their compensation Disposal 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.

(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 2019 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 28, 2019	November 26, 2018 ~ February 28, 2019 Internal Audit Business Execution Report.	Acknowledged.
	Proposal for 2018 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 5, 2019	March 1, 2019 ~ April 20 Internal Audit Business Execution Report.	Acknowledged.
August 8, 2019	April 21, 2019 ~ July 15 Internal Audit Business Execution Report.	Acknowledged.
November 7, 2019	July 16, 2019 ~ October 10 Internal Audit Business Execution Report.	Acknowledged.
December 12, 2019	October 11, 2019 ~ November 25 Internal Audit Business Execution Report.	Acknowledged.
	The Company's 2020 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 2019 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 28, 2019	Report of the Review on 2018 Financial Statements	Acknowledged.
May 9, 2019	Report of the Review on the First Quarter 2019 Financial Statements	Acknowledged.
August 8, 2019	Report of the Review on the Second Quarter 2019 Financial Statements	Acknowledged.
November 7, 2019	Report of the Review on the Third Quarter 2019 Financial Statements.	Acknowledged.
December 12, 2019	No major motion	Acknowledged.

(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.
III. Composition and responsibilities of the Board of Directors				
(I) Has the company established a diversification policy for the composition of its Board of Directors and implemented it accordingly?	V		(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. 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. 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.	No discrepancy.
(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?	V		(II) The Company volunteered to establish the Nomination Committee in Jun. 2015.	No discrepancy.
(III) Has the company established methodology for evaluating the performance of its Board of Directors,	V		(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	The remuneration of the company's directors depends on

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	
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?			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.	the company's annual operating profit.
(IV) Has the company regularly evaluate its auditor's independence?	V		(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.	No discrepancy.
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)?		V	The Company's Board of Directors designated by the board of directors of the company is the Finance Div.. 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.	No established of corporate governance director
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 issues that are of significant concern to stakeholders?	V		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 Responsibility (CSR) Report on a regular basis, sharing the updates of the Company and responding to important issues concerning stakeholders.	No discrepancy.
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?	V		(I) Company website: http://www.ecic.com.tw/	No discrepancy.
(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.)?	V		(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.	No discrepancy.
(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	(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.	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	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.	No discrepancy.

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such departure</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>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)?</td><td></td><td></td><td>2.On the company website (http://ecic.com), there is information of investor relationship, news collection, quarterly journals of Everlight Chemical, 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 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; please refer to risk items.
(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. 8, 2019.</td><td></td></tr>
<tr><td colspan="5">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.
(I)The result of corporate governance evaluation for 2018: The Company is in the top 6% to 20% of the listed company category. Improved items as compared to last year: A full and accurate disclosure is made in the Annual Report on the results of the Audit Committee's resolution on major proposals and the Company’s treatment of the opinions of the Audit Committee; the implementation of the Board members diversity policy by individual Directors is disclosed in the Annual Report and on the Company's website; each communication between Independent Directors and internal audit supervisors and accountants and the opinions of Independent Directors and the subsequent processing are disclosed on the Company website.
(II) Matters to be improved as the first priority in 2019: 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 website.</td></tr>
</table>

(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 4rd Committee members is from June 6, 2018 until June 5, 2021. The Committee has convened 5 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	5	0	100%	
Commissioner	Hung, Ying-Cheng	5	0	100%	
Commissioner	Wu, Chung-Fern	5	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 28, 2019 The 6th Meeting of the 4th Term	Proposal for 2018 Remuneration to Directors	All members agreed and passed the motion.	All attending Directors agreed and passed the motion.
	2018 the compensation distribution of the managerial officers defined in the Securities and Exchange Act	All members agreed and passed the motion.	All attending Directors agreed and passed the motion.
May 9, 2019 The 7st Meeting of the 4th Term	Motion of salary of General Managers appointed at subsidiaries, Anda Semiconductor Technology (Suzhou) Co., Ltd and Shanghai Anda International Trading Co., Ltd.	All members agreed and passed the motion.	All attending Directors agreed and passed the motion.
	Motion of salary of Deputy General Manager of Business Unit of Pharmaceuticals	All members agreed and passed the motion.	All attending Directors agreed and passed the motion.
	Motion of salary adjustment of Chen, Si-Feng, after re-assigned as Head of Pharmaceutical Chemicals Q&C Division	All members agreed and passed the motion.	All attending Directors agreed and passed the motion.
August 8, 2019 he 8rd Meeting of the 4th Term	Proposal for pension payment of Deputy General Manager, Chou, De-Kang	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	All members agreed and passed the motion.	The increase in the new R&D Division supervisor was higher than the recommended range of

			Remuneration Committee. After considering the responsibility in overseeing the R&D of the Group by the new supervisor, the Board passed the motion to follow original recommended increment by NTD 2,760 per month.
November 7, 2019 he 9th Meeting of the 4th Term	Proposal for salary adjustment of the person in charge of the Pharmaceuticals business after reassignment	All members agreed and passed the motion.	All attending Directors agreed and passed the motion.
	Proposal for pension payments of Head of Environment, Health and Safety Division, Huang, Zhi-Kuan	All members agreed and passed the motion.	All attending Directors agreed and passed the motion.
December 12, 2019 The 10th Meeting of the 4th Term	Proposal for the promotion 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 the Company's annual high-level bonus distribution	All members agreed and passed the motion.	All attending Directors agreed and passed the motion.
	Proposal for 2019 annual year-end bonuses distribution of the managerial officers defined in the Securities and Exchange Act	All members agreed and passed the motion.	All attending Directors agreed and passed the motion.

3. Information about the operations of Nomination Committee
   (1) The Company's Nomination Committee consists of 5 members.
   (2) The term of the commissioners: the term of the 2st Nomination Committee began on Jun. 14, 2018 and ended on Jun.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	5	0	100%	
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		The Company's "Ethical Corporate Management and CSR Committee" is the unit dedicated for the promotion. The Chairman serves as the chair commissioner. Four executive teams are also set up, which are in charge of corporate governance (promotion and improvement of systems related to corporate governance), sustainable environment (promotion and improvement of systems related to sustainable development and environmental protection), social welfare (promotion of social welfare and character education), and ethical corporate management (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 2019, they were held on 5/24 and 12/25 respectively, each team reports content of work and reviews execution status. On 8/8, 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 implements the Environment Management System of ISO 14001. The Company follows the environmental policy of "cherishing the Earth's resources and complying with environmental regulations". The Company has passed the first examination of DNV-GL in 1996. Subsidiaries, Everlight (Suzhou) Advanced Chemicals Ltd. and Trend Tone Imaging, Inc., have also passed the examination in 2013 and 2014, respectively.	No discrepancy
(II) Is the Company committed to improving resource-using efficiency and to the use of renewable materials with low environmental impact?	V		The Company's product development, production and shipping with active focus onimproving atomic utilization rate, waste heat reuse, affluent and rainwater recycling and recycled raw material utilization rate and so forth along with the implementation of an Environmental Accounting System to measure specific performance.	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 response measures?	V		The Company is deeply aware of the potential impact of climate changes that could affect its operations and has therefore committed to relevant energy-saving and carbon-reducing measures, developing and promoting more eco-friendly products and establishing specific business continuity management programs for specific climate change risks such as blizzards or water hazards.	No discrepancy
(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?	V		And as such, the Company has already inventoried its total GHG emission volume, water consumption and waste volume for the past two years and established its annual strategies for energy conservation and carbon reduction ratio, increasing water utilization rate, reducing total affluent discharge volume and plans for promoting cyclical economy to reduce total waste volume.	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	
IV. Social Issues				
(I)Does the company set up policies and procedures in compliance with regulations and internationally recognized human rights principles?	V		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, 2019 to be later promulgated at each plant in September during monthly meetings. In addition, relevant contents have also been disclosed on Everlight's official website and quarterly publications.	No discrepancy
(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?	V		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.	No discrepancy
(III) Does the company provide employees with a safe and healthy working environment, and regular safety and health trainings?	V		The Company implements environmental 5S and equipment TPM activities in the workplace to maintain the effective functions of the workplace cleanliness and equipment safety protection measures; it regularly implements education training and propagation on labor safety and health, organizes employee health check once a year, and arrange the physician to explain the report separately depending on the needs of employees. Please refer to the section of Labor Relations.	No discrepancy
(IV) Has the company established effective career development training plans?	V		The Company formulates educational training implementation methods and class training implementation regulations to cultivate employees' knowledge, skills and attitudes.	No discrepancy
(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?	V		The Company's product packaging has a hazard label in accordance with the regulations of Global Harmonized System (GHS). 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. 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.	No discrepancy
(VI) Has the company established supplier management policies that require suppliers to comply			The Company has established its supplier management	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	
with pertinent regulations relating to issues of environmental protection, occupational safety and health, labor rights and so forth and report their status of implementation?			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." 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.	
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 company? Has the aforementioned report been assured or guaranteed by a valid 3rd-party validation organization?	V		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 Report (GRI Standards), providing stakeholders with correct and complete information.	No discrepancy

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.

VII. Other important information that is beneficial to understanding the operation status of CSR:

(I)Engagement 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 2019 came to NTD 4,770,000 (accounting for 1.27% of the company's profit after tax). Various categories of activity and amounts were as follows:

Category of activity	Community (Taoyuan) Education and Activities	University/Social Education	Industrial Development	Religious Public Benefit Activities	Total
Amount (in NTD 10,000)	175	135	38	129	477

(II)Promotion of children education:

Sponsored Rainbow Family Life Education Association to organize the 8th "Discovering Taiwan's Little Warriors of Life" - an event that was intended to help the selected group of children facing various difficulties in life to embrace positive thinking, cherish life and work towards their dreams. In 2019, a total of 30 courageous little warriors of life who demonstrated positive spirits in spite of adversity were chosen and commended.

(III)Character formation begins at school:

In 2019, we again held the 3-and-1/2 day Everlight Chemical Children's Character Camp once again at Shulin Elementary School in Guanyin District, with Honesty and Courage as the theme of the camp to teach children to learn and cultivate the admirable qualities of "honesty and courage". A total of 180 adults and children consisting of Everlight Chemical's employees, their family members and volunteers and children participating together to promote Everlight Chemical's character building activities.

(IV)Care for the environment:

1. Everlight Chemical's Plant II held Coastal Clean-Up Activities at Guanyin Beach on April 29, 2018 and September 28, 2018 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

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	
the marine environment. At the end of the Coastal Clean-Up Activity, a total of 1,090 kilograms of garbage were picked up. The fishing port was given back a clean beach. 2. In conjunction with Taoyuan Department of Environmental Protection's "Peach Blossom Spring & Water" initiative to adopt local rivers and bodies of water, Everlight Chemical's Plant II adopted the section of Dajue River and received the distinction of "Outstanding Corporate Adoption of Rivers" on March 29, 2019. (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 so as to continue helping the community to boost its disaster prevention capabilities.				

Note 1:If "Yes" has been checked as the status of operation, please describe the adopted material policy/strategy/measure and it 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)	Environmental Protection	The Company passed the ISO 14001 Environment Management System Accreditation in 1996 and has maintained effective operation ever since. In addition to adopting various management guidelines that help to facilitate our environmental policy of "cherishing the Earth's resources and complying with environmental regulations", the Company has also introduced new environmental protection technologies that facilitate the promotion of waste water recycling and reuse to reduce total water consumption and affluent discharge. At the same time, the Company also continued to promote various energy-saving solutions to reduce GHG emission so as to further improve our environmental management performance.
Society (S)	Corporate Commitment	(1) The Company became accredited to OHSAS 18001 standard in 2001 and in 2019 passed the certification for ISO 45001 standards in an effort to adhere to the safety and health policy of "Respect for life and Pursue Zero Disasters". By diligently implementing relevant guidelines and complying with pertinent regulations, the Company has made a conscious effort in eradicating hazards and reducing EHS risks to protect employees' physical and mental health while promoting industrial safety. (2) The Company published its "Happiness Enterprise Declaration" in 2017 as a way to commit to the creation of a friendly workplace by offering "a sense of safety, belonging and honor" to all employees as the Company works towards becoming a happy enterprise, thereby allowing employees to share the fruits of the Company's success and enrich their lives.
	Product Safety	In 2013, the Company initiated its dedicated division for product liability while establishing procedures including the "Hazardous Chemical Substance Management Procedure" and "Product Safety Assurance System and Management Procedure" so that during product lifecycle of distribution and usage, our products will comply with registration regulations in different countries, with minimal potential impact to end-users' health and environment. Not only that, we also conform to the labeling requirements as stated in the Globally Harmonized System of Classification and Labelling of Chemicals (GHS) to ensure the safety of product transportation and usage.

Corporate Governance (G)	Social Economy and Legal Compliance	The Company has not only established a sound structure of corporate governance but also took steps to ensure due implementation of internal control. In addition, we have also referred to the ISO management structure to construct the Company's "Legal Compliance Management System" to ensure that all employees and all relevant operations are legally compliant. In 2018, the Company became accredited to Taiwan Intellectual Property Management System (TIPS)'s Level A certification, and this reflects the fact that on top of legal compliance and respecting other businesses' intellectual properties, the Company has also made an effort to protect it's key technologies.

(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 prevention of unethical conduct established, implemented accordingly, and review the aforementioned solution on a regular basis?	V		(III) The Company has specified relevant operating procedures, guidelines for conduct, "Reporting System for Violation of Ethical Corporate Management Regulations" and the "Appeal System" in the solutions for the prevention of unethical conduct established, and implemented 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.	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	
II. Implementation of ethical corporate management				
(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?	V		(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.	No discrepancy.
(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?	V		(II) The Company established a dedicated unit, "Ethical Corporate Management and CSR Committee," on Jan. 1, 2015. The Chairman serves as the chair commissioner. The "Ethical Management Team" is in charge of the promotion of relevant systems, the prohibition of dishonest behavior, and the proposal of improvement suggestions. It also regularly Mar. reports to the Board of Directors about the system design and execution status every year.	No discrepancy.
(III) Does the company establish policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?	V		(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.	No discrepancy.
(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?	V V		(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.	No discrepancy.
(V) Does the company provide internal and external ethical conduct training programs on a regular basis?			(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. On May 9, 2019, 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.	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	
			In the third quarter of 2019, via briefings and video clips, 25 monthly awareness improving meetings were held, training 2,309 employees of the Group, totaling 192 hours of training.	
III. The operating status of the company's reporting system (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?	V		(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.	After discussion, the Company temporarily excludes reward measures.
(II) Does the company establish standard operating procedures for investigating complaints received, take follow-up measures after investigation, and implement confidentiality protocol?	V		(II) The system of the preceding paragraph clearly defines the procedures for handling reports and the confidentiality measures for relevant personnel.	No discrepancy.
(III) Does the company adopt proper measures to protect a complainant from improper treatment for the filing of the complaint?	V		(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.	No discrepancy.
IV.Strengthening information disclosure (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)?	V		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.	No discrepancy.
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.				
VI. Other important information for facilitating better understanding of the company's implementation of Code of Ethics and Business Conduct: None.				

(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 19, 2020

Based on the findings of the self-auditing, the Company states the following with regard to its internal control system during the year 2019:

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, 2019, 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 19, 2020, 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 28, 2019:
Approval of (1) Proposal for Reporting items of the 2019 Annual Meeting of Shareholders; (2) Motion of 2018 Remuneration to Employees and Directors; (3) Motion of 2018 Remuneration to Directors; (4) Motion of 2018 Remuneration to Managers Defined in Securities and Exchange Act; (5) Motion of 2018 Financial Reports; (6) Motion of 2018 Earnings Distribution; (7) Motion of Auditing on 2018 Self-Evaluation Result of Internal Control; (8) Motion of the Amendments to the Management Regulations for Acquisition or Disposal of Assets; (9) Motion of the Amendments to the Regulations Governing Derivatives Transactions; (10) Motion of the Amendments to the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees; (11) Motion of the Amendments to the Articles of Association; (12) Motion of the Revision of the Agenda of the Company's 2019 Annual Meeting of Shareholders; (13) Motion of the Revision of the Code of Corporate Governance; (14) Motion of the Amendments to the Regulations for the Board Performance Evaluation; (15) Motion of Handling the formulation of Standard Operating Procedures required by Directors; (16) Motion of 2019 Re-appointment of Certified Public Accountants for review on the Financial Statements; (17) Motion of renewal of the subsidiary of Suzhou Everlight Chemical's General Manager; (18) Motion of renewal of the subsidiary of Shanghai Mingde/Dehua Everlight Chemical's General Manager.

(2) Resolutions of the Board meeting on May 9, 2019:
Approval of (1) disposal of shareholding of reinvestment business, Formosa Laboratories, Inc.;(2) proposal for purchase of liability insurance for Directors and key employees;(3) amendment of self-disciplined disclosure of merger and acquisition regulation;(4) re-appointment of the Deputy General Manager of Business Unit of Pharmaceuticals ;(5) appointment of General Managers of subsidiaries, Anda Semiconductor Technology (Suzhou) Co., Ltd and Shanghai Anda International Trading Co., Ltd.

(3) Resolutions of the Board meeting on May 30, 2019:
Approval of (1) the ex-dividend record date for shareholders' cash dividends will be June 30, 2019 and distribution date will be July 17, 2019.

(4) Resolutions of the Board meeting on August 8, 2019:
Approval of (1) proposal for application to banks for medium-term credit loan limit;(2) motion of amendment of the Organizational Regulations of Audit Committee;(3) motion of amendment of CSR Principles;(4) motion of disposal of reinvestment business, DailyCare BioMedical Inc.;(5) motion of liquidation of Keystone Pharmaceuticals Inc.;(6) motion of pension payments of Deputy General Manager Chou;(7) motion of appointment of Deputy General Manager of Research and Development Division;(8) motion of adjustment of salary of personnel above the level of Associate Managers;(9) motion of appointment of director of subsidiary, DailyCare BioMedical Inc.

(5) Resolutions of the Board meeting on November 7, 2019:
Approval of (1) motion of purchase of equipment from subsidiary, Keystone Pharmaceuticals Inc.;(2) motion of appointment of person in charge of Business Unit of Pharmaceuticals;(3) motion of appointment of Chairman of subsidiary, Suzhou Everlight Chemical;(4) motion of appointment of director and chairperson of subsidiary, Evershine Investment Corp.;(5) pension payments of Head of Division Huang.

(6) Resolutions of the Board meeting on December 12, 2019:
Approval of (1) proposal for operational plan and 2020 Operation Plan and Business Budget; (2) proposal for 2020 Internal Audit Plan;(3) proposal for 2020 the bank loan limit;(4) proposal for 2020 appointment of Certified Public Accountants for review on the Financial Statements and their compensation;(5) proposal for convening the Annual Meeting of Shareholders on May 28, 2020;(6) proposal for the period and places for 2020 Annual Meeting of Shareholders to accept proposals from shareholders;(7) proposal for disposal of shareholding of long term investment;(8) proposal for the promotion of the personnel above the level of Associate Managers;(9) proposal for annual year-end bonuses of the managerial officers defined in the Securities and Exchange Act.

(7) 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 2019 Self-Evaluation Result of Internal Control;(9) motion of amendment of rules of shareholder meetings;(10) motion of amendment of rules of Board 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. Implementation of the resolutions of the 2019 Annual Meeting of Shareholders

(1) Approval of 2018 Annual Business Report and Financial Statement.

(2) Approval of motion of 2018 Earnings Distribution; earnings were distributed to shareholders on July 17, 2019, with a cash dividend per share of NTD 0.5.

(3) Approval of motion of the amendments to the Management Regulations for Acquisition or Disposal of Assets, the Regulations Governing Derivatives Transactions, the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees. The amendments are disclosed on company website and executed thereafter.

(4) Approval of motion of the amendments to the Articles of Association. Approval was given by MOEA on June 20, 2019 and is disclosed on company website.

(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:

Title	Name	Date of appointment	Date of dismissal	Reasons of resignation or dismissal
Deputy General Manager of Research and Development Division	Chou, De-Kang	January 1, 2005	November 1, 2019	Retirement

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		950	950
2	TWD 2,000,000 ～TWD 3,999,999	3,220		3,220
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	3,220						Jan. 1, 2019 ~ Dec. 31, 2019	
	Yeh, Wei-Dun					650	650		Transfer pricing Tax service
KPMG Business Management Co., Ltd.	Yu, Ji-Long					300	300	Jan. 1, 2019 ~ Dec. 31, 2019	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 15% 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	2019		The current year as of Mar. 30, 2020		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	(4,500,000)	20,000,000	0	0	
Director and General Manager	Chen, Wei-Wang	0	0	0	0	
Director	Chen, Ding-Chi	(300,000)	0	(300,000)	0	
Director	Chen, Chien-Ming	150,000	0	150,000	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	
Deputy General Manager	Chou, De-Kang	0	0	0	0	Retired on Oct. 31, 2019
Deputy General Manager	Liao, Ming-Zhi	0	0	0	0	
Deputy General Manager	Chen, Chong-Kuang	0	0	0	0	
Deputy General Manager	Lin, Zhao-Wen	0	0	0	0	
Special Asst. to Chairman	Du, Yi-Zhong	0	0	0	0	

Title (Note 1)	Name	2019		The current year as of Mar. 30, 2020		Notes
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged	
Deputy General Manager	Chen, Qing-Ta	0	0	0	0	
Deputy General Manager	Chen, Ke-Lun	0	0	0	0	
Deputy General Manager	Zhang, Wei-Min	0	0	0	0	Retired on Dec. 01, 2019
Factory Director of the 2rd Plant	Yeh,Shun-Xing	0	0	0	0	
Associate Manager	Huang, Zheng-Lung	0	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	3,000	0	0	0	
Associate Manager	Huang, Tsung-Wen	0	0	0	0	
Associate Manager	Wu, Tian-Wang	0	0	0	0	
Factory Director of the 3rd Plant	Kang, Yuan-Sheng	0	0	0	0	
Head of Operation Unit 1 of Color Chemicals	Hsiao, Chong-Kun	0	0	0	0	
Head of Operation Unit 2 of Color Chemicals	Lee, Fu-Xing	0	0	0	0	
Head of Technical Marketing Division	Lai, Bao-Kun	0	0	0	0	
Head of Color Chemicals R & D Division	Chen ,Wen-Zheng	0	0	0	0	New in office on Jan. 1, 2020
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	
Head of Resource Management Division	Sung, Bai-Li	0	0	0	0	
Head of Environment, Health and Safety Division	Huang, Zhi-Kuan	0	0	0	0	Retired on Sept. 28, 2019
Head of Product Responsibility Division	Huang,Hui-Ching	0	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	

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. 3, 2019	Chen, Chien-Ming Chen ,Huang-Ming	Father and son	150,000 150,000	15.95
		Mar. 3, 2020	Chen, Chien-Ming Chen ,Huang-Ming	Father and son	150,000 150,000	14.75

(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: Jul. 11, 2018

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	73,000,000	13.33%	7,800,000	1.42%	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.	30,000,000	5.48%	0	0	0	0	None	None	
	Representative, 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	
3	Chen, Ding-Chi	14,375,254	2.62%	1,167,659	0.21%	0	0	Chen, Ding-Chuan	Brothers	
4	iShares Core MSCI Emerging Markets ETF	8,355,781	1.53%	0	0	0	0	None	None	
5	Wu, Lee-Ji	7,800,000	1.42%	73,000,000	13.33%	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	Tsai, Gou-Liang	7,259,044	1.33%	0	0	0	0	None	None	
7	Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds	6,884,200	1.26%	0	0	0	0	None	None	
8	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	
9	Chen, Wei-Wang	6,300,000	1.15%	494,350	0.09%	0	0	Chen, Ding-Chuan Wu, Lee-Ji Chen, Chien-Hsin Chen, Ru-Aei	Father and son Mother and son Brothers Brother and sister	
10	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.

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, 2019 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%	264,944	1%	45,171,344	77%
DailyCare BioMedical Inc.	6,324,538	91%	0	0%	6,324,538	91%
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. 30, 2020

Shareholder structure / Amount	Government agency	Financial institution	Other corporations	Individual	Foreign institution and individual	Total
Number of shareholders	0	7	120	46,991	111	47,229
Shareholding	0	582,131	44,952,010	455,281,533	46,936,552	547,752,226
Shareholding ratio	0.00%	0.11%	8.21%	83.12%	8.57%	100.00%

(III) Distribution of shares

1. Common stock:

Stop transfer day: Mar. 30, 2020

Shareholder ownership	Number of shareholders	Shareholding	Shareholding ratio
1 ~ 999	24,978	2,900,329	0.53%
1,000 ~ 5,000	13,540	30,191,341	5.51%
5,001 ~ 10,000	3,697	27,180,150	4.96%
10,001 ~ 15,000	1,625	19,964,206	3.64%
15,001 ~ 20,000	769	13,769,039	2.51%
20,001 ~ 30,000	929	22,936,832	4.19%
30,001 ~ 50,000	664	26,055,800	4.75%
50,001 ~ 100,000	515	35,834,482	6.54%
100,001 ~ 200,000	275	37,795,993	6.90%
200,001 ~ 400,000	120	33,658,017	6.14%
400,001 ~ 600,000	38	18,395,775	3.36%
600,001 ~ 800,000	17	11,925,389	2.18%
800,001 ~ 1,000,000	10	8,897,112	1.62%
1,000,001 above	52	258,247,761	47.17%
Total	47,229	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. 30, 2020

Shares / Name of major shareholders	Share amount	Shareholding ratio
Chen, Ding-Chuan	73,000,000	13.33%
Yung-De Investment Co., Ltd.	30,000,000	5.48%

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			2019	2018	The current year as of Feb. 29, 2020 (Note 8)
Market price per share(Note 1)	Highest		18.25	20.10	15.90
	Lowest		15.45	15.20	14.50
	Average		16.44	17.68	15.30
Net worth per share (Note 2)	Before distribution		14.28	13.87	–
	After distribution		–	13.37	–
EPS	Weighted average shares (thousand shares)		547,752	547,752	–
	EPS (Note 3)	Before retroactive adjustment	0.66	0.73	–
		After retroactive adjustment	–	0.73	–
Dividends per share	Cash dividends		0.3	0.5	–
	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)		25	24	–
	P/D Ratio (Note 6)		55	35	–
	Cash dividend yield (Note 7)		0.02	0.03	–

*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 19, 2020, 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 2018 was TWD 26,554,340 and the amount of director remuneration was TWD 10,621,736, 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 2019:

Business and product type		Sales volume	Sales amount (TWD thousand)	Percentage
Color chemicals		20,939 tons	4,602,177	49.3%
Specialty chemicals		3,624 tons	2,055,000	22.0%
Toner		7,264 tons	1,515,822	16.2%
Electronic chemicals	Photoresist	375 tons	350,487	10.4%
	Others	9,330 tons	614,748	
Pharmaceuticals	Prostaglandin	17,644 g	172,693	2.0%
	Other material medicines	627 kg	16,593	
Others		644 units	4,556	0.1%
Total			9,332,076	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	● 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	● Increasing items of each type of existing products
Specialty chemicals	● UV-absorber ● Hindered amine light stabilizer ● Formulated product ● Functional Masterbatches ● Antioxidants ● High-molecular polymerizable dye	● Increasing items of each type of existing products
Toner	● Colored toner ● Black toner ● Toner finished cartridges ● Carrier and developer ● Ceramic toner	● Increasing items of existing products ● Enhancing the applicable range of existing products ● Add applications in new fields
Electronic chemicals	Use in IC, LCD, LED and TP industry ● Photoresist ● Developer ● Slurry ● Wet chemicals ● Functional ink of thermosetting and UV curing ● Electronic functional chemicals	● Increasing items of each type of existing products ● IC package amplified Photoresist ● Photoresist with low-temperature embedded covering ● Photosensitive polyimide
Pharmaceuticals	● Material medicine for Prostaglandin ● Other material medicines	● Increasing the items of material medicine for Prostaglandin ● Materials medicines for the elderly uses and other purposes

(II) Industry overview

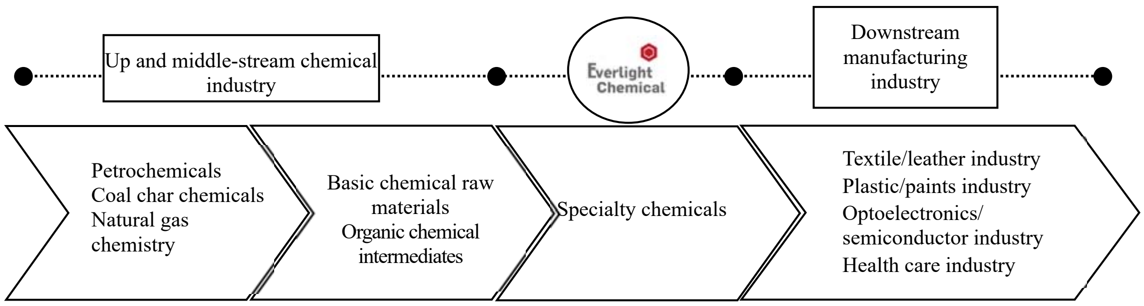
1. The current condition and development of the industry

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, dye Industry has a stable development towards the trends of environmental protection, energy saving, emission reduction, appeal of green dyeing and finishing. More stringent environmental protection policies and supply and demand of raw materials are still the main factors affecting price fluctuations in the dye market. Reactive dye development continues to provide overall solutions for special fastness and differentiated commodity demand. For example, launching 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 catering for industrial textile for high temperature lamination with high bonding strength, and for fabric membrane for low temperature lamination with moderate bonding strength, 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. Due to breakthroughs on the product application technique, ceramic toners have been commoditized and sold in small quantity.

In the Electronic Chemicals business, 5G bringing the rise of industrial transformation drives the development of AI and IOT integrated with wearable mobile devices, automotive, power semiconductors and sensors, smart homes and other applications; therefore, the demand for MEMS process materials will continue to increase. With the high-end intelligent mobile phone display focusing on AMOLED paired with LTPS and embedded touch sensor (In-cell, On-cell), the demand for the low temperature process and LTPS process material is driven and support for the opportunities of commercialization of new displays.

(III) Overview of technology and R&D

The R&D expenses devoted and successfully developed technology or products in 2019 and up to the publication date of the annual report:

Amount: TWD thousand

Item \ Year		2019	The current year until Feb. 29, 2020
R&D expense devoted		434,190	66,373
R&D results:			
Patent	Patents granted	5	0
	Accumulated patents	174	174
New products developed		73	11

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

1.Long-term development program:

Everlight Chemical's 2020 Green Gold Vision is to "become a global happy company that will continue to innovate and provide green chemical solutions", and focus on four major aspects: sustainable environmental protection, innovative value, integrity and happiness, and global partners for development. We strive to provide a better life for human beings and implement the brand promise of "Better Chemistry Better Life".

2.Short-term development program:

(1) Plans on overseas production base.
(2) Certification of information security management system.
(3) Business legal compliance and management system.

II. Market and Production Profile

(I) Market analysis

1. Sales areas of major products:

Unit: TWD thousand

Sales areas	2019		2018	
	Dollar amount	Percentage (%)	Dollar amount	Percentage (%)
Asia	5,107,268	55	5,056,871	52
Taiwan	1,494,626	16	1,709,483	18
Europe	1,576,784	17	1,526,343	16
Americas	984,045	10	1,076,558	11
Other areas	169,353	2	251,764	3
Total	9,332,076	100	9,621,019	100

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

Color Chemicals: In 2018, the total global dye market grew slightly to 1.66 million tons, and the Company's market share was about 1.3%. On the global dye market 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 2019, the global market for UV absorbers and light stabilizers totaled approximately TWD 55 billion, and the market share of Everlight Chemical was approximately 4%. 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 2019, 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 11%. 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 2019, 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 material will be the focus of the new display critical part manufacturers.

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.

④The price of color machines has decreased, and the color toner market has become more popular.

(2) Unfavorable factors:

①The 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.

③Taiwan'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.

④Large-scale international chemical counterparts continue to conduct M&As, and the Chinese counterparts are actively expanding capacity to occupy market share with low prices.

⑤The 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	
	High-molecular polymerizable dye	For polyurethane foams, adhesives and elastomers
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.
	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:

Material → Intermediate → Semi-finished product → Finished product

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:

Main ingredients → Formula mixing → Filtering → Finished good replenishing

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, and nanomaterials, etc.

(3) Production process of toner:

Main ingredients → Formula mixing → Extrusion → Milling →

Mixing → Finished good - replenish

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. The smog problem in the Mainland, the compulsory use of low-sulphur fuel lead to an increase in transportation costs.

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 supply. Price of resins rises due to an increase in the related raw material prices. As the labor, energy and other production costs of the European, American and Japanese suppliers continue to climb year after year, we have sought supply from China resin manufacturers as countermeasure. The magnetic iron oxide supply which was monopolized previously, saw the entering of Chinese and Indian suppliers. In the future, it is expected to be in oversupply in the future, and thus the price is expected to fall gradually.

(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

Business and product type \ Year / Production volume and value		2019 Production capacity	2019 Production amount	2019 Production value	2018 Production capacity	2018 Production amount	2018 Production value
Color chemicals		34,900tons	20,407tons	3,374,519	37,000tons	21,219tons	3,412,478
Specialty chemicals		5,000tons	3,963tons	1,671,756	5,000tons	4,020tons	1,646,208
Toner		11,000tons	7,264tons	1,281,070	11,600tons	7,880tons	1,416,770
Electronic chemicals	Photoresist	757tons	386tons	277,056	757tons	369tons	260,194
	Others	18,000tons	9,116tons	533,902	18,000tons	13,033tons	663,728
Pharmaceuticals	Prostaglandin	48,000g	9,801g	104,191	48,000g	31,814g	182,488
	Other aterial medicines	3,000kg	516kg	10,893	3,000kg	284kg	6,958
Total				7,253,387			7,588,824

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

Business and product type \ Year / Sales volume and value		2019 Domestic sales Volume	2019 Domestic sales Value	2019 Abroad sales Volume	2019 Abroad sales Value	2018 Domestic sales Volume	2018 Domestic sales Value	2018 Abroad sales Volume	2018 Abroad sales Value
Color chemicals		2,698 tons	472,005	18,241 tons	4,130,172	3,075 tons	564,268	17,438 tons	3,959,543
Specialty chemicals		478 tons	254,807	3,146 tons	1,800,193	465 tons	247,396	3,799 tons	1,913,458
Toner		106 tons	40,716	7,158 tons	1,475,106	120 tons	41,667	7,847 tons	1,586,053
Electronic chemicals	Photoresist	274 tons	167,189	101 tons	183,298	260 tons	153,559	98 tons	169,673
	Others	7,911 tons	548,051	1,419 tons	66,697	11,542 tons	693,445	1,597 tons	62,464
Pharmaceuticals	Prostaglandin	82 g	1,889	17,503 g	170,804	38 g	451	22,210 g	212,692
	Other material medicines	82 kg	5,414	545 kg	11,179	74 kg	4,003	166 kg	7,467
Others		277 units	3,637	367 units	919	1,939 units	3,660	486 units	1,220
Total			1,493,708		7,838,368		1,708,449		7,912,570

Note: In 2019, the Company's consolidated domestic and foreign sales ratio was 16%: 84%.

III. Information of the employees of the Company and affiliates

Year		2019	2018	The current year as of Feb. 29, 2020
Employee number	Company	295	298	296
	Factory	1633	1671	1610
	Total	1928	1969	1906
Average age		39.6	38.8	39.7
Average service years		10.8	9.9	10.9
Percentages distribution of education (%)	PhD	2	2	2
	Master	23	22	23
	College	55	55	54
	Below (and include) high school	20	21	21

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 May 30 2019, during inspection, Department of Environmental Protection, Taoyuan noted before the application for change in M07 production process was approved for trial run, it went ahead and violated Article 24 Section 2 of Air Pollution Control Act; on August 30, a fine of NTD100,000 was given (EPA Air No. 1080216653) The approval for a trial run was subsequently obtained on July 25. On March 13, 2020, an operating permit was given.

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

In March 2016, 3rd Plant conducted soil and groundwater pollution control and inspection. In April 2019, remediation proposal was submitted. It passed review in December. On January 16, 2020, it received ratification from Taoyuan City Government and started the remediation as per the proposal. It is estimated to spend NTD50 million for the remediation. The project is estimated to be completed in June 2025.

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 22 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 the safety and health policy of “Respect for Life, and Pursue Zero Disasters,” and implements the Vocational Safety and Hygiene Management System (OHSAS 18001) to ensure employee safety and company assets through the management spirit of Plan-Do-Check-Action (PDCA) cycle. Every factory of Everlight Chemical has obtained the certification of OHSAS 18001.

In order to provide a safe workplace, the Company has set vocational safety regulations and training methods, implements employee health checks every year, and regularly organizes emergency response drills and promotes zero-disaster activities, in order to prevent accidents and minimize occupational injuries.

In addition to holding safety and health committee meetings every quarter, each factory also holds safety and health propagations on mothly factory meetings to explain safety and health issues such as regulatory updates, common missing items, propaganda items and promotion plans, etc.

(1) Zero-disaster exercise

Introducing the concept of zero disasters. Every day before the start of construction, the job site supervisor will lead the colleagues to carry out health confirmation, response measures, identification calls, which increase the alertness of employees during their work 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 continuous to improve and hold 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 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 results, corrections and improvements will be made to ensure 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 actively dispatches staff to participate in business supervisor trainings related to occupational safety and health, and cultivates seed personnel to obtain relevant qualifications. The Company also actively participates in the Industrial Zone Safety and Health Promotion Association, letting the staff learn from the safety management experiences of other factories. For the management of the contractor, all contracting and outsourced personnel who enter the Company's factory area must abide by the relevant safety and health regulations of the Company, in order to ensure the safety of the construction personnel. 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	Yong Shen Company Limited	October 2018 – May 2019	Dust collector engineering	None
Engineering contract	Shihlin Electric & Engineering Corp. Hsinchu Branch	March 2019 – June 2019	Smart power management system	None
Engineering contract	Shun De Construction Co., Ltd.	May 2019 – June 2019	Renewal of ice making machine	None
Engineering contract	Feng Ying Co., Ltd.	January 2019 – September 2019	Glass reactors	None
Merchandising contract	Weblande Corporation	August 2019 – November 2019	Procurement for laboratory equipment	None
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	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. 2.The first use of the loan within three (3) months after the signing date. 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.
Engineering contract	Bai Cheng Company	September 2019 – May 2020	Installation of piping in glass reactor	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	Ming Shun Mechanical Engineering Co., Ltd	July 2019 – December 2020	1st 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
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)				
		2019	2018	2017	2016	2015
Current assets		6,302,008	6,577,789	6,301,647	6,323,846	6,115,332
Property, plant and equipment (Note 2)		5,527,737	5,754,565	5,789,476	5,685,055	5,522,018
Intangible assets		122,455	131,270	119,020	32,592	—
Other assets (Note 2)		1,671,162	1,394,402	1,514,475	1,562,477	1,721,852
Total assets		13,623,362	13,858,026	13,724,618	13,603,970	13,359,202
Current liabilities	Before distribution	3,982,351	4,070,946	3,414,980	4,173,084	4,326,481
	After distribution	—	4,344,822	3,688,856	4,446,960	4,587,315
Non-Current liabilities		1,502,292	1,873,884	2,272,860	1,450,751	1,058,757
Total liabilities	Before distribution	5,484,643	5,944,830	5,687,840	5,623,835	5,385,238
	After distribution	—	6,218,706	5,961,716	5,897,711	5,646,072
Equity attributable to owners of the parent company		7,823,140	7,599,139	7,724,086	7,658,408	7,649,681
Capital stock		5,477,522	5,477,522	5,477,522	5,477,522	5,216,688
Capital surplus		474,558	473,558	473,558	473,558	473,558
Retained earnings	Before distribution	1,901,498	1,797,826	1,673,952	1,571,900	1,683,039
	After distribution	—	1,523,950	1,400,076	1,298,024	1,161,371
Other equity		(30,438)	(149,767)	99,054	135,428	276,396
Treasury stock		—	—	—	—	—
Non-controlling interests		315,579	314,057	312,692	321,727	324,283
Total equity	Before distribution	8,138,719	7,913,196	8,036,778	7,980,135	7,973,964
	After distribution	—	7,639,320	7,762,902	7,706,259	7,713,130

* 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				
		2019	2018	2017	2016	2015
Current assets		4,389,443	4,678,231	4,419,149	4,236,078	4,074,675
Property, plant and equipment		4,407,578	4,532,783	4,469,701	4,311,865	4,097,415
Intangible assets		113,779	120,734	116,119	30,882	—
Other assets		3,046,677	3,051,516	3,274,997	3,278,061	3,568,322
Total assets		11,957,477	12,383,264	12,279,966	11,856,886	11,740,412
Current liabilities	Before distribution	2,922,645	3,004,070	2,422,266	2,942,901	3,067,336
	After distribution	—	3,277,946	2,696,142	3,216,777	3,328,170
Non-Current liabilities		1,211,692	1,780,055	2,133,614	1,255,577	1,023,395
Total liabilities	Before distribution	4,134,337	4,784,125	4,555,880	4,198,478	4,090,731
	After distribution	—	5,058,001	4,829,756	4,472,354	4,351,565
Equity attributable to owners of the parent company		—	—	—	—	—
Capital stock		5,477,522	5,477,522	5,477,522	5,477,522	5,216,688
Capital surplus		474,558	473,558	473,558	473,558	473,558
Retained earnings	Before distribution	1,901,498	1,797,826	1,673,952	1,571,900	1,683,039
	After distribution	—	1,523,950	1,400,076	1,298,024	1,161,371
Other equity		(30,438)	(149,767)	99,054	135,428	276,396
Treasury stock		—	—	—	—	—
Non-controlling interests		—	—	—	—	—
Total equity	Before distribution	7,823,140	7,599,139	7,724,086	7,658,408	7,649,681
	After distribution	—	7,325,263	7,450,210	7,384,532	7,388,847

Condensed Comprehensive Income Statement - Consolidated

Unit: TWD thousand

Item \ Year	Financial data in the most recent 5 years (Note 1)				
	2019	2018	2017	2016	2015
Operating revenue	9,332,076	9,621,019	9,169,480	9,450,874	9,537,421
Operating gross profit	2,037,340	2,165,218	1,970,272	2,098,902	2,284,514
Operating income	403,633	507,464	362,419	467,439	672,554
Non-operating revenue and expense	52,437	12,080	109,973	105,295	52,462
Net income before tax	456,070	519,544	472,392	572,734	725,016
Net income of going-concern operation unit	349,237	407,920	370,244	473,834	573,662
Loss from discontinued unit	—	—	—	—	—
Net income (loss)	349,237	407,920	370,244	473,834	573,662
Other comprehensive income (Net amount after tax)	132,755	(263,835)	(29,590)	(202,659)	(81,995)
Total comprehensive income	481,992	144,085	340,654	271,175	491,667
Net income attributable to owners of the parent company	362,447	401,983	366,138	468,534	565,347
Net income attributable to non-controlling interests	(13,210)	5,937	4,106	5,300	8,315
Comprehensive income attributable to owners of the parent company	496,877	138,502	344,353	269,561	480,345
Comprehensive income attributable to non-controlling interests	(14,885)	5,583	(3,699)	1,614	11,322
EPS	0.66	0.73	0.67	0.86	1.03

* 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				
	2019	2018	2017	2016	2015
Operating revenue	7,203,554	7,405,726	6,833,550	6,925,150	7,013,072
Operating gross profit	1,410,577	1,495,962	1,311,488	1,413,961	1,585,102
Operating income	354,298	427,447	285,853	347,949	536,076
Non-operating revenue and expense	94,773	66,464	148,585	182,494	137,975
Net income before tax	449,071	493,911	434,438	530,443	674,051
Net income of going-concern operation unit	362,447	401,983	366,138	468,534	565,347
Loss from discontinued unit	—	—	—	—	—
Net income (loss)	362,447	401,983	366,138	468,534	565,347
Other comprehensive income (Net amount after tax)	134,430	(263,481)	(21,785)	(198,973)	(85,002)
Total comprehensive income	496,877	138,502	344,353	269,561	480,345
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	0.66	0.73	0.67	0.86	1.03

(II) Name of CPA and audited opinions

Year	Name of CPA		Audited opinions
2015	KPMG	Lily Lu Chun-Hsiu Kuang	Unqualified opinion with explanatory language
2016 - 2017	KPMG	Lily Lu Chun-Hsiu Kuang	Unqualified opinion
2018	KPMG	Ya-Ling Chen Chun-Hsiu Kuang	Unqualified opinion
2019	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				
		2019	2018	2017	2016	2015
Financial Structure (%)	Debt ratio	40	43	41	41	40
	Long term fund to property, plant and equipment ratio	174	170	178	166	164
Liquidity analysis (%)	Current ratio	158	162	185	152	141
	Quick ratio	67	66	81	66	65
	Interest coverage	5	6	7	9	12
Operating Performance Analysis	Account receivable turnover (times)	5.4	5.3	5.2	5.1	5.0
	Average collection turnover	68	69	71	71	74
	Inventory turnover (times)	2.0	2.1	2.1	2.2	2.3
	Account payable turnover (times)	13.6	11.8	11.3	12.2	14.3
	Average inventory turnover days	182	175	172	163	162
	PPE turnover (times)	1.7	1.7	1.6	1.7	1.8
	Total assets turnover(times)	0.7	0.7	0.7	0.7	0.7
Profitability	ROA (%)	3	3	3	4	5
	ROE (%)	4	5	5	6	7
	Net income before tax to paid-up capital ratio (%) (Note 7)	8	9	9	10	14
	Net margin (%)	4	4	4	5	6
	EPS (TWD)	0.66	0.73	0.67	0.86	1.03
Cash flow	Cash flow ratio (%)	32	18	28	23	30
	Cash flow adequacy ratio (%)	97	79	95	91	80
	Cash reinvestment ratio (%)	5	3	4	4	6
Leverage	Operating leverage	6	5	6	5	4
	Financial leverage	1.3	1.2	1.3	1.2	1.1

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

1. The decrease of ROE ratio was mainly due to the decrease of net income.
2. The increase of cash flow ratio was mainly due to the increase of net cash flows from operating activities.
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 cash reinvestment ratio was mainly due to the increase of net cash flows from operating activities.
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				
		2019	2018	2017	2016	2015
Financial Structure (%)	Debt ratio	35	39	37	35	35
	Long term fund to property, plant and equipment ratio	205	207	221	207	212
Liquidity analysis (%)	Current ratio	150	156	182	144	133
	Quick ratio	64	64	83	62	60
	Interest coverage	7	8	9	12	17
Operating Performance Analysis	Account receivable turnover (times)	5.5	5.2	4.9	5.2	5.0
	Average collection turnover	66	71	74	71	73
	Inventory turnover (times)	2.3	2.4	2.4	2.5	2.6
	Account payable turnover (times)	13.0	11.0	10.6	11.3	12.6
	Average inventory turnover days	160	154	152	146	143
	PPE turnover (times)	1.6	1.7	1.6	1.7	1.8
	Total assets turnover(times)	0.6	0.6	0.6	0.6	0.6
Profitability	ROA (%)	3	4	3	4	5
	ROE (%)	5	5	5	6	8
	Net income before tax to paid-up capital ratio (%) (Note 7)	8	9	8	10	13
	Net margin (%)	5	6	5	7	9
	EPS (TWD)	0.66	0.73	0.67	0.86	1.03
Cash flow	Cash flow ratio (%)	35	24	29	26	35
	Cash flow adequacy ratio (%)	90	66	62	71	67
	Cash reinvestment ratio (%)	4	3	2	3	5
Leverage	Operating leverage	5	5	7	6	3
	Financial leverage	1.2	1.2	1.2	1.1	1.1

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

1. The increase of cash flow ratio was mainly due to the increase of net cash flows from operating activities.
2. 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.
3. The increase of cash reinvestment ratio was mainly due to the increase of net cash flows from operating activities.

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 2019 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 2020 General Shareholders' Meeting

Convener of Audit Committee, Wu, Chung-Fern

Mar. 19, 2020

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	2019	2018	Difference	
			Dollar amount	%
Current assets	6,302,008	6,577,789	(275,781)	(4)
Property, plant and equipment	5,527,737	5,754,565	(226,828)	(4)
Intangible assets	122,455	131,270	(8,815)	(7)
Other non-current assets	1,671,162	1,394,402	276,760	20
Total assets	13,623,362	13,858,026	(234,664)	(2)
Current liabilities	3,982,351	4,070,946	(88,595)	(2)
Non-Current liabilities	1,502,292	1,873,884	(371,592)	(20)
Total liabilities	5,484,643	5,944,830	(460,187)	(8)
Capital stock	5,477,522	5,477,522	0	—
Capital surplus	474,558	473,558	1,000	0
Retained earnings	1,901,498	1,797,826	103,672	6
Other equity	(30,438)	(149,767)	119,329	(80)
Non-controlling interests	315,579	314,057	1,522	0
Shareholders' equity	8,138,719	7,913,196	225,523	3

1. The main reasons for the significant changes of assets, liabilities and equity in the most recent two (2) years:
   (1) The increase of other non-current assets was mainly due to the increase of right-of-use asset.
   (2) The decrease of non-current liabilities was mainly due to the decrease of long-term borrowings.
   (3) The increase of other equity was mainly due to the decrease of “unrealized gains (loss) on financial assets measured at fair value through other comprehensive income” last year and increase this year.

2. 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	2019	2018	Increase (decrease) dollar amount	Changes %
Operating revenue	9,332,076	9,621,019	(288,943)	(3)
Operating cost	7,294,736	7,455,801	(161,065)	(2)
Operating gross profit	2,037,340	2,165,218	(127,878)	(6)
Operating expense	1,633,707	1,657,754	(24,047)	(1)
Net operating profit	403,633	507,464	(103,831)	(20)
Non-operating revenue and expense	52,437	12,080	40,357	334
Pre-tax profit of going-concern operation department	456,070	519,544	(63,474)	(12)
Income tax expense	106,833	111,624	(4,791)	(4)
Net income after tax of going-concern operation department	349,237	407,920	(58,683)	(14)

1. The main reasons for the significant changes of operating revenue, operating income and pre-tax income in the most recent two (2) years:
   (1) The decrease of operating income with the previous period was mainly due to the decrease of operating revenue.
   (2) The increase of non-operating revenue and expense was mainly due to the increase of dividend income, subsidy revenue and others etc. compared with previous year.
2. For expected sales volume and its reference, please refer to Summary of 2020 Operation Plan.
3. Possible impacts on the Company's future financial operations and response measures: There are no significant impacts.

VII. Cash Flows

(I) The analysis of cash flow changes during recent year and corrective measures to be taken in response to illiquidity

1. 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.
2. The increase of cash flow adequacy ratio was mainly due to the increase of net cash flows from operating activities in the most current five (5) years.
3. The increase of cash reinvestment ratio was mainly due to the increase of net cash flows from operating activities compared with last period.
4. Corrective measures to be taken in response to insufficient liquidity: Not applicable.

(II) 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
978,856	1,308,000	1,124,000	1,162,856	0	0

1. Net cash flows from operating activities: mainly due to the increase of profit, depreciation recognition and accounts payable.
2. Cash outflows: mainly due to the payment of each factory's significant capital expenditure and the payment of cash dividends, etc.

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

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.

(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

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.

In 2009, the Business Continuity Management System (BCMS) introduced by the Company is part of the Group's risk management system. It passed BS25999 certification in 2012 and ISO22301 certification in 2014. Each year, an inspection by the third party will be conducted to ensure the effectiveness of the management system.

The Company's major risk management organizations and various implementation and dedicated units of risk management are as follows:

1. 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.
2. Market risk: In addition to the operational responsibilities of each business unit and functional units, the Company sets various strategies and implements them, and evaluates to adopt various response measures according to the analysis of laws, policies and market changes. The decision-making level and the management team of each business division sets up a project team whenever necessary to control the risks caused by the rapid changes of the market.
3. Strategic operational risk: The risk assessment of the annual operating policy is carried out by the General Manager Office and the management team of each business division, and performance tracking is conducted regularly to ensure that the operational strategy is in line with the Company's vision and can achieve operational objectives.
4. Supply chain risk: Research Management Division will conduct risk assessment according to government regulations and policies, changes in markets and production needs; it will collaborate with production and marketing units to take countermeasures, so as to mitigate operating impact caused by "interruption in the supplies."
5. Information safety risk: For system maintenance of the internal data system and prevention of external threat, the Information Division has undertaken effective protective mechanism (upgrading hardware infrastructure and introducing ISO 27001), to mitigate information safety risk.

(IV)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 currencies of the Group's borrowings are mainly in USD and NTD. For the future trend of these two currencies in the coming year, for USD, due to the escalation of the outbreak of Covid-19 virus, in March, FED had already cut the fund rate by 100 basis points and interest rates to zero to simulate the economy. As for NTD, due to the slowdown of global economy, under the influence of a downward inflation outlook, low federal fund rate and other factors, CBC (Central Bank of the Republic of China) also decided to cut interest rates by 0.25 percentage points in the same month.

   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 interest expenses will increase by about TWD 30 ~ 40 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 was only 0.62 % in 2020, and inflation outlook 67 remains moderate. Meanwhile, the outbreak of Covid-19 virus impacts the global economy, suppressing the prices of oil and other raw materials. The global inflation is expected to go downward in 2020.

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 2018, please refer to Appendix Table 1 and 2 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 2019 was mainly foreign currency option contracts. For its profit or loss, please refer to the notes about financial products in 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 TWD420 million in R&D expense in 2020. 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 business legal compliance and management system to observe the government policies and regulations. Corresponding units are able to pay close attention to important policies and the change of law, collaborating to make adjustments to the internal processes and operating activities of the Company, so as to ensure the operation is running smoothly.

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. With the evolution of automation technology of Industry 4.0, Everlight Chemical also promotes automated production technology. Accordingly, technology and industry changes are beneficial to Everlight Chemical.

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 2019 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. 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, Information Safety and Personal Information Management Committee passed a resolution to seek external consultation, and in December of the same year, established "Introduction and Verification of Information Safety Management." The information safety management system is expected to pass ISO 27001 certification in 2020.

    There have been no major cyber-attacks or security incidents in the Company and no significant negative impact on the Company's business and operations management during 2019 or during the current fiscal year up to the date of publication of the annual report.

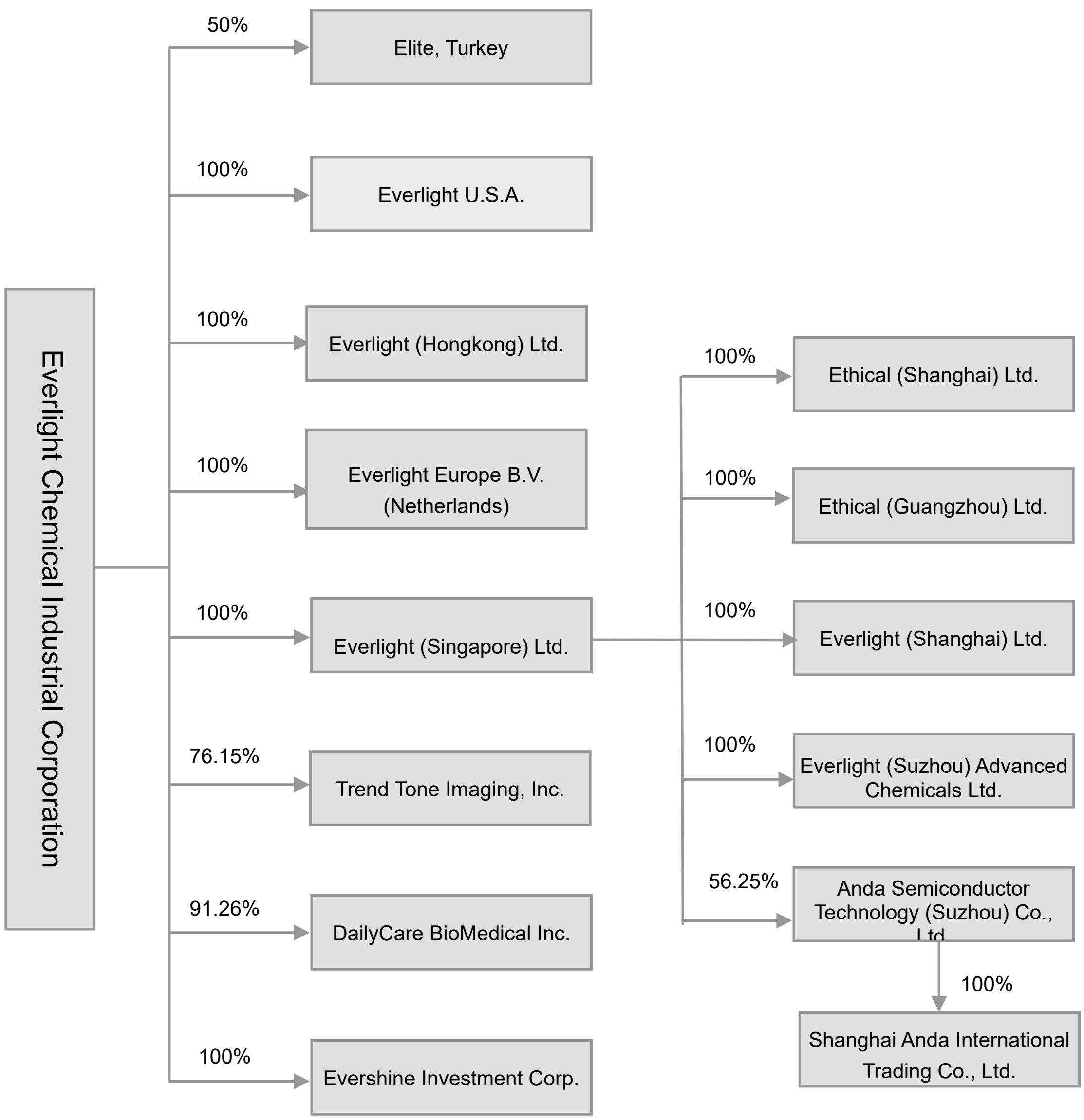
XI. Other important matters: None.

Special Disclosure

I. Information Related to the Company's Affiliates

(I) Overview of affiliates

1. Affiliates' Organizational Chart: Mar. 30, 2020



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
Ethical (Guangzhou) Ltd.	Dec. 30, 2001	Guangzhou	USD 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 20,000	Production and sale of high-tech chemicals for toner and electronics
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
DailyCare BioMedical Inc.	Nov. 14, 2003	Taoyuan County	NTD 69,300	Production of medical equipment and provision of biotechnology services
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 and that DailyCare BioMedical Inc. belongs to the medical equipment industry.
   (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. 29, 2019

Name of business	Title	Name or representative	Shareholding: Share number (shares)	Shareholding: 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, Chen, Chong-Kuang		
	Director	Everlight Chemical Industrial Corporation Representative, Kuo-Pin Weng		
	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	Hsu, Jei-Kuang	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		

Name of business	Title	Name or representative	Shareholding	
			Share number (shares)	Shareholding ratio (%)
Everlight (Singapore) Ltd.	Chairman	Everlight Chemical Industrial Corporation Representative, Chen, Chien-Hsin	24,300,000	100.00
	Director	Everlight Chemical Industrial Corporation Representative, Kuo-Pin Weng		
	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		
	Director	Everlight Chemical Industrial Corporation Representative, Jason Ju		
	Director	Everlight Chemical Industrial Corporation Representative, Huang, Dong-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, Kuo-Pin Weng	4,667,750	7.92
Ethical (Shanghai) Ltd.	Chairman	Representative of Everlight (Singapore) Ltd., Chen, Wei-Wang	USD1,700,000	100.00
	Director	Representative of Everlight (Singapore) Ltd., Hsiao, Chong-Kun		
	Director	Representative of Everlight (Singapore) Ltd., Kuo-Pin Weng		
	Supervisor	Representative of Everlight (Singapore) Ltd., Chen, Ru-Aei		
	General manager	Liao, Nan-Ming	0	0
Ethical (Guangzhou) Ltd.	Chairman	Representative of Everlight (Singapore) Ltd., Chen, Wei-Wang	USD700,000	100.00
	Director	Representative of Everlight (Singapore) Ltd., Hsiao, Chong-Kun		
	Director	Representative of Everlight (Singapore) Ltd., Kuo-Pin Weng		
	Supervisor	Representative of Everlight (Singapore) Ltd., Lee, Ming-Wen		
	General manager	Chen, Yi-Tang	0	0

Name of business	Title	Name or representative	Shareholding	
			Share number (shares)	Shareholding ratio (%)
Everlight (Shanghai) Ltd.	Chairman	Representative of Everlight (Singapore) Ltd., Chen, Wei-Wang	USD1,250,000	100.00
	Director	Representative of Everlight (Singapore) Ltd., Hsiao, Chong-Kun		
	Director	Representative of Everlight (Singapore) Ltd., Kuo-Pin Weng		
	Supervisor	Representative of Everlight (Singapore) Ltd., Chen, Ru-Aei		
	General manager	Liao, Nan-Ming	0	0
Everlight (Suzhou) Advanced Chemicals Ltd.	Chairman	Representative of Everlight (Singapore) Ltd., Du, Yi-Zhong	USD20,000,000	100.00
	Director	Representative of Everlight (Singapore) Ltd., Chen, Wei-Wang		
	Director	Representative of Everlight (Singapore) Ltd., Huang, Dong-Sheng		
	Director	Representative of Everlight (Singapore) Ltd., Cao, Yin		
	Director and General manager	Representative of Everlight (Singapore) Ltd., Jason Ju		
	Supervisor	Representative of Everlight (Singapore) Ltd., Liao, Nan-Ming		
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	Representative of Everlight (Singapore) Ltd., Chen, Wei-Wang	USD675,000	56.25
	Director	Representative of Everlight (Singapore) Ltd., Jason Ju		
	Director and General manager	Representative of Everlight (Singapore) Ltd., Sun, Zhe-Ren		
	Supervisor	Representative of Everlight (Singapore) Ltd., 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
	Supervisor	Everlight Chemical Industrial Corporation Representative, Kuo-Pin Weng		

Name of business	Title	Name or representative	Shareholding	
			Share number (shares)	Shareholding ratio (%)
DailyCare BioMedical Inc.	Chairman	Everlight Chemical Industrial Corporation Representative, Chen, Chien-Hsin	6,324,538	91.26
	Director	Everlight Chemical Industrial Corporation Representative, Chan, Po - Yuan		
	Director	Everlight Chemical Industrial Corporation Representative, Lee, Ming-Wen		
	Supervisor	Chuan Ren Chung Yuan Business Incubating investment Co., Ltd.	9,100	0.13
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 Chen Ke-lun Representative,		

(II) Operational highlights of business of various affiliates

Unit: TWD thousand

Dec. 31, 2018

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	11,957,477	4,134,337	7,823,140	7,203,554	354,298	362,447	0.66
Elite, Turkey	156,320	343,713	136,147	207,566	580,066	5,512	8,464	193.24
Everlight U.S.A.	86,825	251,149	133,985	117,164	590,135	580	3,356	11.19
Everlight (Hongkong) Ltd.	34,580	53,701	10,668	43,033	160,895	4,339	4,377	4.38
Everlight Europe B.V. (Netherlands)	7,890	143,944	90,255	53,689	738,810	10,782	19,453	38,906
Everlight (Singapore) Ltd.	779,115	906,934	26,997	879,937	0	0	13,858	0.57
Trend Tone Imaging, Inc.	589,680	1,630,387	775,871	854,516	1,050,047	12,163	6,168	0.10
Ethical (Shanghai) Ltd.	53,326	187,255	54,333	132,922	206,755	7,748	7,603	—
Ethical (Guangzhou) Ltd.	22,919	141,790	73,644	68,146	162,176	3,454	3,950	—
Everlight (Shanghai) Ltd.	39,931	225,385	84,426	140,959	401,548	18,771	12,984	—
Everlight (Suzhou) Advanced Chemicals Ltd.	638,427	976,915	499,887	477,028	1,013,997	8,596	(13,489)	—
Anda Semiconductor Technology (Suzhou) Co., Ltd.	37,331	91,415	75,384	16,031	163,344	(2,307)	(3,540)	—
DailyCare BioMedical Inc.	69,300	12,410	792	11,618	4,556	(10,339)	(10,545)	(1.52)
Evershine Investment Corp.	100,000	39,964	50	39,914	0	(14,412)	(14,412)	(1.44)

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 2019 (from January 1 to December 31, 2019) 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. 19, 2020

(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

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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, 2019 and 2018, 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, 2019 and 2018, 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, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the FSC, 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, 2018 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. 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, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. 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(n) "Revenue" for accounting policy and Note 6(u) for the disclosure of revenue recognition to the consolidated financial statements.

   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 good controls of 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, 2019 and 2018, 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 and 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 remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements 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 19, 2020

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, 2019 and 2018

(Expressed in Thousands New Taiwan Dollars)

	Assets	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 978,856	7	838,593	6
1110	Financial assets at fair value through profit or loss-current (note 6(b))	30,023	-	13,556	-
1150	Notes receivable, net (notes 6(c) and (u))	233,735	2	333,665	2
1170	Accounts receivable, net (notes 6(c) and (u))	1,417,891	10	1,470,253	11
130X	Inventories (note 6(d))	3,504,183	26	3,757,724	27
1476	Other current financial assets	25,032	-	29,031	-
1479	Other current assets (note 6(i))	112,288	1	134,967	1
	Total current assets	6,302,008	46	6,577,789	47
	Non-current assets:				
1517	Financial assets at fair value through other comprehensive income-non-current (notes 6(b) and (w))	1,102,127	8	1,035,709	8
1550	Investments accounted for using equity method (note 6(e))	126,934	1	135,803	1
1600	Property, plant and equipment (notes 6(f), (h) and 9)	5,527,737	41	5,754,565	42
1755	Right-of-use-assets (note 6(j))	327,521	2	-	-
1780	Intangible assets (note 6(k))	122,455	1	131,270	1
1840	Deferred tax assets (note 6(q))	75,957	1	119,722	1
1915	Prepayments for equipment	16,860	-	55,724	-
1980	Other non-current financial assets (note 6(c))	4,191	-	4,762	-
1985	Long-term prepaid rents	-	-	22,439	-
1990	Other non-current assets	17,572	-	20,243	-
	Total non-current assets	7,321,354	54	7,280,237	53
	Total assets	$ 13,623,362	100	13,858,026	100

	Liabilities and Equity	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current liabilities:				
2100	Short-term borrowings (note 6(l))	$ 2,473,321	18	2,589,403	19
2322	Long-term borrowings, current portion (note 6(m))	470,000	3	185,000	1
2151	Notes payable (note 7)	152,138	1	190,752	1
2170	Accounts payable (note 7)	295,375	2	438,743	3
2209	Other payable (note 6(t))	428,330	4	494,878	4
2213	Payable on equipment	11,902	-	38,697	-
2230	Current tax liabilities	69,118	1	77,128	1
2280	Lease liabilities-current (note 6(n))	34,488	-	-	-
2399	Other current liabilities	47,679	-	56,345	-
	Total current liabilities	3,982,351	29	4,070,946	29
	Non-current liabilities:				
2540	Long-term borrowings (note 6(m))	989,748	7	1,538,988	11
2570	Deferred tax liabilities (note 6(q))	70,208	1	68,933	1
2580	Lease liabilities non-current (note 6(n))	274,557	2	-	-
2640	Net defined benefit liability (note 6(p))	167,779	1	265,963	2
	Total non-current liabilities	1,502,292	11	1,873,884	14
	Total liabilities	5,484,643	40	5,944,830	43
	Equity attributable to owners of parent (notes 6(b), (e), (g), (p), (q), (r) and (w)):				
3100	Common shares	5,477,522	40	5,477,522	40
3200	Capital surplus	474,558	4	473,558	3
3300	Retained earnings	1,901,498	14	1,797,826	13
3400	Other equity	(30,438)	-	(149,767)	(1)
	Total equity attributable to owners of parent	7,823,140	58	7,599,139	55
36XX	**Non-controlling interests (notes 6(g) and (r))**	315,579	2	314,057	2
	Total equity	8,138,719	60	7,913,196	57
	Total liabilities and equity	$ 13,623,362	100	13,858,026	100

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 Comprehensive Income

For the years ended December 31, 2019 and 2018

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

		2019		2018	
		Amount	%	Amount	%
4000	**Operating revenue (note 6(u))**	$ 9,332,076	100	9,621,019	100
5000	**Operating costs (notes 6(d), (h), (j), (k), (n), (o), (p), (t), 7 and 12)**	7,294,736	78	7,455,801	78
5950	**Gross profit from operations**	2,037,340	22	2,165,218	22
6000	**Operating expenses (notes 6(c), (h), (j), (k), (n), (o), (p), (t), 7 and 12):**				
6100	Selling expenses	843,205	9	857,874	9
6200	Administrative expenses	349,277	4	350,388	4
6300	Research and development expenses	434,190	5	430,979	4
6450	Expected credit loss	7,035	-	18,513	-
	Total operating expenses	1,633,707	18	1,657,754	17
6900	**Net operating income**	403,633	4	507,464	5
7000	**Non-operating income and expenses (notes 6(b), (e), (h), (m), (n) and (v)):**				
7010	Other income	58,582	1	48,639	-
7020	Other gains and losses	88,159	1	61,576	1
7050	Finance costs	(96,284)	(1)	(90,824)	(1)
7060	Share of gains (losses) of associates accounted for using equity method	1,980	-	(7,311)	-
	Total non-operating income and expense	52,437	1	12,080	-
7900	**Income before income tax**	456,070	5	519,544	5
7951	**Income tax expenses (note (q))**	106,833	1	111,624	1
8200	**Net income**	349,237	4	407,920	4
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 (losses) on remeasurements of defined benefit plans	49,102	1	(11,898)	-
8316	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	139,876	1	(250,930)	(3)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	(9,820)	-	7,305	-
	Total components of other comprehensive income that will not be reclassified to profit or loss	179,158	2	(255,523)	(3)
8360	**Components of other comprehensive income (loss) that will be reclassified to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	(46,008)	(1)	(8,752)	-
8370	Share of other comprehensive income of associates accounted for using equity method	(395)	-	440	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Total components of other comprehensive income that will be reclassified to profit or loss	(46,403)	(1)	(8,312)	-
8300	**Other comprehensive income (after tax)**	132,755	1	(263,835)	(3)
8500	**Total comprehensive income**	**$ 481,992**	**5**	**144,085**	**1**
	Profit attributable to:				
8610	Owners of parent	$ 362,447	4	401,983	4
8620	Non-controlling interests	(13,210)	-	5,937	-
		$ 349,237	**4**	**407,920**	**4**
	Comprehensive income attributable to:				
8710	Owners of parent	$ 496,877	5	138,502	1
8720	Non-controlling interests	(14,885)	-	5,583	-
		$ 481,992	**5**	**144,085**	**1**
9750	**Basic earnings per share (note 6(s)) (expressed in New Taiwan dollars)**	**$**	**0.66**		**0.73**
9850	**Diluted earnings per share (note 6(s)) (expressed in New Taiwan dollars)**	**$**	**0.66**		**0.73**

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, 2019 and 2018

(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	Unrealized gains (losses) on available-for-sale financial assets	Total	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance on January 1, 2018	$ 5,477,522	473,558	961,788	43,346	668,818	1,673,952	(57,203)	-	156,257	99,054	7,724,086	312,692	8,036,778
Effects of retrospective application	-	-	-	-	-	-	-	166,684	(156,257)	10,427	10,427	-	10,427
Balance on January 1, 2018 after adjustments	5,477,522	473,558	961,788	43,346	668,818	1,673,952	(57,203)	166,684	-	109,481	7,734,513	312,692	8,047,205
Net income	-	-	-	-	401,983	401,983	-	-	-	-	401,983	5,937	407,920
Other comprehensive income	-	-	-	-	(4,600)	(4,600)	(11,217)	(247,664)	-	(258,881)	(263,481)	(354)	(263,835)
Total comprehensive income	-	-	-	-	397,383	397,383	(11,217)	(247,664)	-	(258,881)	138,502	5,583	144,085
Appropriation and distribution of retained earnings:													
Legal reserve	-	-	36,614	-	(36,614)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(273,876)	(273,876)	-	-	-	-	(273,876)	(4,218)	(278,094)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	367	367	-	(367)	-	(367)	-	-	-
Balance on December 31, 2018	5,477,522	473,558	998,402	43,346	756,078	1,797,826	(68,420)	(81,347)	-	(149,767)	7,599,139	314,057	7,913,196
Net income	-	-	-	-	362,447	362,447	-	-	-	-	362,447	(13,210)	349,237
Other comprehensive income	-	-	-	-	39,209	39,209	(43,634)	138,855	-	95,221	134,430	(1,675)	132,755
Total comprehensive income	-	-	-	-	401,656	401,656	(43,634)	138,855	-	95,221	496,877	(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)	-	-	-	-	(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)**	**7,823,140**	**315,579**	**8,138,719**

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, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from operating activities:		
Income before income tax	$ 456,070	519,544
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	679,270	625,014
Amortization expense	20,080	15,056
Expected credit loss	7,035	18,513
Net gains on financial assets at fair value through profit and loss	(98)	(70)
Interest expense	96,284	90,824
Interest income	(4,363)	(4,865)
Dividend income	(54,219)	(43,774)
Share of losses (gains) of associates accounted for using equity method	(1,980)	7,311
Gains on disposal of property, plant and equipment	1,726	(250)
Other	(521)	-
Total adjustments to reconcile profit	743,214	707,759
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	93,546	(59,130)
Accounts receivable and overdue receivable (under other non-current financial assets)	13,518	43,196
Inventories	249,955	(382,439)
Other current financial assets	8,312	(10,531)
Other current assets	37,992	2,717
Total changes in operating assets	403,323	(406,187)
Changes in operating liabilities:		
Notes payable	(38,301)	(48,017)
Accounts payable	(129,601)	47,299
Other payable	(67,983)	(22,711)
Other current liabilities	(7,141)	15,923
Net defined benefit liability	(49,082)	(50,502)
Total changes in operating liabilities	(292,108)	(58,008)
Total changes in operating assets and liabilities	111,215	(464,195)
Total adjustments	854,429	243,564
Cash inflow generated from operations	1,310,499	763,108
Interest received	4,406	4,851
Dividends received	54,219	43,774
Income taxes paid	(78,744)	(63,978)
Net cash flows from operating activities	1,290,380	747,755
Cash flows from investing activities:		
Acquisition of financial assets at fair value through profit or loss	(30,000)	(131,500)
Proceeds from disposal of financial assets at fair value through profit or loss	13,632	118,014
Acquisition of financial assets at fair value through other comprehensive income	-	(149,800)
Proceeds from disposal of financial assets at fair value through other comprehensive income	73,457	1,602
Acquisition of property, plant and equipment	(343,401)	(611,435)
Proceeds from disposal of property, plant and equipment	12,488	2,441
Acquisition of intangible assets	(11,297)	(26,696)
Decrease (increase) in other non-current financial assets	(1,527)	816
Decrease in other non-current assets	3,818	(3,265)
Increase in prepayments for equipment	(96,306)	30,677
Net cash outflows from losing control of subsidiary	(1,548)	-
Net cash inflows from business combination	16,952	-
Net cash flows used in investing activities	(363,732)	(769,146)
Cash flows used in financing activities:		
Increase in short-term borrowings	8,597,082	7,801,071
Decrease in short-term borrowings	(8,683,483)	(7,268,236)
Proceeds from long-term borrowings	150,000	150,000
Repayments of long-term borrowings	(415,000)	(400,000)
Payment of lease liabilities	(34,257)	-
Cash dividends paid	(273,876)	(273,876)
Donation from shareholders	1,000	-
Interest paid	(104,363)	(97,870)
Subsidiaries distributed cash dividends to non-controlling interests	-	(4,218)
Increase in non-controlling interests	-	(354)
Net cash used in financing activities	(762,897)	(93,483)
Effect of exchange rate changes on cash and cash equivalents	(23,488)	6,282
Net increase (decrease) in cash and cash equivalents	140,263	(108,592)
Cash and cash equivalents at beginning of period	838,593	947,185
Cash and cash equivalents at end of period	$ 978,856	838,593

See accompanying notes to consolidated financial statements.

(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 19, 2020.

(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 following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

IFRS 16 replaces the existing leases guidance, including IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases – Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

(Continued)

The Group applied IFRS 16 using the modified retrospective approach. The details of the changes in accounting policies are disclosed below:

(i) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4(l).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

(ii) As a lessee

As a lessee, the Group previously classified leases as operating leases or finance leases based on its assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Group decided to apply recognition exemptions to short-term leases of office equipment and leases of transportation equipment.

The Group previously classified leases as operating leases under IAS 17 at transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group’s incremental borrowing rate as at January 1, 2019. The amount of right-of-use assets are determined by the lease liabilities and adjusted by the prepaid rental.

In addition, the Group used the following practical expedients when applying IFRS 16 to leases.

— Applied a single discount rate to a portfolio of leases with similar characteristics.

— Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.

— Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

— Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(Continued)

(iii) Impacts on financial statements

On transition to IFRS 16, the Group recognised $356,365 thousand of right-of-use assets and $333,450 thousands of lease liabilities, recognising the difference from long-term prepaid rents. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 2.39%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements	$ 123,419
Recognition exemption for:	
Short-term leases and leases of low-value assets	(2,891)
Interest expense from discounting	(24,270)
Extension and termination options reasonably certain to be exercised	237,192
Lease liabilities recognized at January 1, 2019	**$ 333,450**

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	**Effective date per IASB**
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

(Continued)

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

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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.

(4) Summary of significant accounting policies:

The significant accounting policies presented in the consolidated financial statements are summarized below. Except Note 3 and Note 4(l) for those indicated accounting changes, 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.

(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 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 measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in Note 4(o).

(Continued)

(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 subsidiaries. Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

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 the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

When the Group loses control over a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any interest retained in the former subsidiary is measured at fair value when control is lost, with the resulting gain or loss being recognized in profit or loss. The Group recognizes as gain or loss in profit or loss the difference between (i) the fair value of the consideration received as well as any investment retained in the former subsidiary at its fair value at the date when control is lost ;and (ii) the assets (including any goodwill), liabilities of the subsidiary as well as any related non-controlling interests at their carrying amounts at the date when control is lost, as gain or loss in profit or loss. When the Group loses control of its subsidiary, it accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if it had directly disposed of the related assets or liabilities.

(Continued)

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding percentage December 31, 2019	Shareholding percentage December 31, 2018	Note
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)	Selling medical supplies and providing service of biological technology	91.26	91.26	-
EVSG	ETHICAL INTERNATIONAL TRADING & WAREHOUSING (SHANGHAI) CO., LTD. (ETSH)	Selling chemical product and related raw materials	100.00	100.00	-
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	-
EVUS	EVERLIGHT HONDUARS S.A. de C.V. (EVHOSH)	Selling chemical product and related raw materials	-	51.00	(note 2)
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): EVHOSA obtained the notice of the cancellation of its business registration from the government, and the related procedure has 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.

(Continued)

(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

(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.

(Continued)

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.

(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

Accounts 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

(Continued)

- 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 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, amortized costs, notes and accounts receivable, 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.

(Continued)

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 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 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 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 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;

(Continued)

- 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 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.

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.

(Continued)

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.

(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.

(Continued)

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.

(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)	buildings and construction	25~55 years
2)	equipment	3~15 years

(Continued)

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.

(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) Lease

Applicable from January 1, 2019

(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

- 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 leasee

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;

(Continued)

— 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 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 assets.

Applicable before January 1, 2019

Leases in which the Group are classified as finance leases. There leases are operating leases and are not recognized in the Group's balance sheets. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

(m) Impairment of non-financial assets

At each reporting date, the Group 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.

(Continued)

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.

(n) 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.

(o) Employee benefits

(i) Defined contribution plans

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

(Continued)

(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.

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.

(p) 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:

(Continued)

(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.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reserve, 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.

(q) Business combinations

The Group 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 Group 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.

(Continued)

For each business combination, the Group measures any non-controlling 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 non-controlling 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 non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by the IFRSs endorsed by the FSC.

(r) 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 common shareholders of the Group divided by the weighted-average number of common shares outstanding after adjustment for the effects of all potentially dilutive common shares, such as employee compensation.

(s) 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 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.

There is no information about judgments made in applying accounting policies that have the significant effects on the amounts recognized in the consolidated financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(Continued)

In the process of evaluating the potential impairment of tangible and intangible assets other than goodwill, the Group is required to make subjective judgments in determining the independent cash flows, useful lives, expected future income and expenses related to the specific asset groups considering of the nature of the industry. Any changes in these estimates based on changed economic conditions or business strategies and could result in significant impairment charges or reversal in future years. Please refer to Note 6(c) for further description of the key assumptions used to determine the recoverable amount.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand	$ 2,418	3,332
Cash in bank	917,374	752,469
Time deposits	59,064	82,792
Cash and cash equivalents	$ **978,856**	**838,593**

Please refer to Note 6(w) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

(b) Financial assets and liabilities

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

	December 31, 2019	December 31, 2018
Financial assets mandatorily measured at fair value through profit or loss:		
Monetary market fund	$ **30,023**	**13,556**

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

	December 31, 2019	December 31, 2018
Stocks listed on domestic and foreign markets	$ 1,040,091	942,940
Domestic unlisted common shares	62,036	92,769
	$ **1,102,127**	**1,035,709**

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.

(Continued)

For the years ended December 31, 2019 and 2018, 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 $73,457 thousand and $1,602 thousand, respectively, and the Group realized a (loss) gain of $(24,108) thousand and $367 thousand, respectively, which is already included in other comprehensive income. The gain has been transferred to retained earnings.

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

(iv) As of December 31, 2019 and 2018, the aforementioned financial assets were not pledged.

(v) 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 $6,489 thousand and 11,118 thousand in 2019 and 2018, respectively.

(c) Receivables

	December 31, 2019	December 31, 2018
Notes receivable	$ 233,771	333,705
Accounts receivable	1,443,937	1,506,912
Overdue receivable (under other non-current financial assets)	46,414	59,895
Less: loss allowance	(72,496)	(96,594)
	$ 1,651,626	1,803,918

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, trade 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, 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	46,414	100%	46,414
	$ 1,724,122		72,496

(Continued)

	December 31, 2018		
	Gross carrying amount	**Weighted-average loss rate**	**Loss allowance provision**
Current	$ 1,633,389	0.01%~0.74%	6,143
1 to 90 days past due	172,208	6.07%~20.20%	15,616
91 to 365 days past due	35,020	42.66%	14,940
More than 365 days past due	59,895	100%	59,895
	$ 1,900,512		96,594

The movement in the allowance for receivables was as follows:

	2019	**2018**
Balance on January 1	$ 96,594	117,731
Impairment losses recognized	7,035	18,513
Amounts written off	(29,922)	(39,600)
Effect of movements in exchange rates	(1,211)	(50)
Balance on December 31	$ 72,496	96,594

The aforementioned financial assets were not pledged.

(d) Inventories

	December 31, 2019	**December 31, 2018**
Raw materials	$ 786,128	1,043,645
Supplies	18,296	20,545
Work in progress	709,057	698,252
Finished goods	1,907,798	1,878,919
Materials in transit	82,904	116,363
	$ 3,504,183	3,757,724

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:

	2019	**2018**
Losses on valuation of inventories	$ 4,246	10,987
Losses on inventory count	2,434	3,589
Unallocated production overheads	212,863	206,377
Losses on obsolescence	10,075	11,296
Scrap income	(1,712)	(4,170)
	$ 227,906	228,079

(Continued)

For the years ended December 31, 2019 and 2018, the expense resulted from obtaining the certification of GMP for pharmaceuticals division was included in unallocated production overheads.

As of December 31, 2019 and 2018, 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, 2019	December 31, 2018
Associates	$ 126,934	135,803

(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, 2019	December 31, 2018
Carrying amount of individually insignificant associates	$ 126,934	135,803

	2019	2018
Attributable to the Group:		
Profit (loss) from continuing operations	$ 1,980	(7,311)
Other comprehensive income	(395)	440
Total comprehensive income	$ 1,585	(6,871)

(iii) Pledge

As of December 31, 2019 and 2018, the aforementioned investment accounted for using equity method were not pledged.

(f) Acquisition of subsidiary and losing control of subsidiary

(i) On June 1, 2019, the Group obtained the substantial control of KEYSTONE by appointing operating policies. Therefore, KEYSTONE have been consolidated into the consolidated financial statements.

(Continued)

(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		(165)
Total identifiable net assets acquired	**$**	**86,461**

(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 (Note6 (h))		59,012
Other non-current assets		500
Short-term borrowing		(14,500)
Other payables		(77)
Other current liabilities		(533)
Total identifiable net assets acquired	**$**	**61,559**

(g) Material non-controlling interest of subsidiaries

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

		Percentage of non-controlling interests	
Subsidiaries	**Main operation place**	**December 31, 2019**	**December 31, 2018**
TTI	Taiwan	23.85 %	23.85 %

(Continued)

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, 2019	December 31, 2018
Current assets	$ 644,051	629,679
Non-current assets	986,336	846,528
Current liabilities	(533,445)	(538,618)
Non-current liabilities	(242,426)	(93,829)
Net assets	**$ 854,516**	**843,760**
Non-controlling interest	**$ 203,769**	**201,204**

	2019	2018
Operating revenues	**$ 1,050,047**	**1,085,942**
Net income	6,168	5,156
Other comprehensive income	4,588	(13,663)
Total comprehensive income	**$ 10,756**	**(8,507)**
Profit, attributable to non-controlling interests	**$ 1,471**	**1,230**
Comprehensive income, attributable to non-controlling interests	**2,565**	**(3,259)**

	2019	2018
Net cash flows from operating activities	$ 157,167	50,258
Net cash flows used in investing activities	(17,301)	(128,366)
Net cash flows from (used in) financing activities	(72,617)	45,708
Net increase (decrease) in cash and cash equivalents	**$ 67,249**	**(32,400)**
Cash dividend distributed to non-controlling interests	**$ -**	**4,218**

(h) Property, plant and equipment

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

	Land	Buildings and construction	Equipment	Construction in progress and equipment to be inspected	Total
Cost:					
Balance at 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 at December 31, 2019	**$ 894,063**	**4,408,204**	**9,627,222**	**183,082**	**15,112,571**

(Continued)

		Land	Buildings and construction	Equipment	Construction in progress and equipment to be inspected	Total
Balance at January 1, 2018	$	894,035	4,235,094	8,728,197	474,192	14,331,518
Additions		-	18,588	152,103	248,041	418,732
Disposals		-	(170)	(112,724)	-	(112,894)
Reclassification(note)		-	65,302	429,565	(312,479)	182,388
Effect of movements in exchange rates		118	(5,974)	(14,252)	(143)	(20,251)
Balance at December 31, 2018	$	**894,153**	**4,312,840**	**9,182,889**	**409,611**	**14,799,493**
Accumulated depreciation and impairment:						
Balance at 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)
Effects of changes in consolidated entities		-	-	11,730	-	11,730
Effect of movements in exchange rates		-	(5,796)	(20,624)	-	(26,420)
Balance at December 31, 2019	$	**-**	**2,396,146**	**7,188,688**	**-**	**9,584,834**
Balance at January 1, 2018	$	-	2,070,936	6,471,106	-	8,542,042
Depreciation		-	165,775	459,239	-	625,014
Disposals		-	(166)	(110,537)	-	(110,703)
Effect of movements in exchange rates		-	(2,135)	(9,290)	-	(11,425)
Balance at December 31, 2018	$	**-**	**2,234,410**	**6,810,518**	**-**	**9,044,928**
Carrying amounts:						
Balance at December 31, 2019	$	**894,063**	**2,012,058**	**2,438,534**	**183,082**	**5,527,737**
Balance at January 1, 2018	$	**894,035**	**2,164,158**	**2,257,091**	**474,192**	**5,789,476**
Balance at December 31, 2018	$	**894,153**	**2,078,430**	**2,372,371**	**409,611**	**5,754,565**

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

(i) For the years ended December 31, 2019 and 2018, the Group capitalized the interest expenses on construction in progress amounted to $6,407 thousand and $8,628 thousand respectively, and the monthly interest rate used for capitalization calculation were 0.13%~0.15% and 0.16%, respectively.

(ii) As of December 31, 2019 and 2018, the property, plant and equipment of the Group had not been pledged.

(i) Other current assets

		December 31, 2019	December 31, 2018
Prepayments	$	69,188	80,807
Offset against business tax payable and input taxes		32,925	43,034
Payment on behalf of others		9,157	6,653
Others		1,018	4,473
	$	**112,288**	**134,967**

(Continued)

(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 at 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 at December 31, 2019	**$**	**217,042**	**127,648**	**17,306**	**361,996**
Accumulated depreciation:					
Balance at 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 at December 31, 2019	**$**	**5,712**	**25,109**	**3,654**	**34,475**
Carrying amount:					
Balance at December 31, 2019	**$**	**211,330**	**102,539**	**13,652**	**327,521**

(k) Intangible assets

The movement in intangible assets were as followers:

		REACH registration related expenses	Others	Total
Cost：				
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	**$**	**165,165**	**18,782**	**183,947**
Balance on January 1, 2018	$	137,520	8,670	146,190
Additions		16,348	10,348	26,696
Effect of movement in exchange rate		-	(40)	(40)
Balance on December 31, 2018	**$**	**153,868**	**18,978**	**172,846**
Accumulated amortization:				
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	**$**	**52,089**	**9,403**	**61,492**

(Continued)

	REACH registration related expenses	Others	Total
Balance on January 1, 2018	$ 22,364	4,806	27,170
Amortization	11,700	2,745	14,445
Effect of movement in exchange rate	-	(39)	(39)
Balance on December 31, 2018	**$ 34,064**	**7,512**	**41,576**
Carrying amounts:			
Balance at December 31, 2019	**$ 113,076**	**9,379**	**122,455**
Balance at January 1, 2018	**$ 115,156**	**3,864**	**119,020**
Balance at December 31, 2018	**$ 119,804**	**11,466**	**131,270**

(i) Amortization expense

For the years ended December 31, 2019 and 2018, the amortization of intangible assets are included in the statement of comprehensive income as follows:

	2019	2018
Operating costs	$ 381	1,284
Operating expenses	19,699	13,161
	$ 20,080	**10,161**

(ii) Pledge

As of December 31, 2019 and 2018, he intangible assets of the Group not pledged as collateral.

(l) Short-term borrowings

	December 31, 2019	December 31, 2018
Unsecured bank loans	$ 2,403,358	2,569,426
Short-term notes and bills payable	69,963	19,977
Total	**$ 2,473,321**	**2,589,403**
Unused credit lines (including short-term and long-term borrowings)	**$ 3,411,117**	**3,498,523**
Range of interest rate	**1.00%~5.15%**	**1.16%~5.22%**

As of December 31, 2019 and 2018, the Group issued short-term notes and bills payable through Dah-Chung Bills Finance Corp. to obtain funds from the currency market.

(Continued)

(m) Long-term borrowings

	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**

	December 31, 2018			
	Currency	**Rate**	**Maturity year**	**Amount**
Unsecured syndicated bank loan	NTD	1.7895%	2015.4~2020.4	$ 498,988
Unsecured bank loans	NTD	1.33%~1.75%	2019.2~2021.8	1,225,000
Less: long-term borrowings, current portion				(185,000)
Total				$ **1,538,988**

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.

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%.

(Continued)

(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 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, 2019
Current	$ 34,488
Non-current	$ 274,557

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

The amounts recognized in profit or loss were as follows:

	2019
Interest on lease liabilities	$ 7,612
Expenses relating to short-term leases	$ 7,429

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

	2019
Total cash outflow for leases	$ 49,298

(v) Land, buildings and constructions, and equipment lease

As of December 31, 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.

(vi) 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.

(Continued)

(o) Operating lease

Non-cancellable operating lease rentals payable were as follows:

		December 31, 2018
Less than one year	$	37,529
Between one and five years		53,949
Over five years		31,941
	$	**123,419**

The Group leases a number of office, equipment, warehouse and factory facilities under operating leases. The leases typically run for a period of 1 to 5 years, with an option to renew the lease after that date.

For the year ended December 31, 2018, the rent expense amounted to $43,559 thousand, which was recorded as operating expenses.

(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, 2019	December 31, 2018
Present value of the defined benefit obligations	$	882,465	909,407
Fair value of plan assets		(714,686)	(643,444)
Net defined benefit liabilities	**$**	**167,779**	**265,963**

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.

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.

(Continued)

The Group's Bank of Taiwan labor pension reserve account balance and Insurance account with Bank of Nan-Shan amounted to $714,686 thousand as of December 31, 2019. 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, 2019 and 2018, the movement in present value of the defined benefit obligations for the Group were as follows:

		2019	2018
Defined benefit obligations as of January 1	$	909,407	879,453
Current service costs and interest cost		23,070	26,789
Net remeasurements of defined benefit liabilities:			
—Actuarial losses (gains) arising from changes in financial assumptions		(27,948)	27,247
Benefits paid by the plan		(22,064)	(24,082)
Defined benefit obligations as of December 31	**$**	**882,465**	**909,407**

3) Movements of defined benefit plan assets

For the years ended December 31, 2019 and 2018, the movement in the fair value of the plan assets were as follows:

		2019	2018
Fair value of plan assets as of January 1	$	643,444	574,885
Return on plan assets (excluding the interest expense)		7,316	8,019
Net remeasurements of the defined benefit assets:			
—Actuarial gains (losses) arising from changes in financial assumptions		21,154	15,349
Contributions paid by employer		59,818	62,717
Benefits paid by the plan		(17,046)	(17,526)
Fair value of plan assets as of December 31	**$**	**714,686**	**643,444**

4) Expenses recognized in profit or loss

		2019	2018
Current service costs	$	12,884	14,748
Net interest expense of net defined benefit liabilities		2,870	4,022
	$	**15,754**	**18,770**

(Continued)

		2019	2018
Operating costs	$	9,054	11,017
Operating expenses		6,700	7,753
	$	15,754	18,770

5) Remeasurement of net defined benefit liabilities (assets) recognized in other 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, 2019 and 2018, were as follows:

		2019	2018
Accumulated amount as of January 1	$	(176,117)	(164,219)
Recognized during the period		49,102	(11,898)
Accumulated amount as of December 31	$	(127,015)	(176,117)

6) Actuarial assumptions

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

	December 31, 2019	December 31, 2018
Discount rate	1.000%~1.125%	1.125%~1.375%
Future salary increasing rate	1.200%~1.270%	1.270%~1.500%

The Group expects to make contributions of $27,012 thousand to the defined benefit plans in the next year starting from December 31, 2019.

The weighted-average lifetime of the defined benefits plans is 12.05～15.22 years.

7) Sensitivity analysis

As of December 31, 2019 and 2018, 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, 2019			
Discount rate decreased (increased) 0.25%	$	23,255	(17,853)
Future salary increasing rate increased (decreased) 0.25%		17,353	(22,794)
December 31, 2018			
Discount rate decreased (increased) 0.25%		25,525	(20,126)
Future salary increasing rate increased (decreased) 0.25%		19,511	(24,988)

(Continued)

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 Group's mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

The pension costs incurred from the contributions amounted to $66,480 thousand and $66,261 thousand for the years ended December 31, 2019 and 2018, respectively.

(q) Income taxes

(i) Income tax expense (benefit)

The components of income tax expenses (benefit) for the years ended December 31, 2019 and 2018 were as follows:

		2019	2018
Current tax expense (benefit)			
Current period	$	79,013	114,167
Adjustment for prior periods		(7,400)	(7,984)
		71,613	106,183
Deferred tax expense (benefit)			
Origination and reversal of temporary differences		35,220	8,133
Adjustment in tax rate		-	(2,692)
		35,220	5,441
Income tax expense	**$**	**106,833**	**111,624**

(Continued)

The amount of income tax expenses (benefit) recognized in other comprehensive income for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Remeasurements of defined benefit plans	$ (9,820)	(7,305)

Reconciliation of income tax expense and profit before tax for 2019 and 2018 were as follows:

	2019	2018
Profit excluding income tax	$ 456,070	519,544
Income tax using the Company's domestic tax rate	$ 91,214	103,909
Effect of tax rates in foreign jurisdiction	10,002	5,902
Adjustment in tax rate	-	(2,692)
Gain on disposal of investment	-	(88)
Dividend revenue	(10,565)	(8,479)
Current-year losses for which no deferred tax assets was recognized	10,162	541
Change in unrecognized temporary difference	(1,283)	8,120
Undistributed earnings additional tax	232	7,561
Other	7,071	(3,150)
Total	$ 106,833	111,624

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

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

	December 31, 2019	December 31, 2018
The carryforward of unused tax losses	$ 158,438	147,820
Others	1,380	-
	$ 159,818	147,820

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 utilized the benefits therefrom.

(Continued)

As at December 31, 2019, the information of the Group's unutilized business losses, for which no deferred tax assets were recognized, are as follow:

Year of loss	Unutilized business loss	Expiry date
2010	$ 9,024	2020
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	19,974	2029
	$ 158,438	

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2019 and 2018 were as follows:

Deferred tax assets:

	Loss allowance of receivables	Allowance for valuation of inventories	Defined benefit plans	Other	Total
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	**$ 5,750**	**3,839**	**34,560**	**31,808**	**75,957**
Balance as of January 1, 2018	$ 13,300	6,105	52,658	31,926	103,989
Recognized in profit or loss	3,329	(6)	616	4,489	8,428
Recognized in other comprehensive income	-	-	7,305	-	7,305
Balance as of December 31, 2018	**$ 16,629**	**6,099**	**60,579**	**36,415**	**119,722**

(Continued)

Deferred tax liabilities:

	Unrealized investment income under equity method	Unrealized foreign exchange gains	Other	Total
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	**$ (68,099)**	**(2,109)**	**-**	**(70,208)**
Balance as of January 1, 2018	$ (52,296)	(2,265)	(503)	(55,064)
Recognized in profit or loss	(14,712)	340	503	(13,869)
Balance as of December 31, 2018	**$ (67,008)**	**(1,925)**	**-**	**(68,933)**

(iii) The Company's income tax return for the years through 2016 were assessed and approved by the tax authorities.

(r) Capital and other equity

(i) Common share

As of December 31, 2019 and 2018, 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, 2019 and 2018, were as follows:

	December 31, 2019	December 31, 2018
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	-
	$ 474,558	**473,558**

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.

(Continued)

(iii) Retained earnings

In accordance with the article of incorporation, 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 accordance with on the amendment to Company's article of incorporation, 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.

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.

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, 2019 and 2018, the special reserve is both 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.

(Continued)

(iv) Distribution of earnings

Distribution of earnings for 2018 and 2017 have been approved by the general meeting of shareholders held on May 30, 2019 and June 6, 2018, respectively. The relevant dividend distributions to shareholders were as follows:

	2018		2017	
	Amount per share	**Amount**	**Amount per share**	**Amount**
Dividends distributed to common shareholders:				
Cash	$ 0.50	$ 273,876	0.50	273,876

On March 19, 2020, the Company's Board of Directors proposed to resolved to appropriate the 2019 earnings. These earnings will be appropriated as follows:

	2019	
	Amount per share	**Amount**
Dividends distributed to common shareholders:		
Cash	$ 0.30	$ 164,326

(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 at January 1, 2019	$ (68,420)	(81,347)	2,282	(147,485)
Unrealized gains (losses) 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 at December 31, 2019	$ (112,054)	81,616	534	(29,904)

(Continued)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Non-Controlling interest	Total
Balance at January 1, 2018	$ (57,203)	-	156,257	2,643	101,697
Effects of retrospective application	-	166,684	(156,257)	-	10,427
Balance at January 1, 2018 after adjustments	(57,203)	166,684	-	2,643	112,124
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(247,664)	-	(3,266)	(250,930)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(367)	-	-	(367)
Exchange differences on translation of foreign financial statements	(11,657)	-	-	2,905	(8,752)
Exchange differences on associates accounted for using equity method	440	-	-	-	440
Balance at December 31, 2018	$ **(68,420)**	**(81,347)**	**-**	**2,282**	**(147,485)**

(s) Earning per share

The Group's earnings per share were calculated as follows:

	2019	2018
Basic earning per share		
Profit attributable to common shareholders of the Company	$ **362,447**	**401,983**
Weighted-average number of common shares	$ **547,752**	**547,752**
Basic earnings per share (express in New Taiwan dollar)	$ **0.66**	**0.73**

	2019	2018
Diluted earning per share		
Profit attributable to common shareholders of the Company	$ **362,447**	**401,983**
Weighted-average number of common shares	547,752	547,752
Effect of employee compensation	1,917	1,952
Weighted-average number of common shares outstanding (diluted)	**549,669**	**549,704**
Diluted earnings per share (express in New Taiwan dollar)	$ **0.66**	**0.73**

(Continued)

(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.

For the years ended December 31, 2019 and 2018, the Company estimated its employee compensation amounting to $24,143 thousand and $26,554 thousand and directors' remuneration amounting to $9,658 thousand and $10,622 thousand and , 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 2019 and 2018

(u) Revenue from contract with customers

(i) Disaggregation of revenue

	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
	$ 4,602,177	**2,055,000**	**965,235**	**1,515,822**	**189,286**	**4,556**	**9,332,076**
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
	$ 4,602,177	**2,055,000**	**965,235**	**1,515,822**	**189,286**	**4,556**	**9,332,076**

	2018						
	Color chemicals	Specialty chemicals	Electronic chemicals	Toners	Pharmaceuticals	Other	Total
Primary geographical markets:							
Taiwan	$ 564,269	247,396	846,817	41,667	4,454	4,880	1,709,483
America	333,559	493,530	-	206,313	43,156	-	1,076,558
Asia	2,876,144	916,123	232,088	964,249	68,267	-	5,056,871
Europe	654,630	433,233	236	371,814	66,430	-	1,526,343
Other	95,209	70,572	-	43,677	42,306	-	251,764
	$ 4,523,811	**2,160,854**	**1,079,141**	**1,627,720**	**224,613**	**4,880**	**9,621,019**

(Continued)

	2018						
	Color chemicals	Specialty chemicals	Electronic chemicals	Toners	Pharmaceuticals	Other	Total
Major products:							
Chemicals	$ 4,523,811	2,160,854	1,079,141	-	-	-	7,763,806
Toners	-	-	-	1,627,720	-	-	1,627,720
Other	-	-	-	-	224,613	4,880	229,493
	$ 4,523,811	2,160,854	1,079,141	1,627,720	224,613	4,880	9,621,019

(ii) Contract balance

	December 31, 2019	December 31, 2018	January 1, 2018
Receivables	$ 1,724,122	1,900,512	1,925,345
Less: loss allowance	(72,496)	(96,594)	(117,731)
Total	$ 1,651,626	1,803,918	1,807,614

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

(v) Non-operating income and expenses

(i) Other income

	2019	2018
Interest income	$ 4,363	4,865
Dividend income	54,219	43,774
	$ 58,582	48,639

(ii) Other gains and losses

	2019	2018
Foreign exchange losses, net	$ (451)	(5,979)
Net gains on financial assets at fair value through profit or loss	98	70
Gains(losses) on disposal of property, plant and equipment	(1,726)	250
Subsidy revenue	10,620	4,921
Others	79,618	62,314
	$ 88,159	61,576

(iii) Finance costs

	2019	2018
Interest expense	$ 96,284	90,824

(Continued)

(w) Financial instruments

(i) Credit risk

1) Credit risk exposure

As of December 31, 2019 and 2018, 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 Group providing financial guarantees were $59,960 thousand and $61,430 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 and debt 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, 2019 and 2018. 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.

	Carrying amount	Contractual cash flows	within 1 year	1~2 years	2~5 years	Over 5 years
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)	1,459,748	1,488,574	474,236	410,116	604,222	-
	$ 4,953,781	**5,064,954**	**3,703,733**	**459,102**	**668,891**	**233,228**

(Continued)

	Carrying amount	Contractual cash flows	within 1 year	1~2 years	2~5 years	Over 5 years
December 31, 2018						
Non-derivative financial liabilities						
Short-term borrowings	$ 2,589,403	2,593,766	2,593,766	-	-	-
Notes payable	190,752	190,752	190,752	-	-	-
Accounts payable	438,743	438,743	438,743	-	-	-
Other payable	335,864	335,864	335,864	-	-	-
Payables on equipment	38,697	38,697	38,697	-	-	-
Long-term borrowings (including current portion)	1,723,988	1,771,864	194,194	1,274,694	302,976	-
	$ 5,317,447	**5,369,686**	**3,792,016**	**1,274,694**	**302,976**	**-**

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:

	December 31, 2019			December 31, 2018		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD	$ 31,506	29.98	944,551	31,748	30.72	975,285
JPY	229,189	0.28	64,173	319,386	0.28	89,562
RMB	74,855	4.31	322,007	62,722	4.47	280,367
Non-monetary items						
JPY	423,000	0.28	116,748	200,900	0.28	55,890
Financial liabilities						
Monetary items						
USD	33,955	30.00	1,018,650	52,880	30.74	1,575,637
JPY	153,310	0.28	42,927	122,129	0.28	34,196
RMB	1,792	4.33	7,759	6,312	4.50	28,130

(Continued)

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, 2019 and 2018, would have changed the profit by $2,091 thousand and $1,542 thousand, respectively, and equity by $1,168 thousand and $559 thousand, respectively. The analysis is performed on the same basis for 2019 and 2018.

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, 2019 and 2018, foreign exchange losses (including realized and unrealized portions) are exchange losses amounted to $451 thousand and $5,979 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 expresses 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 $31,465 thousand and $34,507 thousand, respectively, for the years ended December 31, 2019 and 2018, with all other variable factors that remain constant. This is mainly due to the Group's borrowing at floating rates.

(v) Other price risk

If the equity price changes, and if it is based on the same basis for both year and assumes that all other variables remain the same, the impact to other comprehensive income will be as follows:

	2019		2018	
Equity price at reporting day	**Other comprehensive income after tax**	**Net income**	**Other comprehensive income after tax**	**Net income**
Increase 1%	$ 11,021	-	10,357	-
Decrease 1%	$ (11,021)	-	(10,357)	-

(Continued)

(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, 2019				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
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	1,102,127	1,040,091	-	62,036	1,102,127
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	2,659,705	-	-	-	-
Total	**$ 3,791,855**	**1,070,114**	**-**	**62,036**	**1,132,150**
Financial liabilities at fair value through profit or loss					
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	**$ 4,953,781**	**-**	**-**	**-**	**-**

(Continued)

	December 31, 2018				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets mandatorily measured at fair value through profit or loss					
Monetary market fund	$ 13,556	13,556	-	-	13,556
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic and foreign markets	942,940	942,940	-	-	942,940
Domestic unlisted common shares	92,769	-	-	92,769	92,769
Subtotal	1,035,709	942,940	-	92,769	1,035,709
Financial assets measured at amortized cost					
Cash and cash equivalents	838,593	-	-	-	-
Notes and accounts receivable	1,803,918	-	-	-	-
Other financial assets	33,793	-	-	-	-
Subtotal	2,676,304	-	-	-	-
Total	**$ 3,725,569**	**956,496**	**-**	**92,769**	**1,049,265**
Financial liabilities measured at amortized cost					
Bank loans	$ 4,313,391	-	-	-	-
Notes and accounts payable	629,495	-	-	-	-
Other payable	335,864	-	-	-	-
Payables on equipment	38,697	-	-	-	-
Total	**$ 5,317,447**	**-**	**-**	**-**	**-**

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.

(Continued)

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 multiples 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, 2019 and 2018.

4) Reconciliation of Level 3 fair values

		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**

(Continued)

		Fair value through other comprehensive income
		Unquoted equity instruments
Balance on January 1, 2018	$	89,200
Total gains or losses:		
Recognized in other comprehensive income		3,569
Balance on December 31, 2018	**$**	**92,769**

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, 2019 and 2018 were as follows:

		2019	2018
Recognized in other comprehensive income	**$**	**(30,733)**	**3,569**

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	• Price-Book Ratio (as of December 31, 2019 and 2018 were 3.57~4.03, 3.77, respectively) • Market liquidity discount rate (as of December 31, 2019 and 2018 were all 20%)	• The estimated fair value would increase if the multiplier was higher. • The estimated fair value would decrease if market liquidity discount rate was higher.

(Continued)

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, 2019 and 2018:

		Fair value variation on other comprehensive income			
		Favorable		Unfavorable	
Inputs	**Upwards or Downwards**	**December 31, 2019**	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
Price-book ratio	5%	2,958	4,505	(2,958)	(4,505)
Market liquidity discount rate	5%	3,205	4,739	(3,205)	(4,739)

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.

(Continued)

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 it 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 analyze 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 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 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 incompliance issues and therefore no significant credit risk.

3) Guarantees

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries.

(Continued)

(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, 2019 and 2018, the Group's unused credit line were amounted to $3,411,117 thousand and $3,498,523 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.

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, 2019	December 31, 2018
Total liability	$ 5,484,643	5,944,830
Less: cash and cash equivalents	978,856	838,593
Net liability	**$ 4,505,787**	**5,106,237**
Total equity	**$ 8,138,719**	**7,913,196**
Debt-to-equity ratio	**55 %**	**65 %**

There were no change in the Group's approach to capital management for the year ended December 31, 2019.

(z) Investing and financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities were as follows:

			Non-cash changes		
	January 1, 2019	Cash flows	Foreign exchange movement	Fair value changes	December 31, 2019
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**

			Non-cash changes		
	January 1, 2018	Cash flows	Foreign exchange movement	Fair value changes	December 31, 2018
Short-term borrowings	$ 2,063,876	532,835	(7,308)	-	2,589,403
Long-term borrowings	1,973,228	(250,000)	-	760	1,723,988
Total liabilities from financing activities	**$ 4,037,104**	**282,835**	**(7,308)**	**760**	**4,313,391**

(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:

	2019	2018
CHCIW	$ 36,439	35,957

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, 2019	December 31, 2018
Notes and accounts payable	CHCIW	$ 11,829	11,270

(c) Key management personnel compensation

	2019	2018
Short-term employee benefits	$ 33,529	32,133
Post-employment benefits	904	834
	$ 34,433	32,967

(8) Pledged assets: None.

(9) Commitments and contingencies:

(a) The Group's unrecognized contractual commitment are as follows:

	December 31, 2019	December 31, 2018
Acquisition of property, plant and equipment	$ 106,770	344,814

(Continued)

(b) The Group's outstanding standby letter of credit are as follows:

	December 31, 2019	December 31, 2018
Outstanding standby letter of credit	$ -	306

(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 function By item	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	750,709	608,364	1,359,073	776,473	618,847	1,395,320
Labor and health insurance	71,813	58,893	130,706	71,264	58,755	130,019
Pension	45,092	37,142	82,234	47,215	37,816	85,031
Remuneration of directors	-	18,717	18,717	-	19,740	19,740
Others	33,119	28,714	61,833	34,499	27,872	62,371
Depreciation	515,968	163,302	679,270	493,602	131,412	625,014
Amortization(note)	381	19,699	20,080	1,284	13,772	15,056

(Note) The amortization expenses included long-term prepaid rent, amounted to $611 thousand for the year ended December 31, 2018.

(Continued)

(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, 2019:

1. Loans to other parties: None.

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	782,314	63,200	59,960	29,980	-	0.77%	1,955,785	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 conjunctly 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.

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

3. Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures)

(In Thousands of Shares/Units)

Name of holder	Category and name of security	Relationship with company	Account	Ending balance: Shares/Units	Ending balance: Carrying value	Ending balance: Percentage of Ownership	Ending balance: Fair value	Highest balance during the year	Note
ECIC	Yuanta De-Li Money Market Fund	-	Financial assets at fair value through profit or loss-current	1,834	30,023	-	30,023	1,834	
ECIC	Polytronics Technology Corp.	-	Financial assets at fair value through other comprehensive income-non-current	10,000	550,758	12%	669,000	10,000	
	Chung Hwa			10,500	176,050	10%	123,375	10,500	
"	Hodogaya Chemical Co.,Ltd	-	"	100	56,948	1%	116,748	100	
"	General Plastic Industrial Co., Ltd.	-	"	2,140	74,900	2%	65,484	2,140	
"	Andros Pharmaceuticals Co., Ltd.	-	"	3,880	77,800	16%	56,764	3,880	
GLTP	Taiwan Bio Therapentics Co., Ltd.	-	"	414	11,400	5%	5,272	414	
TTI	General Plastic Industrial Co., Ltd.	-	"	2,140	74,900	2%	65,484	2,140	
			Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		79,371				
	Total				1,102,127		1,102,127		

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	Transaction details: Purchase/Sale	Transaction details: Amount	Transaction details: Percentage of total purchases/sales	Transaction details: Payment terms	Transactions with terms different from others: Unit price	Transactions with terms different from others: Payment terms	Notes/Accounts receivable (payable): Ending balance	Notes/Accounts receivable (payable): notes/accounts receivable (payable)	Note
ECIC	EVUS	Subsidiary	Sale	361,021	3.87%	OA 100	Non material differences from those of third-parties	Non material differences from those of third-parties	60,910	3.53%	Note
"	ELITE	"	"	552,602	5.92%	OA 100	"	"	116,576	6.76%	Note
"	EVEU	"	"	597,051	6.40%	OA 90	"	"	62,345	3.62%	Note
"	EVSH	"	"	233,636	2.50%	OA 90	"	"	30,856	1.79%	Note
"	EVSZ	"	"	249,007	2.67%	OA 90	"	"	54,771	3.18%	Note
"	EVHK	"	"	138,180	1.48%	OA 90	"	"	2,123	0.12%	Note
"	ETSH	"	"	153,545	1.65%	OA 90	"	"	36,834	2.14%	Note
TTI	EVSZ	Associates	"	101,900	1.09%	OA 90	"	"	15,741	0.91%	Note

Note：The amounts of the transaction and the ending balance had been eliminated in the consolidated financial statements.

(Continued)

8. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

Name of company	Counter-party	Nature of relationship	Ending balance (note)	Turnover rate	Overdue		Amounts received in subsequent period (As of March 19, 2020)	Loss allowance
					Amount	Action taken		
ECIC	ELITE	Subsidiary	116,576	4.93	-	-	104,691	-

Note：The amount of the transactions and the ending balance had been eliminated in the consolidated financial statements.

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			
				Account name	Amount	Trading terms	Percentages of the consolidated net revenue or total assets
0	ECIC	ELITE	1	Operating revenue	552,602	No material differences from those of third parties	5.92%
0	〃	EVEU	1	〃	597,051	〃	6.40%
0	〃	EVUS	1	〃	361,021	〃	3.87%
0	〃	EVSH	1	〃	233,636	〃	2.50%
0	〃	EVSZ	1	〃	249,007	〃	2.67%
0	〃	EVHK	1	〃	138,180	〃	1.48%
0	〃	ETSH	1	〃	153,545	〃	1.65%
0	〃	ETGZ	1	〃	97,595	〃	1.05%
1	TTI	EVSZ	2	〃	101,900	〃	1.09%
1	〃	EVUS	2	〃	99,844	〃	1.07%

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 parent company - 2

Note 3: These accounts are disclosed based on the amounts represented to 1% of consolidated net sales.

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(b) Information on investments (excluding investment in mainland China):

The following is the information on investees for the year ended December 31, 2019 :

Units in Thousands

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance of December 31, 2019			Highest balance during the year	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2019	December 31, 2018	Shares (thousands)	Percentage of ownership	Carrying value				
ECIC	EVUS	America	Selling chemical product and related raw materials	88,868	88,868	300	100.00%	117,164	300	3,356	3,356	(Note 2)
〃	EVHK	Hong Kong	Selling chemical product and related raw materials	34,579	34,579	1,000	100.00%	43,033	1,000	4,377	4,377	(Note 2)
〃	EVSG	Singapore	Investing business	779,115	779,115	24,300	100.00%	879,937	24,300	13,858	13,858	(Note 2)
〃	EVEU	Netherland	Selling chemical product and related raw materials	7,890	7,890	1	100.00%	53,689	1	19,453	19,453	(Note 2)
〃	TTI	Hsinchu City	Manufacturing and selling toners of laser printer, copier and fax machine	242,192	242,192	44,906	76.15%	650,493	44,906	6,168	5,076	(Note 2)
〃	ELITE	Turkey	Selling chemical product and related raw materials	45,016	45,016	22	50.00%	103,784	22	8,464	4,232	(Note 2)
〃	GOODTV	Taipei City	Cable TV channels	19,000	19,000	1,900	22.35%	20,497	1,900	29	7	(Note 1)
〃	TAK	Taoyuan City	Manufacturing of inductance core and cathode materials of Lithium ion battery	58,600	58,600	10,000	16.78%	35,175	10,000	7,443	2,064	(Note 1)
〃	DCBM	Taoyuan City	Selling medical supplies and providing service of biological technology	62,555	62,555	6,325	91.26%	10,603	6,325	(10,545)	(9,624)	(Note 2)
〃	GLTP	Taipei City	Investing business	100,000	100,000	10,000	100.00%	39,914	10,000	(14,412)	(14,412)	(Note 2)
	Unrealized gross profit on sales			-	-			(72,723)			-	
				1,437,815	1,437,815			1,881,566			28,387	
GLTP	KEYSTONE	Taipei City	Selling pharmaceuticals	75,000	75,000	7,500	34.09%	20,971	7,500	(42,226)	(14,409)	(Note 3)
EVUS	EVHOSA	Honduras	Selling chemical product and related raw materials	3,089 (USD 102)	3,089 (USD 102)		-	-	-	-	-	(Note 4)

Note 1: These companies are the investees of investments accounted for using equity method. Investment income (loss) arisen from these companies were included share of profit of subsidiaries accounted for using equity method of the Company

Note 2: The amounts of the transactions and the ending balance had been eliminated in the consolidated financial statements

Note 3: GLTP obtained the control of KEYSTONE on June 1, 2019. Therefore, the amounts of investment income (loss) had been eliminated after obtained the contro GLTP lost the substantial control of appointing operating policies at December 1, 2019. Since the date the control ceased, the KEYSTONE was excluded from accompanyin consolidate financial statement.

Note 4: EVHOSA obtained the notice of the cancellation of its business registration from the government, and the related procedure has been complete

(Continued)

(c) Information on investment in mainland China:

(i) The names of investees in mainland China, the main businesses and products, and other information:

Units in Thousands

Name of investee	Main businesses and products	Total amount of paid-in capital		Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019		Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2019		Net income (losses) of the investee	Percentage of ownership	Highest balance during the year	Investment income (losses) (Note 2)	Book value	Accumulated remittance of earnings in current eriod	
		USD	NTD		USD	NTD	Outflow	Inflow	USD	NTD						USD	TWD
ETSH (Note 7)	Selling chemical product and related raw materials	1,700 (Note 6)	50,966	(Note 1)	700	20,986			700	20,986	7,603	100.00%	100.00%	7,603	132,922	2,961	88,771
ETGZ (Note 7)	Selling chemical product and related raw materials	700 (Note 4)	20,986	(Note 1)	200	5,996			200	5,996	3,950	100.00%	100.00%	3,950	68,146	1,523	45,660
EVSH (Note 7)	Selling chemical product and related raw materials	1,250 (Note 4)	37,475	(Note 1)	1,100	32,978			1,100	32,978	12,984	100.00%	100.00%	12,984	140,959	950	28,481
EVSZ (Note 7)	Manufacturing and selling color chemical, toners and electronic high tech chemical product	20,000 (Note 4)	599,600	(Note 1)	18,600	557,628			18,600	557,628	(13,489)	100.00%	100.00%	(13,489)	477,028	-	-
ANDA (Note 7)	Selling electronic high tech chemical product	1,200 (Note 4)	35,976	(Note 1)	650	19,487			650	19,487	(3,540)	56.25%	56.25%	(1,991)	9,018	-	-
ADSH (Note 7)	Selling electronic high tech chemical product	157 (Note 5)	4,707	(Note 5)	-	-			-	-	(2,999)	56.25%	56.25%	(1,687)	1,649	-	-
3ESZ (Note 7)	Manufacturing and selling chemical product and related raw materials	6,600 (Note 4)	197,868	(Note 1)	2,490	74,650			2,490	74,650	14,535	40.00%	40.00%	5,814	50,291	-	-

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 (1:29.98). 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, 2019	Investment Amounts Authorized by Investment Commision, MOEA	Upper Limit on Investment
762,601 (USD 25,437)	693,917 (USD 23,146)	4,693,884

As of December 31, 2019, 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) Siginificant transactions:

For the year ended December 31, 2019, 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.

(Continued)

(13) 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:

	2019							
	Color chemicals	Specialty chemicals	Electronic chemicals	Toner	Pharmaceuticals (Note)	Others	Reconciliation and elimination	Total
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	$ 4,602,177	2,055,000	965,235	1,515,822	189,286	8,919	-	9,336,439
Interest expense	$ 46,673	18,747	8,016	18,808	4,038	2	-	96,284
Depreciation and amortization	300,883	105,199	44,566	135,185	94,849	18,668	-	699,350
Losses on investment	-	-	-	-	-	1,980	-	1,980
Reportable segment profit or loss	$ 448,345	230,045	5,252	(41,160)	(201,701)	15,289	-	456,070

(Continued)

	2018							
	Color chemicals	Specialty chemicals	Electronic chemicals	Toner	Pharmaceuticals (Note)	Others	Reconciliation and elimination	Total
Revenue from external customers	$ 4,523,811	2,160,854	1,079,141	1,627,720	224,613	4,880	-	9,621,019
Intersegment revenue	-	-	-	-	-	-	-	-
Interest revenue	-	-	-	-	-	4,865	-	4,865
Total revenue	$ 4,523,811	2,160,854	1,079,141	1,627,720	224,613	9,745	-	9,625,884
Interest expense	$ 42,136	16,710	6,545	21,720	3,710	3	-	90,824
Depreciation and amortization	258,794	88,857	42,964	153,197	70,489	25,769	-	640,070
Losses on investment	-	-	-	-	-	7,311	-	7,311
Reportable segment profit or loss	$ 591,884	120,959	(31,666)	(23,255)	(150,742)	12,364	-	519,544

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	2019	2018
Taiwan	$ 1,494,626	1,628,737
Europe	1,576,784	1,630,932
China	5,107,268	4,719,855
America	984,045	1,011,877
Other	169,353	178,079
	$ 9,332,076	9,621,019

Non-current assets

Area	December 31, 2019	December 31, 2018
Taiwan	$ 5,499,609	5,481,623
Europe	10,446	4,353
China	480,208	540,729
America	21,882	15,749
	$ 6,012,145	5,984,241

Non-current assets included property, plant and equipment, intangible assets and other assets, not including 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.

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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, 2019 and 2018, 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, 2019 and 2018, 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 the of the financial statements as of and for the ended December 31, 2019 in accordance with 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. Furthermore, we conducted our audit of the financial statements as of and for the year ended December 31, 2018 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. 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, 2019. 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(n) “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 19, 2020

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, 2019 and 2018

(expressed in thousands New Taiwan dollars)

	Assets	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 554,683	5	511,695	4
1110	Financial assets at fair value through profit or loss-current (note 6(b))	30,023	-	-	-
1150	Notes receivable, net (notes 6(c) and (s))	54,757	1	97,850	1
1170	Accounts receivable, net (notes 6(c) and (s))	718,837	6	755,738	6
1180	Accounts receivable due from related parties, net (notes 6(c), (s) and 7)	450,599	4	539,577	4
1210	Other receivables due from related parties, net (note 7)	39,872	-	5,980	-
130X	Inventories (note 6(d))	2,443,983	20	2,650,802	22
1476	Other current financial assets	18,613	-	25,195	-
1479	Other current assets (note 6(g))	78,076	1	91,394	1
	Total current assets	4,389,443	37	4,678,231	38
	Non-current assets:				
1517	Financial assets at fair value through other comprehensive income-non-current (notes 6(b) and (u))	1,031,371	8	967,368	8
1550	Investments accounted for using equity method (note 6(e))	1,881,566	16	1,926,939	15
1600	Property, plant and equipment (notes 6(f) and 9)	4,407,578	37	4,532,783	37
1755	Right-of-use-assets (note 6(h))	46,669	-	-	-
1780	Intangible assets (note 6(i))	113,779	1	120,734	1
1840	Deferred tax assets (note 6(o))	69,090	1	111,257	1
1915	Prepayments for equipment	15,551	-	43,100	-
1980	Other non-current financial assets (note 6(c))	2,430	-	2,852	-
	Total non-current assets	7,568,034	63	7,705,033	62
	Total assets	$ 11,957,477	100	12,383,264	100

	Liabilities and Equity	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current liabilities:				
2100	Short-term borrowings (note 6(j))	$ 1,717,630	14	1,793,260	14
2322	Long-term borrowings, current portion (note 6(k))	430,000	4	140,000	1
2151	Notes payable (note 7)	151,828	1	190,752	2
2170	Accounts payable (note 7)	203,515	2	348,899	3
2209	Other payable (notes 6(r) and 7)	301,733	3	388,187	3
2213	Payable on equipment	8,712	-	31,293	-
2230	Current tax liabilities	57,438	1	70,143	1
2280	Lease liabilities-current (note 6(l))	10,181	-	-	-
2399	Other current liabilities	41,608	-	41,536	-
	Total current liabilities	2,922,645	25	3,004,070	24
	Non-current liabilities:				
2540	Long-term borrowings (note 6(k))	949,748	8	1,458,988	12
2570	Deferred tax liabilities (note 6(o))	70,208	1	68,788	1
2580	Lease liabilities non-current (note 6(l))	36,939	-	-	-
2640	Net defined benefit liability (note 6(n))	154,797	1	252,279	2
	Total non-current liabilities	1,211,692	10	1,780,055	15
	Total liabilities	4,134,337	35	4,784,125	39
	Equity (notes 6(b), (e), (n), (o), (p) and (u)):				
3100	Common shares	5,477,522	45	5,477,522	44
3200	Capital surplus	474,558	4	473,558	4
3300	Retained earnings	1,901,498	16	1,797,826	14
3400	Other equity	(30,438)	-	(149,767)	(1)
	Total equity	7,823,140	65	7,599,139	61
	Total liabilities and equity	$ 11,957,477	100	12,383,264	100

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 Comprehensive Income

For the years ended December 31, 2019 and 2018

(expressed in thousands of New Taiwan dollars except for earnings per share)

		2019		2018	
		Amount	%	Amount	%
4000	**Operating revenue (notes 6(s) and 7)**	$ 7,203,554	100	7,405,726	100
5000	**Operating costs (notes 6(d), (f), (h), (i), (l), (m),(n), (r), 7 and 12)**	5,801,125	81	5,899,062	80
5900	**Gross profit from operations**	1,402,429	19	1,506,664	20
5910	Less: Unrealized profit (loss) from sales	8,148	-	(10,702)	-
5950	**Gross profit from operations**	1,410,577	19	1,495,962	20
6000	**Operating expenses (notes 6(c), (f), (h), (i), (l), (m), (n), (r), 7 and 12):**				
6100	Selling expenses	532,997	7	533,369	7
6200	Administrative expenses	163,405	2	165,201	2
6300	Research and development expenses	360,357	5	357,431	5
6450	Expected credit loss (gain)	(480)	-	12,514	-
	Total operating expenses	1,056,279	14	1,068,515	14
6900	**Net operating income**	354,298	5	427,447	6
7000	**Non-operating income and expenses (notes 6(b), (e), (f), (l) and (t)):**				
7010	Other income	51,524	1	44,683	1
7020	Other gains and losses	77,105	1	66,812	1
7050	Finance costs	(62,243)	(1)	(60,234)	(1)
7060	Share of gains of associates accounted for using equity method	28,387	-	15,203	-
	Total non-operating income and expense	94,773	1	66,464	1
7990	**Income before income tax**	449,071	6	493,911	7
7950	**Income tax expenses (note (o))**	86,624	1	91,928	1
	Net income	362,447	5	401,983	6
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 (losses) on remeasurements of defined benefit plans	48,717	1	(11,557)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	137,460	2	(231,112)	(3)
8330	Share of other comprehensive income of subsidiaries, accounted for using equity method	1,630	-	(16,527)	(1)
8349	Income tax related to items that may not be reclassified to profit or loss	(9,743)	-	6,932	-
	Total components of other comprehensive income that will not be reclassified to profit or loss	178,064	3	(252,264)	(4)
8360	**Components of other comprehensive income (loss) that will be reclassified to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	(43,239)	(1)	(11,657)	-
8380	Share of other comprehensive income of associates accounted for using equity method	(395)	-	440	-
8399	Income tax related to items that may be reclassified to profit or loss	-	-	-	-
	Total components of other comprehensive income that will be reclassified to profit or loss	(43,634)	(1)	(11,217)	-
8300	**Other comprehensive income(after tax)**	134,430	2	(263,481)	(4)
8500	**Total comprehensive income**	**$ 496,877**	**7**	**138,502**	**2**
9750	**Basic earnings per share (note 6(q)) (expressed in New Taiwan dollars)**	**$**	**0.66**		**0.73**
9850	**Diluted earnings per share (note 6(q)) (expressed in New Taiwan dollars)**	**$**	**0.66**		**0.73**

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, 2019 and 2018

(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	Unrealized gains (losses) on available-for-sale financial assets	Total	Total equity
Balance on January 1, 2018	$ 5,477,522	473,558	961,788	43,346	668,818	1,673,952	(57,203)	-	156,257	99,054	7,724,086
Effects of retrospective application	-	-	-	-	-	-	-	166,684	(156,257)	10,427	10,427
Balance on January 1, 2018 after adjustments	5,477,522	473,558	961,788	43,346	668,818	1,673,952	(57,203)	166,684	-	109,481	7,734,513
Net income	-	-	-	-	401,983	401,983	-	-	-	-	401,983
Other comprehensive income	-	-	-	-	(4,600)	(4,600)	(11,217)	(247,664)	-	(258,881)	(263,481)
Total comprehensive income	-	-	-	-	397,383	397,383	(11,217)	(247,664)	-	(258,881)	138,502
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	36,614	-	(36,614)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(273,876)	(273,876)	-	-	-	-	(273,876)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	367	367	-	(367)	-	(367)	-
Balance on December 31, 2018	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 on ordinary shares	-	-	-	-	(273,876)	(273,876)	-	-	-	-	(273,876)
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**

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 Cash Flows

For the years ended December 31, 2019 and 2018

(expressed in thousands of New Taiwan dollars)

	2019	2018
Cash flows from operating activities:		
Income before income tax	$ 449,071	493,911
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	503,744	464,502
Amortization expense	18,252	12,035
Expected credit loss (gain)	(480)	12,514
Net gains on financial assets at fair value through profit and loss	(23)	(14)
Interest expense	62,243	60,234
Interest income	(1,585)	(1,979)
Dividend income	(49,939)	(42,704)
Share of gains of associates and accounted for using equity method	(28,387)	(15,203)
Gains on disposal of property, plants and equipment	(863)	(562)
Unrealized (realized) gross profit on sale to subsidiaries	(8,148)	10,702
Total adjustments to reconcile profit (loss)	494,814	499,525
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	43,093	(14,629)
Accounts receivable and overdue receivable (under other non-current financial assets)	37,383	43,108
Accounts receivable due from related parties	88,978	45,403
Other receivable due from related parties	1,290	(2,090)
Inventories	206,819	(338,315)
Other current financial assets	6,566	(11,218)
Other current assets	14,078	(3,902)
Total changes in operating assets	398,207	(281,643)
Changes in operating liabilities:		
Notes payable	(38,924)	(45,884)
Accounts payable	(145,384)	53,235
Other payable	(79,180)	(12,199)
Other current liabilities	71	10,687
Net defined benefit liabilities	(48,765)	(50,336)
Total changes in operating liabilities	(312,182)	(44,497)
Total changes in operating assets and liabilities	86,025	(326,140)
Total adjustments	580,839	173,385
Cash inflow generated from operations	1,029,910	667,296
Interest received	1,601	1,965
Dividends received	54,662	81,722
Income taxes paid	(65,137)	(44,124)
Net cash flows from operating activities	1,021,036	706,859
Cash flows used in investing activities:		
Acquisition of financial assets at fair value through profit or loss	(30,000)	(118,000)
Proceeds from disposal of financial assets at fair value through profit or loss	-	118,014
Acquisition of financial assets at fair value through other comprehensive income	-	(74,900)
Proceeds from disposal of financial assets at fair value through other comprehensive income	73,457	1,602
Acquisition of property, plant and equipment	(279,680)	(536,361)
Proceeds from disposal of property, plant and equipment	2,156	1,498
Acquisition of intangible assets	(11,297)	(16,650)
Decrease in other non-current assets	422	-
Decrease (increase) in prepayments for equipment	(84,589)	30,570
Net cash flows used in investing activities	(329,531)	(594,227)
Cash flows used in financing activities:		
Increase in short-term borrowings	6,587,473	5,982,062
Decrease in short-term borrowings	(6,663,103)	(5,563,649)
Proceeds from long-term borrowings	150,000	150,000
Repayments of long-term borrowings	(370,000)	(350,000)
Payment of lease liabilities	(10,145)	-
Cash dividends paid	(273,876)	(273,876)
Donation from shareholders	1,000	-
Interest paid	(69,866)	(67,542)
Net cash used in financing activities	(648,517)	(123,005)
Net increase (decrease) in cash and cash equivalents	42,988	(10,373)
Cash and cash equivalents at beginning of period	511,695	522,068
Cash and cash equivalents at end of period	$ **554,683**	**511,695**

See accompanying notes to parent-company-only financial statements.

(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 19, 2020.

(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 following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16"Leases"

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

(Continued)

The Company applied IFRS 16 using the modified retrospective approach. The details of the changes in accounting policies are disclosed below:

1) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4(l).

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Company decided to apply recognition exemptions to short-term leases of office and transportation equipment.

The Company previously classified leases as operating leases under IAS 17 at transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at January 1, 2019. The amount of right-of-use assets are determined by the lease liabilities and adjusted by the prepaid rental :

In addition, the Company used the following practical expedients when applying IFRS 16 to leases.

— Applied a single discount rate to a portfolio of leases with similar characteristics.

— Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.

— Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

— Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(Continued)

3) Impacts on financial statements

On transition to IFRS 16, the Company recognised $55,463 thousands of right-of-use assets and $55,463 thousands of lease liabilities. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 1.50%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Company's parent-company-only financial statements	$ 26,800
Recognition exemption for:	
short-term leases and lease of low-value assets	(1,606)
Interest expense from discounting	(1,549)
Extension and termination options reasonably certain to be exercised	31,818
Lease liabilities recognized at January 1, 2019	**$ 55,463**

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

The Company assesses that the adoption of the abovementioned standards would not have any material impact on its financial statements.

(Continued)

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

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	**Effective date per IASB**
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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.

(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, except Note 3 and Note (l).

(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 measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in Note 4(o).

(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.

(Continued)

(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.

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.

(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

(Continued)

(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 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)

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, amortized costs, 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:

· 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.

(Continued)

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)

· 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.

(Continued)

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 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.

(Continued)

(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.

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.

When the Company's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of 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.

(Continued)

(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.

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

1)	buildings and construction	25~55 years
2)	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.

(Continued)

(l) Lease

Applicable from January 1, 2019

(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.

(ii) As a leasee

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.

(Continued)

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.

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.

(Continued)

Applicable before January 1, 2019

Leases in which the Company are classified as finance leases. There leases are operating leases and are not recognized in the Company's balance sheets. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

(m) 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.

(n) 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.

(Continued)

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.

(o) 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.

(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.

(Continued)

(p) 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 reserve, 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

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.

(Continued)

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.

(q) 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.

(r) 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.

There is no information about judgments made in applying accounting policies that have the significant effects on the amounts recognized in the parent-company-only financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

In the process of evaluating the potential impairment of tangible and intangible assets other than goodwill, the Company is required to make subjective judgments in determining the independent cash flows, useful lives, expected future income and expenses related to the specific asset groups considering of the nature of the industry. Any changes in these estimates based on changed economic conditions or business strategies and could result in significant impairment charges or reversal in future years. Please refer to Note 6(c) for further description of the key assumptions used to determine the recoverable amount.

(Continued)

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

		December 31, 2019	December 31, 2018
Cash on hand	$	1,632	2,058
Cash in bank		493,987	434,372
Time deposits		59,064	75,265
Cash and cash equivalents	$	**554,683**	**511,695**

Please refer to Note 6(u) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Company.

(b) Financial assets

(i) Financial assets at fair value though profit and loss

		December 31, 2019	December 31, 2018
Financial assets mandatorily measured at fair value through profit and loss:			
Monetary market fund	$	**30,023**	**-**

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

		December 31, 2019	December 31, 2018
Stocks listed on domestic and foreign markets	$	974,607	881,736
Domestic unlisted common shares		56,764	85,632
	$	**1,031,371**	**967,368**

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 ened December 31, 2019 and 2018, 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 $73,457 thousand and $1,602 thousand, respectively, and the Company realized a (loss) gain of $(24,108) thousand and $367 thousand, respectively, which is already included in other comprehensive income. The gain has been transferred to retained earnings.

(iii) For credit risk and market risk, please refer to Note 6(u).

(iv) The aforementioned financial assets were not pledged.

(Continued)

(v) Derivative financial instruments－non-hedge

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 $6,489 thousand and $11,118 thousand in 2019 and 2018, respectively.

(c) Receivables

	December 31, 2019	December 31, 2018
Notes receivable	$ 54,757	97,850
Accounts receivable	731,305	769,684
Accounts receivable from related parties	450,599	539,577
Overdue receivable (under other non-current financial assets)	23,421	29,582
Less: loss allowance	(35,889)	(43,528)
	$ 1,224,193	1,393,165

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, 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	23,421	100%	23,421
Total	$ 1,260,082		35,889

	December 31, 2018		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 1,351,602	0.01%~0.12%	1,594
1 to 90 days past due	44,695	7.67%~29.99%	6,407
91 to 365 days past due	10,814	34.45%~100%	5,945
More than 365 days past due	29,582	100%	29,582
Total	$ 1,436,693		43,528

(Continued)

The movement in the allowance for receivables were as follows:

		2019	2018
Balance on January 1	$	43,528	68,394
Impairment losses recognized, (reversed)		(480)	12,514
Amounts written off		(7,159)	(37,380)
Balance on December 31	**$**	**35,889**	**43,528**

The aforementioned financial assets were not pledged.

(d) Inventories

		December 31, 2019	December 31, 2018
Raw materials	$	601,558	838,151
Supplies		10,475	13,009
Work in progress		431,788	402,605
Finished goods		1,356,426	1,338,350
Materials in transit		43,736	58,687
	$	**2,443,983**	**2,650,802**

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:

		2019	2018
Gains on valuation of inventories	$	(2,350)	(318)
Losses on obsolescence		10,075	9,872
Losses on inventory count		2,488	3,583
Unallocated production overheads		196,252	203,251
Scrap income		(1,712)	(4,003)
	$	**204,753**	**212,385**

For the years ended December 31, 2019 and 2018, the expense resulted from obtaining the certification of GMP for pharmaceuticals division was included in unallocated production overheads.

As of December 31, 2019 and 2018, the inventories were not pledged.

(Continued)

(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, 2019	December 31, 2018
Subsidiaries	$ 1,825,894	1,872,943
Associates	55,672	53,996
	$ 1,881,566	**1,926,939**

(ii) Subsidiaries

Please refer to consolidated financial statements for the year ended December 31, 2019 .

(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, 2019	December 31, 2018
Carrying amount of individually insignificant associates	**$ 55,672**	**53,996**

	2019	2018
Attributable to the Company:		
Profit (loss) from continuing operations	$ 2,071	(1,531)
Other comprehensive income	(395)	440
Total comprehensive income	**$ 1,676**	**(1,091)**

(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	Buildings and construction	Equipment	Construction in progress and equipment to be inspected	Total
Cost:					
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)

	Land	Buildings and construction	Equipment	Construction in progress and equipment to be inspected	Total
Balance on of January 1, 2018	$ 890,375	3,126,993	6,977,764	446,413	11,441,545
Additions	-	11,677	130,813	241,753	384,243
Disposals	-	(170)	(63,545)	-	(63,715)
Reclassification (note)	-	36,961	391,851	(284,535)	144,277
Balance on of December 31, 2018	**$ 890,375**	**3,175,461**	**7,436,883**	**403,631**	**11,906,350**
Accumulated depreciation and impairment:					
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	**$ -**	**1,991,344**	**5,834,459**	**-**	**7,825,803**
Balance on of January 1, 2018	$ -	1,732,908	5,238,936	-	6,971,844
Depreciation	-	127,525	336,977	-	464,502
Disposals	-	(166)	(62,613)	-	(62,779)
Balance on of December 31, 2018	**$ -**	**1,860,267**	**5,513,300**	**-**	**7,373,567**
Carrying amounts:					
Balance on of December 31, 2019	**$ 890,375**	**1,286,649**	**2,052,218**	**178,336**	**4,407,578**
Balance on of December 31, 2018	**$ 890,375**	**1,315,194**	**1,923,583**	**403,631**	**4,532,783**
Balance on of January 1, 2018	**$ 890,375**	**1,394,085**	**1,738,828**	**446,413**	**4,469,701**

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

(i) For the years ended December 31, 2019 and 2018, the Company capitalized the interest expenses on construction in progress, amounted to $6,313 thousand and $8,235 thousand, respectively, and the monthly interest rate used for capitalization calculation were 0.15% and 0.16%, respectively.

(ii) As of December 31, 2019 and 2018, the property, plant and equipment of the Company had not been pledged.

(g) Other current assets

	December 31, 2019	December 31, 2018
Prepayments	$ 48,209	50,812
Offset against business tax payable and input taxes	20,710	34,724
Payment on behalf of others	9,157	5,858
	$ 78,076	**91,394**

(h) Right-of-use assets

The information about lease of buildings and construction, and equipment for which the Company as a leasee is presented below:

	Buildings and construction	Equipment	Total
Cost:			
Balance at January 1, 2019	-	-	-
Effects of retrospective application for IFRS16	43,320	12,143	55,463
Acquisitions	-	1,802	1,802
Balance at December 31, 2019	**43,320**	**13,945**	**57,265**
Accumulated depreciation:			
Balance at January 1, 2019	-	-	-
Depreciation	7,659	2,937	10,596
Balance at December 31, 2019	**7,659**	**2,937**	**10,596**
Carrying amount:			
Balance at December 31, 2019	**35,661**	**11,008**	**46,669**

(i) Intangible assets

The movement in intangible assets were as follows:

	REACH registration related expenses	Others	Total
Cost:			
Balance on of January 1, 2019	$ 153,868	2,267	156,135
Additions	11,297	-	11,297
Balance on of December 31, 2019	**$ 165,165**	**2,267**	**167,432**
Balance on of January 1, 2018	$ 137,520	1,965	139,485
Additions	16,348	302	16,650
Balance on of December 31, 2018	**$ 153,868**	**2,267**	**156,135**
Accumulated amortization:			
Balance on of January 1, 2019	$ 34,064	1,337	35,401
Amortization	18,026	226	18,252
Balance on of December 31, 2019	**$ 52,090**	**1,563**	**53,653**
Balance on of January 1, 2018	$ 22,364	1,002	23,366
Amortization	11,700	335	12,035
Balance on of December 31, 2018	**$ 34,064**	**1,337**	**35,401**
Carrying amounts:			
Balance on of December 31, 2019	**$ 113,076**	**703**	**113,779**
Balance on of December 31, 2018	**$ 119,804**	**930**	**120,734**
Balance on of January 1, 2018	**$ 115,156**	**963**	**116,119**

(Continued)

(i) Amortization expense

For the years ended December 31, 2019 and 2018, the amortization of intangible assets are included in the statement of comprehensive income as follows:

	2019	2018
Operating costs and expenses	$ 18,252	12,035

(ii) Pledge

As of December 31, 2019 and 2018, the intangible assets of the Company were not pledged as collateral.

(j) Short-term borrowings

	December 31, 2019	December 31, 2018
Unsecured bank loans	$ 1,717,630	1,793,260
Unused credit lines	$ 2,484,334	2,173,130
Range of interest rate	1.00%~3.09%	1.16%~4.19%

(k) Long-term borrowings

	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

	December 31, 2018			
	Currency	Rate	Maturity year	Amount
Unsecured syndicated bank loan	NTD	1.7895%	2015.4~2020.4	$ 498,988
Unsecured bank loans	NTD	1.33%~1.45%	2020.3~2021.6	1,100,000
Less: long-term borrowings, current portion				(140,000)
Total				$ 1,458,988

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.

(Continued)

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.

(l) Lease liabilities

The carry amount of lease liabilities were as follow:

	December 31, 2019
Current	$ 10,181
Non-current	$ 36,939

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

The amounts recognized in profit or loss were as follows:

	2019
Interest on lease liabilities	$ 767
Expenses relating to short-term leases	$ 1,662

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

		2019
Total cash outflow for leases	**$**	**12,574**

(v) Land, buildings and constructions, and equipment lease

As of December 31, 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.

(vi) 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) Operating lease

Non-cancellable operating lease rentals payable was as follows:

		December 31, 2018
Less than one year	$	11,887
Between one and five years		14,913
	$	**26,800**

The Company leases a number of operating, equipment, warehouse and factory facilities under operating leases. The leases typically run for a period of 1 to 5 years, with an option to renew the lease after that date.

For the year ended Decembrr 31, 2018, the rent expense amounted to $11,305 thousand, which was recorded as operating expenses.

(n) Employee benefits

(i) Defined benefit plans

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

		December 31, 2019	December 31, 2018
Present value of the defined benefit obligations	$	851,729	879,593
Fair value of plan assets		(696,932)	(627,314)
Net defined benefit liabilities	**$**	**154,797**	**252,279**

(Continued)

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 $696,932 thousand as of December 31, 2019. 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, 2019 and 2018, the movement in present value of the defined benefit obligations for the Company were as follows:

		2019	2018
Defined benefit obligations as of January 1	$	879,593	847,061
Current service costs and interest cost		22,305	25,826
Net remeasurements of defined benefit liabilities:			
－Actuarial losses (gains) arising from changes in financial assumptions		(28,105)	26,407
Benefits paid by the plan		(22,064)	(19,701)
Defined benefit obligations as of December 31	**$**	**851,729**	**879,593**

(Continued)

3) Movements of defined benefit plan assets

For the years ended December 31, 2019 and 2018, the movement in the fair value of the plan assets were as follows:

		2019	2018
Fair value of plan assets as of January 1	$	627,314	556,002
Return on plan assets (excluding the interest expense)		7,103	7,723
Net remeasurements of the defined benefit assets:			
—Actuarial gains (losses) arising from changes in financial assumptions		20,612	14,850
Contributions paid to the plan		58,949	61,884
Benefits paid by the plan		(17,046)	(13,145)
Fair value of plan assets as of December 31	**$**	**696,932**	**627,314**

4) Expenses recognized in profit or loss

		2019	2018
Current service costs	$	12,521	14,301
Net interest expense of net defined benefit liabilities		2,681	3,802
	$	**15,202**	**18,103**

		2019	2018
Operating costs	$	8,728	10,593
Administration expenses		4,339	5,066
Research and development expenses		2,135	2,444
	$	**15,202**	**18,103**

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, 2019 and 2018, were as follows:

		2019	2018
Accumulated amount as of January 1	$	(165,587)	(154,030)
Recognized during the period		48,717	(11,557)
Accumulated amount as of December 31	**$**	**(116,870)**	**(165,587)**

(Continued)

6) Actuarial assumptions

The principal actuarial assumptions were as follows:

	December 31, 2019	December 31, 2018
Discount rate	1.000 %	1.125 %
Future salary increasing rate	1.200 %	1.500 %

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 $26,143 thousand.

The weighted-average lifetime of the defined benefits plans is 12.05 years.

7) Sensitivity analysis

As of December 31, 2019 and 2018, 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, 2019		
Discount rate decreased (increased) 0.25%	$ 22,584	(17,215)
Future salary increasing rate increased (decreased) 0.25%	16,695	(22,165)
December 31, 2018		
Discount rate decreased (increased) 0.25%	24,807	(19,439)
Future salary increasing rate increased (decreased) 0.25%	18,805	(24,315)

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.

(Continued)

The pension costs incurred from the contributions to the Bureau of Labor Insurance amounted to $37,299 thousand and $37,257 thousand for the years ended December 31, 2019 and 2018, respectively.

(o) Income taxes

(i) Income tax expense

The components of income tax expenses (benefit) for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Current tax expense (benefit)		
Current period	$ 60,180	94,377
Adjustment for prior periods	(7,400)	(7,552)
	52,780	86,825
Deferred tax expense (benefit)		
Origination and reversal of temporary differences	33,844	7,446
Adjustment in tax rate	-	(2,343)
	33,844	5,103
Income tax expense	**$ 86,624**	**91,928**

The amount of income tax expenses (benefit) recognized in other comprehensive income for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Remeasurements from defined benefit plans	**$ 9,743**	**(6,932)**

Reconciliation of income tax expense and profit before tax for 2019 and 2018 were as follows:

	2019	2018
Profit excluding income tax	**$ 449,071**	**493,911**
Income tax using the Company's domestic tax rate	$ 89,814	98,782
Undistributed earnings additional tax	-	7,024
Gain on disposal of investment	-	(76)
Dividend revenue	(9,709)	(8,265)
Adjustment in tax rate	-	(2,343)
Others	6,519	(3,194)
Income tax expense	**$ 86,624**	**91,928**

(Continued)

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets and liabilities

As of December 31, 2019 and 2018, the Company has no unrecognized deferred tax assets and liabilities.

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2019 and 2018 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, 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	**$ 5,736**	**2,335**	**31,963**	**29,056**	**69,090**
Balance as of January 1, 2018	$ 9,298	3,381	50,362	31,926	94,967
Recognized in profit or loss	3,787	533	549	4,489	9,358
Recognized in other comprehensive income	-	-	6,932	-	6,932
Balance as of December 31, 2018	**$ 13,085**	**3,914**	**57,843**	**36,415**	**111,257**

Deferred tax liabilities:

	Unrealized investment income under equity method	Unrealized foreign exchange gains	Total
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	**$ (68,098)**	**(2,110)**	**(70,208)**
Balance as of January 1, 2018	$ (52,296)	(2,031)	(54,327)
Recognized in profit or loss	(14,712)	251	(14,461)
Balance as of December 31, 2018	**$ (67,008)**	**(1,780)**	**(68,788)**

(iii) The Company's tax return for the years through 2016 were assessed and approved by the Taipei National Tax Administration.

(Continued)

(p) Capital and other equity

(i) Common share

As of December 31, 2019 and 2018, 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.

(ii) Capital surplus

The balance of capital surplus as of December 31, 2019 and 2018, were as follows:

		December 31, 2019	December 31, 2018
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	-
	$	**474,558**	**473,558**

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, 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 accordance with on the amendment to Company's article of incorporation, 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.

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.

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, 2019 and 2018, 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

Earnings distribution for 2018 and 2017 was decided by the resolution adopted, at the general meeting of shareholders held on May 30, 2019 and June 6, 2018, respectively. The relevant dividend distributions to shareholders were as follows:

	2018		2017	
	Amount per share	**Amount**	**Amount per share**	**Amount**
Dividends distributed to common shareholders:				
Cash	$ 0.50	$ 273,876	0.50	273,876

(Continued)

On March 19, 2020, the Company's Board of Directors proposed to resolve to appropriate the 2019 earnings. These earnings will be appropriated as follows:

	2019	
	Amount per share	Amount
Dividends distributed to common shareholders:		
Cash	$ 0.30	$ 164,326

(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 at 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 at December 31, 2019	$ **(112,054)**	**81,616**	**(30,438)**

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Total
Balance at January 1, 2018	$ (57,203)	-	156,257	99,054
Effects of retrospective application	-	166,684	(156,257)	10,427
Balance at January 1, 2018 after adjustments	(57,203)	166,684	-	109,481
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(231,112)	-	(231,112)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(16,552)	-	(16,552)
Disposal of investments in equity instruments designated at fair value through other comprehensive income on subsidiaries accounted for using equity method	-	(367)	-	(367)
Exchange differences on translation of foreign financial statements	(11,657)	-	-	(11,657)
Exchange differences on associates accounted for using equity method	440	-	-	440
Balance at December 31, 2018	$ **(68,420)**	**(81,347)**	**-**	**(149,767)**

(Continued)

(q) Earning per share

The calculation of basic earnings per share and diluted earnings per share for the years 2019 and 2018 are as follows:

		2019	2018
Basic earning per share			
Profit attributable to common shareholders of the Company	$	**362,447**	**401,983**
Weighted-average number of common shares	$	**547,752**	**547,752**
Basic earnings per share (express in New Taiwan dollar)	$	**0.66**	**0.73**

		2019	2018
Diluted earning per share			
Profit attributable to common shareholders of the Company	$	**362,447**	**401,983**
Weighted average number of common shares (basic)		547,752	547,752
Effect of employee compensation		1,917	1,952
Weighted-average number of common shares outstanding (diluted)		**549,669**	**549,704**
Diluted earnings per share (express in New Taiwan dollar)	$	**0.66**	**0.73**

(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, 2019 and 2018, the Company estimated its employee compensation amounting to $24,143 thousand and $26,554 thousand and directors' remuneration amounting to $9,658 thousand and $10,622 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 2018 and 2017 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 2019 and 2018.

(Continued)

(s) Revenue from contract with customers

(i) Disaggregation of revenue

	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**

	2018				
	Color chemicals	**Specialty chemicals**	**Electronic chemicals**	**Pharmaceuticals**	**Total**
Primary geographical markets:					
Taiwan	$ 564,269	247,396	846,816	4,455	1,662,936
America	307,626	414,144	-	43,156	764,926
Asia	2,627,553	852,986	158,782	68,267	3,707,588
Europe	595,519	400,151	90	66,429	1,062,189
Other	95,209	70,572	-	42,306	208,087
	$ **4,190,176**	**1,985,249**	**1,005,688**	**224,613**	**7,405,726**
Major products:					
Chemicals	$ 4,190,176	1,985,249	1,005,688	-	7,181,113
Other	-	-	-	224,613	224,613
	$ **4,190,176**	**1,985,249**	**1,005,688**	**224,613**	**7,405,726**

(ii) Contract balance

	December 31, 2019	**December 31, 2018**	**January 1, 2018**
Receivables	$ 1,260,082	1,436,693	1,548,403
Less: loss allowance	(35,889)	(43,528)	(68,394)
Total	$ **1,224,193**	**1,393,165**	**1,480,009**

For the detail on receivable and allowance, please reefer to Note 6(c).

(Continued)

(t) Non-operating income and expenses

(i) Other income

		2019	2018
Interest income	$	1,585	1,979
Dividend income		49,939	42,704
	$	**51,524**	**44,683**

(ii) Other gains and losses

		2019	2018
Foreign exchange gains	$	5,989	6,028
Net gains on disposal of financial assets and liabilities at fair value through profit or loss		23	14
Gains on disposal of property plant and equipment		863	562
Subsidy revenue		10,620	4,921
Others		59,610	55,287
	$	**77,105**	**66,812**

(iii) Finance costs

		2019	2018
Interest expense	**$**	**62,243**	**60,234**

(u) Financial instruments

(i) Credit risk

1) Credit risk exposure

As of December 31, 2019 and 2018, 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 $59,960 thousand and $61,430 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 and debt 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, 2019 and 2018. 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).

(ii) Liquidity risk

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

	Carrying amount	Contractual cash flows	within 1 year	1~2 years	2~5 years	Over 5 years
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)	1,379,748	1,406,999	433,040	369,737	604,222	-
	$ 3,664,965	**3,697,455**	**2,685,360**	**379,484**	**629,163**	**3,448**

(Continued)

	Carrying amount	Contractual cash flows	within 1 year	1~2 years	2~5 years	Over 5 years
December 31, 2018						
Non derivative financial liabilities						
Short-term borrowings	$ 1,793,260	1,797,623	1,797,623	-	-	-
Notes payable	190,752	190,752	190,752	-	-	-
Accounts payable	348,899	348,899	348,899	-	-	-
Other payable	238,693	238,693	238,693	-	-	-
Payables on equipment	31,293	31,293	31,293	-	-	-
Long-term borrowings (including current portion)	1,598,988	1,637,749	141,977	1,192,796	302,976	-
	$ 4,201,885	**4,245,009**	**2,749,237**	**1,192,796**	**302,976**	**-**

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

	December 31, 2019			December 31, 2018		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD	$ 24,200	29.98	725,516	24,336	30.72	747,602
JPY	214,664	0.28	60,106	300,696	0.28	84,329
RMB	66,208	4.31	284,694	62,657	4.47	280,077
Non-monetary items						
JPY	423,000	0.28	118,440	200,900	0.28	55,890
Financial liabilities						
Monetary items						
USD	28,027	30.00	840,810	40,199	30.74	1,235,717
JPY	24,802	0.28	6,945	23,184	0.28	6,492
RMB	1,792	4.33	7,759	5,651	4.50	25,192

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 trade 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 year ended December 31, 2019 and 2018, would have changed the profit by $1,718 thousand and $851 thousand, respectively, and other comprehensive income by $1,184 thousand and $559 thousand, respectively. The analysis is performed on the same basis for 2019 and 2018.

(Continued)

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 2019 and 2018, foreign exchange gains (losses) (including realized and unrealized portions) are exchange losses amounted to $5,989 thousand and $6,028 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.

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 expresses 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 $24,779 thousand and $27,138 thousand, respectively, for the year ended December 31, 2019 and 2018, 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 year ended December 31, 2019 and 2018, 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:

	2019		2018	
Prices of securities at the reporting date	**Other comprehensive income after tax**	**Net income**	**Other comprehensive income after tax**	**Net income**
Increasing 1%	$ 10,314	-	9,674	-
Decreasing 1%	$ (10,314)	-	(9,674)	-

(Continued)

(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, 2019				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
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	974,607	974,607	-	-	974,607
Domestic unlisted common shares	56,764	-	-	56,764	56,764
Subtotal	1,031,371	974,607	-	56,764	1,031,371
Financial assets measured at amortized cost					
Cash and cash equivalents	544,683	-	-	-	-
Notes and account receivable (included related parties)	1,224,193	-	-	-	-
Other financial assets (included other receivables-related parities)	60,915	-	-	-	-
Subtotal	1,829,791	-	-	-	-
Total	**$ 2,891,185**	**1,004,630**	**-**	**56,764**	**1,061,394**
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	-	-	-	-
Subtotal	3,664,965	-	-	-	-
Total	**$ 3,664,965**	**-**	**-**	**-**	**-**

(Continued)

	December 31, 2018				
		Fair value			
	Book value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic and foreign markets	$ 881,736	881,736	-	-	881,736
Domestic unlisted common shares	85,632	-	-	85,632	85,632
Subtotal	967,368	881,736	-	85,632	967,368
Financial liabilities measured at amortized cost					
Cash and cash equivalents	511,695	-	-	-	-
Notes and account receivable (included related parties)	1,393,165	-	-	-	-
Other financial assets (included other receivables-related parities)	34,027	-	-	-	-
Subtotal	1,938,887	-	-	-	-
Total	**$ 2,906,255**	**881,736**	**-**	**85,632**	**967,368**
Financial liabilities measured at amortized cost					
Bank loans	$ 3,392,248	-	-	-	-
Notes and trade payable	539,651	-	-	-	-
Other payable	238,693	-	-	-	-
Payables on equipment	31,293	-	-	-	-
Total	**$ 4,201,885**	**-**	**-**	**-**	**-**

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.

(Continued)

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.

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 multiples 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, 2019 and 2018.

4) Reconciliation of Level 3 fair values

		Fair value through other comprehensive income
		Unquoted equity instruments
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**
Balance on adjustment January 1, 2018	$	86,369
Total gains or losses:		
Recognized in other comprehensive income		(737)
Balance on December 31, 2018	**$**	**85,632**

(Continued)

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, 2019 were as follows:

	2019	2018
Recognized in other comprehensive income	$ (28,868)	(737)

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:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income- equity investments without an active market	Comparable Listed companies approach	• Price-Book Ratio (as of December 31, 2019 and 2018 were 3.57 and 3.77, respectively) • Market liquidity discount rate (as of December 31, 2019 and 2018 were all 20%)	• 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, 2019:

		Fair value variation on other comprehensive income			
	Upwards or	Favorable		Unfavorable	
Inputs	Downwards	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Price-book ratio	5%	2,176	4,152	(2,176)	(4,152)
Market liquidity discount rate	5%	2,949	4,384	(2,949)	(4,384)

The favorable and unfavorable effects represent the changes in fair value, and fait 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)

(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)

(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 it contractual obligations that arises principally from the Company's accounts receivable and investments in securities.

1) Account 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 analyze 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 incompliance 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, 2019 and 2018, the outstanding balance of guarantees were $59,960 thousand and $61,430 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, 2019 and 2018, the Company's unused credit line were amounted to $2,484,334 thousand and $2,173,130 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)

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)

		December 31, 2019	December 31, 2018
Total liabilities	$	4,134,337	4,784,125
Less: cash and cash equivalents		554,683	511,695
Net liabilities	$	**3,579,654**	**4,272,430**
Total equity	$	**7,823,140**	**7,599,139**
Debt-to-equity ratio		**46 %**	**56 %**

There were no change in the Company's approach to capital management for the year ended December 31, 2019.

(x) Investing and financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities were as follows:

			Non-cash changes	
	January 1, 2019	Cash flows	Other	December 31, 2019
Short-term borrowings	$ 1,793,260	(75,630)	-	1,717,630
Lease liabilities	55,463	(10,145)	1,802	47,120
Long-term borrowings	1,598,988	(220,000)	760	1,379,748
Total liabilities from financing activities	$ **3,447,711**	**(305,775)**	**2,562**	**3,144,498**

			Non-cash changes	
	January 1, 2018	Cash flows	Other	December 31, 2018
Short-term borrowings	$ 1,374,847	418,413	-	1,793,260
Long-term borrowings	1,798,228	(200,000)	760	1,598,988
Total liabilities from financing activities	$ **3,173,075**	**218,413**	**760**	**3,392,248**

(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.

Name of related party	Relationship with the Company
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)

Name of related party	Relationship with the Company
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:

	2019	2018
Subsidiary	$ 2,480,677	2,560,174

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:

	2019	2018
Other related parties	$ 36,439	35,957

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.

(iii) Other

1) The Company had provided a guarantee for loans taken out by related parties were as follows:

	December 31, 2019	December 31, 2018
EVUS	$ 59,960	61,430

(Continued)

2) As of December 31, 2019 and 2018, other receivables of dividends from subsidiaries were $35,181 thousand and $0 thousand, respectively.

3) As of December 31, 2019 and 2018, other receivables of prepayments for subsidiaries were $4,691 thousand and $5,980 thousand, respectively.

4) As of December 31, 2019 and 2018, other payables of prepayments for subsidiaries were $3,396 thousand and $6,191 thousand, respectively.

(iv) Receivable from related parties

The Company's receivable from related parties were as follows:

Account	Name of Entity	December 31, 2019	December 31, 2018
Account receivable from related parties, net	EVUS	$ 60,910	143,218
Other receivables	EVEU	62,345	79,014
	Elite	116,576	107,255
	Other subsidiaries	210,768	210,090
		450,599	539,577
Other receivable from related parties	Subsidiaries	39,872	5,980
		$ 490,471	**545,557**

(v) Payable from related parties

The Company's payable from related parties were as follows:

Account	Name of Entity	December 31, 2019	December 31, 2018
Notes and accounts payable	Other related parties	$ 11,829	11,270
Other payables	Subsidiaries	3,396	6,191
		$ 15,225	**17,461**

(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.

(d) Key management personnel compensation

	2019	2018
Short-term employee benefits	$ 28,350	26,360
Post-employment benefits	904	834
	$ 29,254	**27,194**

(Continued)

(8) Pledged assets: None.

(9) Commitments and contingencies:

(a) The Company's unrecognized contractual commitment are as follows:

	December 31, 2019	December 31, 2018
Acquisition of property, plant and equipment	$ 103,172	329,585

(b) The Company's outstanding standby letter of credit are as follows:

	December 31, 2019	December 31, 2018
Outstanding standby letter of credit	$ -	306

(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 function / By item	2019			2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	586,295	401,201	987,496	607,261	406,514	1,013,775
Labor and health insurance	59,877	38,182	98,059	59,282	37,308	96,590
Pension	29,269	23,232	52,501	31,287	24,073	55,360
Remuneration of directors	-	18,717	18,717	-	19,698	19,698
Others	28,736	14,386	43,122	28,299	13,608	41,907
Depreciation	397,835	105,909	503,744	365,744	98,758	464,502
Depletion	-	-	-	-	-	-
Amortization)	226	18,026	18,252	335	11,700	12,035

As of December 31, 2019 and 2018, the additional information for employee numbers and employee benefits were as follows:

	2019	2018
Average employee numbers	1,402	1,403
Average directors numbers without serving concurrently as employee	9	9
Average employee benefits	$ 848	866
Average employee salaries	$ 709	727
Average adjustment rate of employee salaries	(2.48)%	

(Continued)

(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, 2019

1. Loans to other parties: None.

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	782,314	63,200	59,960	29,980	-	0.77%	1,955,785	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 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 Investment Amounts Authorized by Investment Commission, MOEA
6. An investee in which endorsement/guarantee provider conjunctly 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.

(Continued)

EVERLIGHT CHEMICAL INDUSTRIAL CORPORATION
Notes to the Parent-Company-Only Financial Statements

3. Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures)

(In Thousands of Shares/Units)

Name of holder	Category and name of security	Relationship with company	Account	Ending balance				Note
				Shares/Units	Carrying value	Percentage of Ownership	Fair value	
ECIC	Yuanta De-Li Money Market Fund	-	Financial assets at fair value through profit or loss-current	1,834	30,023	-	30,023	
ECIC	Polytronic Technology Corp.	-	Financial assets at fair value through other comprehensive income-non-current	10,000	550,758	12%	669,000	
"	Hodogaya Chemical Co.,Ltd	-	"	100	56,948	1%	116,748	
"	General Plastic Industrial Co., Ltd.	-	"	2,140	74,900	2%	65,484	
"	Andros Pharmaceuticals Co., Ltd.	-	"	3,880	77,800	16%	56,764	
GLTP	Taiwan Bio Therapentics Co., Ltd.	-	"	414	11,400	5%	5,272	
TTI	General Plastic Industrial Co., Ltd.	-	"	2,140	74,900	2%	65,484	
			Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		79,371		-	
	Total				926,077		978,752	

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

Name of company	Counter-party	Nature of relationship	Purchase/Sale	Transaction details			Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
				Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	notes/accounts receivable (payable)	
ECIC	EVUS	Subsidiary	Sale	361,021	5.01%	OA 100	Non material differences from those of third-parties	Non material differences from those of third-parties	60,910	4.98%	
"	ELITE	"	"	552,602	7.67%	OA 100	"	"	116,576	9.52%	
"	EVEU	"	"	597,051	8.29%	OA 90	"	"	62,345	5.09%	
"	EVSH	"	"	233,636	3.24%	OA 90	"	"	30,856	2.52%	
"	EVSZ	"	"	249,007	3.46%	OA 90	"	"	54,771	4.47%	
"	EVHK	"	"	138,180	1.92%	OA 90	"	"	2,123	0.17%	
"	ETSH	"	"	153,545	2.13%	OA 90	"	"	36,834	3.01%	

(Continued)

8. Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (As of March 19, 2020)	Loss allowance
					Amount	Action taken		
ECIC	ELITE	Subsidiary	116,576	4.93	-	-	104,691	-

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, 2019 (excluding information on investees in Mainland China):

Units in Thousands

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance of December 31, 2019			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2019	December 31, 2018	Shares (thousands)	Percentage of ownership	Carrying value			
ECIC	EVUS	America	Selling chemical product and related raw materials	88,868	88,868	300	100.00%	117,164	3,356	3,356	
〃	EVHK	Hong Kong	Selling chemical product and related raw materials	34,579	34,579	1,000	100.00%	43,033	4,377	4,377	
〃	EVSG	Singapore	Investing business	779,115	779,115	24,300	100.00%	879,937	13,858	13,858	
〃	EVEU	Netherland	Selling chemical product and related raw materials	7,890	7,890	1	100.00%	53,689	19,453	19,453	
〃	TTI	Hsinchu City	Manufacturing and selling toners of laser printer, copier and fax machine	242,192	242,192	44,906	76.15%	650,493	6,168	5,076	
〃	ELITE	Turkey	Selling chemical product and related raw materials	45,016	45,016	22	50.00%	103,784	8,464	4,232	
〃	GOOOTV	Taipei City	Cable TV channels	19,000	19,000	1,900	22.35%	20,497	29	7	
〃	TAK	Taoyuan City	Manufacturing of inductance core and cathode materials of Lithiumion battery	58,600	58,600	10,000	16.78%	35,175	7,443	2,064	
〃	DCBM	Taoyuan City	Selling medical supplies and providing service of biological technology	62,555	62,555	6,325	91.26%	10,603	(10,545)	(9,624)	
〃	GLTP	Taipei City	Investing business	100,000	100,000	10,000	100.00%	39,914	(14,412)	(14,412)	
	Unrealized gross profit on sales			-	-			(72,723)		-	
				1,437,815	1,437,815			1,881,566		28,387	
GLTP	KEYSTONE	Taipei City	Selling pharmaceuticals	75,000	75,000	7,500	34.09%	20,971	(42,226)	(14,409)	(Note)
EVUS	EVHOSA	Honduras	Selling chemical product and related raw materials	3,089 (USD 102)	3,089 (USD 102)	-	0.00%	-	-	-	(Note 1)

Note : 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 1: EVHOSA obtained the notice of the cancellation of its business registration from the government, and the related procedure has been completed.

(Continued)

(c) Information on investment in mainland China:

(i) The names of investees in mainland China, the main businesses and products, and other information

Units in Thousands

Name of investee	Main businesses and products	Total amount of paid-in capital USD	Total amount of paid-in capital NTD	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019 USD	Accumulated outflow of investment from Taiwan as of January 1, 2019 NTD	Investment flows Outflow	Investment flows Inflow	Accumulated outflow of investment from Taiwan as of December 31, 2019 USD	Accumulated outflow of investment from Taiwan as of December 31, 2019 TWD	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 2)	Book value	Accumulated remittance of earnings in current period USD	Accumulated remittance of earnings in current period TWD
ECIC	Selling chemical product and related raw materials	1,700 (Note 6)	50,966	(Note 1)	700	20,986			700	20,986	7,603	100.00%	7,603	132,922	2,961	88,771
ETGZ	Selling chemical product and related raw materials	700 (Note 4)	20,986	(Note 1)	200	5,996			200	5,996	3,950	100.00%	3,950	68,146	1,523	45,660
EVSZ	Manufacturing and selling color chemical, toners and electronic high tech chemical product	(Note 4) 20,000 (Note 4)	599,600	(Note 1)	18,600	557,628			18,600	557,628	(13,489)	100.00%	(13,489)	477,028	-	-
ANDA	Selling electronic high tech chemical product	1,200 (Note 4)	35,976	(Note 1)	650	19,487			650	19,487	(3,540)	56.25%	(1,991)	9,018	-	-
ADSH	Selling electronic high tech chemical product	157 (Note 5)	4,707	(Note 6)	-	-			-	-	(2,999)	56.25%	(1,687)	1,649	-	-
3ESZ	Manufacturing and selling chemical product and related raw materials	6,600 (Note 4)	197,868	(Note 1)	2,490	74,650			2,490	74,650	14,535	40.00%	5,814	50,291	-	-

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 (1:29.98). 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

(ii) Limitation on investment in mainland China:

Accumulated Investment in mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
762,601 (USD 25,437)	693,917 (USD 23,146)	4,693,884

As of December 31, 2019, 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, 2019, the information on direct or indirect significant transactions with investees in mainland China, is disclosed in Note (13)(a) Information on significant transactions.

(Continued)

(14) Segment information:

Please see the consolidated financial statements for the year ended December 31, 2019.

Everlight Chemical Industrial Corporation

Chairman Chen, Chien-Hsin

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