

Stock Code: 1709



和益化學工業股份有限公司  
FORMOSAN UNION CHEMICAL CORP.

## Annual Report 2020

**Notice to readers**

*This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.*

Printed on April 13, 2021  
The Annual Report is available at:  
<http://mops.twse.com.tw>  
<http://www.fucc.com.tw>

## **I.Spokesperson**

Name / Huang Junzhe

Title / Associate Manager

Tel /(02)2507-1234

E-mail /oakes@fucc.com.tw

## **Deputy Spokesperson**

Name / Lin Liren

Title / Financial manager

Tel /(02)2507-1234

E-mail /zen0895@fucc.com.tw

## **II.Headquarters, Branches and Plant**

Headquarters / 14F, No.206,Sec 2, Nanjing East Road,Taipei City

Tel /(02)2507-1234

Plant / No.9, Shi-Hua 3<sup>th</sup> Rd., LinYuan Dist., Kaohsiung City

Tel / (07)641-2921

## **III.Stock Transfer Agent**

Name / Stock Affairs Office of FUCC

Address / 14F, No.206,Sec 2, Nanjing East Road,Taipei City

Tel /(02)2507-1234 Ext. 150 、 153 、 119

## **IV. Auditors**

Deloitte & Touche (Taiwan)

Auditors / Chang, Jin-Ren 、 Hsu, Tin-Jen

Address / 20F, NO.100 Songren Road, Xinyi District, Taipei City, Taiwan (R.O.C)

Tel / (02) 2725-9988

Website / <https://www.deloitte.com.tw>

## **V. Overseas Securities Exchange** N/A

## **VI.Corporate Website** <http://www.fucc.com.tw>

# CONTENTS

I. Letter to Shareholders .....	1
II. Company Profile	
I. Date of Establishment .....	5
II. History .....	5
III. Report of Corporate Governance	
I. Organizational System .....	7
II. Information on the company's directors, supervisors, general manager, assistant general managers, deputy assistant general managers, and the supervisors of all the company's divisions and branch units .....	9
III. The state of the company's implementation of corporate governance.....	22
IV. Information on CPA professional fee.....	44
V. Replacement of CPA.....	44
VI. Information regarding the Chairman, General Manager, and Financial or Accounting Manager of the company who has worked with the CPA firm which conducts the Audit of the Company or an affiliate of said firm in the recent year .....	44
VII. Equity information in fiscal year 2019 and as of the publication date of the annual report .....	45
VIII. Top 10 shareholders and their relationships .....	47
IX. The number of shares held by the Company and Company Directors, Supervisor, managerial officers and the entities directly or indirectly controlled by the Company in a single company, and calculating the consolidated shareholding percentage of the above categories. ....	48
IV. Capital Overview	
I. Capital and shares .....	49
II. Composition of Shareholders .....	52
III. Distribution Profile of Share Ownership.....	52
IV. Major Shareholders (Top 10 shareholders or with Shareholdings greater than 5%)....	53
V. Market Price, Net Value, Earnings and Dividends per Common Share Latest two years.....	53
VI. The Company's Policies regarding Dividends and Implementation Status.....	54
VII. The impact of the proposal of issuance of bonus shares to be reviewed by the shareholders' meeting on the Company's business operating performance and EPS .....	55
VIII. Employees Wage and Remuneration of Directors and Supervisors.....	55
IX. Buy-back of Treasury Stock.....	56

X. Issuance of Corporate Bonds: None .....	57
XI. Issuance of Preferred Stock, Global Depositary Receipts, Employee Stock Options .....	57
XII. Issuance of New Shares in Connection with Mergers or Acquisitions or with Acquisitions of Shares of Other Companies. ....	57
XIII. Financing Plans and Implementation .....	57

## V. Operations Overview

I. Operation Summary .....	58
II. Overview of Markets, Production and Sales .....	65
III. Human Resources .....	72
IV. Environmental Protection Expenditure.....	73
V. Labor-Management Relations .....	78
VI. Important Contracts.....	80

## VI. Financial Information

I. Consolidated Balance Sheet and Income Statement for the Last Five Fiscal Years .....	81
II. Financial analysis for the last five years.....	85
III. Audit Committee's Report for the Most Recent Year .....	88
IV. The audited consolidated financial statements of 2020.....	89
V. The audited standalone financial statements of 2020 .....	188
VI. Financial difficulties encountered by the Company and/or its affiliates in the recent year and as of the publication date of the annual report, and its impact on the Company's financial status .....	276

## VII. Review and Analysis of Financial Status and Performance and Risk Management

I. Analysis of Financial Status .....	277
II. Analysis of Financial Performance.....	278
III. Analysis of Cash Flow .....	279
IV. The impact of major capital expenditures in the most recent fiscal year on financial operations .....	280
V. Reinvestment policies in the most recent fiscal year, the main reasons for the gains or losses, and the plans for improvement and investment plan for next fiscal year.....	280
VI. Analysis and Assessment of Risks .....	281
VII. Other major matters .....	283

## VIII. Special Disclosure

I. Affiliated Companies.....	284
II. Private placement of securities over past year and up to the date of publication of the annual report .....	288

III. Status of company stock held or disposed of by subsidiaries over past year and up to the date of publication of the annual report.....	288
IV. Other Supplementary Information .....	288
IX. Material Event Impact, pursuant to Article 36-3-2 of the Securities and Exchange Act, on Shareholders' Equity or Share Price from Last Year up to the Annual Report being Published.....	288

---

# **I. Letter to Shareholders**

---

**Dear Shareholders,**

The Company's consolidated revenue of FY2020 is NT\$8,481,829 thousand, which is a 3.58% decrease from NT\$8,797,162 thousand of FY 2019. The reason is mainly due to the decrease in crude oil prices of FY2020, which resulted in the average selling price of products being slightly lower than that in FY2019 and thereby led to a slight decrease in the total turnover. However, in terms of sales volume, due to increased market demand, the overall sales volume is higher than that in FY2019, and the annual profit is thereby increased.

The business performance of this fiscal year still depends on the subsequent development of the COVID-19 pandemic, and the impact of drastic fluctuations in crude oil prices and maritime freight on market demand. In order to reduce the risks caused by the above changes and developments, the Company will quickly respond to market changes, enhance the procurement of raw materials and production cost controls, and provide customer service to stabilize and ensure our share at the existing markets.

As for the performance of subsidiaries, the resin products of UPM provide a slight annual surplus due to the impact of the COVID-19 pandemic and high shipping costs in FY2020. The demand for relevant products has been recovered at the beginning of this fiscal year and UPM will continue to develop new application products and improve product quality. For Great Victory Chemical Industry (GVCI), a number of new products were launched last fiscal year, and revenue has increased significantly. In this fiscal year, the promotion of existing products encounters certain obstacles due to the drought. Therefore GVCI alternatively developed the business of microbial fertilizers and expanded overseas markets. HERSHEY Engineering Company, Ltd. increased its triangular trading business in the last fiscal year, and the overall turnover has increased considerably. HERSHEY in this fiscal year will continue to develop new product processing and trading projects. For FUSUGAR INDUSTRY CORP, in order to clear the excessive inventory of last fiscal year, it will enhance the sales, start to improve equipment, and increase utilization rate to reduce costs in FY2021. Due to the continuous recovery of the domestic demand market and the expansion of the export market, the nonyl phenol plant of Chang Chun Formosan Union Fine Chemical (Changshu) Co., Ltd. in Mainland China has been reaching stable profitability and the annual goal of turning losses into profits.

Last but not least, the Company will not achieve what it has achieved without the support from all and each of the shareholders. The management level and all of the staff of the Company will continue to dedicate to creating long-term and stable profits for our shareholders.

## 1. Business Performance Report for FY2020

### (1) Results

a. Total production volume is 217,340 metric tons

The total production volume of FY2020 reaches 217,340 metric tons, which is an increase of 6,830 metric tons or 3.24% from the 210,510 metric tons of FY2019.

b. Total sales volume is 255,888 metric tons

The total sales of FY2020 reach 255,888 metric tons, which is an increase of 40,724 metric tons or 18.93% from the 215,164 metric tons of FY2019.

c. Total income is NT\$8,563,632 thousand

(a) The operating income of FY2020 reaches NT\$8,481,829 thousand, which is a decrease of NT\$315,333 thousand or 3.58% from the NT\$8,797,162 thousand of FY2019.

(b) The total non-operating income of FY2020 is NT\$81,803 thousand.

d. Total expenditure is NT\$7,853,011 thousand

The operating expenditure of FY2020 is NT\$6,994,508 thousand, of which the operating expenditure accounts for NT\$781,300 thousand, and non-operating expenditure accounts for NT\$77,203 thousand.

e. Surplus

For FY2020, the pre-tax income is NT\$713,443 thousand, the income tax expense is NT\$173,783 thousand, and the net income is NT\$539,660 thousand (an increase of NT\$331,656 thousand or 159.45% of FY2019). The net profit margin of FY2020 is 6.36%.

### (2) Status of Implementation of Budgets in FY2020

Unit: NT\$1,000

Items	Achievement	Objective	Reaching Rate
Net Operating Revenue	8,481,829	8,343,924	101.65%
Operating Costs	6,991,686	6,989,335	100.03%
Gross Profit	1,490,143	1,354,589	110.01%
Operating Expense	781,300	754,290	103.58%
Operating Income	708,843	600,299	118.08%
Non-operating Income and Expense	4,600	(13,961)	(32.95%)
Pre-tax Income	713,443	586,338	121.68%

(3) Analysis of Financial Revenue and Expenditure, and Profitability of FY2019 and FY2020:

Unit: NT\$1,000

Items	FY2020	FY2019	Changes in Amount	Rate of Changes
Net Operating Revenue	8,481,829	8,797,162	(315,333)	(3.58%)
Pre-tax Income	713,443	297,702	415,741	139.65%
Profitability	8.41	3.38	5.03	148.82%

(4) Research and Development Status

- Technical development of di- and poly-alkylbenzenes.
- R&D of diversification of hydrogenated products.
- Technical development of derivatives related to surfactants.
- Technical development of adhesive-related raw materials.
- Technical development of high-value chemicals.
- Development of environmental rehabilitation agents.

## 2. Summary of Business Operation Plans for FY2021

(1) Business Operation Policies

- Prudentially implements various quality control and environmental safety policies to ensure product quality and the maintenance of industrial safety and environmental protection among the areas of the plants.
- Ensure the stable sources of supply of raw material and increase the utilization rate of production capacity to maximize the production efficiency of each plant and enhance the competitiveness of each product.
- Enhance the control and management of costs and expenses, improve operating performance, and establish a competitive advantage in the markets.
- Enhance the R&D of new applications of products for expansion to new markets and continuing the Company's long-term development.
- Enhance the recruitment and cultivation of talents to achieve the Company's goal of sustainable operation.
- Maintain stable quality to improve customer satisfaction (which is the ultimate goal of the Company).



(2) Business Operation Goals

Units	Annual Estimated Sales Volume
Alkylation Units	176,066MT
Hydrocarbon Resin Units	50,636MT
Other Units	21,604MT

Alkylbenzene will be produced at full capacity according to market demand.

The Company will dedicate to developing new markets for the products of alkyl phenol.

(3) Key Production and Sales Policies

- a. Enhance the R&D, process improvement, new applications of products, implement ISO-9001 quality management and ISO-14001 environmental protection maintenance to optimize production and sales.
- b. Implement comprehensive quality management, adopt customer demand-oriented marketing strategies to strengthen the partnership between upstream and downstream, and achieve the goal of equal sharing of profits.

### 3. Conclusions

The above reports are hereby attached for your reference.

We hereby wish you all the best!

Best regards,

Chairman: (Sealed)

General Manager: (Sealed)

Head of Accounting: (Sealed)

Handling Accountant: (Sealed)

---

## **II. Company Profile**

---

### **I. Date of Establishment**

June 21, 1973

### **II. History**

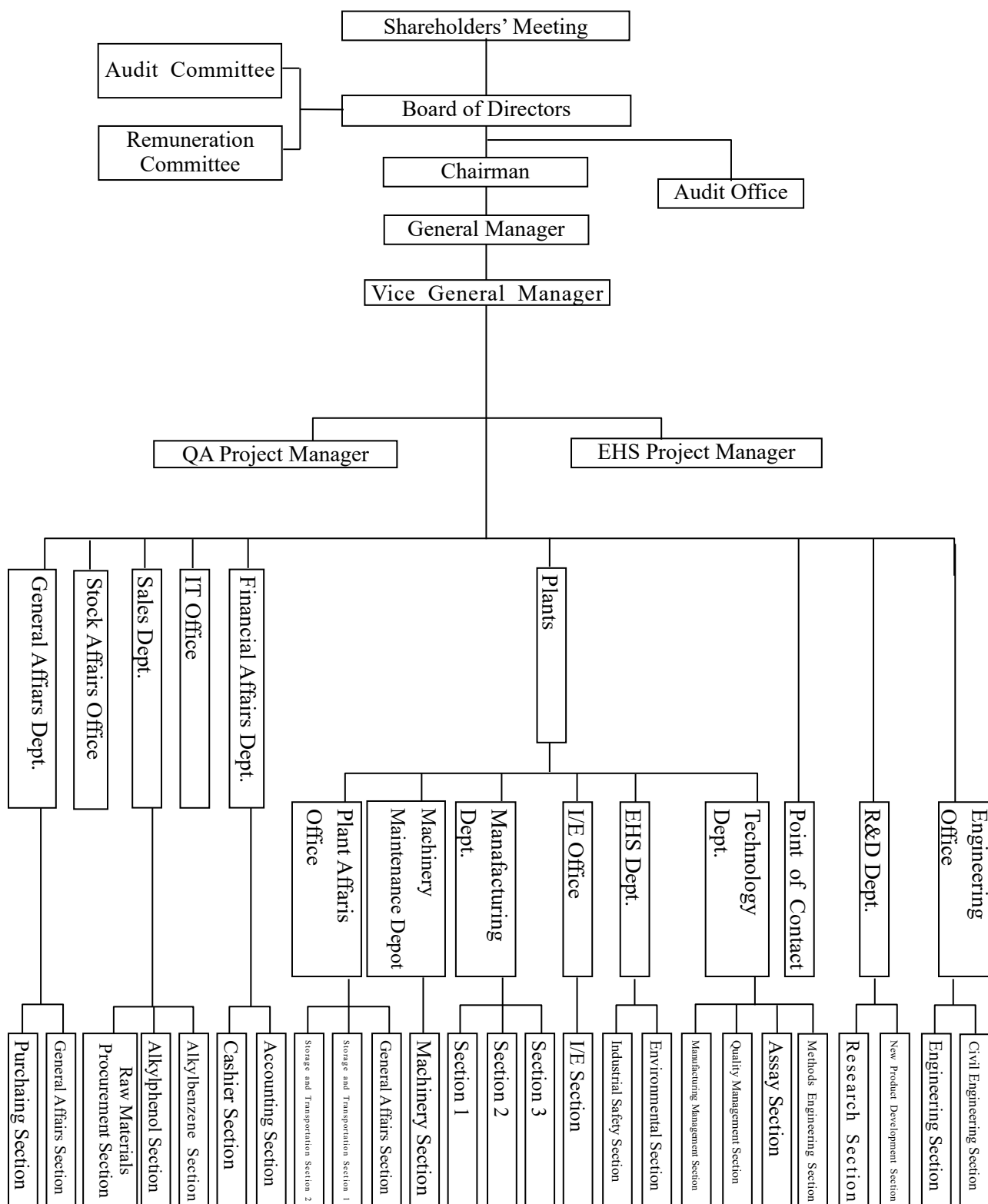
- Jun. 1973 The Company was established in Taipei City with a registered capital of NT\$50 million.
- Apr. 1977 The construction of a plant in Linyuan, Kaohsiung County was completed to produce alkylbenzene for detergents.
- Dec. 1980 The expansion of the second set of alkylation equipment was completed, which was able to reach an annual production of 90,000 metric tons of alkylbenzene.
- Nov. 1984 The Company became a public company under the permission of the competent authority.
- Jul. 1986 Official listing of the Company's stocks for exchange.
- Mar. 1991 The construction of plants for normal paraffin dehydrogenation and nonyl phenol was completed, with could reach an annual production of 30,100 metric tons of normal olefins and 10,000 metric tons of nonyl phenol.
- Aug. 1995 Received ISO-9002 quality certification
- Feb. 1999 The annual production volume of the nonyl phenol plant annual was expanded to 15,000 metric tons.
- Mar. 2000 Received ISO-14001 International Environmental Quality certification.
- Dec. 2000 The construction of new hydrogenation equipment was completed, which could reach an annual production of 7,000 metric tons of hydrogenated hydrocarbon resin.
- Jan. 2002 The annual production volume of the nonyl phenol plant was expanded to 20,000 metric tons.
- Dec. 2002 Received ISO-9001 quality certification.
- Oct. 2004 The annual production volume of the nonyl phenol plant was expanded to 25,000 metric tons.
- Dec. 2004 The replacement and renovation of alkylation equipment was completed, and the annual alkylbenzene production volume was increased to 105,000 metric tons.
- Nov. 2005 The expansion of the hydrogenated hydrocarbon resin plant was completed, which increased the annual production volume to 10,500 metric tons.

- Sep. 2007 The Pingnan Distillation Processing Plant of the Company's affiliate HERSHEY Engineering Company, Ltd. officially went into full operation.
- Feb. 2008 The Company acquired 67.34% of the stocks of GVCI by issuing new stocks of 23,939,245 shares to increase the capital, which resulted in 274,832,654 shares of total stocks issued.
- Sep. 2008 The expansion of the production line for alkylbenzene which could reach an annual production volume of 10,000 metric tons was completed, which resulted in the total annual production volume of alkylbenzene at 115,000 metric tons.  
The installation of new equipment for the purification of raw materials for hydrogenated hydrocarbon resin was completed.
- Nov. 2008 The Company further acquired 27.61% of the stocks of GVCI by issuing new stocks of 8,815,870 shares to increase the capital, which resulted in holding 94.95% of the stocks of GVCI and 301,799,175 shares of total stocks issued.
- Jun. 2010 Received OHSAS 18001 certification.
- Dec. 2010 The replacement and renovation of alkylation equipment was completed, and the annual alkylbenzene production volume was increased to 125,000 metric tons.
- May 2012 The expansion of the second set of hydrogenated hydrocarbon resin production lines was completed, and the total production capacity was increased to 21,000 metric tons.
- Jun. 2012 For the purpose of reorganization and division of labor to improve competitiveness and operating performance, the Company's business division of hydrogenated hydrocarbon resin was transferred to the Company's affiliate UPM, and UPM issued the stocks of 24,955,812 shares to the Company as the consideration.
- Aug. 2012 The Company's business division of hydrogenated hydrocarbon resin was officially transferred to UPM.
- Sep. 2012 The Company further acquired 1,000,000 shares of GVCI, which increased its shareholding from 94.95% to 100%.
- Jan. 2014 The Company was approved to issue the first domestic unsecured convertible bonds with a total amount of NT\$700 million, which were available for OTC trading on February 20, 2014.
- May 2016 The debottlenecking project for the Company's hydrogenated hydrocarbon resin was completed, which increased the annual production volume to 24,000 metric tons.
- Apr. 2018 The nonylphenol plant located in Jiangsu Province of China, whose stocks are equally held by the Company and Chang Chun Group, went put into full operation with an annual production volume of 40,000 metric tons.

# III. Report of Corporate Governance

## I. Organization System

### (1) Corporate Organization



## (2) Responsibilities of Each Unit

Unit	Responsibilities
Audit Office	Inspect and confirm the establishment of the internal audit system, implement review, and oversee the implementation by each unit.
Sales Dept.	Raw materials procurement, product development, and market research.
Financial Affairs Dept.	Financial management and analysis, application of funds, and processing of accounting and taxation.
General Affairs Dept.	Investment planning, material procurement, and related tasks regarding general affairs.
R&D Dept.	R&D for new products and quality improvement.
Manufacturing Dept.	Arrange the production plans and the production management for each plant.
Technology Dept.	Product quality assurance and improvement of existing manufacturing processes.
EHS Dept.	Plan and supervise the promotion and implementation of industrial safety and health design and environmental protection business.
I/E Office	Management of instruments and equipment.
Machinery Maintenance Depot	Installation and maintenance of all mechanical equipment in the plants.
Plant Affairs Office	Procurement, storage and transportation, warehouse operations, management, and building maintenance for the plants.
Engineering Office	Quality supervision of design, outsourcing, and installation of engineering.
Point of Contact	The liaison, communication, and coordination of plant affairs among units.
IT Office	Planning, programming, and information management of the computer operating system.
Stock Affairs Office	Preparation meetings for the boards of shareholders and directors, and the related tasks of stock affairs.

## 2. Information on the company directors, supervisors, president, vice presidents, assistant vice presidents, and heads of all company divisions and branch units:

### (1) Board Members

#### 1-1.Information Regarding Board Members

Book closure date::April 13, 2021

Job Title	Nationality or Record of Birth	Name	Gender	Date of Assignment	Term (years)	Date of First Assignment	Shares held when appointed		Shares held currently		Shares held by spouses and minor children		Shares held in another person's name		Significant Experience & Education	Concurrently Serving Position	Executives or Directors who are spouses or within two degrees of kinship			Note
							Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%			Title	Name	Relation	
Chairman	R.O.C.	Shin Shing Chemical Corp.	-	June 11, 2020	3	Dec.21,1973	17,775,500	3.73	18,000,000	3.77	0	0	0	0	N/A	N/A	N/A	N/A	N/A	
Juridical person director representative	R.O.C.	Huang, Sheng-Cai	Male	June 11, 2020	3	Jun. 13,2008	821,750	0.17	821,750	0.17	79,800	0.02	2,897,000	0.61	Hosei University Japan	Chairman / Hsin-Chung Sportware Corp.	Vice Chairman	Huang, Sheng-Shun	brothers	
																	Director	Huang, De-Lun	Father and son	
Deputy Chairman	R.O.C.	Huang, Sheng-Shun	Male	June 11, 2020	3	Jun. 24,1987	1,332,982	0.28	1,332,982	0.28	973,822	0.20	0	0	Law Department / National Taiwan University	Chairman / TaYang Silicone Corp.	Chairman	Huang, Sheng-Cai	brothers	
Director	R.O.C.	Hemao Venture Investment Co., Ltd.	-	June 11, 2020	3	Jun.16,2017	9,857	0.00	9,857	0.00	0	0	0	0	N/A	N/A	N/A	N/A	N/A	
Juridical person director representative	R.O.C.	Jiang, Yun-xue	Female	June 11, 2020	3	Jun.16,2017	0	0	0	0	0	0	0	0	International Trade Division / Ming Chuan Business School	Supervisor / Hemao Venture Capital Corp.	N/A	N/A	N/A	1.
Juridical person director representative	R.O.C.	Zheng,Ren-Bin	Male	June 11, 2020	3	Jun.16,2017	0	0	0	0	0	0	0	0	Law Department / National Taiwan University	Chief Legal Officer / Ho Tung Chemical Corp.	N/A	N/A	N/A	1.
Director	R.O.C.	Huang, De-Lun	Male	June 11, 2020	3	Jun.16,2017	590,200	0.12	590,200	0.12	85,186	0.02	0	0	National Dong Hwa University	Director / United Performance Materials Corp.	Chairman	Huang, Sheng-Cai	Father and son	
Director	R.O.C.	Ever-Prosperous Multitechnologies Enterprise Ltd.	-	June 11, 2020	3	Jun.22,1990	3,606,091	0.76	3,606,091	0.76	0	0	0	0	N/A	N/A	N/A	N/A	N/A	
Juridical person director representative	R.O.C.	Ke, Chang-Ci	Male	June 11, 2020	3	Jun.22,1990	9,102	0.00	9,102	0.00	0	0	0	0	Master / Business Administration, / National Chengchi University	Chairman /Taiwan Biotech Co., Ltd.	N/A	N/A	N/A	
Director	R.O.C.	Sin Chang Construction Corp.	-	June 11, 2020	3	Jun.16,2017	1,836,622	0.39	1,836,622	0.39	0	0	0	0	N/A	N/A	N/A	N/A	N/A	
Director	R.O.C.	Guo, Jhih-Cyun	Male	June 11, 2020	3	Jun.08,1993	1,720,412	0.36	1,720,412	0.36	978,398	0.21	0	0	Department / Civil Engineering/ Tamkang University	Chairman / Sin Chang Construction Corp.	N/A	N/A	N/A	
Director	R.O.C.	Lian, De-Shih	Male	June 11, 2020	3	Jun.10,2011	123,908	0.03	123,908	0.03	0	0	0	0	World Journalism College	Chairman / Xinhsin Construction Corp.	N/A	N/A	N/A	

Job Title	Nationality or Record of Birth	Name	Gender	Date of Assignment	Term (years)	Date of First Assignment	Shares held when appointed		Shares held currently		Shares held by spouses and minor children		Shares held in another person's name		Significant Experience & Education	Concurrently Serving Position	Executives or Directors who are spouses or within two degrees of kinship			Note
							Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%			Title	Name	Relation	
Director	R.O.C.	Chi-Tong Investment Co., Ltd.	-	June 11, 2020	3	Jun. 17,2014	28,314,750	5.94	28,314,750	5.94	0	0	0	0	N/A	N/A	N/A	N/A	N/A	
Juridical person director representative	R.O.C.	Huang, Cheng-Fong	Male	June 11, 2020	3	Jun. 17,2014	44,488	0.01	44,488	0.01	0	0	0	0	Law Department / Fu Jen Catholic University	Chairman / True Investment Corp.	N/A	N/A	N/A	
Director	R.O.C.	Liao, Jia-Guo	Male	June 11, 2020	3	Jun. 17,2014	338,677	0.07	333,851	0.07	267	0.00	0	0	Department of Physics / Chenggong University	Chairman / United Performance Materials Corp	N/A	N/A	N/A	
Director	R.O.C.	Lion Home Products (Taiwan) Co., Ltd.	-	June 11, 2020	3	Jun.16,2017	11,571,347	2.43	11,571,347	2.43	0	0	0	0	N/A	N/A	N/A	N/A	N/A	
Juridical person director representative	R.O.C.	He, Hao	Male	June 11, 2020	3	Jun.16,2017	0	0	0	0	0	0	0	0	Chinese Culture University	Consultant / Lion Home Products (Taiwan) Co., Ltd.	N/A	N/A	N/A	
Director	R.O.C.	Guo, Jhen-Jhih	Female	June 11, 2020	3	Jun. 13,1996	3,111,104	0.65	3,111,104	0.65	0	0	0	0	Master's degree University of California, Los Angeles	N/A	N/A	N/A	N/A	
Director	R.O.C.	Shi, Jia-An	Male	June 11, 2020	3	Jun. 13,2008	493,941	0.10	486,904	0.10	134,957	0.03	0	0	National Taiwan Sports Institute	Director / Men Hsing Textile Co., LTD.	N/A	N/A	N/A	
Director	R.O.C.	Guo, Jhih-Mao	Male	June 11, 2020	3	Jun.22, 1990	1,211,808	0.25	1,211,808	0.25	361,614	0.08	0	0	World Journalism College	N/A	N/A	N/A	N/A	
Director	R.O.C.	Chen, De-Fong	Male	June 11, 2020	3	Jun.08,1993	2,330,023	0.49	2,330,023	0.49	244,798	0.05	0	0	Department of Chemistry / Zhongyuan University of Technology	Chairman / Jingxuan Investment Corp.	N/A	N/A	N/A	
Director	R.O.C.	Formosa Chemicals & Fiber Corp.	-	June 11, 2020	3	Dec.21,1973	14,723,422	3.09	14,723,422	3.09	0	0	0	0	N/A	N/A	N/A	N/A	N/A	
Juridical person director representative	R.O.C.	Yang, Kun-Lie	Male	June 11, 2020	3	Jun. 14,2002	0	0	0	0	0	0	0	0	University	President / Formosa Biomedical Technology Corp.	N/A	N/A	N/A	

Job Title	Nationality or Record of Birth	Name	Gender	Date of Assignment	Term (years)	Date of First Assignment	Shares held when appointed		Shares held currently		Shares held by spouses and minor children		Shares held in another person's name		Significant Experience & Education	Concurrently Serving Position	Executives or Directors who are spouses or within two degrees of kinship			Note
							Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%			Title	Name	Relation	
Independent Director	R.O.C.	Liao,Song-Yue	Male	June 11, 2020	3	Jun.16,2017	0	0	0	0	0	0	0	0	Hosei University Japan	Chairman / COTA Bank Corp.	N/A	N/A	N/A	
Independent Director	R.O.C.	Lin, Lai-Di	Female	June 11, 2020	3	Jun.16,2017	0	0	0	0	0	0	0	0	Department of Agricultural Chemistry / National Taiwan University	President / Taiwan Industrial Services Foundation	N/A	N/A	N/A	
Independent Director	R.O.C.	Chen, Hong-Wen	Male	June 11, 2020	3	Jun.16,2017	256,500	0.05	256,500	0.05	98,574	0.02	0	0	Department of Mass Communication/ Fu Jen Catholic University	Chairman / Core Rock Co., Ltd.	N/A	N/A	N/A	
Independent Director	R.O.C.	Zhuo, Xun-Rong	Male	June 11, 2020	3	Jun.16,2017	0	0	0	0	0	0	0	0	PhD / Fayani University, Pennsylvania, USA	N/A	N/A	N/A	N/A	

Note : 1. The representative of Hemao Venture Investment Co., Ltd. was originally Jiang Yunxue, it was changed to Mr. Zheng Renbin on Oct. 05,2020.



## 1-2 Expertise and independence of directors and supervisor

Book closure date::April 13, 2021

Requirements		Over five years of experience and the following professional qualifications			Independence criteria (Note 2)												Concurrently serving as an Independent Director of another listed company
		University teaching in areas of commerce, law, finance, accounting or related corporate business	Working as a judge, attorney, lawyer, accountant or other positions that require professional certification	Work experience in commerce, law, finance, accounting or related corporate activities	1	2	3	4	5	6	7	8	9	10	11	12	
Chairman	Huang, Sheng-Cai			✓	✓		✓			✓	✓	✓	✓		✓		-
Vice Chairman	Huang, Sheng-Shun			✓	✓		✓		✓	✓	✓	✓	✓		✓	✓	-
Director	Jiang Yun-xue			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓		-
Director	Zheng, Ren-Bin		✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓		-
Director	Huang, De-Lun			✓	✓		✓		✓	✓	✓	✓	✓		✓	✓	-
Director	Ke, Chang-Ci		✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓		-
Director	Guo, Jih-Cyun			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓		-
Director	Huang, Cheng-Fong		✓	✓	✓		✓			✓	✓	✓	✓		✓		-
Director	Lian, De-Shih			✓	✓				✓	✓	✓	✓	✓	✓	✓		-
Director	Liao, Jia-Guo			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Director	He, Hao			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓		-
Director	Guo, Jhen-Jih			✓	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Director	Shi, Jia-An			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Director	Guo, Jih-Mao			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Director	Chen, De-Fong			✓	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Director	Yang, Kun-Lie			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓		-
Independent Director	Liao, Song-Yue			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Independent Director	Lin, Lai-Di			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Independent Director	Chen, Hong-Wen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-
Independent Director	Zhuo, Xun-Rong	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-

Note 1: The number of columns is adjusted depending on the actual needs.

Note 2: If the respective director or Independent director meets any of the following conditions within 2 years prior to his/her service and during the service period, please put a check mark ("✓") in the blank space under the code representing the respective condition.

- (1) Not employed by the Company or any of the Company's affiliates.
- (2) Not a Director of the Company or any of the Company's affiliates (this restriction does not apply to Independent Directors of the Company, its parent company, or its subsidiaries).
- (3) Not holding over 1% of company shares or being a top 10 natural person shareholder in one's own name, held by a spouse or underage child, or held by nominee agreement.
- (4) Not a spouse, kin at the second pillar under the Civil Code, or a lineal blood relative within the third pillar under the Civil Code as specified in (1) through (3).
- (5) Not a Director, Supervisor or employee of a corporate shareholder who holds more than 5% of the outstanding shares issued by the Company, or a Director, Supervisor or employee of a corporate shareholder who is among the top 5 shareholders according to item 1 or item 2 of article 27 of the Company Law (this restriction does not apply to Independent Directors of the Company, its parent company, or its subsidiaries).
- (6) Not a Director, Supervisor or employee of a corporate shareholder who holds the majority of the Board or voting rights (this restriction does not apply to Independent Directors of the Company, its parent company, or its subsidiaries).
- (7) Not Chairman, President or equivalent post of the company who himself/herself or spouse holds position as Director, Supervisor or employee of another company or organization (this restriction does not apply to Independent Directors of the Company, its parent company, or its subsidiaries).
- (8) Not a Director, Supervisor, manager or shareholder holding more than 5% of the outstanding shares of specific company or institution in business or financial relationship with the Company (this restriction does not apply to Independent Directors of the specific company or organization which holds more than 20% and not exceeding 50% outstanding shares of the Company, its parent company, or its subsidiaries).
- (9) Not a professional, owner, partner, Director, Supervisor, manager of proprietorship, partnership, company or institution that provides business, legal, financial and accounting services to the Company or a spouse to the aforementioned persons rewarded remuneration not exceeding NTD 500,000 within last two years. Notwithstanding, this shall not apply to the Remuneration Committee members, or members of special committee of public company for merger/consolidation and acquisition who perform their duties in accordance with the Securities Exchange Act and Business Mergers and Acquisitions Act.
- (10) Not a spouse of or kin at the second pillar under the Civil Code to any other Director.
- (11) Not under any of the categories stated in Article 30 of the Company Law.
- (12) No government apparatus agency, juristic person or its representative is elected under Article 27 of the Company Law.

### 1-3 Major Shareholders of Institutional Shareholders

Book closure date::April 13, 2021

Names of Institutional Shareholders	Major Stockholders of Institutional Shareholders
Shin Shing Chemical Corp.	Huang, Zi-lun 10.03%、Huang, Sheng-jian 5.03%、Chen, Shu-qing 4.97%、Wasion Investment Corp. 4.60%、Yihua Co., Ltd. 3.90%、Deyuan Industrial Corp.3.59%、Huang Jia Buyer Co., Ltd.3.59%、Given Investment Co., Ltd. 3.46%、Huang, De-Lun3.32%、Huang, Cheng-Fong3.13%
Hemao Venture Investment Co., Ltd.	Ho Tung Chemical Corp.100%
Ever-Prosperous Multitechnologies Enterprise Co., Ltd. (Note 1)	KeSu,yang-ci 1.21%、Ke, Chang-hui 23.79%、Ke Jun-hui 26.21%、Ke Yan-hui 32.66%
Sin Chang Construction Corp. (Note 1)	Guo, Jhih-Cyun9.45%、Guo, Jian-wen 9.20%、Tsai Huizhu 5.51%、Han, De-Ti 5.76%。
Chi-Tong Investment Co., Ltd.	Huang, Sheng-Cai 16.67%、Huang, Sheng-Shun 16.67%、Huang, Sheng-jian 9.61%、Cao, Zhao-yi 9.61%、Huang, Li-li 9.11%、Huang, Ying-lin 9.11%、Hong, Rui-bai 6.17%、Hong, Qi-fu 4.76%、Zhang, Mei-feng 4.17%、Tong, Mei-zhen 4.17%
Lion Home Products (Taiwan) Co., Ltd.	Lion Corporation 100%
Formosa Chemicals & Fiber Corp. (Note 2)	William Wang 2.20%、Wilfred Wang 0.29%、Nan Ya Plastics Corporation 2.40%、Formosa Petrochemical Corporation 0.83%

### 1- 4 Major shareholder of the major institutional shareholders

Book closure date::April 13, 2021

Names of Institutional Shareholders	Major Shareholders of Institutional Shareholders
Ho Tung Chemical Corporation. (Note 2)	Hang Yi Investment Co. Ltd. 10.00%、Chen Yuanhe Cultural and Educational Foundation 0.01%
Nan Ya Plastics Corporation (Note 2)	William Wang 0.48%、Wilfred Wang 2.26%、Wang, Rui-yu 0.24%、Lee, Shen-yi 5.21%、Jien Ri-chun 9.88%、Wang,Kuei-Yung 0.14%、Zhang Qing-zheng 0.04%
Formosa Petrochemical Corporation (Note 2)	Chen Bao-lang 28.56%、William Wang 24.15%、Susan Wang 28.56%、Wilfred Wang 23.11%、Cao Ming 23.11%
Wasion Investment Corp.	Tong Mei-zhen 40%、Tong Huang li 20%
Yihua Co., Ltd.	Lien, Shen-Shi 30.14%、Lien Xu, Yue-hua 19.18%、Peng Yi-ping 30.82%
Deyuan Industrial Corp.	Huang, Sheng-De 16.00%、Huang Lin Xue-yun 16.00%、Huang Zhen-jin 8.00%、Huang Fang-fen 8.00%、Huang Zhen-zheng 8.00%、Huang Zhen-bin 8.00%、Chen Ling-fen 6.00%、Wu Wen-hui 6.00%、Ye Min-hua 6.00%、Huang Bai-sen 2.00%
Huang Jia Buyer Co., Ltd.	Huang Zi-lun 96.61%、Chen Shu-qing 3.39%。
Given Investment Co., Ltd.	Lien Zheng-wei 62.50%。

Note 1:Ever-Prosperous Multitechnologies Enterprise Co., Ltd. and Sin Chang Construction Corp. did not provide the relevant information of major shareholders. The above information is the information of the company's self-inquiry on the information on the Industrial and Commercial Registration Publicity Information Website of the Commercial Department of the Ministry of Economic Affairs.

Note 2: Listed companies such as Formosa Chemicals & Fiber Corp., Ho Tung Chemical Corporation., Nan Ya Plastics Corporation and Formosa Petrochemical Corporation are unable to provide relevant information about their major shareholders because they have not yet closed the transfer. The above information is the company inquire from Business Registration Publicity Information Website of the Commercial Department of the Ministry of Economic Affairs.

(2) Information on General Manager, Deputy General, Associate Manager and heads of all the Company divisions

Book closure date::April 13, 2021

Job title	Nationality or Record of Birth	Name	Gender	Elected (inauguration) Date	Shares		Shareholding of spouse and underage children		Shareholdings in the names of others		Work experience (academic degree)	Position(s) held concurrently in the Company and / or in any other company	Managers who are Spouses or Within Two Degrees of Kinship			Remarks
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
General Manager	R.O.C.	Lin, Chun-cheng	Male	Aug.01, 2017	169,326	0.04	590	0	0	0	Chinese Culture University	Chairman/ Fusugar Industry Corp.	N/A	N/A	N/A	N/A
Deputy General Manager	R.O.C	Hsu, Li-hui	Female	Mar. 22, 2019	103,029	0.02	21,854	0	0	0	National Taipei College of Commerce	Supervisor/ Hershey Environmental Technology Co., Ltd.	N/A	N/A	N/A	N/A
Deputy General Manager	R.O.C	Tseng, Zhi-jing	Male	Sep. 01, 2020	12,634	0	20,000	0	0	0	Institute of Chemistry, Cheng Kong University	N/A	N/A	N/A	N/A	N/A
Deputy General Manager	R.O.C	Lin, Yi-feng	Male	Jan 01, 2021	377	0	0	0	0	0	Department of Chemical Engineering, Tamkang University	N/A	N/A	N/A	N/A	N/A
Audit Office / Associate Manager	R.O.C	Tseng, Xiao-qian	Female	Jan 01, 2019	226,814	0.05	0	0	0	0	Science and Technology Law Institute/ Jiaotong University	Supervisor/ Fusugar Industry Corp.	N/A	N/A	N/A	N/A
Factory/ Associate Manager	R.O.C	Chen, Chang-hong	Male	Aug 01, 2014	120,623	0.03	0	0	0	0	Institute of Chemical Engineering/Central University	N/A	N/A	N/A	N/A	N/A
Factory/ Associate Manager	R.O.C	Tsai, Jian-xun	Male	Jan.01, 2021	2,744	0	10,350	0	0	0	Institute of Chemistry / Sun Yat-sen University	N/A	N/A	N/A	N/A	N/A
Business Unit / Associate Manager	R.O.C	Huang, Pin-xian	Male	Jan.01, 2021	9,728	0	1,000	0	0	0	Institute of International Business / Asia University	N/A	N/A	N/A	N/A	N/A
General Affairs Department / Associate Manager	R.O.C	Chen, Jian-nan	Male	Jan.01, 2021	9,243	0	0	0	0	0	Department of Business Management / Cheng Kong University	N/A	N/A	N/A	N/A	N/A
Stock Office / Associate Manager	R.O.C	Huang, Jun-zhe	Male	Jan.01, 2021	33,144	0.01	19,889	0	0	0	Department of Land Administration / Chung Hsing University	N/A	N/A	N/A	N/A	N/A
Collecting Materials / Associate Manager	R.O.C	Lee, Hong-de	Male	Jan.01, 2021	0	0	5,000	0	0	0	Computer Science / West Coast University	N/A	N/A	N/A	N/A	N/A
Accounting / Associate Manager	R.O.C	Chen, Wei-cun	Male	Jan.01, 2021	31	0	0	0	0	0	Department of Accounting / Tamkang University	N/A	N/A	N/A	N/A	N/A
Accounting Supervisor	R.O.C	Chen, Wei-cun	Male	Aug.01, 2017	31	0	0	0	0	0	Department of Accounting / Tamkang University	N/A	N/A	N/A	N/A	N/A
Financial Supervisor	R.O.C	Lin, Li-ren	Male	Aug 01, 2017	5,800	0	0	0	0	0	Department of Accounting / Tamkang University	N/A	N/A	N/A	N/A	N/A

### 3. Remuneration paid to Directors, Supervisor, General Manager, Deputy General Manager in the most recent year

#### 1. Remuneration of Directors (Independent Directors included)

(The name of directors should be disclosed in accordance with the respective remuneration bracket)

Unit : NTD thousands

Job title	Name	Remuneration of Director						The sum of A, B, C and D in proportion to Earnings (Note 10)		Remuneration in the capacity as employee						The sum of A, B, C, D, E, F and G to Earnings (Note 10)		Whether remuneration from any reinvestees other than subsidiaries is received? (J) (Note 11)				
		Remuneration (A) (Note 2)		Pension (B)		Retained Earnings Distribution (C) (Note 3)				Professional practice (D) (Note 4)		Salaries, bonus and special subsidies (E) (Note 5)		Pension (F)					Employee bonus from earnings (G) (Note 6)			
		the Company	Companies included in the financial statement(Note 7)	the Company	Companies included in the financial statement(Note 7)	the Company	Companies included in the financial statement(Note 7)	the Company	Companies included in the financial statement(Note 7)	the Company	Companies included in the financial statement(Note 7)	the Company	Companies included in the financial statement(Note 7)	Cash dividend	Stock dividend	Cash dividend	Stock dividend		the Company	Companies included in the financial statement (Note 7)		
Chairman	Huang, Sheng-Cai	—	—	—	—	18,479,319	18,479,319	3,780,000	3,780,000	4.01%	4.01%	10,581,842	15,243,917	—	—	—	—	25,800	—	5.92%	6.76%	N/A
Director	Huang, Sheng-Shun																					
Director	Guo, Jhen-Jhih																					
Director	Lion Home Products (Taiwan) Co., Ltd. Representative / He, Hao																					
Director	Chen, De-Fong																					
Director	Shi, Jia-An																					
Director	Guo, Jhih-Mao																					
Director	Liao, Jia-Guo																					
Director	Lian, De-Shih																					
Director	Huang, De-Lun																					
Director	Formosa Chemicals & Fiber Corp Representative / Yang, Kun-Lie																					
Director	Sin Chang Construction Corp. Representative / Guo, Jhih-Cyun																					
Director	Chi-Tong Investment Co., Ltd Representative / Huang, Cheng-Fong																					
Director	Ever-Prosperous Multitechnologies Enterprise Ltd. Representative / Ke, Chang-Ci																					
Director	Hemao Venture Investment Co., Ltd. Representative / Zheng, Ren-Bin																					
Independent Director	Liao, Song-Yue																					

Job title	Name	Remuneration of Director						The sum of A, B, C and D in proportion to Earnings (Note 10)		Remuneration in the capacity as employee						The sum of A, B, C, D, E, F and G to Earnings (Note 10)		Whether remuneration from any reinvestees other than subsidiaries is received? (J) (Note 11)
		Remuneration (A) (Note 2)		Pension (B)		Retained Earnings Distribution (C) (Note 3)				Professional practice (D) (Note 4)		Salaries, bonus and special subsidies (E) (Note 5)		Pension (F)				
		the Company	Companies included in the financial statement(Note 7)	the Company	Companies included in the financial statement(Note 7)	the Company	Companies included in the financial statement(Note 7)	the Company	Companies included in the financial statement(Note 7)	the Company	Companies included in the financial statement(Note 7)	the Company	Companies included in the financial statement(Note 7)	the Company		Companies included in the financial statement (Note 7)		
														Cash dividend	Stock dividend		Cash dividend	
Independent Director	Lin, Lai-Di																	
Independent Director	Chen, Hong-Wen																	
Independent Director	Zhuo, Xun-Rong																	

## Breakdown of remuneration

Breakdown of remuneration of Directors	Name of Director			
	Total (A+B+C+D)		Total (A+B+C+D)	
	the Company (Note 8)	Companies included in the financial statement H (Note 9)	the Company (Note 8)	All investees I (Note 9)
Less than NT\$1,000,000	—	—	—	—
NT\$1,000,000 (inclusive)~NT\$2,000,000	Huang, Sheng-Shun	Huang, Sheng-Shun	Huang, Sheng-Shun	Huang, Sheng-Shun
	Guo, Jhen-Jhih	Guo, Jhen-Jhih	Guo, Jhen-Jhih	Guo, Jhen-Jhih
	Lion Home Products (Taiwan) Co., Ltd. Representative / He, Hao	Lion Home Products (Taiwan) Co., Ltd. Representative / He, Hao	Lion Home Products (Taiwan) Co., Ltd. Representative / He, Hao	Lion Home Products (Taiwan) Co., Ltd. Representative / He, Hao
	Chen, De-Fong	Chen, De-Fong	Chen, De-Fong	Chen, De-Fong
	Shi, Jia-An	Shi, Jia-An	Shi, Jia-An	Shi, Jia-An
	Guo, Jhih-Mao	Guo, Jhih-Mao	Guo, Jhih-Mao	Guo, Jhih-Mao
	Liao, Jia-Guo	Liao, Jia-Guo	Liao, Jia-Guo	—
	Lian, De-Shih	Lian, De-Shih	Lian, De-Shih	Lian, De-Shih
	Huang, De-Lun	Huang, De-Lun	Huang, De-Lun	Huang, De-Lun
	Formosa Chemicals & Fiber Corp. Representative / Yang, Kun-Lie	Formosa Chemicals & Fiber Corp. Representative / Yang, Kun-Lie	Formosa Chemicals & Fiber Corp. Representative / Yang, Kun-Lie	Formosa Chemicals & Fiber Corp. Representative / Yang, Kun-Lie
	Sin Chang Construction Corp. Representative / Guo, Jhih-Cyun	Sin Chang Construction Corp. Representative / Guo, Jhih-Cyun	Sin Chang Construction Corp. Representative / Guo, Jhih-Cyun	Sin Chang Construction Corp. Representative / Guo, Jhih-Cyun
	Chi-Tong Investment Co., Ltd. Representative / Huang, Cheng-Fong	Chi-Tong Investment Co., Ltd. Representative / Huang, Cheng-Fong	Chi-Tong Investment Co., Ltd. 代表人 Huang, Cheng-Fong	Chi-Tong Investment Co., Ltd. Representative / Huang, Cheng-Fong
	Ever-Prosperous Multitechnologies Enterprise Ltd Representative / Ke, Chang-Ci	Ever-Prosperous Multitechnologies Enterprise Ltd Representative / Ke, Chang-Ci	Ever-Prosperous Multitechnologies Enterprise Ltd Representative / Ke, Chang-Ci	Ever-Prosperous Multitechnologies Enterprise Ltd Representative / Ke, Chang-Ci
	Hemao Venture Investment Co., Ltd. Representative / Zheng, Ren-Bin	Hemao Venture Investment Co., Ltd. Representative / Zheng, Ren-Bin	Hemao Venture Investment Co., Ltd. Representative / Zheng, Ren-Bin	Hemao Venture Investment Co., Ltd. Representative / Zheng, Ren-Bin
	Liao, Song-Yue	Liao, Song-Yue	Liao, Song-Yue	Liao, Song-Yue
	Lin, Lai-Di	Lin, Lai-Di	Lin, Lai-Di	Lin, Lai-Di
	Chen, Hong-Wen	Chen, Hong-Wen	Chen, Hong-Wen	Chen, Hong-Wen
	Zhuo, Xun-Rong	Zhuo, Xun-Rong	Zhuo, Xun-Rong	Zhuo, Xun-Rong
NT\$2,000,000 (inclusive)~NT\$3,500,000	—	—	—	—
NT\$3,500,000 (inclusive)~NT\$5,000,000	Huang, Sheng-Cai	Huang, Sheng-Cai	—	—
NT\$5,000,000 (inclusive)~NT\$10,000,000	—	—	—	Liao, Jia-Guo
NT\$10,000,000 (inclusive)~NT\$15,000,000	—	—	Huang, Sheng-Cai	Huang, Sheng-Cai
NT\$10,000,000 (inclusive)~NT\$15,000,000	—	—	—	—
NT\$15,000,000 (inclusive)~NT\$30,000,000	—	—	—	—
NT\$30,000,000 (inclusive)~NT\$50,000,000	—	—	—	—
NT\$50,000,000 (inclusive)~NT\$100,000,000	—	—	—	—
NT\$100,000,000 above	—	—	—	—
Total	19	19	19	19

Note 1: Names of directors should be separately disclosed (Institutional shareholders should disclose the names of the institutional shareholders and representatives separately). The amount of remuneration should be disclosed in summary. If a director concurrently serves as the President or Senior Vice President, this Form and Form (3-1) or (3-2) must be filled out.

Note 2: It refers to the directors' compensation received for the recent year (including salaries of the directors, special responsibility allowance, severance pay, various bonuses, incentives, etc.).

Note 3: It refers to the remuneration of directors to be distributed in accordance with the proposal for distributing the recent year's earnings adopted at a meeting of board of directors and such proposal has not yet been submitted to the Shareholders' Meeting for approval.

Note 4: It refers to the relevant expenses for business operations paid to directors for the recent year (including transportation allowance, special allowance, various allowances and the provision of dormitory and vehicle, etc.). When a car, house and other transportation or personal expense are provided, the nature and cost of the assets provided, the actual or estimated rental expense based on a fair market price, gas expense, and other payments should be disclosed. Further, if a chauffeur is assigned, please also disclose the relevant compensation paid to such chauffeur in the Note. However, such amount shall not be included in the remuneration.

Note 5: It refers to the salaries, special responsibility allowance, severance pay, various bonuses, incentives, transportation allowance, special allowance, and the provision of dormitory and vehicle received by the director(s) who concurrently serve(s) as employee(s) (including President, Senior Vice President, and other managerial officers and employees) in the recent year. When a house, car, and other transportation or personal expense are provided, the nature and cost of the assets provided, the actual or estimated rental expense based on a fair market price, gas expense, and other payments should be disclosed. Further, if a chauffeur is assigned, please also describe the relevant compensation paid to such chauffeur in the Note. However, such amount shall not be included in the remuneration. In addition, the salary expense recognized in accordance with IFRS 2 "Share-based payment" includes the acquisition of employee stock warrant, employee restricted stock, and subscription of new shares from cash capitalization.

Note 6: It refers to the employee remuneration (including stock and cash) received by the directors who concurrently serve(s) as employee(s) (including concurrent President, Senior Vice President, and other managerial officers and employees) in the recent year. It is required to disclose the amount of employee remuneration to be distributed in accordance with the proposal for distributing the recent year's earnings adopted at a meeting of board of directors and such proposal has not been submitted to the Shareholders' Meeting for approval. If such amount is unable to be estimated, the amount can be determined in accordance with the actual distribution ratio for last year. Form 1-3 shall be filled out as well. For a company listed on the stock exchange or an OTC market, the stock remuneration shall be measured at fair value (i.e., the closing price on the balance sheet date) in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers; for a non-listed company, the stock remuneration shall be measured at the net value on the last date of the fiscal year that the earnings are generated.

Note 7: Disclose the total amount of remuneration paid to the directors by all the companies included in the consolidated financial statements (including the Company).

Note 8: Disclose the name of the directors in the respective range of total remuneration received from the Company.

Note 9: Disclose the name of the directors in the respective range of total remuneration received from all the companies included in the consolidated financial statements (including the Company).

Note 10: It refers to the net income of the recent year. After the adoption of IFRS.

Note 11: a. It is required to specify in this column the relevant remuneration amount the directors of the Company received from the reinvested companies other than the subsidiaries.  
b. If the Company's director has received the relevant remuneration from the reinvested companies other than the subsidiaries, the received amount should be included in Column J. In addition, the column title shall be revised as "All reinvested companies."  
c. Compensation shall mean the remuneration, reward, employee bonus, and expense for business operation paid to the Company's director(s) by the reinvested companies other than the subsidiaries and such directors concurrently serve(s) as director(s), supervisor(s), or managerial officer(s) of the reinvested companies.

\* The concept of the "compensation" disclosed in this Form is different from the income defined under the Income Tax Law. Therefore, the purpose of this Form is for information disclosure not for taxation.

2. Remuneration of Supervisor: N/A, The company has set up an audit committee to replace the supervisor on July 1, 2017.

### 3. Remuneration of General Manager, Deputy General Manager

(The name should be disclosed in accordance with the respective remuneration bracket)

Unit : NTD

Job title	Name	Salary (A) (Note 2)		Pension (B)		Salaries, bonus and special subsidies (C) ( Note 3 )		Employee bonus allocated from earnings (D) ( Note 4 )				The sum of A, B, C and D in proportion to Earnings ( Note 8 )		Whether remuneration from any reinvestees other than subsidiaries is received? (Note9)
		The Company-	Companies included in the financial statement (Note 5)	The company	Companies included in the financial statement (Note 5)	The company	Companies included in the financial statement (Note 5)	The company		Companies included in the financial statement (Note 5)		The company	Companies included in the financial statement (Note 5)	
								現金金額	股票金額	現金金額	股票金額			
General Manager	Lin, Chun-cheng	8,202,686	8,202,686	11,481,235	11,481,235	10,085,316	10,085,316	840,656	—	840,656	—	5.52%	5.52%	N/A
Deputy General Manager	Hong, Sheng-yang													
Deputy General Manager	Hsu Li-hui													
Deputy General Manager	Tseng Zhi-jing													

\* It should include the information disclosure of the General Manager, Deputy General Manager, Associate Manager, department heads, and branch officers; also, the position equivalent to General Manager, Deputy General Manager, or Associate Manager.

## Breakdown of remuneration

Breakdown of remuneration of General Manager & Deputy General Manager	Name of General Manager, Deputy General Manager	
	the Company (Note 6)	the Company (Note 6)
Less than NT\$1,000,000	—	—
NT\$1,000,000 (inclusive)~NT\$2,000,000	—	—
NT\$2,000,000 (inclusive)~NT\$3,500,000	Hong, Sheng-yang Tseng Zhi-jing	Hong, Sheng-yang Tseng Zhi-jing
NT\$3,500,000 (inclusive)~NT\$5,000,000	Hsu Li-hui	Hsu Li-hui
NT\$5,000,000 (inclusive)~NT\$10,000,000	—	—
NT\$10,000,000 (inclusive)~NT\$15,000,000	—	—
NT\$15,000,000 (inclusive)~NT\$30,000,000	Lin, Chun-cheng	Lin, Chun-cheng
NT\$30,000,000 (inclusive)~NT\$50,000,000	—	—
NT\$50,000,000 (inclusive)~NT\$100,000,000	—	—
NT\$100,000,000 above	—	—
Total	4	4

Note 1: Names of General Manager and Deputy General Manager should be separately disclosed. The amount of remunerations should be disclosed in summary. If a director concurrently serves as the General Manager or Deputy General Manager, this Form and Form (1-1) or (1-2) must be filled out.

Note 2: It refers to the General Manager and Deputy General Manager's salary, special responsibility allowance, and severance pay.

Note 3: It refers to the bonuses, incentives, transportation allowance, special allowance, the provision of dormitory and vehicle, and other compensations received by the General Manager and Deputy General Manager in the recent year. When a house, car, and other transportation or personal expense are provided, the nature and cost of the assets provided, the actual or estimated rental expense based on a fair market price, gas expense, and other payments should be disclosed. Further, if a chauffeur is assigned, please also describe the relevant compensation paid to such chauffeur in the Note. However, such amount shall not be included in the remuneration. In addition, the salary expense recognized in accordance with IFRS 2 "Share-based payment" includes the acquisition of employee stock warrant, employee restricted stock, and subscription of new shares from cash capitalization.

Note 4: It refers to the employee remuneration (including stock and cash) received by the General Manager and Deputy General Manager that is distributed in accordance with the proposal for distributing the recent year's earnings adopted at a meeting of board of directors and such proposal has not been submitted to the Shareholders' Meeting for approval. If such amount is unable to be estimated, the amount can be determined in accordance with the actual distribution ratio for last year. Form 1-3 shall be filled out as well. For a company listed on the stock exchange or an OTC market, the stock remuneration shall be measured at fair value (i.e., the closing price on the balance sheet date) in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers; for a non-listed company, the stock remuneration shall be measured at the net value on the last date of the fiscal year that the earnings are generated. It refers to the net income of the recent year. After the adoption of IFRS, it refers to the net income in the individual or independent financial statements of the recent year.

Note 5: Disclose the total amount of remuneration paid to the General Manager and Deputy General Manager by all the companies (including the Company) included in the consolidated financial statements.

Note 6: Disclose the name of the the General Manager and Deputy General Manager in the respective range of total remuneration received from all the Company.

Note 7: Disclose the total amount of remuneration paid to the General Manager and Deputy General Manager by all the companies (including the Company) included in the consolidated financial statements. Disclose the name of the the General Manager and Deputy General Manager in the respective range of total remuneration received.

Note 8: It refers to the net income of the recent year. After the adoption of IFRS, it refers to the net income in the individual or independent financial statements of the recent year.

Note 9: a. It is required to specify in this column the relevant remuneration amount the the General Manager and Deputy General Manager of the Company received from the reinvested companies other than the subsidiaries.

b. If the General Manager and Deputy General Manager have received the relevant remuneration from the reinvested companies other than the subsidiaries, the received amount should be included in Column E. In addition, the column title shall be revised as "All reinvested companies."

c. Remuneration shall mean the compensation, reward, employee bonus, and expense for business operation paid to the Company's the General Manager and Deputy General Manager by the reinvested companies other than the subsidiaries and such the General Manager and Deputy General Manager concurrently serve(s) as director(s), supervisor(s), or managerial officer(s) of the reinvested companies.

\* The concept of the "compensation" disclosed in this Form is different from the income defined under the Income Tax Law. Therefore, the purpose of this Form is for information disclosure not for taxation.



### 3. Employee bonus amount paid to managerial officers

April 13, 2021

	Job title (Note 1)	Name (Note 1)	Stock	Cash	Total	Proportion to Earnings After Tax (%)
Manager Officer	General Manager	Lin, Chun-cheng	—	2,105,192	2,105,192	0.38%
	Deputy General Manager	Hong, Sheng-yang Hsu Li-hui Tseng Zhi-jing				
	Associate Manager	Tsai, Jian-xun Chen, Chang-hong Lin, Zhi-wen Tseng, Xiao-qian Lin, Yi-feng				
	Accounting Supervisor	Chen, Wei-cun (Associate Manager)				
	Financial Supervisor	Lin, Li-ren (manager)				

Note 1: Names and job title of each individual should be separately disclosed. The amount of remunerations can be disclosed in summary.

Note 2: It refers to the employee remuneration (including stock and cash) received by the managerial officers that is distributed in accordance with the proposal for distributing the recent year's earnings adopted at a meeting of board of directors and such proposal has not been submitted to the Shareholders' Meeting for approval. If such amount is unable to be estimated, the amount can be determined in accordance with the actual distribution ratio for last year. It refers to the net income of the recent year. After the adoption of IFRS, it refers to the net income in the individual or independent financial statements of the recent year.

Note 3: The scope of application for managers is defined in accordance with the Tai.Chai.Chen (III) No. 0920001301 Letter dated March 27, 2003 by the SEC as follows:

- (1) General Manager and the equals
- (2) Deputy General Manager and the equals
- (3) Associate Manager and the equals
- (4) General Manager of Finance Department
- (5) General Manager of Accounting Department
- (6) Managerial officers and the individuals authorized to sign

Note 4: If Directors, General Manager and Deputy General Manager have collected employee remuneration (including stock and cash), in addition to filling out Form 1-2, please fill out this Form too.

**4. Specify and compare the remuneration of Directors, Manager and Deputy General Manager of the Company in proportion to the earnings after tax from the Company and companies included in the consolidated financial statements over the last two years, and specify the policies, standards, combinations, and procedures of decision-making for remuneration and their correlation with business performance and future risk:**

1.The ratio of total remuneration paid by the Company to Directors, General Manager, and Deputy General Manager / Net income (%):

Title	2020 Remuneration / standalone net income ratio (%)	2019 Remuneration / standalone net income ratio (%)
Directors	6.76	11.41
Supervisors	—	—
Manager and Deputy General Manager	5.52	9.24

2.The remuneration policy of the directors and supervisors of the company is clearly stipulated in the Company's Articles of association, and approved by the shareholders meeting and the remuneration committee, then sent to the board of directors for resolution; the payment of the remuneration of the general manager and deputy general managers is determined by the remuneration committee. After deliberation, it is sent to the board of directors for resolution; the remuneration is paid in accordance with the regulations of the articles of association, so the proportion has not changed much, and it is related to operating performance.

### III. The state of Implementation of Corporate Governance

#### I. Operations of Board of Directors

The company re-elected the members of the 17<sup>th</sup> Board of Directors at the Annual Meeting of Shareholders on June 11, 2020.

The Board held **three times (A)** meetings of the 16<sup>th</sup> Board of Directors in 2020. The attendance record of Directors is listed below:

Job title	Name	Actual attendanceB	Attendance by proxy	Actual attendance rate (%) (B/A)	Remark
Chairman	Shin Shing Chemical Corp. Representative /Huang, Sheng-Cai	3	0	100%	
Deputy Chairman	Huang, Sheng-Shun	3	0	100%	
Director	Lian, De-Shih	3	0	100%	
Director	Liao, Jia-Guo	3	0	100%	
Director	Sin Chang Construction Corp. Representative / Guo, Jhih-Cyun	2	1	67%	
Director	Guo, Jhen-Jhih	2	1	67%	
Director	Lion Home Products (Taiwan) Co., Ltd. Representative / He, Hao	3	0	100%	
Director	Hemao Venture Investment Co., Ltd. Representative /Jiang Yun-xue	3	0	100%	
Director	Chen, De-Fong	3	0	100%	
Director	Shi, Jia-An	3	0	100%	
Director	Guo, Jhih-Mao	2	1	67%	
Director	Formosa Chemicals & Fiber Corp. Representative /Yang, Kun-Lie	3	0	100%	
Director	Huang, De-Lun	3	0	100%	
Director	Ever-Prosporous Multitechnologies Enterprise Ltd Representative /Ke, Chang-Ci	3	0	100%	
Director	Chi-Tong Investment Co., Ltd. Representative /Huang, Cheng-Fong	3	0	100%	
Independent Director	Liao, Song-Yue	2	1	67%	
Independent Director	Lin, Lai-Di	3	0	100%	
Independent Director t	Chen, Hong-Wen	2	1	67%	
Independent Director	Zhuo, Xun-Rong	2	1	67%	

The Board had convened **four times (A)** meetings of the 17<sup>th</sup> Board of Directors in 2020. The attendance record of Directors is listed below:

Job title	Name	Actual attendanceB	Attendance by proxy	Actual attendance rate (%) (B/A)	Remark
Chairman	Shin Shing Chemical Corp. Representative / Huang, Sheng-Cai	4	0	100%	
Deputy Chairman	Huang, Sheng-Shun	3	0	75%	
Director	Lian, De-Shih	4	0	100%	
Director	Liao, Jia-Guo	4	0	100%	

Job title	Name	Actual attendanceB	Attendance by proxy	Actual attendance rate (%) (B/A)	Remark
Director	Sin Chang Construction Corp. Representative / Guo, Jhih-Cyun	4	0	100%	
Director	Guo, Jhen-Jhih	4	0	100%	
Director	Lion Home Products (Taiwan) Co., Ltd. Representative / He, Hao	4	0	100%	
Director	Hemao Venture Investment Co., Ltd. Representative / Jiang Yun-xue	3	0	100%	Reassign new representative / Zheng, Ren-Bin on Oct. 05,2020 Former representative / Jiang Yun-xue
Director	Hemao Venture Investment Co., Ltd. Representative / Zheng, Ren-Bin	0	1	0%	Reassign new representative / Zheng, Ren-Bin on Oct. 05,2020 Former representative / Jiang Yun-xue °
Director	Chen, De-Fong	3	1	75%	
Director	Shi, Jia-An	4	0	100%	
Director	Guo, Jhih-Mao	4	0	100%	
Director	Formosa Chemicals & Fiber Corp. Representative / Yang, Kun-Lie	4	0	100%	
Director	Huang, De-Lun	4	0	100%	
Director	Ever-Prosperous Multitechnologies Enterprise Ltd Representative / Ke, Chang-Ci	4	0	100%	
Director	Chi-Tong Investment Co., Ltd. Representative / Huang, Cheng-Fong	3	1	75%	
Independent Director	Liao, Song-Yue	4	0	100%	
Independent Director	Lin, Lai-Di	2	2	50%	
Independent Director	Chen, Hong-Wen	4	0	100%	
Independent Director	Zhuo, Xun-Rong	4	0	100%	

Other items to be specified:

- Should one of the following occur, the meeting date, period, content of the resolution, opinions of all Independent Directors, and the Company's handling of the opinions of the Independent Directors shall be clearly stated:
  - All the listed items in Article 14-3 of the Securities and Exchange Act: Please refer to p24-p28.
  - In addition to the aforementioned, the items in board resolutions regarding which Independent Directors have voiced opposing or qualified opinions on the record or in writing: None.
- In instances where a Director's circumvention due to the conflict of interest, the minutes shall clearly state the Director's name, contents of the motion and resolution thereof, reason for such circumvention and the voting status: **None**.
- TWSE/GTSM-Listed Companies shall disclose the information of Self-Evaluation (or Peer) Evaluation of the Board of Directors, including general evaluation cycle, evaluation period, scope and method of evaluation and content of evaluation. Fill in sequence the assessment of implementation status in the Attachment (2). **N/A**
- Measures undertaken during the current year and past year (including the establishment of the Audit Committee, improvement of info transparency, etc.) in order to strengthen the functions of the Board of Directors and assessment of such implementation:
  - The company has purchased liability insurance for all directors to carry out the scope of business legally liable for compensation.
  - The company has formulated the "Standard Operating Procedures for Handling Directors' Requests" and responds appropriately and promptly to directors' requests.
  - The company has formulated the "Board Performance Evaluation Measures" to implement corporate governance and enhance the operational effectiveness of the board of directors.
  - The company expects to set up a corporate governance officer in 2021 to protect the rights and interests of shareholders and strengthen the functions of the board of directors, assist the operation of the board of directors, and implement corporate governance and legal compliance.

## 2. Assessment of the implementation of the Board of Directors

Assessment Circle	Assessment Period	Assessment Scope	Assessment Measure	Assessment Content
Execute once a year	From January 01,2020 to December 31,2020	1. The performance assessment of Board of Directors 2. The performance assessment of individual members of Board of Directors 3. The performance assessment of Functional Committees	1. Internal self-assessment made by the Board of Directors. 2. Internal self-assessment made by individual members of Board of Directors. 3. Internal self-assessment made by individual members of Functional Committees.	1. Internal self-assessment made by the Board of Directors (1) the degree of participation in the company's operations (2) Improve the quality of board decisions (3) Board composition and structure (4) Directors selection and appointment of directors and continuous education (5) Directors internal contro 2. Internal self-assessment made by individual members of Board of Directors (1) Mastery of company goals and tasks (2) Awareness of Directors' Duties (3) The degree of participation in the company's operations (4) Internal relationship management and communication (5) Professional and continuous education of directors (6) Internal Control 3. Internal self-assessment made by the Functional Committees (1) The degree of participation in the Company's operations (2) The awareness of duties of the Functional Committees (3) The decision-making quality of the Functional Committees (4) The composition and election of the Functional Committees (5) Internal Control

## 3. Participation of the audit committee in the operation of the board of directors

The authority and annual tasks of the audit committee

- (1) Establish or amend the internal control system in accordance with Article 14-1 of the Securities and Exchange Act.
- (2) Evaluation of the effectiveness of the internal control system.
- (3) Stipulate or amend based on Article 36-1 of the Securities and Exchange Act the procedures for major financial activities such as acquisition or disposal of assets, engage in the transaction of derivatives, fund loaning to other third parties, or provide endorsements or guarantees for other third parties.
- (4) Matters involving the director's interests.
- (5) Transactions of major assets or derivatives.
- (6) Major fund loaning, endorsements, or guarantees.
- (7) Offering, issuing, or private placement of equity securities.
- (8) Appointment, dismissal, or remuneration of CPAs.
- (9) Appointment and dismissal of heads of financial, accounting, or internal audit units.
- (10) The annual financial report signed or stamped by the chairman, the manager, and the head of the accounting unit, and the Q2 financial report subject to verification by the CPA.
- (11) Other major matters specified by the Company or the competent authority.

### The operation of the Audit Committee

1. There are four members of the audit committee of the company, and the 2<sup>nd</sup> session of the audit committee was appointed by the board of directors on June 22, 2020.

2. The term of office of the current members: July 1, 2020 to June 30, 2023, the most recent year (2020) Audit Committee meetings had convened 5 times. The attendance is as follows

\*the 1<sup>st</sup> term of the audit committee had convened 3 times (A), the attendance record of Independent Directors is listed below:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Ratio of Attendance in Person (%) (B/A)	Remark
Independent Director	Liao, Song-Yue	2	1	67%	elected on Jul. 1, 2017
Independent Director	Lin, Lai-Di	3	0	100%	elected on Jul. 1, 2017
Independent Director	Chen, Hong-Wen	2	1	67%	elected on Jul. 1, 2017
Independent Director	Zhuo, Xun-Rong	2	1	67%	elected on Jul. 1, 2017

\*the 2<sup>nd</sup> term of the audit committee of 2020 had convened 2 times (A), and the following table indicates the attendance of independent directors:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Ratio of Attendance in Person (%) (B/A)	Remark
Independent Director	Liao, Song-Yue	2	0	100%	re-elected on Jul. 1, 2020
Independent Director	Lin, Lai-Di	1	1	50%	re-elected on Jul. 1, 2020
Independent Director	Chen, Hong-Wen	2	0	100%	re-elected on Jul. 1, 2020
Independent Director	Zhuo, Xun-Rong	2	0	100%	re-elected on Jul. 1, 2020

#### Other matters required to be recorded:

1. Please clearly specify the dates, sessions, proposals, the resolutions, and the Company's comments to such resolutions of any of the meetings of the audit committee which has any of the following circumstances:

(1) Matters specified in Article 14-5 of the Securities and Exchange Act:

Dates and Sessions of the Meetings	Proposals and Resolutions	Matter specified in Article 14-5 of the Securities and Exchange Act	Matter that has not been approved by the audit committee, but has been adopted with the approval of two-thirds or more of all board directors without having been passed by the audit committee.
Jan. 10, 2020 Session 12 of the 1 <sup>st</sup> Term	1. Approved the proposal of engaging in the UPM's issuance of common stock for cash.	V	N/A
	2. Approved UPM's proposal of applying for a fund loan (and the required amount) from the Company due to its short-term financing needs.	V	N/A
	3. Approved the proposal for amending parts of the articles of the Company's "Procedure for Application for Suspension and Resumption of Transaction".	V	N/A
	Resolution of the audit committee: The approval by all audit committee members present was made. Comments of the Company's board of directors to the resolution of the audit committee: The approval by all directors present was made.		
Mar. 20, 2020 Session 13 of the 1 <sup>st</sup> Term	1. Approved the financial statement of FY2019.	V	N/A
	2. Approved the proposal of distribution of surplus for FY2019.	V	N/A
	3. Approved the statement of internal control for FY2019.	V	N/A
	4. Approved the proposal of making an endorsement for the Company's affiliate FUSUGAR INDUSTRY CORP.	V	N/A

Dates and Sessions of the Meetings	Proposals and Resolutions	Matter specified in Article 14-5 of the Securities and Exchange Act	Matter that has not been approved by the audit committee, but has been adopted with the approval of two-thirds or more of all board directors without having been passed by the audit committee.
	5. Approved the proposal of increasing the amount of funds loaned to the affiliates HERSHEY Engineering Company, Ltd. and GVIC.	V	N/A
	6. Approved the proposal of amendment of parts of the articles of the Company's "Procedures for Ethical Management and Guidelines for Conduct".	V	N/A
	7. Approved the proposal of amendment of the Company's "Rules of Procedure for Shareholders Meetings".	V	N/A
	Resolution of the audit committee: The approval by all audit committee members present was made.		
	Comments of the Company's board of directors to the resolution of the audit committee: The approval by all directors present was made.		
May 13, 2020 Session 14 of the 1st Term	1. Approved the proposal of first repurchasing of treasury stocks.	V	N/A
	2. Approved the proposal of the amendment of the Company's "Internal Control System of Stock affairs Unit".	V	N/A
	Resolution of the audit committee: The approval by all audit committee members present was made.		
	Comments of the Company's board of directors to the resolution of the audit committee: The approval by all directors present was made.		
Aug. 13, 2020 Session 1 of the 2nd Term	1. Approved the Company's financial statement of Q2 of FY2020.	V	N/A
	2. Approved the proposal of stipulating "Procedures for Repurchasing Treasury Stocks" and "Procedures for Management of Repurchasing Treasury Stocks".	V	N/A
	3. Approved the proposal of the amendment of the Company's "Audit Committee Charter", "Rules Governing the Scope of Authority and Responsibilities of Independent Directors", and "Rules for Management of Operation of the Meetings of the Board of Directors".	V	N/A
	Resolution of the audit committee: The approval by all audit committee members present was made.		
	Comments of the Company's board of directors to the resolution of the audit committee: The approval by all directors present was made.		
Nov. 12, 2020 Session 2 of the 2nd Term	1. Approved the proposal of amendment of the Company's "Procedures for Repurchasing Treasury Stocks" and "Procedures for Management of Repurchasing Treasury Stocks".	V	N/A
	2. Approved the proposal of the amendment of the Company's "Procedures for Preparation of Financial Statements" and the stipulation of the "Rules Governing Financial and Business Matters Between this Corporation and its Affiliated Enterprises".	V	N/A

Dates and Sessions of the Meetings	Proposals and Resolutions	Matter specified in Article 14-5 of the Securities and Exchange Act	Matter that has not been approved by the audit committee, but has been adopted with the approval of two-thirds or more of all board directors without having been passed by the audit committee.
	3. Approved the proposal for the stipulation of the Company's "Audit Plans for FY2021".	V	N/A
	4. Approved the proposal of the amendment of the Company's "Self-Evaluation or Peer Evaluation of the Board of Directors" and "Remuneration Committee Charter".	V	N/A
	5. Approved the proposal of the amendment of the "Rules of Procedures of Meetings of the Board of Shareholders" and "Guidelines for Election of Directors".	V	N/A
	6. Approved the proposal of the amendment of the Company's "Procedures for Fund Loaning, Endorsement and Guarantee".	V	N/A
	7. Approved the proposal for amendment to the Company's "Guidelines for Whistleblowing".	V	N/A
	Resolution of the audit committee: The approval by all audit committee members present was made.		
	Comments of the Company's board of directors to the resolution of the audit committee: The approval by all directors present was made.		

(2) Except for the above-mentioned, is there any matter that has not been approved by the audit committee, but has been adopted with the approval of two-thirds or more of all board directors without having been passed by the audit committee. None.

- For any of the proposals that any of the independent directors are required to make avoidance due to conflict of interests, please clearly specify the names of the directors, the content of the proposals, the reasons for avoidance due to conflict of interests, and the results of voting for such proposals: No such situation.
- The status of communication between independent directors and the head of internal audit and accountants (please include the major matters, methods, and results of the communication on the Company's financial and business operation status, etc.)

(1) Communication between independent directors and internal audit supervisor:

Date	Mode of Communication	Object of Communication	Matter of Communication	result
Jan. 10, 2020	Board of Directors	All directors, Head of Internal Audit	Report on the implementation of the audit plan from October to November in 2019	contact
Mar.20, 2020	Board of Directors	All directors, Head of Internal Audit	1. Report on the implementation of the audit plan from December 2019 to February 2020. 2. The 2019 internal control statement case.	contact
May 13, 2020	Board of Directors	All directors, Head of Internal Audit	Report on the implementation of the audit plan in March 2020.	contact
Jun. 22, 2020	Board of Directors	All directors, Head of Internal Audit	Report on the implementation of the audit plan in April to May 2020.	contact
Jul. 18, 2020	Board of Directors	All directors, Head of Internal Audit	Report on the implementation of the audit plan in June 2020.	contact
Aug. 13,2020	Board of Directors	All directors, Head of Internal Audit	Report on the implementation of the audit plan in July 2020.	contact
Nov. 12, 2020	Board of Directors	All directors, Head of Internal Audit	1. Report on the actual implementation of the audit plan from August to October 2020. 2. The 2021 annual audit plan.	contact



(2) Communication between independent directors and CPAs:

Date	Mode of Communication	Object of Communication	Matter of Communication	result
Mar. 18,2020	forum	Independent Directors CPAs	Communication Report Issues between Accountants and Corporate Governance Units in 2019	No comments at this meeting
Nov. 12,2020	forum	Independent Directors CPAs Internal audit supervisor and officers	Matters of high concerned of 2020	No comments at this meetin

**4. Difference between the practices of the Company and Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons**

Items	Implementation			Difference between the practices of the Company and Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Y	N	Summary	
1. Does the Company stipulate and disclose its guidelines for corporate governance in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?	V		The Company has stipulated and on its guidelines for corporate governance in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and disclosed such guidelines on its official site.	No significant difference
2. The Ownership Structure and Shareholders' Equity				
(1) Does the Company stipulate internal operating procedures to handle shareholders' suggestions, doubts, disputes, and litigation, and implement the relevant process in accordance with the procedures?		V	The Company has designated dedicated staff such as spokespersons and acting spokespersons to handle shareholders' suggestions, doubts, disputes, and litigation, but has not stipulated the internal operating procedures.	The internal operating procedures are to be discussed
(2) Does the company establish a list indicating the major shareholders who actually control the Company and the final controllers of such major shareholders?	V		The Company has a list indicating the major shareholders who actually control the Company and the final controllers of such major shareholders.	No significant difference
(3) Does the company establish and implement risk control and firewall mechanisms between the affiliates?	V		The guidelines governing the business and financial transactions between the Company and its affiliates have been stipulated, which can effectively implement risk control and firewall mechanisms.	No significant difference
(4) Does the Company stipulate internal regulations to prohibit the insiders from using undisclosed information to purchase and sell securities?	V		The procedures for the processing of internal major information have been stipulated.	No significant difference
3. The Composition and Responsibilities of the Board of Directors				
(1) Does the board of directors form and implement a diversified policy on the	V		The Company has, based on Article 20 of its guidelines for corporate governance, enhanced the requirements to the	No significant difference

Items	Implementation			Difference between the practices of the Company and Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Y	N	Summary	
composition of its members?			responsibilities of the board of directors, and the composition of the board of directors shall be diversified as required.	
(2) In addition to the remuneration committee and the audit committee established in accordance with the laws and regulations, does the Company voluntarily establish other various functional committees?		V	The Company has not yet established any other functional committees.	To be discussed based on actual needs of the Company
(3) Does the Company stipulate the guidelines for evaluating the performance of the board, conduct annual and regular performance evaluations, and report the results of performance evaluations to the board of directors, and use such results as a reference for individual director's remuneration and a nomination for re-election?	V		The Company has stipulated guidelines for evaluation of the performance of the board, conducted annual and regular performance evaluations, and reported the results of performance evaluations to the board of directors, and used such results as a reference for individual director's remuneration and a nomination for re-election.	No significant difference
(4) Does the Company regularly assess the independence of certified public accountants (CPA)?	V		The company regularly evaluates the independence of the CPAs on an annual basis. The evaluation covers the interest between the accounting firm and the Company, which requires the CPA and the firm to provide relevant information and declarations which would be evaluated and reviewed by the board of directors. The most recent annual evaluation result was completed on November 12, 2020.	No significant difference
4. Does the listed company have a suitable and appropriate number of corporate governance staff and designates a corporate governance leader to be responsible for corporate governance related matters (including but not limited to providing information required by directors and supervisors to perform business, assisting directors and supervisors to comply with relevant laws and regulations, handle matters related to meetings of the board of directors and shareholders in accordance with the laws and regulations, prepare minutes of the meetings of the board of directors and shareholders, etc.)?	V		The stock affairs staff are responsible for providing the information requested by the directors to perform their business, handling matters related to the meetings of the board of directors and the shareholders in accordance with the laws and regulations, and preparing the minutes of the meetings of the board of directors and shareholders. The general affairs staff are responsible for handling company registration and the amendment of such registration.	No significant difference

Items	Implementation			Difference between the practices of the Company and Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Y	N	Summary	
5. Does the Company establish communication channels with stakeholders (including but not limited to shareholders, employees, customers, and suppliers, etc.), provide a specific area for stakeholders on its official site, and appropriately respond to the CSR issues of stakeholders' concerns?	V		The Company has set up a specific area for stakeholders on its official website and appropriately responded to the CSR issues of stakeholders' concerns.	No significant difference
6. Does the Company appoint a professional stock agency to handle the affairs of the shareholders meeting?		V	The Company's stock affairs staff are responsible for the handling of related issues.	No significant difference
7. Information Disclosure (1) Does the company set up a website to disclose financial business operation and corporate governance information?	V		The Company has disclosed financial business operation and corporate governance information on its official site.	No significant difference
(2) Does the company adopt other information disclosure methods (such as setting up an English version website, appointing a designated staff to be responsible for the collection and disclosure of company information, implementing the spokesperson system, disclosing the process of the institutional investor conference on the company's official site, etc.)?	V		The company has designated staff who are responsible for the collection and disclosure of company information, implemented the spokesperson system, and disclosed the spokesperson's contact information on its official site ( <a href="http://www.fucc.com.tw">http://www.fucc.com.tw</a> ).	The establishment of the English version website is under discussion
(3) Does the Company disclose and submit its annual financial report within two months after the end of each fiscal year, and disclose and submit the financial reports for the first, second, and third quarters and the business operating conditions of each month prior to the prescribed deadline?		V	The Company discloses and submits its annual financial report and the monthly business operating conditions prior to the deadline in accordance with the regulations. However, the annual financial report has not been disclosed 2 months prior to the deadline.	To be discussed.
8. Does the Company have other supporting information that allows further understanding to the corporate governance operation (including but not limited to employee rights, employee care, investor relations, supplier relations, the rights of stakeholders, the education and training for directors and supervisors, implementation status of risk	V		1. Please refer to the "V. Summary of Business Performance" of this annual report for the system and measures adopted by the Company for employee rights, employee care, investor relations, supplier relations, and the rights of stakeholders. 2. The directors of the Company actively participate in the refresher courses organized by relevant units based on their actual needs. 3. The Company's internal control, risk	No significant difference

Items	Implementation			Difference between the practices of the Company and Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons
	Y	N	Summary	
management policies and risk measurement standards, implementation status of customer policies, the casualty insurance provided by the company for directors and supervisors, etc.)?			management, and other systems and related management regulations have been approved by the board of directors, which shall be able to avoid investment in risky businesses, and the Company purchases various insurances to make up for potential losses (generated from accidents) of itself, its employees, and any third parties. 4. The Company has purchased casualty insurance of USD 3 million for its directors.	
9. Please specify the improvement to the results of the corporate governance evaluation conducted by the Corporate Governance Center of TWSE in the most recent fiscal year and the priorities and measures for matters that have not yet been improved. <b>• The improvements achieved:</b> The guidelines for evaluation of the performance of the board of directors have been stipulated, and the performance evaluation was conducted in January 2021. The results of the performance evaluation has been reported to the board of directors on March 19, 2021.				

## 5. Establishment, functions, and operations of the Remuneration Committee:

### (1) Members of the Remuneration Committee

Status	Requirements Name	Over five years of experience and the following professional qualifications			Independence criteria (Note 2)										Number of other public companies where the person holds the title as Remuneration Committee member	Remark
		University teaching in areas of commerce, law, finance, accounting or related corporate business	Working as a judge, attorney, lawyer, accountant or other positions that require professional certification	Work experience in commerce, law, finance, accounting or related corporate experiences	1	2	3	4	5	6	7	8	9	10		
Independent Director	Zhuo, Xun-Rong	✓	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	—
Independent Director	Chen, Hong-Wen	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	—
other	Chen, Chang	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	—

Note 1: Please fill in the Status column as a Director, Independent Director or Other.

Note 2: A “✓” is marked in the space beneath a condition number when a member has met that condition during the two years prior to election and during his or her period of service. The conditions are as follows:

- (1) Not employed by the Company or any of the Company's affiliates.
- (2) Not a Director or Supervisor of the Company or any of the Company's affiliates. This restriction does not apply to Independent Directors of subsidiaries in which the Company or its parent company directly or indirectly holds over 50% of the shareholder voting rights.
- (3) Not holding over 1% of company shares or being a top 10 natural person shareholder in one's own name, held by a spouse or underage child, or held by nominee agreement.
- (4) Not a spouse, kin at the second pillar under the Civil Code, or the lineal blood relatives within the third pillar under the Civil Code as specified in (1) through (3).
- (5) Not a Director, Supervisor or employee of a corporate shareholder who holds more than 5% of the outstanding shares issued by the Company, or a Director, Supervisor or employee of a corporate shareholder who is among the top 5 shareholders.
- (6) Not a Director, Supervisor, Manager or shareholder holding more than 5% of the outstanding shares of specific company or institution in business or financial relation with the Company.
- (7) Not a professional, owner, partner, Director, Supervisor, manager of proprietorship, partnership, company or institution that provide business, legal, financial and accounting services to the Company or its affiliates or a spouse to the aforementioned persons.

- (8) Not under any of the categories stated in Article 30 of the Company Law.
- (9) Not a professional, owner, partner, Director, Supervisor, manager of proprietorship, partnership, company or institution, or a spouse that provides business, legal, financial and accounting services to the Company or its affiliates with rewarded remuneration not exceeding NTD 500,000 within last two years. Notwithstanding, this shall not apply to the Remuneration Committee members, or members of special committee of public company for merger/consolidation and acquisition who perform their duties in accordance with the Securities Exchange Act and Business Mergers and Acquisitions Act.
- (10) Not under any of the categories stated in Article 30 of the Company Law.

(2) The Remuneration Committee is responsible for formulating and regularly reviewing the policies, systems, standards and structure of performance evaluation and remuneration for directors, supervisors and managers, and regularly assessing and setting the remuneration of directors, supervisors and managers.

(3) Operations of the Remuneration Committee

(a) The Company's Remuneration Committee consists of 3 members, the 4<sup>th</sup> Company's Remuneration Committee was appointed by the Board of Directors on June 22, 2020.

(b) Current term of office: July 01, 2020~June 30, 2023. The Committee had convened 3 times meetings in the 2020 and the attendance of the Committee members is summarized as follows:

\*the 3<sup>rd</sup> term of the 2020 annual Remuneration Committee had convened 2 times (A), the attendance record of Independent Directors is listed below:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Ratio of Attendance in Person (%) (B/A)	Remark
convener	Zhuo, Xun-Rong	2	0	100%	elected on Jul. 1, 2017
committee member	Chen, Chang	2	0	100%	elected on Jul. 1, 2017
committee member	Chen, Hong-Wen	1	1	50%	elected on Jul. 1, 2017

\*the 4<sup>th</sup> term of the audit committee of 2020 had convened 1 times (A), and the following table indicates the attendance of independent directors:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Ratio of Attendance in Person (%) (B/A)	Remark
convener	Zhuo, Xun-Rong	1	0	100%	reelected on Jul. 1, 2020
committee member	Chen, Chang	1	0	100%	reelected on Jul. 1, 2020
committee member	Chen, Hong-Wen	1	0	100%	reelected on Jul. 1, 2020

Note 1. Where an Remuneration committee's member may be relieved from duties before the end of the fiscal year, please specify their Resignation date in the 'Remarks' Section. Their actual attendance rate (%) to Remuneration committee session shall be calculated on the basis of the number of meetings called and actual number of sessions he/she attended, during his/her term of office.

2. Where an election may be held for filling the vacancies of Remuneration committee's member before the end of the fiscal year, please list out both the new and the discharged Remuneration committee's member and specify the new, the discharged and the reelected Independent Directors and the election date in the 'Remarks' Section. Their actual attendance rate(%) of the Remuneration Committee's meetings shall be calculated on the basis of the number of meetings called and actual number of sessions he/she attended, during his/her term of office.

Other items to be recorded

- If the Board of Directors does not adopt, or amends, the Remuneration Committee's suggestions, please specify the meeting date, term, contents of motion, resolution of the Board of Directors, and the Company's handling of the Remuneration Committee's opinions (If the remuneration ratified by the Board of Directors is superior than that suggested by the Remuneration Committee, please specify the deviation and reasons thereof): N/A
- For resolution(s) made by the Remuneration Committee with the Committee members voicing opposing or qualified opinions on the record or in writing, please state the meeting date, term, contents of motion, opinions of all members and the Company's handling of the said opinions: N/A
- The salary and remuneration committee meeting date in the most recent year, the content of the proposal, the resolution result and the company's handling of the salary and remuneration committee's opinions.

Term of the Remuneration Committee Meeting	Discussions and Resolutions
8 <sup>th</sup> Meeting of 3 <sup>th</sup> Term Jan. 10, 2020	Approve the Proposal of 2019 year-end bonuses of employee
	All Committee's had attended and approved without any objection.
	Reported to the Board of Directors and approved unanimously
9 <sup>th</sup> Meeting of 3 <sup>th</sup> Term Mar 20,2020	Approve the Proposal of distribution of 2019 employee remuneration and Director compensation
	All Committee's had attended and approved without any objection.
	Reported to the Board of Directors and approved unanimously
1 <sup>st</sup> Meeting of 4 <sup>th</sup> Term Jul 15, 2020	1. Approve the Proposal of distribution of 2019 employee remuneration and Director compensation
	2. Approve the Proposal of the company's 109 salary adjustment
	All Committee's had attended and approved without any objection.
	Reported to the Board of Directors and approved unanimously

## 6. Difference between the practices of the Company and CSR Best Practice Principles for TWSE/GTSM Listed Companies and the reasons

Items	Implementation			Difference between the practices of the Company and CSR Best Practice Principles for TWSE/GTSM Listed Companies and the reasons
	Y	N	Summary	
1. Does the Company perform risk assessments on environmental, social, and corporate governance issues related to its business operations in accordance with the principles of materiality, and stipulate relevant risk management policies or strategies? (Note 3)	V		The Company has stipulated the internal risk management policy in accordance with the CSR Best Practice Principles for TWSE/GTSM Listed Companies. Each and all of the units shall take precautions against potential major risks to mitigate potential losses and adopt the internal control operations to evaluate, handle and monitor such risks which could affect the Company.	No significant difference
2. Does the Company establish a full-time (or concurrent) unit to promote CSR? Does the board of directors authorize the senior management level to handle relevant tasks and report related situations to the board?		V	The General Affairs Dept. is concurrently responsible for related affairs.	To be regularly reported to the board of directors
3. Environmental issues (1) Does the Company establish an appropriate environmental management system based on its industrial characteristics?	V		The Company has received ISO14000 environmental system certification and disclosed it on the official site.	No significant difference
(2) Is the company committed to improving the utilization efficiency of various resources and using recycled materials that have a low impact on the environment?	V		The Company actively reduces energy consumption. The results are reported in the monthly production and sales meetings. The waste produced can be recycled and processed as much as possible. Please refer to the environment and safety chapter of the CSR report for further details.	No significant difference

Items	Implementation			Difference between the practices of the Company and CSR Best Practice Principles for TWSE/GTSM Listed Companies and the reasons
	Y	N	Summary	
(3) Does the Company evaluate the potential current and future risks and opportunities of climate change to itself, and take measures to respond to climate-related issues?	V		The Company complies with the relevant regulations of the EPA on energy conservation and reduction of carbon and greenhouse gas reduction, so as to meet environmental protection requirements and achieve sustainable development.	No significant difference
(4) Does the Company take statistics on greenhouse gas emissions, water consumption, and total waste weight in the past two fiscal years, and stipulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water conservation, or other waste management?	V		Since 2015, the Company has regularly appointed BSI to conduct third-party verification to more accurately understand the emission of greenhouse gas, water consumption, and the total weight of wastes, and stipulated energy conservation and carbon reduction, greenhouse gas reduction, water conservation, or other waste-related management policies. Please refer to the environment and safety chapter of the CSR report for further details.	No significant difference
4. Social issues				
(1) Does the Company stipulate relevant management policies and procedures in accordance with relevant laws and the International Bill of Human Rights?	V		All employee welfares and working rules of the Company are determined and implemented based on the Labor Standard Act and the International Bill of Human Rights.	No significant difference and pending
(2) Does the Company stipulate and implement reasonable employee welfare measures (including remuneration, vacation and leave, and other relevant benefits, etc.), and appropriately share the results of operating performance in the form of employee remuneration and wage?	V		The Company stipulates and implements reasonable employee welfare measures (including remuneration, vacation and other benefits, etc.), and appropriately share the results of operating performance in the form of employee remuneration and wage. Please refer to Chapter V "Labor Relations" of the annual report for further details.	No significant difference
(3) Does the Company provide employees with a safe and healthy working environment, and regular safety and health education programs?	V		In addition to enhancing occupational safety and health within the premises of the Company and plants, the Company also actively promotes the importance of occupational safety and health and arranges regular physical examination for employees.	No significant difference
(4) Does the Company establish effective career development training programs for employees?	V		The Company implements training programs based on the capacities of employees.	No significant difference
(5) With regard to customer health and safety, customer privacy, marketing and labeling of	V		The Company has multiple channels such as the spokesperson system and the website to provide the Company's latest news, product	No significant difference

Items	Implementation			Difference between the practices of the Company and CSR Best Practice Principles for TWSE/GTSM Listed Companies and the reasons
	Y	N	Summary	
<p>products and services, does the Company comply with relevant laws, regulations and international standards, and stipulate relevant consumer protection policies and complaint procedures?</p> <p>(6) Does the Company stipulate supplier management policies that require suppliers to comply with relevant regulations regarding environmental protection, occupational safety and health, or labor human rights? If so, what is the result of implementation?</p>	V		<p>technical information and communication. The complaint channels and procedures for stakeholders have been disclosed on the Company's official site.</p> <p>The Company has currently abided by ISO requirements for supplier evaluation, and stipulated relevant regulations in the engineering contracts, which the suppliers are required to comply with in terms of occupational safety and health standards, labor and health insurance, and accident insurance for personnel entering the premises of plants to ensure personnel safety, and stipulated that waste removal and treatment shall also be performed based on related laws and regulations.</p>	No significant difference
<p>5. Does the Company take reference to the related internationally accepted standards or guidelines to prepare corporate social responsibility reports and other reports to disclose the Company's non-financial information? Do such reports as mentioned above obtain the certification or verification of the third-party verification unit?</p>		V	<p>1. The Company prepares the corporate social responsibility report with reference to the "core option" of the internationally adopted GRI (Global Reporting Initiative) Standards and the AA1000 accountability principle standards (2008 edition).</p> <p>2. However, the third-party verification has not yet been performed.</p>	Pending
<p>6. If the Company stipulates its own CSR guidelines based on the "CSR Best Practice Principles for TWSE/GTSM Listed Companies", please specify the difference between the Company's actual practices and the requirements of established regulations:</p> <p>The Company amended its CSR guidelines in FY2020, and has fully implemented corporate governance, developed the sustainable environment, maintained social welfare, improved the disclosure of corporate social responsibility information, and prepared corporate social responsibility reports based on the established regulations.</p>				
<p>7. Other supporting information for further understanding of the implementation of corporate social responsibility:</p> <p>The Company aims to achieve harmony and co-prosperity between the Company and the region where it is located by the following methods, so as to enhance the connection between the Company and social responsibility and create a win-win relationship with the society and communities.</p> <p>(1) Contribution to the communities: The Company donated NT\$372,000 to the Linyuan Industrial Park Community Fund in 2020, and provided emergency relief to low-income households in the communities near its Linyuan Plant and subsidize community activities, which show the Company's practical action of contributing to the communities.</p> <p>(2) Donation for public welfare:</p> <p>a. In 2020, the Company made a donation to organizations such as Taipei City Hospital, Holy World Foundation, and Kaohsiung City Stray Animals Association, with a total amount of NT\$625,000.</p>				



Items	Implementation			Difference between the practices of the Company and CSR Best Practice Principles for TWSE/GTSM Listed Companies and the reasons
	Y	N	Summary	
<p>b. The Company donated 200 boxes of masks and 20 pairs of protective goggles to international partners in the United States, Mexico, Guatemala and Japan to fight against and prevent the COVID-19 pandemic.</p> <p>(3) Environmental and community safety: The Company received ISO14001 international environmental management system certification in 2000 and ISO45001 occupational safety and health management system certification in 2020. Linyuan Plant implements the monthly environmental safety training programs including fire, electrical safety, hypoxia prevention, construction and occupational disaster prevention, process safety promotion, false alarm accidents review (excluding internal training of various units), the number of education hours are 2 hours per month, and a total of 207 personnel participated in these programs in 2020. The Company also implemented the self-management of industrial safety, which included the following measures:</p> <p>a. Daily inspection.</p> <p>b. Monthly preventive maintenance.</p> <p>c. Repair and replace equipment and pipelines every 2 years.</p> <p>d. Adopt work permits to manage and control related hazards and dangerous work.</p>				

Note 1: If “Y” is checked, please clearly explain the policies, strategies, and measures adopted, and implementation results. If “N” is checked, please clearly explain the reasons and provide the plans for relevant policies, strategies, and measures to be adopted in the future.

Note 2: If the Company has prepared the corporate social responsibility report, the section presenting the implementation results may be replaced with an indication of the method of referring to the corporate social responsibility report and the index page.

Note 3: The principle of materiality means the items that have a significant impact on the Company’s investors and other interested parties in terms of environmental, social, and corporate governance issues.

## 7. Difference between the practices of the Company and Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons

Items	Implementation			Difference between the practices of the Company and Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons
	Y	N	Summary	
<p>1. Stipulation of ethical corporate management policies and plans</p> <p>(1) Does the Company stipulate the ethical corporate management policy approved by the board of directors, and clearly indicate the ethical operation policy and practice in regulations and external documents, and the</p>	V		The Company has stipulated the ethical corporate management policy approved by the board of directors, and clearly indicated the ethical operation policy and practice in regulations and external documents, and the commitment of the board of directors and senior management level to actively	No significant difference

Items	Implementation			Difference between the practices of the Company and Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons
	Y	N	Summary	
commitment of the board of directors and senior management level to actively implement the operating policy?			implement the operating policy	
(2) Does the Company stipulate a risk assessment mechanism for unethical conduct, regularly analyze and evaluate business activities with a higher risk of unethical conduct in the business scope, and stipulate plans to prevent unethical conduct, which at least covers the regulations specified in Paragraph 2 of Article 7 of Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.	V		The Company has stipulated a risk assessment mechanism for unethical conduct, regularly analyzed and evaluate business activities with a higher risk of unethical conduct in the business scope, and stipulated plans to prevent unethical conduct, which at least covers the regulations specified in Paragraph 2 of Article 7 of Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.	No significant difference
(3) Does the Company clearly define operating procedures, guidelines for conduct, penalty and complaint systems for violations in the regulations for preventing unethical conduct, fully implement such plans, and regularly review such plans?	V		The “Guidelines for Ethical Corporate Management” and the “Guidelines for Whistleblowing” stimulated by the Company have specified operating procedures, and disciplinary and appeal systems for violations in the work rules, which are all being fully implemented.	No significant difference
2. Implementation of ethical corporate management				
(1) Does the Company evaluate the integrity records of its counterparties and clearly and specifically specify the clauses of ethical conduct in the contracts it signs with counterparties?	V		The contracts signed by the Company and its counterparties include the clauses of good faith.	No significant difference
(2) Does the Company establish a specific unit under the board of directors to promote ethical corporate management, regularly (at least once a year) report to the board of directors of the policies or plans for preventing unethical conduct, and supervise the implementation?	V		The Audit Office is responsible for promoting the Company’s ethical corporate management and regular reporting of the implementation results to the board of directors.	No significant difference
(3) Does the Company stipulate policies to prevent conflicts of	V		The Company has stipulated the “Code of Ethical Conduct by the Company’s	No significant difference

Items	Implementation			Difference between the practices of the Company and Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons
	Y	N	Summary	
interest, provide appropriate channels for presentation, and implement these measures fully?			Directors”, the “Appointment, Dismissal, and Authorities and Responsibilities of Managers” and the “Procedures for Meetings of the Board of Directors” to prevent conflicts of interest. Directors and managers shall avoid matters that are of their own interests, and specify the avoidance of conflict of interests in the Company's annual report. Any situation of conflict of interests within the Company may be reported to the head of the unit directly or via the whistleblowing mailbox. In order to fully implement ethical corporate management, the Company has established an effective accounting and internal control system to have the Audit Office conducts regular and random inspections. In 2020, there were 91 audit reports related to ethical corporate management. The inspected units have all proposed improvement plans and established relevant preventive measures based on the audit findings, and the Audit Office regularly tracks the improvement. In addition, the Company also abides by the Company Act, the Securities and Exchange Act and other relevant laws and regulations to have the accountants be responsible for the verification of relevant accounting materials and documents.	
(4) Does the Company establish an effective accounting and internal control system for the implementation of ethical corporate management, have the internal audit unit stipulate relevant audit plans based on the results of the assessment of the risk of unethical conduct, and examine the plans for preventing unethical conduct accordingly or appoint the accountants to perform such examination?	V		The Company’s internal education and training programs for new recruits are included in the projects for ethical corporate management. However, the internal and external education and training programs on ethical corporate management have not been held regularly.	No significant difference
(5) Does the Company regularly organize internal and external education and training on ethical corporate management?		V		The external education and training programs are to be regularly held.

Items	Implementation			Difference between the practices of the Company and Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons
	Y	N	Summary	
3. The operation of the Company's whistleblowing system				
(1) Does the Company stipulate a specific whistleblowing and reward system, provide a convenient whistleblowing channel, and designate appropriate responsible personnel for receiving the reporting?	V		The Company has stipulated the "Guidelines for Whistleblowing System" which contains specific whistleblowing and reward systems and reporting channels and has designated the Audit Office as the responsible unit.	No significant difference
(2) Does the Company stipulate a standard operating procedure for the investigation of reported matters, subsequent measures to be taken after the investigation and related confidentiality mechanisms?	V		The Company has stipulated the "Guidelines for Whistleblowing System" for receiving reports, and such Guidelines include standard operating procedures for investigations, subsequent measures and related confidentiality mechanisms.	No significant difference
(3) Does the Company take measures to protect the whistleblowers from being improperly treated as a result of the whistleblowing?	V		Implemented based on the "Guidelines for Whistleblowing System" of the Company.	No significant difference
4. Improvement of information disclosure Does the Company disclose on its official site and MOPs the content and promotion results of its ethical corporate management?	V		The Company has disclosed the contents of regulations of its ethical corporate management on the official site and MOPs.	No significant difference
5. If the Company has stipulated its own regulations for ethical corporate management in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please specify the difference between the implementation and the requirements of the established regulations: The Company has stipulated its own ethical corporate management in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and has implemented relevant tasks as required by such regulations.				
6. Other supporting information that allows further understanding to the Company's ethical corporate management (such as the Company's review and amendment of the ethical corporate management, etc.): The Company has amended its procedures for code of conduct for ethical corporate management in 2020. In the future, the Company will update relevant amended contents on its official site in accordance with environmental changes and legal amendments.				

**8. Please disclose how to search the corporate governance regulations and relevant rules stipulated by the Company (if any):**

The Company has stipulated the "Guidelines for Practices of Corporate Governance" in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies", which are available on the official site.

**9. Please disclose other supporting information which allows further understanding of the implementation of the Company's corporate governance (if any): None.**

## 10. Status of internal control system

### (1) Internal Control Declaration

FORMOSAN UNION CHEMICAL CORP.  
**Declaration of the Internal Control System**

Date: Mar. 19, 2021

The Company inspected the 2020 internal control system autonomously with the following results:

- 1.The Company is fully aware that the Board of Directors and the management are responsible for the establishment, implementation, and maintenance of the internal control system and it has been established accordingly. The purpose of its establishment was to reasonably ensure the fulfillment of effective operation and efficiency (including profit, performance, and protection of assets safety), and the reliability, timeliness, transparency and regulatory compliance of financial reports.
- 2.The internal control system design has inherent limitations. No matter how perfect such control is, it can only provide reasonable assurance of the fulfillment of the three objectives referred to above. The effectiveness of such an internal control system could be influenced by changes of the environment and other circumstances. Therefore, the Company internal control system has been designed with a self-monitoring mechanism so that corrective action will be activated immediately upon the identification of any nonconformity.
- 3.The Company has assessed the effectiveness of the design and implementation of the internal control system in accordance with criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "the Regulations"). The criteria defined in "the Regulations" include five elements that depend on the management control process: (1) environment controls, (2) risk assessment, (3) control processes, (4) information and communications, and (5) supervision. Each of the five elements is then divided into sub-categories. Please refer to "the Regulations" for details.
- 4.The Company has implemented criteria for inspection of the internal control system referred to above to ascertain its effectiveness, design and implementation.
- 5.The Company, based on the inspection results referred to above, declared (on December 31, 2019) that the internal control system, including the supervision and management of subsidiaries, is reasonably effective and achieves the objectives of operation and efficiency, the financial report is of reliability, timeliness, transparency and regulatory compliance.
- 6.The Declaration of Internal Control System is the main content of the Company's annual report and published prospectus. Any false statement and concealment of the published content referred to above involves liability set out in Article 20, Article 32, Article 171, and Article 174 of the Securities and Exchange Act.
- 7.The Declaration of the Internal Control System was resolved at a meeting of the Board of Directors on March 19, 2021 with with none of the 17 attending directors expressing dissenting opinions, and the remainder all affirming the contents of this Statement.

FORMOSAN UNION CHEMICAL CORP.

Chairman : Huang, Sheng-Cai



General Manager : Lin Chun-cheng



(2)The internal control audit report issued by the CPA commissioned to conduct an internal control audit, if any: N/A ,

**11. Punishment of the Company or its internal personnel in accordance with the law, punishment of internal personnel by the Company for violating internal control system regulations, main deficiencies, and improvements during the recent year and up to the date of publication of this annual report: N/A**

**12. Resolutions reached at a meeting of shareholders or by the Board of Directors during the recent year and up to the date of publication of this annual report:**

1. The 2020 Annual Meeting of Shareholders was held on June 11, 2020. The resolutions and implementation status are as follows:

Resolutions	implementation status
1. Approve the 2019 financial statements.	Approve the 2019 financial statements, and in accordance with the Company Act and other relevant laws and regulations, apply to the competent authority for inspection and announcements.
2. Approved the proposal for the distribution of 2019 earnings (cash dividend to shareholders NT\$ 0.5 per Share).	Accepted the proposal for the distribution of 2019 earnings, cash dividend to Shareholders NT\$ 0.5 per Share) The board of directors is authorized to set the ex-dividend base date on August 31, 2020, and the cash dividend payment date on September 25, 2020.
3. Approved the amendment to the company's " Articles of Incorporation "	In accordance with the resolutions of the shareholders meeting, some provisions of the company's " Articles of Incorporation " were revised.
4. Approved the amendment to the company's "Rules of Procedure for Shareholders' Meetings".	In accordance with the resolutions of the shareholders meeting, some provisions of the company's " Rules of Procedure for Shareholders Meetings" were revised..
5. Approved the amendment to the company's " Rules for the Election of Directors " proposal.	In accordance with the resolutions of the shareholders meeting, some provisions of the company's " Rules for the Election of Directors" were revised..
6. Completed the overall re-election of directors.	Election results Director : Shin Shing Chemical Corp. Representative\ Huang, Sheng-Cai Director : Huang, Sheng-Shun Director : Hemao Venture Investment Co., Ltd. Representative\Jiang Yun-xue Director : Ever-Prosporous Multitechnologies Enterprise Ltd Representative\Ke, Chang-Ci Director : Huang, De-Lun Director : Sin Chang Construction Corp. Representative\Guo, Jhih-Cyun Director : Chi-Tong Investment Co., Ltd. Representative\Huang, Cheng-Fong Director : Lian, De-Shih Director : Liao, Jia-Guo Director : Lion Home Products (Taiwan) Co., Ltd. Representative\ He, Hao Director : Guo, Jhen-Jhih Director : Shi, Jia-An Director : Guo, Jhih-Mao Director : Chen, De-Fong Director : Formosa Chemicals & Fiber Corp. Representative\Yang, Kun-Lie Independent Director : Liao, Song-Yue Independent Director : Chen, Hong-Wen Independent Director : Lin, Lai-Di Independent Director : Zhuo, Xun-Rong

Resolutions	implementation status
7. Approved to lift non-competition restrictions on the newly elected Directors .	In accordance with the resolutions of the shareholders meeting to lift non-competition restrictions on the newly elected Directors and the Representative of legal person.

## 2. Important Resolutions of the Board of Directors

Board Meeting	Discussions and Resolutions
22 <sup>th</sup> Meeting of 16 <sup>th</sup> Board Jan. 10, 2020	<ol style="list-style-type: none"> <li>1. Approved the 2019 year-end bonus payment proposal.</li> <li>2. Approved to participate in Fusugar Industry Corp.'s cash capital increase case .</li> <li>3. Approved the Fusugar Industry Corp. due to operational and short-term financing needs, and intends to apply for a capital loan and quota to the company.</li> <li>4. Approved the revision of the company's part of the provisions "Application for Suspension and Resumption of Trading Procedures".</li> </ol>
23 <sup>th</sup> Meeting of 16 <sup>th</sup> Board Mar. 20, 2020	<ol style="list-style-type: none"> <li>1. Approved the 2019 financial statement proposal.</li> <li>2. Approved the 2019 employees and directors' compensation plan.</li> <li>3. Approved the 2019 surplus distribution proposal.</li> <li>4. Approved the 2019 Internal Control Statement proposal.</li> <li>5. Approved the endorsement guarantee case of subsidiary Fusugar Industry Corp.</li> <li>6. Adopted to increase the loan line for subsidiary Hershey Environmental Technology Co., Ltd. and Great Victory Chemical Industry Co., Ltd. Capital.</li> <li>7. Approved the revision of some of the provisions of the company's "Code of Practice on Corporate Governance"</li> <li>8. Approved amendments to some of the provisions of the company's "The Rules of Procedures for the Board of Directors' Meeting"</li> <li>9. Approved the revision of the company's "Code of Practice for Corporate Social Responsibility" .</li> <li>10. Approved the revision of some of the provisions of the company's "Procedures for Ethical Management and Guidelines for Conduct".</li> <li>11. Approved the amendment to some of the provisions of the "Rules of Procedure of Shareholders' Meeting"</li> <li>12. Approved the content proposal of the company's 2020 Annual Shareholders' Meeting.</li> <li>13. Approved the overall re-election of directors .</li> <li>14. Approved to lift non-competition restrictions on the newly elected Directors .</li> <li>15. Approved the work process and review standard proposal for accepting independent director nomination.</li> <li>16. Approved the nomination of the list of independent director candidates and reviewed the nominee qualification.</li> </ol>
24 <sup>th</sup> Meeting of 16 <sup>th</sup> Board May. 13, 2020	<ol style="list-style-type: none"> <li>1. Approved the financial statements for the first quarter of 2020 .</li> <li>2. Approved the implementation of the first case of buying back treasury shares</li> <li>3. Approved the amendment to the company's "Internal Control System for Stock Affairs Office"</li> </ol>
1 <sup>st</sup> Meeting of 17 <sup>th</sup> Board Jun. 22, 2020	<ol style="list-style-type: none"> <li>1. Approved Huang, Sheng-Cai director as the Chairman of the company</li> <li>2. Adopted Director Huang, Sheng-Shun as the Vice Chairman of the company</li> <li>3. Approved continuing to hire Mr. Lin Chuncheng as the General Manager of the company .</li> <li>4. Approved the appointment of Zhuo, Xun-Rong, Chen Chang and Chen, Hong-Wen as members of the 4<sup>th</sup> Remuneration Committee of the company. .</li> <li>5. Approved the appointment of Liao, Song-Yue, Zhuo, Xun-Rong, Lin, Lai-Di and Chen, Hong-Wen as members of the 2<sup>nd</sup> Audit Committee of the company.</li> <li>6. Approved the appointing Zhang, Yu-xu, Zhang, Cui-ling, and Zeng, Yao-zheng as the representative of Great Victory Chemical Industry Co., Ltd.'s legal person director, Lee, Zhi-feng is the representative of the legal person supervisor of Great Victory Chemical Industry Co., Ltd. Appointed Tsai, Qi-xin, Hong Sheng-yang and Huang Zhao-gui as representatives of the Hershey Environmental Technology Co., Ltd. legal person directors , Hsu, Li-hui was appointed as the representative of the legal person supervisor of the Hershey Environmental Technology Co., Ltd.</li> </ol>

Board Meeting	Discussions and Resolutions
2 <sup>nd</sup> Meeting of 17 <sup>th</sup> Board Jul. 15, 2020	<ol style="list-style-type: none"> <li>1. Approved the distribution of 2019 directors and employees' remuneration related matters.</li> <li>2. Approved the company's 2020 salary adjustment proposal.</li> <li>3. Approved the company's 2020 cash dividend ex-dividend base date proposal</li> </ol>
3 <sup>rd</sup> Meeting of 17 <sup>th</sup> Board Aug. 13, 2020	<ol style="list-style-type: none"> <li>1. Approved the financial statements for the second quarter of 2020.</li> <li>2. Approved the formulation of the "procedures for buying back treasury stocks" and the "management procedures for buying back treasury stocks"</li> <li>3. Approved the amendments to the company's "Organizational Rules for the Audit Committee", "Rules for the Responsibilities of Independent Directors", and "Code of Procedures for Board Meetings"</li> </ol>
4 <sup>th</sup> Meeting of 17 <sup>th</sup> Board Nov. 12, 2020	<ol style="list-style-type: none"> <li>1. Approved the 2020 third quarter financial statement proposal</li> <li>2. Approved the formulation of the "procedures for buying back treasury stocks" and the "management procedures for buying back treasury stocks"</li> <li>3. Approved the formulation of the company's "2021-year audit plan"</li> <li>4. Approved the revision of the company's "Financial Statement Preparation Process Management Operations" and the formulation of the "Regulations for Related Financial Operations between Related Enterprises"</li> <li>5. Approved the revision of the company's "Board of Directors Performance Evaluation Measures" and "Organization Rules of the Remuneration Committee" °</li> <li>6. Approved the amendment to the company's "Rules of Procedures for Shareholders' Meetings" and "Rules for the Election of Directors" °</li> <li>7. Approved the revision of the company's "Fund Loan and Endorsement Guarantee Operating Procedures" proposal.</li> <li>8. Approved the amendment to the company's "Reporting System Measures".</li> <li>9. Approved the change of company name by subsidiary Hershey Engineering Co., Ltd.</li> <li>10. Approved the reassignment of Chen, Qin-jun as the legal person director representative of the subsidiary Hershey Environmental Technology Co., Ltd.</li> </ol>
5 <sup>th</sup> Meeting of 17 <sup>th</sup> Board Jan. 22, 2020	<ol style="list-style-type: none"> <li>1. Approved the 2020 year-end bonus payment proposal.</li> </ol>
6 <sup>th</sup> Meeting of 17 <sup>th</sup> Board Mar. 19, 2020	<ol style="list-style-type: none"> <li>1. Approved the 2020 financial statement proposal</li> <li>2. Approved the 2020 business report proposal</li> <li>3. Approved the 2020 employee and director compensation proposal.</li> <li>4. Approved the 2020 surplus distribution proposal</li> <li>5. Approved the 2020 Internal Control Statement proposal</li> <li>6. Approved the amendment to the company's "Articles of Incorporation"</li> <li>7. Approved the amendment to the company's "Rules of Procedure for Shareholders' Meetings"</li> <li>8. Approved the amendment to the company's "procedures for the acquisition or disposal of assets".</li> <li>9. To approve the date, place and content of the company's 2020 Annual Meeting of Shareholders.</li> </ol>

**13. Recorded or written statements of dissent made by any Director or Supervisor to important resolutions passed by the Board of Directors during the recent year and up to the date of publication of this annual report: N/A °**

**14. Summary of discharge and resignation of parties relating to the annual report (Chairman, General Manager, Chief Accountant, Financial Officer, Chief Internal Auditor and R&D Officer) in the recent year and up to the date of publication of this annual report: None.**



#### IV. Information on CPA professional fees

##### Audit Fee

Firm Name	CPA Name		Duration of Audit	Remark
Deloitte & Touche Taiwan	Chang, Jin-Ren	Hsu, Tin-Jen	Jan.-Dec.,2020	

Note: If the Company has changed CPA or Accounting Firm during the current fiscal year, the company shall report the information regarding the audit period covered by each CPA and the replacement reason.

Unit: NT\$ thousands

Fee Range		Fee Items	Audit Fee	Non-audit Fee	Total
1	Less than NT\$2,000 thousand			174	174
2	NT\$2,000 thousand (inclusive)~NT\$4,000 thousand		2,380		2,380
3	NT\$4,000 thousand (inclusive)~NT\$6,000 thousand				
4	NT\$6,000 thousand (inclusive)~NT\$8,000 thousand				
5	NT\$8,000 thousand (inclusive)~NT\$10,000 thousand				
6	NT\$10,000 thousand (inclusive) or above				

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Non-audit Fee					Period Covered by CPA's Audit	Remarks
		System of Design	Company Registration	Human Resource	Others (Note 1)	Subtotal		
Deloitte & Touche Taiwan	Chang, Jin-Ren	-	30	-	144	174	Annual 2020	
	Hsu, Tin-Jen						Annual 2020	

Note 1: Tax stamp printing fee is \$37 thousands, financial stamp seal certification fee is \$2 thousands, and accountant's travel fee is \$45 thousands, XBRL operation fee is \$60 thousands.

#### V. Replacement of CPA: None

#### VI. Information regarding the Chairman, General Manager, and Financial or Accounting Manager of the company who has worked with the CPA firm which conducts the Audit of the Company or an affiliate of said firm in the recent year: N/A

## VII. Equity information in fiscal year 2020 and as of the publication date of the annual report

1. Any transfer of equity interests and pledge of, or change in equity interest, by a Director, managerial officer, or shareholder with a stake of more than 10 %.

Job title	Name	2020		As of Apr. 13, 2021	
		Shares increase (decrease)	Pledge shares increase (decrease)	Shares increase (decrease)	Pledge shares increase (decrease)
Chairman	Shin Shing Chemical Corp.	225,500	—	—	—
Legal Director Representative	Huang, Sheng-Cai	—	—	—	—
Deputy Chairman	Huang, Sheng-Shun	—	—	—	—
Director	Hemao Venture Investment Co., Ltd.	—	—	—	—
Legal Director Representative	Jiang Yun-xue (Oct.05,2020 resigned)	—	—	—	—
Legal Director Representative	Zheng, Ren-Bin (Oct.05,2020 resigned)	—	—	—	—
Director	Huang, De-Lun	62,000	—	—	—
Director	Ever-Prosperous Multitechnologies Enterprise Ltd	—	—	—	—
Legal Director Representative	Ke, Chang-Ci	—	—	—	—
Director	Sin Chang Construction Corp.	—	—	—	—
Director	Guo, Jhih-Cyun	—	—	—	—
Director	Chi-Tong Investment Co., Ltd.	120,000	—	—	—
Legal Director Representative	Huang, Cheng-Fong	—	—	—	—
Director	Lian, De-Shih	—	—	—	—
Director	Liao, Jia-Guo	—	—	—	—
Director	Lion Home Products (Taiwan) Co., Ltd.	—	—	—	—
Legal Director Representative	He, Hao	—	—	—	—
Director	Guo, Jhen-Jhih	—	—	—	—
Director	Shi, Jia-An	—	—	—	—
Director	Guo, Jhih-Mao	—	—	—	—
Director	Chen, De-Fong	—	—	—	—
Director	Formosa Chemicals & Fiber Corp.	—	—	—	—
Legal Director Representative	Yang, Kun-Lie	—	—	—	—
Independent Director	Liao, Song-Yue	—	—	—	—
Independent Director	Lin, Lai-Di	—	—	—	—
Independent Director	Chen, Hong-Wen	—	—	—	—
Independent Director	Zhuo, Xun-Rong	—	—	—	—
General Manager	Lin Chun-cheng	50,000	—	40,000	—
Deputy General Manager	Hsu, Li-hui	—	—	—	—
Deputy General Manager	Tseng Zhi-jing (Sep. 01,2020 takeoffice)	12,634	—	—	—
Deputy General Manager	Hong, Sheng-yang (Sep.01,2020 resigned)	—	—	—	—
Associate Manager	Lin, Zhi-wen (Dec. 26,2020 resigned)	—	—	—	—

Job title	Name	2020		As of Apr. 13, 2021	
		Shares increase (decrease)	Pledge shares increase (decrease)	Shares increase (decrease)	Pledge shares increase (decrease)
Associate Manager	Tsai, Qi-xin (Dec. 11, 2020 resigned)	—	—	—	—
Associate Manager	Chen, Chang-hong	—	—	—	—
Associate Manager	Lin, Yi-feng	—	—	—	—
Associate Manager	Tseng, Xiao-qian	—	—	—	—
Associate Manager	Tsai, Jian-xun (Jan 01, 2021 take office)	—	—	—	—
Associate Manager	Huang, Pin-xian (Jan 01, 2021 take office)	—	—	—	—
Associate Manager	Chen Jian-nan (Jan 01, 2021 take office)	—	—	—	—
Associate Manager	Huang Jun-zhe (Jan 01, 2021 take office)	—	—	—	—
Associate Manager	Lee, Hong-de (Jan 01, 2021 take office)	—	—	—	—
Accounting Supervisor	Lin, Li-ren	—	—	—	—
Financial Supervisor	Chen, Wei-cun	—	—	—	—

Note : The former representative of Hemao Venture Investment Co., Ltd. was Jiang Yun-xue, changed to Zheng, Ren-Bin on Jan. 05, 2020.

## 2. Shares Trading with Related Parties

Name (Note 1)	Reason for Transfer (Note 2)	Date of Transaction	Transferee	Relationship between Transferee and Directors, Supervisors, Managers and Major Shareholders over 10%	Shares	Transaction Price (NT\$)
	N/A					

Note 1 : To fill in the name of company's Directors, Supervisors, Managers and Major Shareholders over 10% .

Note2 : To fill in acquire or punish

## 3 Shares Pledge with Related Parties

Name (Note 1)	Reason for Pledge (Note 2)	Date of Transaction	Transferee	Relationship between Transferee and Directors, Supervisors, Managers and Major Shareholders	Shares	Shares holding %	Shares Pledged %	Pledged Amount
	N/A							

Note 1 : To fill in the name of company's Directors, Supervisors, Managers and Major Shareholders over 10% .

Note2 : To fill in pledge or redeem

## VIII. Top 10 shareholders and their relationships

April 13, 2020

Name (Note 1)	Current shareholding		Spouse and minor children's shareholding		Shareholding in name of others		Name, relationship of top 10 shareholders being the related party as spouse or kin within the second tier under the Civil Code		Note
	Quantity of shares	Share holding	Quantity of shares	Share holding	Quantity of shares	Share holding	Name	Relationship	
Ho Tung Chemical Corp. Representative / Yang, You-jie	29,234,040	6.13%	—	—	—	—	—	—	—
Chi-Tong Investment Co., Ltd. Representative / Chang, Mei-feng	28,314,750	5.94%	—	—	—	—	Shin Shing Chemical Corp. Representative / Huang, Sheng-Cai	spouse	—
Eversoft Co., Ltd. Representative / Lin, Fang-Ru	79,800	0.02%	821,750	0.17%	—	—	—	—	—
Shin Shing Chemical Corp. Representative / Huang, Sheng-Cai	28,039,145	5.88%	—	—	—	—	—	—	—
Old Pine Investment Co., Ltd. Representative / Huang, Zhen-cun	150,000	0.03%	—	—	—	—	—	—	—
Formosa Chemicals & Fiber Corp. Representative / William Wang	18,000,000	3.77%	—	—	—	—	Chi-Tong Investment Co., Ltd. Representative / Chang, Mei-feng	spouse	—
Lion Home Products (Taiwan) Co., Ltd. Representative / He, Hao	821,750	0.17%	79,800	0.02%	2,897,000	0.61%	—	—	—
Chuangyou Investment Co., Ltd. Representative / Lu, Yu-xuan	14,927,749	3.13%	—	—	—	—	—	—	—
Guo Jiafu Investment co., Ltd. Representative / Guo, Jih-Cyun	14,723,422	3.09%	—	—	—	—	—	—	—
Guo Chen, Chu-zhi	11,571,347	2.43%	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—
	10,400,081	2.18%	—	—	—	—	—	—	—
	13,992	0.00%	—	—	—	—	—	—	—
	6,144,601	1.29%	—	—	—	—	—	—	—
	1,720,412	0.36%	978,398	0.21%	—	—	—	—	—
	5,613,302	1.18%	5606818	1.18%	—	—	—	—	—

Note 1: Name of the top-10 shareholders must be listed respectively. For institutional shareholders, the title of such institutional shareholder and the name of the representative(s) shall be listed respectively.

Note 2: The percentage of shareholding shall be calculated by taking into account the shares held by the shareholder, his/her spouse, children of minor age, and other persons holding shares in his/her name.

Note 3: For the shareholders referred to above including legal person and natural person, shall have the relationship disclosed in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms.

**IX. The number of shares held by the Company and Company Directors, Supervisor, managerial officers and the entities directly or indirectly controlled by the Company in a single company, and calculating the consolidated shareholding percentage of the above categories.**

Unit: shares/ %

Long-term Investment	Invested by the Company		Invested by Directors, Supervisor, Management, and enterprises controlled by the Company directly or indirectly		Combined Investment	
	Shares	%	Shares	%	Shares	%
Hershey Environmental Technology Co., Ltd.	50,000,000	100.00%	—	—	50,000,000	100.00%
United Performance Materials Corporation	72,202,200	80.25%	3,401,662	3.78%	75,603,862	84.03%
Pacific Storage Tank Co., Ltd.	900	100.00%	—	—	900	100.00%
Soft Chemical Corp	—	42.03%	—	—	—	42.03%
Singapore Kanghua Industrial Co., Ltd.	4,927,717	19.74%	—	—	4,927,717	19.74%
Forte Chemical Co., Ltd.	1,400,000	3.14%	—	—	1,400,000	3.14%
Dasheng Chemical Industry Co., Ltd.	19,800,000	100.00%	—	—	19,800,000	100.00%
Fusugar Industry Corp.	131,655,475	82.28%	12,892,088	8.06%	144,547,563	90.34%
Soft Industry corp	—	50.00%	—	—	—	50.00%
American Gaoling Technology Co., Ltd.	70,000	1.06%	—	—	70,000	1.06%
Chang Chun FUCC Fine Chemicals (Changshu) Co., Ltd.	—	50.00%	—	—	—	50.00%
DEFIA Co., Ltd.	300,000	20.00%	—	—	300,000	20.00%
J&V Energy Technology Co., Ltd.	8,393,318	11.53%	—	—	8,393,318	11.53%
Japanese Power plant / Anonymous portfolio	—	—	—	—	—	—

## IV. Capital Overview

### I. Capital and shares

#### 1. Source of Capital

Year/ Month	Issuing Price (NT\$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Capital increased by assets other than cash	Others
1973/06	10	5,000,000	50,000,000	1,250,000	12,500,000	Founded	—	
1976/03	10	11,000,000	110,000,000	6,600,000	66,000,000	capital increase 53,500,000	—	
1977/04	10	12,000,000	120,000,000	12,000,000	120,000,000	capital increase 54,000,000	—	
1978/05	10	13,200,000	132,000,000	13,200,000	132,000,000	surplus capitalization 12,000,000	—	
1979/06	10	18,480,000	184,800,000	18,480,000	184,800,000	surplus capitalization 52,800,000	—	
1980/05	10	30,492,000	304,920,000	30,492,000	304,920,000	surplus capitalization 120,120,000	—	
1988/05	10	38,326,800	383,268,000	38,326,800	383,268,000	surplus capitalization 76,230,000 Employee bonus capitalization 2,118,000	—	(77)Tai-Tsai-Cheng (1) No.08710 dated July 21, 1988
1989/04	10	48,077,800	480,778,000	48,077,800	480,778,000	surplus capitalization 95,817,000 Employee bonus capitalization 1,693,000	—	(78)Tai-Tsai-Cheng (1) No.25562 dated July 20, 1989
1989/08	10	55,077,800	550,778,000	55,077,800	550,778,000	capital reduction 70,000,000	—	(78)Tai-Tsai-Cheng (1) No.02609 dated Dec 30, 1989
1990/06	10	77,077,800	770,778,000	60,585,580	605,855,800	surplus capitalization 55,077,800	—	(79)Tai-Tsai-Cheng (1) No.01851 dated Aug 02, 1990
1991/05	10	77,077,800	770,778,000	69,673,417	696,734,170	surplus capitalization 30,292,790 capital reserve capitalization 60,585,580	—	(80)Tai-Tsai-Cheng (1) No.01606 dated Jul 19, 1991
1992/05	10	89,908,100	899,081,000	80,285,394	802,853,940	surplus capitalization 44,590,980 capital reserve capitalization 59,919,140 Employee bonus capitalization 1,609,650	—	(81)Tai-Tsai-Cheng (1) No.01630 dated Jul 16, 1992
1993/06	10	90,319,300	903,193,000	90,010,973	900,109,730	surplus capitalization 36,128,430 capital reserve capitalization 60,214,050 Employee bonus capitalization 913,310	—	(82)Tai-Tsai-Cheng (1) No.30875 dated July 22, 1993
1994/06	10	133,100,000	1,331,000,000	101,032,941	1,010,329,410	surplus capitalization 72,008,780 capital reserve capitalization 36,004,390 Employee bonus capitalization 2,206,510	—	(79)Tai-Tsai-Cheng (1) No.01851 dated Aug 02, 1990
1995/06	10	133,100,000	1,331,000,000	114,608,341	1,146,083,410	surplus capitalization 131,342,820 Employee bonus capitalization 4,411,180	—	(84)Tai-Tsai-Cheng (1) No.38143 dated Jun 28, 1995
1996/06	10	133,100,000	1,331,000,000	126,351,163	1,263,511,630	surplus capitalization 114,608,340 Employee bonus capitalization 2,819,880	—	(85)Tai-Tsai-Cheng (1) No.41472 dated Jul 03, 1996
1997/06	10	157,600,000	1,576,000,000	139,226,974	1,392,269,740	surplus capitalization 126,351,160 Employee bonus capitalization 2,406,950	—	(86)Tai-Tsai-Cheng (1) No.51337 dated Jun 27, 1997

Year/ Month	Issuing Price (NT\$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Capital increased by assets other than cash	Others
1998/05	10	157,600,000	1,576,000,000	156,470,587	1,564,705,870	surplus capitalization 167,072,370 Employee bonus capitalization 5,363,760	—	(87)Tai-Tsai-Cheng (1) No.49976 dated Jun 09, 1998
1999/05	10	185,100,000	1,851,000,000	172,500,549	1,725,005,490	surplus capitalization 131,435,290 capital reserve capitalization 25,035,290 Employee bonus capitalization 3,829,040	—	(88)Tai-Tsai-Cheng (1) No.53488 dated Jun 08, 1999
2000/05	10	205,690,000	2,056,900,000	190,248,871	1,902,488,710	surplus capitalization 160,425,510 capital reserve capitalization 12,075,040 Employee bonus capitalization 4,982,670	—	(89)Tai-Tsai-Cheng (1) No.49055 dated Jun 07, 2000
2001/05	10	205,690,000	2,056,900,000	197,084,754	1,970,847,540	surplus capitalization 55,172,170 capital reserve capitalization 11,414,930 Employee bonus capitalization 1,771,730	—	(90)Tai-Tsai-Cheng (1) No.135134 dated Jun 05, 2001
2002/07	10	205,690,000	2,056,900,000	205,016,367	2,050,163,670	surplus capitalization 76,863,050 Employee bonus capitalization 2,453,080	—	Tai-Tsai-Cheng (1) No.0910137534 dated Jul 09, 2002
2003/07	10	228,370,000	2,283,700,000	211,362,496	2,113,624,960	surplus capitalization 61,504,910 Employee bonus capitalization 1,956,380	—	Tai-Tsai-Cheng (1) No.0920130358 dated Jul 08, 2003
2004/07	10	228,370,000	2,283,700,000	217,905,065	2,179,050,650	surplus capitalization 63,408,750 Employee bonus capitalization 2,016,940	—	Cheng-Chi (1) No. 0930129119 dated Jul 06, 2004
2005/06	10	240,370,000	2,403,700,000	231,396,634	2,313,966,340	surplus capitalization 130,743,040 Employee bonus capitalization 4,172,650	—	Ching-Kuan-Cheng (1) No.0940125861 dated Jun 28, 2005
2006/07	10	300,000,000	3,000,000,000	240,947,900	2,409,479,000	surplus capitalization 92,558,660 Employee bonus capitalization 2,954,000	—	Ching-Kuan-Cheng (1) No.0950128225 dated Jul 04, 2006
2007/06	10	300,000,000	3,000,000,000	250,893,409	2,508,934,090	surplus capitalization 96,379,160 Employee bonus capitalization 3,075,930	—	Ching-Kuan-Cheng (1) No.0960031913 dated Jun 25, 2007
2008/01	10	300,000,000	3,000,000,000	274,832,654	2,748,326,540	Acquired (Great Victory Chemical Industry Co., Ltd.) capitalization 239,392,450	—	Ching-Kuan-Cheng (1) No.0960075464 dated Jan 17, 2008
2008/07	10	500,000,000	5,000,000,000	292,983,305	2,929,833,050	surplus capitalization 175,892,900 Employee bonus capitalization 5,613,610	—	Ching-Kuan-Cheng (1) No.0970032584 dated Jul 01, 2008
2008/11	10	500,000,000	5,000,000,000	301,799,175	3,017,991,750	Acquired (Great Victory Chemical Industry Co., Ltd.) capitalization 88,158,700	—	Ching-Kuan-Cheng (1) No.0970057401 dated Nov 06, 2008
2009/07	10	500,000,000	5,000,000,000	309,344,154	3,093,441,540	surplus capitalization 75,449,790	—	Ching-Kuan-Cheng-Fa-Tze No.0980033422 dated Jul 06, 2009
2010/07	10	500,000,000	5,000,000,000	340,278,569	3,402,785,690	surplus capitalization 309,344,150	—	Ching-Kuan-Cheng-Fa-Tze No.0990039172 dated Jul 27, 2010
2010/08	10	500,000,000	5,000,000,000	365,278,569	3,652,785,690	Capital increase 250,000,000	—	Ching-Kuan-Cheng-Fa-Tze No.0990039602 dated Aug 04, 2010
2011/07	10	500,000,000	5,000,000,000	390,848,068	3,908,480,680	surplus capitalization 255,694,990	—	Ching-Kuan-Cheng-Fa-Tze No.1000031768 dated Jul 08, 2011
2012/07	10	500,000,000	5,000,000,000	429,932,874	4,299,328,740	surplus capitalization 390,848,060	—	Ching-Kuan-Cheng-Fa-Tze No.1010029789 dated Jul 05, 2012
2016/04	10	500,000,000	5,000,000,000	430,833,570	4,308,335,700	Conversion of corporate bonds in the first quarter of 2016	—	Ching-Shou-Shang-Tze No. 10501077010 dated Apr 15, 2016

Year/ Month	Issuing Price (NT\$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Capital increased by assets other than cash	Others
2016/07	10	500,000,000	5,000,000,000	434,209,430	4,342,094,300	Conversion of corporate bonds in the secone quarter of 2016	—	Ching-Shou-Shang-Tze No. 10501175750 dated Jul 22, 2016
2016/10	10	500,000,000	5,000,000,000	437,784,658	4,377,846,580	Conversion of corporate bonds in the third quarter of 2016	—	Ching-Shou-Shang-Tze No. 10501246890 dated Oct 18, 2016
2017/01	10	500,000,000	5,000,000,000	444,951,285	4,449,512,850	Conversion of corporate bonds in the fourth quarter of 2016	—	Ching-Shou-Shang-Tze No. 10601008180 dated Jan 20, 2017
2017/04	10	500,000,000	5,000,000,000	451,102,758	4,511,027,580	Conversion of corporate bonds in the first quarter of 2017	—	Ching-Shou-Shang-Tze No. 10601051160 dated Apr 26, 2017
2017/07	10	500,000,000	5,000,000,000	472,019,402	4,720,194,020	Conversion of corporate bonds in the second quarter of 2017	—	Ching-Shou-Shang-Tze No. 10601104260 dated Jul 25, 2017
2017/10	10	500,000,000	5,000,000,000	489,817,453	4,898,174,530	capital reserve capitalization177,980,510	—	Ching-Shou-Shang-Tze No. 10601135100 dated Oct 02, 2017
2017/10	10	900,000,000	9,000,000,000	490,849,670	4,908,496,700	Conversion of corporate bonds in the third quarter of 2017	—	Ching-Shou-Shang-Tze No. 10601144490 dated Oct 18, 2017
2018/01	10	900,000,000	9,000,000,000	490,925,940	4,909,259,400	Conversion of corporate bonds in the fourth quarter of 2017	—	Ching-Shou-Shang-Tze No. 10701005570 dated Jan 22, 2018
2018/04	10	900,000,000	9,000,000,000	492,137,794	4,921,377,940	Conversion of corporate bonds in the first quarter of 2018	—	Ching-Shou-Shang-Tze No. 10701042060 dated Apr 27, 2018
2018/07	10	900,000,000	9,000,000,000	492,307,284	4,923,072,840	Conversion of corporate bonds in the second quarter of 2018	—	Ching-Shou-Shang-Tze No. 10701090590 dated Jul 25, 2018
2018/10	10	900,000,000	9,000,000,000	494,159,095	4,941,590,950	Conversion of corporate bonds in the third quarter of 2018	—	Ching-Shou-Shang-Tze No. 10701132570 dated Oct 24, 2018
2019/01	10	900,000,000	9,000,000,000	499,351,752	4,993,517,520	Conversion of corporate bonds in the fourth quarter of 2018	—	Ching-Shou-Shang-Tze No. 10801008120 dated Jan 23, 2019
2019/04	10	900,000,000	9,000,000,000	502,122,392	5,021,223,920	Conversion of corporate bonds in the first quarter of 2019	—	Ching-Shou-Shang-Tze No. 10801044100 dated Apr 17, 2019
2019/09	10	900,000,000	9,000,000,000	477,016,272	4,770,162,720	Capital reduction 251,061,200	—	Ching-Kuan-Cheng-Fa-Tze No.1080324734 dated Aug 07, 2019

Note 1 : The capital increase shall be marked with the effective (approved) date and document number.

Note 2 : Those who issue shares for less than the par value shall be marked in a prominent way.

Note 3 : Where currency claims and technology are used to offset the share funds, it shall be stated, and the type and amount of the offset shall be added.

Note 4 : If it is a private placement, it should be marked in a prominent way.



## 2. Type of share

Type of share	Authorized Capital Stock			Remark
	Outstanding Shares (listed)	Unissued Shares	Total	
Common stock	477,016,272 (Listed stocks)	422,983,728	900,000,000	—

## II. Composition of Shareholders

As of April 13, 2021

Composition of Shareholders Quantity	Government apparatus	Financial organization	Other juridical persons	Individuals	Foreign institution or foreigner	Total
Number of persons	1	0	104	23,344	82	23,531
Shares	469	0	203,723,889	251,567,467	21,724,447	477,016,272
%	0.00%	0.00%	42.71%	52.74%	4.55%	100.00%

## III. Distribution Profile of Share Ownership

As of April 13, 2021

Shareholders Ownership	Number of Shareholders	Number of Shares Owned (Shares)	Shareholding ratio (%)	Shareholders Ownership	Number of Shareholders
1- 999	11,074	47.06	3,259,746	32,597,460	0.68
1,000- 5,000	7,563	32.14	17,646,306	176,463,060	3.70
5,001- 10,000	2,076	8.82	16,143,978	161,439,780	3.38
10,001- 15,000	708	3.01	8,805,171	88,051,710	1.85
15,001- 20,000	523	2.22	9,593,230	95,932,300	2.01
20,001- 30,000	462	1.96	11,729,503	117,295,030	2.46
30,001- 40,000	221	0.94	7,843,485	78,434,850	1.64
40,001- 50,000	153	0.65	7,008,365	70,083,650	1.47
50,001- 100,000	320	1.36	22,954,897	229,548,970	4.81
100,001- 200,000	195	0.83	27,048,673	270,486,730	5.67
200,001- 400,000	99	0.42	27,395,680	273,956,800	5.74
400,001- 600,000	41	0.17	19,902,545	199,025,450	4.17
600,001- 800,000	16	0.07	11,401,242	114,012,420	2.39
800,001- 1,000,000	14	0.06	13,089,879	130,898,790	2.74
1,000,001- 9,999,999	58	0.25	117,983,038	1,179,830,380	24.73
10,000,000- 999,999,999	8	0.03	155,210,534	1,552,105,340	32.54
Total	23,531	100.00	477,016,272	4,770,162,720	100.00

#### IV. Major Shareholders (Top 10 shareholders or with Shareholdings greater than 5%)

On the Book closure date: April 13, 2021

Major Shareholders	Quantity of shares	Total shares owned (Shares)	Shareholding ratio (%)
Ho Tung Chemical Corp.		29,234,040	6.13%
Chi-Tong Investment Co., Ltd.		28,314,750	5.94%
Yong Ming Shun Co., Ltd.		28,039,145	5.88%
Shin Shing Chemical Corp.		18,000,000	3.77%
Old Pine Investment Co., Ltd.		14,927,749	3.13%
Formosa Chemicals & Fiber Corp.		14,723,422	3.09%
Lion Home Products (Taiwan) Co., Ltd.		11,571,347	2.43%
Chuangyou Investment Co., Ltd.		10,400,081	2.18%
Guo Jiafu Investment co., Ltd.		6,144,601	1.29%
Guo Chen, Chu-zhi		5,613,302	1.18%

#### V. Market Price, Net Value, Earnings and Dividends per Common Share Latest two years

Item \ Year		2019	2020	As of March 31, 2021 (Note 9)	
Market price per share (Note 1)	Highest	15.60	17.45	17.00	
	Lowest	12.55	10.00	13.85	
	Average	13.74	13.69	15.04	
Net value per share (Note 2)	Before distribution	14.44	15.05	(Note 9)	
	After distribution	13.94	—	—	
Earnings per share	Weighted Average Outstanding Shares		493,666,640	477,016,272	477,853,463
	EPS	Before retrospective adjustment (Note 3)	0.44	1.16	(Note 9)
		After retrospective adjustment (Note 3)	—	—	—
Dividends per Share	Cash Dividend (Note 4)		0.50	1.20	—
	Stock Dividends	Surplus allotment	0.00	0.00	—
		Capital reserve allotment	0.00	0.00	—
	Accumulated Undistributed Dividends (Note 5)		—	—	—
Investment Return Analysis	Price / Earnings Ratio (Note 6)		31.23	11.80	—
	Price / Dividend Ratio (Note 7)		27.48	11.41	—
	Cash Dividend Yield Rate (Note 8)		3.64	8.77	—

Note 1: List the highest and lowest market prices of common stocks in each year, and calculate the average market prices for each year based on the transaction value and volume of each year.

Note 2: Please fill in the list based on the number of issued shares at the end of the year and the distribution based on the resolution of the shareholders meeting in the following year.

Note 3: If retrospective adjustment is required due to circumstances such as gratuitous allotment, the earnings per share before and after adjustment should be shown.

Note 4: The 2020 surplus distribution has not yet been approved by the 2021 annual shareholders meeting.

Note 5: If the equity securities issuance conditions stipulate that the dividends not paid in the current year will be accumulated to the year when there is a surplus, the dividends accumulated and not paid up to the current year shall be disclosed separately.

Note 6:  $\text{Price / Earnings Ratio} = \text{Average Market Price} / \text{Earnings per Share}$

Note 7:  $\text{Price / Dividend Ratio} = \text{Average Market Price} / \text{Cash Dividends per Share}$

Note 8:  $\text{Cash Dividend Yield Rate} = \text{Cash Dividends per Share} / \text{Average Market Price}$

Note 9: As of the date of publication of the annual report, it has not been verified by CPA.

## **VI. The Company's Policies regarding Dividends and Implementation Status**

### **1. Dividends policies**

The environment of the industry where the Company belongs is changing rapidly and at a stage of stable growth. Based on long-term financial planning, future capital needs, and the requirements to protect shareholders' rights and interests, the Company shall allocate 2.5% of its annual profit (if any) as the employees' wages and 2.5% (maximum) of such profit as the directors' remuneration. However, the Company shall first retain a sufficient amount of such profit for covering any cumulative losses.

The distribution of employees wage may be in the forms of stocks or cash based on the resolution (which shall be reported to the shareholders) made by a meeting of the board of directors where more than two-thirds of the directors present and more than half of the present directors agree on such distribution. Such wage may be distributed in the form of stocks or cash to the employees of the affiliates who satisfy certain requirements.

If there is an annual surplus for the Company, such surplus shall be deducted for taxation in accordance with laws and regulations and covering the cumulative losses of the previous fiscal years. After such deduction, 10% of such surplus shall be retained as the legal reserve (except the amount of the legal reserve has reached the total capital) and the special reserve shall be reversed in accordance with relevant regulations. And then the balance shall be included into the undistributed surplus of the beginning of such period as the total cumulative distributable surplus for shareholders, and a minimum of 1% of the amount of such distributable surplus shall be allocated to distribute shareholder dividends. The board of directors shall draft a surplus distribution plan for submission to the shareholders' meeting for resolution prior to the distribution.

The Company may based on the overall capital budget plans, distribute 40% to 60% of the surplus in the form of stock dividends and the rest in the form of cash dividends to retain the necessary funds. If there are no major capital budget plans for a specific fiscal year or the working capital requires to be replenished, the surplus may be distributed fully in the form of cash dividends. In other words, if a large amount of capital is required for the expansion and construction of plants during a specific fiscal year, the surplus may be distributed fully in the form of stock dividends. The aforesaid surplus distribution shall be handled by the board of directors who shall draft a surplus distribution plan for submission to the shareholders' meeting for resolution prior to the distribution.

2. Dividend distribution proposal submitted to the shareholders' meeting

According to the approval of the board of directors on March 19, 2021, a cash dividend of NT\$1.2 per share would be distributed. However, such a dividend distribution proposal has not yet been approved by the shareholders' meeting.

**VII. The impact of the proposal of issuance of bonus shares to be reviewed by the shareholders' meeting on the Company's business operating performance and EPS**

Not applicable because there was no proposal of issuance of bonus shares to be reviewed by the shareholders' meeting of this fiscal year and the Company was not required to prepare financial forecasting.

**VIII. Employees Wage and Remuneration of Directors and Supervisors**

1. The percentage and scope of the employees' wages and the remuneration of directors and supervisors as stated in the Company's articles of association:

- (1) The Company shall allocate 2.5% of its annual profit (if any) as the employees' wages and 2.5% (maximum) of such profit as the directors' remuneration. However, the Company shall first retain a sufficient amount of such profit for covering any cumulative losses.

The distribution of employees wage may be in the forms of stocks or cash based on the resolution (which shall be reported to the shareholders) made by a meeting of the board of directors where more than two-thirds of the directors present and more than half of the present directors agree on such distribution. Such wage may be distributed in the form of stocks or cash to the employees of the affiliates who satisfy certain requirements.

- (2) The calculation basis for the estimated amount of employee wage and the remuneration of directors and supervisors of the current period, the calculation basis for the number of shares for distribution of stock dividends, and the accounting treatment when there is a difference between the estimated amount and the actual distributed amount:

The Company's estimated amount for distribution of employee wage and remuneration of directors for 2020 was NT\$36,958,638 in total. The amount was proportionally estimated based on the pre-tax profit deducting employees' bonuses and director's remuneration and was recognized as the operating cost and expense for 2020. If there is any difference between the actual distributed amount (determined by the board of directors) and the estimated amount of directors, changes in accounting estimates would be adopted. If the above employee bonus is fully distributed in the form of stocks, the number of shares for distribution in the form of stock dividends shall be calculated based on the closing price on the last date prior to the resolution of the meeting of the board of directors for FY2021 with the consideration of the effects of ex-dividends.

- (3) The proposed distributed amount of employees wage approved by the board of directors:

- a. The amount for distributed cash/stock wage for employees and the remuneration of directors:

The amount of the Company's distributed employees' wages and directors'

remuneration determined by the resolution of the board of directors for 2020 has no different from the original estimated amount of NT\$14,217,138 specified in the financial statements of 2019.

- b. The proposed distributed amount of employees' wages in the form of stocks and its proportion of the total amount of net profit after tax and total employee wage specified in the individual financial report for the current period: Not applicable.

- (4) The actual distribution of employee dividends and remuneration of directors and supervisors for the previous fiscal year:

The following table indicates the actual distribution of the Company's surplus for the employees' wage and directors' remuneration in 2019:

	2019
	Resolution by the board of directors
Cash dividends for employees	\$ 7,108,569
Directors' remuneration	7,108,569

The amount of the Company's distributed employee dividends and directors' remuneration determined by the resolution of the board of directors for 2020 has no different from the original estimated amount of NT\$14,217,138 specified in the financial statements of 2019.

## IX. Buy-back of Treasury Stock

In accordance with the provisions of Article 28-2 of the Securities Exchange Law, the content and implementation of the resolutions of the board of directors are as follows

Date of Board Resolution	May 13, 2020
Repurchase Period	First time in 2020
Purpose of Repurchase	Transfer shares to employees
Announcement buyback period	May 14, 2020~Jul 13, 2020
Announcement buyback number of shares	Common shares 9,540,000
Announcement Range of Repurchase Prices	NT\$10 to NT\$18 per share ( It will continue to buy back if the company's stock price is below the lower limit of the range price )
Type and quantity of shares bought back	Common shares 0
Actual Repurchase Period	-
Amount of shares bought back	NTS 0
Average Repurchase Price per share	-
Total number of shares that have been cancelled and transferred	-
Accumulated number of company shares held	0
Quantity of repurchased shares as a percentage of total shares to be repurchased (%)	0%
Reasons for Failure to Fully Repurchase the Shares	Since the stock price has gradually stabilized during the execution of the repurchase, considering the employee's willingness to subscribe and the impact of the reduction on the stock price of the centralized market, it has not been executed.

**X. Issuance of Corporate Bonds: None.**

**XI. Issuance of Preferred Stock, Global Depositary Receipts, Employee Stock Options : None.**

**XII. Issuance of New Shares in Connection with Mergers or Acquisitions or with Acquisitions of Shares of Other Companies : None.**

**XIII. Financing Plans and Implementation**

**(1) Finance Plans :**

For each uncompleted public issue or private placement of securities, and for such issues and placements that were completed in the most recent three years but have not yet fully yielded the planned benefits : N/A

**(2) Implementation**

Regarding the purpose of each plan mentioned in the preceding paragraph, analyze item by item as of the quarter before the publication date, its implementation status and the comparison with the original expected benefits: N/A

## V. Operation Overview

### I. Operation Summary

#### 1. Business Scope

(1) The main content of the business:

Manufacturing, processing, and trading of alkylbenzenes, normal olefins, alkylphenols, hydrocarbon resins, and their derivatives, and other related businesses and investments.

(2) Proportions of sales from each of the major products (units):

The Company's major business is the manufacture and sale of the following products and derivatives: Alkylbenzene, Alkyl Phenol, Alkyl Benzene Sulfonic Acid, and Hydrocarbon Resin. The proportions of sales from each of the units are as follows:

Unit: NT\$1,000; %

Fiscal Years Items	FY2020		FY2019	
	Amount	%	Amount	%
Alkylation Units (Note 1)	6,006,316	70.81	5,909,388	67.17
Resin Units (Note 2)	1,748,954	20.62	2,452,138	27.88
Pesticide and Other Units (Note 3)	726,559	8.57	435,636	4.95
Total	8,481,829	100.00	8,797,162	100.00

Note 1: The alkylation units mainly produce products such as alkylbenzene and alkyl phenol.

Note 2: The resin unit mainly produces C9 hydrocarbon resin and hydrogenated C9 hydrocarbon resin.

Note 3: The products of other units mainly include the production and sales of pesticides and the trading of sugar products.

(3) The Company's current products:

(a) Alkylbenzene: It is the essential upstream raw material for household laundry powder and detergents.

(b) Alkylbenzene sulfonic acid: The processed alkylbenzene becomes the main component of detergent, which is widely used in household cleaning powder such as laundry powder, detergent cleaners.

(c) Alkyl phenol: It is the upstream raw material of surfactant and lubricant additive and is mainly used in industrial detergents, antioxidants, advanced printing ink resins, curing agents, and lubricant formulations.

(d) C9 hydrocarbon resin/Hydrogenated hydrocarbon resin: It is the upstream raw material for adhesives and hot-melt adhesives, and can provide enhanced viscosity and wetting features.

(e) Others: Sales of pesticides and trading of sugar products.

## 2. Overview of the Industry

### (1) Current Status of the Industry and its Development

The Company's major business is the manufacture and sale of the following products and derivatives: Alkylbenzene, alkyl phenol, alkylbenzene sulfonic acid, and hydrocarbon resin. Among them, alkylbenzene and alkylbenzene sulfonic acid are the necessary upstream raw materials for household laundry powder and detergents. Alkyl phenol is the upstream raw materials of surfactants and lubricant additives for industrial detergents and lubricants. Hydrocarbon resin is the upstream raw material of adhesives and hot-melt adhesives and can provide enhanced viscosity and wetting features. The status of the petrochemical industry to which the Company belongs and the related industry operational risks are described as follows:

#### (a) Alkylbenzene

Alkylbenzene is currently the most widely used upstream raw material in the detergents for household chemicals. It can be divided into the types of linear alkylbenzene (LAB) and branched alkylbenzene (BAB) based on the molecular geometry. The detergents made of LAB are called soft detergent because the wastewater it generates is easily biodegradable; while those made of BAB are referred to as hard detergent because they are not easily degraded biologically. Due to environmental protection considerations, hard detergent products are only allowed to be used in very few countries.

Alkylbenzene is mainly used in products such as detergents and laundry powder. In addition, because of its low condensation point and good low-temperature fluidity, it has good compatibility with mineral oil and synthetic hydrocarbon oil, which allows it to be gradually adopted in the fields of industrial lubricants such as alkylbenzene oil for electrical appliances, transformers, switches of electrical appliances, and synthetic alkylbenzene oil for the refrigeration unit, etc.

The Company's production volume of alkylbenzene accounts for 99% of the total volume in Taiwan, of which 60% is LAB. According to the global market analysis, the research data from the professional research organization "Transparency Market Research" shows that the scale of the global LAB market will expand to US\$8.2 billion by 2019, and the compound annual growth rate (CAGR) from 2017 to 2021 will reach 5.07%. By 2021, the global LAB consumption is expected to reach 4,043 kilotons.

Due to the growing demand for industrial and household detergent products, the global alkylbenzene market has developed slowly but steadily in the past few years. Among them, the main growth momentum comes from the improvement of living standards in emerging markets such as Southeast Asia and Central and South America. In particular, the Asia-Pacific region will be the region with the highest consumption of alkylbenzene in the world. Its growth rate would also be the highest and is expected to become another driving force for market development. However, the fluctuation of crude oil prices in the international market remains a major concern for alkylbenzene manufacturers. The future



development of the alkylbenzene market is expected to move toward the development of more diversified products and the commercialization of specific applications.

(b) Alkylphenol

The industrial application of nonylphenol began in the 1950s. It is mainly used in nonionic surfactants and modified phenolic formaldehyde resin, and for few cases, in the production of anionic surfactants, lubricant additives, and other products. Overall, more than 70% of globally produced nonylphenol is used in various surfactants (of which more than 60% of it is used in textile detergents), and the rest is used as detergents and pesticide emulsifiers.

In addition to being used in various surfactants, nonylphenol can produce many application products after being chemically synthesized with other petrochemicals intermediate raw materials, such as to produce TNPP (acquired from the esterification with phosphorus trichloride) for the antioxidant for natural and synthetic rubber, or nonylphenol formaldehyde resin (acquired from syncretization with formaldehyde solution under an alkaline environment) for the high-grade copper-clad laminate of PCB due to its high-frequency resistance, brightness, flexibility, and water resistance. Therefore, the fields covered by application products of nonylphenol are quite broad.

Currently, the global nonylphenol manufacturers with an annual production volume of more than 10,000 metric tons are mainly located in the United States, Poland, and China. The aforementioned developed countries and China are also the main markets of the demand for nonylphenol. The major Taiwanese manufacturers of the nonylphenol industry are FUCC and China Man-Made Fiber Corporation (CMFC), both of which are mainly exporting their products.

Dodecylphenol is a relatively new alkylphenol product with a smaller volume of global supply. It is mainly used in the lubricating oil industry and is a lubricating oil additive formulation that can be manufactured as a single agent available to be further mixed as a complex agent.

(c) Hydrocarbon resin

Based on the chemical properties, hydrocarbon resin can be divided into three categories respectively known as aliphatic resin, aromatic resin, and hydrogenated hydrocarbon resin.

i. Aliphatic resin (C5 resin as the representative product)

Aliphatic resin is mainly produced by using C5 diene (piperylene) as the raw materials. Since the raw materials are by-products of the separation process of isoprene, those manufacturers with the ability to separate isoprene are usually able to produce C5 hydrocarbon resin. Because C5 hydrocarbon resin has good compatibility with SIS, SBS, SEBS, SEPS, and other styrene polymers, natural and synthetic rubber, and EVA, it is a good additive for adhesives and is mainly used in the adhesive and sealant industry. It is mostly used for the production of products containing hot-melt adhesives and pressure-sensitive adhesives (PSA),

such as tapes or labels. In recent years, C5 hydrocarbon resin has begun to gradually replace natural resin tackifiers (such as rosin or terpene resin) and take the major market position due to its better and more stable peel and fast adhesion, moderate melt viscosity, good heat resistance, and lower prices.

ii. Aromatic resin (C9 hydrocarbon resin as the representative product)

Aromatic resin is refined from raw materials such as vinyl toluene, styrene, and indacene. The vinyl toluene and indacene are all by-products in the pyrolysis process of ethylene, only those manufacturers with ethylene pyrolysis equipment can produce such products and therefore, its supply is limited by the output volume of the ethylene pyrolysis plant. Because it is composed of olefins or cycloolefins containing nine carbon atoms for polymerization, it is also called C9 hydrocarbon resin. C9 hydrocarbon resin has the features of low acid value, good miscibility, low melting point, high water resistance, and proper alcohol and chemical resistance, and is widely used in adhesives (hot-melt adhesives) and printing inks, as well as serving as the modifier for coating material industry. In recent years, as the prices of natural resin raw materials such as rubber and tall oil rosin esters have risen, C9 hydrocarbon resin has gradually expanded its market demand with relatively low production costs.

iii. Hydrogenated hydrocarbon resin

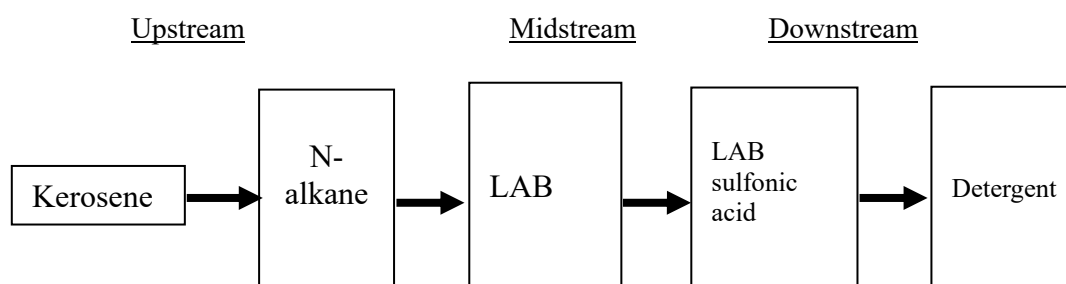
Hydrogenated hydrocarbon resin is a compound acquired from the hydrogenation reaction of a hydrocarbon resin. It is mainly used for providing additional viscosity and wetting and is currently used in products such as diapers, maxi pads, and hot-melt adhesives. Among them, the hot-melt adhesive has the advantages of environmentally friendly, safe, rapid curing, and suitable for automated production, which makes it become one of the fastest-growing adhesive products. In the past, hydrogenated hydrocarbon resin was mostly used as an adhesive for sneakers and maxi pads, etc., and because of its colorless and odorless properties, it can be used as a plastic film material for food packaging or the substitute for natural resin.

The Company on July 31, 2012 (the base date) transferred the business of its hydrogenated hydrocarbon resin units to the affiliate UPM who is also responsible for hydrogenation and manufacturing of the relevant products. Hence, the Company currently uses UPM to dedicate to the production and sales of C9 hydrocarbon resin and hydrogenated hydrocarbon resin products. C9 hydrocarbon resin and hydrogenated hydrocarbon resin are produced by the hydrogenation process of a hydrocarbon resin. The Company's hydrocarbon resin business is expected to maintain stable growth due to the limited supply and the rising prices of natural resources such as rosin, the increasingly extensive high-end applications of hydrogenated hydrocarbon resin, and the rapidly growing demand for hot-melt adhesives.

(2) The relationship of the industry's up-, mid-, and downstream

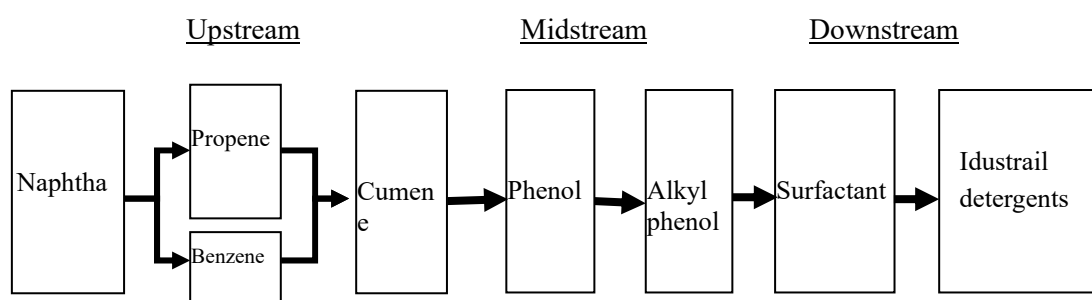
(a) Alkylbenzene

Alkylbenzene is within the midstream of the household chemical detergent industry. It is critical and irreplaceable for industrial development. Its upstream industry is the petrochemical industry. The refinery provides kerosene and produces n-alkanes after extraction and refining. After the Company obtains n-alkane raw materials, it will process and produce products such as alkylbenzene or alkylbenzene sulfonic acid, which are then supplied to manufacturers in the downstream detergent product industry, such as P&G, Unilever, and Kao.



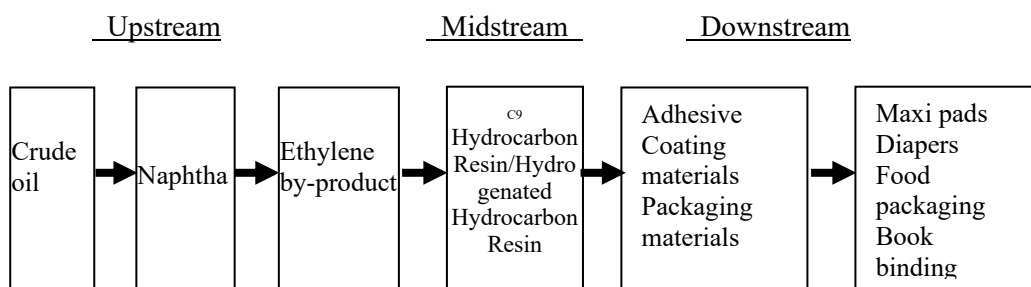
(b) Alkylphenol

Alkylphenol is within the midstream of the industrial detergents and lubricants industry. The upstream is also the petrochemical industry. After naphtha is extracted from crude oil at refineries, propylene, benzene, cumene, and phenol would be extracted subsequently. The Company purchases phenolic raw materials and then adds nonene or dodecylene to synthesize nonphenol or dodecylphenol supplied to surfactant and lubricant additive manufacturers. The final products are industrial detergents and lubricants.



(c) C9 Hydrocarbon Resin/Hydrogenated Hydrocarbon Resin:

Hydrogenated hydrocarbon resin is a solid or liquid by-product formed by polymerization of mono- and diene components from distillation of the five-carbon (C5) and nine-carbon (C9) compounds produced in the pyrolysis process of naphtha for refining ethylene. Therefore, its upstream is the petrochemical industry. As far as downstream industries are concerned, hydrogenated hydrocarbon resins are widely used by-products such as adhesives and coating materials. The final products include diapers, sticky notes, and road marking paints.



### (3) Trends of development of products

#### (a) Application development trend in terminal products

With the development of modernization, in daily life, people will not be willing to spend too much time on household cleaning chores, but the requirements for household cleanliness are gradually increasing. Therefore, the currently available conventional detergents can no longer meet the living requirements of people of the modern days. In the future, there would be two types of development for detergents. One is the comprehensive development which endows the detergent products with the feature of comprehensive cleaning functions to remove multiple types of stains in various situations at the same time; the other is the development of special-purpose which tailors the detergent products to effectively remove stains and pathogens generated from specific conditions. From the above description, one could know that either of the development would further improve the functions of the detergent products.

#### (b) Future trends for the composition of product raw materials

Generally speaking, the conventional detergent products are mainly chemically synthesized which replaced soap after WWI. These products are usually composed of surfactants, solvents, and additives. Because of the good cleaning effects and convenience, they have become necessary consumer products in modern society ranging from industrial and mining enterprises to household cleaning. However, with the development of society, some problems with synthetic detergent are gradually being questioned. Some of the raw materials of conventional detergent products come from by-products of the petrochemical industry, which would have a certain impact on human health. Therefore, the development of healthy, green, environmentally friendly detergent products has become the future development trend.

### (4) Competition of the products

The petrochemical industry uses naphtha or natural gas as raw materials to produce ethylene, propylene, benzene, and other basic raw materials via the pyrolysis of naphtha, and intermediate raw materials for plastics, rubber, and fibers via additional processing. The downstream products of the petrochemical industry are widely used for daily-life purposes as well as construction materials, auto parts, and high-tech product parts, etc. Therefore, the petrochemical industry is a basic industry. The Company's products are mainly used for laundry powder and detergent, and as for the

conditions of product competition, analysis for the three major types of products of the Company is presented below:

(a) Alkylbenzene

The alkylbenzene produced by the Company has a market share of 99% in the domestic market. International competitors include major manufacturers such as ISU, Sasol, and Indorama.

(b) Alkylphenol

The domestic competitor of the nonphenol produced by the Company is CMFC who mainly supplies its products to its reinvested company PACC, while FUCC supplies its products to SJC and Changchun Group. As for the global market, due to the current impact of China's non-tariff barriers, the main market has been gradually moved from China to Europe and the United States. At present, international competitors include SI from the United States and Yokkaichi Chemical from Japan. In view of the environmental issues and trade barriers affecting the market demand for nonphenol, FUCC has been actively developing and producing a new product known as dodecylphenol. In addition to expanding new markets, it can also fill up the underperformed production capacity of the alkylphenol plant in order to maintain or even increase the Group interests.

(c) C9 Hydrocarbon Resin/Hydrogenated Hydrocarbon Resin

At present, only a few companies such as the Company and Yuan Liang Group are engaged in the production of C9 hydrocarbon resin, and only the Company produces hydrogenated hydrocarbon resin. Therefore, in terms of domestic market supply, it would be an oligopolistic industry.

### 3. Overview of Technology and R&D

(1) R&D expenses

R&D expense in FY2020 is NT\$63,093,000.

R&D expense invested as of the end of March, 2021 is NT\$16,416,000.

(2) R&D results

Trial production of hydrogenated resin FA-100 and FU-100.

(3) Future outlook for R&D

- (a) Research on hydrogenation process technology and development of hydrogenated products and their derivatives.
- (b) Research and develop surfactant-related derivatives.
- (c) Develop technology related to adhesives.
- (d) Research and develop high-valued chemicals.
- (e) Feasibility study of investing in other industries to achieve diversified business operation.
- (f) Development of pesticides, spices, and biotech products.
- (g) Feasibility study on the development of bi-, polyalkylbenzene or

cycloalkylbenzene, biphenyl, or alkyl naphthalene derivatives.

(h) Development of soil restoration technology.

#### 4. Long-term and short-term business development plans

##### (1) Alkylbenzene

(a) Short-term: Enhance customer service and consolidate the existing market.

(b) Long-term: Provide customers with sophisticated services with flexible logistics operations. Development of new usage of the products.

##### (2) Alkylphenol:

(a) Short-term: As the joint venture plant in China has begun the official production, the Company will move its main markets to the US and Europe to increase market share, and expand to other new markets.

(b) Long-term: In order to maintain the utilization rate, other alkylphenol products would be gradually developed to increase operating profit.

##### (3) Hydrogenated hydrocarbon resin

(a) Short-term: Provide a complete product line of hydrogenated and non-hydrogenated C9 hydrocarbon resins, and develop hydrocarbon resin with high softening point and highly hydrogenated grade to meet customized needs.

(b) Long-term: Expand production capacity and improve production efficiency.

## II. Overview of Markets, Production and Sales

### 1. Market Analysis

#### (1) Markets for the major products

Units: NT\$1,000/%

Fiscal Years Markets		FY2020		FY2019	
		Amount	Ratio	Amount	Ratio
Domestic Market		2,206,972	26.02%	2,181,007	24.79%
Export Destinations	China	1,268,727	14.96%	1,560,851	17.74%
	Vietnam	566,044	6.67%	629,212	7.15%
	The Philippines	557,011	6.57%	446,176	5.07%
	Guatemala	904,514	10.66%	743,304	8.45%
	Others	2,978,561	35.12%	3,236,612	36.80%
Net Sales		8,481,829	100.00%	8,797,162	100.00%

## (2) Market shares

### (a) Alkylbenzene

The alkylbenzene produced by the Company has a market share of 99% in the domestic market. In the global market, the current global production of alkylbenzene is approximately 3.8 million metric tons according to the survey of professional institutions. Based on the Company's annual production capacity of approximately 132,000 metric tons for FY2020, it has a global market share of approximately 3.08%. International competitors include ISU, Sasol, and Huntsman.

### (b) Alkylphenol

The domestic competitor of the nonphenol produced by the Company is CMFC who mainly supplies its products to its reinvested company PACC, while FUCC supplies its products to SJC and Changchun Group. As for the global market, due to the current impact of China's non-tariff barriers, the main market has been gradually moved from China to Europe and the United States. At present, international competitors include SI from the United States and PCC from Poland. In view of the environmental issues and trade barriers affecting the market demand for nonphenol, FUCC has been actively developing and producing new products known as dodecylphenol. In addition to expanding new markets, it can also fill up the underperformed production capacity of the alkylphenol plant in order to maintain or even increase the Group interests.

### (c) Hydrocarbon resin

#### i. C9 hydrocarbon resin

At present, C9 hydrocarbon resin is mainly produced in Asia, accounting for about 90% of the overall global production, followed by America and Europe. As being affected by the increase in crude oil prices, the Asian region will have an advantage in raw materials compared with Europe and the United States in the future. According to DeWitt's 2020 survey data, the total global hydrocarbon resin production capacity is about 1.9 million metric tons, and the UPM accounts for about 2.5% of such global total volume.

#### ii. Hydrogenated hydrocarbon resin

According to DeWitt's survey data, the total global hydrogenated hydrocarbon resin production capacity in 2020 is estimated to be 1 million metric tons, and FUCC produces 28,000 metric tons in 2020, accounting for 2.8% of the global market share.

## (3) The future supply and demand situation and growth of the market

### (a) Alkylbenzene

Due to the decrease in the effective ingredients of detergents and the increase in imported detergents, domestic demand has continued to decline; however, there is still room for growth in demand in foreign markets. Because the Company maintains a long-term stable supply-demand relationship with foreign customers,

export sales maintain at a stable level.

(b) Alkylphenol

In response to market trends, the Company has started to produce dodecyl phenol through process improvements to increase its competitiveness. It is hoped that new markets can be developed and a considerable market share can be obtained, which would generate considerable benefit in terms of sales volume and amount.

(c) C9 hydrocarbon resin/hydrogenated hydrocarbon resin

The hydrocarbon resin is a necessity for people's livelihood consumption. Therefore, generally speaking, the industry fluctuates with the global economic cycle. The C5 or C9 hydrocarbon resin industry generally grows and declines with the fluctuation of the economy. In the past, hydrocarbon resin was regarded as the product at the lowest tier of the industry due to its color and odor and used by industries of oil-based coating material, rubber, and ink as a secondary raw material for several decades. However, in recent years, with environmental protection requirements, it is expected that the solvent oil market for oil-based coating material and ink will gradually shrink, and the market for high-end products used in adhesives (tackifier) would gradually expand. Therefore, high-end applications of hydrogenated hydrocarbon resins or C5/C9 hydrocarbon resins are expected to gradually grow.

(4) Competitive niche

(a) Fully grasp the sources of supply of materials

In order to stabilize production costs, the Company's raw material purchases are mostly performed based on long-term contracts to connect to the pipelines of the main supplier, CPC, for the direct transportation of raw materials. This can achieve safety and cost-saving purposes and facilitate production. In recent years, new distillation equipment has been installed to ensure the sound quality of the raw materials.

(b) Independent research and development capabilities

The Company owns the technology for the nonphenol and hydrogenated resin process, and continuously invests in new process innovation, and research and development, which can save payment of royalties, thereby reducing costs and increasing the price competitiveness of products. The Company also has upstream raw material development capabilities, which can make the source of raw materials diversified, reduce the cost of purchase, increase profitability, and increase the price competitiveness of products.

(c) Superior geographical position with logistics management advantages

The company is located in Taiwan which is the hub of transportation routes in Asia. Therefore, compared with competitors located in other countries, the Company's cost of bulk shipping to the global markets is relatively low, which allows the rapid provision of services that customers need in a timely manner.



(5) Favorable and unfavorable factors and countermeasures for development

(a) Favorable factors

- i. Due to the slow but steady growth of market demand for alkylbenzene, nonphenol, and petroleum resins, and the fact that some types of products (such as hydrogenated hydrocarbon resins) require certain techniques for production, only a few manufacturers in the world have the required manufacturing technology. Moreover, with the growing environmental awareness, colorless and odorless hydrogenated resin with good affinity with the human body could further expand the future growth.
- ii. The Company maintains good cooperative relations with domestic and foreign suppliers to ensure long-term stable supply sources.
- iii. The international marketing channels are robust. In addition to establishing cooperative relations with downstream manufacturers, the Company is establishing marketing channels via the distribution system.

(b) Unfavorable factors

- i. Restriction to profitability due to raw material price fluctuations

As the petrochemical industry is likely to be affected by fluctuations in international crude oil prices, in particular, the political instability, frequent riots, strikes, and destruction of oil production or storage equipment especially in some oil-exporting countries would cause oil prices to fluctuate.

Countermeasures

In addition to maintaining long-term cooperative relations with major suppliers (such as Taiwan's CPC), the Company also signs supply contracts with upstream suppliers to ensure the long-term and stable source of supply of raw materials.

- ii. Difficulties in recruitment

Since the information and electronics sectors remain the key industry in Taiwan, the general new graduates tend to apply for job positions in related fields. In addition, chemical industry talents require rich experience accumulation and technology inheritance, so it is not easy to recruit high-quality R&D talents.

Countermeasures

In order to attract and retain talents, the Company not only improves the software and hardware equipment of the working environment and improves the welfare system, but also enhances the education and training programs for employees, and arranges positions according to the profession and characteristics of the employees, thereby enhancing the professional quality and technical level of the staff.

## 2. Important Usage and Production process of Major Products

The Company's products include (a) Alkylbenzene (b) Alkylphenol and (c) C9 Hydrocarbon Resin/Hydrogenated Hydrocarbon Resin. Its important usage and production processes are as follows:

(1) Important usage of the major products:

- (a) Alkylbenzene: The main raw material of surfactants such as detergents.
- (b) Alkylphenol: Basic raw materials for special chemicals such as surfactants, rubber, plastic antioxidants, inks, and lubricant additives.
- (c) C9 hydrocarbon resin/hydrogenated hydrocarbon resin: Raw material for producing ethylene-vinyl acetate copolymer EVA and thermoplastic rubber TPR series hot-melt adhesive.

(2) Production process:

- (a) Alkylbenzene: After the raw material n-alkane is dehydrogenated, benzene is added to the alkylation reaction via hydrofluoric acid as a catalyst to produce alkylbenzene.
- (b) Alkylphenol: This product is obtained from onylphenol and dodecylphenol which are produced from alkylation of raw materials tripolypropylene, tetrapolypropylene and phenol.
- (c) C9 hydrocarbon resin/hydrogenated hydrocarbon resin: Hydrogenated hydrocarbon resin is added to the hydrocarbon resin to produce hydrogenated hydrocarbon resin.

## 3. Status of the Supply of Major Raw Materials

Major Raw Materials	Major Sources	Status of Supply
Normal Paraffin	Domestic/ Overseas	Sufficient and Stable
Normal Olefins	Overseas	Sufficient and Stable
Benzene	Domestic	Sufficient and Stable
Tripropylene	Overseas	Sufficient and Stable
Phenol	Domestic	Sufficient and Stable
Propylene Tetramer	Overseas	Sufficient and Stable

#### 4. List of major suppliers and customers of purchases and sales in the most recent two fiscal years

(1) The names of suppliers who have accounted for more than 10% of net purchases in any of the most recent two fiscal years, volume purchased from them and proportions, and the reasons for the increase or decrease in the volume:

Units: NT\$1,000; %

Items	FY2019				FY2020				As of Mar. 31, 2021			
	Name	Amount	Percentage to Annual Net Purchases (%)	Relations with the Company	Name	Amount	Percentage to Annual Net Purchases (%)	Relations with the Company	Name	Amount	Percentage to Net Purchases of Q1 (%)	Relations with the Company
1	0001	927,084	25.37	N/A	0001	795,095	23.67	N/A	0001	175,705	20.60	N/A
2	0007	412,976	11.30	N/A	0353	420,393	12.51	N/A	0353	170,692	20.01	N/A
3	0353	394,124	10.79	N/A	0007	300,680	8.95	N/A	0007	131,065	15.37	N/A
	Others	1,920,098	52.54	—	Others	1,843,484	54.87	—	Others	375,452	44.02	—
	Net Purchases	3,654,284	100.00	—	Net Purchases	3,359,652	100.00	—	Net Purchases	852,914	100.00	—

The Company's major products are alkylbenzenes, alkylphenols, and hydrocarbon resins. The sales of the major products accounted for more than 90% of the operating income in the last two fiscal years. Therefore, the Company purchases the raw materials of its major products, which are benzene, n-alkanes, normal olefins, tetrapropylenes, tripolypropylenes, phenols, and hydrocarbon resins. Due to the industrial characteristics, the petrochemical industry in some countries is state-owned to facilitate the vertical integration of the up-, mid-, and downstream of the supply chains to ensure that the sufficient supply of raw materials; and the domestic oil market in Taiwan was also state-owned in the early periods, which is currently shifting towards privatization. However, the current domestic oil product market remains oligopolistic. From 2019 to 2020, the proportion of the Company's purchase amount to company 0001 was 25.37% and 23.67% respectively, while for company 0353 it was 12.51% in 2020, and for company 0007 was 11.30% in 2019, which all exceeding the threshold of 10%. The main reason is that domestic and foreign petrochemicals industries are controlled by a few group companies, so the Company's purchases are consolidated since there are only few manufacturers which could be selected.

- b. The names of customers who have accounted for more than 10% of net sales in any of the most recent two fiscal years, their purchase volume and proportions, and the reasons for the increase or decrease in the volume:

Units: NT\$1,000; %

Items	FY2019				FY2020				As of Mar. 31, 2021			
	Name	Amount	Percentage to Annual Net Sales (%)	Relations with the Company	Name	Amount	Percentage to Annual Net Sales (%)	Relations with the Company	Name	Amount	Percentage to Net Sales of Q1 (%)	Relations with the Company
1	293	743,304	8.45	N/A	293	904,514	10.66	N/A	293	185,846	12.80	N/A
	Others	8,053,858	91.55	—	Others	7,577,315	89.34	—	Others	1,266,118	87.20	—
	Net Sales	8,797,162	100.00	—	Net Sales	8,481,829	100.00	—	Net Sales	1,451,964	100.00	—

The company is mainly engaged in the development, production, and sales of alkylbenzenes, alkylphenols, alkylbenzene sulfonic acids, hydrocarbon resins, and their derivatives. Among them, the alkylbenzene, nonylphenol, and alkylbenzene sulfonic acid produced by the Company are widely used in detergents and other cleaning products, while hydrocarbon resin products known as C9 hydrocarbon resin are used in adhesives, coating material, rubber, and ink industries, and hydrogenated hydrocarbon resins are used in adhesives and hot-melt adhesives.

The Company's net operating income from FY2019 to 2020 was NT\$8,797,162 thousand and NT\$ 8,481,829 thousand, respectively. The top ten buyers who purchase alkylbenzene, alkylphenol, and "alkylbenzene sulfonic acid from the Company are mainly detergent products manufacturers and professional trade distributors in the related chemical industry. The Company mainly sells the raw material alkylbenzene to its largest sales customer. The net sales of the Company to the largest customer from FY2019 to 2020 were NT\$743,304 thousand and NT\$ 904,514 thousand respectively, accounting for 8.45% and 10.66% of the total net sales, respectively.

## 5. Production volume and value in the last two years

Unit: metric tons / in NT\$ thousands

Production Capacity Major products	Year	2020			2019		
		Capacity	Quantity	Amount	Capacity	Quantity	Amount
Alkylation Units		155,000	132,002	3,524,499	155,000	123,431	4,356,138
Resin Units		66,000	58,417	1,135,560	66,000	71,861	1,692,513
Pesticide and Other Units		166,960	26,921	753,894	166,960	15,218	623,271
Total		387,960	217,340	5,413,953	387,960	210,510	6,671,922

Note1 : Production capacity refers to the quantity that the company can produce under normal operation using existing production equipment after measuring necessary shutdowns, holidays and other factors.

Note2 : If the production is substitutable, the production capacity may be combined and an explanation shall be attached.

## 6. Sales volume and value in the last two years

Unit: metric tons / in NT\$ thousands

Sales output Items	year	2020				2019			
		Domestic sales		Export sales		Domestic sales		Export sales	
		Q'ty	Amount	Q'ty	Amount	Q'ty	Amount	Q'ty	Amount
Alkylation Units		31,682	1,367,673	145,391	4,638,643	27,088	1,059,531	115,223	4,849,857
Resin Units		15,274	442,493	39,226	1,306,461	13,446	685,840	49,702	1,766,298
Pesticide and Other Units		24,315	726,559	0	0	9,705	435,636	0	0
Total		71,271	2,536,725	184,617	5,945,104	50,239	2,181,007	164,925	6,616,155

## III. Human Resources

Information of employees in the most recent two years and as of the publication date of the annual report

year		2019	2020	As of April 13, 2021
No. of Employee	Direct labor	187	256	200
	Indirect labor	380	302	352
	Total	567	558	552
Average age		35.4	41	41
Average years of service		8.7	12	12
Academy Ratio(%)	Doctor	3	5	5
	Master	103	88	91
	College	337	336	331
	Senior High School	103	107	102
	Below high school	21	22	23

## IV. Environmental Protection Expenditure

### 1. FORMOSAN UNION CHEMICAL CORP.

(1) Specify losses due to environmental pollution in the most recent fiscal year and as of the publication date of the annual report (including compensation and environmental audit results which indicate the violation to environmental protection laws and regulations, the date of punishment, the basis, the violated regulations, the violation, and the content of punishment) And the amount of punishment: None.

(2) Countermeasures (including improvement measures) and potential expenditures:

(a) It is confirmed that all pollution control and prevention equipment installations and discharge permits that shall be applied for are handled in accordance with regulations, pollution prevention and air pollution control fees are paid on schedule, and environmental protection staff responsible for supervising air pollution, water pollution, waste, and toxic materials have been appointed in accordance with regulations.

The appointed environmental protection staff are as follows:

\* Three Level A air pollution prevention and control staff

Tseng, Guo Wei (License No.: (105) FA050441)

Wang, Mei Hui (License No.: (100) FA120355)

Lu, Jun Wei (License No.: (95) FA050524)

\* One Level A toxic materials treatment and management staff

Tseng, Guo Wei (License No.: (107) JA120253)

\* One Level A wastewater treatment technician

Tseng, Guo Wei (License No.: (96) GA350041)

\* One Level A waste treatment technician

Tseng, Guo Wei (License No.: (97) HA220022)

The appointed safety and health staff are as follows:

\*Two Level B occupational safety and hygiene staff

Liang, Ping Jin (License No.: (Level B) 103-038776)

Yang, Chen Fa (License No.: (Level B) 004596)

\*The appointed fire protection staff are as follows:

Security supervisor / Tseng, Guo Wei (License No.: (108) B243736)

Fire protection management staff / Liang, Ping Jin (License No.: (E108) 01902)

(b) Major equipment for the prevention and control of environmental pollution to improve the operation and transportation safety of poisons, reduce greenhouse gas emissions and soil and groundwater pollution prevention, and improve operational safety has been installed, which could reduce pollutant emissions and save pollution prevention and control costs, and prevent environmental public nuisance.

Items	FY	Investment	Undepreciated Balance	Purposes and Expected Benefits
1. Air pollution prevention and control	2020	NT\$2.84 million	-	Prevention of public nuisance
2. Water pollution prevention	2020	NT\$520,000	-	Prevention of public nuisance
3. Waste management	2020	NT\$2.4 million	-	Prevention of public nuisance
4. Toxic materials management	2020	NT\$10,000	-	Prevention of public nuisance
5. Greenhouse gas management	2020	NT\$340,000	-	Prevention of public nuisance
6. Soil and water improvement	2020	NT\$13.02million	-	Prevention of public nuisance
7. Equipment inspection	2020	NT\$620,000	-	Improve the operation safety of equipment
8. ISO system certification	2020	NT\$150,000	-	Compliance with international standards and continuous improvement
9. Industrial safety and fire protection equipment	2020	NT\$1 million	-	Improve OSH level
10. OSH inspection and physical examination for employees	2020	NT\$480,000	-	Protect the health of employees

(c) Estimated environmental capital expenditures in next three fiscal years

Items	FY2022	FY2023	FY2024
Pollution prevention equipment to be purchased or estimated expenditures	1. Air pollution control 2. Water pollution control 3. Waste management 4. Toxic materials management 5. Greenhouse gas management 6. Soil and water improvement 7. Safety and health equipment 8. Safety and health equipment	1. Air pollution control 2. Water pollution control 3. Waste management 4. Toxic materials management 5. Greenhouse gas management 6. Soil and water improvement 7. Safety and health equipment 8. Safety and health equipment	1. Air pollution control 2. Water pollution control 3. Waste management 4. Toxic materials management 5. Greenhouse gas management 6. Soil and water improvement 7. Safety and health equipment 8. Safety and health equipment
Expected improvement	*For item 1, improve environmental quality *For items 2 and 3, prevent public nuisance *For item 4, improve ESH level *For items 5 to 8, improve OSH level	*For item 1, improve environmental quality *For items 2 and 3, prevent public nuisance *For item 4, improve ESH level *For items 5 to 8, improve OSH level	*For item 1, improve environmental quality *For items 2 and 3, prevent public nuisance *For item 4, improve ESH level *For items 5 to 8, improve OSH level
Amount	NT\$35.5 million	NT\$35.5 million	NT\$35.5 million

## 2. UPM

- (1) Specify losses due to environmental pollution in the most recent fiscal year and as of the publication date of the annual report (including compensation and environmental audit results which indicate the violation to environmental protection laws and regulations, the date of punishment, the basis, the violated regulations, the violation, and the content of punishment) And the amount of punishment:

Date	Basis	Violated Regulation	Violation	Penalty		Countermeasures and Improvement
				Fine	Other	
110.02.04	Official documents No. 20-110-0200 07 of Pingtung County Government	Paragraph 1 of Article 20 of the Air Pollution Control Act	The AB0018-0011 4 leakage value of process fluid equipment components exceeded the threshold value.	300	N/A	<p>Improvement measures: Immediate improvement was performed by first confirming that there was no oil in the pipelines, then proceeding to dismantle the P-406 discharge valve. After disassembly, it was confirmed that the P-406 discharge valve was damaged and immediate replacement was performed. After the replacement and testing, no further violation of regulatory standards occurred.</p> <p>Future countermeasures: The follow-up self-inspection and improvement methods in the premises of the plant are mainly implemented in two major approaches: regular and random inspection.</p> <p>1. Regular inspection:</p> <p>A. Daily patrol in which on-site staff makes visual inspection for their responsible areas. If the equipment components are found to be dripping and leaking, the timely report shall be delivered to the unit supervisor, and immediate repair shall be performed and relevant records shall be made for further tracking of one week.</p> <p>B. The equipment components in the premises of the plant shall be visually inspected on a daily basis, and relevant records shall be made for the assistant of the plant manager to compile the equipment component tracking list and report to be submitted to the plant manager.</p> <p>C. On a quarterly basis, the environmental safety and health team and the inspection team will conduct testing of VOCs at least once for the light liquid of the equipment components of the plant.</p> <p>2. Random inspection: After the equipment in the plant is repaired or the pipeline is replaced, the environmental safety team will conduct a component inspection to check whether the component is likely to leak. If it is determined that the concentration is abnormal, the maintenance team shall re-check whether the internal gasket of the component is intact or firmly located. The equipment components and gaskets that have</p>



Date	Basis	Violated Regulation	Violation	Penalty		Countermeasures and Improvement
				Fine	Other	
						been disassembled and repaired shall be replaced with new ones. Repeatedly check whether they are normal for one week after the repair or replacement.

(2) Countermeasures (including improvement measures) and potential expenditures:

- (a) It is confirmed that all pollution control and prevention equipment installations and discharge permits that shall be applied for are handled in accordance with regulations, pollution prevention and air pollution control fees are paid on schedule, and environmental protection staff responsible for supervising air pollution, water pollution, waste, and toxic materials have been appointed in accordance with regulations.

Pollution facility installation permit and pollution discharge permit, etc.

Apply for the project	License number	Effective date
Water Pollution Prevention and Control Permit	Ping County Huanshui Xu Zi No. 01487-01	2019.12.23 ~ 2022.07.04
Stationary pollution source operation	(M01) Pingfu Huankong Operation Certificate No. T0477-13	2020.09.21 ~ 2024.08.14
Stationary pollution source operation	(M02) Pingfu Huankong Operation Certificate No. T0478-09	2019.04.15 ~ 2023.03.01
Stationary pollution source operation	(M04) Pingfu Huankong Operation Certificate No. T0681-04	2019.04.15 ~ 2024.01.21
Stationary pollution source operation	(M05) Pingfu Huankong Operation Certificate No. T0737-03	2019.04.15 ~ 2022.10.17
Stationary pollution source operation	(M06) Pingfu Huankong Operation Certificate No. T0831-01	2019.04.15 ~ 2022.03.01
Stationary pollution source operation	(M07) Pingfu Huankong Operation Certificate No. T0864-02	2019.04.15 ~ 2023.10.17
Approval documents for the fourth category of toxic chemical substances (use, storage)	Pingtung County Duhezi No. 000010	2020.07.23 ~ 2025.02.18
Approval documents for the fourth category of toxic chemical substances (import, sale, export)	Taipei City Poison No. 000202	2020.08.06 ~ 2022.01.09

The appointed environmental protection staff are as follows:

License project	License number	Licensed personnel
Grade A / Air Pollution Prevention and Control	(93) Environmental Protection Agency Training Certificate No. FA110210	Lin, Min-wen
Grade A / Air Pollution Prevention and Control	(97) Environmental Protection Agency Training Certificate No. FA240170	Huang, Yu-wen
Grade A / Air Pollution Prevention and Control	(106) Environmental Protection Agency Training Certificate No. FA240358	Huang, Chi-Jen
Grade A waste disposal	(92) Environmental Protection Agency Training Certificate No. GB010264	Lin, Min-wen
Grade A waste disposal	(98) Environmental Protection Agency Training Certificate No. HA290273	Huang, Yu-wen
Grade A waste disposal	(105) Environmental Protection Agency Training Certificate No. HA160858	Huang, Chi-Jen

License project	License number	Licensed personnel
Grade A wastewater treatment	(97) Environmental Protection Agency Training Certificate No. GA200647	Huang, Yu-wen
Grade A wastewater treatment	(103) Environmental Protection Agency Training Certificate No. GA160789	Huang, Chi-Jen
Grade B wastewater treatment	(92) Environmental Protection Agency Training Certificate No. GB010264	Lin, Min-wen
Health risk assessment	(110) Environmental Protection Agency Training Certificate No. EA030028	Huang, Chi-Jen

(b) Outsourcing and co-processing expenses :

Unit: NT\$1,000

Item	Outsourcing and co-processing expenses	
	2019	2020
waste disposal	21,150	15,313

(c) Pay the government pollution fee

Unit: NT\$1,000

Item	2019	2020
Fixed source air pollution prevention and control fees	47	28
Soil and groundwater pollution remediation fee	1,947	1,437

(d) List the company's investment in major equipment for the prevention and control of environmental pollution, its use and possible benefits

Equipment name	Annual	investment amount	Uses and possible benefits
Air pollution control	2019~2020	NT\$ 1,500,000	1. Meet the requirements of environmental protection laws and regulations, reduce pollutant emissions 2. Put an end to environmental hazards
Water pollution prevention	2019~2020	NT\$ 300,000	1. Meet the requirements of environmental protection laws 2. Wastewater recycling
Additional waste treatment facilities	2019~2020	0	1. Waste recycling 2. Reduce loss rate
Energy saving and carbon reduction, greenhouse gas reduction	2019~2020	NT\$ 1,000,000	1. Reduce electricity and fuel usage 2. Reduce greenhouse gas emissions

(e) Estimated Environmental Capital Expenditure for Next Three Annual Periods

Item	2021	2022	2023
Pollution prevention equipment maintenance, setting content	1. Air pollution control equipment maintenance 2. Wastewater equipment maintenance 3. Annual regular inspection of control equipment 4. Pollution prevention equipment pipeline update	1. Air pollution control equipment maintenance 2. Wastewater equipment maintenance 3. Annual regular inspection of control equipment 4. Pollution prevention equipment pipeline update	1. Air pollution control equipment maintenance 2. Wastewater equipment maintenance 3. Annual regular inspection of control equipment 4. Pollution prevention equipment pipeline update
Total	NT\$ 6,000,000	NT\$ 6,000,000	NT\$ 6,000,000

## V. Labor-Management Relations

### 1. Current major labor-management agreements and implementation status:

#### (1) Employee welfares

The Company has established the Employee Welfare Committee in 1981 and been annually distributing budgets based on the working plans to provide various employee welfare subsidies and leisure activities.

- Vacation and leave: Monthly leave, annual leave, parental leave, and menstrual leave are provided in accordance with the Labor Standard Act.
- Bonuses: Festival bonuses, birthday, marriage, and childbirth gifts, and year-end bonuses based on annual business operating results.
- Insurance: In addition to mandatory labor insurance and national health insurance, the Company also provides employees with casualty insurance, group insurance for employees/spouses and children, hospitalization consolation money for employees/spouses and children, and regular physical examination for employees.
- Other benefits: Travel subsidies, education subsidies for employees' children, consolation money for injuries, illnesses and funeral condolences, bonuses for veterans, regular-held dinner parties.

#### (2) Education and training programs for employees

- The Company offers various education and training programs
- Quality training
- Communication skills
- Training programs for new recruits
- Training programs for OSH and ESH
- Management development skills
- Training programs abroad

- Seminar for senior executives
- In order to achieve the goal of “lifelong learning”, the Company provides employees with a subsidy for on-the-job education. In addition, the Company has designed comprehensive management development courses to integrate and use its internal, external, and foreign information and resources to enable the executives of frontline, mid-, and management levels to timely comprehend the latest management methods, ideas, and concepts.

(3) Disclosure of code for employees’ ethical conduct

A copy of the manual titled “Working Rules” would be distributed to an employee who is newly on board. The manual clearly specifies the provisions of the code for employees’ ethical conduct.

(4) The working environment and the protection of employees’ personal safety

In addition to the working procedures and methods specified in the Working Rules, the Company also provides comprehensive employee group insurance (including life insurance, casualty insurance, and cancer insurance) to protect the personal safety of employees and the rights and interests of their family members.

(5) Retirement system

The Company and its affiliates have stipulated the guidelines for employee retirement management in accordance with the Labor Standard Act and monthly allocated retirement reserves to the designated account of the labor retirement reserve supervisory committee as required. The amended Labor Pension Act had been fully effective since July 1, 2005. The applicable regulations are as follows:

- (a) The amended Labor Pension Act shall be applicable to the employees hired on or after July 1, 2005. The Company withholds and allocates 6% of the monthly wage to the pension accounts of the Bureau of Labor Insurance on a monthly basis. For any voluntary withholding, the Company withholds and allocates the portion (based on the voluntary withholding ratio) of the monthly wage of such employee to his/her individual pension account of the Bureau of Labor Insurance.
- (b) Employees hired prior to July 1, 2005 may select the pension system amended on July 1, 2005 or the original one according to their needs. The original system shall be applicable to any of such employees who make no selection and the original portion of the monthly wage of such employee will be withheld and allocated to the designated account of Bank of Taiwan based on the original retirement guidelines.

For the employees who are transferred or dispatched by the organization to the affiliates, the seniority shall not be discontinued for protection of rights and interests and achieve the goal of talent circulation within the Group. The Group fully complies with the provisions of the Labor Standard Act and the Labor Pension Act to stipulate related measures for employees retirement (e.g. Employees who have offered their full-time service for more than 15 years and reached an age of reach 55 years old, those who have offered their full-time service than 25 years,

and those who have offered their full-time service for more than 10 years and reached an age of reach 60 years old may apply for retirement.)

(6) Other major agreements

Based on the requirements of the Labor Standard Act, the Company regularly or from time to time communicates with employees. Any feedback or comments can be fully discussed. Therefore, the labor-management relationship is harmonious and there is no other special agreement.

**2. Since the establishment of the Company, there has been no loss due to labor disputes.**

## VI. Important Contracts

### 1. FORMOSAN UNION CHEMICAL CORP.

Contract Nature	Parties	Contract Start / End Date	Main Content	Restriction Clause
Land lease	Hershey Environmental Technology Co., Ltd.	Jan 01 ,2015 ~ Dec. 31, 2024	Lease of eight plots including land number 1-29, Pingnan Industrial Zone, Pingtung County, with a total land area of 83,690 square meters	None
Office roof lease contract	Yongji Energy Co., Ltd.	Aug. 13, 2012 ~ Aug.12, 2032	Lease a total of 4,877 square meters on the roof of Building 96, Pingnan Section, Pingnan Industrial Zone, Pingtung County	None

### 2. UPM

Contract Nature	Parties	Contract Start / End Date	Main Content	Restriction Clause
Hydrogenated petroleum resin commissioned processing contract	Formosa Union Chemical Corp.	Aug. 01,2012 ~ Jul. 31,2041	Entrusted FUCC to carry out the hydrogenation processing of hydrogenated petroleum resin	None
Storage tank equipment lease contract	Taiwan Petroleum Corporation	Jan. 01,2021 ~ Dec.31,2021	Lease of storage and transportation equipment located in Qianzhen Storage and Transportation Station for shore transportation and storage of petroleum resin feed oil for import and export	None

## VI. Financial Information

### I. Consolidated Balance Sheet and Income Statement for the Last Five Fiscal Years

#### 1. Condensed balance sheet and comprehensive income statement information

##### Consolidated balance sheet

Unit : NT\$ thousands

Year Item		Financial information for the last five years (note 1)				
		2016	2017	2018	2019	2020
Current assets		5,113,435	4,577,981	5,021,550	4,721,833	4,725,195
Financial assets-non-current and long-term investments		858,567	1,403,366	1,280,927	1,265,375	1,227,490
Property, plant and equipment		2,710,208	2,722,399	4,579,446	4,630,139	4,419,613
Intangible assets		92,610	97,367	98,554	97,830	97,237
Other assets		1,564,417	1,734,192	288,997	599,594	650,618
Total assets		10,339,237	10,535,305	11,269,474	11,314,771	11,120,153
Current liabilities	Before distribution	1,640,468	1,813,493	3,102,268	3,221,134	2,850,864
	After distribution	2,352,390	2,549,882	3,351,944	3,459,642	Note 2
Non-current liabilities		1,209,277	923,867	682,246	838,330	784,342
Total liabilities	Before distribution	2,849,745	2,737,360	3,784,514	4,059,464	3,635,206
	After distribution	3,561,667	3,473,749	4,034,190	4,297,972	Note 2
Capital stock		4,449,513	4,909,260	4,993,518	4,770,163	4,770,163
Capital surplus		284,646	184,511	192,728	187,880	182,565
Retained earnings	Before distribution	2,219,371	2,111,896	1,801,538	1,771,450	2,082,397
	After distribution	1,507,449	1,375,507	1,551,862	1,532,942	Note 2
Other equity		126,323	192,071	122,424	159,860	143,321
Non-controlling Interest		409,639	400,207	374,752	365,949	306,501
Total equities	Before distribution	7,489,492	7,797,945	7,484,960	7,255,307	7,484,947
	After distribution	6,777,570	7,061,556	7,235,284	7,016,799	Note 2

Note 1 : The financial data of the year 2016 to 2020 have been audit and issued an audit report by CPAs.

Note 2 : The motion for allocation of cash dividend 2020 had not yet been resolved by a shareholders' meeting.

## Condensed comprehensive income statement

unit: NT\$ thousands

Item \ Year	Financial information for the last five years (note 1)				
	2016	2017	2018	2019	2020
Operating income	8,574,420	8,787,780	9,785,385	8,797,162	8,481,829
Gross profit	1,826,954	1,650,442	1,251,603	996,791	1,490,143
Operating profit or loss	1,043,540	854,811	492,625	303,908	708,843
Non-Operating income and expense	66,476	(34,046)	30,514	(6,206)	4,600
Net income before tax	901,246	662,135	389,689	208,004	539,660
Net income of continuing operations	—	—	—	—	—
Loss of discontinued operation	901,246	662,135	389,689	208,004	539,660
Net income (loss)	9,208	39,732	(30,451)	43,283	(21,372)
Other comprehensive profit and loss (net)	910,454	701,867	359,238	251,287	518,288
Total comprehensive profit and loss	848,729	629,326	380,068	215,263	554,790
Net income attributable to parent company's shareholders	52,517	32,809	9,621	(7,259)	(15,130)
Net income attributable to noncontrolling interests	857,937	672,854	349,249	257,029	532,911
Total comprehensive profit and loss attributable to parent company's shareholders	52,517	29,013	9,989	(5,742)	(14,623)
Total comprehensive profit and loss attributable to noncontrolling interests	1.88	1.32	0.77	0.44	1.16

Note 1 : The financial data of the year 2016 to 2020 have been audit and issued an audit report by CPAs.

Note 2 : EPS, which shall be stated at NT\$

## 2 Standalone balance sheet and comprehensive income statement

### Standalone balance sheet

unit: NT\$ thousands

Item \ Year		Financial information for the last five years (note 1)				
		2016	2017	2018	2019	2020
Current assets		3,450,789	2,867,672	3,384,031	2,971,723	3,023,452
Financial assets-non-current and long-term investments		3,649,358	4,346,761	4,161,673	4,292,676	4,301,462
Property, plant and equipment		1,452,427	1,420,752	1,393,303	1,337,317	1,282,273
Intangible assets		367	2,046	384	329	206
Other assets		283,917	297,248	303,191	391,126	394,456
Total assets		8,836,858	8,934,479	9,242,582	8,993,171	9,001,849
Current liabilities	Before distribution	1,032,295	1,168,113	1,866,760	1,823,716	1,540,052
	After distribution	1,744,217	1,904,502	2,116,436	2,062,224	Note 2
Non-current liabilities		724,710	368,628	265,614	280,097	283,351
Total liabilities	Before distribution	1,757,005	1,536,741	2,132,374	2,103,813	1,823,403
	After distribution	2,468,927	2,273,130	2,382,050	2,342,321	Note 2
Capital stock		4,449,513	4,909,260	4,993,518	4,770,163	4,770,163
Capital surplus		284,646	184,511	192,728	187,880	182,565
Retailed earnings	Before distribution	2,219,371	2,111,896	1,801,538	1,771,450	2,082,397
	After distribution	1,507,449	1,375,507	1,551,862	1,532,942	註 2
Non-controlling Interest		126,323	192,071	122,424	159,865	143,321
Total equities	Before distribution	7,079,853	7,397,738	7,110,208	6,889,358	7,178,446
	After distribution	6,367,931	6,661,349	6,860,532	6,650,850	Note 2

Note 1 : The financial data of the year 2016 to 2020 have been audit and issued an audit report by CPAs.

Note 2 : The motion for allocation of cash dividend 2020 had not yet been resolved by a shareholders' meeting.



### Standalone comprehensive income statement

unit: NT\$ thousands

Item \ Year	Financial information for the last five years (note 1)				
	2016	2017	2018	2019	2020
Operating Income	6,301,545	6,435,272	7,254,272	6,344,324	6,034,566
Gross profit	1,181,714	1,050,466	815,867	720,653	1,231,908
Operating profit or loss	666,511	554,763	328,481	267,978	720,644
Non-Operating income and expense	325,437	178,525	129,128	2,149	(18,430)
Net income of continuing operations	848,729	629,326	380,068	215,263	554,790
Loss of discontinued operation	—	—	—	—	—
Net income (losses)	848,729	629,326	380,068	215,263	554,790
Other comprehensive income (net after tax)	9,208	43,528	(30,819)	41,766	(21,879)
Total comprehensive income	857,937	672,854	349,249	257,029	532,911
Earnings per share	1.88	1.32	0.77	0.44	1.16

Note 1 : The financial data of the year 2016 to 2020 have been audit and issued an audit report by CPAs.

Note 2 : EPS, which shall be stated at NT\$

### 3. CPAs' Name and audit opinion

Year	CPAs' Name	Audit opinion
2016	Chang, Jin-Ren \ Hsu, Tin-Jen	An unqualified opinion
2017	Chang, Jin-Ren \ Hsu, Tin-Jen	An unqualified opinion
2018	Chang, Jin-Ren \ Hsu, Tin-Jen	An unqualified opinion
2019	Chang, Jin-Ren \ Hsu, Tin-Jen	An unqualified opinion
2020	Chang, Jin-Ren \ Hsu, Tin-Jen	An unqualified opinion

## II. Financial analysis for the last five years

### 1.Consolidated financial analysis

Analysis Item		Year	Financial analysis for the last five years (Note1)					Analysis
			2015	2016	2017	2018	2019	Item
Financial structure (%)	Liabilities to assets		27.56	25.98	33.58	35.88	32.69	
	Long-term fund for property, plant and equipment		321.72	320.37	178.34	174.80	187.10	
Liquidity analysis (%)	Current ratio		311.71	252.44	161.87	146.59	165.75	
	Quick ratio		132.90	97.29	51.71	49.76	80.21	1
	Interest coverage ratio		48.12	90.95	31.16	11.80	27.12	2
Operation performance analysis	Receivables turnover (times)		8.26	8.84	9.14	7.85	7.47	
	Average collection days		44.18	41.28	39.93	46.49	48.86	
	Inventory turnover (times)		2.41	2.54	2.74	2.37	2.58	
	Payables turnover (times)		17.01	19.81	27.68	21.96	21.54	
	Average inventory turnover days		151.45	143.70	133.21	154.00	141.47	
	Property, plant and equipment turnover (times)		3.18	3.24	2.68	1.91	1.87	
	Total assets turnover (times)		0.83	0.84	0.90	0.78	0.76	
Profitability	Return on assets (%)		8.93	6.42	3.70	2.04	5.01	2
	Return on equity (%)		12.49	8.66	5.10	2.82	7.32	2
	to paid-in capital	Operation interest	23.45	17.41	9.87	6.37	14.86	2
	ratio (%)	Net profit before tax	24.95	16.72	10.48	6.24	14.96	2
	Net income margin (%)		10.51	7.53	3.98	2.36	6.36	2
	EPS (NT\$)		1.88	1.32	0.77	0.44	1.16	2
Cash flow (%)	Cash flow ratio (%)		59.06	43.02	0	28.99	50.64	3
	Cash flow adequacy ratio (%)		86.39	92.49	62.56	74.05	72.58	
	Cash flow reinvestment ratio (%)		3.59	0.53	0	5.61	9.53	3
Leverage	Operating leverage		1.62	1.63	2.05	3.20	3.28	
	Financial leverage		1.02	1.01	1.04	1.10	1.04	
<p>Note 1 : The financial data of the year 2016 to 2020 have been audit and issued an audit report by CPAs.</p> <p>Analysis of changes in the increase and decrease ratio:</p> <p>1. Mainly due to the decrease in current liabilities in 2020.</p> <p>2. Mainly due to increased profits in 2020</p> <p>3. Mainly due to the increase in profits in 2020, the decrease in inventories, etc., so the net cash inflow from operating activities increased.</p>								

## 2. Standalone financial analysis

Analysis Item		Financial analysis for the last five years (Note1)					Analysis Item
		Year	2015	2016	2017	2018	2019
Financial structure (%)	Liabilities to assets		19.88	17.20	23.07	23.39	20.26
	Long-term fund for property, plant and equipment		537.35	546.64	529.38	536.11	581.92
Liquidity analysis (%)	Current ratio		334.28	245.50	181.28	162.95	196.32
	Quick ratio		118.49	74.77	40.27	47.79	95.65
	Interest coverage ratio		55.69	110.86	52.92	26.10	86.78
Operation performance analysis	Receivables turnover (times)		10.79	11.83	11.51	10.30	9.55
	Average collection days		33.83	30.85	31.71	35.44	38.22
	Inventory turnover (times)		2.43	2.59	2.77	2.35	2.66
	Payables turnover (times)		15.23	17.14	25.80	19.51	17.76
	Average inventory turnover days		150	141	132	155	137
	Property, plant and equipment turnover (times)		4.26	4.48	5.16	4.65	4.61
	Total assets turnover (times)		0.72	0.72	0.80	0.70	0.67
Profitability	Return on assets (%)		9.86	7.14	4.26	2.46	6.24
	Return on equity (%)		12.46	8.69	5.24	3.08	7.89
	to paid-in capital ratio (%)	Operation interest	14.98	11.30	6.58	5.62	15.11
		Net profit before tax	22.29	14.94	9.16	5.66	14.72
	Net income margin (%)		13.47	9.78	5.24	3.39	9.19
	EPS (NT\$)		1.88	1.32	0.77	0.44	1.16
Cash flow (%)	Cash flow ratio (%)		65.41	48.69	0	57.79	76.07
	Cash flow adequacy ratio (%)		67.69	69.12	55.65	74.69	71.55
	Cash flow reinvestment ratio (%)		1.55	0.00	0	8.22	9.18
Leverage	Operating leverage		2.48	2.81	3.62	3.96	2.62
	Financial leverage		1.03	1.01	1.03	1.04	1.01
<p>Note 1 : The financial data of the year 2016 to 2020 have been audit and issued an audit report by CPAs.</p> <p>Analysis of changes in the increase and decrease ratio:</p> <p>1. Mainly due to the increase in cash on hand and the decrease in current liabilities in 2020.</p> <p>2. Mainly due to increased profits in 2020</p> <p>3. Mainly due to the increase in net cash inflow from operating activities in 109 and the decrease in current liabilities</p>							

\* If the company has an individual financial report, an analysis of the company's individual financial ratio shall be prepared separately.

\* If the financial information using International Financial Reporting Standards is less than 5 years old, the following table should be prepared separately (2) Financial information using my country's Financial Accounting Standards

Note 1 : In the first quarter of 2021, no accountant checked individual statements.

Note 2 : Companies that are listed or whose stocks have been traded in the business premises of a securities firm shall incorporate the financial data of the current year as of the quarter before the publication date of the annual report into the analysis.

Note 3 : The financial analysis formula:

1. Financial structure
  - (1) Debt ratio = Total liabilities/total assets.
  - (2) Long term funds to property, plant, and equipment ratio = (Total shareholders' equity + non-current liabilities)/net property, plant, and equipment
2. Solvency
  - (1) Current ratio = Current assets/current liabilities
  - (2) Quick ratio = (Current assets - inventory - prepaid expenses)/current liabilities
  - (3) Times Interest Earned = Net income before tax and interest expense/current interest expense
3. Operating ability
  - (1) Accounts Receivable (including account receivable and note receivable from operating) turnover = Net sales/average Receivables (including account receivable and note receivable from operating) balance
  - (2) Average collection period = 365 days/ accounts receivable turnover
  - (3) Inventory turnover (times) = Cost of goods sold/average inventory
  - (4) Accounts Payable (including Account payable and Note payable from operating) turnover = Cost of goods sold/average accounts payable (including Account payable and Note payable from operating)
  - (5) Average inventory turnover days = 365 days/ inventory turnover
  - (6) Property, plant, and equipment turnover (times) = Net sales/ average net average property, plant, and equipment
  - (7) Total asset turnover = Net sales/average total assets
4. Profitability
  - (1) Return on total assets = [net income + interest expense x (1-tax ratio)]/average total assets
  - (2) Return on shareholder's equity = Net income/average total shareholder's equity
  - (3) Profit margin = Net income/ net sales
  - (4) Earnings per Share = (Net income attributable to parent company's shareholders - preferred stock dividend)/ weighted average number of shares issued (Note 2)
5. Cash flow
  - (1) Cash flow ratio = Cash flow from operating activities/current liabilities
  - (2) Net cash flow adequacy ratio = Five-year sum of cash from operations / Five-year sum of capital expenditures, inventory additions, and cash dividends
  - (3) Cash reinvestment ratio = (Net cash flow from operating activities - cash dividends)/ (gross property, plant, and equipment + long-term investments + other non-current assets + working capital) (Note 3)
6. Leverage
  - (1) Operating leverage = (Net operating income - variable operating cost and expense)/operating income (Note 4)
  - (2) Financial leverage = Operating income/ (operating income - interest expenses)

Note 4 : The calculation of earnings per share referred to above should be with the following matters included for consideration:

1. It is based on the weighted average outstanding number of common stock shares rather than the issued shares at the end of year.
2. Capital increased by cash or treasury stock transaction should be take into account when the calculating the circulation period of the weighted average outstanding shares.
3. Where there is a capitalization from earnings or capital reserve, when calculating earnings per share for the prior years and every interim, it should be retroactively adjusted by proportional capitalization without considering the issuance period of the capitalization.
4. If the preferred stock is non-convertible cumulative preferred stock, the its dividends (whether distributed or not) should be deducted from net income, or added to the net loss. If the preferred shares are non-cumulative, when there is net income, preferred stock dividends should be deducted from net income; when there is net loss, no adjustment is needed.

Note 5 : The cash flow analysis should be with the following matters included for consideration:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities on the statement of cash flow.
2. Capital expenditures refer to the annual cash outflow of capital investment.
3. Inventory additions are included for calculation only when the balance at the end is greater than the balance at the beginning. If inventories are decreased at the end of year, it is counted as zero.
4. Cash dividends include cash dividends of common stock and preferred stock.
5. Gross property, plant, and equipment meant for the total amount of property, plant, and equipment before deducting the accumulated depreciation.

Note 6 : The issuer shall have the operating costs and operating expenses classified as fixed and variable by the nature. If it involves estimates or subjective judgments, it should pay attention to its rationality and consistency.

Note 7 : The ratio of paid-up capital to foreign companies previously opened will be calculated based on the ratio of net worth.

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

#### **Formosan Union Chemical Corp.**

Audit Committee's review report on the 2020

To the 2020 General Shareholders' Meeting of Formosan Union Chemical Corp.,

In accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we have examined the Business Report, Financial Statements, the Resolution for Allocation of Dividend submitted, and Consolidated statements of subsidiaries by Board of Directors for the year ending 2020, which have been audited by independent auditors, Mr. Jin-Ren Chang and Ms. Tin-Jen Hsu of Deloitte & Touche, and found them in order.

The Convener of the Audit Committee : Zhuo Xun-Rong

Handwritten signature in Chinese characters, reading '卓訓榮' (Zhuo Xun-Rong).

March 19, 2021

## **IV. The audited consolidated financial statements of 2020**

### **Independent Auditor's Report**

To: Formosan Union Chemical Corp.:

#### **Independent Auditor's opinion**

We have audited the accompanying balance sheet of Formosan Union Chemical Corp. and subsidiaries as of December 31, 2020 and 2019 and the related statements of income, retained earnings, cash flows, and notes (including the summary of major accounting policies) to the financial statements for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Formosan Union Chemical Corp. and subsidiaries as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Firms," International Financial Reporting Standards (IFRSs) that was recognized by the Financial Supervisory Commission, International Accounting Standards (IAS), Interpretations, and Notices (IFRS), Interpretation (IFRIC) and Interpretative Announcement (SIC).

#### **Basis of an audit opinion**

We conducted our audit in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and generally accepted auditing standards. The responsibilities of the independent auditors under these standards will be further explained in the audit performed on the consolidated financial statements. The personnel of the CPA Firm subject to the independence requirement has acted independently from the business operations of Formosan Union Chemical Corp. and subsidiaries in accordance with the Code of Ethics and have performed other responsibilities of the Code of Ethics. We believe that our audit provides a reasonable basis for our opinion.

## **Key Audit Matters**

The key audit matters refer to the most important matters in auditing the 2020 consolidated financial statements of Formosan Union Chemical Corp. and subsidiaries in accordance with the professional judgment of the independent auditors. These matters have been handled during the process of reviewing the consolidated financial statements as a whole with audit opinions formed. We do not express an independent opinion on these matters.

The independent auditor determined that the key audit matters of Formosan Union Chemical Corp. and subsidiaries in 2020 to be communicated in the audit report are as follows:

### The revenue growth of the top ten customers is better than the company's overall performance and the recognition of income

The operating income of Formosan Union Chemical Corp. and subsidiaries in 2020 was lower than that of in 2019; however, the operating income from the top ten customers has increased from last year. The independent auditor has the income recognition of Formosan Union Chemical Corp. and subsidiaries classified as one of the key audit matters in 2020. Please refer to Note IV and XXVI for the accounting policy and information on income recognition.

The main auditing procedures implemented by the independent auditors include:

1. Understand and test the design and implementation effectiveness of the major internal controls related to the recognition of operating income.
2. Analyze the reasons for the changes in the operating income of the aforementioned customers.
3. Sample the operating income transactions of the aforementioned customers for checking the relevant shipping document and collection of accounts receivable.
4. Check whether there is a major sales return or discount afterward of the aforementioned customers.

## **Other matters**

Formosan Union Chemical Corp. has prepared stand-alone financial reports for the years 2020 and 2019. The independent auditors have issued an unqualified opinion on the financial reports for reference.

## **The responsibility of the management and governance unit for the consolidated financial statements**

The responsibility of the management is to have the consolidated financial statements presented fairly, in all material respects, in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Firms,” International Financial Reporting Standards (IFRS) that was recognized by the Financial Supervisory Commission, International Accounting Standards, Interpretations, and Notices (IFRS), Interpretation (IFRIC) and Interpretative Announcement (SIC). Also, maintain the necessary internal controls related to the consolidated financial statements to ensure that the consolidated financial statements are free of any material misstatement arising from frauds or errors.

The management’s responsibility while preparing the consolidated financial statements also includes assessing the continuing operation of Formosan Union Chemical Corp. and subsidiaries, the disclosure of the relevant matters, and the adoption of the continuing operation accounting base, unless the management intends to liquidate Formosan Union Chemical Corp. and subsidiaries or cease the business operation, or there is lack of any option except for liquidation or suspension.

The governance unit (Audit Committee) of Formosan Union Chemical Corp. and subsidiaries is responsible for supervising the financial reporting process.

## **The independent auditor’s responsibility for auditing the consolidated financial statements**

The purpose of the independent auditor’s auditing the consolidated financial statements is to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement arising from frauds or errors and with an audit report issued. Reasonable assurance means high assurance. However, the audit conducted in accordance with generally accepted auditing standards does not guarantee to have any material misstatement in the consolidated financial statements detected. Material misstatement could be arising from frauds or errors. If the misstated amount or aggregated amount is reasonably expected to affect the economic decisions made by the readers of the consolidated financial statements, it is considered significant.

The independent auditors when conducting the audit in accordance with generally accepted auditing standards shall exercise professional judgment and maintain professional suspicion. The independent auditors also perform the following tasks:



1. Identify and evaluate the risk of material misstatement arising from frauds or errors of the consolidated financial statements; design and implement proper responsive measures for the assessed risks; also, obtain sufficient and adequate audit evidence for forming an audit opinion. Frauds may involve conspiracy, forgery, deliberate omission, false declaration, or violation of internal control; therefore, the risk of material misstatement arising from frauds is higher than that caused by errors.
2. Obtain a necessary understanding of the internal control related to the audit to design appropriate audit procedures under the circumstance, but the purpose is not to express an opinion on the effectiveness of the internal control of Formosan Union Chemical Corp. and subsidiaries.
3. Assess the appropriateness of the accounting policies adopted by the management; also, the reasonableness of the accounting estimates and related disclosures made.
4. Base on the audit evidence obtained to make conclusions on the suitability of the continuing operation accounting base adopted by the management and whether or not the events or circumstances causing significant doubts to the continuing operation ability of Formosan Union Chemical Corp. and subsidiaries are with significant uncertainties. If the independent auditors believe that such events or circumstances are with significant uncertainties, it is necessary to remind the readers of the consolidated financial statements in the audit report to pay attention to the relevant disclosure or to revise the audit opinion when such disclosures are inappropriate. The conclusion of the independent auditors is based on the audit evidence obtained as of the audit report date. However, future events or circumstances may result in the inability of Formosan Union Chemical Corp. and its subsidiaries to operate continuously.
5. Assess the overall presentation, structure, and content of the consolidated financial statements (including the relevant notes) and whether or not the relevant transactions and events in the consolidated financial statements are presented fairly.
6. Obtain sufficient and appropriate audit evidence on the financial information of the individual business entity within Formosan Union Chemical Corp. and subsidiaries in order to express an opinion on the consolidated financial statements. The independent auditors are responsible for guiding, supervising, and implementing the auditing process of the Group; also, are responsible for forming an opinion on the audit of the Group.

The matters communicated by the independent auditors to the governance unit include the scope and timing of the planned audit, and the material findings (including the major nonconformities of internal controls identified in the auditing process).

The independent auditors have provided to the governance unit the declaration of independence of the CPA Firm personnel subject to the Code of Ethics; also, have communicated with the governance unit regarding the relationship and other matters (including the relevant protection measures) that may affect the independence of the independent auditors.

The independent auditors have based on the communications with the governance unit to determine the key audit matters to be performed on the 2020 consolidated financial statements of Formosan Union Chemical Corp. and subsidiaries. The independent auditors shall state the key audit matters in the audit report except for the specific matters prohibited from being disclosed, or, in rare cases; the independent auditors decide not to have specific matters communicated in the audit report since the negative effect of such disclosure can be reasonably expected to be greater than the increase of public interest.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China  
Chang, Ching-Jen

Hsu, Ting-Chen

Securities and Futures Commission  
Approval Document No.  
Tai-Cai-Zheng-6 No. 0920123784

Securities and Futures Commission  
Approval Document No.  
Tai-Cai-Zheng-6 No. 0920123784

March 19, 2021

Formosan Union Chemical Corp. and Subsidiaries  
Consolidated Balance Sheets  
December 31, 2020 and 2019

Unit: In Thousands of New Taiwan Dollars

Code	Assets	12/31/2020		12/31/2019	
		Amount	%	Amount	%
	Current assets				
1100	Cash (Note IV & VI)	\$ 963,714	9	\$ 350,264	3
1110	Financial assets measured at fair value through profit and loss – current (Note IV & VII)	114,182	1	31,157	-
1136	Financial assets measured at amortized cost – current (Note IV & IX)	23,300	-	47,300	1
1150	Note receivable (Note IV, X, & XXVI)	189,115	2	142,813	1
1170	Accounts receivable – net (Note IV, X, & XXVI)	888,873	8	927,442	8
1180	Accounts receivable – related party (Note IV, X, XXVI, & XXXIV)	74,368	1	48,057	1
1200	Other receivables (Note X & XXXIV)	26,221	-	49,475	1
1220	Net income tax assets – current (Note IV & XXVIII)	14	-	1,368	-
130X	Inventory – net (Note IV & XI)	2,266,920	20	3,094,419	27
1410	Prepayment amount	171,604	1	24,629	-
1479	Other current assets	6,884	-	4,909	-
11XX	Total current assets	<u>4,725,195</u>	<u>42</u>	<u>4,721,833</u>	<u>42</u>
	Noncurrent assets				
1520	Financial assets measured at fair value through other comprehensive profit and loss – noncurrent (Note IV, VIII, & XXXVIII)	501,725	5	562,155	5
1550	Investment under equity method (Note IV, XII, & XIII)	725,765	7	703,220	6
1600	Property, plant, and equipment (Note IV, XIV, & XXXV)	4,419,613	40	4,630,139	41
1755	Use-of-right assets (Note IV & XV)	334,423	3	367,154	3
1760	Investment assets – net (Note IV, XVI, & XXXV)	13,027	-	13,278	-
1805	Goodwill (Note IV & XVII)	94,799	1	94,799	1
1821	Intangible assets (Note IV & XVIII)	2,438	-	3,031	-
1840	Deferred income tax assets (Note IV & XXVIII)	162,750	1	132,620	1
1915	Prepaid construction and equipment (Note XIX)	51,454	-	10,248	-
1920	Refundable deposit (Note XIX)	5,561	-	6,760	-
1990	Other noncurrent assets (Note XIX & XXXV)	83,403	1	69,534	1
15XX	Total noncurrent assets	<u>6,394,958</u>	<u>58</u>	<u>6,592,938</u>	<u>58</u>
1XXX	Total assets	<u>\$ 11,120,153</u>	<u>100</u>	<u>\$ 11,314,771</u>	<u>100</u>
	Liabilities and Shareholders' equity				
	Current liabilities				
2100	Short-term loans (Note XX)	\$ 1,760,118	16	\$ 2,078,987	19
2150	Notes payable (Note XXI)	11,661	-	11,153	-
2170	Accounts payable (Note XXI)	201,801	2	424,777	4
2219	Other payables (Note XXII & XXXIV)	506,607	5	416,926	4
2230	Income tax liabilities – current (Note IV & XXVIII)	147,997	1	26,349	-
2250	Liability reserve – current (Note IV & XXIII)	25,698	-	23,205	-
2280	Lease liability – current (Note IV & XV)	63,411	1	74,449	1
2320	Long-term loans due within 1 year (Note XX & XXXV)	108,056	1	129,247	1
2399	Other current liabilities (Note XXII & XXVI)	25,515	-	36,041	-
21XX	Total current liabilities	<u>2,850,864</u>	<u>26</u>	<u>3,221,134</u>	<u>29</u>
	Noncurrent liabilities				
2540	Long-term loans (Note XX & XXXV)	215,685	2	262,682	2
2570	Deferred income tax liabilities (Note IV & XXVIII)	220,004	2	208,522	2
2580	Lease liabilities – noncurrent (Note IV & XV)	275,071	2	294,659	2
2640	Net defined benefit liabilities – noncurrent (Note IV & XXIV)	73,345	1	72,230	1
2670	Other noncurrent liabilities	237	-	237	-
25XX	Total noncurrent liabilities	<u>784,342</u>	<u>7</u>	<u>838,330</u>	<u>7</u>
2XXX	Total liabilities	<u>3,635,206</u>	<u>33</u>	<u>4,059,464</u>	<u>36</u>
	Equity attributable to the company's shareholders				
3110	Common stock capital	4,770,163	43	4,770,163	42
3200	Additional paid-in capital	182,565	1	187,880	2
	Retained earnings				
3310	Legal reserve	925,118	9	903,592	8
3320	Special reserve	251,175	2	251,175	2
3350	Unappropriated earnings	906,104	8	616,683	6
3300	Total retained earnings	<u>2,082,397</u>	<u>19</u>	<u>1,771,450</u>	<u>16</u>
	Other equities				
3410	Exchange difference from the conversion of financial statements of foreign operation institution	( 37,805 )	-	( 38,790 )	( 1 )
3420	Unrealized profit and loss of financial assets measured at fair value through other comprehensive profit and loss	181,126	1	198,655	2
3400	Total other equities	<u>143,321</u>	<u>1</u>	<u>159,865</u>	<u>1</u>
31XX	Total shareholders' equity	<u>7,178,446</u>	<u>64</u>	<u>6,889,358</u>	<u>61</u>
36XX	Non-controlling interest	<u>306,501</u>	<u>3</u>	<u>365,949</u>	<u>3</u>
3XXX	Total equity	<u>7,484,947</u>	<u>67</u>	<u>7,255,307</u>	<u>64</u>
	Total Liabilities and Shareholders' equity	<u>\$ 11,120,153</u>	<u>100</u>	<u>\$ 11,314,771</u>	<u>100</u>

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

Formosan Union Chemical Corp. and Subsidiaries  
Consolidated Statements of Comprehensive Income  
From January 1 to December 31, 2020 & 2019

Unit: In Thousands of New Taiwan Dollars,  
Except Earnings Per Share

Code		2020		2019	
		Amount	%	Amount	%
4100	Operating income – net (Note IV, XXVI, & XXXIV)	\$ 8,481,829	100	\$ 8,797,162	100
5110	Operating cost (Note IV, XI, XXIV, XXVII, & XXXIV)	<u>6,994,508</u>	<u>83</u>	<u>7,801,525</u>	<u>89</u>
5900	Gross profit	1,487,321	17	995,637	11
5910	Unrealized sales loss	<u>2,822</u>	<u>-</u>	<u>1,154</u>	<u>-</u>
5950	Realized gross profit	<u>1,490,143</u>	<u>17</u>	<u>996,791</u>	<u>11</u>
	Operating expense (Note X, XXIV, XXVII, & XXXIV)				
6100	Marketing expense	497,235	6	443,357	5
6200	Managerial expense	220,861	2	201,040	2
6300	R&D expense	63,093	1	49,550	1
6450	Expected credit impairment loss (reversed profit)	<u>111</u>	<u>-</u>	<u>( 1,064 )</u>	<u>-</u>
6000	Total operating expense	<u>781,300</u>	<u>9</u>	<u>692,883</u>	<u>8</u>
6900	Operating net income	<u>708,843</u>	<u>8</u>	<u>303,908</u>	<u>3</u>
	Non-operating income and expense				
7100	Interest income (Note XXVII)	1,351	-	1,681	-
7190	Other income (Note XXVII)	66,157	1	44,389	1
7020	Other profit and loss (Note XXVII)	( 49,462 )	( 1 )	26,712	-
7060	Profit and loss ratio from associates and joint venture under equity method (Note XIII)	13,867	-	( 51,423 )	( 1 )
7050	Financial cost (Note XXVII)	<u>( 27,313 )</u>	<u>-</u>	<u>( 27,565 )</u>	<u>-</u>
7000	Total non-operating income and loss	<u>4,600</u>	<u>-</u>	<u>( 6,206 )</u>	<u>-</u>
7900	Net income before tax	713,443	8	297,702	3
7950	Income tax expense (Note IV & XXVIII)	<u>173,783</u>	<u>2</u>	<u>89,698</u>	<u>1</u>
8200	Net income	<u>539,660</u>	<u>6</u>	<u>208,004</u>	<u>2</u>

(Continued on Next Page)

(Continued from Previous Page)

Code		2020		2019	
		Amount	%	Amount	%
	Other comprehensive profit and loss				
8310	Not-reclassified to profit and loss:				
8311	Defined benefit plan				
	re-measurement amount				
	(Note XXIV)	( \$ 5,880 )	-	\$ 7,280	-
8316	Unrealized profit and loss in				
	valuation of equity				
	instrument measured at				
	fair value through other				
	comprehensive profit and				
	loss (Note VIII & XXV)	( 21,574 )	-	63,908	1
8349	Income tax related to				
	non-reclassified items				
	(Note XXVIII)	<u>5,127</u>	<u>-</u>	<u>( 6,585 )</u>	<u>-</u>
		<u>( 22,327 )</u>	<u>-</u>	<u>64,603</u>	<u>1</u>
8360	Items could be reclassified to				
	profit and loss subsequently:				
8361	Exchange difference from				
	conversion of financial				
	statements of foreign				
	operating institution (Note				
	XXV)	1,201	-	( 26,654 )	-
8399	Income tax related to items				
	could be reclassified to				
	profit and loss (Note				
	XXVIII)	<u>( 246 )</u>	<u>-</u>	<u>5,334</u>	<u>-</u>
		<u>955</u>	<u>-</u>	<u>( 21,320 )</u>	<u>-</u>
8300	Total other comprehensive				
	profit and loss	<u>( 21,372 )</u>	<u>-</u>	<u>43,283</u>	<u>1</u>
8500	Total comprehensive profit and loss –				
	current	<u>\$ 518,288</u>	<u>6</u>	<u>\$ 251,287</u>	<u>3</u>
	Net income attributable to:				
8610	The company's shareholders	\$ 554,790	6	\$ 215,263	2
8620	Non-controlling interest	<u>( 15,130 )</u>	<u>-</u>	<u>( 7,259 )</u>	<u>-</u>
8600		<u>\$ 539,660</u>	<u>6</u>	<u>\$ 208,004</u>	<u>2</u>
	Comprehensive profit and loss				
	attributable to:				
8710	The company's shareholders	\$ 532,911	6	\$ 257,029	3
8720	Non-controlling interest	<u>( 14,623 )</u>	<u>-</u>	<u>( 5,742 )</u>	<u>-</u>
8700		<u>\$ 518,288</u>	<u>6</u>	<u>\$ 251,287</u>	<u>3</u>
	Earnings per share (Note XXIX)				
9710	Basic	<u>\$ 1.16</u>		<u>\$ 0.44</u>	
9810	Diluted	<u>\$ 1.16</u>		<u>\$ 0.43</u>	

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

Formosan Union Chemical Corp. and Subsidiaries  
Consolidated Statements of Changes in Equity  
From January 1 to December 31, 2020 & 2019

Unit: In Thousands of New Taiwan Dollars

		Equity attributable to the company's shareholders												
									Other equities (note VIII & XXV)					
		Capital stock (Note XXV)			Retained earnings (Note XXV)				Exchange difference from conversion of financial instruments of foreign operating institution	Unrealized profit and loss of financial assets measured at fair value through other comprehensive profit and loss	Total	Total	Non-controlling interest (Note XII, XXV, XXX, & XXXI)	Total equity
Code		Shares (Thousand)	Amount	Additional paid-in capital (Note XXV)	Legal reserve	Special reserve	Unappropriated earnings	Total						
A1	Balance – 1/1/2019	499,352	\$ 4,993,518	\$ 192,728	\$ 865,585	\$ 251,175	\$ 684,778	\$ 1,801,538	( \$ 17,453 )	\$ 139,877	\$ 122,424	\$ 7,110,208	\$ 374,752	\$ 7,484,960
	The 2018 earnings appropriation and distribution													
B1	Legal reserve	-	-	-	38,007	-	( 38,007 )	-	-	-	-	-	-	-
B5	Cash dividend	-	-	-	-	-	( 249,676 )	( 249,676 )	-	-	-	( 249,676 )	-	( 249,676 )
		-	-	-	38,007	-	( 287,683 )	( 249,676 )	-	-	-	( 249,676 )	-	( 249,676 )
D1	Net income - 2019	-	-	-	-	-	215,263	215,263	-	-	-	215,263	( 7,259 )	208,004
D3	Other comprehensive profit and loss after tax – 2019	-	-	-	-	-	4,325	4,325	( 21,337 )	58,778	37,441	41,766	1,517	43,283
D5	Total comprehensive profit and loss – 2019	-	-	-	-	-	219,588	219,588	( 21,337 )	58,778	37,441	257,029	( 5,742 )	251,287
M5	Difference between consideration and book amount of subsidiary's equity acquired or disposed	-	-	3,012	-	-	-	-	-	-	-	3,012	7,925	10,937
M7	Changes in ownership of a subsidiary	-	-	( 10,354 )	-	-	-	-	-	-	-	( 10,354 )	16,770	6,416
O1	Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	( 27,756 )	( 27,756 )
I1	Conversion of convertible corporate bonds	2,770	27,706	2,494	-	-	-	-	-	-	-	30,200	-	30,200
E3	Decapitalization in cash	( 25,106 )	( 251,061 )	-	-	-	-	-	-	-	-	( 251,061 )	-	( 251,061 )
Z1	Balance – 12/31/2019	477,016	4,770,163	187,880	903,592	251,175	616,683	1,771,450	( 38,790 )	198,655	159,865	6,889,358	365,949	7,255,307
	The 2019 earnings appropriation and distribution													
B1	Legal reserve	-	-	-	21,526	-	( 21,526 )	-	-	-	-	-	-	-
B5	Cash dividend	-	-	-	-	-	( 238,508 )	( 238,508 )	-	-	-	( 238,508 )	-	( 238,508 )
		-	-	-	21,526	-	( 260,034 )	( 238,508 )	-	-	-	( 238,508 )	-	( 238,508 )
D1	Net income - 2020	-	-	-	-	-	554,790	554,790	-	-	-	554,790	( 15,130 )	539,660
D3	Other comprehensive profit and loss after tax – 2020	-	-	-	-	-	( 5,241 )	( 5,241 )	985	( 17,623 )	( 16,638 )	( 21,879 )	507	( 21,372 )
D5	Total comprehensive profit and loss – 2020	-	-	-	-	-	549,549	549,549	985	( 17,623 )	( 16,638 )	532,911	( 14,623 )	518,288
M3	Disposal of subsidiary	-	-	-	-	-	-	-	-	-	-	-	( 5,402 )	( 5,402 )
M5	Difference between consideration and book amount of subsidiary's equity acquired or disposed	-	-	866	-	-	-	-	-	-	-	866	( 4,146 )	( 3,280 )
M7	Changes in ownership of a subsidiary	-	-	( 6,181 )	-	-	-	-	-	-	-	( 6,181 )	( 16,501 )	( 22,682 )
O1	Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	( 18,776 )	( 18,776 )
Q1	Disposal of equity instrument measured at fair value through other comprehensive profit and loss	-	-	-	-	-	94	94	-	94	94	-	-	-
Z1	Balance – 12/31/2020	477,016	\$ 4,770,163	\$ 182,565	\$ 925,118	\$ 251,175	\$ 906,104	\$ 2,082,397	( \$ 37,805 )	\$ 181,126	\$ 143,321	\$ 7,178,446	\$ 306,501	\$ 7,484,947

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

Formosan Union Chemical Corp. and Subsidiaries

Consolidated Statements of Cash Flows

From January 1 to December 31, 2020 & 2019

Unit: In Thousands of New Taiwan Dollars

Code		2020	2019
	Cash flow from operating activities		
A00010	Net income before tax	\$ 713,443	\$ 297,702
A20010	Income and expense items		
A20100	Depreciation expense	322,691	300,104
A20200	Amortization expense	1,581	1,748
A20300	Expected credit impairment loss (reversed profit)	111	( 1,064 )
A20400	Net profit of financial assets measured at fair value through profit and loss	( 424 )	( 1,286 )
A20900	Financial cost	27,313	27,565
A21200	Interest income	( 1,351 )	( 1,681 )
A21300	Dividend income	( 31,956 )	( 24,575 )
A22300	Profit and loss ratio from associates and joint venture under equity method	( 13,867 )	51,423
A22500	Loss from the disposal of property, plant, and equipment	36,341	1,125
A23800	Profit from the reversal of inventory loss in valuation	( 20,879 )	( 42,605 )
A23900	Unrealized gross profit from sales with joint venture	( 2,822 )	( 1,154 )
A24100	Exchange loss (profit) – net	( 3,526 )	3,149
A29900	Loss from disposal of subsidiary	165	-
A29900	Profit from lease betterment – net	( 12 )	-
	Changes in operating assets and liabilities – net		
A31115	Financial assets measured at fair value through profit and loss mandatorily	( 82,601 )	37,758
A31130	Notes receivable	( 46,302 )	10,168
A31150	Accounts receivable	34,469	33,101
A31160	Accounts receivable – related party	( 26,602 )	( 46,302 )
A31180	Other receivables	23,350	24,722
A31200	Inventories	859,762	329,260
A31230	Prepayment	( 147,515 )	13,220
A31240	Other current assets	( 2,650 )	21,691
A32130	Notes payable	508	( 5,526 )
A32150	Accounts payable	( 223,047 )	168,022
A32180	Other payables	91,077	( 75,802 )
A32200	Liability reserve	2,493	( 905 )
A32230	Other current liabilities	( 2,751 )	( 29,232 )
A32240	Defined benefit liabilities – net	( 4,765 )	( 17,064 )
A33000	Cash from operating activities	1,502,234	1,073,562
A33100	Interest collected	1,262	1,754
A33200	Dividend collected	31,956	24,575
A33300	Interest paid	( 27,813 )	( 21,729 )
A33500	Income tax paid	( 63,995 )	( 144,483 )
AAAA	Net cash inflow from operating activities	<u>1,443,644</u>	<u>933,679</u>

(Continued on Next Page)

(Continued from Previous Page)

Code		2020	2019
	Cash flow from investing activities		
B00020	Sales of financial assets measured at fair value through comprehensive profit and loss	\$ 38,857	\$ -
B00050	Disposal of financial assets measured at amortized cost	24,000	11,600
B02700	Acquisition of property, plant, and equipment	( 82,386 )	( 169,621 )
B02800	Disposal of property, plant, and equipment	4,380	651
B03800	Decrease in refundable deposit	880	1,536
B04500	Acquisition of intangible assets	( 876 )	( 1,024 )
B06800	Decrease (increase) in noncurrent assets	( 13,869 )	2,125
B07200	Increase in prepaid construction and equipment	( 45,604 )	( 38,930 )
B07600	Dividend collected from associates and joint venture	<u>235</u>	<u>2,836</u>
BBBB	Net cash inflow from investing activities	( <u>74,383</u> )	( <u>190,827</u> )
	Cash flow from financing activities		
C00100	Increase (decrease) in short-term loans	( 311,652 )	67,898
C01700	Liquidated long-term loans	( 68,188 )	( 129,447 )
C03000	Increase in refundable deposits	582	226
C04020	Liquidated lease principal	( 79,448 )	( 76,680 )
C04500	Distribution of cash dividend	( 238,508 )	( 249,676 )
C04700	Decapitalization in cash	-	( 251,061 )
C05400	Acquisition of equity from subsidiary	( 3,280 )	-
C05500	Proceeds from the disposal of equity of subsidiary	( 13,497 )	10,937
C05800	Changes in non-controlling interest	( <u>41,458</u> )	( <u>21,340</u> )
CCCC	Net cash outflow from financing activities	( <u>755,449</u> )	( <u>649,143</u> )
DDDD	Effect of changes in exchange rate on cash	( <u>362</u> )	( <u>167</u> )
EEEE	Net increase in cash	613,450	93,542
E00100	Cash balance – beginning	<u>350,264</u>	<u>256,722</u>
E00200	Cash balance - ending	<u>\$ 963,714</u>	<u>\$ 350,264</u>

The accompanying notes are an integral part of the parent company only financial statements.



Formosan Union Chemical Corp. and Subsidiaries  
Notes to Consolidated Financial Statements  
From January 1 to December 31, 2020 & 2019  
(Unless otherwise noted, all units are expressed in NT\$ Thousand)

I. Company profile

Formosan Union Chemical Corp. (hereinafter referred to as the “company”) was established on June 21, 1973, to engage in the production, processing, and trading of alkylbenzene (dodecylbenzene), alkenes, alkanol (nonphenol), and their derivatives; also, the operation and investment of other related businesses.

The company’s stock shares have been listed and traded on the Taiwan Stock Exchange since July 1986.

This consolidated financial report is expressed in the company’s functional currency (New Taiwan Dollar).

II. Date of and procedure for the approval of the financial statements

The consolidated financial statements were approved by the board of directors on March 19, 2021.

III. Application of the newly announced and amended regulations and interpretations

- (I) The company has adopted International Financial Reporting Standards (IFRSs) that were recognized by the Financial Supervisory Commission, International Accounting Standards (IAS), Interpretations, and Notices (IFRS), Interpretation (IFRIC), and Interpretative Announcement (SIC) for the first time.

The company has started applying the amended International Financial Reporting Standards (IFRSs) that was recognized and announced by the Financial Supervisory Commission and it will not have a significant impact on the accounting policies of the company and the business entities controlled by the company (hereinafter referred to as “the consolidated company”).

- (II) Applicable IFRSs recognized by the Financial Supervisory Commission in 2021

Newly announced/revised/amended regulations and interpretations	Effective date for the announcement of the IASB
Amendment to IFRS 4 “Extension of Provisional Exemption for Applying IFRS 9”	Effective from the announcement date

(Continued on Next Page)

(Continued from Previous Page)

Newly announced/revised/amended regulations and interpretations	Effective date for the announcement of the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 “Interest Rate Indicators Reformation - Phase 2”	Effective in the annual reporting period beginning on January 1, 2021
Amendments to IFRS 16 “COVID-19 pandemic related rent concession”	Effective in the annual reporting period beginning on June 1, 2020

The consolidated company has been continuously evaluating the impact of the aforementioned amendments to regulations and interpretations on the financial status and financial performance as of the date the consolidated financial statements were passed and announced; also, the said impact will be disclosed upon the completion of the evaluation.

(III) IFRSs announced by IASB but not yet recognized and announced by the Financial Supervisory Commission

announced/revised/amended regulations and interpretations	Effective date for the announcement of the IASB (Note 1)
“2018-2020 Annual improvement”	January 1, 2022 (Note 2)
Amendment to IFRS 3 “Index of Conceptual Framework Update”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or investment of assets between investors and their associates or joint ventures”	Undetermined
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendment to IAS 1 “Classification of liabilities as current or noncurrent”	January 1, 2023
Amendment to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendment to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendment to IAS 16 “Property, plant and equipment: the price before reaching the intended state of use”	January 1, 2022 (Note 4)
Amendment to IAS 37 “Loss Contracts - Cost of Performing Contracts”	January 1, 2022 (Note 5)

Note 1: Unless otherwise specified, the aforementioned newly announced/revised/amended regulations and interpretations will be effective in the annual reporting period starting from the respective date.

Note 2: The amendments to IFRS 9 are applicable to the financial liabilities exchange or clause modification during the annual reporting period beginning on January 1, 2022; the amendment to IAS 41 “Agriculture” is applicable to the fair value measurements during the annual reporting period beginning on January 1, 2022; the amendment to IFRS 1 “First-time Adoption of IFRSs” is retrospectively applicable to the annual reporting period beginning on January 1, 2022.

Note 3: The enterprise merger occurred on a date in the annual reporting period beginning on January 1, 2022 is subject to this amendment.

Note 4: Property, plant, and equipment that reach the necessary place and status for the expected operation mode of the management after January 1, 2021 is subject to this amendment.

Note 5: The contract that is not yet with all obligations fulfilled on January 1, 2022 is subject to this amendment.

Note 6: The annual reporting periods beginning after January 1, 2023 are deferred to be subject to this amendment.

Note 7: The changes in accounting estimates and accounting policies that occurred in the annual reporting periods after January 1, 2023 are subject to this amendment.

The consolidated company has been continuously evaluating the impact of the aforementioned amendments to regulations and interpretations on the financial status and financial performance as of the date the consolidated financial statements were passed and announced; also, the said impact will be disclosed upon the completion of the evaluation.

#### IV. Summary of significant accounting policies

##### (I) Statement of compliance

The consolidated financial statements are prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Firms” and the IFRSs recognized and announced by the Financial Supervisory Commission.

## (II) Preparation basis for financial statements

Except for the financial instruments measured at fair value and the net defined benefit liabilities recognized at the present value of the defined benefit obligation net of the fair value of the planned assets, this consolidated financial report is prepared at the historical cost.

The measurement of fair value is divided into Level 1 to Level 3 according to the observability and importance of the relevant input values.

1. Level 1 input values: It refers to the market price (unadjusted) of the same asset or liability available on the measurement date.
2. Level 2 input values: It refers to the directly (that is, price) or indirectly (that is, derived from price) observable input value of an asset or liability, except for Level 1 quotation.
3. Level 3 input values: It refers to the unobservable input value of an asset or liability.

## (III) Classification criteria for classifying assets and liabilities as current and noncurrent

Current assets include:

1. Assets held primarily for trading purposes;
2. Assets that are expected to be realized within 12 months after the reporting period; and
3. Cash and cash equivalents (excluding restricted items that will be exchanged or used to liquidate liabilities within 12 months after the balance sheet date);

Current liabilities include:

1. Liabilities held primarily for trading purposes;
2. Liabilities that will be due for settlement within 12 months after the balance sheet date (even a long-term refinancing or rescheduling payment agreement that is completed after the balance sheet date and before the financial report is issued is also classified as a “current liability”), and;
3. Liabilities that cannot be unconditionally extended for at least 12 months after the balance sheet date; however, at the clause choice of the counterparty, the classification of the liabilities that could be liquidated by issuing equity instruments are not affected.

Assets and liabilities other than current assets and current liabilities are classified as noncurrent assets and noncurrent liabilities.

#### (IV) Consolidation basis

This consolidated financial report includes the financial statements of the company and the entities (subsidiaries) controlled by the company. The consolidated income statement has included the operating profit and loss of the acquired or disposed subsidiary companies in the current period from the date of acquisition or till the date of disposal. The financial reports of the subsidiaries have been adjusted to make their accounting policies consistent with the accounting policies of the consolidated company. All transactions, account balances, incomes, and expenses between business entities have been written-off at the time of preparing the consolidated financial report. The total comprehensive profit and loss of subsidiaries are attributable to the shareholders and non-controlling interests of the company, even if the non-controlling interests are with a negative balance thereafter.

When the changes in the equity of the subsidiary owned by the consolidated company do not result in the loss of control, it is treated as an equity transaction. The book amount of the consolidated company and non-controlling interests have been adjusted to reflect changes in its relative equity in the subsidiary. The difference between the adjustment amount of non-controlling interests and the fair value of the consideration paid or received is directly recognized as equity and attributable to the company's shareholders.

When the consolidated company loses control of the subsidiary, the disposal profit, and loss is the difference between the following two items: (1) the sum of the fair value of the consideration received and the fair value of the retained investment in the former subsidiary at the date of losing control of the former subsidiary, and (2) the total book amount of the assets (including goodwill) and liabilities and non-controlling interest of the subsidiary on the day losing control of the former subsidiary. For all amounts previously recognized in other comprehensive income and profit related to the subsidiary, the basis of accounting treatment is the same as the mandatory basis for the consolidated company if it directly disposes of the relevant assets or liabilities.

Please refer to Note XII and Table VII for the subsidiaries, shareholding ratio, and business items in detail.

#### (V) Foreign currency

The business entity that has financial reports prepared in a currency (foreign currency) other than its functional currency shall have it converted into the functional currency at the exchange rate on the trading day.

Foreign currency transactions are converted in accordance with the closing exchange rate on the balance sheet date. The exchange difference amount arising from the settlement or exchange transaction should be recognized as profit and loss.

Non-monetary items in foreign currency measured at the fair value are converted at the exchange rate on the day when the fair value is determined, and the resulted exchange difference is recognized as profit and loss. However, if the change in fair value is recognized in other comprehensive profit and loss, the resulted exchange difference is recognized in the other comprehensive profit and loss.

Non-monetary items in foreign currency measured at the historical cost are converted at the exchange rate on the trading day and will not be converted again.

The assets and liabilities of a foreign operating institution (including the subsidiaries, associates, or joint venture operations in a different country or use different currencies) are converted into New Taiwan Dollar in accordance with the exchange rate on the balance sheet date when a consolidated financial report is prepared. Profit and loss items are converted at the current average exchange rate, and the resulted exchange difference is recognized in the other comprehensive profit and loss and is attributable to the shareholder's equity and non-controlling interests of the company.

When the consolidated company has disposed all equities of the foreign operating institutions, or, disposed part of the equity in the subsidiary of the foreign operating institutions with the loss of control, the relevant accumulated exchange differences of the foreign operating institutions will be fully reclassified as profit and loss.

#### (VI) Inventory

Inventories include raw materials, work-in-process products, and finished products. Inventory is measured at the lower of cost or net realizable value. The comparison of the cost and net realizable value, except for the same type of inventories, is itemized. Net realizable value refers to the estimated selling price under normal circumstances minus the estimated cost required to complete the project and the estimated cost required to complete the sale. The weighted average method is adopted for the calculation of inventory cost.

#### (VII) Investment in associates and joint ventures

An associate refers to a company that is significantly influenced by the consolidated company, but it is not a subsidiary or joint venture. A joint venture refers to a joint agreement between the consolidated company and another company that has joint control and rights to net assets.

The consolidated company adopts the equity method for investments in associates and joint ventures.

Under the equity method, investments in associates and joint ventures are initially recognized at cost; also, the book amount after the acquisition date increases or decreases along with the share of profits and losses in the associates and joint ventures and other comprehensive profit and loss. In addition, changes in the equity of associates and joint ventures are recognized proportionally to the shareholding ratio.

The amount of the acquisition cost exceeding the share of the net fair value of the identifiable assets and liabilities of the associates and the joint venture that the consolidated company owns on the acquisition date is classified as goodwill, which is included in the book value of the investment and cannot be amortized. The share of the net fair value of the identifiable assets and liabilities of the associates and the joint venture that the consolidated company owns on the acquisition date exceeding the amount of the acquisition cost is recognized as profit and loss.

If the consolidated company does not subscribe the new shares issued by associates and joint ventures proportionally to the shareholding ratio that causes changes in the shareholding ratio and the net equity value of the investment, the amount of increase or decrease is adjusted to the additional paid-in capital – equity method with the changes in the net equity of the associates and joint venture and the investment under equity method recognized. However, if the equity in the associates and the joint venture is decreased due to not subscribing the new shares issued by associates and joint ventures proportionally to the shareholding ratio, the amount related to the associates and joint venture recognized in the other comprehensive profit and loss should be reclassified proportionally to the decreased amount. Its accounting treatment basis is the same as the way an associate or joint venture directly handling the disposal of related assets or liabilities. If the aforementioned adjustment is debited to additional paid-in capital, when there is insufficient additional paid-in capital resulted from the investment under the equity method, the difference amount should be debited to the retained earnings.

When the consolidated company's share of losses in associates and joint ventures equals to or exceeds its equity in the associates and joint ventures (including the book value of the investment in the associates and joint ventures under the equity method, and other long-term equity of the net investment of the consolidated company in the associates and joint ventures), the recognition of further losses will be ceased. The consolidated company only recognizes additional losses and liabilities within the scope of incurred legal obligations, deduced obligations, or payments made on behalf of the associates and joint ventures.

The consolidated company at the time of assessing impairment regards the overall book value of the investment as a single asset and conducts an impairment test by comparing it to the recoverable amount. The recognized impairment loss is an integral part of the investment book amount. Any reversal of the impairment loss shall be recognized within the scope of the subsequent increase in the recoverable amount of the investment.

The consolidated company ceases the adoption of the equity method on the day when its investment ceases to be in an associate or a joint venture; also, its retained equity of the original associates and the joint venture is measured at fair value. The difference amount between the fair value and disposal price with the book amount of the investment on the day stops applying the equity method is recognized as profit and loss. In addition, for the amount related to the associates and joint venture recognized in the other comprehensive profit and loss, its accounting treatment basis is the same as the way an associate or joint venture directly handling the disposal of related assets or liabilities. If an investment in an associate becomes an investment in a joint venture, or an investment in a joint venture becomes an investment in an associate, the consolidated company will continue to adopt the equity method without re-measuring the retained equity.

The profits and losses arising from the clockwise, counterclockwise, and side-stream transactions between the consolidated company and the associates and the joint venture are recognized in the consolidated financial report to the extent that it has nothing to do with the consolidated company's equity in the associates and the joint venture.

#### (VIII) Property, plant, and equipment

Property, plant, and equipment are recognized at the cost first and then measured at the cost net of accumulated depreciation and accumulated impairment loss subsequently.

Property, plant, and equipment are depreciated on a straight-line basis within the service life for each significant part separately. The consolidated company shall review the estimated service life, residual value, and depreciation method at least once at the end of each year, and defer the effect of changes in the applicable accounting estimates.

The difference between the net disposal amount of the property, plant, and equipment and the book amount is recognized as profit and loss at the time of having them delisted.



(IX) Investment property

Investment property refers to property held for earning rent or asset appreciation or both.

Proprietary investment property is initially measured at cost (including transaction costs), and subsequently measured at the cost net of the accumulated depreciation and accumulated impairment losses. The depreciation of investment property is calculated on a straight-line basis.

The difference between the net disposal amount of the investment property and the book amount is recognized as profit and loss at the time of having it delisted.

(X) Goodwill

The cost of the goodwill obtained in a business merger is based on the amount of goodwill recognized on the acquisition date, and it is subsequently measured at the cost net of the accumulated impairment loss.

For the purpose of impairment testing, goodwill is allocated to each cash-generating unit or group (referred to as “cash-generating unit”) that the consolidated company expects to benefit from the synergy of the merger.

The cash-generating unit that received the amortized goodwill has performed an impairment test by comparing the book value of the cash-generating unit containing goodwill with its recoverable amount annually (and when there are indications that the unit may have been impaired). If the goodwill allocated to the cash-generating unit is obtained from a business merger of the current year, the impairment test of the cash-generating unit should be performed before the end of the current year. If the recoverable amount of the cash-generating unit with allocated goodwill is lower than its book value, the impairment loss is to first reduce the book amount of the cash-generating unit’s amortized goodwill and then reduce the book value of the other assets of the cash-generating unit proportionally. The impairment loss, if any, is directly recognized as the current loss. The impairment loss of goodwill shall not be reversed in the subsequent period.

(XI) Intangible assets

1. Acquired separately

Intangible assets with limited useful life acquired separately are initially measured at cost, and subsequently measured at the cost net of accumulated amortization and accumulated impairment losses. Intangible assets are amortized on a straight-line basis during the useful life. The consolidated company shall review the estimated service life, residual value, and amortization method at least once at the end of each year, and defer the effect of changes in the applicable accounting estimates.

## 2. Delisting

The difference between the net disposal price and the book value of the asset is recognized in profit and loss at the time of having intangible assets delisted.

### (XII) Impairment of property, plant and equipment, right-of-use assets, and intangible assets (except goodwill)

The consolidated company assesses on each balance sheet date whether there is any sign indicating that property, plant and equipment, right-of-use assets, and intangible assets (except goodwill) may have been impaired. If there is any sign of impairment, the recoverable amount of the asset should be estimated. If the recoverable amount of an individual asset cannot be estimated, the consolidated company should estimate the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of the fair value net of the cost of sale or its use-value. If the recoverable amount of an individual asset or a cash-generating unit is lower than its book value, the book value of the asset or the cash-generating unit should be reduced to its recoverable amount, and the impairment loss is recognized in profit and loss.

When the impairment loss is subsequently reversed, the book value of the asset or the cash-generating unit is adjusted up to the revised recoverable amount; however, the increased book value may not exceed the book value (net of amortization or depreciation) without any impairment loss of the assets or cash-generating unit recognized in previous years. The reversal of the impairment loss is recognized in the profit and loss.

### (XIII) Financial instruments

Financial assets and financial liabilities are recognized on the consolidated balance sheet when the consolidated company becomes a party to the instrument contract.

In the initial recognition of financial assets and financial liabilities, if financial assets or financial liabilities are not measured at fair value through profit and loss, they are measured at fair value plus transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities. Transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities measured at fair value through profit and loss are immediately recognized in profit and loss.

## 1. Financial assets

Conventional transactions of financial assets are recognized and delisted in accordance with the trading day accounting.

### (1) Type of measurement

The types of financial assets held by the consolidated company are financial assets measured at fair value through profit and loss, financial assets measured at amortized cost, and equity instrument investment measured at fair value through other comprehensive profit and loss.

#### A. Financial assets measured at fair value through profit and loss

Financial assets measured at fair value through profit and loss are financial assets measured at fair value through profit and loss mandatorily. Financial assets measured at fair value through profit and loss mandatorily include equity instrument investments that are not designated by the consolidated company to be measured at fair value through other comprehensive profit and loss and debt instrument investments that are not classified as to be measured at amortized cost or measured at fair value through other comprehensive profit and loss.

Financial assets measured at fair value through profit and loss are measured at fair value, and the profit or loss resulting from re-measurement is recognized in profit and loss. Please refer to Note XXXIII for the fair value determination method.

#### B. Financial assets measured at amortized cost

If the financial assets invested by the consolidated company meet the following two conditions, they are classified as financial assets measured at amortized cost:

- a. It is held under a certain business model for a purpose of holding the financial assets in exchange for contractual cash flows; and
- b. Cash flow is generated on a specific date according to the contract signed; also, such cash flows are all paying for the principal and the interest of the outstanding principal.

Financial assets measured at amortized cost (including cash and cash equivalents, accounts receivable, notes receivable, other receivables, refundable deposits, and other financial assets) after initial recognition are subsequently measured at the amortized cost (the book value that is determined according to the effective interest method – impairment loss). The foreign exchange profit and loss are recognized in profit and loss.

Except for the following two circumstances, interest income is calculated by having the effective interest rate multiplied by the total book value of the financial assets:

- a. For financial assets with the purchase or original impairment, interest income is calculated by having the effective interest rate after credit adjustment multiplied by the amortized cost of the financial asset.
- b. For financial assets not with the purchase or original credit impairment, but subsequently become credit-impaired financial assets, interest income should be calculated by having the effective interest rate multiplied by the amortized cost of the financial asset from the next reporting period after the credit impairment.

Credit-impaired financial assets refer to the issuer or debtor who has experienced major financial difficulties, defaulted, the debtor who is likely to apply for bankruptcy or other financial reorganization, or the active market for financial assets disappears due to financial difficulties.

- C. Equity instruments investment measured at fair value through other comprehensive profit and loss;

The consolidated company at the time of initial recognition can make an irrevocable choice to have the equity instrument investment that is not held-for-trade and not recognized through a business merger or with considerations paid measured at fair value through other comprehensive profit and loss.

Equity instrument investment is measured at fair value through other comprehensive profit and loss; subsequent changes in fair value are reported in other comprehensive profit and loss and accumulated in other equity. At the time of disposing the investment, the accumulated profit and loss is directly transferred to retained earnings and is not reclassified as profit and loss.

Dividends from equity instrument investment measured at fair value through other comprehensive profit and loss are recognized in the profit and loss when the company's right to receive payments is established unless the dividends clearly represent part of the investment cost recovered.

## (2) Impairment of financial assets

The consolidated company assesses the impairment loss of financial assets (including accounts receivable) measured at amortized cost according to the expected credit loss on each balance sheet date.

Allowance for loss is recognized for accounts receivable according to the expected credit loss throughout the duration. For other financial assets, assess whether there is a significant increase in credit risk after the initial recognition, if there is no significant increase, the allowance for loss is recognized according to the 12-month expected credit loss; however if there is a significant increase in credit risk, the allowance for loss is recognized according to the expected credit loss throughout the duration.

Expected credit loss is the weighted average credit loss based on the risk of default. The 12-month expected credit loss refers to the expected credit loss caused by the possible default event of the financial instrument within 12 months after the reporting date, and the expected credit loss throughout the duration refers to the expected credit loss caused by all possible default events throughout the duration of the financial instrument.

The impairment loss of all financial assets is with the book amount adjusted down through the allowance account; however, the allowance loss of debt instrument investment measured at fair value through other comprehensive profit and loss is recognized in other comprehensive profit and loss without causing a decrease in the book amount.

## (3) Delisting of financial assets

The consolidated company will have the financial assets delisted only when the contractual right from the cash flow of the financial asset is terminated, or, the financial asset has been transferred and almost all the risks and rewards related to the ownership of the asset have been transferred to other companies.

When a financial asset measured at amortized cost is delisted entirely, the difference between the book value and the consideration received is recognized in the profit or loss. When the debt instrument investment is measured at fair value through other comprehensive profit and loss is delisted entirely, the difference between the book value and

the consideration received plus the accumulated profit or loss that has been recognized in other comprehensive profit and loss is recognized in profit and loss. When equity instrument investments measured at fair value through other comprehensive profit and loss are delisted entirely, the accumulated profit and loss is directly transferred to retained earnings without having it reclassified as profit and loss.

## 2. Equity instruments

The debt and equity instruments issued by the consolidated company are classified as financial liabilities or equity according to the contractual agreement and the definition of financial liabilities and equity instruments.

The equity instruments issued by the consolidated company are recognized at the acquisition amount net of the direct issuance cost.

The company's equity instruments repurchased are recognized and deducted in the "equity" account. The purchase, sale, issuance, or cancellation of the company's equity instruments are not recognized in profit or loss.

## 3. Financial liabilities

### (1) Subsequent measurement

Except for the financial liabilities that are measured at fair value through profit and loss, all financial liabilities are measured at the amortized cost in accordance with the effective interest method.

### (2) Delisting of financial liabilities

When financial liabilities are de-listed, the difference between the book value and the total consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

## (XIV) Liability reserve

The recognized liability reserve amount is the best-estimated expenditure needed for liquidating obligations on the balance sheet date under the consideration of the risk and uncertainty of obligation. The liability reserve is measured at the discounted value of estimated cash flows needed for liquidating the current obligation.

## (XV) Income recognition

The consolidated company after identifying the performance obligations in the contract will have the transaction price distributed to each performance obligation and will recognize income when each performance obligation is fulfilled.

1. Commodity sales income

Commodity sales income is generated from the sales of chemical products. Since the customer has the right to use the product when the product is shipped and has to bear the risk of obsolescence and outdated of the product, the company recognizes income and accounts receivable at the said point of time. The advances received for products are recognized as contract liabilities before the products are shipped.

2. Labor service income

Labor service income is generated from product processing and power supply services, which are recognized when labor services are provided.

3. Dividend income and interest income

The dividend income generated from investment is recognized when the shareholder's right to receive payment is established, provided that the economic benefits related to the transaction are likely to flow into the consolidated company and the amount of income can be reliably measured.

The interest income generated from financial assets is recognized when the economic benefits are likely to flow into the consolidated company and the amount of income can be reliably measured. Interest income is recognized on an accrual basis according to the passage of time, the outstanding principal, and the applicable effective interest rate.

#### (XVI) Lease

The consolidated company assesses whether it is (or including) a lease contract on the contract date.

1. The consolidated company is the lessor

When the lease clause is to transfer almost all the risks and rewards attached to the ownership of the asset to the lessee, it is classified as a financial lease. All other leases are classified as operating leases.

Lease payments for operating leases are recognized as income on a straight-line basis during the relevant lease period. The original direct costs arising from operating leases are added to the book value of the assets and recognized as expenses on a straight-line basis during the lease period.

2. The consolidated company is the lessee

Except for the lease payments of low-value underlying asset leases and short-term leases that are subject to the applicable recognition, the exemption is recognized as expenses on a straight-line basis during the lease period, other leases are recognized as right-of-use assets and lease liabilities on the lease start date.

The right-of-use asset is originally measured at cost (including the original measurement amount of the lease liability, the lease payment paid before the lease start date minus the lease incentives received, and the original direct cost and the estimated cost of the restored underlying asset), and is subsequently measured at the cost net of the accumulated depreciation and accumulated impairment loss; also, adjust the remeasurement amount of the lease liability. The right-of-use assets are separately expressed on the consolidated balance sheet.

Right-of-use assets are depreciated on a straight-line basis from the lease start date to the expiration of the service life or the expiration of the lease period, whichever is earlier.

The lease liability was originally measured at the present value of the lease payment. If the implicit interest rate of the lease is easy to determine, the lease payment is discounted at such an interest rate. If the interest rate is not easy to determine, the lessee's incremental loan interest rate is applied.

Subsequently, the lease liability is measured at the amortized cost in accordance with the effective interest approach, and the interest expense is amortized during the lease period. If there are changes occurring in the lease period, the consolidated company will re-measure the lease liability and relatively adjust the right-of-use asset. However, if the book value of the right-of-use asset is reduced to zero, the remaining remeasurement amount is recognized in the profit and loss. For lease betterment that is not treated as separate leases, the remeasurement of the lease liability due to the reduction in the scope of the lease is applied to reduce the right-of-use asset; also, the profit and loss arising from the partial or full termination of the lease is recognized. The remeasurement of the lease liability due to other betterment is applied to adjust the right-of-use asset. Lease liabilities are separately expressed in the consolidated balance sheet.

#### (XVII) Loan cost

The loan cost directly attributable to the acquisition, construction, or production of a qualified asset is an integral part of the asset cost until almost all necessary activities for the asset to reach its intended use or sale status have been completed.



If specific loans are applied to invest temporarily for earning investment income before being applied for capital expenditures that meet the requirements, such loans are deducted from the loan costs that meet the conditions of capitalization.

Except for the aforementioned practice, all other loan costs are recognized as profit and loss in the current period.

#### (XVIII) Employee Benefits

##### 1. Short-term employee benefits

Short-term employee benefit-related liabilities are measured by the expected non-discounted amount of cash to be paid in exchange for employee services.

##### 2. Retirement benefits

The pension of the defined contribution plan is recognized as an expense for an amount equivalent to the retirement fund appropriated for the employee's service period.

The defined benefit-cost (including service cost, net interest, and remeasurement) of the definite benefit plan is calculated according to the estimated unit benefit actuarial method. Net interests of service costs (including current service costs) and net defined benefit liabilities (assets) are recognized as employee benefit expenses upon occurrence. The remeasurement amount (including actuarial profit and loss and remuneration of planned assets net of interest) is recognized in other comprehensive profit and loss upon the occurrence and included in retained earnings, which will not be reclassified to profit and loss in subsequent periods.

The net defined benefit liabilities (assets) are the appropriation shortage (surplus) of the defined benefit plan. The net defined benefit assets shall not exceed the present value of the refunded appropriation of the plan or the reduced appropriation in the future.

#### (XIX) Income tax

Income tax expense is the sum of current income tax and deferred income tax.

##### 1. Current income tax

The consolidated company determines the current income in accordance with the law and regulations established by each income tax agency in order to calculate the income tax payable accordingly.

The income tax to be levied on the undistributed earnings that are calculated in accordance with the Income Tax Act of the Republic of China is to be recognized in the year it is resolved in the shareholders meeting.

Adjustments to income tax payable of previous years are included in current income tax.

## 2. Deferred income tax

Deferred income tax is calculated according to the temporary difference between the book value of assets and liabilities and the tax basis for calculating taxable income.

If the original recognition of assets and liabilities does not affect taxable income or accounting profits at the time, the temporary differences arising therefrom are not recognized as deferred income tax assets and liabilities.

Deferred income tax liabilities are generally recognized for all taxable temporary differences, while deferred income tax assets are recognized when there is likely having income tax credit derived from taxable income available for deducting temporary differences and loss credit.

Taxable temporary differences related to investment in subsidiaries, associates, and joint agreements are recognized as deferred income tax liabilities unless otherwise provided that the consolidated company can control the timing of the reversion of the temporary differences; and the temporary differences are unlikely to be reversed in the foreseeable future. The deductible temporary differences related to this type of investment will be recognized as deferred income tax assets only if it is likely to have sufficient taxable income to realize the temporary differences, and within the scope expected to be reversed in the foreseeable future.

The book amount of deferred income tax assets is reviewed on each balance sheet date, and the book amount is reduced for those that are no longer likely to have sufficient taxable income to recover all or part of the assets. Those that have not been recognized as deferred income tax assets will also be reviewed on each balance sheet date, and the book amount is increased for those that are likely to generate taxable income in the future for the recovery of all or part of the assets.

Deferred income tax assets and liabilities are measured at the tax rate of the period when the liability is expected to be settled or the asset is expected to be realized. The said tax rate is based on the tax rate and tax law that has been legislated or substantively legislated on the balance sheet date. The measurement of the deferred income tax liabilities and assets reflects the tax consequences arising from the manner in which the consolidated company expects to recover or settle the book amount of the assets and liabilities on the balance sheet date.

### 3. Current and deferred income tax

Current and deferred income taxes are recognized in profit and loss; however, current and deferred income taxes related to items recognized in other comprehensive profit and loss or directly included in equity are recognized in other comprehensive profit and loss or directly included in equity, respectively.

## V. Significant accounting judgment, estimation, and the main source of assumption uncertainties

When the consolidated company adopts accounting policies, for those that cannot easily obtain relevant information from other sources, the management must make relevant judgments, estimations, and assumptions based on historical experience and other relevant factors. Actual results may differ from estimates.

The consolidated company takes the economic impact of the COVID-19 pandemic into consideration in its major estimates, and the management will continue to review the estimates and basic assumptions. If the revision of the estimate only affects the current period, it is recognized in the current period; if the revision of the accounting estimate affects both the current period and the future period, it is recognized in the current period and the future period.

## VI. Cash

	12/31/2020	12/31/2019
Cash on hand and petty cash	\$ 1,519	\$ 1,522
Bank checking deposit and saving deposit	962,195	348,742
	<u>\$ 963,714</u>	<u>\$ 350,264</u>

The interest rate range of bank deposits on the balance sheet date is as follows:

	12/31/2020	12/31/2019
Bank deposit	0.001%~0.26%	0.001%~0.33%

VII. Financial assets measured at fair value through profit and loss

	<u>12/31/2020</u>	<u>12/31/2019</u>
<u>Financial assets – current</u>		
Measured at fair value through profit and loss mandatorily		
Non-derivative financial assets		
– Fund beneficiary		
certificate	<u>\$114,182</u>	<u>\$ 31,157</u>

VIII. Financial assets measured at fair value through other comprehensive  
profit and loss

	<u>12/31/2020</u>	<u>12/31/2019</u>
<u>Noncurrent</u>		
Domestic investment		
Non-TWSE-TPEX stock		
Common stock shares of COTA Commercial Bank	\$ -	\$ 31,932
Common stock shares of J&V Energy Technology Co., Ltd.	112,722	137,986
Common stock shares of Sino-Japan Chemical Co., Ltd.	<u>213,000</u>	<u>221,746</u>
Subtotal	<u>325,722</u>	<u>391,664</u>
Foreign investment		
Non-TWSE-TPEX stock		
Common stock shares of Singapore Kong-Hua Enterprise Company	94,826	88,875
Anonymous portfolio investment		
Japanese power stations	<u>81,177</u>	<u>81,616</u>
Subtotal	<u>176,003</u>	<u>170,491</u>
	<u>\$501,725</u>	<u>\$562,155</u>

The consolidated company has based on the mid-term and long-term strategic purpose to invest in the stocks of COTA Commercial Bank, J&V Energy Technology Co., Ltd., Sino-Japan Chemical Co., Ltd., Singapore Kong-Hua Enterprise Company, and Japanese power stations, and expect to make profits through long-term investment. The management of the consolidated company believes that if the short-term fluctuation in the fair value of the investment is included in the profit and loss, it is inconsistent with the aforementioned long-term investment plan;

therefore, the management chooses to have such investments measured at fair value through other comprehensive profit and loss.

The consolidated company adjusted the investment position to diversify risks in April 2020. The common stock shares of COTA Commercial Bank were sold at fair value for an amount of NT\$38,857 thousand. Also, the unrealized loss in valuation of the related other equity – financial assets measured at fair value through other comprehensive profit and loss was NT\$(94) thousand and it was transferred to retained earnings.

The fair value of Non-TWSE-TPEX stocks of financial assets measured at fair value through other comprehensive profit and loss is based on the evaluation performed by independent appraisers at the end of December 2020 and 2019. Such evaluation is performed with the considerations of the business scale, product type, and similar industries of the appraised company. A valuation profit (loss) of NT\$(21,574) thousand and NT\$63,908 thousand were adjusted to the unrealized profit and loss (booked in the “other equity” account) of financial assets measured at fair value through other comprehensive profit and loss, respectively.

IX. Financial assets measured at the amortized cost

	<u>12/31/2020</u>	<u>12/31/2019</u>
<u>Current</u>		
Domestic investment		
Time deposits with original maturity date for more than 3 months	<u>\$ 23,300</u>	<u>\$ 47,300</u>

As of December 31, 2020 and 2019, the interest rate range of time deposits with an original maturity of more than 3 months was 0.49%~1.07% and 0.80%~1.07% per annum, respectively.

X. Notes receivable, accounts receivable, and other receivables

	<u>12/31/2020</u>	<u>12/31/2019</u>
<u>Notes receivable</u>		
Measured at the amortized cost		
Derived from operating activities	<u>\$189,115</u>	<u>\$142,813</u>

(Continued on Next Page)

(Continued from Previous Page)

	<u>12/31/2020</u>	<u>12/31/2019</u>
<u>Accounts receivable</u>		
Measured at the amortized cost		
Total book amount –		
non-related party	\$889,757	\$928,215
Minus: Allowance for loss	( <u>884</u> )	( <u>773</u> )
	888,873	927,442
Measured at the amortized cost		
Total book amount – related		
party	<u>74,368</u>	<u>48,057</u>
	<u>\$963,241</u>	<u>\$975,499</u>
<u>Other receivables</u>		
Non-related party	\$ 25,699	\$ 49,475
Related party	<u>522</u>	<u>-</u>
	<u>\$ 26,221</u>	<u>\$ 49,475</u>

The consolidated company granted customers a credit period of 1-5 months. The impairment assessment of accounts receivable is based on individual assessment, aging analysis, historical experience, and customer's current financial situation analysis to estimate the unrecoverable amount.

The consolidated company before accepting a new customer will base on the customer's basic information and pay the customer a visit to collect data in order to determine the adequate credit line.

The consolidated company adopts the simplified approach of IFRS 9 to recognize the allowance for loss for the accounts receivable according to the expected credit loss throughout the duration. The expected credit loss throughout the duration is calculated according to the preparation matrix that takes into account the default records of the customer, the current financial status, and the industrial economic situation. The credit loss history of the consolidated company shows that there is no significant difference in the loss patterns of different customer groups; therefore, the customer group has not been further classified in the preparation matrix, instead, the expected credit loss rate is based on the number of days overdue of the accounts receivable.

If there is evidence that the counterparty is facing serious financial difficulties and the consolidated company cannot reasonably expect the recoverable amount, the consolidated company will directly write-off the relevant accounts receivable, but will continue the recourse activities with the recovered amount recognized in profit and loss.

The consolidated company measures the allowance for loss for the notes and accounts receivable (including accounts receivable-related parties) according to the preparation matrix as follows:

## 2020

	Not overdue	Overdue 1 ~ 30 days	Overdue 31 ~ 215 days	Overdue 216 ~ 364 days	Overdue More than 365 days	Total
Expected credit loss rate	-%	10.00%	-%	-%	10.00%	
Total book amount	\$1,144,398	\$ 7,631	\$ -	\$ -	\$ 1,211	\$1,153,240
Allowance for loss (expected credit loss in the duration)	-	( 763 )	-	-	( 121 )	( 884 )
Amortized cost	<u>\$1,144,398</u>	<u>\$ 6,868</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,090</u>	<u>\$1,152,356</u>

## 2019

	Not overdue	Overdue 1 ~ 30 days	Overdue 31 ~ 215 days	Overdue 216 ~ 364 days	Overdue More than 365 days	T o t a l
Expected credit loss rate	-%	10.00%	10.00%	-%	-%	
Total book amount	\$1,111,351	\$ 4,763	\$ 2,971	\$ -	\$ -	\$1,119,085
Allowance for loss (expected credit loss in the duration)	-	( 476 )	( 297 )	-	-	( 773 )
Amortized cost	<u>\$1,111,351</u>	<u>\$ 4,287</u>	<u>\$ 2,674</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,118,312</u>

The changes in the allowance for loss of the notes receivable accounts receivable are as follows:

	2020	2019
Balance - beginning	\$ 773	\$ 1,837
Add: Expected credit impairment loss appropriated for the current year	111	-
Less: Expected credit impairment losses reversed for the current year	-	( 1,064 )
Balance - ending	<u>\$ 884</u>	<u>\$ 773</u>

## XI. Inventory - net

	12/31/2020	12/31/2019
Raw material	\$ 808,814	\$ 1,318,451
Substances	388,881	390,526
Work-in-process goods	74,603	99,639
Finished goods	985,590	1,279,665
Commodities	9,032	6,138
	<u>\$ 2,266,920</u>	<u>\$ 3,094,419</u>

The nature of the cost of goods sold related to inventory is as follows:

	2020	2019
Cost of inventory sold	\$ 6,407,663	\$ 7,370,457
Profits from the reversal of the net realizable value of inventories	( 20,879 )	( 42,605 )
	<u>\$ 6,386,784</u>	<u>\$ 7,327,852</u>

The reversal of the net realizable value of inventories is due to the stabilization of commodity prices driven by the stabilization of crude oil prices.

## XII. Subsidiaries

### (I) Subsidiaries included in the consolidated financial report

The main business entities of the consolidated financial report are as follows:

Investing company	Name of subsidiary	Nature of business	Shareholder's equity ratio		Remarks
			12/31/2020	12/31/2019	
Formosan Union Chemical Corp. (FUCC)	Hershey Environmental Technology Co., Ltd. (HEC)	Planning and design of petrochemical engineering, mechanical equipment installation, and trading, household liquefied petroleum gas distribution, petrochemical raw materials, and products processing and manufacturing business.	100.00%	100.00%	
FUCC	United Performance Materials Corporation (UPM)	Manufacturing, processing, and trading of petroleum resins and polyester resins.	80.25%	78.19%	9
Hershey Environmental Technology Co., Ltd.			1.35%	1.32%	3、9
Great Victory Chemical Industry Co., Ltd. (Great Victory)			0.49%	0.48%	4、9
FUCC	Great Victory Chemical Co., Ltd.	Manufacturing and import/export of pesticides, manufacturing and sales of household pesticides, and manufacturing and sales of various chemical paper bags	100.00%	100.00%	
FUCC	Fusugar Industry Corp. (Fusugar)	Sugar and seasonings manufacturing	82.28%	80.32%	5

(Continued on Next Page)



(Continued from Previous Page)

Name of the Invested company	Name of subsidiary	Nature of business	Shareholder's equity ratio		Remarks
			12/31/2020	12/31/2019	
Great Victory Chemical Industry Co., Ltd.			5.89%	6.38%	6
United Performance Materials Corporation			1.87%	1.99%	7
FUCC	TANQUES DEL PACIFI CO SA (Tanques)	Operating warehousing business and liquid oil tanks leasing business	100.00%	100.00%	
FUCC	Defia Co., Ltd. (Defia)	Food trading, bakery, etc.	-	45.11%	8
Great Victory Chemical Industry Co., Ltd.	Yongsheng Energy Co., Ltd. (Yongsheng)	The main business is battery manufacturing, power generation, power transmission, power distribution machinery manufacturing, energy technology service business, etc.	50.00%	50.00%	1
Great Victory Chemical Industry Co., Ltd.	Tecnica Cientifica De Guatemala S. A. ( TCDG )	Mainly engaged in the sales of pesticides and fertilizers.	73.75%	73.75%	
Hershey Environmental Technology Co., Ltd.	Yonggi Energy Co., Ltd. (Yonggi)	Thermal energy supply business, cleaning supplies wholesale business, electrical and mechanical installation, wholesale business, etc.	50.00%	50.00%	2
Hershey Environmental Technology Co., Ltd. (HEC)	Yongyew Energy Co., Ltd. (Yongyew)	The main business is battery manufacturing, power generation, power transmission, power distribution machinery manufacturing, energy technology service business, etc.	100.00%	100.00%	

Remarks:

1. Great Victory Chemical Industry Co., Ltd. holds 50% shareholdings of Yongsheng Energy Co., Ltd. while the remaining 50% shareholdings are held by other shareholders. After considering the absolute number of voting rights held against other shareholders, it is concluded that Great Victory Chemical Industry Co., Ltd. dominates the business activities of Yongsheng Energy Co., Ltd.; therefore, the company has it classified as a subsidiary.
2. Hershey Environmental Technology Co., Ltd. (former “Hershey Engineering,” registered as “Hershey Environmental Technology Co., Ltd.” in November 2020) holds 50% of shareholdings of Yonggi Energy Co., Ltd., and the remaining 50% of the shareholdings are held by other shareholders. After considering the absolute number of voting rights held against other shareholders, it is concluded that Hershey Environmental Technology Co., Ltd. dominates the business activities of Yonggi Energy Co., Ltd.; therefore, the company has it classified as a subsidiary.

3. Hershey Environmental Technology Co., Ltd. sold a total of 45,000 shares of United Performance Materials Corporation in February and March 2019 with the shareholding ratio down to 1.32%.
4. Great Victory Chemical Industry Co., Ltd. sold a total of 516,000 shares of United Performance Materials Corporation in February, March, April, May, July, and August 2019 with the shareholding ratio down to 0.48%.
5. Fusugar Industry Corp. (former “Fusugar Industrial,” registered as “Fusugar Industry Corp.” in February 2020) made a cash capital increase in July 2019 and March 2020, and the company had subscribed 29,173 thousand shares and 19,208 thousand shares for an amount of NT\$291,733 thousand and NT\$192,082 thousand, respectively; also, the shareholding ratio after the subscription was 80.32% and 82.28%, respectively.
6. Great Victory Chemical Industry Co., Ltd. did not subscribe to the new shares issued by Fusugar Industry Corp. for cash capital increase proportionally to the shareholding ratio. Therefore, the shareholding ratio was decreased to 6.38% after the capital increase in July 2019 and down to 5.89% after the capital increase in March 2020.
7. United Performance Materials Corporation did not subscribe the new shares issued by Fusugar Industry Corp. for cash capital increase proportionally to the shareholding ratio. Therefore, the shareholding ratio was decreased to 1.99% after the capital increase in July 2019 and down to 1.87% after the capital increase in March 2020.
8. Defia Co., Ltd. arranged cash capital increase in June 2019 and October 2020. The company did not participate in the subscription of shares; therefore, the shareholding ratio was decreased to 45.11% and 20% thereafter that resulted in the loss of control over Defia and Defia was reclassified as an associate of the consolidated company. Please refer to Note XXX for information on the disposal of Defia Co., Ltd.

9. The company purchased a total of 318 thousand shares of United Performance Materials Corporation in April 2020 with the shareholding ratio increased to 78.53%. In addition, United Performance Materials Corporation repurchased a total of 1,967 thousand shares from other shareholders in December 2020. The shareholding ratio of the company, Hershey Environmental Technology Co., Ltd., and Great Victory Chemical Industry Co., Ltd. after the repurchase is increased to 80.25%, 1.35%, and 0.49%, respectively.

(II) Subsidiaries not included in the consolidated financial report: None

(III) Information on subsidiaries with significant non-controlling interests

Name of subsidiary	Main business place	The ratio of equity and voting rights held by non-controlling interests	
		12/31/2020	12/31/2019
United Performance Materials Corporation	Taiwan Pingtung	17.91%	20.01%
Fusugar Industry Corp.	Taiwan Taichung	10.30%	11.71%

Name of subsidiary	Profit and loss distributed to non-controlling interest		Non-controlling interests	
	2020	2019	12/31/2020	12/31/2019
United Performance Materials Corporation	\$ 3,325	\$ 14,442	\$ 198,304	\$ 240,475
Fusugar Industry Corp.	( 21,194 )	( 22,982 )	95,647	109,537
Total	( \$ 17,869 )	( \$ 8,540 )	\$ 293,951	\$ 350,012

The financial information summary of the following subsidiaries is compiled according to the amount before writing off the inter-company transactions:

United Performance Materials Corporation

	12/31/2020	12/31/2019
Current assets	\$ 890,252	\$ 1,151,085
Noncurrent assets	786,994	816,165
Current liabilities	( 570,246 )	( 763,950 )
Noncurrent liabilities	( 11,011 )	( 12,203 )
Equity	<u>\$ 1,095,989</u>	<u>\$ 1,191,097</u>

(Continued on Next Page)

(Continued from Previous Page)

	<u>12/31/2020</u>	<u>12/31/2019</u>
Equity attributable to:		
The company's		
shareholders	\$ 897,685	\$ 950,622
Non-controlling interest	<u>198,304</u>	<u>240,475</u>
	<u>\$ 1,095,989</u>	<u>\$ 1,191,097</u>
	<u>2020</u>	<u>2019</u>
Operating income	<u>\$ 1,809,095</u>	<u>\$ 2,452,138</u>
Net income of the continuing		
operating department	<u>\$ 16,853</u>	<u>\$ 73,712</u>
Total comprehensive profit and		
loss	<u>\$ 19,852</u>	<u>\$ 81,199</u>
Net income attributable to:		
The company's		
shareholders	\$ 13,528	\$ 59,270
Non-controlling interest	<u>3,325</u>	<u>14,442</u>
	<u>\$ 16,853</u>	<u>\$ 73,712</u>
Total comprehensive profit and		
loss attributable to:		
The company's		
shareholders	\$ 15,990	\$ 65,258
Non-controlling interest	<u>3,862</u>	<u>15,941</u>
	<u>\$ 19,852</u>	<u>\$ 81,199</u>
Cash flow		
Operating activities	\$ 309,508	(\$ 48,612)
Investing activities	( 29,815)	( 59,025)
Financing activities	( 257,625)	<u>83,281</u>
Net cash inflow (outflow)	<u>\$ 22,068</u>	( <u>\$ 24,356</u> )
Dividend paid to		
non-controlling interest	<u>\$ 18,082</u>	<u>\$ 27,601</u>

Fusugar Industry Corp.

	<u>12/31/2020</u>	<u>12/31/2019</u>
Current assets	\$ 90,041	\$ 166,750
Noncurrent assets	1,780,903	1,855,669
Current liabilities	( 434,082)	( 527,370)
Noncurrent liabilities	( 477,120)	( 526,772)
Equity	<u>\$ 959,742</u>	<u>\$ 968,277</u>

(Continued on Next Page)

(Continued from Previous Page)

	12/31/2020	12/31/2019
Equity attributable to:		
The company's		
shareholders	\$ 864,095	\$ 858,740
Non-controlling interest	<u>95,647</u>	<u>109,537</u>
	<u>\$ 959,742</u>	<u>\$ 968,277</u>
	2020	2019
Operating income	<u>\$ 232,221</u>	<u>\$ 90,847</u>
Net loss of the continuing		
operating department	<u>( \$ 208,536 )</u>	<u>( \$ 178,262 )</u>
Total comprehensive loss	<u>( \$ 208,536 )</u>	<u>( \$ 178,262 )</u>
Net loss attributable to:		
The company's		
shareholders	( \$ 187,342 )	( \$ 155,280 )
Non-controlling interest	<u>( 21,194 )</u>	<u>( 22,982 )</u>
	<u>( \$ 208,536 )</u>	<u>( \$ 178,262 )</u>
Total comprehensive loss		
attributable to:		
The company's		
shareholders	( \$ 187,342 )	( \$ 155,280 )
Non-controlling interest	<u>( 21,194 )</u>	<u>( 22,982 )</u>
	<u>( \$ 208,536 )</u>	<u>( \$ 178,262 )</u>
Cash flow		
Operating activities	( \$ 39,263 )	( \$ 189,905 )
Investing activities	( 20,836 )	( 62,653 )
Financing activities	<u>60,903</u>	<u>260,743</u>
Net cash inflow	<u>\$ 804</u>	<u>\$ 8,185</u>
Dividend paid to		
non-controlling interest	<u>\$ -</u>	<u>\$ -</u>

### XIII. Investment under equity method

	12/31/2020	12/31/2019
Investment in associates	\$ 63,221	\$ 57,748
Investment in joint venture	<u>662,544</u>	<u>645,472</u>
	<u>\$725,765</u>	<u>\$703,220</u>

#### (I) Investment in associates

	12/31/2020	12/31/2019
Individual insignificant		
associate	<u>\$ 63,221</u>	<u>\$ 57,748</u>

Information summary of individual insignificant associate

	2020	2019
Profit ratio attributable to the consolidated company		
Net income (loss) and total comprehensive profit and loss	\$ <u>4,044</u>	(\$ <u>584</u> )
(II) Investment in joint venture		
	12/31/2020	12/31/2019
Individual insignificant joint ventures	\$ <u>662,544</u>	\$ <u>645,472</u>

Information summary of the individual insignificant joint venture

	2020	2019
Profit ratio attributable to the joint venture		
Net income (loss) and total comprehensive profit and loss	\$ <u>9,823</u>	(\$ <u>50,839</u> )

Please refer to Table VII “Invested Company Information, Place... and other Related Information” and Table VIII “Information on Investment in Mainland China” for the information on the business nature, main business place, and registration country of the aforementioned associates and joint ventures.

XIV. Property, plant and equipment

	Proprietary land	House and building	Machinery equipment	Transportation equipment	O t h e r equipment	Construction in progress & equipment to be tested	T o t a l
<u>Cost</u>							
Balance – 1/1/2019	\$ 900,186	\$ 1,168,034	\$ 6,013,830	\$ 84,151	\$ 368,802	\$ 266,273	\$ 8,801,276
Addition	18,857	22,361	77,891	602	19,768	30,142	169,621
Disposition	-	( 816)	( 33,481)	( 2,078)	( 6,547)	-	( 42,922)
Reclassification	( 1,847)	11,390	383,689	-	47,623	( 293,708)	147,147
Net exchange difference	-	-	15,217	( 449)	-	-	14,768
Balance – 12/31/2019	\$ <u>917,196</u>	\$ <u>1,200,969</u>	\$ <u>6,457,146</u>	\$ <u>82,226</u>	\$ <u>429,646</u>	\$ <u>2,707</u>	\$ <u>9,089,890</u>
<u>Accumulated depreciation and impairment</u>							
Balance – 1/1/2019	\$ -	\$ 212,285	\$ 3,696,025	\$ 62,040	\$ 251,480	\$ -	\$ 4,221,830
Depreciation expense	-	27,263	212,493	4,072	20,894	-	264,722
Disposition	-	( 816)	( 32,657)	( 1,815)	( 5,858)	-	( 41,146)
Reclassification	-	( 583)	-	-	-	-	( 583)
Net exchange difference	-	-	15,212	( 284)	-	-	14,928
Balance – 12/31/2019	\$ <u>-</u>	\$ <u>238,149</u>	\$ <u>3,891,073</u>	\$ <u>64,013</u>	\$ <u>266,516</u>	\$ <u>-</u>	\$ <u>4,459,751</u>
Net amount – 12/31/2019	\$ <u>917,196</u>	\$ <u>962,820</u>	\$ <u>2,566,073</u>	\$ <u>18,213</u>	\$ <u>163,130</u>	\$ <u>2,707</u>	\$ <u>4,630,139</u>
<u>Cost</u>							
Balance – 1/1/2020	\$ 917,196	\$ 1,200,969	\$ 6,457,146	\$ 82,226	\$ 429,646	\$ 2,707	\$ 9,089,890
Addition	-	3,692	46,806	1,151	19,291	11,446	82,386
Disposition	-	( 119)	( 53,719)	( 3,101)	( 2,028)	-	( 58,967)
Reclassification	-	-	18,821	-	12,574	( 2,736)	28,659
Net Exchange difference	-	-	( 1,338)	( 36)	-	-	( 1,374)
Disposition of subsidiary	-	( 302)	( 3,477)	-	( 81)	-	( 3,860)
Balance – 12/31/2020	\$ <u>917,196</u>	\$ <u>1,204,240</u>	\$ <u>6,464,239</u>	\$ <u>80,240</u>	\$ <u>459,402</u>	\$ <u>11,417</u>	\$ <u>9,136,734</u>

(Continued on Next Page)

(Continued from Previous Page)

	Proprietary land	House and building	Machinery equipment	Transportation equipment	Other equipment	Construction in progress & equipment to be tested	T o t a l
<u>Accumulated depreciation and impairment</u>							
Balance – 1/1/2020	\$ -	\$ 238,149	\$ 3,891,073	\$ 64,013	\$ 266,516	\$ -	\$ 4,459,751
Depreciation expense	-	28,198	219,281	3,724	26,198	-	277,401
Disposition	-	( 119)	( 13,417)	( 2,748)	( 1,962)	-	( 18,246)
Net exchange difference	-	-	( 1,104)	( 16)	-	-	( 1,120)
Disposition of subsidiary	-	( 151)	( 474)	-	( 40)	-	( 665)
Balance – 12/31/2020	\$ -	\$ 266,077	\$ 4,095,359	\$ 64,973	\$ 290,712	\$ -	\$ 4,717,121
Net amount – 12/31/2020	\$ 917,196	\$ 938,163	\$ 2,368,880	\$ 15,267	\$ 168,690	\$ 11,417	\$ 4,419,613

Great Victory Chemical Industry Co., Ltd., a subsidiary, purchased agricultural land Lot No. 4705 in Da-Pu-Wei, Chitong Township in 1998 for an amount of NT\$5,611 thousand. A loss of NT\$3,459 thousand was recognized after the assets impairment test performed in 2005 with a net book amount of NT\$2,152 thousand recorded. The law prohibits a legal person from owning agricultural land; therefore, it was temporarily registered under the name of Ms. Trayling Zhang. The consolidated company (hereinafter referred to as “Party A”) and Ms. Trayling Zhang (hereinafter referred to as “Party B”) have signed a right-of-use land contract and a trust affidavit so that Party B has this lot of land provided to Party A for use free of charge.

Great Victory Chemical Industry Co., Ltd., a subsidiary, purchased agricultural land Lot No. 4704 in Da-Pu-Wei, Chitong Township in 2012 for an amount of NT\$4,223 thousand. The law prohibits a legal person from owning agricultural land; therefore, it was temporarily registered under the name of Mr. Chuncheng Lin. The consolidated company (hereinafter referred to as “Party A”) and Mr. Chuncheng Lin (hereinafter referred to as “Party B”) have signed a right-of-use land contract and a trust affidavit so that Party B has this lot of land provided to Party A for use free of charge.

Depreciation expenses are accrued on a straight-line basis according to the following years of useful life:

House and building	
Factory main building	2~60 years
Pipeline equipment	3~50 years
Partition and fences/walls	2~50 years
Machinery equipment	2~50 years
Transportation equipment	2~30 years
Other equipment	2~30 years

Please refer to Note XXXV for the property, plant and equipment that are pledged as collateral for loans.

#### XV. Lease agreement

##### (I) Right-of-use assets

	<u>12/31/2020</u>	<u>12/31/2019</u>
Book amount of right-of-use assets		
Land	\$265,321	\$275,394
Buildings	12,328	14,456
Machinery equipment	53,296	69,949
Transportation equipment	<u>3,478</u>	<u>7,355</u>
	<u>\$334,423</u>	<u>\$367,154</u>
	<u>2020</u>	<u>2019</u>
Addition of right-of-use assets	<u>\$ 53,756</u>	<u>\$ 81,598</u>
Depreciation expense of right-of-use assets		
Land	\$ 6,408	\$ 6,322
Buildings	4,857	2,250
Machinery equipment	28,399	21,180
Transportation equipment	<u>5,375</u>	<u>5,379</u>
	<u>\$ 45,039</u>	<u>\$ 35,131</u>

##### (II) Lease liabilities

	<u>12/31/2020</u>	<u>12/31/2019</u>
Book amount of lease liabilities		
Current	<u>\$ 63,411</u>	<u>\$ 74,449</u>
Noncurrent	<u>\$275,071</u>	<u>\$294,659</u>

The discount rate ranges for lease liabilities are as follows:

	<u>12/31/2020</u>	<u>12/31/2019</u>
Land	0.90%~1.62%	0.90%~1.62%
Buildings	0.90%~2.29%	0.90%~2.29%
Machinery equipment	0.80%~0.99%	0.90%~1.60%
Transportation equipment	0.88%~2.29%	0.90%~2.29%

##### (III) Other lease information

	<u>2020</u>	<u>2019</u>
Short-term lease expense	<u>\$ 3,434</u>	<u>\$ 20,080</u>
Low-value assets lease expense	<u>\$ 417</u>	<u>\$ 301</u>
Variable lease expense excluding from the measurement of the lease liability	<u>\$ 4,958</u>	<u>\$ 4,045</u>
Total lease cash (outflow)	<u>(\$ 93,307)</u>	<u>(\$106,247)</u>



The consolidated company chose to apply the recognition exemption for assets that qualify for short-term leases and those that qualify for low-value asset leases and did not recognize related right-of-use assets and lease liabilities for such leases.

#### XVI. Investment property

	<u>Land</u>	<u>Building</u>	<u>Total</u>
<u>Cost</u>			
Balance – 1/1/2019	\$ 6,225	\$ 9,791	\$ 16,016
Reclassification	<u>1,847</u>	<u>633</u>	<u>2,480</u>
Balance – 12/31/2019	<u>\$ 8,072</u>	<u>\$ 10,424</u>	<u>\$ 18,496</u>
<u>Accumulated depreciation and impairment</u>			
Balance – 1/1/2019	\$ -	\$ 4,384	\$ 4,384
Depreciation expense	-	251	251
Reclassification	<u>-</u>	<u>583</u>	<u>583</u>
Balance – 12/31/2019	<u>\$ -</u>	<u>\$ 5,218</u>	<u>\$ 5,218</u>
Net amount – 12/31/2019	<u>\$ 8,072</u>	<u>\$ 5,206</u>	<u>\$ 13,278</u>
<u>Cost</u>			
Balance – 1/1/2020	<u>\$ 8,072</u>	<u>\$ 10,424</u>	<u>\$ 18,496</u>
Balance – 12/31/2020	<u>\$ 8,072</u>	<u>\$ 10,424</u>	<u>\$ 18,496</u>
<u>Accumulated depreciation and impairment</u>			
Balance – 1/1/2020	\$ -	\$ 5,218	\$ 5,218
Depreciation expense	-	251	251
Balance – 12/31/2020	<u>\$ -</u>	<u>\$ 5,469</u>	<u>\$ 5,469</u>
Net amount – 12/31/2020	<u>\$ 8,072</u>	<u>\$ 4,955</u>	<u>\$ 13,027</u>

Investment property is depreciated on a straight-line basis according to the following years of useful life:

Building	
Factory main building	15~32 years

The total rent income to be received in the future for the operating lease of investment property is as follows:

	<u>12/31/2020</u>	<u>12/31/2019</u>
1 <sup>st</sup> year	\$ 1,407	\$ 1,359
2 <sup>nd</sup> year	960	1,079
3 <sup>rd</sup> year	480	1,017
4 <sup>th</sup> year	<u>-</u>	<u>480</u>
	<u>\$ 2,847</u>	<u>\$ 3,935</u>

The fair value of the investment property of the consolidated company as of December 31, 2020 and 2019 was by referring to the market price in nearby areas. The fair values are as follows:

	<u>12/31/2020</u>	<u>12/31/2019</u>
Proprietary land and buildings	<u>\$ 71,194</u>	<u>\$ 72,325</u>

All investment property of the consolidated company is a proprietary equity.

Please refer to Note XXXV for the investment property that is pledged as collateral for loans.

#### XVII. Goodwill

	<u>2020</u>	<u>2019</u>
<u>Cost</u>		
Balance – Beginning and ending	<u>\$ 94,799</u>	<u>\$ 94,799</u>

- (I) Goodwill is allocated to the identified cash-generating units by the operating departments of the consolidated company:

	<u>12/31/2020</u>	<u>12/31/2019</u>
Hydrogenated Resin department	\$ 91,897	\$ 91,897
Other departments	<u>2,902</u>	<u>2,902</u>
	<u>\$ 94,799</u>	<u>\$ 94,799</u>

- (II) Goodwill is allocated to the identified cash-generating units of the consolidated company. The recoverable amount is evaluated according to the value in use, and the value in use is estimated according to the pre-tax cash flow of the financial forecast for the next five years approved by the management. The recoverable amount of the value in use exceeds the book amount; therefore, there is no impairment occurred to the goodwill.

#### XVIII. Intangible assets

	<u>Computer software</u>	<u>Others</u>	<u>Total</u>
<u>Cost</u>			
Balance – 1/1/2019	\$ 11,618	\$ 3,554	\$ 15,172
Acquired separately	1,024	-	1,024
Disposition	<u>( 4,888 )</u>	<u>( 287 )</u>	<u>( 5,175 )</u>
Balance - 12/31/2019	<u>\$ 7,754</u>	<u>\$ 3,267</u>	<u>\$ 11,021</u>

(Continued on Next Page)

(Continued from Previous Page)

	Computer software	Others	Total
<u>Accumulated amortization</u>			
Balance – 1/1/2019	\$ 10,844	\$ 573	\$ 11,417
Expense amortization	1,095	653	1,748
Disposition	( 4,888 )	( 287 )	( 5,175 )
Balance – 12/31/2019	<u>\$ 7,051</u>	<u>\$ 939</u>	<u>\$ 7,990</u>
Net amount – 12/31/2019	<u>\$ 703</u>	<u>\$ 2,328</u>	<u>\$ 3,031</u>
<u>Cost</u>			
Balance – 1/1/2020	\$ 7,754	\$ 3,267	\$ 11,021
Acquired separately	988	-	988
Disposition	( 4,417 )	-	( 4,417 )
Balance – 12/31/2020	<u>\$ 4,325</u>	<u>\$ 3,267</u>	<u>\$ 7,592</u>
<u>Accumulated amortization</u>			
Balance – 1/1/2020	\$ 7,051	\$ 939	\$ 7,990
Expense amortization	928	653	1,581
Disposition	( 4,417 )	-	( 4,417 )
Balance – 12/31/2020	<u>\$ 3,562</u>	<u>\$ 1,592</u>	<u>\$ 5,154</u>
Net amount – 12/31/2020	<u>\$ 763</u>	<u>\$ 1,675</u>	<u>\$ 2,438</u>

Expense is amortized on a straight-line basis for a service life of 2-7 years.

#### XIX. Other noncurrent assets

	12/31/2020	12/31/2019
Prepaid construction and equipment	<u>\$ 51,454</u>	<u>\$ 10,248</u>
Refundable deposits	<u>\$ 5,561</u>	<u>\$ 6,760</u>
Pledged time deposit (Note XXXV)	\$ 83,265	\$ 69,367
Others	<u>138</u>	<u>167</u>
	<u>\$ 83,403</u>	<u>\$ 69,534</u>

#### XX. Loans

##### (I) Short-term loans

	12/31/2020	12/31/2019
<u>Unguaranteed loans</u>		
Bank loans	<u>\$ 1,760,118</u>	<u>\$ 2,078,987</u>

The interest rates of bank revolving loans were 0.52% ~ 1.46% and 0.85% ~ 2.62% on December 31, 2020 and 2019, respectively.

(II) Long-term loans

	<u>12/31/2020</u>	<u>12/31/2019</u>
<u>Guaranteed loans</u>		
Bank loans	\$314,299	\$377,381
<u>Unguaranteed loans</u>		
Bank loans	<u>9,442</u>	<u>14,548</u>
	323,741	391,929
Less: Long-term loans due in 1 year	( <u>108,056</u> )	( <u>129,247</u> )
	<u>\$215,685</u>	<u>\$262,682</u>
Effective annual interest rate	<u>1.37%-2.66%</u>	<u>1.62%-2.94%</u>

The aforementioned guaranteed loans were secured with the collateral of the consolidated company's proprietary land, buildings, and machinery equipment (see Note XXXV).

The balance of the long-term loan on December 31, 2020 and 2019 was settled with a monthly payment and quarterly payment arranged for a period from July 2022 to November 2023 and from July 2022 to August 2028, respectively.

XXI. Notes payable and accounts payable

	<u>12/31/2020</u>	<u>12/31/2019</u>
<u>Notes payable</u>		
Derived from operating activities	<u>\$ 11,661</u>	<u>\$ 11,153</u>
<u>Accounts payable</u>		
Non-related party	<u>\$201,801</u>	<u>\$424,777</u>

XXII. Other liabilities

	<u>12/31/2020</u>	<u>12/31/2019</u>
<u>Current</u>		
Other payables		
Salary payable	\$318,136	\$218,245
Interest payable	1,209	1,730
Labor service expense payable	6,728	3,383
Other expenses payable	112,395	138,586
Equipment payable	50,002	31,584
Others	18,000	23,398
Other payables – related party	<u>137</u>	<u>-</u>
	<u>\$506,607</u>	<u>\$416,926</u>

(Continued on Next Page)

(Continued from Previous Page)

	<u>12/31/2020</u>	<u>12/31/2019</u>
Other liabilities		
Contract liability	\$ 16,622	\$ 30,530
Refund liability	5,456	1,872
Temporary credit	841	1,591
Others	<u>2,596</u>	<u>2,048</u>
	<u>\$ 25,515</u>	<u>\$ 36,041</u>

#### XXIII. Liability reserve

	<u>12/31/2020</u>	<u>12/31/2019</u>
Employee benefits	<u>\$ 25,698</u>	<u>\$ 23,205</u>

The employee benefits are estimated according to the historical experience, the management's judgment, and other known reasons. The rights vested to the employees are recognized in profit and loss and will be offset when the employees actually take vacations in the next period.

#### XXIV. Retirement pension plan

##### (I) Defined contribution plan

The company and the domestic subsidiaries have established a defined retirement plan in accordance with the "Labor Pension Act" that is applicable to the employees with a nationality of Taiwan, R.O.C. For the labor pension system adopted by the employees of the company and the domestic subsidiaries in accordance with the "Labor Pension Act," it is the defined contribution plan managed by the government. An amount equivalent to 6% of the monthly salary is appropriated and deposited into the personal account with the Bureau of Labor Insurance.

##### (II) Defined benefit plan

The consolidated company's pension system subject to the "Labor Standards Act" of Taiwan R.O.C. is a defined benefit plan governed by the government. The pension payment to employees is calculated according to the seniority and the 6-month average salary prior to the retirement date. The consolidated company appropriates an amount equivalent to 2%~15% of the monthly salary as a pension fund and has it deposited into the accounts with Bank of Taiwan and Hua Nan Bank

in the name of the “Supervisory Committee of Business Entities’ Labor Retirement Reserve.” Before the end of the fiscal year, if the account balance is insufficient to pay the workers who are expected to meet the retirement conditions in the next year, the difference will be paid in a lump sum before the end of March of the next year. This account is managed by the “Bureau of Labor Funds, Ministry of Labor,” and the consolidated company has no right to affect the investment management strategy.

The amount of the defined benefit plan included in the consolidated balance sheet is as follows:

	<u>12/31/2020</u>	<u>12/31/2019</u>
Present value of the defined benefit obligation	\$216,877	\$236,895
Fair value of the planned assets	( <u>143,532</u> )	( <u>164,665</u> )
Net defined benefit liability	<u>\$ 73,345</u>	<u>\$ 72,230</u>

The changes in net defined benefit liabilities are as follows:

	<u>Present value of the defined benefit obligation</u>	<u>Fair value of the planned assets</u>	<u>Net defined benefit liability</u>
Balance – 1/1/2019	<u>\$ 264,501</u>	( <u>\$ 167,897</u> )	<u>\$ 96,604</u>
Service cost			
Current service cost	2,723	-	2,723
Interest expense (income)	<u>1,880</u>	( <u>1,232</u> )	<u>648</u>
Recognized in profit and loss	<u>4,603</u>	( <u>1,232</u> )	<u>3,371</u>
Re-measurement amount			
Return on planned assets (except for the amount included in net interest)	-	( 5,849 )	( 5,849 )
Actuarial profit and loss – changes in demography statistical assumption	121	-	121
Actuarial profit and loss – changes in financial assumption	1,684	-	1,684
Actuarial profit and loss – adjustment by experience	( <u>3,236</u> )	-	( <u>3,236</u> )
Booked in other comprehensive profit and loss	( <u>1,431</u> )	( <u>5,849</u> )	( <u>7,280</u> )

(Continued on Next Page)

(Continued from Previous Page)

	Present value of the defined benefit obligation	Fair value of the planned assets	Net defined benefit liability
Appropriation of employer	\$ -	(\$ 20,465)	(\$ 20,465)
Benefit paid	( 30,778)	30,778	-
Balance – 12/31/2019	<u>236,895</u>	<u>( 164,665)</u>	<u>72,230</u>
Service cost			
Current service cost	2,280	-	2,280
Interest expense (income)	<u>1,478</u>	<u>( 1,025)</u>	<u>453</u>
Recognized in profit and loss	<u>3,758</u>	<u>( 1,025)</u>	<u>2,733</u>
Re-measurement amount			
Return on planned assets (except for the amount included in net interest)	-	( 5,254)	( 5,254)
Actuarial profit and loss – changes in demography statistical assumption	1	-	1
Actuarial profit and loss – changes in financial assumption	6,170	-	6,170
Actuarial profit and loss – adjustment by experience	<u>4,963</u>	<u>-</u>	<u>4,963</u>
Booked in other comprehensive profit and loss	<u>11,134</u>	<u>( 5,254)</u>	<u>5,880</u>
Appropriation of employer	-	( 9,040)	( 9,040)
Benefit paid	( 10,787)	10,787	-
Liquidation	( 24,123)	25,665	1,542
Balance - 12/31/2020	<u>\$ 216,877</u>	<u>(\$ 143,532)</u>	<u>\$ 73,345</u>

The consolidated company is exposed to the following risks due to the pension system of the “Labor Standards Act:”

1. Investment risk: The “Bureau of Labor Funds, Ministry of Labor” invests in domestic (foreign) equity securities, debt securities, and bank deposits through its own operation and entrusted management services. However, the distributable amount of the consolidated company’s planned assets is an amount not less than the income generated from a 2-year time deposit interest rate of the local bank.

2. Interest rate risk: The decline in the interest rate of government bonds will cause the present value of the defined benefit obligations to go up; however, the debt investment returns of the planned assets will also go up, and the impact of the two on the net defined benefit liabilities will partially offset each other.
3. Salary risk: The calculation of the present value of the defined benefit obligation is by referring to the future salary of the members of the plan. Therefore, the increase in the salary of the members of the plan will cause the present value of the defined benefit obligation to go up.

The present value of the defined benefit obligation of the consolidated company is actuarially calculated by a qualified actuary. The major assumptions made on the measurement date are as follows:

	<u>12/31/2020</u>	<u>12/31/2019</u>
Discount rate	0.20%~0.30%	0.60%~0.70%
Future salary increase rate	3.00%	3.00%

If the major actuarial assumptions experience reasonably possible changes, with all other assumptions remain unchanged, the amount of increase (decrease) in the defined benefit obligation is as follows:

	<u>12/31/2020</u>	<u>12/31/2019</u>
Discount rate		
Increased by 0.25%	( \$ 4,166 )	( \$ 4,655 )
Decreased by 0.25%	<u>\$ 4,301</u>	<u>\$ 4,807</u>
Future salary increase rate		
Increased by 0.25%	<u>\$ 4,176</u>	<u>\$ 4,684</u>
Decreased by 0.25%	( <u>\$ 4,068</u> )	( <u>\$ 4,562</u> )

Since actuarial assumptions may be correlated, it is unlikely that there is only one single assumption changed, so the aforementioned sensitivity analysis may not be able to reflect the actual changes in the present value of the defined benefit obligations.

	<u>12/31/2020</u>	<u>12/31/2019</u>
Amount expected to be appropriated in 1 year	<u>\$ 3,493</u>	<u>\$ 6,488</u>
Average due date of the defined benefit obligation	4~9 years	5~9 years



## XXV. Equity

### (I) Common stock capital

	<u>12/31/2020</u>	<u>12/31/2019</u>
Authorized stock shares (thousand shares)	<u>900,000</u>	<u>900,000</u>
Authorized capital stock	<u>\$ 9,000,000</u>	<u>\$ 9,000,000</u>
Stock shared issued and paid in full (thousand shares)	<u>477,016</u>	<u>477,016</u>
Outstanding capital stock	<u>\$ 4,770,163</u>	<u>\$ 4,770,163</u>

For the purpose of adjusting the capital structure and increasing the return on shareholders' equity, the shareholders meeting of the company had resolved to have capital stock reduced by 5% in cash on June 13, 2019, that was for an amount of NT\$251,061 thousand and a total of 25,106 thousand shares. The aforementioned cash capital reduction case was approved by the Financial Supervisory Commission, Executive Yuan with the Jin-Guan-Zheng-Fa-Zi No. 1080324734 Letter issued on August 7, 2019; also, the board of directors resolved to schedule the base date for the capital reduction on September 10, 2019.

### (II) Additional paid-in capital

	<u>12/31/2020</u>	<u>12/31/2019</u>
<u>Applicable for making up for losses, distributing cash, or capitalization (1)</u>		
Stock premium	\$145,488	\$145,488
Treasury stock trading	8,625	8,625
Difference between consideration and book amount of subsidiary's stock shares acquired or disposed	12,076	11,210
Donated assets	124	124
<u>Applicable only for making up for losses</u>		
Recognition of changes in equity ownership of a subsidiary (2)	<u>16,252</u>	<u>22,433</u>
	<u>\$182,565</u>	<u>\$187,880</u>

1. Such additional paid-in capital can be applied to make up for losses, and can also be applied to distribute cash or be capitalized when the company has no losses. However, only a certain percentage of the paid-in capital can be applied for capitalization every year.

2. Such additional paid-in capital is the amount of equity transaction effect recognized by the company due to the changes in the subsidiary's equity when the company has not actually acquired or disposed of the equity of a subsidiary company, or it is the adjustment to the additional paid-in capital of the subsidiary under the equity method.

(III) Retained earnings and dividend policy

According to the earnings distribution policy of the company's Articles of Incorporation, the yearend earnings, if any, shall be applied to pay tax and make up for losses lawfully, and then appropriated 10% legal reserve, and appropriated or reversed special reserve in accordance with the law. The board of directors shall draft up an earnings distribution proposal based on the balance amount if any, and the accumulated undistributed earnings and present it to the shareholders meeting for a resolution to distribute shareholder dividends and bonuses. Please refer to Note XXVII (VII) "Remuneration to Employees and Directors" for the remuneration distribution policy for employees and directors stipulated in the company's Articles of Incorporation.

In addition, according to the company's Articles of Incorporation, the company may distribute 40% to 60% stock dividends in accordance with the overall capital budget plan in order to retain the needed funds, and the balance will be distributed in the form of cash dividends. If there is no major capital budget plan for the year or a working capital replenishment plan, all dividends can be distributed in the form of cash. In other words, if a large amount of capital is required for the expansion and construction of the factory during the year, all dividends can be distributed in the form of stock shares.

The legal reserve shall be appropriated continuously until the balance is equal to the total paid-in capital of the company. The legal reserve can be used to make up for losses. When the company has no losses, the part of the legal reserve exceeding 25% of the total paid-up capital can be capitalized or applied for the distribution of cash.

The company appropriates and reverses the special reserve in accordance with the Jin-Guan-Chen-Far-Zi No. 1010012865 Letter and the “Questions and Answers Concerning the Appropriation of the Special Reserve after the Adoption of International Financial Reporting Standards (IFRSs).”

The company held regular shareholder meetings on June 11, 2020 and June 13, 2019 to have the 2019 and 2018 earnings distribution proposals resolved as follows:

	<u>2019</u>	<u>2018</u>
Legal reserve	\$ <u>21,526</u>	\$ <u>38,007</u>
Cash dividend	\$ <u>238,508</u>	\$ <u>249,676</u>
Cash dividend per share (NT\$)	\$ 0.50	\$ 0.50

The board of directors had the 2020 earnings distribution proposal proposed on March 19, 2021 as follows:

	<u>2020</u>
Legal reserve	\$ <u>54,945</u>
Cash dividend	\$ <u>572,420</u>
Cash dividend per share (NT\$)	\$ 1.2

The 2020 earnings distribution proposal is yet to be resolved in the regular shareholders meeting scheduled on June 11, 2021.

#### (IV) Other equities

1. Exchange difference from the conversion of financial statements of the foreign operating institutions

	<u>2020</u>	<u>2019</u>
Balance – beginning	( \$ <u>38,790</u> )	( \$ <u>17,453</u> )
Incurred in the current year		
Exchange difference from the conversion of foreign operating agencies	1,231	( 26,671 )
Income tax effect	( <u>246</u> )	<u>5,334</u>
Other comprehensive profit and loss of the year	<u>985</u>	( <u>21,337</u> )
Balance - ending	( \$ <u>37,805</u> )	( \$ <u>38,790</u> )

2. Unrealized profit and loss in valuation of financial assets measured at fair value through other comprehensive profit and loss

	2020	2019
Balance – beginning	\$ 198,655	\$ 139,877
Incurred in the current year		
Unrealized profit and loss		
Equity instrument	( 21,574)	63,908
Income tax effect	<u>3,951</u>	<u>( 5,130)</u>
Other comprehensive profit and loss of the year	<u>( 17,623)</u>	<u>58,778</u>
Accumulated profit and loss from the disposal of equity instrument transferred to retained earnings	<u>94</u>	<u>-</u>
Balance - ending	<u>\$ 181,126</u>	<u>\$ 198,655</u>

(V) Non-controlling interests

	2020	2019
Balance – beginning	\$ 365,949	\$ 374,752
Net loss	( 15,130)	( 7,259)
Other comprehensive profit and loss of the year		
Exchange difference from the conversion of financial statements of foreign operating agencies	( 30)	( 11)
Remeasurement amount of defined benefit plan	537	1,528
Capitalization from cash of subsidiary	918	6,416
Non-controlling interests increased from the disposal of partial equity of subsidiary (Note XXXI)	-	7,925
Disposal of subsidiary (Note XXX)	( 5,402)	-
Repurchase of treasury by subsidiaries	( 23,600)	-

(Continued on Next Page)

(Continued from Previous Page)

	<u>2020</u>	<u>2019</u>
Repurchase of subsidiary's non-controlling interests (Note XXXI)	(\$ 4,146)	\$ -
Changes in ownership of a subsidiary	6,181	10,354
Cash dividend distributed to non-controlling interests by subsidiary	( 18,776)	( 27,756)
Balance – ending	<u>\$ 306,501</u>	<u>\$ 365,949</u>

#### XXVI. Income

	<u>2020</u>	<u>2019</u>
Income from customer contract		
Commodity sales income	\$ 8,454,020	\$ 8,770,342
Labor service income	6,309	7,005
Power income	21,500	19,815
	<u>\$ 8,481,829</u>	<u>\$ 8,797,162</u>

#### (I) Contract balance

	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>1/1/2019</u>
Notes receivable (Note X)	<u>\$ 189,115</u>	<u>\$ 142,813</u>	<u>\$ 152,981</u>
Total accounts receivable (Note X)	<u>\$ 889,757</u>	<u>\$ 928,215</u>	<u>\$ 968,384</u>
Accounts receivable – related party (Note X)	<u>\$ 74,368</u>	<u>\$ 48,057</u>	<u>\$ -</u>
Contract liability (booked in other current liability)			
Commodity sales	<u>\$ 16,622</u>	<u>\$ 30,530</u>	<u>\$ 11,865</u>

#### (II) Classification of income from customer contracts

Please refer to Note XXXX for the classification of income in detail.

#### XXVII. Net income

#### (I) Interest income

	<u>2020</u>	<u>2019</u>
Bank deposits	\$ 1,270	\$ 1,643
Others	81	38
	<u>\$ 1,351</u>	<u>\$ 1,681</u>

(II) Other income

	2020	2019
Rent income		
Operating lease rent income		
Investment property	\$ 1,125	\$ 1,490
Dividend income		
Equity instrument investment measured at fair value through other comprehensive profit and loss	31,956	24,575
Subsidy income	17,619	-
Others	<u>15,457</u>	<u>18,324</u>
	<u>\$ 66,157</u>	<u>\$ 44,389</u>

(III) Other profit and loss

	2020	2019
Financial assets and financial liability profit and loss		
Financial assets measured at fair value through profit and loss mandatorily	\$ 424	\$ 764
Available-for-trade financial liabilities	-	522
Loss from the disposal of property, plant, and equipment	( 36,341 )	( 1,125 )
Net exchange profit (loss)	( 9,400 )	6,073
Others	<u>( 4,145 )</u>	<u>20,478</u>
	<u>( \$ 49,462 )</u>	<u>\$ 26,712</u>

(IV) Financial cost

	2020	2019
Interest expense		
Bank loans	\$ 22,262	\$ 22,381
Lease liability	5,050	5,086
Convertible corporate bond	-	98
Others	<u>1</u>	<u>-</u>
	<u>\$ 27,313</u>	<u>\$ 27,565</u>

Information on interest capitalization is as follows

	2020	2019
Interest capitalization amount	<u>\$ 10</u>	<u>\$ 4</u>
Interest capitalization ratio	<u>0.11%~0.17%</u>	<u>0.84%~0.96%</u>

(V) Depreciation and amortization

	2020	2019
Property, plant and equipment	\$277,401	\$264,722
Use-of-right assets	45,039	35,131
Investment assets	251	251
Intangible assets	<u>1,581</u>	<u>1,748</u>
Total	<u>\$324,272</u>	<u>\$301,852</u>
Depreciation expense summarized by functions		
Operating cost	\$279,695	\$269,188
Operating expense	<u>42,996</u>	<u>30,916</u>
	<u>\$322,691</u>	<u>\$300,104</u>
Amortization expense summarized by functions		
Operating cost	\$ 1,076	\$ 1,133
Operating expense	<u>505</u>	<u>615</u>
	<u>\$ 1,581</u>	<u>\$ 1,748</u>

(VI) Employee benefit expense

	2020		
	Attributable to operating cost	Attributable to operating expense	Total
Employee benefit expense			
Salary expense	\$ 486,348	\$ 209,340	\$ 695,688
Labor and health			
expense	34,533	10,968	45,501
Pension expense	18,099	7,016	25,115
Director remuneration	-	28,834	28,834
Other employee			
welfare expense	<u>14,709</u>	<u>2,875</u>	<u>17,584</u>
	<u>\$ 553,689</u>	<u>\$ 259,033</u>	<u>\$ 812,722</u>
	2019		
	Attributable to operating cost	Attributable to operating expense	Total
Employee benefit expense			
Salary expense	\$ 394,839	\$ 179,674	\$ 574,513
Labor and health			
expense	31,756	10,590	42,346
Pension expense	17,513	5,900	23,413
Director remuneration	-	15,632	15,632
Other employee			
welfare expense	<u>16,606</u>	<u>3,190</u>	<u>19,796</u>
	<u>\$ 460,714</u>	<u>\$ 214,986</u>	<u>\$ 675,700</u>

(VII) Remuneration to employees and directors

The company has remuneration to employees and directors appropriated for an amount equivalent to 2.5% and not higher than 2.5% of the net income before tax and before deducting the remuneration to employees and directors, respectively, in accordance with the Article of Incorporation. The remuneration to employees and directors for the year 2020 and 2019 were resolved by the board of directors on March 19, 2021 and March 20, 2020, respectively, as follows:

Estimation ratio

	2020	2019
Remuneration to employees	2.5%	2.5%
Remuneration to directors	2.5%	2.5%

Amount

	2020	2019
	Cash	Cash
Remuneration to employees	\$ 18,479	\$ 7,109
Remuneration to directors	18,479	7,109

The changes in the amount of the consolidated financial report after the publication date shall be processed according to the change in accounting estimates and adjusted and recorded in the next year.

There is no difference between the actual remuneration amount to employees and directors and supervisors in 2019 and 2018 and the amount recognized in the 2019 and 2018 consolidated financial reports.

Please refer to the Market Observation Post System of Taiwan Stock Exchange for information on the remuneration to employees and directors and supervisors resolved by the company's board of directors.

(VIII) Foreign exchange profit and loss

	2020	2019
Total foreign exchange profit	\$ 70,710	\$ 47,634
Total foreign exchange loss	( 80,110)	( 41,561)
Net profit (loss)	( \$ 9,400)	\$ 6,073



## XXVIII. Income tax

### (I) Income tax recognized in profit and loss

The main components of income tax expenses are as follows:

	<u>2020</u>	<u>2019</u>
Current income tax		
Incurred in the current year	\$ 187,286	\$ 94,451
Levied on unappropriated earnings	709	5,625
Adjustment of prior periods	3,355	( 2,154)
Investment credit	( <u>3,800</u> )	( <u>2,692</u> )
	<u>187,550</u>	<u>95,230</u>
Deferred income tax		
Incurred in the current year	( 12,790)	( 5,532)
Adjustment of prior periods	( <u>977</u> )	<u>-</u>
	( <u>13,767</u> )	( <u>5,532</u> )
Income tax expense recognized in profit and loss	<u>\$ 173,783</u>	<u>\$ 89,698</u>

The adjustment of accounting income and income tax expenses is as follows

	<u>2020</u>	<u>2019</u>
Net income before tax	<u>\$ 713,443</u>	<u>\$ 297,702</u>
Income tax expense calculated according to statutory tax rate for net income before tax	\$ 128,608	\$ 53,322
Tax-free income	( 7,933)	( 2,986)
Amount under the equity method	12,392	2,209
Expense and loss not tax deductible	114	2,268
Levied on unappropriated earnings	709	5,625
Investment credit	( 3,800)	( 2,692)
Loss credit available	41,367	34,106
Current income tax expense of previous periods adjusted in the current year	<u>2,326</u>	( <u>2,154</u> )
Income tax expense recognized in profit and loss	<u>\$ 173,783</u>	<u>\$ 89,698</u>

The President of Taiwan announced to have the Statute for Industrial Innovation amended in July 2019, which clearly stipulated that the construction or purchase of specific assets or technologies with 2018 unappropriated earnings may be debited to the unappropriated earnings. When a consolidated company calculates unappropriated earnings, only the capital expenditure actually reinvested is debited.

## (II) Income tax recognized in other comprehensive profit and loss

	2020	2019
<u>Deferred income tax</u>		
Incurred in the current year		
— Conversion of foreign operating institution	\$ 246	(\$ 5,334)
— Unrealized profit and loss of financial assets measured at fair value through other comprehensive profit and loss	( 3,951 )	5,130
— Re-measurement amount of defined benefit plan	( 1,176 )	1,455
Income tax recognized in other comprehensive profit and loss	(\$ 4,881)	\$ 1,251

## (III) Current income tax assets and liabilities

	12/31/2020	12/31/2019
Current income tax assets		
Tax refund receivable	\$ 14	\$ 1,368
Current income tax liabilities		
Income tax payable	\$ 147,997	\$ 26,349

## (IV) Deferred income tax assets and liabilities

The changes in deferred income tax assets and liabilities are as follows:

2020

	Beginning balance	Recognized in profit and loss	Recognized in other comprehensive profit and loss	Ending balance
<u>Deferred income tax assets</u>				
Temporary difference				
Early recognition of sales income for tax purpose	\$ 15,247	\$ 23,292	\$ -	\$ 38,539
Unrealized exchange loss	1,834	( 1,001 )	-	833
Unrealized cost of goods sold	10,072	11,595	-	21,667
Unrealized loss in valuation of inventory	7,913	( 4,512 )	-	3,401
Unrealized vacation benefit payable	4,321	499	-	4,820
Investment loss under equity method	34,419	( 1,177 )	-	33,242
Profit from the disposal of overseas investment	5,027	-	-	5,027

(Continued on Next Page)

(Continued from Previous Page)

	Beginning balance	Recognized in profit and loss	Recognized in other comprehensive profit and loss	Ending balance
Capitalization of repair expense	\$ 16	(\$ 16)	\$ -	\$ -
Unrealized gross profit of sales	-	402	-	402
Unrealized loss from scrapped inventory	-	113	-	113
Unrealized loss from scrapped assets	-	5	-	5
Exchange loss from the conversion of financial statements of foreign operating institution	13,083	-	( 246)	12,837
Defined benefit plan	40,688	-	1,176	41,864
	<u>\$ 132,620</u>	<u>\$ 29,200</u>	<u>\$ 930</u>	<u>\$ 162,750</u>
 Deferred income tax liabilities				
Temporary difference				
Early recognition of cost of goods sold for tax purpose	\$ 13,011	\$ 14,865	\$ -	\$ 27,876
Unrealized exchange profit	532	1,012	-	1,544
Investment profit under equity method	15,219	( 420)	-	14,799
Unrealized valuation profit of financial assets valued at fair value through other comprehensive profit and loss	7,307	-	( 3,951)	3,356
Land value increment in valuation	172,429	-	-	172,429
Right-of-use assets	24	( 24)	-	-
	<u>\$ 208,522</u>	<u>\$ 15,433</u>	<u>(\$ 3,951)</u>	<u>\$ 220,004</u>

## 2019

	Beginning balance	Recognized in profit and loss	Recognized in other comprehensive profit and loss	Ending balance
<u>Deferred income tax assets</u>				
Temporary difference				
Early recognition of sales income for tax purpose	\$ 3,685	\$ 11,562	\$ -	\$ 15,247
Unrealized exchange loss	752	1,082	-	1,834
Unrealized cost of goods sold	9,172	900	-	10,072
Unrealized loss in valuation of inventory	16,434	( 8,521)	-	7,913
Unrealized vacation benefit payable	4,723	( 402)	-	4,321
Investment loss under equity method	23,532	10,887	-	34,419
Profit from the disposal of overseas investment	5,027	-	-	5,027

(Continued on Next Page)

(Continued from Previous Page)

	Beginning balance	Recognized in profit and loss	Recognized in other comprehensive profit and loss	Ending balance
Capitalization of repair expense	\$ 35	(\$ 19)	\$ -	\$ 16
Exchange loss from the conversion of financial statements of foreign operating institution	7,751	-	5,332	13,083
Defined benefit plan	<u>42,143</u>	<u>-</u>	<u>(1,455)</u>	<u>40,688</u>
	<u>\$ 113,254</u>	<u>\$ 15,489</u>	<u>\$ 3,877</u>	<u>\$ 132,620</u>
Deferred income tax liabilities				
Temporary difference				
Early recognition of cost of goods sold for tax purpose	\$ 3,126	\$ 9,885	\$ -	\$ 13,011
Unrealized exchange profit	20	512	-	532
Investment profit under equity method	15,683	( 464)	-	15,219
Exchange profit from the conversion of financial statements of foreign operating institution	2	-	( 2)	-
Unrealized valuation profit of financial assets valued at fair value through other comprehensive profit and loss	2,177	-	5,130	7,307
Land value increment in valuation	172,429	-	-	172,429
Right-of-use assets	<u>-</u>	<u>24</u>	<u>-</u>	<u>24</u>
	<u>\$ 193,437</u>	<u>\$ 9,957</u>	<u>\$ 5,128</u>	<u>\$ 208,522</u>

(V) Deductible temporary differences and available loss credit that are not recognized as deferred income tax assets in the consolidated balance sheet

	12/31/2020	12/31/2019
Loss credit		
Due in 2022	\$ 4,769	\$ 4,769
Due in 2023	15,457	15,457
Due in 2024	20,113	20,113
Due in 2025	21,044	21,044
Due in 2026	30,242	30,242
Due in 2027	55,166	55,166
Due in 2028	94,367	94,367
Due in 2029	170,531	170,531
Due in 2030	<u>206,833</u>	<u>-</u>
	618,522	411,689
Deductible temporary differences	<u>23,516</u>	<u>21,834</u>
	<u>\$642,038</u>	<u>\$433,523</u>

It refers to the investment loss of the foreign subsidiary under equity method and the loss in valuation of inventory of the subsidiary under equity method. Since the future profitability is unpredictable, it is estimated that the possibility of future realization is extremely low.

(VI) Information on available loss credit

Information on the loss credit as of December 31, 2020 is as follows:

Balance of loss credit	Last year for deduction
\$ 4,769	2022
15,457	2023
20,113	2024
21,044	2025
30,242	2026
55,166	2027
94,367	2028
170,531	2029
<u>206,833</u>	2030
<u>\$618,522</u>	

(VII) Income tax audit

The tax collection agency has the company's income tax returns audited up to the year before 2018.

The tax collection agency has the income tax returns of United Performance Materials Corporation, Great Victory Chemical Industry Co., Ltd., Hershey Environmental Technology Co., Ltd., Fusugar Industrial, Yonggi Energy Co., Ltd., Yongsheng Energy Co., Ltd., and Yongyew Energy Co., Ltd. audited up to the year before 2018.

XXIX. Earnings per share

	2020	2019
Basic earnings per share	<u>\$ 1.16</u>	<u>\$ 0.44</u>
Diluted earnings per share	<u>\$ 1.16</u>	<u>\$ 0.43</u>

Unit: NT\$/share

The calculation of the earnings per share and the weighted average number of common stock shares is as follows:

Net income

	2020	2019
Net income	<u>\$554,790</u>	<u>\$215,263</u>
The impact of potential diluted common stock shares		
Convertible corporate bonds	<u>-</u>	<u>78</u>
Net income for the calculation of diluted earnings per share	<u>\$554,790</u>	<u>\$215,341</u>

<u>Shares</u>	Unit: Thousand shares	
	<u>2020</u>	<u>2019</u>
Weighted average number of common stock shares for the calculation of basic earnings per share	477,016	493,666
The impact of potential diluted common stock shares:		
Remuneration to employees	1,327	724
Convertible corporate bonds	<u>-</u>	<u>676</u>
Weighted average number of common stock shares for the calculation of diluted earnings per share	<u>478,343</u>	<u>495,066</u>

If the consolidated company may choose to pay remuneration to employees in the form of stocks or cash, when calculating the diluted earnings per share, it is assumed that the remuneration to employees is paid in the form of stocks, and the weighted average number of outstanding shares is included in the potential diluted common stock for the calculation of the diluted earnings per share. When calculating the diluted earnings per share before the distribution of remuneration in the form of stock resolved in the shareholders meeting of the following year, the dilution effect of this potential common stock will be considered continuously.

### XXX. Disposal of subsidiaries

The consolidated company did not participate in the cash capital increase of Defia Co., Ltd. in October 2020, resulting in the loss of control over Defia Co., Ltd.

#### (I) Analysis of un-controlling assets and liabilities

	<u>Defia Co., Ltd.</u>
Current assets	
Cash	\$ 13,497
Other current assets	2,424
Noncurrent assets	
Property, plant and equipment	3,195
Other noncurrent assets	1,103
Current liabilities	
Collections	( 8,356)
Other current liabilities	( <u>2,021</u> )
Net assets disposed	<u>\$ 9,842</u>

(II) Loss from the disposal of subsidiary

	Defia Co., Ltd.
Consideration collected	\$ -
Add: Non-controlling equity	5,402
Non-controlling fair value	4,275
Less: Net assets disposed	( 9,842)
Loss from disposal	( \$ 165)

(III) Net cash outflow from the disposal of subsidiary

	Defia Co., Ltd.
Disposal cash balance	\$ 13,497

XXXI. Equity transactions with non-controlling interests

The consolidated company disposed 0.61% shareholdings in the subsidiary, United Performance Materials Corporation in February, March, April, May, July, and August 2019, resulting in a decrease in the shareholding ratio from 80.60% to 79.99%.

The consolidated company acquired the equity of United Performance Materials Corporation in April 2020, resulting in the shareholding ratio rising from 79.99% to 80.33%.

United Performance Materials Corporation repurchased 1,967 thousand shares from other shareholders in December 2020, which caused the consolidated company's shareholding ratio to rise from 80.33% to 82.09%.

The consolidated company did not subscribe the new shares issued from a cash capital increase of Fusugar Industry Corp. proportionally to the shareholding ratio in July 2019 and March 2020, resulting in an increase in its shareholding ratio from 85.46% to 89.70%.

The consolidated company did not subscribe the new shares issued from a cash capital increase of Defia Co., Ltd. in June 2019, resulting in a decrease in its shareholding ratio from 100% to 45.11%.

Since the aforementioned transactions did not change the control of the consolidated company over the subsidiary, the consolidated company had it treated as an equity transaction.

## 2020

	United Performance Materials Corporation	Fusugar Industry Corp.
Consideration paid in cash	(\$ 3,280)	\$ -
The non-controlling interest amount of the subsidiary's net assets book amount to be transferred out (transferred in) according to the changes in correlative equity	4,369	( 6,404)
Equity trade difference	<u>\$ 1,089</u>	<u>(\$ 6,404)</u>

	United Performance Materials Corporation	Fusugar Industry Corp.	Total.
<u>Equity trade difference</u> <u>adjustments</u>			
Additional paid-in capital - Difference between consideration and book amount of subsidiary's equity acquired or disposed	\$ 866	\$ -	\$ 866
Additional paid-in capital - Recognized the changes in ownership of a subsidiary	223	( 6,404)	( 6,181)
	<u>\$ 1,089</u>	<u>(\$ 6,404)</u>	<u>(\$ 5,315)</u>

## 2019

	United Performanc e Materials Corporation	Fusugar Industry Corp.	Defia Co., Ltd.
Consideration received in cash	\$ 10,937	\$ -	\$ -
Subsidiary's net assets book amount transferred to the non-controlling interest according to the changes in correlative equity	( 7,925)	( 10,033)	( 321)
Equity trade difference	<u>\$ 3,012</u>	<u>(\$ 10,033)</u>	<u>(\$ 321)</u>



	United Performance Materials Corporation	Fusugar Industry Corp.	Defia Co., Ltd.	Total
<u>Equity trade difference</u> <u>adjustments</u>				
Additional paid-in capital - difference between consideration and book amount of subsidiary's equity acquired or disposed	\$ 3,012	\$ -	\$ -	\$ 3,012
Additional paid-in capital – Recognized changes in ownership of a subsidiary	<u>-</u>	<u>( 10,033 )</u>	<u>( 321 )</u>	<u>( 10,354 )</u>
	<u>\$ 3,012</u>	<u>( \$ 10,033 )</u>	<u>( \$ 321 )</u>	<u>( \$ 7,342 )</u>

### XXXII. Capital risk management

The consolidated company initiates capital management to ensure that it can plan the needed working capital and dividend expenditure for the future under the precondition of ongoing concern and according to the industrial traits and the future operation of the company in order to secure the company's sustainable operation, to pursue long-term profits for shareholders and stabilize business performance, and to maximize the return of shareholders' equity.

### XXXIII. Financial instruments

#### (I) Fair value information - financial instruments measured at fair value on a repeatability basis

##### 1. Fair value level

12/31/2020

	Level 1	Level 2	Level 3	Total
<u>Financial assets valued at</u> <u>fair value through profit</u> <u>and loss</u>				
Fund beneficiary certificate	\$ <u>114,182</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>114,182</u>
<u>Financial assets measured</u> <u>at fair value through</u> <u>other comprehensive</u> <u>profit and loss</u>				
Equity instrument investment				
-Domestic non-TWSE/TPEX listing stock	\$ -	\$ 112,722	\$ 213,000	\$ 325,722
-Foreign non-listed (OTC) stock	-	-	94,826	94,826
- Anonymous portfolio investment	-	81,177	-	81,177
Total	<u>\$ -</u>	<u>\$ 193,899</u>	<u>\$ 307,826</u>	<u>\$ 501,725</u>

12/31/2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets valued at</u> <u>fair value through profit</u> <u>and loss</u>				
Fund beneficiary certificate	\$ <u>31,157</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>31,157</u>
<u>Financial assets measured</u> <u>at fair value through</u> <u>other comprehensive</u> <u>profit and loss</u>				
Equity instrument investment				
— Domestic non-TWSE/TPEX listing stock	\$ -	\$ 169,918	\$ 221,746	\$ 391,664
— Foreign non-listed (OTC) stock	-	-	88,875	88,875
— Anonymous portfolio investment	-	81,616	-	81,616
Total	\$ <u>-</u>	\$ <u>251,534</u>	\$ <u>310,621</u>	\$ <u>562,155</u>

There was no transfer between Level 1 and Level 2 fair value measurements in 2020 and 2019.

2. Evaluation technology and the input value of Level 2 fair value measurement

The fair value of domestic un-TWSE/TPEX listing stocks and anonymous portfolio investments is evaluated in accordance with the Market Approach.

3. Adjustment of financial instruments measured at Level 3 fair value

	Financial assets measured at fair value through other comprehensive profit and loss
<u>2020</u>	<u>Equity instrument</u>
<u>Financial assets</u>	<u>\$310,621</u>
Balance - beginning	
Recognized in other comprehensive profit and loss (unrealized profit and loss of financial assets measured at fair value through other comprehensive profit and loss)	( <u>2,795</u> )
Balance - ending	<u>\$307,826</u>

2019

	Financial assets measured at fair value through other comprehensive profit and loss
<u>Financial assets</u>	<u>Equity instrument</u>
Balance – beginning	\$284,575
Recognized in other comprehensive profit and loss (unrealized profit and loss of financial assets measured at fair value through other comprehensive profit and loss)	26,046
Balance - ending	<u>\$310,621</u>
<u>Financial liabilities measured at fair value through profit and loss</u>	<u>Derivatives</u>
Balance – beginning	\$ 522
Recognized in profit and loss (other profit and loss)	( <u>522</u> )
Balance – ending	<u>\$ -</u>
Current unrealized profit and loss	<u>\$ -</u>

4. Evaluation technology and input value for Level 3 fair value measurement

(1) Financial assets measured at fair value through other comprehensive profit and loss - domestic un-TWSE/TPEX listing company's equity investments is with its fair value estimated by referring to the comparable TWSE/TEPx listing companies. The significant unobservable input values are as follows: when multipliers, special risk discounts, non-listing discount and control premium increase, the fair value of these investments will increase too.

	<u>12/31/2020</u>	<u>12/31/2019</u>
Weighted average capital cost rate	9.24%	8.50%
Final value growth rate	2.00%	2.00%
Discount adjustment	30.00%	30.00%

If the following input values are changed to reflect reasonably possible alternative assumptions, while all other input values remain unchanged, the amount of increase (decrease) in the fair value of the investment is as follows:

	<u>12/31/2020</u>	<u>12/31/2019</u>
Weighted average capital cost rate		
Increased by 1%	( \$ 20,584 )	( \$ 25,532 )
Decreased by 1%	<u>\$ 27,210</u>	<u>\$ 34,896</u>
Final value growth rate		
Increased by 1%	<u>\$ 21,114</u>	<u>\$ 24,118</u>
Decreased by 1%	( <u>\$ 16,432</u> )	( <u>\$ 17,669</u> )
Discount adjustment		
Increased by 1%	( <u>\$ 3,004</u> )	( <u>\$ 3,180</u> )
Decreased by 1%	<u>\$ 3,004</u>	<u>\$ 3,180</u>

- (2) Financial assets measured at fair value through other comprehensive profit and loss - foreign un-listed (OTC) company's equity investments are with its fair value estimated in accordance with the cash flow discount method. The significant unobservable input values are long-term income growth rate weighted average capital cost lack of market liquidity discount. When the weighted average capital cost increases, the fair value of these investments will decrease.

	<u>12/31/2020</u>	<u>12/31/2019</u>
Long-term income growth rate	2.00%	2.00%
Weighted capital cost rate	11.54%	10.90%
Liquidity discount rate	25.00%	25.00%

If the following input values are changed to reflect reasonably possible alternative assumptions, while all other input values remain unchanged, the amount of increase (decrease) in the fair value of the investment is as follows:

	<u>12/31/2020</u>	<u>12/31/2019</u>
Long-term income growth rate		
Increased by 1%	<u>\$ 6,822</u>	<u>\$ 6,669</u>
Decreased by 1%	( <u>\$ 5,527</u> )	( <u>\$ 5,322</u> )

(Continued on Next Page)

(Continued from Previous Page)

	12/31/2020	12/31/2019
Weighted capital cost rate		
Increased by 1%	(\$ 5,527)	(\$ 5,549)
Decreased by 1%	\$ 6,822	\$ 6,952
Liquidity discount rate		
Increased by 1%	(\$ 1,264)	(\$ 1,185)
Decreased by 1%	\$ 1,264	\$ 1,185

(II) Types of financial instruments

	12/31/2020	12/31/2019
<u>Financial assets</u>		
Measured at fair value through profit and loss		
Measured at fair value through profit and loss mandatorily	\$ 114,182	\$ 31,157
Measured at the amortized cost (Note 1)	2,256,342	1,641,478
Measured at fair value through other comprehensive profit and loss		
Equity instrument investment	501,725	562,155
<u>Financial liabilities</u>		
Measured at the amortized cost (Note 2)	2,803,928	3,323,772

Note 1: The balance amount includes cash, financial assets measured at amortized cost, notes receivable, net accounts receivable, accounts receivable-related parties, other receivables, other receivables-related parties, refundable deposit, and other financial assets, and financial assets that are measured at the amortized cost.

Note 2: The balance amount includes short-term loans, notes payable, accounts payable, other payables, other payables-related parties, long-term loans due within one year and long-term loans, and other financial liabilities that are measured at the amortized cost.

### (III) Financial risk management objectives and policies

The main financial instruments of the consolidated company include cash, held-for-trading, equity investment, accounts receivable, accounts payable, corporate bonds payable, and loans and lease liabilities. The financial management department of the consolidated company provides services to all business units, plans and coordinates entering the domestic and international financial markets, analyzes internal risk exposure according to the degree and breath of risk, and reports, supervises, and manages the financial risks related to the operations of the consolidated company. These risks include market risk (including exchange rate risk, interest rate risk, and other price risk), credit risk, and liquidity risk.

The consolidated company hedges risk exposure through derivative financial instruments in order to mitigate the impact of these risks. The Finance Department reports to the board of directors on a quarterly basis. The use of derivative financial instruments is regulated by the policies adopted by the board of directors of the consolidated company, which are exchange rate risk, interest rate risk, credit risk, the use of derivative financial instruments and non-derivative financial instruments, and the written principles for the investment of remaining current funds. Internal auditors continue to review the compliance with policies and the risk exposure amount. The consolidated company did not trade financial instruments (including derivative financial instruments) for speculative purposes.

#### 1. Market risk

The main financial risks from the operating activities of the consolidated company are the risk of changes in foreign currency exchange rates (see (1) below) and the risk of changes in interest rates (see (2) below).

The consolidated company's market risk exposure related to financial instrument and the management and measurement of such risk exposure remain unchanged.

(1) Exchange rate risk

The exchange rate risk management of the consolidated company is mainly for the purpose of hedging risks, and it does not conduct financial instrument transactions for speculative purposes. The exchange rate risk management strategy is to regularly review the net positions of assets and liabilities in various currencies, and conduct risk management on the net positions.

Please refer to Note XXXVIII for the book value of monetary assets and monetary liabilities denominated in non-functional currencies of the consolidated company on the balance sheet date (including monetary items denominated in non-functional currencies that have been offset in the consolidated financial statements).

Sensitivity Analysis

The consolidated company is mainly affected by fluctuations in the exchange rate of the US dollar.

The sensitivity analysis of the consolidated company when the exchange rate of the New Taiwan Dollar (functional currency) to each relevant foreign currency increased or decreased by 1% is detailed in the following table. The sensitivity ratio referred to when reporting exchange rate risks to the management of the consolidated company is “1%,” which represents the management’s assessment of the reasonably possible range of changes in foreign currency exchange rates. Sensitivity analysis includes only monetary items in foreign currencies in circulation, and the conversion at the end of the period is adjusted with a 1% exchange rate fluctuation. The amount in the table below represents the amount increase (decrease) of the net income before tax or equity when the New Taiwan Dollar appreciates by 1% relative to each relevant currency; also, when the New Taiwan Dollar depreciates by 1% relative to each relevant foreign currency, the amount (increase) decrease of the net income before tax or equity.

	USD Effect	
	2020	2019
Profit and loss (i)	\$ 1,157	(\$ 3,498)

(i) It is mainly derived from the USD-denominated payables and receivables of the consolidated company that remain outstanding on the balance sheet date without any cash flow hedging arranged.

The management believes that sensitivity analysis cannot represent the inherent risk of exchange rates, because foreign currency risk exposure on the balance sheet date cannot reflect the mid-term risk exposure.

(2) Interest rate risk

The business entities in the consolidated company borrow funds at fixed and floating interest rates at the same time with interest rate risk resulted.

The book amount of the financial assets and financial liabilities of the consolidated company with interest rate risk exposure on the balance sheet date are as follows:

	12/31/2020	12/31/2019
With fair value interest rate risk		
— Financial assets	\$ 91,565	\$ 69,367
— Financial liabilities	690,923	1,335,648
With cash flow interest rate risk		
— Financial assets	919,383	342,570
— Financial liabilities	1,731,418	1,504,376

Sensitivity analysis

The sensitivity analysis below is based on the interest rate risk exposure of the non-derivative instruments on the balance sheet date. For floating rate assets and liabilities, the analysis is based on the assumption that the amount of assets and liabilities that were in circulation on the balance sheet date was in circulation throughout the reporting period. The rate of change used when reporting interest rates internally to the management of the consolidated company is an increase or decrease by 100 points, which represent the management's



assessment of the reasonably possible range of changes in interest rates.

If interest rates increase/decrease by 100 points and all other variables remain unchanged, the consolidated company's 2020 and 2019 net income before tax will decrease/increase by NT\$8,120 thousand and NT\$11,618 thousand, respectively, mainly due to the consolidated company's variable interest rate deposits and net position of variable interest rate loans.

### (3) Other price risks

The consolidated company suffers equity price risk exposure due to equity securities investment. The equity securities investment is not held for trading and it is a strategic investment. The consolidated company did not actively trade these investments, but assigned relevant personnel to monitor price risks and assess when to increase the hedging positions.

#### Sensitivity analysis

The sensitivity analysis below is based on the equity price risk exposure on the balance sheet date.

If the equity price increases/decreases by 1%, other comprehensive profit and loss before tax in 2020 and 2019 will increase/decrease by NT\$5,017 thousand and NT\$5,622 thousand, respectively, due to the increase/decrease in the fair value of financial assets measured at fair value through other comprehensive profit and loss.

## 2. Credit risk

Credit risk refers to the risk that the counterparty of the transaction defaults on contractual obligations and causes financial losses to the consolidated company. As of the balance sheet date, the maximum credit risk exposure of the consolidated company that may cause financial losses due to the counterparty's failure to perform its obligations is mainly derived from the book amount of financial assets recognized in the consolidated balance sheet.

The accounts receivable is to be collected from many customers, different industries, and broad geographic regions. The

consolidated company continues to evaluate the financial status of accounts receivable customers.

In addition, since the counterparties of liquid funds and derivative financial instruments are financial institutions and corporate organizations with good credit ratings, the credit risk is limited.

### 3. Liquidity risk

The consolidated company manages and maintains sufficient cash and cash equivalents to support the consolidated company's operations and reduce the impact of cash flow fluctuations. The management of the consolidated company supervises the use of bank loan commitments and ensures compliance with the terms of the loan contract.

Bank loans are an important source of liquidity to the consolidated company. Please refer to the description of (2) loan commitments below for the loan commitments available to the consolidated company as of December 31, 2020 and 2019.

#### (1) Non-derivative financial liabilities liquidity and interest rate risk list

The agreed payment period for the remaining non-derivative financial liabilities of the consolidated company is analyzed as follows. It is based on the earliest possible repayment date of the consolidated company and the undiscounted cash flow of financial liabilities, including the cash flow from the interest and principal.

The bank loans of the consolidated company that may be requested to be repaid immediately are those with the earliest repayment date in the table below, regardless of the probability of the bank's immediately enforcing the right. The maturity analysis of other non-derivative financial liabilities is compiled in accordance with the agreed repayment date.

For interest cash flows paid at floating interest rates, the undiscounted amount of interest is derived from the yield curve on the balance sheet date.

12/31/2020

	Immediate payment or paying within 1 year	1-2 years	2-5 years	Over 5 years
<u>Non-derivative financial liabilities</u>				
Non-interest-bearing liabilities	\$ 720,069	\$ -	\$ -	\$ -
Lease liabilities	68,827	11,046	29,926	333,541
Floating interest rate instrument	1,525,924	211,438	1,607	-
Fixed interest rate instrument	349,848	1,916	1,730	-
	<u>\$ 2,664,668</u>	<u>\$ 224,400</u>	<u>\$ 33,263</u>	<u>\$ 333,541</u>

12/31/2019

	Immediate payment or paying within 1 year	1-2 years	2-5 years	Over 5 years
<u>Non-derivative financial liabilities</u>				
Non-interest-bearing liabilities	\$ 852,855	\$ -	\$ -	\$ -
Lease liabilities	79,597	20,736	30,892	342,857
Floating interest rate instrument	893,803	131,226	131,192	-
Fixed interest rate instrument	1,345,178	1,961	3,661	-
	<u>\$ 3,171,433</u>	<u>\$ 153,923</u>	<u>\$ 165,745</u>	<u>\$ 342,857</u>

(2) Loan commitments

	<u>12/31/2020</u>	<u>12/31/2019</u>
Unguaranteed bank loan commitments		
— Loan commitments applied	\$ 1,769,560	\$ 1,697,791
— Loan commitments not yet applied	<u>3,386,440</u>	<u>1,989,739</u>
	<u>\$ 5,156,000</u>	<u>\$ 3,687,530</u>

(Continued on Next Page)

(Continued from Previous Page)

	<u>12/31/2020</u>	<u>12/31/2019</u>
Guaranteed bank loan		
commitments		
— Loan		
commitments applied	\$ 314,299	\$ 694,618
— Loan		
commitments not yet		
applied	<u>488,101</u>	<u>11,582</u>
	<u>\$ 802,400</u>	<u>\$ 706,200</u>

#### XXXIV. Related party transactions

The transactions, account balances, and income and expenses between the company and its subsidiaries (which are related parties of the company) are all eliminated at the time of consolidation; therefore, they are not disclosed in this note. Except for those disclosed in other notes, the transactions between the consolidated company and other related parties are as follows.

##### (I) Name and relationship of related parties

<u>Name of related party</u>	<u>Relationship with the consolidated company</u>
Soft Chemical Corp. ( SCC )	Associate
Defia Co., Ltd.	Associate (was a subsidiary before November 2020)
Chang Chun FUCC	Joint venture

##### (II) Operating income

<u>Account</u>	<u>Classification of related party</u>	<u>2020</u>	<u>2019</u>
Sales income	Joint venture	\$ 203,648	\$ 358,356
	Associate	<u>494</u>	<u>-</u>
		<u>\$ 204,142</u>	<u>\$ 358,356</u>

The transactions conducted with the related party are with a price and payment term equivalent to other non-related parties, except for the 1-month credit term.

##### (III) Purchase

<u>Account</u>	<u>Classification of related party</u>	<u>2020</u>	<u>2019</u>
Purchase	Associate	\$ -	\$ 1,177
	Joint venture	<u>-</u>	<u>594</u>
		<u>\$ -</u>	<u>\$ 1,771</u>

(IV) Receivables from related parties (excluding the loaning of funds to the related parties)

Account	Classification / name of related party	12/31/2020	12/31/2019
Accounts receivable	Joint Venture / Chang Chun FUCC	<u>\$ 74,368</u>	<u>\$ 48,057</u>
Other receivables	Associate	<u>\$ 522</u>	<u>\$ -</u>

No guarantee is received for the outstanding accounts receivable from related parties. The 2020 and 2019 receivables from the related parties are without any allowance for losses appropriated.

(V) Payables to related parties

Account	Classification of related party	12/31/2020	12/31/2019
Other payables	Associate	<u>\$ 137</u>	<u>\$ -</u>

(VI) Lease agreement

Operating lease

The company leases machinery equipment to the associates under an operating lease for a lease period of 3.75 years.

The total amount of lease payment to be collected in the future is summarized as follows:

Classification / name of related party	12/31/2020	12/31/2019
Associate	<u>\$ 110</u>	<u>\$ -</u>

The rental income is summarized as follows:

Classification / name of related party	2020	2019
Associate	<u>\$ 18</u>	<u>\$ -</u>

(VII) Non-operating income - others

Account	Classification of related party	2020	2019
Other income	Associate	<u>\$ 6</u>	<u>\$ -</u>

(VIII) Other related party transactions

Account	Classification of related party	2020	2019
Operating expense	Associate	<u>\$ 268</u>	<u>\$ -</u>

Associates provide beverages and foods to the consolidated company.

(IX) Remunerations to the management

	2020	2019
Short-term employee benefits	\$131,705	\$ 78,180
Pensions	<u>3,195</u>	<u>3,258</u>
	<u>\$134,900</u>	<u>\$ 81,438</u>

The remuneration to directors and other key management personnel is determined in accordance with individual performance evaluation and market trends.

XXXV. Pledged assets

The following assets of the consolidated company have been provided as collateral for the purchase of bonds and loans:

	12/31/2020	12/31/2019
Property, plant, and equipment		
Proprietary land	\$ 825,787	\$ 825,787
House and building	834,357	855,863
Machinery equipment	1,176,480	1,268,540
Investment property		
Proprietary land	983	983
Other noncurrent assets – time deposit	<u>83,265</u>	<u>69,367</u>
	<u>\$ 2,920,872</u>	<u>\$ 3,020,540</u>

XXXVI. Significant contingent liabilities and unrecognized contractual commitments

The material commitments and contingencies of the consolidated company on the balance sheet date are as follows:

- (I) The consolidated company has issued a letter of credit for material procurement with an outstanding balance of NT\$84,650 thousand and US\$174 thousand as of December 31, 2020, respectively.

(II) Making of notes endorsement and guarantee:

The company issued bills for the making of endorsements/guarantees for the subsidiaries as follows:

	<u>12/31/2020</u>	<u>12/31/2019</u>
Fusugar Industry Corp.	\$313,046	\$438,270

The aforementioned endorsements/guarantees amount was approved by the company's board of directors, and the actual amounts used were NT\$313,046 thousand and NT\$375,658 thousand, respectively.

The subsidiary issued bills for the making of endorsements/guarantees for the company as follows:

	<u>12/31/2020</u>	<u>12/31/2019</u>
Hershey Environmental Technology Co., Ltd.	\$ 3,950	\$ 3,950

The aforementioned endorsements/guarantees amount was approved by the subsidiary's board of directors, and the actual amounts used were NT\$3,950 thousand.

XXXVII. Other matters

The consolidated company evaluated the economic impact caused by the COVID-19 pandemic. It was concluded that the consolidated company was not affected as of the publish date of the consolidated financial report. The consolidated company will continue to observe the pandemic closely and evaluate its impact.

XXXVIII. Information on significantly influential assets and liabilities in foreign currency

The following information is summarized and expressed in foreign currencies other than the functional currencies of each business entity in the consolidated companies. The disclosed exchange rates refer to the exchange rates for the conversion of the foreign currencies into functional currencies. The influential assets and liabilities in foreign currency are as follows:

12/31/2020

Asset in foreign currency	Foreign currency	Exchange rate	Book amount
<u>Monetary item</u>			
USD	\$ 27,993	28.4300 (USD:NTD)	<u>\$ 795,843</u>
<u>Non-monetary items</u>			
Financial			
assets-noncurrent measured at fair value through other comprehensive profit and loss			
RMB	21,665	4.3770 (RMB:NTD)	\$ 94,826
JPY	293,800	0.2763 (JPY:NTD)	<u>81,177</u>
			<u>\$ 176,003</u>
Associate under the equity method and joint venture			
VND	118,246,409	0.0012 (VND:NTD)	\$ 146,039
RMB	131,839	4.3648 (RMB:NTD)	<u>575,454</u>
			<u>\$ 721,493</u>
<u>Liabilities in foreign currency</u>			
<u>Monetary items</u>			
USD	31,952	28.5300 (USD:NTD)	<u>\$ 911,578</u>

12/31/2019

Assets in foreign currency	Foreign currency	Exchange rate	Book amount
<u>Monetary item</u>			
USD	\$ 24,203	29.9300 (USD:NTD)	<u>\$ 724,398</u>
<u>Non-monetary items</u>			
Financial			
assets-noncurrent measured at fair value through other comprehensive profit and loss			
RMB	20,645	4.3050 (RMB:NTD)	\$ 88,875
JPY	295,711	0.2760 (JPY:NTD)	<u>81,616</u>
			<u>\$ 170,491</u>

(Continued on Next Page)



(Continued from Previous Page)

	Foreign currency	Exchange rate	Book amount
Associate under equity method and joint venture			
VND	112,975,274	0.0013 ( VND:NTD )	\$ 146,439
RMB	129,559	4.2975 ( RMB:NTD )	<u>556,781</u>
			<u>\$ 703,220</u>
Liabilities in foreign currency			
<u>Monetary items</u>			
USD	12,475	30.03 ( USD:NTD )	<u>\$ 374,635</u>

The consolidated company mainly bears the exchange rate risk of the New Taiwan dollar. The following information is summarized and expressed in the functional currencies of each business entity holding foreign currencies. The disclosed exchange rates refer to the exchange rates for the conversion of the functional currencies into the expressing currency. The influential foreign exchange profit and loss (realized and unrealized) is as follows:

	2020		2019	
Functional currency	Functional currency to expressing currency	Net exchange loss	Functional currency to expressing currency	Net exchange profit
NTD	1 (NTD:NTD)	( <u>\$ 9,400</u> )	1 (NTD:NTD)	<u>\$ 6,073</u>

### XXXIX. Special disclosures

#### (I) Information on major transactions:

1. Loaning of funds (Table I)
2. Making of endorsements/guarantees (Table II)
3. The valuable securities held at yearend (excluding investment in the equity of the subsidiaries, associates, and joint venture) (Table III)
4. The cumulative amount of buying or selling one security exceeding NT\$300 million or 20% of the paid-in capital (Table IV):
5. The amount of property acquired exceeding NT\$300 million or 20% of the paid-in capital (None)
6. The amount of property disposed exceeding NT\$300 million or 20% of the paid-in capital (None)

7. The amount of goods purchased from and sold to the related party exceeding NT\$100 million or 20% of the paid-in capital (Table V)
8. The amount of receivables from the related party exceeding NT\$100 million or 20% of the paid-in capital (None)
9. Engaged in derivatives transactions (None)
10. Others: Business relationship and important transactions amount between the parent company and subsidiaries (Table VI)

(II) Investment related information (Table VII)

(III) Information on investment in Mainland China

1. The name of the invested company, main business operations, paid-in capital, investment methods, capital remittances inwards and outwards, shareholding ratio, investment profit and loss, year-end investment book amount, investment profit and loss remitted inward, and limits of investment in Mainland China (Table VIII)
2. The following major transactions, prices, payment terms, and unrealized profit and loss occurred directly or indirectly with the invested company in mainland China through the third region: (Table V)
  - (1) The purchase amount and percentage and the year-end balance and percentage of related payables;
  - (2) The amount and percentage of sales and the year-end balance and percentage of related receivables;
  - (3) The amount of property transactions and the amount of profit and loss resulted.
  - (4) The endorsement/guarantee of the bill or the year-end amount of the collateral provided and its purpose;
  - (5) The maximum balance, year-end balance, interest rate range, and total current interest of the loans;
  - (6) Other transactions that have a significant impact on the current profit and loss or financial status, such as, the labor service provided or received, etc.;

(IV) Major shareholders information: The name, shareholding amount, and shareholding ratio of the shareholders with 5% or more than shareholding (Table IX)

#### XXXX. Department information

Information is provided to the business decision makers for allocating resources and evaluating departmental performance, focusing on each type of product or service delivered or provided. The Alkylation Manufacturing Department and the Petroleum Resin Manufacturing Department of the consolidated company must be presented. The Alkylation Manufacturing Department mainly produces alkylbenzene and nonanol. The Petroleum Resin Manufacturing Department mainly produces (hydrogenated) petroleum resin products. The company has other departments that have not reached the quantitative threshold, which are mainly engaged in the manufacturing and sales of pesticides, the processing and manufacturing of petrochemical engineering, etc.

##### (I) Departmental income and operating results

The income and operating results of the business unit of the consolidated company are analyzed according to the reporting department as follows:

#### 2020

	<u>Alkylation</u>	<u>Petroleum resin</u>	<u>Others</u>	<u>Total</u>
Income from external customers	\$ 6,006,316	\$ 1,748,954	\$ 726,559	\$ 8,481,829
Inter-department income	<u>228,976</u>	<u>495,860</u>	<u>11,747</u>	<u>736,583</u>
Departmental income	<u>\$ 6,235,292</u>	<u>\$ 2,244,814</u>	<u>\$ 738,306</u>	9,218,412
Internal written-off				( <u>736,583</u> )
Consolidated income				<u>\$ 8,481,829</u>
Departmental profit and loss	<u>\$ 765,699</u>	<u>\$ 80,713</u>	( <u>\$ 146,836</u> )	\$ 699,576
Percentage of profit and loss from associates under equity method and joint venture				<u>13,867</u>
Net income before tax of the continuing business units				<u>\$ 713,443</u>

#### 2019

	<u>Alkylation</u>	<u>Petroleum resin</u>	<u>Others</u>	<u>Total</u>
Income from external customers	\$ 5,909,388	\$ 2,452,138	\$ 435,636	\$ 8,797,162
Inter-department income	<u>170,581</u>	<u>544,962</u>	<u>97,343</u>	<u>812,886</u>
Departmental income	<u>\$ 6,079,969</u>	<u>\$ 2,997,100</u>	<u>\$ 532,979</u>	9,610,048
Internal written-off				( <u>812,886</u> )
Consolidated income				<u>\$ 8,797,162</u>
Departmental profit and loss	<u>\$ 259,581</u>	<u>\$ 218,409</u>	( <u>\$ 128,865</u> )	\$ 349,125
Percentage of profit and loss from associates under equity method and joint venture				( <u>51,423</u> )
Net income before tax of the continuing business units				<u>\$ 297,702</u>

(II) Total departmental assets

	12/31/2020	12/31/2019
Departmental assets		
Continuing business units		
Alkylation		
manufacturing dept.	\$ 6,660,061	\$ 6,456,499
Petroleum resin		
manufacturing dept.	2,179,238	2,488,771
Other departments	2,280,854	2,369,501
Total consolidated assets	<u>\$ 11,120,153</u>	<u>\$ 11,314,771</u>

(III) Income from main products

The income analysis of the main products of the parent company and its subsidiaries is as follows:

	2020	2019
Alkylation manufacturing	\$ 6,006,316	\$ 5,909,388
Petroleum resin	1,748,954	2,452,138
manufacturing		
Others	726,559	435,636
	<u>\$ 8,481,829</u>	<u>\$ 8,797,162</u>

(IV) Regional information

The operating income of the consolidated company from external customers is classified by the country where the customers are located as follows:

	Income generated from external customers	
	2020	2019
Taiwan	\$ 2,536,725	\$ 2,181,007
China	1,312,701	1,560,851
Guatemala	904,514	743,304
Vietnam	557,372	629,212
Philippines	555,042	446,176
USA	484,645	476,452
Japan	345,809	439,462
Others	1,785,021	2,320,698
	<u>\$ 8,481,829</u>	<u>\$ 8,797,162</u>

(V) Major customer information

The direct sales income amounted to NT\$8,481,829 thousand and NT\$8,797,162 thousand in 2020 and 2019, respectively, of which, NT\$904,514 thousand and NT\$743,304 thousand were generated from the largest customers of the consolidated company. There was no other income from a single customer that exceeded 10% of the consolidated company's total income in 2019.

Formosan Union Chemical Corp. and Subsidiaries  
Loaning of funds  
From January 1 to December 31, 2020 & 2019

Table I

Unit: NT\$ Thousand

No.	Lending company	Borrower	Account	A related party or not	Maximum balance - current	Ending balance	Actual loan amount	Interest rate range	Nature of loaning of fund	Transaction amount	Reason for short-term loaning of funds	Appropriation of allowance for bad debt	Collateral		Individual loaning of fund limit	Total loaning of fund limit	Remarks
													Name	Value			
0	Formosan Union Chemical Corp.	Fusugar Industry Corp.	Other receivables	Yes	\$ 200,000	\$ 200,000	\$ 40,000	2.616%	Needs for short-term loans	\$ -	Working capital	\$ -	-	\$ -	The loaning of fund limit for one single company is for an amount equivalent to 10% of the net equity value in the latest financial statements (that is NT\$717,845 thousand) of FUCC.	The total loaning of fund limit is for an amount equivalent to 20% of the net equity value in the latest financial statements (that is NT\$1,435,689 thousand) of FUCC.	
0	Formosan Union Chemical Corp.	Hershey Environmental Technology Co., Ltd.	Other receivables	Yes	350,000	350,000	-	2.616%	Needs for short-term loans	-	Working capital	-	-	-	The loaning of fund limit for one single company is for an amount equivalent to 10% of the net equity value in the latest financial statements (that is NT\$717,845 thousand) of FUCC.	The total loaning of fund limit is for an amount equivalent to 20% of the net equity value in the latest financial statements (that is NT\$1,435,689 thousand) of FUCC.	
0	Formosan Union Chemical Corp.	Great Victory Chemical Industry Co., Ltd.	Other receivables	Yes	50,000	50,000	-	2.616%	Needs for short-term loans	-	Working capital	-	-	-	The loaning of fund limit for one single company is for an amount equivalent to 10% of the net equity value in the latest financial statements (that is NT\$717,845 thousand) of FUCC.	The total loaning of fund limit is for an amount equivalent to 20% of the net equity value in the latest financial statements (that is NT\$1,435,689 thousand) of FUCC.	
1	United Performance Materials Corporation	Fusugar Industry Corp.	Other receivables	Yes	100,000	100,000	-	2.616%	Needs for short-term loans	-	Working capital	-	-	-	The loaning of fund limit for one single company is limited to 10% of the net equity value in the latest financial statements (i.e. NT\$109,599 thousand) of United Performance Materials Corporation.	The total loaning of fund limit is for an amount equivalent to 20% of the net equity value in the latest financial statements (i.e. NT\$219,198 thousand) of United Performance Materials Corporation.	
2	Great Victory Chemical Industry Co., Ltd.	Hershey Environmental Technology Co., Ltd.	Other receivables	Yes	80,000	80,000	-	2.616%	Needs for short-term loans	-	Working capital	-	-	-	The loaning of fund limit for one single company is limited to 10% of the net equity value in the latest financial statements (i.e. NT\$89,673 thousand) of Great Victory Chemical Industry Co., Ltd.	The total loaning of fund limit is for an amount equivalent to 20% of the net equity value in the latest financial statements (i.e. NT\$179,346 thousand) of Great Victory Chemical Industry Co., Ltd.	

Note: It has been written off when the consolidated financial statements are prepared.

## Formosan Union Chemical Corp. and Subsidiaries

## Making of Endorsements/Guarantees

From January 1 to December 31, 2020 &amp; 2019

Table II

Unit: NT\$ Thousand

No.	Endorsing/guaranteeing company	Endorsed/guaranteed party		Single endorsement/guarantee limit	Maximum endorsement/guarantee balance of the year	Endorsement / guarantee balance - ending	Actual endorsement/guarantee amount	Endorsement/guarantee secured with property provided as collateral	Ratio of cumulative endorsement/guarantee amount to the net worth in the latest financial report	Maximum endorsement/guarantee limit	Making of endorsement/guarantee by the parent company for subsidiary	Making of endorsement/guarantee by subsidiary for parent company	Endorsement/guarantee attributable to mainland China	Remarks
		Company name	Relation (Note 1)											
0	Formosan Union Chemical Corp.	Fusugar Industry Corp.	2	\$ 1,435,689 (Note 2)	\$ 438,270	\$ 313,046	\$ 313,046	\$ -	4.36%	\$ 3,589,223 (Note 3)	Yes	No	No	
1	Hershey Environmental Technology Co., Ltd.	Formosan Union Chemical Corp.	3	120,488 (Note 4)	3,950	3,950	3,950	-	0.66%	301,221 (Note 5)	No	Yes	No	

Note 1: There are 7 types of relationships between the endorsing/guaranteeing company and the endorsed/guaranteed company. Please indicate the type of relationship:

- (1) The business associates of the company;
- (2) A company with more than 50% of the voting shares held by the company directly or indirectly;
- (3) A company holds more than 50% of the voting shares of the company directly or indirectly;
- (4) A company with more than 90% of the voting shares held by the company directly or indirectly;
- (5) Companies in the same industry or co-builders provide mutual guarantees in accordance with contract signed for the needs of contracting projects.
- (6) A company that is endorsed and guaranteed by all shareholders proportionally to their shareholding ratio due to a joint investment relationship;
- (7) The companies in this industry engage in the performance bond solidarity for the property pre-sale contract in accordance with the Consumer Protection Act.

Note 2: The endorsement/guarantee amount for one single enterprise is limited to not more than 20% of the company's net worth, that is, NT\$7,178,446×20%=NT\$1,435,689.

Note 3: The total endorsement/guarantee amount is limited to not more than 50% of the company's net worth, that is, NT\$7,178,446×50%=NT\$3,589,223.

Note 4: The endorsement/guarantee amount for one single enterprise is limited to not more than 20% of the company's net worth, that is, NT\$602,441×20%=NT\$120,488.

Note 5: The total endorsement/guarantee amount is limited to 50% of the company's net worth, that is, NT\$602,441×50%=NT\$301,221.

Formosan Union Chemical Corp. and Subsidiaries  
Securities Held at Yearend  
December 31, 2020

Table III

Unit: NT\$ Thousand

Shareholding company	Type and name of marketable securities	Relationship with security issuer	Accounts	Yearend				Remarks
				Shares	Book amount	Shareholding ratio (%)	Market price	
Formosan Union Chemical Corp.	Singapore Kong-Hua Enterprise Company/stock shares	—	Financial assets-noncurrent measured at fair value through other comprehensive profit and loss	4,927,717.00	\$ 94,826	19.74%	\$ 94,826	
Formosan Union Chemical Corp.	Japanese power stations / anonymous portfolio investment	—	Financial assets-noncurrent measured at fair value through other comprehensive profit and loss	-	81,177	-	81,177	
Formosan Union Chemical Corp.	J&V Energy Technology Co., Ltd. / stock shares	—	Financial assets-noncurrent measured at fair value through other comprehensive profit and loss	8,393,318.00	112,722	11.53%	112,722	
Formosan Union Chemical Corp.	Forte Chemical Co., Ltd. / stock shares	—	Financial assets-noncurrent measured at fair value through other comprehensive profit and loss	1,400,000.00	-	3.14%	-	
Formosan Union Chemical Corp.	American Gaoling Technology Co., Ltd. / stock shares	—	Financial assets-noncurrent measured at fair value through other comprehensive profit and loss	70,000.00	-	1.06%	-	
Great Victory Chemical Industry Co., Ltd.	Capital Money Market Fund/beneficiary certificate	—	Financial assets-current measured at fair value through profit and loss	7,019,950.30	114,182	-	114,182	Note 1
Great Victory Chemical Industry Co., Ltd.	Sino-Japan Chemical Co., Ltd. / stock shares	—	Financial assets-noncurrent measured at fair value through other comprehensive profit and loss	88,345.00	213,000	6.10%	213,000	

Note 1: The market price of fund beneficiary certificates is estimated according to the net value of fund assets on December 31, 2020.

Note 2: Please refer to Table VII and VIII for the information of investment in subsidiaries, associates, and joint ventures.

Formosan Union Chemical Corp. and Subsidiaries  
The cumulative amount of buying or selling one security exceeding NT\$300 million or 20% of the paid-in capital  
From January 1 to December 31, 2020 & 2019

Table IV

Unit: NT\$ Thousand

Buying and selling company	Type and name of marketable securities	Account	Counterparty	Relation	Beginning of the year		Buying		Selling				Yearend	
					Shares	Amount	Shares	Amount	Shares	Selling price	Book cost	Disposal profit and loss	Shares	Amount
Formosan Union Chemical Corp.	TCB Bank monetary market fund/beneficiary certificate	Financial assets measured at fair value through profit and loss	—	—	-	\$ -	58,133,516.47	\$ 595,000	58,133,516.47	\$ 595,145	\$ 595,000	\$ 145	-	\$ -



Formosan Union Chemical Corp. and Subsidiaries

The amount of goods purchased from and sold to the related party exceeding NT\$100 million or 20% of the paid-in capital

From January 1 to December 31, 2020 & 2019

Table V

Unit: NT\$ Thousand

Buying (selling) company	Name of counterparty	Relation	Transactions				Different from general trading conditions and the reasons		Notes and accounts receivable (payable)		Remarks
			Purchase (sale)	Amount	Ratio to total purchase (sale)	Credit period	Unit price	Credit period	Balance amount	Ratio to total notes and accounts receivable (payable)	
Formosan Union Chemical Corp.	United Performance Materials Corporation	Subsidiary	(Note 1)	\$ 441,061	7.31%	1~2 months	Contract price	1~2 months	\$ 35,957	5.40%	
United Performance Materials Corporation	Formosan Union Chemical Corp.	Parent company	(Note 2)	( 441,061 )	26.58%	1~2 months	Contract price	1~2 months	( 35,957 )	48.01%	
Formosan Union Chemical Corp.	Hershey Environmental Technology Co., Ltd.	Subsidiary	(Note 3)	( 213,658 )	4.45%	1~2 months	Contract price	1~2 months	( 14,446 )	8.62%	
Hershey Environmental Technology Co., Ltd.	Formosan Union Chemical Corp.	Parent company	(Note 4)	213,658	33.57%	1~2 months	Contract price	1~2 months	14,446	13.95%	
Formosan Union Chemical Corp.	Chang Chun FUCC	Joint venture	Sales	203,648	3.37%	1 month	Equivalent to general trading conditions	1 months	74,368	11.16%	

(Note 1) It includes processing income for NT\$435,720 thousand and sales income for NT\$5,341 thousand.

(Note 2) It includes processing expense for NT\$435,720 thousand and purchase for NT\$5,341 thousand.

(Note 3) It includes processing expense for NT\$208,236 thousand and purchase for NT\$5,422 thousand.

(Note 4) It includes processing income for NT\$208,236 thousand and sales income for NT\$5,422 thousand.

(Note 5) All the aforementioned transactions have been written off at the time of preparing the consolidated financial statements, except for the transactions of Chang Chun FUCC.

Formosan Union Chemical Corp. and Subsidiaries  
Business relationship and important transactions between the parent company and subsidiaries  
From January 1 to December 31, 2020 & 2019

Table VI

Unit: NT\$ Thousand

No. (Note 1)	Name of counterparty	Counterparty	Relationship with the counterparty (Note 2)	Transactions			
				Account	Amount	Trade term	Ratio to consolidated total income or total assets
0	Formosan Union Chemical Corp.	Hershey Environmental Technology Co., Ltd.	1	Sales	\$ 3,666	Equivalent to general trade term	0.04%
0	Formosan Union Chemical Corp.	Hershey Environmental Technology Co., Ltd.	1	Rent income	12,160	Equivalent to general trade term	0.14%
0	Formosan Union Chemical Corp.	Hershey Environmental Technology Co., Ltd.	1	Purchase	14,653	Equivalent to general trade term	0.17%
0	Formosan Union Chemical Corp.	Hershey Environmental Technology Co., Ltd.	1	Processing expense	208,236	Contract price	2.46%
0	Formosan Union Chemical Corp.	Hershey Environmental Technology Co., Ltd.	1	Rent expense	2,984	Equivalent to general trade term	0.04%
0	Formosan Union Chemical Corp.	Hershey Environmental Technology Co., Ltd.	1	Accounts payable	14,446	Equivalent to general trade term	0.13%
0	Formosan Union Chemical Corp.	Hershey Environmental Technology Co., Ltd.	1	Other payables	2,383	Equivalent to general trade term	0.02%
0	Formosan Union Chemical Corp.	United Performance Materials Corporation	1	Sales	5,340	Equivalent to general trade term	0.06%
0	Formosan Union Chemical Corp.	United Performance Materials Corporation	1	Purchase	41,167	Equivalent to general trade term	0.49%
0	Formosan Union Chemical Corp.	United Performance Materials Corporation	1	Processing income	435,720	Contract price	5.14%
0	Formosan Union Chemical Corp.	United Performance Materials Corporation	1	Other income	1,175	Equivalent to general trade term	0.01%
0	Formosan Union Chemical Corp.	United Performance Materials Corporation	1	Accounts payable	3,859	Equivalent to general trade term	0.03%
0	Formosan Union Chemical Corp.	United Performance Materials Corporation	1	Accounts receivable	35,957	Equivalent to general trade term	0.32%
0	Formosan Union Chemical Corp.	Great Victory Chemical Industry Co., Ltd.	1	Other income	2,733	Equivalent to general trade term	0.03%
0	Formosan Union Chemical Corp.	Fusugar Industry Corp.	1	Other receivables	40,882 (Note 4)	Equivalent to general trade term	0.37%
0	Formosan Union Chemical Corp.	Fusugar Industry Corp.	1	Other income	3,410	Equivalent to general trade term	0.04%
0	Formosan Union Chemical Corp.	Fusugar Industry Corp.	1	Interest income	1,469	Equivalent to general trade term	0.02%
0	Formosan Union Chemical Corp.	Defia Co., Ltd.	1	Sales	2,737	Equivalent to general trade term	0.03%
1	Defia Co., Ltd.	Formosan Union Chemical Corp.	2	Sales	1,054	Equivalent to general trade term	0.01%
2	United Performance Materials Corporation	Hershey Environmental Technology Co., Ltd.	2	Sales	13,634	Equivalent to general trade term	0.16%

(Continued on Next Page)

(Continued from Previous Page)

No. (Note 1)	Name of counterparty	Counterparty	Relationship with the counterparty (Note 2)	Transactions			
				Account	Amount	Trade term	Ratio to consolidated total income or total assets
2	United Performance Materials Corporation	Hershey Environmental Technology Co., Ltd.	2	Purchase	\$ 3,413	Equivalent to general trade term	0.04%
2	United Performance Materials Corporation	Hershey Environmental Technology Co., Ltd.	2	Rent expense	28,494	Equivalent to general trade term	0.34%
2	United Performance Materials Corporation	Hershey Environmental Technology Co., Ltd.	2	Accounts receivable	1,343	Equivalent to general trade term	0.01%
2	United Performance Materials Corporation	Hershey Environmental Technology Co., Ltd.	2	Other payable	1,822	Equivalent to general trade term	0.02%
2	United Performance Materials Corporation	Fusugar Industry Corp.	2	Interest income	1,082	Equivalent to general trade term	0.01%
3	Hershey Environmental Technology Co., Ltd.	Great Victory Chemical Industry Co., Ltd.	2	Accounts receivable	2,950	Equivalent to general trade term	0.03%
3	Hershey Environmental Technology Co., Ltd.	Great Victory Chemical Industry Co., Ltd.	2	Sales	8,239	Equivalent to general trade term	0.10%

Note 1: The business transaction information between the parent company and its subsidiaries should be indicated in the respective column. The method of filling in the respective column is as follows:

(1) Fill in “0” for the parent company.

(2) Subsidiaries are numbered sequentially starting from Arabic numeral “1” in an orderly fashion.

Note 2: “1” represents the parent company to the subsidiary, and “2” represents the subsidiary to the subsidiary.

Note 3: All the aforementioned transactions have been written off when the consolidated financial statements are prepared.

Note 4: The other receivables of Formosan Union Chemical Corp from Fusugar Industry Corp. include loaning of fund for NT\$40,000 thousand, an interest receivable for NT\$324 thousand, an endorsement/guarantee fee receivable for NT\$549 thousand, and others for NT\$9 thousand.

Formosan Union Chemical Corp. and Subsidiaries  
Invested company information, location and other related information  
From January 1 to December 31, 2020 & 2019

Unit: NT\$ Thousand

Table VII

Investing company	Invested company	Location	Main business operation	Original investment amount		Held at Yearend			Investment profit (loss) of the invested company in the current year	Investment profit (loss) recognized in the current year	Remarks
				End of this year	End of last year	Shares	Ratio (%)	Book amount			
Formosan Union Chemical Corp.	United Performance Materials Corporation	Taipei City	Manufacturing, processing, and trading of petroleum resins, polyester resins, Melamine resins, plaque resins, urea resins, alkyd resins, acetate resins, butyl acrylate resins, and aromatic hydrocarbon fluxes	\$ 603,812	\$ 600,532	72,202,200	80.25%	\$ 960,529	\$ 16,853	\$ 13,351	Subsidiary (Note 1), the difference of NT\$(173) thousand includes premium amortization of NT\$97 thousand, investment profit and loss recognized proportionally to the old and new shareholding ratio from subscribing the subsidiary's equity for NT\$(299) thousand, and the profit and loss of right-of-use asset for NT\$29 thousand.
Formosan Union Chemical Corp.	Hershey Environmental Technology Co., Ltd.	Taipei City	Planning and design of petrochemical engineering, installation and trading of mechanical equipment, distribution of domestic liquefied petroleum gas, repair and maintenance and inspection of steel cylinders.	510,211	510,211	50,000,000	100.00%	608,170	37,545	41,902	Subsidiary (Note 1), the difference of NT\$4,357 thousand includes the unrealized gross profit for NT\$4,032 thousand and the profit and loss of right-of-use assets for NT\$325 thousand.
Formosan Union Chemical Corp.	Great Victory Chemical Industry Co., Ltd.	Taipei City	Manufacturing and sales of pesticides.	401,364	401,364	19,800,000	100.00%	896,731	58,869	58,869	Subsidiary (Note 1)
Formosan Union Chemical Corp.	Fusugar Industry Corp.	Taichung City	Petrochemical raw materials, synthetic resins, rubber and plastics, other chemical products manufacturing and wholesale, and sugar manufacturing	1,316,555	1,124,473	131,655,475	82.28%	789,737	( 208,536 )	( 170,941 )	Subsidiary (Note 1), the difference of NT\$642 thousand includes the investment profit and loss recognized proportionally to the old and new shareholding ratio before the subsidiary's capital increase for NT\$626 thousand and the profit and loss of right-of-use asset for NT\$16 thousand.
Formosan Union Chemical Corp.	TANQUES DEL PACIFI CO SA	Guatemala	Warehouse silo lease.	28,513	28,513	900	100.00%	31,805	( 4,184 )	( 6,148 )	Subsidiary (Note 2), the difference of NT\$(1,964) thousand includes the discount amortization for NT\$(1,950) thousand and the profit and loss of right-of-use assets for NT\$(14) thousand.

(Continued on Next Page)

(Continued from Previous Page)

Investing company	Invested company	Location	Main business operation	Original investment amount		Held at Yearend			Investment profit (loss) of the invested company in the current year	Investment profit (loss) recognized in the current year	Remarks
				End of this year	End of last year	Shares	Ratio (%)	Book amount			
Formosan Union Chemical Corp.	Defia Co., Ltd.	Taipei City	Engaged in food trading and bakery.	\$ 3,000	\$ 3,000	300,000	20.00%	\$ 4,272	\$ 2,964	\$ 1,342	Associates (Note 2), the difference of NT\$749 thousand is the investment profit and loss recognized proportionally to the old and new shareholding ratio before the associate's capital increase for NT\$749 thousand. Associate (Note 1)
Formosan Union Chemical Corp.	Soft Chemical Corp. (SCC)	Vietnam	Engaged in the manufacturing, processing, and trading of alkylbenzene and sulfonic acid.	43,707	43,707	-	42.03%	58,949	9,632	4,048	
Formosan Union Chemical Corp.	Soft Industry Corp. (SIC)	Vietnam	Engaged in the manufacturing, processing, and trading of alkylbenzene and sulfonic acid.	97,779	97,779	-	50.00%	87,090	5,811	2,906	
Formosan Union Chemical Corp.	Chang Chun FUCC	Changshu	Engaged in the production, processing, and sales of nonylphenol, dinonylphenol and olefin fuel oil products; also, provided technical and consulting services related to self-produced products; engaged in the wholesale, warehousing and commission agency of general chemicals (Except auctions), and import and export business.	689,513	689,513	-	50.00%	575,454	13,834	6,917	
United Performance Materials Corporation	Fusugar Industry Corp.	Taichung City	Manufacturing and wholesale of petrochemical raw materials, synthetic resins, rubber and plastics, and other chemical products, and sugar manufacturing.	29,913	27,913	2,991,312	1.87%	20,845	( 208,536 )	( 3,939 )	(Note 1), the difference of NT\$(39) thousand is the investment profit and loss recognized proportionally to the old and new shareholding ratio before the subsidiary's capital increase.
Hershey Environmental Technology Co., Ltd.	United Performance Materials Corporation	Taipei City	Manufacturing, processing, and trading of petroleum resins, polyester resins, Melamine resins, plaque resins, urea resins, alkyd resins, acetate resins, butyl acrylate resins, and aromatic hydrocarbon fluxes.	23,858	23,858	1,216,088	1.35%	19,923	16,853	229	(Note 1), the difference of NT\$1 thousand includes the investment profit and loss recognized proportionally to the old and new shareholding ratio before the subsidiary's capital increase for NT\$(5) thousand and the premium amortization for NT\$6 thousand.
Hershey Environmental Technology Co., Ltd.	Yonggi Energy Co., Ltd.	Taipei City	Thermal energy supply industry, cleaning products wholesale industry, and installation and wholesale industry of electrical appliances, machinery, etc.	\$ 3,878	\$ 3,878	387,840	50.00%	\$ 6,452	\$ 1,053	\$ 526	Subsidiary (Note 2)

(Continued on Next Page)

(Continued from Previous Page)

Investing company	Invested company	Location	Main business operation	Original investment amount		Held at Yearend			Investment profit (loss) of the invested company in current year	Investment profit (loss) recognized in current year	Remarks
				End of this year	End of last year	Shares	Ratio (%)	Book amount			
Hershey Environmental Technology Co., Ltd.	Yongyew Energy Co., Ltd.	Taipei City	Manufacturing of batteries, electronic components, power generation, transmission, and power distribution machinery, and electronic materials trading. (energy technology service)	\$ 85,500	\$ 95,000	8,550,000	100.00%	\$ 91,465	\$ 4,547	\$ 4,547	Subsidiary (Note 1)
Great Victory Chemical Industry Co., Ltd.	United Performance Materials Corporation	Taipei City	Manufacturing, processing, and trading of petroleum resins, polyester resins, Melamine resins, plaque resins, urea resins, alkyd resins, acetate resins, butyl acrylate resins, and aromatic hydrocarbon fluxes.	8,472	8,472	436,800	0.49%	5,321	16,853	80	(Note 1), the difference of NT\$(3) thousand is the investment profit and loss recognized proportionally to the old and new shareholding ratio before the changes in the subsidiary's equity.
Great Victory Chemical Industry Co., Ltd.	Yongsheng Energy Co., Ltd.	Taipei City	Manufacturing of batteries, electronic components, power generation, transmission, and power distribution machinery, and electronic materials trading. (energy technology service)	3,100	3,100	310,000	50.00%	5,510	1,154	577	Subsidiary (Note 2)
Great Victory Chemical Industry Co., Ltd.	Fusugar Industry Corp.	Taichung City	Manufacturing and wholesale of petrochemical raw materials, synthetic resins, rubber and plastics, and other chemical products, and sugar manufacturing.	94,287	89,287	9,428,700	5.89%	56,557	( 208,536 )	( 12,446 )	(Note 1), the difference of NT\$(163) thousand is the investment profit and loss recognized proportionally to the old and new shareholding ratio before the subsidiary's capital increase.
Great Victory Chemical Industry Co., Ltd.	Tecnica Cientifica De Guatemala S.A.	Guatemala	The trade of pesticides.	9,043	9,043	2,360	73.75%	1,651	-	-	Subsidiary (Note 2)

Note 1: It is calculated according to the invested company's financial statements audited by independent auditors during the same period and the company's shareholding ratio.

Note 2: It is calculated according to the invested company's financial statements not audited by independent auditors during the same period and the company's shareholding ratio.

Note 3: Investment profit and loss between from the invested companies, net equity between investing companies and invested company under the equity method have been written-off entirely, except for Chang Chun FUCC, Defia, SCC, and SIC.

Note 4: Please refer to Table VIII for information on the invested companies in Mainland China.

Formosan Union Chemical Corp. and Subsidiaries  
Information on Investment in Mainland China  
From January 1 to December 31, 2020 & 2019

Table VIII

Unit: NT\$ Thousand, unless otherwise provided

Invested company in Mainland China	Main business operation	Paid-in capital (Note 2)	Investment	Cumulative investment amount remitted outward from Taiwan at the beginning of the year (Note 2)	Investment amount remitted inward or outward in the current year		Cumulative investment amount remitted outward from Taiwan at yearend (Note 2)	Profit and loss of the invested company in the current year	Direct or indirect investment ratio of the company	Investment profit and loss recognized in the current year	Book value of the investment at yearend	Investment profit and loss remitted inward at yearend	Remarks
					Remitted outward	Remitted inward							
Zhangjiagang Trans-Ocean Enterprise Co., Ltd.	The loading, unloading, storage, re-packaging, transfer, and sales of chemical oil esters and other products, and other related businesses.	\$ 698,330 (US\$ 24,520 thousand)	Invest in the companies in Mainland China through the company setup in the third region.	\$ 57,273 (US\$ 2,011 thousand)	\$ -	\$ -	\$ 57,273 (US\$ 2,011 thousand)	\$ 88,479 ( RMB 20,663 thousand )	10.86%	\$ -	\$ 94,826	\$ 114,069	Note 3
Chang Fucc	Chun Engaged in the production, processing, and sales of nonylphenol, dinonylphenol, and olefin fuel oil products; also, providing technical and consulting services related to self-produced products; engaged in the wholesale, warehousing, and commission agency of general chemicals (except auctions), and import and export business.	1,281,600 (US\$ 45,000 thousand)	Directly invest in investment in Mainland China.	640,800 (US\$ 22,500 thousand)	-	-	640,800 (US\$ 22,500 thousand)	13,834	50.00%	6,917 (Note 1)	575,454	-	

Cumulative investment amount remitted outward from Taiwan to Mainland China at the end of the current period	Investment amount approved by the Investment Commission MOEA	Limits on the investment in Mainland China according to the Investment Commission MOEA
\$ 698,073 (US\$24,511 thousand)	\$ 733,388 (US\$25,751 thousand)	\$ 4,307,068

Note 1: It is calculated according to the financial statements audited by independent auditors during the same period.

Note 2: Except for the investment profit and loss recognized in the current year is calculated at the average exchange rate from January 1 to December 31, 2020, the rest is calculated at the spot exchange rate at the end of December 2020.

Note 3: Since the investment in Zhangjiagang Trans-Ocean Enterprise Co., Ltd. is gone through Singapore Kong-Hua Enterprise Company; also, Singapore Kong-Hua Enterprise Company is a financial asset measured at fair value through other comprehensive profit and loss; therefore, the equity method is not adapted to recognize the shareholding in associate and joint ventures and the share of other comprehensive profit and loss.

Formosan Union Chemical Corp.

Major shareholders information

December 31, 2020

Table IX

Name of major shareholders	Shareholdings	
	Shareholding (shares)	Shareholding ratio (%)
Ho Tung Chemical Corp.	29,234,040	6.12%
Chi-Tong Investment Co., Ltd.	28,314,750	5.93%
Eversoft Co., Ltd.	28,239,145	5.91%

Note 1: The main shareholder information in this table is prepared by Taiwan Depository & Clearing Corporation by calculating the company's common stock shares and preferred stock shares in a dematerialized form that have been completed with the registration and book-entry operation (including treasury shares) held by shareholders for more than 5% on the last business day at the end of the quarter. The capital stock recorded in the company's consolidated financial report and the actual number of shares in the dematerialized form completed with registration and book-entry operation may be different due to the difference in calculation bases.

Note 2: If the information in the preceding paragraph is related to the shares put into trust by the shareholders, it is disclosed in the personal trust account of the trustor that is opened by the trustee. As for the shareholder's declaring insider's more than 10% shareholding in accordance with the Securities and Exchange Act, his/her shareholding includes principal's shareholding, the shares in the trust, and the right to use the trust property. Please refer to the Market Observation Post System (MOPS) for the information on insider's equity declaration.



## **V. The audited standalone financial statements of 2020**

### **INDEPENDENT AUDITOR'S REPORT**

To Formosan Union Chemical Corporation:

#### **Opinion**

We have audited the accompanying financial statements of Formosan Union Chemical Corporation (the Corporation), which comprise the separate balance sheets as of December 31, 2020 and 2019, and the statements of separate comprehensive income, changes in separate equity, and separate cash flows for January 1 - December 31, 2020 and 2019, and the notes to the separate financial statements (including a summary of significant accounting policies).

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Corporation as of December 31, 2020 and 2019, and its separate financial performance and separate cash flows for January 1 - December 31, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 2020 separate financial statements of Formosan Union Chemical Corporation. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matters.

Key audit matters for the 2020 separate financial statements of Formosan Union Chemical Corporation are stated as follows:

The revenue growth from the top ten selling clients surpasses the incidence of overall company changes in the recognition of operating revenue

Formosan Union Chemical Corporation received less operating revenue for 2020, compared with that of 2019. Nonetheless the operating revenue from some of the top ten selling clients this year grew, compared with the preceding year. Hence, the auditor recognized the operating revenue as the 2020 key audit matters for Formosan Union Chemical Corporation. Refer to Note 4 and 22 for more information on the accounting policy and information of revenue recognition.

We perform primarily the audit procedures including:

1. Understand and test the design of key internal control related to the recognition of operating revenue and execute the validity.
2. Analyze the reasons for changes in the amount of operating revenue from the aforementioned clients of sales.
3. Random sampling from the transactions of operating revenue from the aforementioned client and review the shipping slips of shipment and post collection of payments.
4. Ascertain whether there have been any material sales returns or allowances in the subsequent period.

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

Management is responsible for the preparation of and fair presentation of the separate 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 separate financial statements that are free from material misstatement, whether due to fraud and error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, applicable, matters related to going concerned and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations or has a realistic alternative but to do so.

The governance unit (including the Audit Committee) of Formosan Union Chemical Corporation is responsible for the monitoring of the financial report process.

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

Our objectives aim to obtain reasonable assurance about whether the separate 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 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 the auditing standards generally accepted, 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 internal control of Formosan Union Chemical Corporation

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 Corporation'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 Formosan Union Chemical Corporation 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 entities within Formosan Union Chemical Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the Corporation 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 provide those charged with governance with a statement that we have complied with The Norm of the Professional Ethics for Certified Public Accountant regarding the independence of personnel from our firm, 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 2020 separate financial statements and are therefore the audit key matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosures 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.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China  
Chang, Ching-Jen

Hsu, Ting-Chen

Securities and Futures Commission  
Approval Document No.  
Tai-Cai-Zheng-6 No. 0920123784

Securities and Futures Commission  
Approval Document No.  
Tai-Cai-Zheng-6 No. 0920123784

March 19, 2021

Formosan Union Chemical Corporation  
Parent Company Only Balance Sheets  
December 31, 2020 & 2019

Unit: In Thousands of New Taiwan Dollars

Code	Assets	December 31, 2020		December 31, 2019	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 4 & 6)	\$ 743,828	8	\$ 158,142	2
1160	Notes receivable-Related Party (Note 4, 8, 22 & 30)	367	-	76	-
1170	Accounts receivable (Note 4, 8, & 22)	555,596	6	496,972	6
1180	Accounts receivable -Related Party(Note 4, 8, 22 & 30)	110,325	1	100,515	1
1200	Other accounts receivable (Note 8)	18,877	-	24,050	-
1210	Other accounts receivable -Related Party(Note 8 & 30)	41,449	1	91,523	1
130X	Net inventory (Note 4 & 9)	1,483,442	17	2,088,172	23
1410	Prepayment	66,892	1	11,945	-
1470	Other current assets(Note 15)	<u>2,676</u>	<u>-</u>	<u>328</u>	<u>-</u>
11XX	Total current assets	<u>3,023,452</u>	<u>34</u>	<u>2,971,723</u>	<u>33</u>
	Noncurrent assets				
1517	Financial Assets at Fair Value through Other Comprehensive Income— Noncurrent (Note 4, 7, & 29)	288,725	3	308,477	3
1550	Investments Accounted for Using the Equity Method (Note 4 & 10)	4,012,737	44	3,984,199	44
1600	Property, plant and equipment (Note 4, 11, 30 & 31)	1,282,273	14	1,337,317	15
1755	Right-of-use asset (Note 4, 12 & 30)	56,692	1	71,862	1
1760	Net Investment Property (Note 4, 13 & 31)	143,309	2	144,709	2
1780	Intangible Assets(Note 4 & 14)	206	-	329	-
1840	Deferred income tax assets) (Note 4 & 24)	129,562	1	109,952	1
1990	Other noncurrent assets (Note 15 & 31)	<u>64,893</u>	<u>1</u>	<u>64,603</u>	<u>1</u>
15XX	Total noncurrent assets	<u>5,978,397</u>	<u>66</u>	<u>6,021,448</u>	<u>67</u>
1XXX	Total Assets	<u>\$ 9,001,849</u>	<u>100</u>	<u>\$ 8,993,171</u>	<u>100</u>
	Liabilities and Stockholders' Equity				
	Current liabilities				
2100	Short-term loans (Note 16)	\$ 867,747	10	\$ 1,120,150	13
2150	Notes payable (Note 17)	11,661	-	11,153	-
2160	Notes payable -Related Party(Note 17& 30)	216	-	-	-
2170	Accounts Payable (Note 17)	137,468	2	337,657	4
2180	Accounts payable -Related Party(Note 17& 30)	18,304	-	24,769	-
2219	Other Accounts payable (Note 18)	296,063	3	214,741	2
2220	Other Accounts payable -Related Party(Note 30)	2,513	-	2,162	-
2230	Current income tax liabilities (Note 4 & 24)	128,177	1	14,278	-
2280	Lease Liabilities – Current (Note 4, 12 & 30)	55,955	1	62,023	1
2250	Provisions – Current (Note 4 & 19)	12,585	-	12,117	-
2399	Other current liabilities(Note 18 & 22)	<u>9,363</u>	<u>-</u>	<u>24,666</u>	<u>-</u>
21XX	Total current liabilities	<u>1,540,052</u>	<u>17</u>	<u>1,823,716</u>	<u>20</u>
	Noncurrent liabilities				
2570	Deferred income tax liabilities (Note 4 & 24)	211,386	2	206,292	2
2580	Lease Liabilities — Noncurrent (Note 4 & 12)	787	-	9,902	-
2640	Net defined benefit liability— Noncurrent (Note 4 & 20)	<u>71,178</u>	<u>1</u>	<u>63,903</u>	<u>1</u>
25XX	Total noncurrent liabilities	<u>283,351</u>	<u>3</u>	<u>280,097</u>	<u>3</u>
2XXX	Total liabilities	<u>1,823,403</u>	<u>20</u>	<u>2,103,813</u>	<u>23</u>
	Stockholders' Equity				
3110	Ordinary Share Capital	<u>4,770,163</u>	<u>53</u>	<u>4,770,163</u>	<u>53</u>
3200	Capital Reserve	<u>182,565</u>	<u>2</u>	<u>187,880</u>	<u>2</u>
	Retained Earnings				
3310	Legal Reserve	925,118	10	903,592	10
3320	Special Reserve	251,175	3	251,175	3
3350	Unappropriated retained earnings	<u>906,104</u>	<u>10</u>	<u>616,683</u>	<u>7</u>
3300	Total Retained Earnings	<u>2,082,397</u>	<u>23</u>	<u>1,771,450</u>	<u>20</u>
	Other equity				
3410	Exchange Differences on Translation of Foreign Financial Statements	( 37,805 )	-	( 38,790 )	-
3420	Unrealized Gains or Losses on Financial Assets at Fair Value through Other Comprehensive Income	<u>181,126</u>	<u>2</u>	<u>198,655</u>	<u>2</u>
3400	Total other equities	<u>143,321</u>	<u>2</u>	<u>159,865</u>	<u>2</u>
3XXX	Total Equities	<u>7,178,446</u>	<u>80</u>	<u>6,889,358</u>	<u>77</u>
	Total liabilities and stockholders' equity	<u>\$ 9,001,849</u>	<u>100</u>	<u>\$ 8,993,171</u>	<u>100</u>

The accompanying notes are an integral part of the parent company only financial statements.

Formosan Union Chemical Corporation  
Parent Company Only Statements of Comprehensive Income  
From January 1 to December 31, 2020 & 2019

Unit: In Thousands of New Taiwan Dollars,  
Except Earnings Per Share

Code		2020		2019	
		Amount	%	Amount	%
4100	Net Operating Revenue (Note 4, 22 & 30)	\$ 6,034,566	100	\$ 6,344,324	100
5110	Operating Costs (Note 4, 9, 20, 23 & 30)	<u>4,805,480</u>	<u>80</u>	<u>5,624,825</u>	<u>89</u>
5900	Gross Profit (Loss) from Operations	1,229,086	20	719,499	11
5910	Unrealized Loss on Goods Sold	<u>2,822</u>	<u>-</u>	<u>1,154</u>	<u>-</u>
5950	Realized Gross Profit (Loss) from Operations	<u>1,231,908</u>	<u>20</u>	<u>720,653</u>	<u>11</u>
	Operating Expenses (Note 20, 23 & 30)				
6100	Selling Expenses	334,451	6	316,353	5
6200	Administrative Expenses	152,441	2	116,110	2
6300	R&D Expenses	<u>24,372</u>	<u>-</u>	<u>20,212</u>	<u>-</u>
6000	Total Operating Expenses	<u>511,264</u>	<u>8</u>	<u>452,675</u>	<u>7</u>
6900	Operating Income	<u>720,644</u>	<u>12</u>	<u>267,978</u>	<u>4</u>
	Non-Operating Revenues and Expenses				
7100	Interest Revenue (Note 23 & 30)	2,243	-	2,966	-
7010	Other Revenue (Note 23 & 30)	37,217	1	41,887	1
7020	Other Gains & Losses (Note 23, 30 & 34)	( 1,950)	-	26,387	-
7060	Share of Profit or Loss of Associates & Joint Ventures Accounted for Using Equity Method (Note 10)	( 47,754)	( 1)	( 58,331)	( 1)
7050	Financial Costs (Note 23 & 30)	( <u>8,186</u> )	<u>-</u>	( <u>10,760</u> )	<u>-</u>
7000	Total Non-Operating Revenues and Expenses	( <u>18,430</u> )	<u>-</u>	<u>2,149</u>	<u>-</u>
7900	Profit Before Income Tax	702,214	12	270,127	4
7950	Income Tax Expense (Note 4 & 24)	<u>147,424</u>	<u>3</u>	<u>54,864</u>	<u>1</u>

(Continued on Next Page)

(Continued from Previous Page)

Code		2020		2019	
		Amount	%	Amount	%
8200	Current year net income	<u>\$ 554,790</u>	<u>9</u>	<u>\$ 215,263</u>	<u>3</u>
8310	Other Comprehensive Income Components of other comprehensive income that will not be reclassified to profit or loss:				
8311	Re-measurements of the net defined benefit liability (Note 20)	( 9,012)	-	( 3,225)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (Note 7 & 21)	( 19,752)	-	25,650	-
8330	Share of Other Comprehensive Profit or Loss of Associates & Joint Ventures Accounted for Using Equity Method	146	-	45,163	1
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 24)	<u>5,754</u> <u>( 22,864)</u>	<u>-</u> <u>-</u>	<u>( 4,485)</u> <u>63,103</u>	<u>-</u> <u>1</u>
8360	Components of income that will likely be reclassified to profit or loss later:				
8361	Exchange Differences on Translation of Foreign Financial Statements (Note 21 )	1,318	-	( 26,639)	-
8380	Share of Other Comprehensive Profit or Loss of Associates & Joint Ventures Accounted for Using Equity Method (Note 21 )	( 70)	-	( 25)	-

(Continued on Next Page)



(Continued from Previous Page)

<u>Code</u>		<u>2020</u>		<u>2019</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
8399	Income tax related to components of other comprehensive income that will likely be reclassified to profit or loss (Note 21 & 24)	( \$ <u>263</u> )	<u>-</u>	\$ <u>5,327</u>	<u>-</u>
		<u>985</u>	<u>-</u>	( <u>21,337</u> )	<u>-</u>
8300	Total Comprehensive Income	( <u>21,879</u> )	<u>-</u>	<u>41,766</u>	<u>1</u>
8500	Total comprehensive income for the year	<u>\$ 532,911</u>	<u>9</u>	<u>\$ 257,029</u>	<u>4</u>
	EPS (Note 25)				
9710	Basic	<u>\$ 1.16</u>		<u>\$ 0.44</u>	
9810	Diluted	<u>\$ 1.16</u>		<u>\$ 0.43</u>	

The accompanying notes are an integral part of the parent company only financial statements.

Formosan Union Chemical Corporation  
Parent Company Only Statements of Changes in Equity  
From January 1 to December 31, 2020 & 2019

Unit: In Thousands of New Taiwan Dollars

									Other equities (note 7 & 21)			
		Capital stock (Note 21)			Retained earnings (Note 21)				Exchange difference from conversion of financial instruments of foreign operating institution	Unrealized profit and loss of financial assets measured at fair value through other comprehensive profit and loss	Total	Total
Code		Shares (Thousand)	Amount	Additional paid-in capital (Note 21)	Legal reserve	Special reserve	Unappropriated earnings	Total				
A1	Balance January 1, 2019	499,352	\$ 4,993,518	\$ 192,728	\$ 865,585	\$ 251,175	\$ 684,778	\$ 1,801,538	( \$ 17,453 )	\$ 139,877	\$ 122,424	\$ 7,110,208
	2018 Appropriation and Distribution of Retained Earnings											
B1	Legal Reserve	-	-	-	38,007	-	( 38,007 )	-	-	-	-	-
B5	Cash Dividends	-	-	-	-	-	( 249,676 )	( 249,676 )	-	-	-	( 249,676 )
		-	-	-	38,007	-	( 287,683 )	( 249,676 )	-	-	-	( 249,676 )
D1	2019 Net Income	-	-	-	-	-	215,263	215,263	-	-	-	215,263
D3	2019 Comprehensive Income After Tax	-	-	-	-	-	4,325	4,325	( 21,337 )	58,778	37,441	41,766
D5	2019 Total Comprehensive Income	-	-	-	-	-	219,588	219,588	( 21,337 )	58,778	37,441	257,029
M5	Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	3,012	-	-	-	-	-	-	-	3,012
M7	Changes in ownership interests in subsidiaries	-	-	( 10,354 )	-	-	-	-	-	-	-	( 10,354 )
I1	Convertible Bonds	2,770	27,706	2,494	-	-	-	-	-	-	-	30,200
E3	Capital Reduction	( 25,106 )	( 251,061 )	-	-	-	-	-	-	-	-	( 251,061 )
Z1	Balance December 31, 2019	477,016	4,770,163	187,880	903,592	251,175	616,683	1,771,450	( 38,790 )	198,655	159,865	6,889,358
	2019 Appropriation and Distribution of Retained Earnings											
B1	Legal Reserve	-	-	-	21,526	-	( 21,526 )	-	-	-	-	-
B5	Cash Dividends	-	-	-	-	-	( 238,508 )	( 238,508 )	-	-	-	( 238,508 )
		-	-	-	21,526	-	( 260,034 )	( 238,508 )	-	-	-	( 238,508 )
D1	2020 Net Income	-	-	-	-	-	554,790	554,790	-	-	-	554,790
D3	2020 Other Comprehensive Net Income After Tax	-	-	-	-	-	( 5,241 )	( 5,241 )	985	( 17,623 )	( 16,638 )	( 21,879 )
D5	2020 Total Comprehensive Income	-	-	-	-	-	549,549	549,549	985	( 17,623 )	( 16,638 )	532,911
M5	Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	866	-	-	-	-	-	-	-	866
M7	Changes in ownership interests in subsidiaries	-	-	( 6,181 )	-	-	-	-	-	-	-	( 6,181 )
Q1	Subsidiary Disposing Investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	( 94 )	( 94 )	-	94	94	-
Z1	Balance December 31, 2020	477,016	\$ 4,770,163	\$ 182,565	\$ 925,118	\$ 251,175	\$ 906,104	\$ 2,082,397	( \$ 37,805 )	\$ 181,126	\$ 143,321	\$ 7,178,446

The accompanying notes are an integral part of the parent company only financial statements.

Formosan Union Chemical Corporation  
Parent Company Only Statements of Cash Flows  
From January 1 to December 31, 2020 & 2019

Unit: In Thousands of New Taiwan Dollars

Code		2020	2019
	Operating Cash Flow		
A00010	Current Profit Before Income Tax	\$ 702,214	\$ 270,127
A20010	Adjustments to reconcile profit (loss)		
A20100	Depreciation Expense	123,314	124,440
A20200	Amortization Expense	422	688
A20400	Net Income of Financial Assets at Fair Value Through Profit or Loss	( 145 )	( 826 )
A20900	Financial Costs	8,186	10,760
A21200	Interest Revenue	( 2,243 )	( 2,966 )
A21300	Dividend Income	( 6,817 )	( 14,895 )
A22300	Share of Profit or Loss of Associates & Joint Ventures Accounted for Using Equity Method	47,754	58,331
A22500	Loss from Disposal of Property, plant, and equipment	56	757
A23200	Disposal of Loss on Subsidiary Using Equity Method	165	-
A23800	Gain from price recovery of inventory	( 26,198 )	( 34,707 )
A23900	Unrealized Gross Profit from Joint Venture	( 2,822 )	( 1,154 )
A24100	Foreign Currency Exchange Loss (Gain)	( 3,541 )	3,136
A29900	Profits from Lease Modification	( 11 )	-
A30000	Changes in operating assets and liabilities		
A31115	Financial assets at fair value through profit or loss, mandatorily measured at fair value	145	304
A31140	Notes receivable-Related Party	( 291 )	( 3 )
A31150	Accounts receivable	( 61,642 )	72,674
A31160	Accounts receivable -Related Party	( 9,810 )	( 41,231 )
A31180	Other accounts receivable	5,201	18,063
A31190	Other accounts receivable -Related Party	( 117 )	( 85,785 )
A31200	Inventory	650,618	567,894
A31230	Prepayment	( 54,948 )	13,233
A31240	Other current assets	( 2,349 )	22,197
A32130	Notes payable	508	( 5,403 )
A32140	Notes payable -Related Party	215	-
A32150	Accounts payable	( 200,268 )	173,306
A32160	Accounts payable -Related Party	( 6,465 )	3,564

(Continued on Next Page)

(Continued from Previous Page)

Code		2020	2019
A32180	Other Accounts payable	\$ 68,207	(\$ 16,910)
A32190	Other Accounts payable -Related Party	351	1,263
A32200	Provisions	468	( 1,132)
A32230	Other current liability	( 15,304)	17,607
A32240	Net defined benefit liability	( 1,737)	( 13,771)
A33000	Cash Flows Generated from Operations	1,213,116	1,139,561
A33100	Interests Received	2,407	781
A33200	Dividends Received	6,817	14,895
A33300	Interest Paid	( 8,257)	( 10,150)
A33500	Income Tax Paid	( 42,552)	( 91,112)
AAAA	Net Cash Flows from Operating Activities	<u>1,171,531</u>	<u>1,053,975</u>
Cash Flows from Investing Activities			
B02700	Purchase Property, plant and equipment	( 2,412)	( 5,415)
B02800	Disposal of Proceeds from Property, plant and equipment	114	558
B03700	Decrease in Refundable Deposits	216	1,532
B04500	Purchase Intangible Assets	( 186)	( 633)
B05900	Repayment to Related Party	50,000	-
B07200	Increase in prepayments for business facilities	( 517)	-
B07600	Dividends Received from Subsidiaries and Associates	<u>117,807</u>	<u>140,361</u>
BBBB	Net Cash Inflow from Investing Activities	<u>165,022</u>	<u>136,403</u>
Cash Flows From Financing Activities			
C00100	Decrease in short-term loans	( 245,836)	( 218,095)
C04020	Payments of lease liabilities	( 71,160)	( 70,948)
C04700	Capital Reduction	-	( 251,061)
C04500	Cash dividends paid	( 238,508)	( 249,676)
C05400	Acquisition of ownership interests in subsidiaries	( 195,363)	( 291,733)
CCCC	Net Cash Inflow from Financing Activities	( 750,867)	( 1,081,513)
EEEE	Net Increase in Cash	585,686	108,865
E00100	Beginning Cash Balance	<u>158,142</u>	<u>49,277</u>
E00200	Ending Cash Balance	<u>\$ 743,828</u>	<u>\$ 158,142</u>

The accompanying notes are an integral part of the parent company only financial statements.

Formosan Union Chemical Corporation  
Notes to Parent Company Only Financial Statements  
From January 1 to December 31, 2020 & 2019  
(Amounts expressed in New Taiwan Thousand Dollars, unless stated otherwise.)

1. Company History

Formosan Union Chemical Corporation (hereinafter referred to as “the Company.”) was founded on June 21, 1973. The Company mainly manufactures, reworks and buys/sells linear Alkyl Benzene (DODECYL PHENOL), Olefins, Alkylphenol (Nonyl Phenol), and the derivatives, and the management and investment in other related businesses.

The Company shares have been listed on Taiwan Stock Exchange Corporation since July, 1986 for stock trading.

The separate financial statement of the Company is expressed in functional currency – New Taiwan Dollars.

2. Date and Procedures of the Authorization of Financial Statements

The separate financial statement was authorized by the Board of Directors on March 19, 2021.

3. Applicability of New and Revised Standards and Interpretations

(1) International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), interpretations (IFRIC) and interpretations of promulgation ((SIC) (hereinafter referred to as “IFRSs”) approved and promulgated by the Financial Supervisory Commission (hereinafter referred to as “FSC”) are applicable for the first time.

The revised IFRSs approved and promulgated by the FSC will not result in the material changes in the accounting policy of the Company after application.

(2) IFRSs Approved by the Financial Supervisory Commission (FSC) For 2021

New/Revised/Amended Standards and Interpretation	Effective Date Per International Accounting Standards Board (IASB)
Revised “Temporary deferral of IFRS 9” of IFRS 4.	Took effect on the day of promulgation

(Continued on Next Page)

(Continued from Previous Page)

New/Revised/Amended Standards and Interpretation	Effective Date Per International Accounting Standards Board (IASB)
Amended “Interest Rate Benchmark Reform—Phase 2” to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16.	Took effect in the annual report period, commencing from January 1, 2021 onward.
Amended “COVID-19-Related Rent Concessions” to IFRS 16.	Took effect in the annual report period, commencing from June 1, 2020 onward.

As of the date that the separate financial statements are authorized for issue, the Company maintain ongoing evaluation of foregoing criteria, the influence of interpretation revision on financial status and financial performance. The relevant influence shall be disclosed upon evaluation completion.

- (3) IFRSs promulgated by IASB but not yet approved by the Financial Supervisory Commission and announced to take effect.

New/Revised/Amended Standards and Interpretations	Effective Date Per IASB (Note 1)
“Annual Improvement on 2018-2020 Period”	January 1, 2022 (note 2)
Amendments to IFRS 3, “Update in Reference to the Conceptual Framework.”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28, “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.”	To be scheduled
IFRS 17 “Insurance Contracts.”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1, “Classification of Liabilities as Current or Non-current.”	January 1, 2023
Amendments to IAS 1, “Disclosure of Accounting Policies.”	January 1, 2023 (Note 6)
Amendments to IAS 8, “Definitions of Accounting Estimates.”	January 1, 2023 (Note 7)
Amendments to IAS 16, “Property, plant and equipment: Proceeds before Intended Use.”	January 1, 2022 (Note 4)
Amendments to IAS 37, “Onerous Contracts—Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

Note 1: Unless otherwise stated, the aforementioned new/revised/amended standards or interpretations shall take effect in the annual report period, commencing from the respective dates indicated.

Note 2: The amendment to IFRS 9 applies to the exchange or clause revision of financial liabilities incurred during the annual report period, commencing from January 1, 2022. The amendment to IAS 41 “Agriculture” applies the fair value measurement in the annual report period, commencing from January 1, 2022. The amendment to IFRS 1 “First-time Adoption of International Financial Reporting Standards (IFRS): shall be dated back for application in the annual report period, commencing from January 1, 2022.

Note 3: This revision shall apply to the acquisition date for corporate merger and acquisition during the annual report period, commencing from January 1, 2022.

Note 4: This revision applies to the plant, property and business facilities at the required venue and status, under the management expected operation approach from January 1, 2021 onward.

Note 5: This revision applies to obligation agreements not yet performed as of January 1, 2022.

Note 6: This revision applies to the deferral started in the annual report period after January 1, 2023.

Note 7: This revision applies to changes in accounting estimates and accounting policies during the annual report period starting from January 1, 2023.

As of the date that the separate financial statements are authorized for issue, the Company maintains ongoing evaluation of foregoing criteria, the influence of interpretation revision on financial status, and financial performance. The relevant influence shall be disclosed upon evaluation completion.

#### 4. Summary of Significant Accounting Policies

##### (1) Statement of Compliance

The Separate Financial Statements are prepared pursuant to Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of Preparation

Apart from the financial asset at fair value and the net defined benefit liability recognized by the fair value of reduction plan asset, according to the present value of a defined benefit obligation, the separate financial statements are also prepared on the basis of historic costs.

Fair value measurement is classified from level 1 to level 3 in accordance with the observant level and significance of relevant inputs:

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

The Company adopts equity method for the investment in subsidiary, associates or joint ventures in the preparation of separate financial statements. To conform the annual income, other comprehensive income and equity of the separate financial statement with the annual income, other comprehensive income and equity of the separate financial statement in the Company's consolidated financial statements attributable to the Company's clients, the discretions of the following accounting processing are adjusted under separate basis and consolidated basis, including "Investments Accounted for Using the Equity Method," "Share of Profit or Loss of Associates & Joint Ventures Accounted for Using Equity Method," "Share of Other Comprehensive Profit or Loss of Associates & Joint Ventures Accounted for Using Equity Method," and equity-related items.

(3) Assets and liabilities are classified as current and noncurrent

Current assets include:

1. Assets held for trading;
2. The assets expected to be realized within 12 months after the balance sheet date, and;



3. Cash or a cash equivalent (including but not limited to the asset used for an exchange or to settle a liability, or otherwise remains restricted, at more than 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held for trading;
2. The liabilities expected to be settled when due within 12 months after the date of the balance sheet (even if an agreement to refinance or to reschedule payments on a long-term basis is completed after the balance sheet date and before the financial statements are authorized for the issue), and;
3. The liabilities that do not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Nonetheless, the terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Liabilities not classified as the aforementioned current assets or current liabilities shall be deemed as noncurrent assets or noncurrent liabilities.

#### (4) Foreign Currency

For transactions made in a currency other than the functional currency of the company (foreign currency), the Company shall convert the exchange rate on day of transaction as the functional currency record in the preparation of financials statements.

Monetary items in foreign currency shall be converted with the closing exchange rate on the date of balance sheets. The exchange difference generated from the completion of monetary items or conversion of monetary items shall be recognized as profit or loss from the date of occurrence.

Non-monetary items of foreign currency at fair value shall be converted by the exchange rate of the date determined as fair value, which exchange difference generated shall be recognized as currency profit/loss. Nonetheless, the exchange difference from the changes in fair value recognized under other comprehensive income shall be recognized under other comprehensive income.

Non-monetary items of foreign currency measured by history costs shall be converted using the exchange rate of transacting day without undergoing re-conversion.

In the preparation of separate financial statements, the assets and liabilities of foreign operations (including the subsidiaries, associates or joint venture operating in a country or using currency different from the Company) shall be converted into New Taiwan Dollars using the daily exchange rate of each date of balance sheet. The income and expenses shall be converted using the current average exchange rate, which exchange difference generated shall be recognized under other comprehensive income.

(5) Inventories

Inventories include raw materials and supplies, work in process, and finished goods. Inventories are measured through the lower-of-cost between cost and net realizable value (NRV), comparing the cost and net realizable value (NRV) on the basis of individual item and with the exclusion of a similar category of inventories. Net Realizable Value (NRV) refers to the estimated selling price under normal circumstances less the estimated costs required before the completion and the balance of estimated cost invested for completion. Inventory costs are calculated using weighted average method.

(6) Investments in Subsidiaries

The Company adopts the equity method to process investments in subsidiaries.

Subsidiaries refer to the entities which the Company has control over.

Under the equity method, investments are recognized initially by the costs, which shall increase/decrease the amount of future book value acquired in the future, following the subsidiary income of the subsidiaries and the share of other comprehensive income and profit distribution which the Company is entitled. Moreover, the Company is entitled to recognize the changes in other equities of the subsidiaries according to the shareholding ratio.

The changes in the Company's equity to the ownership of subsidiaries not causing the Company to lose control shall be deemed as an equity transaction. The difference between the book value of investment and the fair value of consideration paid or collected shall be directly recognized as proceeds.

When the share of loss of subsidiary for the Company is equal to or exceeds its equity in the subsidiary (including the book value of the subsidiary under equity method and the other long-term equities substantially attributable to the Company's composition on the net investment of the subsidiary), the loss is recognized according to the ongoing shareholding ratio.

The acquisition cost exceeding the shares at a net fair value of identifiable assets and liabilities that constitute the subsidiary business to which the Company is entitled on the date of acquisition, shall be recognized as goodwill. Such goodwill includes the book value of the investments and may not be amortized. The shares at net fair value of identifiable assets and liabilities that constitute the subsidiary business which the Company is entitled on the date of acquisition exceeding the acquisition cost, shall be recognized as current revenue.

The Company takes overall consideration of cash-generating units and compares with recoverable amount and book value of the financial statements in the evaluation of impairment. In case of increase in the recoverable amount of assets, the reversal of impairment loss will be recognized as revenue. Nonetheless, the book value of the assets after the reversal of impairment loss may not exceed the book value less the due amortization without recognizing the impairment loss. The impairment loss attributable to goodwill may not be reversed later.

The Company shall measure its remaining investment in the former subsidiary according to the fair value measurement at the day of losing the control over the subsidiary. The difference between fair value and any disposal proceeds and the book value of investment on the day of losing control, shall be recognized as current profit/loss. Moreover, all amount related to subsidiaries recognized under other comprehensive income, which accounting processing shall concur with the basis of compliance by the Company in the direct disposal of relevant assets or liabilities.

The Company shall eliminate the unrealized gains or losses from the downstream transaction between the Company and the subsidiaries in separate financial statements. The profits and losses generated from the upstream and side-stream transactions between the Company and the subsidiaries merely fall in the scope irrelevant to the Company's equity in subsidiaries, and shall be recognized in separate financial statements.

(7) Investment in Associates and Joint Venture

Associates refer to the enterprise that is not a subsidiary or joint venture company but has material impact on the Company. Joint venture refers to the other company that has joint control with the Company and has the right to joint agreement on net assets.

The Company adopts equity method for investments in associates and joint venture.

Under equity method, the initial cost of investments in associates and joint venture is recognized by cost, which book value acquired later shall increase/decrease according to the Company's share and profit distribution in the profit/loss of associates and joint venture and other comprehensive income. Moreover, the changes in associates' equity and joint venture shall be recognized by shareholding ratio.

The acquisition cost exceeding the shares at net fair value of identifiable assets and liabilities that constitute the associates and joint venture which the Company is entitled on the date of acquisition, shall be recognized as goodwill. Such goodwill includes the book value of the investments and may not be amortized. The shares at net fair value of identifiable assets and liabilities that constitute the associates and joint venture which the Company is entitled on the date of acquisition exceeding the acquisition cost, shall be recognized as current revenue.

Investments Accounted for Using the Equity Method ° If the associates and joint venture issue new shares and the Company does not subscribe according to shareholding ratio, which leads to the increase/decrease in the net asset value per share of the investment, the increased/decreased adjustment of capital reserve adopting equity method in the recognition of changes in associates and joint ventures or

adopting investments using equity method but failing to subscribe or acquire by shareholding ratio, resulting in the decrease of ownership equity in associates and joint venture, shall re-classify by the ratio of amount reduction related to the associates and joint venture, recognized through other comprehensive income. The basis of such accounting processing is identical to the basis which associates and joint venture must comply with when directly disposing the relevant assets or liabilities. The foregoing adjustment should be debited as capital reserve while if the capital reserve balance generated by the investments accounted for using the equity method is insufficient, the difference shall be debited as retained earnings.

If the share of Company's loss in associates and joint venture is equal to or exceeds the Company's equity in that associate and joint venture (including the book value of the associates and joint venture under equity method and the other long-term equities substantially attributable to the Company's composition on the net investment of the associates and joint venture), the Company will suspend the recognition of further loss. The Company shall only recognize the additional loss and liabilities within the scope of occurrence of legal obligation, constructive obligation, or payments for associates and joint venture.

In the evaluation of impairment, the Company deems the overall book value of investment (including goodwill) as single asset for comparing recoverable amount and book value to conduct impairment test. The impairment loss recognized is also attributable to part of the book value of investment. Any reversal of impairment loss shall be recognized within the scope of subsequent increase of the recoverable amount of investment.

If the Company suspends equity method when no longer investing in associates and joint venture, its retained interests for the previous associates and joint venture shall be measured at fair value. Such fair value and disposal proceeds as well as the difference in the book value amount of investment on the day of suspending equity method, shall be recognized as current profit and loss. Moreover, all amounts related to

the associate and joint venture, as recognized under other comprehensive income, which basis of accounting processing shall be identical to the basis complied by the associates and joint venture when directly disposing the relevant assets and liabilities. For investments in associates shifting into investments in joint venture, or investments in joint venture shifting into investments in associates, the Company shall adopt ongoing equity method without re-measurement of retained interests.

The profits and losses generated from the upstream and downstream transactions between the Company and the associates and between the Company and the joint venture merely fall in the scope irrelevant to the Company's equity in associates and joint venture, and shall be recognized in the separate financial statements.

(8) Property, plant and equipment

Property, plant and equipment are recognized as costs and are measured by the amount of costs less the accumulated depreciation and accumulated impairment loss.

Property, plant and equipment depreciates each material part separately by straight-line basis within the useful life. The Company reviews the estimated useful life, residual value and depreciation method at least on the ending day of each year, in addition to defer the influence applicable to the changes in accounting estimates.

When Property, plant and equipment are derecognized, the difference between net disposal proceeds and the amount of book value of the assets is recognized under profit and loss.

(9) Investment Property

Investment property refers to the property held by the owner or by the lessee with the right of use, to earn rentals, or for capital appreciation, or both.

Investment property is measured by original cost (including transaction cost) and are measured by the amount of costs less accumulated depreciation and accumulated impairment loss. Investment property is depreciated through straight-line basis.

When investment property is derecognized, the difference between net disposal proceeds and the amount of book value of the assets is recognized under profit and loss

(10) Intangible Assets

1. Separate Acquisition

The limited useful life of intangible assets acquired separately are measured by original costs, which are measured by the amount of cost deducting accumulated amortization and accumulated impairment loss. Intangible assets are amortized by straight-line basis within the useful life. The Company reviews the estimated useful life, residual value and amortization method at least on the ending day of each year, in addition to defer the influence applicable to the changes in accounting estimates.

2. De-recognition

When intangible assets are derecognized, the difference between net disposal proceeds and the amount of book value of the assets is recognized under profit and loss

(11) Impairment of property, plant and equipment, right-of-use asset, and Intangible Assets

The Company evaluates indications of possible impairment in property, plant and equipment, right-of-use asset, and intangible assets on the date of balance sheet. In the existence of any impairment sign, the recoverable amount of the asset is estimated. In case the recoverable amount of individual asset could not be estimated, the Company shall estimate the recoverable amount of the cash-generating unit under the asset.

The recoverable amounts have been determined based on the higher of fair value less costs to sell and value-in-use. If the recordable amount of individual asset or the cash-generating unit is lower than the book value, the book value of such asset or cash-generating unit shall be adjusted to recoverable amount, which impairment loss shall be recognized under profit and loss.

If the impairment loss is reversed later, the book value of the asset or cash-generating unit shall be increased to the recoverable amount after revision. However, the book value after increase may not exceed the book value of impairment loss which was recognized in the previous year, as determined by the asset or cash-generating unit (less amortization or depreciation). The reversal of impairment loss shall be recognized under profit and loss.

(12) Financial Instrument

Financial assets and financial liabilities are recognized in separate balance sheet when the Company becomes the counterparty of the clauses of agreement.

When initially recognized as financial assets and financial liabilities, if the financial assets or financial liabilities are not measured at fair value through profit and loss, the recognition at fair value can be directly attributable to the measurement of transaction cost upon the acquisition or issue of financial assets or financial liabilities. The transaction cost of financial assets or financial liabilities at fair value through profit and loss, attributable directly to acquisition or issue, shall be instantly recognized under profit and loss.

1. Financial Assets

The regular way purchase or sale of financial assets is recognized and derecognized on the date of transaction.

(1) Type of Measurement

The types of financial assets held by the Company are financial assets at fair value through profits and loss, the financial assets and investments in equity instruments measured at fair value through other comprehensive income and measured by amortized costs.

A. Financial Assets at Fair Value Through Profit and Loss

The financial assets at fair value through profits and loss are the financial assets at fair value through mandatory profit and loss. Financial assets at fair value through mandatory profits and loss include the investments in debt instrument which the Company has not assigned



though investments in equity instrument measured at fair value through other comprehensive income, nonconformance with the cost measurement classified for amortization or fair value measurement through other comprehensive income.

Financial assets at fair value through profit and loss are measured by fair value, the proceeds or loss incurred from re-measurement shall be recognized under profit and loss. Refer to Note 29 for the determination method of fair value.

#### B. Financial assets at Amortized Cost

The financial assets of the Company's investment are classified as financial assets at amortized cost when the financial assets meet the following two criteria:

- a. Held under certain management model and the purpose of such model aims to collect cash flow for contracts based on the financial assets held; and
- b. The cash flow generated under the specific date of the contract terms, and such cash flow is completely paid for the capital and the interests for the outstanding capital amount.

When the financial assets at amortized cost (including cash, accounts receivable, notes receivable, other accounts receivable, refundable deposit, and other financial assets) are initially recognized, they are measured at the amortized cost using the total book value determined by the effective interest method less any impairment loss. Any profit and loss from foreign currency exchange shall be recognized under profit and loss.

With the exception of the following two conditions, interest revenue shall be calculated by multiplying the effective interest rate with the total book value of financial assets:

- a. Purchased or originated credit-impaired financial assets:  
Interest revenue is calculated after the credit adjustment and multiplying effective interest rate with financial assets at amortized cost.
- b. Non-purchased or originated credit impairment but the financial assets become credit-impaired later. Starting from the next reporting period from the credit impairment, multiply the effective interest rate with the financial assets at amortized cost to calculate the interest revenue.

Credit-impaired financial assets refer to the major financial difficulty and delinquency with the issuer or debtor, possible bankruptcy filing by debtor, or other financial restructuring, or the financial difficulty leading to the disappearance of active market for the financial assets.

C. Investments in equity instrument measured at fair value through other comprehensive income

The Company may make one irrevocable choice at initial recognition, and that is to assign the investments in equity instrument not held for trading and recognized or considered by non-corporate M&A, to measure at fair value through other comprehensive income.

Investments in equity instrument measured at fair value through other comprehensive income are measured at fair value, which change in fair value shall be recognized under other comprehensive income and accumulate to other equity. The disposal of investment shall directly transfer the accumulated profit/loss to retained earnings, without reclassification of profit and loss.

The dividends for investments in equity instrument measured at fair value through other comprehensive income shall be recognized under profit and loss, when the Company validate the right to account receivables, unless otherwise stated that the dividend is explicitly representing the recovery of some investment costs.

## (2) Impairment of Financial Assets

The Company evaluates the impairment loss of financial assets at amortized cost (including accounts receivable) according to the estimated credit impairment at each date of the balance sheet.

Accounts receivable shall be recognized as allowance for loss according to the credit impairment in duration. Other financial assets shall be evaluated for any significant increase in credit risk after the initial recognition; recognize the allowance for loss according to the 12-month Expected Credit Loss, if there is no significant increase in credit risk. Follow the Expected Credit Loss in duration to recognize the allowance for loss for any significant increase.

Expected Credit Loss refers to the weighted average credit loss from the risk of delinquency incident. The 12-month Expected Credit Loss refers to the Expected Credit Loss generated by the possible delinquencies occurring with the financial instruments in 12 months after the report day. The Expected Credit Loss in duration suggests that there is Expected Credit Loss with the financial instrument due to possible delinquencies in the estimated duration.

The impairment loss of all financial assets lowers the book value from the allowance accounts. However, the allowance for loss for investments in debt instrument at fair value through other comprehensive income shall be recognized under other comprehensive income, which does not reduce the book value.

## (3) De-recognition of financial assets

The Company shall de-recognize the financial assets when the contractual rights from the cash flow of financial assets become invalid or the financial assets have been transferred while nearly all risks and remunerations of the asset ownership have been transferred to other enterprises.

When the financial assets at amortized cost are completely derecognized, the difference between the book value and proceeds collected shall be recognized under profit and loss. When the investments in debt instrument at fair value through other comprehensive income are completely derecognized, the book value and proceeds collected plus the difference of the sum between any accumulated profit/loss already recognized under other comprehensive income, shall be recognized under profit and loss. When the investments in equity instruments at fair value through other comprehensive income are completely derecognized, the accumulated profit/loss will be directly transferred to retained earnings and will not be reclassified as profit and loss.

## 2. Equity Instrument

The debt and equity instruments issued by the Company are classified as financial liabilities or equity according to the definition of the substantial and financial liabilities and equity instruments in the agreement.

The equity instrument issued by the Company is recognized according to the acquired cost less the amount of direct issuing cost.

The equity instrument of the Company re-acquired is recognized and deducted under equity. The purchase, sale, issue, or cancellation of the equity instrument of the Company are recognized under profit and loss.

## 3. Financial Liabilities

### (1) Subsequent Measurement

Except for the financial liabilities at fair value through profit and loss, all financial liabilities are measured by amortized cost using the effective interest method.

### (2) De-recognition of Financial Liabilities

When derecognizing financial liabilities, the difference between the book value and proceeds paid (including any non-cash asset transferred or liability born) shall be recognized under profit and loss.

(13) Provisions

The amount recognized as provisions takes consideration of the obligation risk and uncertainty make the best estimation required for expense in obligation repayment on the date of balance sheet. Provisions are measured through the depreciation of estimated cash flow for repayment of obligations.

(14) Revenue Recognition

The Company shall amortize transaction price to all performance obligations after the clients have signed the contract to identify the performance obligations, in addition to recognizing the performance obligations under revenue.

1. Sales Revenue

Sales revenue comes from selling chemical products. Since clients already own the right to use such a product upon delivery, in addition to undertaking the risk of obsolete products, the Company shall recognize the revenue and accounts receivable. The prepayment for the products shall be recognized as contract liabilities prior to delivery of products.

2. Service Revenue

Service revenue comes from product rework and shall only be recognized upon providing services.

(15) Lease

The Company shall evaluate if the contract is attributable (or includes) lease on the date of contract establishment date.

1. The Company as the lessor

The lease clauses transfer nearly all risks and remuneration associated with the asset to the lessee and shall be classified as a finance lease. All other leases shall be classified as an operating lease.

The lease payments of operating lease are recognized as proceeds during relevant duration according to straight-line basis. The original direct cost generated from operating lease shall be added to the book value of the asset and recognized as expenses in duration according to straight-line basis.

## 2. The Company as the lessee

Except for underlying asset of low value and the lease payment for short-term lease applicable for recognition exemption according to the straight-line basis that is recognized as expense, all other leases shall be recognized under right-of-use asset and lease liabilities starting from the date of lease.

Right-of-use asset is measured by the initial cost (including the initial measurement amount of lease liabilities, the payment for lease payment less the collected lease incentive prior to the date of lease, estimated cost from the initial direct cost and recovered asset), and subsequently measured by the amount of costs less accumulated depreciation and accumulated impairment loss. The re-measurement of lease liabilities is adjusted. The right-of-use asset is separately expressed in the separate balance sheet.

Right-of-use asset adopts a straight-line basis and depreciates from the date of lease to the expiration of useful life or upon expiration of lease period, whichever is earlier.

Lease liabilities refer to the measurement of current value for lease payment. If the lease implicitly includes interest rates that can be easily verified, the lease payment shall adopt the interest rate for depreciation. However if the interest rate is not easy to identify, use the lessee's incremental borrowing rate of interest.

Subsequently, the lease liabilities shall adopt effective interest method to measure the basis of amortized cost, while the interest expense is amortized during lease period. In case of any changes in lease period, the Company shall re-measure the lease liabilities and adjust the relative right-of-use asset. Nonetheless, if the book value of the right-of-use asset has been reduced to zero, the remaining re-measurement amount shall be recognized under profit and loss. Lease liabilities shall be expressed separately in the separate balance sheet.

(16) Borrowing Costs

Borrowing costs refer to the directly attributable cost in acquiring, building or producing the asset in conformity with the criteria, which shall be regarded as part of the asset cost, until the asset has reached the pre-defined use or completed nearly all necessary activities for sale.

If the specific borrowing conforms to the investment revenue earned from the temporary investment prior to the expenditure of capital, the specific borrowing shall be deducted from the borrowing costs conforming to the capital criteria.

Except for the aforementioned, all other borrowing costs shall be recognized as profit and loss at the current period of occurrence.

(17) Employee Benefit

1. Short-Term Employee Benefit

The reliabilities related to short-term employee benefit refers to the measurement of non-depreciated cash amount in exchange for employee service under estimated payment.

2. Post-Employment Benefit

The pension funds of defined contribution for retirement plan refers to the recognition of pension funds to be contributed during the period the employees provide services under expenses.

The defined benefit cost of defined benefit for retirement plan (including service cost, net interest and re-measurement) adopts project unit credit method based actuarial. The service cost (including current service cost) and the net interest of net defined benefit liability (asset) shall be recognized as employee benefit expenses during occurrence. The re-measurement (including actuarial gains and losses and the plan asset remuneration less interests) shall be recognized under other comprehensive income at occurrence and concurrently recognized under retained earnings, which will not be reclassified as profit or loss later.

Net defined benefit liability (asset) refers to the contribution deficit (surplus) of defined benefit for retirement plan. The net defined benefit asset may not exceed the current value of contribution refunded from the plan or less the future contribution.

(18) Income Tax

Income tax expense refers to the sum of current income tax and deferred income tax.

1. Current Income Tax

The Company determines the current income by law and calculate the payable income tax.

The Unappropriated retained earnings calculated in accordance with Income Tax Act of Republic of China shall be levied income tax, which shall be recognized upon the resolution by Shareholder's Meeting.

The adjustment for coping with income tax from previous year shall be recognized under current income tax.

2. Deferred Income Tax

Deferred income tax is a temporary difference calculation generated from the book value of assets and liabilities on the statements and the taxation basis for calculating taxable income.

The initial recognition of assets and liabilities recognized without influence on taxable income nor accounting profits, which temporary difference generated should not be recognized as deferred income tax assets and liabilities.

Deferred income tax liabilities in general are recognized based on the temporary difference of all due taxes. However, deferred income tax assets could be taxed for income and can less the recognition of income tax credit generated from the temporary difference expenditure.

The taxable temporary difference related to the investment in the subsidiary, associates and joint agreement shall be recognized under deferred income tax liabilities. Nonetheless, the Company may control the timing for temporary difference reversal while such temporary difference may not reverse in the foreseeable future. The deductible temporary difference related to such investment may only realize the temporary difference due to the likely sufficient taxable income, which will reverse within the scope of the foreseeable future, and thus be recognized under deferred income tax assets.



The book value of deferred income tax assets is given secondary review on the date of the balance sheet. The assets with unlikely sufficient taxable income, in all or part, with adjustment to reduce the book value. The deferred income tax assets not recognized previously shall be re-reviewed on each date of the balance sheet, in addition to increase the book value for assets likely to be taxed, which shall be recovered in part or whole.

Deferred income tax assets and liabilities are measured through the estimated liability repayment or asset realized current tax bracket. Such tax bracket is based on the legislative or substantially legislative tax bracket on the date of the balance sheet. The measurement of deferred income tax liabilities and assets reflects the tax effect on the Company through the estimated recovery or repayment of the book value of assets and liabilities on the date of balance sheet.

3. Current and deferred income tax

Current and deferred income tax shall be recognized under profit and loss; however the current and deferred income tax recognized under other comprehensive income or directly recognized under equity related items shall be separately recognized under other comprehensive income or directly recognized under equity.

5. Significant Accounting Judgments, Estimations, and Assumptions of Key Sources of Uncertainty

For the information that could not have been acquired from other sources in the adoption of accounting policy, the Company management must make the judgment, estimations and assumptions based on past experience and other related factors. The actual results may somewhat deviate from estimations.

The Company takes account of the economic influence caused by the COVID-19 pandemic into material estimations. The will continue the review on estimations and basic assumptions. If the revision of estimations merely affects the current period, such revision shall be recognized in the current period. However, if the revision of accounting estimation concurrently affects the current and future periods, such revision shall be recognized in the current and future period.

6. Cash

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash in Hand & Revolving Funds	\$ 525	\$ 525
Bank Check & Demand Deposits	<u>743,303</u>	<u>157,617</u>
	<u>\$ 743,828</u>	<u>\$ 158,142</u>

The market rate of interest interval for bank deposits on the date of the balance sheet is described below:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Bank Deposit	0.005%~0.26%	0.01%~0.33%

7. Financial Assets at Fair Value through Other Comprehensive Income

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Noncurrent</u>		
Domestic Investments		
Unlisted (OTC) Stocks		
J&V Energy Technology Co., Ltd. Ordinary Shares	<u>\$ 112,722</u>	<u>\$ 137,986</u>
Overseas Investments		
Unlisted (OTC) Stocks		
Kanghua Industrial Co., Ltd. Ordinary Shares	94,826	88,875
Anonymous Investment Portfolio		
Japanese Power Plant	<u>81,177</u>	<u>81,616</u>
Subtotal	<u>176,003</u>	<u>170,491</u>
	<u>\$ 288,725</u>	<u>\$ 308,477</u>

The Company invests in stocks from J&V Energy Technology Co., Ltd., Kanghua Industrial Co., Ltd. and Japanese Power Plant according to its intermediate to long-term strategic goals, and the Company intends to profit from the long-term investment. The Company management believes that the recognition of the short-term fluctuation at fair value of the investments will be inconsistent with the aforementioned long-term investment plan. Hence, the Company chooses to assign such investment measurement at the fair value through other comprehensive income.

The fair value of unlisted (OCT) stocks of financial assets at fair value through other comprehensive income are based on the valuation conducted by independent auditors at the end of December in 2020 and 2019. The valuation takes consideration of management scale, product category and comparison with similar peers of the assessed company, which yields to the valuation gain (loss) (19,752) thousand New Taiwan

Dollars and 25,650 thousand New Taiwan Dollars, adjusted to unrealized gains or losses on financial assets at fair value through other comprehensive income (accounts under other equity).

8. Notes receivable, accounts receivable, and other accounts receivable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Notes receivable</u>		
Measurement at Amortized Cost		
Arising from Operations		
-Related Party	<u>\$ 367</u>	<u>\$ 76</u>
<u>Accounts receivable</u>		
Measurement at Amortized Cost		
Total Book Value		
-Nonrelated Party	\$ 555,596	\$ 496,972
Total Book Value		
-Related Party	<u>110,325</u>	<u>100,515</u>
	<u>\$ 665,921</u>	<u>\$ 597,487</u>
<u>Other accounts receivable</u>		
Nonrelated Party	\$ 18,877	\$ 24,050
Related Party	<u>41,449</u>	<u>91,523</u>
	<u>\$ 60,326</u>	<u>\$ 115,573</u>

The Company offers a credit period of approximately 1 ~5 months to clients. The evaluation for impairment of account receivable is analyzed according to the individual evaluation, account receivable age analysis, experience, and current financial situations of clients, in order to estimate the non-recoverable amount.

Prior to accepting new clients, the Company shall visit the client in-field and survey the client based on the basic information of the client. The Company will compile and evaluate the information collected before determining the line of credit.

The Company adopts the simplified approach of IFRS 9 to recognize the allowance for loss of accounts receivable according to the expected credit loss in duration. The expected credit loss in duration adopts the provision matrix for calculation, which takes into consideration of client's past violation records and current financial situations, and the economic situations of the industry. The credit loss history experience of the Company reveals that there is no significant difference between the types of loss in different client groups. Hence, the provision matrix does not further distinguish client groups but merely defines the expected

credit loss rate according to the days of delinquencies for accounts receivable.

If evidence shows that the transacting party faces severe financial distress and the Company could not reasonably expect the recoverable amount, the Company will directly write off the relevant accounts receivable but continue to recourse, since the recoverable amount through resource will be recognized under profit and loss.

The company measures the allowance for loss of notes receivable and accounts receivable (including notes receivable - Related Party) in accordance with the provision matrix, as described below:

<u>December 31, 2020</u>	<u>Un-Delinquent</u>
Expected Credit Loss Rate	-%
Total Book Value	\$ 666,288
Allowance for Loss (Expected Credit Loss in duration )	-
Amortized Cost	<u>\$ 666,288</u>
 <u>December 31, 2019</u>	 <u>UN-Delinquent</u>
Expected Credit Loss Rate	-%
Total Book Value	\$ 597,563
Allowance for Loss (Expected Credit Loss in duration )	-
Amortized Cost	<u>\$ 597,563</u>

9. Net Inventory

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Raw Materials	\$ 639,235	\$ 972,389
Supplies	310,519	346,136
Work in Process	18,052	13,515
Finished Goods	<u>515,636</u>	<u>756,132</u>
	<u>\$ 1,483,442</u>	<u>\$ 2,088,172</u>

The property of cost of goods sold related to inventory is described below:

	<u>2020</u>	<u>2019</u>
Cost of Inventory Sold	\$ 4,451,566	\$ 5,205,591
Gain from Price Recovery of Inventory at Net Realizable Value	( <u>26,198</u> )	( <u>34,707</u> )
	<u>\$ 4,425,368</u>	<u>\$ 5,170,884</u>

Gain from inventory at net realizable value is a result of stabilized product price driven by the stabilized crude oil price.

10. Investments Accounted for Using the Equity Method

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Investments in Subsidiaries	\$ 3,286,972	\$ 3,280,979
Investments in Associates	63,221	57,748
Investments in Joint Venture	<u>662,544</u>	<u>645,472</u>
	<u>\$ 4,012,737</u>	<u>\$ 3,984,199</u>

(1) Investments in Subsidiaries

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
United Performance Materials Corp. (UPM)	\$ 960,529	\$ 1,012,153
HERSHEY ENVIRONMENTAL TECHNOLOGY CO., LTD. (HERSHEY ENVIRONMENTAL TECH)	608,170	584,291
Great Victory Chemical Industry (Great Victory Chemical)	896,731	864,704
FUSUGAR INDUSTRY CORP (FUSUGAR INDUSTRY)	789,737	777,716
DEFIA Co., Ltd. (DEFIA)	-	3,665
TANQUES DEL PACIFI CO SA. (TANQUES DEL PACIFI)	<u>31,805</u>	<u>38,450</u>
	<u>\$ 3,286,972</u>	<u>\$ 3,280,979</u>

	Percentages for Ownership Equity and Voting Rights	
<u>Name of Subsidiary</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
UPM (Note 1)	80.25%	78.19%
HERSHEY ENVIRONMENTAL TECH (Note 2)	100.00%	100.00%
Great Victory Chemical	100.00%	100.00%
FUSUGAR INDUSTRY (Note 3)	82.28%	80.32%
DEFIA (Note 4)	-%	45.11%
TANQUES DEL PACIFI	100.00%	100.00%

Note 1: The Company purchased a total of 318 thousand shares of UPM stocks in April, 2020, which shareholding ratio climbed to 78.53%. Additionally, UPM repurchased a total of 1,967

thousand outstanding shares from other shareholders in December, 2020, which shareholding ration after buyback surged to 80.25%.

Note 2: HERSHEY ENVIRONMENTAL TECH (Previously known as HERSHEY ENG. and was renamed and registered under HERSHEY ENVIRONMENTAL TECHNOLOGY CO., LTD. in November 2020)

Note 3: FUSUGAR INDUSTRY (previously known as FUSUGAR Enterprise, was renamed and registered to FUSUGAR INDUSTRY CORP in February 2020) participated in cash capital increase in July 2019 and March 2020 respectively. The Company subscribed 29,173 thousand shares and 19,208 thousand shares respectively and valued at NT\$291,733 thousand and NT\$192,082 thousand respectively. The shareholding ratio after the subscription is 80.32% and 82.28% respectively.

Note 4: DEFIA participated in cash capital increase in June 2019 and October 2020. The company did not participate in the subscription, while the shareholding ratio after the capital increase was lowered to 45.11% and 20% respectively, which caused the Company to lose control power over DEFIA. DEFIA become the associate of the Company. Please refer to Note 26 for more information on the disposal of DEFIA.

## (2) Investments in Associates

		<u>December 31, 2020</u>	<u>December 31, 2019</u>
Individual Associate	Non-material	<u>\$ 63,221</u>	<u>\$ 57,748</u>

### Summary Information of Individual Non-Material Associate

	<u>2020</u>	<u>2019</u>
Shares Entitled to the Company		
Current year net income (profit/loss) and Total Amount of Comprehensive Income	<u>\$ 4,044</u>	<u>(\$ 584)</u>

(3) Investment in Joint Venture

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Individual Non-material Joint Venture	<u>\$ 662,544</u>	<u>\$ 645,472</u>

Summary Information of Individual Non-material Joint Venture

	<u>2020</u>	<u>2019</u>
Shares Entitled to the Company		
Current year net (Profit/loss) and Total Amount of Comprehensive Income	<u>\$ 9,823</u>	<u>(\$ 50,839)</u>

For the business property, primary business venue, and the national information where the company registered of the aforementioned subsidiary, associate, and joint venture, please refer to Table 6 “Information and location of invested company, and other relevant information” and Table 7 “Investment in Mainland China.”

11. Property, plant, and equipment

	<u>Own Land</u>	<u>Housing and Building</u>	<u>Machinery Equipment</u>	<u>Transportation Equipment</u>	<u>Other Facilities</u>	<u>Incomplete Project and Equipment Pending for Inspection</u>	<u>Total</u>
<u>Cost</u>							
Jan. 1, 2019 Balance	\$ 572,411	\$ 141,747	\$ 3,140,762	\$ 54,273	\$ 126,422	\$ 105	\$ 4,035,720
Addition	-	-	10,140	-	2,018	-	12,158
Disposal	-	-	( 28,146 )	( 948 )	( 6,000 )	-	( 35,094 )
Reclassification (Note 1)	-	-	15,081	-	1,615	-	16,696
Dec. 31, 2019 Balance	<u>\$ 572,411</u>	<u>\$ 141,747</u>	<u>\$ 3,137,837</u>	<u>\$ 53,325</u>	<u>\$ 124,055</u>	<u>\$ 105</u>	<u>\$ 4,029,480</u>
<u>Accumulated Depreciation</u>							
Jan. 1, 2019 Balance	\$ -	\$ 97,550	\$ 2,387,955	\$ 50,698	\$ 106,214	\$ -	\$ 2,642,417
Disposal	-	-	( 27,391 )	( 711 )	( 5,677 )	-	( 33,779 )
Depreciation Expense	-	2,686	74,931	938	4,970	-	83,525
Dec. 31, 2019 Balance	<u>\$ -</u>	<u>\$ 100,236</u>	<u>\$ 2,435,495</u>	<u>\$ 50,925</u>	<u>\$ 105,507</u>	<u>\$ -</u>	<u>\$ 2,692,163</u>
Dec. 31, 2019 Net Amount	<u>\$ 572,411</u>	<u>\$ 41,511</u>	<u>\$ 702,342</u>	<u>\$ 2,400</u>	<u>\$ 18,548</u>	<u>\$ 105</u>	<u>\$ 1,337,317</u>
<u>Cost</u>							
Jan 1, 2020 Balance	\$ 572,411	\$ 141,747	\$ 3,137,837	\$ 53,325	\$ 124,055	\$ 105	\$ 4,029,480
Addition	-	-	14,622	-	502	559	15,683
Disposal	-	-	( 5,845 )	( 1,267 )	( 844 )	-	( 7,956 )
Reclassification (Note 2)	-	-	9,359	-	377	( 604 )	9,132
Dec. 31, 2020 Balance	<u>\$ 572,411</u>	<u>\$ 141,747</u>	<u>\$ 3,155,973</u>	<u>\$ 52,058</u>	<u>\$ 124,090</u>	<u>\$ 60</u>	<u>\$ 4,046,339</u>
<u>Accumulated Depreciation</u>							
Jan. 1, 2020 Balance	\$ -	\$ 100,236	\$ 2,435,495	\$ 50,925	\$ 105,507	\$ -	\$ 2,692,163
Disposal	-	-	( 5,709 )	( 1,260 )	( 817 )	-	( 7,786 )
Depreciation Expense	-	2,435	72,266	632	4,356	-	79,689
Dec. 31, 2020 Balance	<u>\$ -</u>	<u>\$ 102,671</u>	<u>\$ 2,502,052</u>	<u>\$ 50,297</u>	<u>\$ 109,046</u>	<u>\$ -</u>	<u>\$ 2,764,066</u>
Dec. 31, 2020 Net Amount	<u>\$ 572,411</u>	<u>\$ 39,076</u>	<u>\$ 653,921</u>	<u>\$ 1,761</u>	<u>\$ 15,044</u>	<u>\$ 60</u>	<u>\$ 1,282,273</u>

Note 1: Refers to the inflow of NT\$16,696 thousand to supplies.

Note 2: Refers to the inflow of NT\$9,132 thousand to supplies.

Depreciation Expense is calculated using a straight-line basis according to the following useful life:

Housing and Building	
Main Plant Building	3-60 Years
Pipeline Equipment	25 Years
Partition and Fence	10-15 Years
Machinery Equipment	3-30 Years
Transportation Equipment	3-6 Years
Other Facilities	3-12 Years

For the amount of property, plant, and equipment collateralized for borrowing guarantee, please refer to Note 31.

## 12. Lease Agreement

### (1) Right-of-use asset

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Right-of-use asset Book Value		
Land	\$ 109	\$ 178
Building	178	355
Machinery equipment	53,405	66,254
Transportation equipment	<u>3,000</u>	<u>5,075</u>
	<u>\$ 56,692</u>	<u>\$ 71,862</u>
	<u>2020</u>	<u>2019</u>
Addition of Right-of-use asset	<u>\$ 56,486</u>	<u>\$ 69,499</u>
Depreciation Expense of Right-of-use asset		
Land	\$ 69	\$ 69
Building	178	178
Machinery equipment	38,404	35,474
Transportation equipment	<u>3,574</u>	<u>3,793</u>
	<u>\$ 42,225</u>	<u>\$ 39,514</u>

### (2) Lease Liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Lease Liabilities Book Value		
Current	<u>\$ 55,955</u>	<u>\$ 62,023</u>
Noncurrent	<u>\$ 787</u>	<u>\$ 9,902</u>

The discount rate brackets for lease liabilities are shown below:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Land	0.90%	0.08%
Building	0.90%	0.08%
Machinery equipment	0.88%~0.99%	0.08%
Transportation equipment	0.88%~0.99%	0.08%



(3) Other Lease Information

	<u>2020</u>	<u>2019</u>
Short-Term Lease Expense	\$ <u>253</u>	\$ <u>5,489</u>
Low-Value Asset Lease Expense	\$ <u>108</u>	\$ <u>103</u>
Change in lease payments excluded from Lease Liabilities	\$ <u>17,147</u>	\$ <u>5,320</u>
Total Amount of Cash Outflow for Lease	(\$ <u>89,088</u> )	(\$ <u>82,365</u> )

The Company chooses exemption of applicable recognition for assets conforming to short-term lease and asset lease for low-value assets lease and does not recognize the relevant right-of-use assets and lease liabilities for such lease.

13. Investment Property

	<u>Land</u>	<u>Building</u>	<u>Total</u>
<u>Cost</u>			
Jan. 1, 2019 Balance	\$ <u>124,859</u>	\$ <u>39,826</u>	\$ <u>164,685</u>
Dec. 31, 2019 Balance	\$ <u>124,859</u>	\$ <u>39,826</u>	\$ <u>164,685</u>
<u>Accumulated Depreciation</u>			
Jan. 1, 2019 Balance	\$ -	\$ 18,575	\$ 18,575
Depreciation Expense	<u>-</u>	<u>1,401</u>	<u>1,401</u>
Dec. 31, 2019 Balance	\$ <u>-</u>	\$ <u>19,976</u>	\$ <u>19,976</u>
Dec. 31, 2019 Net Amount	\$ <u>124,859</u>	\$ <u>19,850</u>	\$ <u>144,709</u>
<u>Cost</u>			
Jan. 1, 2020 Balance	\$ <u>124,859</u>	\$ <u>39,826</u>	\$ <u>164,685</u>
Dec. 31, 2020 Balance	\$ <u>124,859</u>	\$ <u>39,826</u>	\$ <u>164,685</u>
<u>Accumulated Depreciation</u>			
Jan. 1, 2020 Balance	\$ -	\$ 19,976	\$ 19,976
Depreciation Expense	<u>-</u>	<u>1,400</u>	<u>1,400</u>
Dec. 31, 2020 Balance	\$ <u>-</u>	\$ <u>21,376</u>	\$ <u>21,376</u>
Dec. 31, 2020 Net Amount	\$ <u>124,859</u>	\$ <u>18,450</u>	\$ <u>143,309</u>

Investment property is depreciated over the following useful life according to the straight-line basis:

Building	
Main Plant Building	27-32 Years

The total amount of lease to be collected for the investment property leased through operating lease:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
1 <sup>st</sup> Year	\$ 12,564	\$ 12,564
2 <sup>nd</sup> Year	12,100	12,267
3 <sup>rd</sup> Year	12,100	12,170
4 <sup>th</sup> Year	12,100	12,100
5 <sup>th</sup> Year	-	12,100
	<u>\$ 48,864</u>	<u>\$ 61,201</u>

The Company took consideration of the adjacent market quotation of the investment property at fair value on December 31, 2020 and 2019, which fair value is described below:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Own Land and Building	<u>\$ 1,098,351</u>	<u>\$ 1,099,854</u>

The investment property owned by the Company is equity capital.

For the amount of investment property is used for borrowing guarantee, please refer to Note 31.

#### 14. Intangible Assets

	<u>Computer Software</u>
<u>Cost</u>	
Jan. 1, 2019 Balance	\$ 5,171
Separate Acquisition	633
Disposal	( 1,325 )
Dec. 31, 2019 Balance	<u>\$ 4,479</u>
<u>Accumulated Amortization</u>	
Jan. 1, 2019 Balance	\$ 4,787
Amortization Expense	688
Disposal	( 1,325 )
Dec. 31, 2019 Balance	<u>\$ 4,150</u>
Dec. 31, 2019 Net Amount	<u>\$ 329</u>
<u>Cost</u>	
Jan. 1, 2020 Balance	\$ 4,479
Separate Acquisition	299
Disposal	( 4,017 )
Dec. 31, 2020 Balance	<u>\$ 761</u>
<u>Accumulated Amortization</u>	
Jan. 1, 2020 Balance	\$ 4,150
Amortization Expense	422
Disposal	( 4,017 )
Dec. 31, 2020 Balance	<u>\$ 555</u>
Dec. 31, 2020 Net Amount	<u>\$ 206</u>

The amortization expense is calculated for 1-3 year useful life according to a straight-line basis.

15. Other Assets

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Current</u>		
Temporary Payments	<u>\$ 2,676</u>	<u>\$ 328</u>
<u>Noncurrent</u>		
Prepayments for business facilities	\$ 2,820	\$ 1,502
Refundable Deposits	2,073	3,101
Time Deposit Pledge (Note 31)	<u>60,000</u>	<u>60,000</u>
	<u>\$ 64,893</u>	<u>\$ 64,603</u>

16. Short-Term Loans

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Unsecured Loans</u>		
Bank Loan	<u>\$ 867,747</u>	<u>\$ 1,120,150</u>

The interest rate for revolving loans from the bank for December 31, 2020 and 2019 are 0.52%~0.99% and 0.85%~3.05% respectively.

17. Notes payable & Accounts payable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Notes payable</u>		
Arising from Operations		
Nonrelated Party	\$ 11,661	\$ 11,153
Related Party	<u>216</u>	<u>-</u>
	<u>\$ 11,877</u>	<u>\$ 11,153</u>
<u>Accounts payable</u>		
Arising from Operations		
Nonrelated Party	\$ 137,468	\$ 337,657
Related Party	<u>18,304</u>	<u>24,769</u>
	<u>\$ 155,772</u>	<u>\$ 362,426</u>

18. Other Liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Current</u>		
Other Accounts payable		
Salaries Payable	\$ 196,030	\$ 107,214
Interest Payable	<u>500</u>	<u>574</u>

(Continued on Next Page)

(Continued from Previous Page)

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Professional Expense	\$ 4,286	\$ 1,915
Other Payable Expense	66,802	85,459
Payables on Equipment	20,630	7,359
Others	<u>7,815</u>	<u>12,220</u>
	<u>\$ 296,063</u>	<u>\$ 214,741</u>
Other Liabilities		
Contract Liability	\$ 8,638	\$ 23,255
Others	<u>725</u>	<u>1,411</u>
	<u>\$ 9,363</u>	<u>\$ 24,666</u>
19. <u>Provisions</u>		
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Employee Benefit	<u>\$ 12,585</u>	<u>\$ 12,117</u>

The provisions are estimated for possible employee benefits according to experience, management judgment, and other known reasons, which are recognized as current profit and loss as employees are entitled to the acquired rights and shall be offset in the following actual employee leave.

## 20. Post-Employment Benefit Plans

### (1) Defined Contribution Plan

The pension plan of the “Labor Pension Act” applicable to the Company is the defined contribution plan for retirement under government management, by contributing 6% of monthly employee salary to the special account of Bureau of Labor Insurance.

### (2) Defined Benefit Plan

The Company designs the pension plan according to Taiwan’s “Labor Standards Act,” under the defined benefit plan for the retirement of government management. The payment of employee pension funds is calculated according to the service seniority and by the average wages of 6 months before the approval for retirement. The Company appropriates 2%~14% of monthly employee salary as pension funds to the Supervisory Committee of Business Entities’ Labor Retirement Reserve and deposits the funds under the name of the Committee into the special account of Taiwan Bank. Before the end of the year, if the balance of the special account is estimated as

insufficient to pay for the labor that can meet the retirement criteria within one year. The difference shall be appropriated in one lump sum before the end of March next year. The special account is entrusted to the Bureau of Labor Funds, Ministry of Labor for management and the Company does not have the right to affect the strategies of investment management.

The amount of defined benefit plan includes in the separate balance sheet is shown below:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current value of defined benefit obligations	\$ 179,733	\$ 198,364
Fair value of Plan Asset	( <u>108,555</u> )	( <u>134,461</u> )
Net defined benefit liability	<u>\$ 71,178</u>	<u>\$ 63,903</u>

Changes of Net Defined Benefit Liability described below:

	<u>Current Value of Defined Benefit Obligation</u>	<u>Fair Value of Plan Assets</u>	<u>Net Defined Benefit Liabilities</u>
Jan. 1, 2019 Balance	<u>\$ 211,479</u>	( <u>\$ 137,032</u> )	<u>\$ 74,447</u>
Service Cost			
Current Service Cost	2,182	-	2,182
Interest Expense (Revenue)	<u>1,507</u>	( <u>1,010</u> )	<u>497</u>
Recognition under Profit/Loss	<u>3,689</u>	( <u>1,010</u> )	<u>2,679</u>
Re-Measurement			
Remuneration of Plan Asset (except for the amount included in net interest)	-	( 4,715 )	( 4,715 )
Actuarial gains and losses—			
Changes in financial assumptions	1,569	-	1,569
Actuarial gains and losses — experience adjustment	<u>6,371</u>	<u>-</u>	<u>6,371</u>
Recognition under other comprehensive income	<u>7,940</u>	( <u>4,715</u> )	<u>3,225</u>
Employer Contribution	<u>-</u>	( <u>16,448</u> )	( <u>16,448</u> )
Benefit Payment	( <u>24,744</u> )	<u>24,744</u>	<u>-</u>
Dec. 31, 2019 Balance	<u>198,364</u>	( <u>134,461</u> )	<u>63,903</u>
Service Cost			
Current Service Cost	1,802	-	1,802
Interest Expense (Revenue)	<u>1,226</u>	( <u>819</u> )	<u>407</u>
Recognition under Profit and Loss	<u>3,028</u>	( <u>819</u> )	<u>2,209</u>

(Continued on Next Page)

(Continued from Previous Page)

	Current Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liabilities
Re-Measurement			
Plan Asset Remuneration (except for the amount included in net interest)	\$ -	(\$ 4,239)	(\$ 4,239)
Actuarial gains and losses – Changes in financial assumptions	5,106	-	5,106
Actuarial gains and losses – Experience adjustment	<u>8,145</u>	<u>-</u>	<u>8,145</u>
Recognition under other comprehensive income	<u>13,251</u>	<u>( 4,239)</u>	<u>9,012</u>
Employer Contribution	<u>-</u>	<u>( 5,488)</u>	<u>( 5,488)</u>
Benefit Payment	<u>( 10,787)</u>	<u>10,787</u>	<u>-</u>
Repayment	<u>( 24,123)</u>	<u>25,665</u>	<u>1,542</u>
Dec. 31, 2020 Balance	<u>\$ 179,733</u>	<u>(\$ 108,555)</u>	<u>\$ 71,178</u>

The Company's pension fund system is exposed to the following risks due to the "Labor Standards Act: "

1. Investment Risk: The Bureau of Labor Funds, Ministry of Labor invests labor pension funds in domestic (foreign) equity securities, debt securities, and bank deposits through self-use and entrusted management. Nonetheless, the amount of distribution from the Company's plan assets are proceeds calculated based on the interest rate for the 2-year time deposits or higher from the local banks.
2. Interest Risk: The declining interest rate of government bonds will increase the current value of defined benefit obligations. However, the return on debt investment of the plan asset will also increase accordingly. The results will have the partial influence of offset effect on the net defined benefit liability.
3. Salary Risk: The calculation of current value for defined benefit obligations takes consideration of the future salary of plan members. Hence, the increase in the salary of plan members will increase the current value of defined benefit obligations.

The current value of the Company's defined benefit obligations undergoes actuarial valuation conducted by a qualified actuary. Material assumptions for the date of measurement are described below:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Depreciation Rate	0.30%	0.65%
Expected rate of salary increase	3.00%	3.00%

If reasonable and possible changes taking place in material actuarial assumptions, all assumptions remain the same, the amount of current value of defined obligations will increase (decrease) as below:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Depreciation Rate		
Up 0.25%	<u>(\$ 3,495)</u>	<u>(\$ 3,885)</u>
Down 0.25%	<u>\$ 3,610</u>	<u>\$ 4,013</u>
Future Increase Rate of Salary Level		
Up 0.25%	<u>\$ 3,505</u>	<u>\$ 3,910</u>
Down 0.25%	<u>(\$ 3,413)</u>	<u>(\$ 3,807)</u>

Since actuarial assumptions could be related to each other and the change in simple assumption is unlikely. Hence, the aforementioned sensitivity analysis may not reflect the actual changes in the current value of defined benefit obligations.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Expected contribution amount within one year	<u>\$ 2,371</u>	<u>\$ 2,508</u>
Average maturity of the defined benefit obligation	8 Years	7 Years

## 21. Equity

### (1) Ordinary Share Capital

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Authorized shares (thousand shares)	<u>900,000</u>	<u>900,000</u>
Authorized capital stock	<u>\$ 9,000,000</u>	<u>\$ 9,000,000</u>
Shares issued and full collection of proceeds (thousand shares)	<u>477,016</u>	<u>477,016</u>
Share capital issued	<u>\$ 4,770,163</u>	<u>\$ 4,770,163</u>

To adjust the capital structure and increase the return on equity, the Company resolved through the Shareholder's Meeting on June 13, 2019, to conduct Capital Reduction 5% and Capital Reduction in the amount of NT\$251,061 thousand, with a total of 25,106 thousand shares. The aforementioned proposal for Capital Reduction was approved by the Financial Supervisory Commission, Executive Yuan, and takes effect via the Jin-Guang-Zheng-Fa-Zi Letter No. 1080324734 dated August 7, 2019. It was also resolved at the Board of Directors meeting that the base date for Capital Reduction was September 10, 2019.

(2) Capital Reserve

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>For loss write-off, cash distribution</u> <u>or appropriation to stock capital</u> (1)		
Stock issued at a premium	\$ 145,488	\$ 145,488
Treasury Stock Trading	8,625	8,625
Difference between the price from actual acquisition or disposal of subsidiary stocks and the book value	12,076	11,210
Donated Assets	124	124
<u>Only used for loss write-off</u> Recognition of changes in ownership interests in subsidiaries (2)	<u>16,252</u> <u>\$ 182,565</u>	<u>22,433</u> <u>\$ 187,880</u>

1. Such capital reserve may be written off with loss and distributed in cash or appropriated as stock capital when the Company does not have any loss. Nonetheless, the appropriation to stock capital shall be limited to a certain ratio of the paid-in capital each year.
2. Such capital reserve does not actually acquire or dispose subsidiary stock shares, due to the equity transaction influence recognized under the changes in subsidiary equity or the adjustment to the capital reserve of the subsidiary recognized under the equity method adopted by the Company.



(3) Retained Earnings and Dividend Policy

Pursuant to the provisions governing the surplus distribution policy stipulated in the Articles of Incorporation, any remaining surplus from the annual settlement shall be taxed according to the law, write off losses, and appropriate 10% as the legal reserve. The remaining surplus shall be appropriated by law or reversed to a special reserve. The remaining balance shall accumulate to the unappropriated retained earnings for the Board of Directors to propose surplus distribution and submit to the Shareholders' Meeting for distribution of dividends to shareholders. For policies regarding the distribution of employee and director remuneration, as stipulated in the Articles of Incorporation, please refer to the employee remuneration and director remuneration in Note 23-7.

Additionally, in compliance with the Articles of Incorporation, the Company may allocate 40% to 60% of stock dividends to reserve the capital needed, according to the overall capital budget planning. The remaining amount shall be allocated in cash dividends. If there is higher capital budget planning for the current year and if operating capital needs to be expanded, all can be distributed in cash dividend. In other words, if the Company needs massive funds for expanding plants, the Company may distribute all in stock dividends.

The legal reserve should be appropriated until the balance meets the total amount of the company's paid-in capital. The legal reserve may be used to write off losses. In the absence of losses, the part of legal reserve exceeding 25% of the total amount of paid-in capital shall be appropriated to stock capital and distributed in cash.

The Company complies with Jin-Guang-Zheng-Fa-Zi Letter No. 1010012865 and adopted the "International Financial Reporting Standards (IFRSs)" regarding applicable Q&A of the special reserve to contribute and reserve the special reserve.

The Company shall resolve and adopted the proposals of 2019 and 2018 surplus allocation at the general Shareholder's meeting held on June 11, 2020, and June 13, 2019:

	2019	2018
Legal Reserve	<u>\$ 21,526</u>	<u>\$ 38,007</u>
Cash Dividend	<u>\$238,508</u>	<u>\$ 249,676</u>
Cash Dividend Per Share (NTD)	\$ 0.50	\$ 0.50

The Company proposed 2020 surplus allocation at the Board of Directors meeting held on March 19, 2021, as shown below:

	<u>2020</u>
Legal Reserve	<u>\$ 54,945</u>
Cash Dividend	<u>\$572,420</u>
Cash Dividend Per Share (NTD)	<u>\$ 1.2</u>

The proposal for 2020 surplus allocation shall be resolved at the Shareholder's Meeting held to be held on June 11, 2021.

(4) Other Equities

1. Exchange Differences on Translation of Foreign Financial Statements

	<u>2020</u>	<u>2019</u>
Beginning Balance	(\$ 38,790)	(\$ 17,453)
Occurrence in current year		
Conversion difference of foreign operations	1,318	( 26,639)
Share of Associates & Joint Ventures Accounted for Using Equity Method	( 70)	( 25)
Income Tax Effect	( 263)	5,327
Other comprehensive income this year	985	( 21,337)
Ending Balance	(\$ 37,805)	(\$ 38,790)

2. Unrealized Gains or Loss from Financial Assets at Fair Value through Other Comprehensive Income

	<u>2020</u>	<u>2019</u>
Beginning Balance	\$ 198,655	\$ 139,877
Occurrence in current year		
Unrealized Gains or Losses		
Equity Instrument	( 19,752)	25,650
Share of Associates & Joint Ventures Accounted for Using Equity Method	( 1,822)	38,258
Income Tax Effect	3,951	( 5,130)
Other Comprehensive Income this year	( 17,623)	58,778
Accumulated profit/loss from subsidiary disposal of equity instrument transferred to retained earnings	94	-
Ending Balance	\$ 181,126	\$ 198,655

22. Revenue

	<u>2020</u>	<u>2019</u>
Revenue from Contracts with Customers		
Income received from selling goods	\$ 5,598,846	\$ 5,799,362
Service Revenue	<u>435,720</u>	<u>544,962</u>
	<u>\$ 6,034,566</u>	<u>\$ 6,344,324</u>

(1) Contract Balance

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>January 1, 2019</u>
Notes receivable-Related Party(Note 8 )	<u>\$ 367</u>	<u>\$ 76</u>	<u>\$ 73</u>
Accounts receivable (Note 8 )	<u>\$ 555,596</u>	<u>\$ 496,972</u>	<u>\$ 574,958</u>
Accounts receivable -Related Party(Note 8 )	<u>\$ 110,325</u>	<u>\$ 100,515</u>	<u>\$ 59,283</u>
Contract Liability (Accounts under other current liabilities)			
Merchandise sales	<u>\$ 8,638</u>	<u>\$ 23,255</u>	<u>\$ 5,456</u>

(2) Details of Revenue from Contracts with Customers

2020

	<u>Reportable Segments</u>		
	<u>Alkylation Manufacturing</u>	<u>Hydrocarbon Resin Manufacturing</u>	<u>Total</u>
<u>Type of Merchandize or Service</u>			
Merchandise sales	\$ 5,598,846	\$ -	\$ 5,598,846
Service Revenue	<u>-</u>	<u>435,720</u>	<u>435,720</u>
	<u>\$ 5,598,846</u>	<u>\$ 435,720</u>	<u>\$ 6,034,566</u>

2019

	<u>Reportable Segments</u>		
	<u>Alkylation Manufacturing</u>	<u>Hydrocarbon Resin Manufacturing</u>	<u>Total</u>
<u>Type of Merchandize or Service</u>			
Merchandise sales	\$ 5,799,362	\$ -	\$ 5,799,362
Service Revenue	<u>-</u>	<u>544,962</u>	<u>544,962</u>
	<u>\$ 5,799,362</u>	<u>\$ 544,962</u>	<u>\$ 6,344,324</u>

## 23. Net Income

### (1) Interest Revenue

	2020	2019
Bank Deposit	\$ 739	\$ 778
Others	<u>1,504</u>	<u>2,188</u>
	<u>\$ 2,243</u>	<u>\$ 2,966</u>

### (2) Other Revenue

	2020	2019
Rental Income		
Rental Income from		
Operating Lease		
— Investment		
property	\$ 12,564	\$ 12,564
— Others	1,097	1,144
Dividend Income		
Unrealized gains (losses)		
from investments in		
equity instruments		
measured at fair value through		
other comprehensive		
income	6,817	14,895
Others	<u>16,739</u>	<u>13,284</u>
	<u>\$ 37,217</u>	<u>\$ 41,887</u>

### (3) Other Gains & Losses

	2020	2019
Financial Assets and Financial		
Liabilities Gain/Loss		
Mandatory Financial		
Assets at Fair Value		
Through Profit and		
Loss	\$ 145	\$ 304
Financial liabilities held		
for transaction	-	522
Loss from disposing property,		
plant, and equipment	( 56)	( 757)
Net foreign exchange gain		
(Loss)	( 1,273)	5,010
Others	<u>( 766)</u>	<u>21,308</u>
	<u>( \$ 1,950)</u>	<u>\$ 26,387</u>

### (4) Financial Costs

	2020	2019
Interest Expense		
Bank Loan	\$ 7,766	\$ 10,157
Lease Liabilities	420	505
Convertible Corporate		
Bonds	<u>-</u>	<u>98</u>
	<u>\$ 8,186</u>	<u>\$ 10,760</u>

The information related to capitalization of interests is shown below:

	<u>2020</u>	<u>2019</u>
Amount of capitalization of interests	<u>\$ -</u>	<u>\$ 4</u>
Interest rate of capitalization of income	-	0.84%~0.96%

(5) Depreciation and Amortization

	<u>2020</u>	<u>2019</u>
Property, plant, and equipment	\$ 79,689	\$ 83,525
Right-of-use asset	42,225	39,514
Investment Property	1,400	1,401
Intangible Assets	<u>422</u>	<u>688</u>
Total	<u>\$ 123,736</u>	<u>\$ 125,128</u>

Summary of Depreciation

Expenses by Function

Operating Costs	\$ 87,019	\$ 88,897
Operating Expenses	<u>36,295</u>	<u>35,543</u>
	<u>\$ 123,314</u>	<u>\$ 124,440</u>

Summary of Intangible Assets  
at Amortized Expense by  
Function

Operating Costs	\$ 33	\$ 263
Operating Expenses	<u>389</u>	<u>425</u>
	<u>\$ 422</u>	<u>\$ 688</u>

(6) Employee Benefit Expense

	<u>2020</u>		
	<u>Under Operating Costs</u>	<u>Under Operating Expenses</u>	<u>Total</u>
Employee Benefit Expense			
Salary Expense	\$ 240,917	\$ 125,082	\$ 365,999
Labor and National			
Health Expense	14,873	6,221	21,094
Pension Expense	7,998	4,959	12,957
Director			
Remuneration	-	22,715	22,715
Other Employee			
Benefit Expense	<u>7,776</u>	<u>1,815</u>	<u>9,591</u>
	<u>\$ 271,564</u>	<u>\$ 160,792</u>	<u>\$ 432,356</u>

	2019		
	Under Operating Costs	Under Operating Expenses	Total
Employee Benefit Expense			
Salary Expense	\$ 179,911	\$ 90,744	\$ 270,655
Labor and National Health Expense	14,031	5,164	19,195
Pension Expense	8,352	3,189	11,541
Director Remuneration	-	11,629	11,629
Other Employee Benefit Expense	8,051	1,906	9,957
	<u>\$ 210,345</u>	<u>\$ 112,632</u>	<u>\$ 322,977</u>

(7) Employee Remuneration and Director Remuneration

The Company contributes employee remuneration and director remuneration by deducting 2.5% and less than 2.5% of income before tax for the current year according to the Articles of Incorporation. The 2020 and 2019 employee remuneration and director remuneration was resolved by the Board of Directors Meeting on March 19, 2021 and March 20, 2020, respectively as follows:

Estimation Percentage

	2020	2019
Employee Remuneration	2.5%	2.5%
Director Remuneration	2.5%	2.5%

Amount

	2020	2019
	Cash	Cash
Employee Remuneration	\$ 18,479	\$ 7,109
Director Remuneration	18,479	7,109

Any change in the amount after the promulgation date and adoption of the annual separate financial statements shall be processed according to the changes in accounting estimations, which shall be adjusted for recognition in the following year.

There is no discretion between the real distribution amount of 2019 and 2018 employee remuneration and director remuneration, and the amount recognized in the 2019 and 2018 separate financial statements.

The information on the employee remuneration and director remuneration resolved by the Board of Directors, please query at the "Market Observation Post System" of Taiwan Stock Exchange.

(8) Foreign Exchange Gains and Losses

	<u>2020</u>	<u>2019</u>
Total Foreign Currency		
Exchange Gain	\$ 52,553	\$ 33,500
Total Foreign Currency		
Exchange Loss	( <u>53,826</u> )	( <u>28,490</u> )
Net (Loss) Gain	( <u>\$ 1,273</u> )	\$ <u>5,010</u>

24. Income Tax

(1) Income Tax Recognized Under Profit and Loss

The main compositions of income tax expense is shown below:

	<u>2020</u>	<u>2019</u>
Current Year Income Tax		
Generated this year	\$ 159,652	\$ 57,440
Undistributed surplus		
Levy on undistributed profits	-	5,191
Adjustment to previous years	597	( 2,033 )
Investment Tax Credits	( <u>3,800</u> )	( <u>2,692</u> )
	<u>156,449</u>	<u>57,906</u>
Deferred Income Tax		
Generated this year	( 8,059 )	( 3,042 )
Adjustments to previous years	( <u>966</u> )	<u>-</u>
	( <u>9,025</u> )	( <u>3,042</u> )
Income tax expense under profit and loss	<u>\$ 147,424</u>	<u>\$ 54,864</u>

Adjustments to accounting income and income tax expenses are described below:

	<u>2020</u>	<u>2019</u>
Profit before income tax	<u>\$ 702,214</u>	<u>\$ 270,127</u>
Profit before income tax calculated by the statutory tax rate	\$ 140,443	\$ 54,025
Irreducible expense loss for tax	84	678
Tax-free income	( 29 )	( 1,340 )

(Continued on Next Page)

(Continued from Previous Page)

	<u>2020</u>	<u>2019</u>
Levy on undistributed surplus	\$ -	\$ 5,191
Share Accounted for Using Equity Method	11,095	1,035
Investment Tax Credits	( 3,800)	( 2,692)
Adjustment to the current income tax expense this year for previous years	( <u>369</u> )	( <u>2,033</u> )
Income tax expense recognized under profit and loss	<u>\$ 147,424</u>	<u>\$ 54,864</u>

The President of Taiwan has announced and amended the Statute for Industrial Innovation in July, 2019. It is stipulated that the unappropriated retained earnings for building or purchasing specific assets or technology may be included in the calculation of abatement items of unappropriated retained earnings starting in 2018. The Company shall merely deduct the capital expenditure amount from the real re-investment when calculating the unappropriated retained earnings.

(2) Income Tax Recognized Under Other Comprehensive Income

	<u>2020</u>	<u>2019</u>
<u>Deferred Income Tax</u>		
Generated this year		
— Exchange by foreign operation	\$ 263	(\$ 5,327)
— Unrealized Gains or Losses on Financial Assets at Fair Value through Other Comprehensive Income	( 3,951)	5,130
— Re-measurement of Defined Benefit Plan	( <u>1,803</u> )	( <u>645</u> )
Income tax recognized under other comprehensive income	( <u>\$ 5,491</u> )	( <u>\$ 842</u> )

(3) Current income tax liabilities

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Current income tax liabilities</u>		
Income Tax Payable	<u>\$ 128,177</u>	<u>\$ 14,278</u>



(4) Deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities are shown below:

2020

	Beginning Balance	Recognized Under Profit and Loss	Recognized Under Other Comprehensiv e Income	Ending Balance
<u>Deferred income tax assets</u>				
Temporary Difference				
Recognize Sales Revenue Before				
Filing Tax	\$ 12,717	\$ 16,058	\$ -	\$ 28,775
Unrealized Exchange Loss	1,071	( 414)	-	657
Unrealized Cost of Goods Sold	3,713	9,134	-	12,847
Unrealized Inventory Valuation				
Losses	6,451	( 5,240)	-	1,211
Unrealized annual leave pay	2,423	94	-	2,517
Loss on Investments Accounted for				
Using the Equity Method	31,212	( 1,965)	-	29,247
Disposal of overseas investment				
proceeds	5,027	-	-	5,027
Unrealized gross profit	-	403	-	403
Defined benefit liability	34,259	-	1,803	36,062
Loss Resulting From Exchange				
Differences on Translation of				
Foreign Financial Statements	13,079	-	( 263)	12,816
	<u>\$ 109,952</u>	<u>\$ 18,070</u>	<u>\$ 1,540</u>	<u>\$ 129,562</u>
<u>Deferred income tax liabilities</u>				
Temporary Difference				
Recognize Sales Revenue Before				
Filing Tax	\$ 10,886	\$ 8,548	\$ -	\$ 19,434
Unrealized Exchange Gain	438	930	-	1,368
Profits on Investments Accounted for				
Using the Equity Method	15,219	( 420)	-	14,799
Financial Assets at Fair Value				
through Other Comprehensive				
Unrealized Income Valuation Loss	7,307	-	( 3,951)	3,356
Land Revaluation Surplus	172,429	-	-	172,429
Right-of-use asset	13	( 13)	-	-
	<u>\$ 206,292</u>	<u>\$ 9,045</u>	<u>(\$ 3,951)</u>	<u>\$ 211,386</u>

2019

	Beginning Balance	Recognized Under Profit and Loss	Recognized Under Other Comprehensiv e Income	Ending Balance
<u>Deferred income tax assets</u>				
Temporary Difference				
Recognize Sales Revenue Before				
Filing Tax	\$ 1,048	\$ 11,669	\$ -	\$ 12,717
Unrealized Exchange Loss	469	602	-	1,071
Unrealized Cost of Goods Sold	5,946	( 2,233)	-	3,713
Unrealized Inventory Valuation				
Losses	13,393	( 6,942)	-	6,451
Unrealized Annual Leave Pay	2,650	( 227)	-	2,423
Loss on Investments Accounted for				
Using the Equity Method	21,044	10,168	-	31,212
Disposal of overseas investment				
proceeds	5,027	-	-	5,027

(Continued on Next Page)

(Continued from Previous Page)

	Beginning Balance	Recognized Under Profit and Loss	Recognized Under Other Comprehensiv e Income	Ending Balance
Defined benefit liabilities	\$ 33,614	\$ -	\$ 645	\$ 34,259
Losses Resulting from Exchange Differences on Translation of Foreign Financial Statements	<u>7,752</u>	<u>-</u>	<u>5,327</u>	<u>13,079</u>
	<u>\$ 90,943</u>	<u>\$ 13,037</u>	<u>\$ 5,972</u>	<u>\$ 109,952</u>
<u>Deferred income tax liabilities</u>				
Temporary Difference				
Recognize under costs of goods sold before filing tax.	\$ 864	\$ 10,022	\$ -	\$ 10,886
Unrealized Exchange Gain	14	424	-	438
Profits on Investments Accounted for Using the Equity Method	15,683	( 464)	-	15,219
Unrealized valuation loss from financial Assets at Fair Value through Other Comprehensive Income	2,177	-	5,130	7,307
Land Revaluation Surplus	172,429	-	-	172,429
Right-of-use asset	-	13	-	13
	<u>\$ 191,167</u>	<u>\$ 9,995</u>	<u>\$ 5,130</u>	<u>\$ 206,292</u>

## (5) Income Tax Review

The Company files report for cases before 2018, which will be verified by tax agencies.

## 25. Earnings Per Share

Unit: NTD Per Share

	2020	2019
Basic Earnings Per Share	<u>\$ 1.16</u>	<u>\$ 0.44</u>
Diluted Earnings Per Share	<u>\$ 1.16</u>	<u>\$ 0.43</u>

The average weighted shares for each earnings per share and ordinary shares are described below:

### Current year net income

	2020	2019
Current year net income	\$ 554,790	\$ 215,263
Influential corporate bonds with dilution and potential ordinary share		
Convertible Corporate Bond	-	78
Calculation of net profits from using diluted earnings per share.	<u>\$ 554,790</u>	<u>\$ 215,341</u>

<u>Shares</u>	Unit: Thousand Shares	
	<u>2020</u>	<u>2019</u>
The weighted average shares for calculating the basic earnings per share of ordinary shares	477,016	493,666
Influential ordinary shares with diluted and potential function:		
Employee Remuneration	1,327	724
Convertible Corporate Bond	<u>-</u>	<u>676</u>
Weighted average shares for calculating the ordinary shares of diluted earnings per share.	<u>478,343</u>	<u>495,066</u>

If the Company chooses to distribute employee remuneration with stocks or cash, the diluted earnings per share are calculated. If the employee remuneration is distributed in stock the weighted average outstanding shares are added to the potential ordinary shares to calculate the diluted earnings per share. The calculation of diluted earnings per share before distributing shares as employee remuneration, as resolved in the following year, shall continue to take into consideration of the dilution effect of such potential ordinary shares.

26. Disposal of investment in subsidiaries – Loss of Control

The Company did not participate in the cash capital increase of DEFIA in October, 2020, which led to the loss of control over DEFIA. Please refer to the Company's 2020 Consolidated Financial Statements-Note 30, for the disposal of DEFIA.

27. Partial Acquisition or Disposal of investment in subsidiaries – No influence over control

The Company acquired UPM equity in April 2020 and its shareholding ratio rose from 78.19% to 78.53%. Additionally, UPM repurchased a total of 1,967 thousand outstanding shares from other shareholders on December 19, 2020. The Company's shareholding ratio after buyback went up to 80.25%.

The Company did not purchase the cash capital increase in equity from FUSUGAR INDUSTRY according to its shareholding ratio in July 2019 and March 2020 respectively, resulting in the Company's shareholding ratio rising from 75.7% to 82.28%.

The aforementioned transaction does not change the Company control over the subsidiary, and hence the Company shall regard it as an equity transaction process. For a description of some UPM, refer to Note 31 of 2020 Consolidated Financial Statements of the Company.

## 28. Capital Risk Management

Under the premise that the Company conducts capital management for assurance of ongoing management, the Company designs the operating funds and dividend expenditures needed for the future, according to the current industry properties and future corporate development. The design will guarantee sustainable management for the company, pursuit of shareholder long-term benefits, and stable management, thereby maximizing shareholder returns.

## 29. Financial Instrument

- (1) Fair Value Information – Financial instruments that measure fair value through a redundant basis.

### 1. Fair Value Level

#### December 31, 2020

	Level 1	Level 2	Level 3	Total
<u>Financial Assets at Fair Value through Other Comprehensive Income</u>				
Investments in Equity Instruments				
— Domestic unlisted (OTC) stocks	\$ -	\$ 112,722	\$ -	\$ 112,722
— Foreign unlisted (OTC) stocks	-	-	94,826	94,826
— Anonymous investment portfolio	-	81,177	-	81,177
Total	<u>\$ -</u>	<u>\$ 193,899</u>	<u>\$ 94,826</u>	<u>\$ 288,725</u>

#### December 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial Assets at Fair Value through Other Comprehensive Income</u>				
Investments in Equity Instruments				
— Domestic unlisted (OTC) stocks	\$ -	\$ 137,986	\$ -	\$ 137,986
— Foreign unlisted (OTC) stocks	-	-	88,875	88,875
— Anonymous investment portfolio	-	81,616	-	81,616
Total	<u>\$ -</u>	<u>\$ 219,602</u>	<u>\$ 88,875</u>	<u>\$ 308,477</u>

There were not fair value measurement transfers between Level 1 and Level 2 in 2020 and 2019.

2. Valuation technology and input of Level 2 fair value measurement.

The investment in domestic unlisted (OTC) stocks and anonymous investment portfolio, evaluating the fair value adopting market method.

3. Adjustment to financial instruments between fair value measurements at Level 3.

2020

Financial Assets	Financial Assets at Fair Value through Other Comprehensive Income Equity Instruments
Beginning Balance	\$ 88,875
Recognized under other comprehensive income (Unrealized valuation gain and losses of Financial Assets at Fair Value through Other Comprehensive Income)	5,951
Ending Balance	<u>\$ 94,826</u>

2019

Financial Assets	Financial Assets at Fair Value through Other Comprehensive Income Equity Instruments
Beginning Balance	\$ 95,967
Recognized under other comprehensive income (Unrealized valuation gain and losses of Financial Assets at Fair Value through Other Comprehensive Income)	( 7,092 )
Ending Balance	<u>\$ 88,875</u>

Financial Liabilities at Fair Value Through Gains and Losses	Derivatives
Ending Balance	\$ 522
Recognized under gains and losses (Other Gains & Losses)	( 522 )
Ending Balance	<u>\$ -</u>
Current Unrealized Gains or Losses	<u>\$ -</u>

#### 4. Valuation Technology and Inputs at Level 3 Fair Value Measurement

Financial Assets at Fair Value through Other Comprehensive Income — Investments in foreign unlisted (OTC) equity adopts discounted cash flow to estimate the fair value, which uses material and unobservable inputs are the long-term revenue growth rate weighted average capital costs with a discount for lack of marketability. The increase in weighted average capital cost will lead to a reduction in the fair value of such investment.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Long-Term Revenue Growth Rate	2.00%	2.00%
Cost of Weighted Capital Rate	11.54%	10.90%
Marketability Discount	25.00%	25.00%

If the following inputs are changed to reflect the reasonable and possible alternative assumption, all other inputs remaining the same, the amount of investment fair value will increase (decrease) as below:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Long-Term Revenue Growth Rate		
Up 1%	<u>\$ 6,822</u>	<u>\$ 6,669</u>
Down 1%	<u>( \$ 5,527 )</u>	<u>( \$ 5,322 )</u>
Cost of Weighted Capital Rate		
Up 1%	<u>( \$ 5,527 )</u>	<u>( \$ 5,549 )</u>
Down 1%	<u>\$ 6,822</u>	<u>\$ 6,952</u>
Marketability Discount		
Up 1%	<u>( \$ 1,264 )</u>	<u>( \$ 1,185 )</u>
Down 1%	<u>\$ 1,264</u>	<u>\$ 1,185</u>

#### (2) Types of Financial Instruments

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial Assets</u>		
Measurement at Amortized Cost (Note 1)	\$ 1,532,515	\$ 934,379
Fair Value Through Other Comprehensive Income		
Investments in Equity Instruments	288,725	308,477
<u>Financial Liabilities</u>		
Measurement at Amortized Cost (Note 2)	1,333,972	1,710,632

Note 1: The balance includes cash, notes receivable-related party, accounts receivable, accounts receivable-related party, other accounts receivable, other accounts receivable-Related Party, refundable deposits, and other financial assets at amortized cost.

Note 2: The balance includes short-term loans, notes payable, notes payable-related party, accounts payable, accounts payable-related party, other Accounts payable, and other accounts payable-related party, and the financial liabilities measured at amortized costs.

### (3) Purpose and Policy of Financial Risk Management

The main financial instruments of the Company include cash, equity investment, accounts receivable, and accounts payable, borrowing, and lease liabilities. The Finance Management Department of the Company aims to provide services to all business units, collectively coordinating the operations in domestic and international financial markets, and monitoring and managing the financial risks related to the corporate operations in accordance with the internal risk report of exposure to risk level and extent analysis. Such risks also include the market risks (such as exchange rate risk, interest rate risk, and other price risks), credit risk, and liquidity risks.

#### 1. Market Risk

The operating activities lead the Company to undertake main financial risks including variable risks of foreign currency exchange rate (refer to the following (1)) and the variable risk of interest rate (refer to the following (2)).

The Company does not change the exposure and the management and measurement method of such exposure to the market risks of financial instruments.

##### (1) Exchange Rate Risk

The Company manages exchanges for hedging purposes and does not conduct transactions of financial instruments based on speculation. The management strategies for exchange rate risks involve the regular review of the net

segments of assets and liabilities in various currencies, in addition to conduct risk management on the net segments.

Please refer to Note 34 for the Company's pricing for the non-functional currency on the date of the balance sheet and the book value of monetary assets and monetary liabilities.

#### Sensitivity Analysis

The Company is subject to the impact of fluctuations in the foreign exchange rate of US Dollars primarily.

The following table explains in detail the Company's sensitivity analysis when the exchange rate for New Taiwan Dollars (functional monetary currency) to various foreign currencies goes up and down by 1% respectively. The 1% refers to the sensitivity ratio used inside the Company when reporting the exchange rate risk to the management, which also represents the evaluation of the reasonable and possible variation range of the exchange rate of foreign currency given by the management. The sensitivity analysis only includes monetary items such as foreign currency outstanding while the conversion at the end of the year is adjusted by a change of 1% exchange rate. The amounts on the following table suggest that the appreciation of 1% from New Taiwan Dollars relative to all relevant currencies will increase (decrease) the amount of profit before income tax or equity; When New Taiwan Dollars is depreciated by 1% relative to all foreign currencies, the influence on profit before income tax or equity will become the negative figure of the same amount.

	Impact of US Dollars	
	2020	2019
Gains and Losses (i)	\$ 742	(\$ 1,331)

- (i) The accounts receivable denominated in US Dollars originated from the date of the Company's balance sheet and are still outstanding without being hedged for cash flow.



## (2) Interest Rate Risk

The funds borrowed by entities inside the Company concurrently in fixed and floating interest rates, which leads to the exposure of interest rate.

The number of financial assets subject to the exposure of interest rate on the date of balance sheet and the book value of financial liabilities is shown below:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Interest rate risk at fair value		
— Financial assets	\$ 60,000	\$ 60,000
— Financial liabilities	56,742	741,925
Cash flow with interest rate risk		
— Financial assets	728,846	143,314
— Financial liabilities	867,747	450,150

### Sensitivity Analysis

The following sensitivity analysis refers to the interest rate exposure determined by the non-derivatives on the date of the balance sheet. For floating interest rate liabilities, the analysis method assumes the all outstanding liability amounts are still outstanding during the reporting period on the date of the balance sheet. The internal variable rate used by the Company in the report to the management is to increase or decrease 100 base points of the interest rate. This may also represent the management evaluation on the reasonable and possible range of variation for the interest rate.

If the interest rate is up/down 100 base points, all other variables remaining the same, the 2020 and 2019 profit before income tax will decrease/increase by NT\$1,389 thousand and NT\$3,068 thousand, mainly due to the net variable interest rate for borrowing.

## (3) Other Price Risk

The Company's investments in equity security place the company in equity price exposure. Such investments in equity security are not held for the transaction but rather a strategic investment. The Company does not trade in such investment

actively but assigns relevant personnel to monitor the price risk in addition to evaluate when to add the hedge sections.

#### Sensitivity Analysis

The following sensitivity analysis is implemented by the equity price exposure on the date of the balance sheet.

If the equity price increases/decrease by 1%, the 2020 and 2019 pre-tax other comprehensive income will increase/decrease by the fair value of financial assets through fair value measurement to go up/down by NT\$2,887 thousand and NT\$3,085 thousand.

### 2. Credit Risk

Credit risk refers to the arrears in contractual obligations by the transacting counterparty that results in risk of the Company's financial loss. As of the date of the balance sheet, the maximum exposure to credit risk faced by the Company possibly due to the transacting counterparty fail to perform obligations and the Company's provision of financial guarantee mostly comes with the book value of financial assets recognized in the separate balance sheets.

The objects of accounts receivable cover many clients distributed in different industries and geological regions. The Company will continue to evaluate the financial situations of the clients of accounts receivable.

Additionally, the transacting counterparty for current assets and derivative financial instruments are financial institutions and corporate organizations with excellent credit ratings, hence credit risk is limited.

### 3. Liquidity Risk

The Company supports operations and reduces the impact on fluctuations in cash flow through management and maintenance of sufficient cash. The Company management supervises the use of a financing line from the bank to assure the compliance of clauses in the loan agreement.

Bank loans are important liquidity for the Company. As of December 31, 2020 and 2019, refer to the explanation on (2) Credit Line for the credit limit which the Company has not drawn.

(1) Table of Liquidity and Interest Rate Risk for Non-Derivative Financial Liabilities

The following table explains in detail the Company's maturity analysis of remaining contracts of non-derivative financial liabilities in the agreed repayment period, the earliest repayment date required, and the preparation of undiscounted cash flow for financial liabilities, including the interest rate and the cash flow of principal.

The Company may be required to repay the bank loans immediately, in the earliest date in the following table, without taking into consideration of the probability of the bank exercising the rights immediately. The analysis of maturity for other non-derivative financial liabilities shall be prepared according to the agreed repayment date.

For the cash flow with interest paid in floating interest rate, the amount of undiscounted interest shall be derived from the yield curve on the date of the balance sheet.

December 31, 2020

	Instant repayment or shorter than 1 year	1~2 Years	2~5 Years	5 Years or longer
<u>Non-Derivative Financial Liabilities</u>				
No interest-bearing liabilities	\$ 466,225	\$ -	\$ -	\$ -
Lease Liabilities	56,229	762	29	-
Floating rate instrument	868,920	-	-	-
	<u>\$ 1,391,374</u>	<u>\$ 762</u>	<u>\$ 29</u>	<u>\$ -</u>

December 31, 2019

	Instant repayment or shorter than 1 year	1~2 Years	2~5 Years	5 Years or longer
<u>Non-Derivative Financial Liabilities</u>				
No interest-bearing liabilities	\$ 590,482	\$ -	\$ -	\$ -
Lease Liabilities	62,392	9,522	413	-
Floating rate instrument	455,921	-	-	-
Fixed rate instrument	673,964	-	-	-
	<u>\$ 1,782,759</u>	<u>\$ 9,522</u>	<u>\$ 413</u>	<u>\$ -</u>

(2) Credit Line

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Unsecured bank credit line		
— Amount drawn	\$ 867,747	\$ 1,120,150
— Amount undrawn	<u>1,742,253</u>	<u>1,359,850</u>
	<u>\$ 2,610,000</u>	<u>\$ 2,480,000</u>

30. Related Party Transactions

Except for those disclosed in other notes, the transactions between the Company and related parties are listed below:

(1) Name and Relation with Related Party

<u>Name of Related Party</u>	<u>Relation with the Company</u>
UPM	Subsidiary
HERSHEY ENVIRONMENTAL TECH	Subsidiary
Great Victory Chemical	Subsidiary
FUSUGAR INDUSTRY	Subsidiary
TANQUES DEL PACIFI	Subsidiary
Yongji Energy Co., Ltd. (Yongji Energy)	Subsidiary
Yongyao Energy Co., Ltd. (Yongyao Energy)	Subsidiary
Yongshen Energy Co., Ltd. (Yongshen Energy)	Subsidiary
Soft Chemical Corp. (SCC)	Associate
DEFIA	Associate (formerly the subsidiary of the Company prior to November 2020)
Chang Chun Group	Joint Venture

(2) Operating Revenue

<u>Accounts</u>	<u>Category/Name of Related Party</u>	<u>2020</u>	<u>2019</u>
Sales Revenue	Subsidiary	\$ 11,744	\$ 11,665
	Associate	494	-
	Joint Venture	<u>203,999</u>	<u>358,356</u>
		<u>\$ 216,237</u>	<u>\$ 370,021</u>
Rework Revenue	Subsidiary /UPM	<u>\$ 435,720</u>	<u>\$ 544,962</u>

The sales between the Company and related parties are processed in accordance with the sales price and conditions.

The Company reworks for subsidiaries by adding 100% rework cost and 50% of the profits for selling reworked products as the rework revenue. The period of payment collection is approximately 1 month.

(3) Purchase

Accounts	Category/Name of Related Party	2020	2019
Purchase	Subsidiary	\$ 46,589	\$ 49,107
	Joint Venture	-	594
	Associate	-	1,177
		<u>\$ 46,589</u>	<u>\$ 50,878</u>

The Company purchases from a related party in accordance with the general purchase condition (market price). The payment collection period is approximately 1 month.

(4) Other Receivables –Related Party (excluding loans to a related party)

Accounts	Category/Name of Related Party	December 31, 2020	December 31, 2019
Accounts receivable	Joint Venture / Chang Chun Group	\$ 74,368	\$ 48,057
	Subsidiary/UPM	<u>35,957</u>	<u>52,458</u>
		<u>\$ 110,325</u>	<u>\$ 100,515</u>
Notes receivable	Subsidiary/Great Victory Chemical	<u>\$ 367</u>	<u>\$ 76</u>
Other accounts receivable	Subsidiary	\$ 45	\$ 60
	Subsidiary/ FUSUGAR INDUSTRY	558	-
	Subsidiary/DEFIA	-	947
	Associate /DEFIA	<u>522</u>	<u>-</u>
		<u>\$ 1,125</u>	<u>\$ 1,007</u>

No guarantees have been collected for outstanding other receivables – related party. The other receivables–related party has not been recognized as allowance for loss at the end of 2020 and 2019.

(5) Payables – Related Party (excluding loans to a related party)

Accounts	Category/Name of Related Party	December 31, 2020	December 31, 2019
Notes payable	Subsidiary / HERSHEY ENVIRONMENTAL TECH	<u>\$ 216</u>	<u>\$ -</u>

(Continued on Next Page)

(Continued from Previous Page)

Accounts	Category/Name of Related Party	December 31, 2020	December 31, 2019
Accounts payable	Subsidiary / HERSHEY ENVIRONMENTAL TECH	\$ 14,446	\$ 18,561
	Subsidiary/UPM	<u>3,858</u>	<u>6,208</u>
		<u>\$ 18,304</u>	<u>\$ 24,769</u>
Other Accounts payable	Subsidiary / HERSHEY ENVIRONMENTAL TECH	\$ 2,382	\$ 343
	Subsidiary/TANQUES DEL PACIFI	61	1,754
	Subsidiary Associate	-	65
		<u>70</u>	<u>-</u>
		<u>\$ 2,513</u>	<u>\$ 2,162</u>

(6) Disposal of Property, plant, and equipment

Category /Name of Related Party	Disposal Proceeds		Disposal Loss	
	2020	2019	2020	2019
Subsidiary / HERSHEY ENVIRONMENTAL TECH	<u>\$ -</u>	<u>\$ 237</u>	<u>\$ -</u>	<u>\$ -</u>

(7) Lease Agreement

Category /Name of Related Party	2020	2019
<u>Right-of-use asset Acquired</u>		
Subsidiary / HERSHEY ENVIRONMENTAL TECH	\$ 3,979	\$ 5,175
Subsidiary/TANQUES DEL PACIFI	<u>14,471</u>	<u>3,027</u>
	<u>\$ 18,450</u>	<u>\$ 8,202</u>

Accounts	Category /Name of Related Party	December 31, 2020	December 31, 2019
Lease Liabilities - Current	Subsidiary / HERSHEY ENVIRONMENTAL TECH	\$ 3,979	\$ 5,175
	Subsidiary/TANQUES DEL PACIFI	<u>8,565</u>	<u>3,054</u>
		<u>\$ 12,544</u>	<u>\$ 8,229</u>

Category /Name of Related Party	2020	2019
<u>Interest Expense</u>		
Subsidiary / HERSHEY ENVIRONMENTAL TECH	\$ 24	\$ 25
Subsidiary/TANQUES DEL PACIFI	25	72
	<u>\$ 49</u>	<u>\$ 97</u>
<u>Lease Expense</u>		
Subsidiary / HERSHEY ENVIRONMENTAL TECH	\$ 12,216	\$ 1,925
Subsidiary/TANQUES DEL PACIFI	717	-
	<u>\$ 12,933</u>	<u>\$ 1,925</u>

(8) Lease Agreement

Operating Lease

The Company lease the right to use the land and house located in Pingnan Industrial Park through operating lease to the subsidiary, HERSHEY ENVIRONMENTAL TECH, with a lease duration of 15 years, lease the Taipei Office and parking lot to subsidiaries and associates through an operating lease. The lease duration is 2~4 years. The Company also lease machinery equipment to associates with a lease duration of 3.75 years.

The total lease payment to be collected in the future are summarized below:

Category /Name of Related Party	December 31, 2020	December 31, 2019
Subsidiary/HERSHEY ENVIRONMENTAL TECH	\$ 48,580	\$ 60,572
Subsidiary	891	2,036
Associate	146	-
	<u>\$ 49,617</u>	<u>\$ 62,608</u>

Lease revenue is summarized below:

Category /Name of Related Party	2020	2019
Subsidiary / HERSHEY ENVIRONMENTAL TECH	\$ 12,160	\$ 12,136
Subsidiary	1,019	1,108
Associate	18	-
	<u>\$ 13,197</u>	<u>\$ 13,244</u>

(9) Manufacturing Expenses

Accounts	Category /Name of Related Party	2020	2019
Manufacturing Expenses— Rework Expenses	Subsidiary / HERSHEY ENVIRONMENTAL TECH	<u>\$ 208,236</u>	<u>\$ 170,581</u>

(10) Operating Expenses

Accounts	Category of Related Party	2020	2019
Administrative Expenses – Other Expenses	Subsidiary	<u>\$ 40</u>	<u>\$ 40</u>

(11) Non-Operating Revenue -Other

Accounts	Category /Name of Related Party	2020	2019
Other Revenue	Subsidiary	\$ 7,340	\$ 6,496
	Associate	<u>6</u>	<u>-</u>
		<u>\$ 7,346</u>	<u>\$ 6,496</u>

(12) The loaning of funds to the related parties

Category /Name of Related Party	December 31, 2020	December 31, 2019
Subsidiary /FUSUGAR INDUSTRY	<u>\$ 40,324</u>	<u>\$ 90,516</u>

Interest Revenue

Category /Name of Related Party	2020	2019
Subsidiary/FUSUGAR INDUSTRY	<u>\$ 1,469</u>	<u>\$ 2,160</u>

The Company provides funds for the loan to FUSUGAR INDUSTRY, with an interest rate similar to the market interest rate.

As of December 31, 2020 and December 31, 2019, the aforementioned other accounts – related party from the Company to the subsidiary each includes interest receivable of NT324 thousand and NT516 thousand respectively.



(13) Other Related Party Transactions

<u>Accounts</u>	<u>Category of Related Party</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Operating Expenses	Subsidiary	\$ 1,107	\$ 1,636
	Associate	<u>205</u>	<u>-</u>
		<u>\$ 1,312</u>	<u>\$ 1,636</u>

The subsidiaries and associates offer drinks and food to the Company.

(14) Remuneration for Main Management Level

	<u>2020</u>	<u>2019</u>
Short-Term Employee Benefit	\$ 86,671	\$ 49,225
Post-Employment Benefit	<u>2,354</u>	<u>2,519</u>
	<u>\$ 89,025</u>	<u>\$ 51,744</u>

The remuneration for directors and other main management levels is determined by the Salary and Remuneration Committee according to the personal performance and market trends.

31. Collateral Assets

The following assets of the company are provided as a tender bond of purchase and the collateral for financing and borrowing:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Property, plant, and equipment (including investment property)		
Own Land	\$ 666,141	\$ 666,141
Housing and Building	38,816	41,726
Machinery Equipment	477,339	499,776
Other Noncurrent Assets – Time Deposits	<u>60,000</u>	<u>60,000</u>
	<u>\$ 1,242,296</u>	<u>\$ 1,267,643</u>

32. Contractual Commitment with Material or Liabilities without Recognition

The Company commits to the following major items and matters on the date of the balance sheet, as shown below:

- (1) As of December 31, 2020, the Company issues a letter of credits for material purchase, with NT\$53,000 thousand outstanding.

(2) Check Endorsements and Guarantees:

The Company issues checks of endorsements and guarantees for subsidiaries, as shown in the following details of amount:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
FUSUGAR INDUSTRY	\$ 313,046	\$ 438,270

The aforementioned amount was the line of endorsement and guarantee resolved and adopted by the Company's Board of Directors. The real lines drawn are NT\$313,046 thousand and NT\$375,658 thousand.

The subsidiary issues checks for the Company with details of amount for endorsement and guarantee showed below:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
HERSHEY		
ENVIRONMENTAL TECH	\$ 3,950	\$ 3,950

The aforementioned amount was the line of endorsement and guarantee resolved and adopted by the Company's Board of Directors. The real line drawn is NT\$3,950 thousand.

33. Other Matters

The Company evaluates the economic impact caused by the COVID-19 pandemic and the evaluation reveals that as of the date that the separate financial statements are authorized for issue, COVID-19 does not have any significant impact on the Company. The Company will continue to observe the relevant pandemic condition and assess the impact.

34. Information on Assets and Liabilities in Foreign Currency with Material Impact

The following information is expressed through the summary of foreign currencies other than the Company's functional currency, which the exchange rate disclosed refers to the exchange rate of converting the foreign currency into the functional currency. The assets and liabilities in foreign currency with material impact are described below:

December 31, 2020

	Foreign Currency	Exchange Rate	Book Value
Assets in Foreign Currency			
<u>Monetary Items</u>			
USD	\$ 19,179	28.43 (USD: NTD)	<u>\$ 545,267</u>
<u>Non-Monetary Items</u>			
Financial Assets at Fair Value through Other Comprehensive Income			
RMB	21,665	4.377 (RMB: NTD)	\$ 94,826
JPY	293,800	0.2763 (JPY: NTD)	81,177
			<u>\$ 176,003</u>
Subsidiaries, associates and joint venture adopting equity method			
USD	1,117	28.48 (USD: NTD)	\$ 31,805
VND	118,246,409	0.0012 (VND: NTD)	146,039
RMB	131,839	4.3648 (RMB: NTD)	575,454
			<u>\$ 753,298</u>

Liabilities in Foreign Currency			
<u>Monetary Items</u>			
USD	21,713	28.53 (USD: NTD)	<u>\$ 619,474</u>

December 31, 2019

	Foreign Currency	Exchange Rate	Book Value
Assets in Foreign Currency			
<u>Monetary Items</u>			
USD	\$ 15,699	29.9300 (USD: NTD)	<u>\$ 469,884</u>
<u>Non-Monetary Items</u>			
Financial Assets at Fair Value through Other Comprehensive Income			
RMB	20,645	4.3050 (RMB: NTD)	\$ 88,875
JPY	295,711	0.2760 (JPY: NTD)	81,616
			<u>\$ 170,491</u>

(Continued on Next Page)

(Continued from Previous Page)

	Foreign Currency	Exchange Rate	Book Value
Subsidiaries, associates and joint venture adopting equity method			
USD	\$ 1,285	29.98 (USD: NTD)	\$ 38,450
VND	112,975,274	0.0013 (VND: NTD)	146,439
RMB	129,559	4.2975 (RMB: NTD)	556,781
			<u>\$ 741,670</u>

Liabilities in Foreign  
Currency  
Monetary Items

USD	11,214	30.0300 (USD: NTD)	<u>\$ 336,743</u>
-----	--------	--------------------	-------------------

Foreign exchange gains and losses with material (realized and unrealized) are shown below:

	2020		2019	
Foreign Currency	Exchange rate	Net Exchange Loss	Exchange Rate	Net Exchange Gain
USD	(USD: NTD)	<u>\$ 1,273</u>	(USD: NTD)	<u>\$ 5,010</u>

### 35. Notes to Disclosure

(1) Material Transaction Related Information:

1. Loaning funds to others (Table 1) .
2. Endorsement and guarantees for others ( Table 2 )
3. Holding marketable securities at the end of the year (excluding the investments in subsidiaries, associates, and joint venture equities) (Table 3).
4. Accumulated buy or sell the same marketable security with the amount reaching NTD300 million or more than 20% of the paid-in capital (Table 4).
5. The amount of property acquired reaching NTD300 million or more than 20% of the paid-in capital (None).
6. The amount of property disposal reaching NTD300 million or more than 20% of the paid-in capital (None).

7. The amount of purchasing and selling goods with related parties reaching NTD100 million or more than 20% of the paid-in capital (Table 5).
  8. Other receivable – related party reaching NTD100 million or more than 20% of the paid-in capital (None).
  9. Engage in derivative instruments for trading (None).
- (2) Reinvestment Related Information: Table 6.
- (3) Investments in Mainland China:
1. Name of invested company in mainland China, main business lines, paid-in capital, investment methods, funds transfer in and out, shareholding ratio, investment gain and loss, the book value of the investment at the end of the year, investment gain/loss transferred back and limited line for investment in mainland China (Table 7).
  2. Following material transactions occurring directly or indirectly via third place with the invested company in mainland China, and the price, payment terms, unrealized gains or losses (Table 5) :
    - (1) Ending balance and percentage for the purchase amount and percentage corresponding to relevant accounts payable.
    - (2) Ending balance and percentage for the purchase amount and percentage corresponding to relevant accounts receivable.
    - (3) Among the gains or losses generated from the property transaction amount.
    - (4) Ending balance and purpose for checks endorsement and guarantee and provision of collateral.
    - (5) Highest balance for fund financing, ending balance, interest rate interval, and current interest total.
    - (6) Transactions with material impact on current gains and losses or financial situations, such as the service provision or reception.
- (4) Major Shareholders: Name of shareholders with the percentage of shareholding right reaching 5% or higher, number of shares held, and percentage (Table 8).

Formosan Union Chemical Corporation and Subsidiaries  
Lending Funds to Other Parties  
From January 1 to December 31, 2020

Table 1

Unit: NTD Thousand

No	Company Lending Loans Out	Borrowers	Transactions	Related Party	Highest Balance of Current Period	Ending Balance	Real Amount Drawn	Interest Rate Interval	Property of Funds Loaning	Amount of Business Transactions	Reasons for short-term financing	Amount of Allowance for bad debt	Collateral		Funds Loaning and Restriction to Individual Borrower	Total Limitation for Funds Loaned	Remarks
													Name	Price			
0	Formosan Union Chemical Corporation	FUSUGAR INDUSTRY CORP	Other accounts receivable	Y	\$ 200,000	\$ 200,000	\$ 40,000	2.616%	Necessary for short-term financing	\$ -	Business revolving funds	\$ -	-	\$ -	The financing limitation for one single company is limited to the 10% of the equity net worth of the latest financial statements of Formosan Union Chemical Corporation (namely NT\$717,845 thousand)	The financing limitation for one single company is limited to the 20% of the equity net worth of the latest financial statements of Formosan Union Chemical Corporation (namely NT\$1,435,689 thousand)	
0	Formosan Union Chemical Corporation	HERSHEY ENVIRONMENTAL TECHNOLOGY CO., LTD.	Other accounts receivable	Y	350,000	350,000	-	2.616%	Necessary for short-term financing	-	Business revolving funds	-	-	-	The financing limitation for one single company is limited to the 10% of the equity net worth of the latest financial statements of Formosan Union Chemical Corporation (namely NT\$717,845 thousand)	The financing limitation for one single company is limited to the 20% of the equity net worth of the latest financial statements of Formosan Union Chemical Corporation (namely NT\$1,435,689 thousand)	
0	Formosan Union Chemical Corporation	Great Victory Chemical Industry	Other accounts receivable	Y	50,000	50,000	-	2.616%	Necessary for short-term financing	-	Business revolving funds	-	-	-	The financing limitation for one single company is limited to the 10% of the equity net worth of the latest financial statements of Formosan Union Chemical Corporation (namely NT\$717,845 thousand)	The financing limitation for one single company is limited to the 20% of the equity net worth of the latest financial statements of Formosan Union Chemical Corporation (namely NT\$1,435,689 thousand)	

(Continued on Next Page)

(Continued from Previous Page)

No .	Company Lending Loans Out	Borrowers	Transactions	Related Party	Highest Balance of Current Period	Ending Balance	Real Amount Drawn	Interest Rate Interval	Property of Funds Loaning	Amount of Business Transactions	Reasons for short-term financing	Amount of Allowance for bad debt	Collateral		Funds Loaning and Restriction to Individual Borrower	Total Limitation for Funds Loaned	Remarks
													Name	Price			
1	United Performance Materials Corp.	FUSUGAR INDUSTRIAL CORP	Other accounts receivable	Y	\$ 100,000	\$ 100,000	\$ -	2.616%	Necessary for short-term financing	\$ -	Business revolving funds	\$ -	-	\$ -	The financing limitation for one single company is limited to the 10% of the equity net worth of the latest financial statements of United Performance Materials Corp. (namely NT\$109,599 thousand)	The financing limitation for one single company is limited to the 20% of the equity net worth of the latest financial statements of United Performance Materials Corp. (namely NT\$219,198 thousand)	
2	Great Victory Chemical Industry	HERSHEY ENVIRONMENTAL TECHNOLOGY CO., LTD.	Other accounts receivable	Y	80,000	80,000	-	2.616%	Necessary for short-term financing	-	Business revolving funds	-	-	-	The financing limitation for one single company is limited to the 10% of the equity net worth of the latest financial statements of Great Victory Chemical Industry (namely NT\$89,673 thousand)	The financing limitation for one single company is limited to the 20% of the equity net worth of the latest financial statements of Great Victory Chemical Industry (namely NT\$179,346 thousand)	

Formosan Union Chemical Corporation and Subsidiary  
Endorsement and Guarantee for Third Party  
January 1 - December 31, 2020

Table 2

Unit: NTD Thousand

No.	Name of Endorsement and Guarantee Company	Object of Endorsement and Guarantee		Limit of Endorsement and Guarantee for One Company	Highest Endorsement and Guarantee Balance this Year	Ending Balance for Endorsement and Guarantee	Real Amount Drawn	Amount of Property Collateral for Endorsement and Guarantee	Accumulated Endorsement and Guarantee Amount to The Percentage of Net worth of Latest Financial Statements (%)	Maximum Limit for Endorsement and Guarantee	Endorsement and Guarantee from Parent Company to Subsidiary	Endorsement and Guarantee from Subsidiary to Parent Company	Endorsement and Guarantee for Mainland China	Remarks
		Name of Company	Relation (Note 1)											
0	FUCC	FUSUGAR INDUSTRY	2	\$ 1,435,689 (Note 2)	\$ 438,270	\$ 313,046	\$ 313,046	\$ -	4.36%	\$ 3,589,223 (Note 3)	Y	N	N	
1	HERSHEY ENVIRONMENTAL TECH	FUCC	3	120,488 (Note 4)	3,950	3,950	3,950	-	0.66%	301,221 (Note 5)	N	Y	N	

Note 1: The relation of the endorsement and guarantee provider and objects includes the following 7 types, mark the type:

- (1) Companies with business transactions.
- (2) Company owning 50% of the company shares with direct and indirect voting rights.
- (3) Company owning over 50% of the company shares with direct and indirect voting rights.
- (4) Company owning over 90% of the company shares with direct and indirect voting rights.
- (5) Companies provide guarantees for each other according to the contract agreement, on the basis of peers or joint builders for contracting the projects.
- (6) Contributing shares provide companies with endorsement and guarantee according to the shareholding ratio, based on a joint investment relation.
- (7) Performance bond and joint and several guarantees between peers in the engagement of housing sales contract, according to Consumer Protection Act.

Note 2: The amount of endorsement and guarantee for one company does not exceed 20% of the Company's net worth, namely  $\$7,178,446 \times 20\% = \$1,435,689$ .

Note 3: The amount of endorsement and guarantee does not exceed 50% of the Company's net worth, namely  $\$7,178,446 \times 50\% = \$3,589,223$ .

Note 4: The amount of endorsement and guarantee for one company does not exceed 20% of the Company's net worth, namely  $\$602,441 \times 20\% = \$120,488$ .

Note 5: The total amount of endorsement and guarantee does not exceed 50% of the Company's net worth, namely  $\$602,441 \times 50\% = \$301,221$ .



Formosan Union Chemical Corporation and Subsidiary  
Marketable Security Held at the End of the Year  
December 31, 2020

Table 3

Unit: Unless otherwise stated, referring to NTD Thousand

Holding Company	Type and Name of Marketable Securities	Relation with Marketable Security Issuer	Accounts	End of Year				Remarks
				Shares	Book Value	Shareholding Ratio (%)	Market Price	
FUCC	Kanghua Industrial Co., Ltd./Stocks	—	Financial Assets at Fair Value through Other Comprehensive Income- Noncurrent	4,927,717.00	\$ 94,826	19.74%	\$ 94,826	Note 1
FUCC	Japanese Power Plant / Anonymous Investment Portfolio	—	Financial Assets at Fair Value through Other Comprehensive Income- Noncurrent	-	81,177	-	81,177	
FUCC	J&V Energy Technology Co., Ltd./Stocks	—	Financial Assets at Fair Value through Other Comprehensive Income- Noncurrent	8,393,318.00	112,722	11.53%	112,722	
FUCC	Forte Chemical Co., Ltd./Stocks	—	Financial Assets at Fair Value through Other Comprehensive Income- Noncurrent	1,400,000.00	-	3.14%	-	
FUCC	Gaoling Technology Co., Ltd./Stocks	—	Financial Assets at Fair Value through Other Comprehensive Income- Noncurrent	70,000.00	-	1.06%	-	
Great Victory Chemical	CAPITAL MONEY MARKET FUND/Beneficiary Certificate	—	Financial Assets at Fair Value Through Profit and Loss - Current	7,019,950.30	114,182	-	114,182	
Great Victory Chemical	SINO-Japan Chemical Co., Ltd. / Stocks	—	Financial Assets at Fair Value through Other Comprehensive Income - Noncurrent	88,345.00	213,000	6.10%	213,000	

Note 1: The market price of funds beneficiary certificate is estimated based on the net asset value of funds on December 31, 2020.

Note 2: For investments in subsidiaries, associates, and joint ventures, please refer to Table 6 and Table 7 for more information.

Formosan Union Chemical Corporation and Subsidiary

Statement of Accumulated Buying or Selling the Same Marketable Securities Reaching the Amount of NT\$300 Million or 20% of Paid-in Capital

From January 1 to December 31, 2020 & 2019

Table 4

Unit: NTD Thousand

Buying/Selling Company	Type and name of Marketable Securities	Accounts	Transacting Objects	Relation	Beginning		Buy		Selling				End of Year	
					Shares	Amount	Shares	Amount	Shares	Selling Price	Cost of Book Value	Disposal Gains and Losses	Shares	Amount
FUCC	TCB Money Market Fund/ Beneficiary Certificate	Financial Assets at Fair Value Through Profit and Loss	—	—	-	\$ -	58,133,516.47	\$ 595,000	58,133,516.47	\$ 595,145	\$ 595,000	\$ 145	-	\$ -

Formosan Union Chemical Corporation and Subsidiary  
Statement of Purchase/Sell Amount with Related Party Reaching the NT\$100 million or 20% of Paid-in Capital  
From January 1 to December 31, 2020 & 2019

Table 5

Unit: NTD Thousand

Buying (Selling) Companies	Name of Transaction Objects	Relation	Transactions				Circumstances and Reason for Discretion between Transaction Criteria and General Transactions		Checks and Account Receivable (Payable)		Remarks
			Buying (Selling)	Amount	Percentage Accounting Total Buying(Selling) of Goods	Credit Period	Unit Price	Credit Period	Balance	Percentage of Checks and Accounts to Total Receivables (Payable)	
FUCC	UPM	Subsidiary	(Note 1)	\$ 441,061	7.31%	1~2 months	Contract Price	1~2 months	\$ 35,957	5.4%	
UPM	FUCC	Parent Company	(Note 2)	( 441,061 )	26.58%	1~2 months	Contract Price	1~2 months	( 35,957 )	48.01%	
FUCC	HERSHEY ENVIRONMEN TAL TECH	Subsidiary	(Note 3)	( 213,658 )	4.45%	1~2 months	Contract Price	1~2 months	( 14,446 )	8.62%	
HERSHEY ENVIRONMEN TAL TECH	FUCC	Parent Company	(Note 4)	213,658	33.57%	1~2 months	Contract Price	1~2 months	14,446	13.95%	
FUCC	Chang Chun Group	Joint Venture	Selling	203,648	3.37%	1 month	Compatible to the criteria of general transactions	1 month	74,368	11.16%	

(Note 1) including rework revenue NT\$435,720 thousand and sales revenue NT\$5,341 thousand.

(Note 2) including rework revenue NT\$435,720 thousand buying at NT\$5,341 thousand.

(Note 3) including rework expense of NT\$208,236 thousand and buying at NT\$5,422 thousand.

(Note 4) including rework revenue NT\$208,236 thousand and sales revenue of NT\$5,422 thousand.

Formosan Union Chemical Corporation and Subsidiary  
Information Related to the Information and Venue of Investing Company  
From January 1 to December 31, 2020 & 2019

TABLE 6

Unit: NTD Thousand

Name of Investing Company	Name of Company Invested	Location	Main Business Lines	Original Investment Amount		Holding at the End of the Year			Invested Company's Current Gain (Loss)	Investment Gain (Loss) Recognized This year	Remarks
				End of this year	End of last year	Shares	Percentage (%)	Book Value			
FUCC	UPM	Taipei City	Manufacturing, rework and buying/selling hydrocarbon resin, polyester polyol, Melamine resin, resin clay, Urea resin, alkyd resin, acetate resin, butyric acid resin, and aromatics solvent oil.	\$ 603,812	\$ 600,532	72,202,200	80.25%	\$ 960,529	\$ 16,853	\$ 13,351	Subsidiary (Note 1), difference NT\$(173) thousand is amortization at premium NT\$97 thousand, subscribed subsidiary stock equity with new/old shareholding ratio recognized with investment difference as NT(299) thousand and the gain/loss influence of right-of-use asset NT\$29 thousand.
FUCC	HERSHEY ENVIRONMENTAL TECH	Taipei City	Petrochemical engineering planning and design, machinery equipment installation, buying and selling, home LPG sale, cylinder maintenance repair and inspection.	510,211	510,211	50,000,000	100.00%	608,170	37,545	41,902	Subsidiary (Note 1), the difference of NT\$4,357 thousand is the unrealized gross profit of NT\$4,032 thousand and the gain/loss influence for the right-of-use asset is NT\$325 thousand.
FUCC	Great Victory Chemical	Taipei City	Pesticide manufacturing and sales.	401,364	401,364	19,800,000	100.00%	896,731	58,869	58,869	Subsidiary (Note 1)
FUCC	FUSUGAR INDUSTRY	Taichung City	Petrochemical raw materials, synthetic resin, rubber and plastic, other chemical products manufacturing and wholesale, and sugar manufacturing.	1,316,555	1,124,473	131,655,475	82.28%	789,737	( 208,536 )	( 170,941 )	Subsidiary (Note 1), difference NT\$642 thousand is the new/old shareholding ratio recognized as gain/loss on investment of NT626 thousand, and right-of-use asset of NT\$ NT\$16 thousand.
FUCC	TANQUES DEL PACIFI	Guatemala	Warehouse leasing.	28,513	28,513	900	100.00%	31,805	( 4,184 )	( 6,148 )	Subsidiary (Note 2), difference NT\$ (1,964) thousand is the discounted amortization NT\$ (1,950) thousand and NT\$ (14) thousand for the right-of-use asset.
FUCC	DEFIA	Taipei City	Engaging in food buy/sell and bakery.	3,000	3,000	300,000	20.00%	4,272	2,964	1,342	Associate (Note 2), the difference NT\$749 thousand is the new/old shareholding percentage recognized as NT\$749 thousand before the associate underwent capital increase.
FUCC	Soft Chemical Corp. (SCC)	Vietnam	Engaging in the manufacturing, rework and buying/selling alkyl benzene and sulfonic acid.	43,707	43,707	-	42.03%	58,949	9,632	4,048	Associate (Note 1)
FUCC	Soft Industry Corp. (SIC)	Vietnam	Engaging in the manufacturing, rework and buying/selling alkyl benzene and sulfonic acid.	97,779	97,779	-	50.00%	87,090	5,811	2,906	Joint Venture (Note 1)

(Continued on Next Page)

(Continued from Previous Page)

Name of Investing Company	Name of Company Invested	Location	Main Business Lines	Original Investment Amount		Holding at the End of the Year			Invested Company's Current Gain (Loss)	Investment Gain (Loss) Recognized This year	Remarks
				End of this year	End of last year	Shares	Percentage (%)	Book Value			
FUCC	Chang Chun Group	Changshou	Production, rework and selling own products in Nonyl Phenol, DINONYL PHENOL and Olefins bunker oil, providing and producing product-related technology and consulting services; wholesale, warehousing, commission-based agency (except for auction), import/export business of general chemical substances.	\$ 689,513	\$ 689,513	-	50.00%	\$ 575,454	\$ 13,834	\$ 6,917	Joint Venture (Note 1, 3)
UPM	FUSUGAR INDUSTRY	Taichung City	Petrochemical raw materials, synthetic resin, rubber and plastic, other chemical products manufacturing and wholesale, and sugar manufacturing.	29,913	27,913	2,991,312	1.87%	20,845	( 208,536 )	( 3,939 )	(Note 1) difference of (39) thousand is the new/old shareholding ratio recognized under investment gain/loss before the capital increase.
HERSHEY ENVIRONMENTAL TECH	UPM	Taipei City	Manufacturing, rework, and buying/selling hydrocarbon resin, polyester polyol, Melamine resin, resin clay, Urea resin, alkyd resin, acetate resin, butyric acid resin, and aromatics solvent oil.	23,858	23,858	1,216,088	1.35%	19,923	16,853	229	(Note 1) difference of 1 thousand is the new/old shareholding ratio recognized as investment gain/loss difference of (5) thousand and amortization at a premium of 6 thousand, before the change of subsidiary equity.
HERSHEY ENVIRONMENTAL TECH	Yongji Energy	Taipei City	Thermal supply industry, cleaning supplies wholesale, and contracting installation and wholesale of electronic appliance and machine.	3,878	3,878	387,840	50.00%	6,452	1,053	526	Subsidiary (Note 2)
HERSHEY ENVIRONMENTAL TECH	Yongyao Energy	Taipei City	Manufacturing of battery, electronic components, power generation, power transmission, power distributing machine and electric materials selling/buying (energy technical services).	85,500	95,000	8,550,000	100.00%	91,465	4,547	4,547	Subsidiary (Note 1)
Great Victory Chemical	UPM	Taipei City	Manufacturing, rework and buying/selling hydrocarbon resin, polyester polyol, Melamine resin, resin clay, Urea resin, alkyd resin, acetate resin, butyric acid resin, and aromatics solvent oil.	8,472	8,472	436,800	0.49%	5,321	16,853	80	(Note 1) difference (3) thousand is the new/old shareholding ratio recognized under investment gain/loss before the change of subsidiary equity.
Great Victory Chemical	Yongshen Energy	Taipei City	Manufacturing of battery, electronic components, power generation, power transmission, power distributing machine and electric materials selling/buying (energy technical services).	3,100	3,100	310,000	50.00%	5,510	1,154	577	Subsidiary (Note 2)
Great Victory Chemical	FUSUGAR INDUSTRY	Taichung City	Petrochemical raw materials, synthetic resin, rubber and plastic, other chemical products manufacturing and wholesale, and sugar manufacturing.	94,287	89,287	9,428,700	5.89%	56,557	( 208,536 )	( 12,446 )	(Note 1) difference (163) thousand is the new/old shareholding ratio recognized under investment gain/loss before capital; increase by the subsidiary.

(Continued on Next Page)

(Continued from Previous Page)

Name of Investing Company	Name of the invested company	Location	Main Business Lines	Benign investment amount		Held end of year			Invested Company's gain (loss) this year	Investment gain (loss) recognized this year	Remarks
				End of this year	End of last year	Shares	Percentage (%)	Book Value			
Great Victory Chemical	Tecnica Cientifica De Guatemala S.A.	Guatemala	Pesticide trading.	\$ 9,043	\$ 9,043	2,360	73.75%	\$ 1,651	\$ -	\$ -	Subsidiary (Note 2)

Note 1: Invested companies calculated by the financial statements audited by peer accountant in the same period and by the shareholding percentage of the Company.

Note 2: Referring to the invested companies calculated without the financial statements audited by accountant it the same period and according to the shareholding ratio of the Company.

Note 3: For invested companies in mainland China, please refer to Table 7 for more information.

Formosan Union Chemical Corporation and Subsidiary  
Investments in Mainland China  
From January 1 to December 31, 2020 & 2019

Table 7

Unit: Unless otherwise stated, units are in NTD thousand

Name of Mainland Chines Company Invested	Main Business Lines	Paid-in Capital (Note 2)	Investment Method	Accumulated Inbound Investment Amount from Taiwan (Note 2)	Outbound/Inbound Investment Amount This Year		Accumulated Outbound Investment Amount from Taiwan at the end of the year (Note 2)	Current Year Gain (Loss) of Invested Company	Company's direct o indirect shareholdin g ratio of investment	Gain (Loss) Recognized This year	Book Value of Investment at the End of the Year	Investment returns Transferred back as of the end of the year	Remarks
					Outbound	Inbound							
Chang-Jia-Gang Enterprise Co.	Triolein and other product unloading, warehousing, storage and sales as well as other businesses.	\$ 698,330 ( 24,520 thousand USD)	Reinvestment in mainland China countries through third-area investment.	\$ 57,273 ( 2,011 thousand USD)	\$ -	\$ -	\$ 57,273 ( 2,011 thousand USD)	\$ 88,479 ( 20,663 thousand RMB)	10.86%	\$ -	\$ 94,826	\$ 114,069	Note 3
Chang Chun Group	Production, rework and selling own products in Nonyl Phenol, DINONYL PHENOL and Olefins bunker oil, providing and producing product-related technology and consulting services; wholesale, warehousing, commission-based agency (except for auction), import/export business of general chemical substances.	1,281,600 ( 45,000 thousand USD)	Direct investment in mainland China.	640,800 ( 22,500 thousand USD)	-	-	640,800 ( 22,500 thousand USD)	13,834	50.00%	6,917 (Note 1))	575,454	-	

Investment Amount Accumulated for Outbound to Mainland China at the end of the year.	Investment Amount Approved by Investment Commission, Ministry of Economic Affairs	Limited Investment Amount in Mainland China as Regulated by the Investment Commission, Ministry of Economic Affairs
\$ 698,073 ( 24,511 thousand USD )	\$ 733,388 ( 25,751 thousand USD )	\$ 4,307,068

Note 1: Calculation according to the financial statements audited by the accountant during the same period.

Note 2: Except for the investment gain/loss recognized this year is calculated by the average exchange rate between January 1 and December 31 of 2020, all are calculated by the spot exchange rate at the end of December, 2020.

Note 3: Chang-Jia-Gang Enterprise Co is invested by Kanghua Co., Ltd.; Kanghua Industrial Co., Ltd. is a financial asset at fair value through other comprehensive income, and therefore does not include the share and share of other comprehensive profits and loss of associates & joint ventures accounted for using equity method.

Formosan Union Chemical Corporation  
Major Shareholders  
December 31, 2020

Table 8

Name of Major Shareholders	Shares	
	Shares Holding (Shares)	Shareholding Ratio
HO TUNG CHEMICAL CORP	29,234,040	6.12%
Qidong Investment Co., Ltd.	28,314,750	5.93%
EVERSOFT CO., LTD.	28,239,145	5.91%

Note 1: The information on major shareholders of this table is calculated by shareholding companies having completed the ordinary shares and preferred stocks of 5% or more without physical registration (including treasury stocks) by Taiwan Depository & Clearing Corporation using the end of the quarter as the last business day. The Company's separate financial statements indicate the capital stock recorded and the actual completion stock registration, which preparation could differentiate due to different calculation base.

Note 2: If the shareholders entrust shares, such information will only be disclosed to the consignor's separate accounts that were opened by the consignees. Shareholders shall file insider equity for over 10% of shareholding according to Securities and Exchange Act, while other shareholding, including the shareholder and shares entrusted with the determining right of entrusted property. Please refer to Market Observation Post System for more information on filing for insider equity.



**VI. Financial difficulties encountered by the Company and/or its affiliates in the recent year and as of the publication date of the annual report, and its impact on the Company's financial status**  
**N/A**

## VII. Review and Analysis of Financial Status and Performance and Risk Management

### I. Analysis of Financial Status

#### (1) Analysis of Financial Status in the last two years

Unit : NT\$ thousands

Item \ Year	2020	2019	Discretion		Analysis Item
			Amount	%	
Current Asset	4,725,195	4,721,833	3,362	0.07	
Property, Plant and Equipment	4,419,613	4,630,139	(210,526)	(4.55)	
Other Assets	1,975,345	1,962,799	12,546	0.64	
Total Asset	11,120,153	11,314,771	(194,618)	(1.72)	
Current Liabilities	2,850,864	3,221,134	(370,270)	(11.50)	
Non-Current Liabilities	784,342	838,330	(53,988)	(6.44)	
Total Liabilities	3,635,206	4,059,464	(424,258)	(10.45)	
Capital Stock	4,770,163	4,770,163	0	0.00	
Capital Surplus	182,565	187,880	(5,315)	(2.83)	
Retained Earnings	2,082,397	1,771,450	310,947	17.55	
Total Equities	7,484,947	7,255,307	229,640	3.17	
Explanation of the reason, impact and future response plan of the increase or decrease ratio: None					

Analysis basis: The rate of increase or decrease is more than 20% and the amount of change is more than NT\$10 millions.

## II. Analysis of Financial Performance

### (1) Comparison and Analysis of Operating Results in the last two years

Unit : NT\$ thousand

Item \ Year	2020	2019	Amount Increase (decrease)	Ratio (%)	Analysis Item
Operating Revenue	8,481,829	8,797,162	(315,333)	(3.58)	
Operating cost	6,994,508	7,801,525	(807,017)	(10.34)	
Unrealized sales loss (profit)	2,822	1,154	1,668	144.54	
Realized operating margin	1,490,143	996,791	493,352	49.49	1
Operating expenses	781,300	692,883	88,417	12.76	
Operating Profit	708,843	303,908	404,935	133.24	1
Other income	67,508	46,070	21,438	46.53	2
Other benefits and losses	(49,462)	26,712	(76,174)	(285.17)	3
Share of profits and losses of affiliated companies and joint ventures using the equity method	13,867	(51,423)	65,290	(126.97)	4
Financial costs	27,313	27,565	(252)	(0.91)	
Net income before tax	713,443	297,702	415,741	139.65	1
Income tax expense	173,783	89,698	84,085	93.74	1
Net income (Losses)	539,660	208,004	331,656	159.45	1
Other comprehensive gains and losses	(21,372)	43,283	(64,655)	(149.38)	5
Total comprehensive income of the current period	518,288	251,287	267,001	106.25	1

#### Main reasons of material variations

1. Mainly the decline in product prices in 2020 was lower than the decline in raw material costs, resulting in increased profits
2. Dividend income and subsidy income both increased in 2020.
3. Mainly due to the increase in the disposal of real property, plant and equipment losses, and net foreign currency exchange losses in 2020.
4. The profit of the invested company increased in 2020.
5. Mainly due to the increase in unrealized appraisal losses of equity instrument investment measured at fair value through other comprehensive gains and losses in 2020.

Analysis basis: Analysis of variations exceeding 20% and amounting exceeding NT\$10 million

## (2) Estimated sales volume of the coming fiscal year and the basis of estimation

Unit: Metric ton

Year	Estimated Sales Volume	Basis for Estimation	Main Reasons of the Plateau
2020	248,306 (Total sales volume of all operation department)	The estimation is mainly based on previous annual sales and market demand estimates for FY2021	The economy has not yet recovered significantly

## (3) Analysis of changes in operating gross profit:

Unit : NT\$ thousand

Items	Changes between the Previous and Next Periods	Reasons for the Difference			
		Difference in Price	Difference in Cost	Difference in Sales Mix	Difference in Quantity
Gross Profit	493,352	(2,077,140)	2,754,088	(372,073)	188,477
Notes	<p>1.The difference in price is due to the decrease of prices of products in 2020 because of the decrease of crude oil prices, which led to an amount lower than one in 2019 and resulted in unfavorable differences in sales price.</p> <p>2.The difference in cost is due to the decrease of costs of raw materials in 2020 because of the decrease of crude oil prices, which resulted in favorable differences in the amounts of costs.</p> <p>3.The difference in sales mix and quantity is mainly due to the increase in the proportion of sales of products with lower gross profit in the current period, which resulted in unfavorable differences in sales mix and quantity.</p> <p>4.Overall, the decrease in product prices in 2020 was less than the one in raw material costs, which resulted in the favorable total difference for the current period.</p>				

## III. Analysis of Cash Flow

### (1)Cash Flow Analysis for the Current Year: Analysis of variations exceeding 20%

Item \ Year	December 31, 2020	December 31, 2019	Amount increase (decrease) %
Cash flow ratio %	50.64	28.99	74.68
Allowable cash flow ratio %	72.58	74.05	(1.99)
Cash reinvestment ratio %	9.53	5.61	69.88
<p>Analysis and explanation of the increase and decrease ratio:</p> <p>1. Cash flow ratio : It was mainly due to the increase in profits and the decrease in inventories in 2020, so the net cash inflow from operating activities increased.</p> <p>2. Cash reinvestment ratio: It was mainly due to the increase in profits and the decrease in inventories in 2020, so the net cash inflow from operating activities increased.</p>			

## (2) Cash Flow Analysis for the Coming Year:

Unit : NT\$ thousand

Balance of cash-beginning (1)	Net Cash Inflows from Operating Activities all year round (2)	Cash outflow over the year (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Remedy for Deficit in Cash	
				Investment Plan	Financing Plan
963,714	1,357,470	1,950,319	370,865	—	—
1. The analysis of cash flow variations this year: (1) Operating activities: It is estimated that the increase in profit in 2021 will result in cash inflow. (2) Investing activities: Mainly carry out equipment repairs and improvements. (3) Financing activities: Mainly for issuing cash dividends and repaying loans. 2. Improvement plan for inadequate currency: N/A					

## IV. The impact of major capital expenditures in the most recent fiscal year on financial operations: N/A

## V. Reinvestment policies in the most recent fiscal year, the main reasons for the gains or losses, and the plans for improvement and investment plan for next fiscal year

The following table presents the reinvested affiliates whose amounts of long-term investment exceed 5% of their paid-in capital in FY2020

Unit : NT\$ thousand

Notes Items	Amount	Policies	Main Reasons for Gains or Losses	Improvement	Future Investment Plans
Hershey Environmental Technology Co., Ltd.	510,211	Steady development towards a diversified business operation to create maximum profits.	Due to the increase in trade volume, the overall turnover and have profit increased.	In FY2021, the company will continue to develop high-value processed products, expand the export market for new products, and develop its own brand distribution channels.	1. R&D of technical materials for pesticides. 2. R&D of high-carbon alkyl benzene sulfonic acid. 3. Additionally establish an environmental rehabilitation research center to develop soil remediation agents.
United Performance Materials Corporation	603,812	Steady business operation, implement the Process Safety Management (PSM), enhance environmental safety and health policies, improve	Due to the outbreak of the COVID-19 pandemic in 2020, the markets of various industries shrank sharply, the global economic recession along with the fall in oil prices	Steady business operation, implement the Process Safety Management (PSM), enhance environmental safety and health policies, improve production efficiency, continue	Due to the outbreak of the COVID-19 pandemic in 2020, the markets of various industries shrank sharply, the global economic recession along with the fall in oil prices affected the

Notes Items	Amount	Policies	Main Reasons for Gains or Losses	Improvement	Future Investment Plans
		production efficiency, continue to develop new products, and enhance product features.	affected the resin market, and the revenue fell sharply. Even though the development of the pandemic was improved slightly in the second half of 2020, shipping costs were significantly increased due to port congestion and lack of containers. In addition, the appreciation of the currency NTD also generated significant exchange losses, and the overall environment was unfavorable for business operations.	to develop new products, and enhance product features.	resin market, and the revenue fell sharply. Even though the development of the pandemic was improved slightly in the second half of 2020, shipping costs were significantly increased due to port congestion and lack of containers. In addition, the appreciation of the currency NTD also generated significant exchange losses, and the overall environment was unfavorable for business operations.
Great Victory Chemical Industry Co., LTD	401,364	Quality first, innovative R&D, and continuous improvement of customer satisfaction.	The income from the new pesticide products has increased, so did the profit from reinvestment.	1. Adjust the sales product mix to accelerate the progress of registration of new products. 2. Increase the distribution and sales of fertilizer products to improve business performance.	1. Accelerate the development and registration of products in Southeast Asian countries. 2. Expand the export market.
Fusugar Industry Corp.	1,316,555	Product safety, and customer satisfaction.	Production costs were high and the market was overly competitive.	Increase equipment utilization and reduce production costs.	Development of special sugar products.

Note: As of the publication date of the annual report.

## VI. Analysis and Assessment of Risks

### (1) The impact of interest rates, changes in exchange rates, and inflation on the Company's gains and losses and future countermeasures:

#### a. Changes in interest rates:

- i. The short-term borrowings of the Company are mostly fixed-rate debts, and the current market funds are sufficient, and hence it is assessed that the cash flow risk of changes in interest rates is not significant.
- ii. The long-term borrowings of the Company are financial products with floating interest rates. Therefore, changes in market interest rates will cause the effective interest rates of debt financial products to change accordingly, which would cause fluctuation of future cash flows.

#### b. Changes in exchange rates:

The Company's purchases and sales are mainly denominated in U.S. dollars, and the

Company's foreign currency assets are greater than the positions of foreign currency liabilities, and the foreign currency collection period is slightly longer than the payment period. Therefore, it is expected that the fluctuation of market exchange rates would cause relatively significant market risk.

c. Inflation:

Due to the impact of global oil prices and fluctuation of prices of other related resources prices of recent years, the overall economic development has shown a trend of slight inflation. However, the transaction prices between the Company and customers and suppliers are mostly adjusted by the market mechanism and are less affected by inflation. In addition, the Company always focuses on economic development and timely adopt countermeasures. The product price would still cover the cost. Therefore, the Company has not been significantly affected by inflation so far.

**(2) Policies for engaging in high-risk, high-leverage investments, fund loans to other third parties, endorsements and guarantee, and derivatives transactions, the main reasons for gains or losses, and the future countermeasures:**

The Company does not engage in high-risk, high-leverage investments and derivatives transactions in the most recent years. The funds are loaned and the endorsement and guarantee are all provided to affiliates or reinvested companies of the Company, none of which has encountered financial difficulties that would damage the Company's creditor's rights or required the Company to cover the debts which such affiliate or reinvested company could not repay on its own.

**(3) Future plans and estimated expenses of R&D:**

Unit : NT\$ thousand

R&D Plans	Current Status	Required R&D Investment	Estimated Timing to Achieve Mass Production
R&D of high-value products	Pilot test to pesticide technical material production	5,000	The commercialization evaluation will be completed in 2022.
Research of DCPDC/C9 hydrogenated resin	Trial production of raw materials	5,000	The on-site trial production evaluation will be conducted in 2022.
Development of hydrogenated products	Lab testing	8,000	To be evaluated after obtaining the testing results

Factors of Influence: Source of raw materials, costs after mass production, and market acceptance.

**(4) The impact of changes of domestic and foreign policies and legal amendments on the Company's financial business operation and countermeasures: None.**

**(5) The impact of technological and industrial changes on the Company's financial business operation and countermeasures:**

With the advancement of information technology, the Company's various operations are gradually computerized, which is slightly helpful to improve efficiency and reduce operating costs.

**(6) The impact of changes of the corporate image on corporate crisis management and countermeasures:**

The Company has always been operating steadily and attaching importance to the corporate image. It has received ISO9001 and 14001 certifications and been recognized by financial institutions, which allows lower financing costs.

**(7) Expected benefits, potential risks, and countermeasures of mergers and acquisitions: N/A.**

- (8) **Expected benefits, potential risks, and countermeasures of expanding the plants:** N/A..
- (9) **Risks from the consolidation of purchase or sales and countermeasures:** Not applicable.
- (10) **The impact and risk of significant transferring of stocks by the directors, supervisors, or shareholders with a shareholding of more than 10% on the Company and countermeasures:** N/A.
- (11) **The impact, risks, and countermeasures for the changes in the management of the Company:** N/A.
- (12) **Litigation or non-litigious proceedings:** None.
- (13) **Other major risks and countermeasures:**

The impact of information system damage on the Company's business operation and countermeasures: In order to manage its business operations, production and sales, R&D, and accounting tasks, the Company have established a control mechanism and continuously updated the network and computer security protection system to protect the safety. In addition, for important system program data, an automatic data backup mechanism has been established to ensure that data loss can be minimized and can recover as soon as possible upon the occurrence of any particular conditions. Currently, additional hard disks and USBs are adopted for backup, and the backup media is delivered for off-site storage on a weekly basis to ensure the normal operation of important information systems and data preservation, which can reduce the risk of system disruption caused by sudden natural disasters and human error. The exercise of host recovery shall be performed at least once a year to verify whether the emergency response plan is effective and enforceable. The emergency response plan is expected to be continuously refined and updated to enhance the ability to ensure continuous business operations.

**VII. Other major matters: None.**

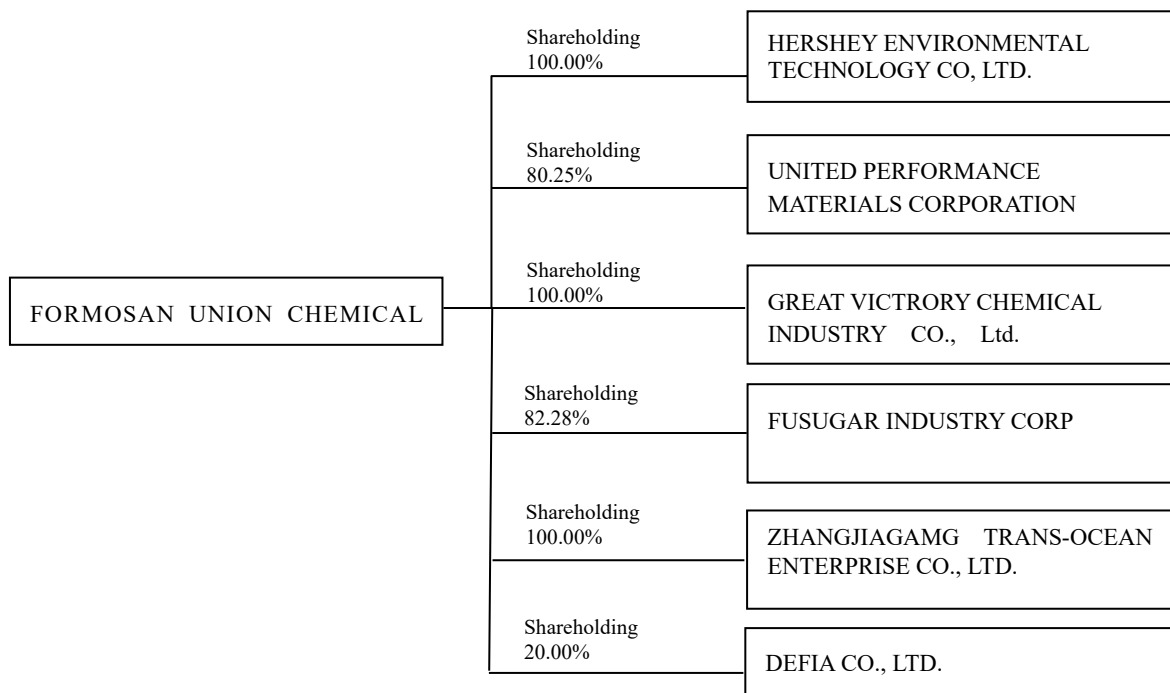


## VIII. Special Disclosure

### I. Affiliated Companies

#### (1) Affiliates Consolidated Business Report

##### i. Organizational chart of affiliations



##### ii. The basic information of affiliated companies

Unit : NT\$ thousand

Name of Company	Date of incorporation	Address	Paid-in capital	Main Business Items
Hershey Environmental Technology Co., Ltd.	August 13, 1993	14 <sup>th</sup> Floor, No. 206, Section 2, Nanjing East Road, Taipei City	500,000	1. Planning and design of petrochemical engineering, installation and trading of mechanical equipment, 2. Petrochemical raw materials and synthetic resin manufacturing, wholesale and retail 3. Chemical processing and fractionation business. 4. Manufacture of pesticide progenitor.
United Performance Materials Corporation	September 15, 1995	13 <sup>th</sup> ~5 Floor, No. 206, Section 2, Nanjing East Road, Taipei City	919,372	Manufacturing, processing and trading of petroleum resin and refined resin liquid.
Great Victory Chemical Industry Co., Ltd.	October 22, 1985	14 <sup>th</sup> ~1 Floor, No. 206, Section 2, Nanjing East Road, Taipei City	198,000	1. Manufacturing and import and export sales of pesticides. 2. Manufacturing and sales of fertilizers.

Name of Company	Date of incorporation	Address	Paid-in capital	Main Business Items
Fusugar Industry Corp.	April 01, 2011	No. 11, North 1st Road, Haibinli, Qingshui District, Taichung City	1,600,000	1. Sugar Manufacturing 2. Wholesale food 3. Petrochemical raw material manufacturing industry. 4. Synthetic resin and plastic manufacturing.
Tanques Del Pacific Co., SA	July 13, 2000	Guatemala	3,626	Warehouse lease
Defia Co., Ltd.	March 01, 2018	14 <sup>th</sup> ~3 Floor, No. 206, Section 2, Nanjing East Road, Taipei City	15,000	Food trading and baking.

iii. Shareholders concluded as the existence of the controlling and subordinate company relation : None.

iv. Industries covered by all the affiliates: Refer to the basic information of affiliated companies.

v. The profiles of Directors, Supervisors and Chairman of affiliates.

Unit: NT\$ thousand ; share; %

Name of Company	Job title	Name or Representative	Shareholding	
			Shares (Investment Amount)	Shares (Investment Amount)
Hershey Environmental Technology Co., Ltd.	Chairman	Formosan Union Chemical Corp. Representative / Chen, Qin-jun	50,000,000 0	100 0
	Director	Formosan Union Chemical Corp. Representative / Huang, Zhao-gui	50,000,000 0	100 0
	Director	Formosan Union Chemical Corp. Representative / Hong, Sheng-yang	50,000,000 0	100 0
	Supervisor	Formosan Union Chemical Corp. Representative / Hsu Li-hui	50,000,000 0	100 0
	General Manager	Hong, Sheng-yang (twofold)	0	0
United Performance Materials Corporation	Chairman	Formosan Union Chemical Corp. Representative / Liao, Jia-Guo	72,202,200 63,560	80.25 0.07
	Director	Formosan Union Chemical Corp. Representative / Lin Chun-cheng	72,202,200 0	80.25 0
	Director	Formosan Union Chemical Corp. Representative / Chen, Qin-jun	72,202,200 48,031	80.25 0.07
	Director	Chen, Xun	127,621	0.14
	Director	Cao, Zong-yi	0	0
	Director	Huang, De-Lun	173,627	0.19
	Supervisor	Huang, Zheng-cun	0	0
	General Manager	Liao, Jia-Guo(twofold)	63,560	0.07

Name of Company	Job title	Name or Representative	Shareholding	
			Shares (Investment Amount)	Shares (Investment Amount)
Great Victory Chemical Industry Co., Ltd.	Chairman	Formosan Union Chemical Corp. Representative / Chang, Yu-Hsu	19,800,000 0	100 0
	Director	Formosan Union Chemical Corp. Representative / Chang, Tsui-ling	19,800,000 0	100 0
	Director	Formosan Union Chemical Corp. Representative / Tseng, Yao-zheng	19,800,000 0	100 0
	Supervisor	Formosan Union Chemical Corp. Representative / Lee, Zhi-feng	19,800,000 0	100 0
	General Manager	Chang, Yu-Hsu (twofold))	0	0
Fusugar Industry Corp.	Chairman	Formosan Union Chemical Corp. Representative / Lin Chun-cheng	131,655,475 40,000	82.28 0.03
	Deputy Chairman	Formosan Union Chemical Corp. Representative / Chen, Qin-jun	131,655,475 300,000	82.28 0.19
	Director	Formosan Union Chemical Corp. Representative / Huang, Sheng-Cai	131,655,475 178,157	82.28 0.11
	Director	Formosan Union Chemical Corp. Representative / Lee, Ming-hsu	131,655,475 200,000	82.28 0.13
	Director	Formosan Union Chemical Corp. Representative / Liao, Jia-Guo	131,655,475 56,398	82.28 0.04
	Director	Formosan Union Chemical Corp. Representative / Lee, Zhi-feng	131,655,475 33,315	82.28 0.02
	Director	Formosan Union Chemical Corp. Representative / Ke, Yen-hui	131,655,475 0	82.28 0
	Director	Chuang, Zheng-yu	2,420,000	1.51
	Director	Chuang, Jie-an	1,420,000	0.89
	Supervisor	Tseng, Xiao-qian	0	0
Tanques Del Pacific Co., SA	Director	Du, Yue-lun	3,415	100
	Director	Lin Chun-cheng	3,415	100
	Director	Hong, Sheng-yang	3,415	100
Defia Co., Ltd.	Chairman	Lee, Zhi-feng	21,301	1.42
	Director	Lin, Fang-ru	42,602	2.84
	Director	Yang, Xiu-luan	21,301	1.42
	Supervisor	Lin, Hsin-rong	0	0

## vi. Overview of affiliates operation:

Unit: NT\$ thousand

Name of Company	Paid-in Capital	Total Assets	Total Liabilities	Net value	Operating Revenue	Operating Profit	Net Income	EPS (after Tax)
Hershey Environmental Technology Co., Ltd.	500,000	975,272	372,831	602,441	636,446	(1,903)	37,345	0.75
United Performance Materials Corporation	919,372	1,677,245	581,256	1,095,989	1,809,095	21,350	16,853	0.18
Great Victory Chemical Industry Co., Ltd.	198,000	990,982	94,251	896,731	466,520	49,027	58,869	2.97
Fusugar Industry Corp.	1,600,000	1,870,944	911,202	959,742	232,221	(159,969)	(208,536)	(1.30)
Tanques Del Pacific Co., SA	3,626	8,265	837	7,428	8,458	560	(4,184)	(4,648.89)

## (2) Consolidated financial statement of affiliates

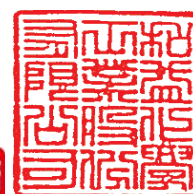
### DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2020 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standards No. 10, “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Hereby declare

FORMOSAN UNION CHEMICAL CORP.

Chairman : Huang, Sheng-Cai



March 19, 2021

## (3) Affiliate Report: N/A

**II. Private placement of securities over past year and up to the date of publication of the annual report: N/A**

**III. Status of company stock held or disposed of by subsidiaries over past year and up to the date of publication of the annual report:**

Unit: NT\$ thousand; share: %

Name of Company (Note 1)	Paid-in Capital	Funds Source	The company's shareholding ratio	Date of acquisition or punishment	Number and amount of shares acquired (Note 2)	Disposal of shares and amount (Note 2)	Investment gains and losses	Number and amount of shares held as of the publication date of the annual report (Note 3)	Setting the pledge situation	The company endorses the guarantee amount for the subsidiary (Note 4)	Amount of the company's loan to the subsidiary
Hershey Environmental Technology Co., Ltd.	500,000	private capital	100%	—	—	—	—	—	—	—	—
United Performance Materials Corporation	919,372	private capital	80.25%	—	—	—	—	—	—	—	—
Great Victory Chemical Industry Co., Ltd.	198,000	private capital	100%	—	—	—	—	—	—	—	—
Fusugar Industry Corp.	1,600,000	private capital	82.28%	—	—	—	—	—	—	313,046	40,000
Tanques Del Pacific Co., SA	3,626	private capital	100%	—	—	—	—	—	—	—	—

Note 1: Please list separately by subsidiary.

Note 2: The amount referred to the amount actually obtained or disposed of.

Note 3: The holding and disposal situation should be listed separately.

Note 4: Explain its impact on the company's financial performance and financial status.

**IV. Other Supplementary Information: None**

---

**IX. Material Event Impact, pursuant to Article 36-3-2 of the Securities and Exchange Act, on Shareholders' Equity or Share Price from Last Year up to the Annual Report being Published : N/A**

---



# FORMOSAN UNION CHEMICAL CORP.

Chairman: HUANG, SHENG-CAI



Registered address: 14F, No. 206, Sec 2, Nanking E. Road, Taipei City,  
Taiwan, R.O.C.

Tel.: (02)2507-1234

## Notice to readers

*This English version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.*