

# **Oriental Union Chemical Corporation**

**Financial Statements for the  
Years Ended December 31, 2020 and 2019 and  
Independent Auditors' Report**

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
Oriental Union Chemical Corporation

### Opinion

We have audited the accompanying financial statements of Oriental Union Chemical Corporation (the "Corporation"), which comprise the balance sheets as of December 31, 2020 and 2019, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

We conducted our 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 ("ROC"). 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 ROC, 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 financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions of the key audit matters of the financial statements for the year ended December 31, 2020 are as follow:

#### The Impairment Loss of Property, Plant and Equipment

The balances of property, plant and equipment amounted to \$5,563,410 thousand as of December 31, 2020. On each balance sheet date, the Corporation reviews its tangible assets for indications of impairment. If any indication thereof exists, the Corporation then estimates the recoverable amount of the assets. If it is not possible to determine the recoverable amount (fair value less cost to sell and value in use) for the individual asset, then the Corporation will determine the recoverable amount for the asset's cash-generating unit. Because the aforementioned tangible assets represent 25% of total assets and the calculation for recoverable amount involves several assumptions and estimations, which directly impact the amount recognized as impairment losses, we deem the review of impairment of assets a key audit matter.

Corresponding audit procedures:

1. We obtained an understanding of management's estimation of asset impairment and of the design and execution for relevant controls.
2. We evaluated the rationality of management's identification of impairment indicators and the appropriateness of the assumptions. Given that there are impairment indications, we performed:
  - a. Obtained the asset impairment valuation form produced by the management for each cash-generating unit.
  - b. Consulted Deloitte firm internal experts regarding the appropriateness of the assumptions, including the classification of cash-generating units, forecast of cash flows, and discount rate.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the ROC 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 in the ROC, 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 Corporation's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 the 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 entities or business activities within the 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 also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Hsin-Wei Tai and Yu-Wei Fan.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 18, 2021

Notice to Readers

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

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

# ORIENTAL UNION CHEMICAL CORPORATION

## BALANCE SHEETS DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 6 and 27)	\$ 656,128	3	\$ 1,402,390	6
Financial assets at fair value through profit or loss (Note 7)	-	-	76,537	-
Notes receivable, net (Note 10)	57,454	-	71,538	-
Trade receivables, net (Note 10)	673,003	3	553,365	2
Trade receivables from related parties (Notes 10 and 27)	93,673	-	93,376	1
Other receivables	1,826	-	7,170	-
Inventories (Note 11)	354,040	2	635,914	3
Prepayments for purchases	74,595	-	31,534	-
Other prepayments	16,304	-	17,475	-
Other current assets (Note 16)	184,009	1	26,432	-
Total current assets	2,111,032	9	2,915,731	12
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income (Notes 8 and 27)	3,900,242	17	4,170,780	17
Financial assets at amortized cost (Notes 9, 27 and 28)	64,383	-	56,043	-
Investments accounted for using the equity method (Notes 12 and 27)	6,876,754	30	7,839,221	32
Property, plant and equipment (Note 13)	5,563,410	25	5,420,700	22
Construction in progress (Note 13)	640,293	3	857,602	4
Right-of-use assets (Note 14)	14,973	-	23,803	-
Investment properties (Note 15)	1,991,488	9	1,991,571	8
Intangible assets	11,060	-	8,663	-
Deferred tax assets (Note 23)	462,545	2	425,757	2
Other non-current assets (Note 16)	1,076,495	5	837,571	3
Total non-current assets	20,601,643	91	21,631,711	88
<b>TOTAL</b>	<b>\$ 22,712,675</b>	<b>100</b>	<b>\$ 24,547,442</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Trade payables	\$ 545,940	2	\$ 659,234	3
Other payables (Notes 18 and 27)	272,164	1	260,830	1
Current tax liabilities (Note 23)	31,424	-	34,515	-
Lease liabilities (Note 14)	8,103	-	8,996	-
Current portion of long-term borrowings (Note 17)	-	-	600,000	2
Other current liabilities (Note 19)	95,072	1	159,638	1
Total current liabilities	952,703	4	1,723,213	7
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Notes 17 and 28)	8,659,389	38	8,339,607	34
Deferred tax liabilities (Note 23)	679,358	3	660,386	3
Lease liabilities (Note 14)	7,130	-	14,919	-
Net defined benefit liabilities (Note 20)	259,680	2	263,765	1
Guarantee deposits	26,355	-	21,547	-
Other non-current liabilities (Note 19)	24,091	-	-	-
Total non-current liabilities	9,656,003	43	9,300,224	38
Total liabilities	10,608,706	47	11,023,437	45
<b>EQUITY (Note 21)</b>				
Common stock	8,857,031	39	8,857,031	36
Capital surplus	956,286	4	825,222	3
Retained earnings				
Legal reserve	2,327,378	10	2,325,353	10
Special reserve	1,911,129	8	1,911,129	8
Unappropriated earnings (accumulated deficits)	(800,565)	(3)	541,859	2
Total retained earnings	3,437,942	15	4,778,341	20
Other equity				
Exchange differences on translating foreign operations	(472,288)	(2)	(556,135)	(2)
Unrealized loss on financial assets at fair value through other comprehensive income	(487,204)	(2)	(192,656)	(1)
Total other equity	(959,492)	(4)	(748,791)	(3)
Treasury stock	(187,798)	(1)	(187,798)	(1)
Total equity	12,103,969	53	13,524,005	55
<b>TOTAL</b>	<b>\$ 22,712,675</b>	<b>100</b>	<b>\$ 24,547,442</b>	<b>100</b>

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

# ORIENTAL UNION CHEMICAL CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except (Loss) Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales revenue (Note 27)	\$ 9,798,912	100	\$ 11,762,636	100
OPERATING COSTS				
Cost of goods sold (Notes 11 and 22)	<u>9,015,310</u>	<u>92</u>	<u>10,951,780</u>	<u>93</u>
GROSS PROFIT	<u>783,602</u>	<u>8</u>	<u>810,856</u>	<u>7</u>
OPERATING EXPENSES (Notes 22 and 27)				
Selling and marketing expenses	511,610	5	507,711	4
General and administrative expenses	114,277	1	90,420	1
Research and development expenses	149,965	2	161,393	2
Expected credit loss (gain) (Note 10)	<u>638</u>	<u>-</u>	<u>(1,769)</u>	<u>-</u>
Total operating expenses	<u>776,490</u>	<u>8</u>	<u>757,755</u>	<u>7</u>
PROFIT FROM OPERATIONS	<u>7,112</u>	<u>-</u>	<u>53,101</u>	<u>-</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	2,142	-	5,494	-
Rental income (Note 27)	39,683	-	39,670	-
Dividend income	49,990	1	49,089	1
Other income (Notes 22 and 27)	44,074	-	277,212	2
Gain on disposal of property, plant and equipment	995	-	-	-
Foreign currency exchange (loss) gain	(9,016)	-	4,128	-
Gain on financial assets at fair value through profit or loss	5,064	-	12,948	-
Other expenses (Note 22)	(30,112)	-	(43,528)	-
Interest expense (Note 22)	(78,580)	(1)	(69,274)	-
Share of loss of subsidiaries and associates accounted for using equity method (Note 12)	<u>(1,111,368)</u>	<u>(11)</u>	<u>(306,666)</u>	<u>(3)</u>
Total non-operating income and expenses	<u>(1,087,128)</u>	<u>(11)</u>	<u>(30,927)</u>	<u>-</u>
(LOSS) PROFIT BEFORE INCOME TAX	(1,080,016)	(11)	22,174	-
INCOME TAX BENEFIT (Note 23)	<u>(15,318)</u>	<u>-</u>	<u>(11,444)</u>	<u>-</u>
NET (LOSS) PROFIT FOR THE YEAR	<u>(1,064,698)</u>	<u>(11)</u>	<u>33,618</u>	<u>-</u>

(Continued)

# ORIENTAL UNION CHEMICAL CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except (Loss) Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
<b>OTHER COMPREHENSIVE (LOSS) INCOME</b>				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (12,488)	-	\$ (16,709)	-
Unrealized (loss) gain on investments in equity instruments designated as at fair value through other comprehensive income	(228,538)	(2)	231,491	2
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 23)	2,498	-	3,342	-
Share of the other comprehensive (loss) income of subsidiaries and associates accounted for using equity method	(66,010)	(1)	60,779	-
Items that may be reclassified subsequently to profit or loss:				
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	<u>83,847</u>	<u>1</u>	<u>(265,580)</u>	<u>(2)</u>
Other comprehensive (loss) income for the year, net of income tax	<u>(220,691)</u>	<u>(2)</u>	<u>13,323</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE (LOSS) PROFIT FOR THE YEAR</b>	<u>\$ (1,285,389)</u>	<u>(13)</u>	<u>\$ 46,941</u>	<u>-</u>
<b>(LOSS) EARNINGS PER SHARE (Note 24)</b>				
Basic	<u>\$ (1.22)</u>		<u>\$ 0.04</u>	
Diluted	<u>\$ (1.22)</u>		<u>\$ 0.04</u>	

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

(Concluded)



**ORIENTAL UNION CHEMICAL CORPORATION**

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)**

	Common Stock	Capital Surplus			Retained Earnings			Other Equity		Treasury Stock	Total Equity
		Paid-in Capital in Excess of Par Value	Treasury Stock	Other	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficits)	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		
BALANCE AT JANUARY 1, 2019	\$ 8,857,031	\$ 470,767	\$ 294,592	\$ -	\$ 2,150,280	\$ 1,911,129	\$ 2,246,662	\$ (290,555)	\$ (484,926)	\$ (187,798)	\$ 14,967,182
Legal reserve	-	-	-	-	175,073	-	(175,073)	-	-	-	-
Cash dividends	-	-	-	-	-	-	(1,549,981)	-	-	-	(1,549,981)
Net profit for the year ended December 31, 2019	-	-	-	-	-	-	33,618	-	-	-	33,618
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	(13,367)	(265,580)	292,270	-	13,323
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	-	20,251	(265,580)	292,270	-	46,941
Change in capital surplus from dividends distributed to subsidiary	-	-	24,069	-	-	-	-	-	-	-	24,069
Dividends unclaimed by stockholders	-	-	-	35,794	-	-	-	-	-	-	35,794
BALANCE AT DECEMBER 31, 2019	8,857,031	470,767	318,661	35,794	2,325,353	1,911,129	541,859	(556,135)	(192,656)	(187,798)	13,524,005
Legal reserve	-	-	-	-	2,025	-	(2,025)	-	-	-	-
Cash dividends	-	-	-	-	-	-	(265,711)	-	-	-	(265,711)
Net loss for the year ended December 31, 2020	-	-	-	-	-	-	(1,064,698)	-	-	-	(1,064,698)
Other comprehensive (loss) income for the year ended December 31, 2020	-	-	-	-	-	-	(9,990)	83,847	(294,548)	-	(220,691)
Total comprehensive (loss) income for the year ended December 31, 2020	-	-	-	-	-	-	(1,074,688)	83,847	(294,548)	-	(1,285,389)
Change in capital surplus from dividends distributed to subsidiary	-	-	4,126	-	-	-	-	-	-	-	4,126
Changes in percentage of ownership interests in subsidiaries	-	-	-	16,367	-	-	-	-	-	-	16,367
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	-	110,571	-	-	-	-	-	-	110,571
BALANCE AT DECEMBER 31, 2020	\$ 8,857,031	\$ 470,767	\$ 322,787	\$ 162,732	\$ 2,327,378	\$ 1,911,129	\$ (800,565)	\$ (472,288)	\$ (487,204)	\$ (187,798)	\$ 12,103,969

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

# ORIENTAL UNION CHEMICAL CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss) profit before income tax	\$ (1,080,016)	\$ 22,174
Adjustments:		
Depreciation expenses	531,066	530,779
Amortization expenses	9,781	10,625
Expected credit loss (gain)	638	(1,769)
Interest expense	78,580	69,274
Interest income	(2,142)	(5,494)
Gain on financial assets at fair value through profit or loss, net	(5,064)	(12,948)
Dividend income	(49,990)	(49,089)
Share of loss of subsidiaries and associates accounted for using equity method	1,111,368	306,666
(Gain) loss on disposal of property, plant and equipment	(995)	8,552
Reversal of write-downs of inventories	(7,897)	(13,828)
Unrealized loss (gain) on foreign currency exchange	9,016	(4,128)
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	81,601	-
Notes receivable	14,169	39,240
Trade receivables	(120,658)	253,886
Other receivables	5,427	(2,596)
Inventories	289,771	210,512
Prepayments	(41,890)	9,836
Other current assets	(157,577)	144,124
Trade payables	(113,294)	(141,600)
Other payables	(32,171)	(93,761)
Other current liabilities	(64,566)	33,303
Net defined benefit liabilities	(16,573)	(3,104)
Other non-current liabilities	24,091	-
Cash generated from operations	<u>462,675</u>	<u>1,310,654</u>
Interest received	2,059	6,271
Interest paid	(83,119)	(66,642)
Income tax paid	<u>(3,091)</u>	<u>(122,892)</u>
Net cash generated from operating activities	<u>378,524</u>	<u>1,127,391</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	-	(273,011)
Proceeds from the capital reduction of financial assets at fair value through other comprehensive income	42,000	-
(Payments for) proceeds from disposal of financial assets at amortized cost	(8,340)	20,925
Purchase of investments accounted for using equity method	-	(615,143)
Proceeds from disposal of property, plant and equipment	995	-
(Increase) decrease in other non-current assets	(245,311)	25,657

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# ORIENTAL UNION CHEMICAL CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
Increase in construction in progress	\$ (404,709)	\$ (291,241)
Dividends received	<u>49,990</u>	<u>49,089</u>
Net cash used in investing activities	<u>(565,375)</u>	<u>(1,083,724)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term borrowings	12,441,000	12,062,000
Repayments of long-term borrowings	(12,721,218)	(9,751,781)
Increase (decrease) in guarantee deposits	4,808	(6,923)
Repayment of the principal portion of lease liabilities	(9,274)	(10,522)
Dividends paid	<u>(265,711)</u>	<u>(1,549,981)</u>
Net cash (used in) generated from financing activities	<u>(550,395)</u>	<u>742,793</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(9,016)</u>	<u>4,128</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(746,262)	790,588
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,402,390</u>	<u>611,802</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 656,128</u>	<u>\$ 1,402,390</u>

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

(Concluded)

# ORIENTAL UNION CHEMICAL CORPORATION

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

Oriental Union Chemical Corporation (the “Corporation”) was incorporated in December 1975. It manufactures and markets ethylene glycols, ethylene oxide, gas oxygen, gas nitrogen, liquid nitrogen, liquid argon, monoethanolamine, ethylene carbonate, polyethylene glycol, polyoxyethylene lauryl ether and methoxy polyethylene glycols. Its stocks were listed on the Taiwan Stock Exchange (“TWSE”) on October 21, 1987.

The financial statements of the Corporation are presented in the Corporation’s functional currency, New Taiwan dollars.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Corporation’s board of directors on March 18, 2021.

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

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Corporation’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2021

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendment to IFRS 16 “Covid-19 - Related Rent Concessions”	June 1, 2020

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “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 determined by IASB
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 4)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 5)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 6)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 7)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 5: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 6: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 7: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

When preparing these parent Corporation only financial statements, the Corporation used the equity method to account for its investments in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent Corporation only financial statements to be the same with the amounts attributable to the owners of the Corporation in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent Corporation only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries and associates, the share of other comprehensive income of subsidiaries and associates and the related equity items, as appropriate, in these parent Corporation only financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and
- 3) Liabilities for which the Corporation does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

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

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

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

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting financial statements, the financial statements of the Corporation and its foreign operations (including subsidiaries and associates in other countries) that are prepared using functional currencies which are different from the currency of the Corporation are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

e. Inventories

Inventories consist of raw materials, work in progress and finished goods and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

f. Investments in subsidiaries and associates

1) Investments in subsidiaries

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

A subsidiary is an entity controlled by the Corporation.

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

Changes in the Corporation's ownership interest in a subsidiary that do not result in the Corporation losing control of the subsidiary are equity transactions. The Corporation recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Corporation's share of losses of a subsidiary exceeds its interest in that subsidiary, the Corporation continues recognizing its share of further losses.

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

The Corporation assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Corporation recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

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

Profits or losses resulting from downstream transactions are eliminated in full only in the parent Corporation's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent Corporation's financial statements only to the extent of interests in the subsidiaries that are not related to the Corporation.

## 2) Investments in associates

An associate is an entity over which the Corporation has significant influence and which is not a subsidiary. The Corporation uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate is initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the associate. The Corporation also recognizes the changes in the Corporation's share of the equity of associates.

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



When the Corporation's share of losses of an associate equals or exceeds its interest in that associate, the Corporation discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Corporation has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

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

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Corporation's financial statements only to the extent that interests in the associate are not related to the Corporation.

g. Property, plant and equipment

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

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

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

h. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

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

i. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

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

j. Impairment of property, plant and equipment, right-of-use asset and intangible assets

At the end of each reporting period, the Corporation reviews the carrying amounts of its property, plant and equipment, right-of-use asset and intangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 26.

ii. Financial assets at amortized cost

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

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

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

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

The Corporation recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

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

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Corporation considers the following situations as indication that a financial asset is in default (without taking into account any collateral held by the Corporation):

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. Financial asset is overdue unless the Corporation has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

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

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

## 2) Financial liabilities

### a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

### b) Derecognition of financial liabilities

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

## 1. Revenue recognition

### Revenue from the sale of goods and rendering of services

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

For contracts where the period between the date on which the Corporation transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Corporation does not adjust the promised amount of consideration for the effects of a significant financing component.

When another party is involved in providing goods or services to a customer, the Corporation recognizes revenue in the gross amount if it controls each specified good or service before that good or service is transferred to the customer (the Corporation is a principal); otherwise, the Corporation recognizes revenue in the net amount (the Corporation is an agent).

A specified good or service is a distinct good or service, the Corporation determines whether it is a principal or an agent for each specified good or service.

The Corporation is a principal if it meets any one of the following conditions:

- 1) The Corporation obtains control of a good or service from the other party before the Corporation transfers the good or service to a customer.
- 2) The Corporation has a right to a service to be performed by the other party, which gives the entity the ability to direct that party to provide the service to the customer on the entity's behalf.
- 3) The Corporation obtains control of a good or service from the other party that it then combines with other goods or services in providing the specified good or service to the customer.

Indicators that are used to determine whether the Corporation controls the specified good or service before it is transferred to the customer include, but are not limited to, the following:

- 1) The Corporation is primarily responsible for fulfilling the promise to provide the specified good or service.

- 2) The Corporation has inventory risk before and after the specified good or service has been transferred to a customer or after transfer of control to the customer.
- 3) The Corporation has discretion in establishing the price for the specified good or service.

m. Leases

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

1) The Corporation as lessor

Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

2) The Corporation as lessee

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

Right-of-use assets are initially measured at cost. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in future lease payments, the Corporation remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

n. Borrowing costs

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

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

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

o. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

p. Taxation

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

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

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

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

2) Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

### 3) Current and deferred taxes for the year

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

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

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

The Corporation considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

### **Key Sources of Estimation Uncertainty**

#### Impairment assessment of property, plant and equipment

In the process of assessing impairment, the Corporation relies on subjective judgment to determine whether the specific group of assets have indications of impairment, according to the usage of the assets and the business' characteristics. Alteration of estimates from any change in economic conditions or business strategy may lead to significant future impairment loss.



## 6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Cash on hand	\$ 110	\$ 110
Checking accounts and demand deposits	86,018	65,350
Cash equivalents		
Repurchase agreements collateralized by bonds	<u>570,000</u>	<u>1,336,930</u>
	<u>\$ 656,128</u>	<u>\$ 1,402,390</u>

The market rate intervals of cash in the bank at the end of the reporting period were as follows:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Bank balance	0.03%-0.05%	0.01%-0.33%
Repurchase agreements collateralized by bonds	0.23%	0.52%

## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Financial assets mandatorily classified as at FVTPL		
Domestic mutual funds	<u>\$ -</u>	<u>\$ 76,537</u>

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

### Investments in Equity Instruments at FVTOCI

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Non-current</u>		
Domestic investments		
Listed shares	\$ 1,038,031	\$ 1,104,867
Unlisted shares	<u>2,862,211</u>	<u>3,065,913</u>
	<u>\$ 3,900,242</u>	<u>\$ 4,170,780</u>

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

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Non-current</u>		
Pledged certificates of deposits	\$ <u>64,383</u>	\$ <u>56,043</u>

The ranges of interest rates for the pledged certificates of deposits were 0.01%-1.05% and 0.67%-1.4% per annum as of December 31, 2020 and 2019, respectively. The Corporation assesses there has not been a significant expected credit losses and an increase in credit risk since the original recognize.

Refer to Note 28 for information relating to financial assets at amortized cost as security.

## 10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Notes receivable</u>		
Notes receivable	\$ 57,801	\$ 71,970
Less: Allowance for impairment loss	<u>(347)</u>	<u>(432)</u>
	<u>\$ 57,454</u>	<u>\$ 71,538</u>
<u>Trade receivables</u>		
Trade receivables	\$ 771,303	\$ 650,645
Less: Allowance for impairment loss	<u>(4,627)</u>	<u>(3,904)</u>
	<u>\$ 766,676</u>	<u>\$ 646,741</u>

The Corporation applies for expected credit losses, which permits the use of lifetime expected loss provision for all notes receivable and trade receivables. The expected credit losses on notes receivable and trade receivables are estimated using a past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date.

The following table details the loss allowance of notes receivable and trade receivables.

### December 31, 2020

	<b>0 to 60 Days</b>	<b>61 to 90 Days</b>	<b>91 to 120 Days</b>	<b>121 to 150 Days</b>	<b>Total</b>
Carrying amount	\$ 810,476	\$ 16,848	\$ 1,712	\$ 68	\$ 829,104
Loss allowance (Lifetime ECLs)	<u>(347)</u>	<u>(2,847)</u>	<u>(1,712)</u>	<u>(68)</u>	<u>(4,974)</u>
Amortized cost	<u>\$ 810,129</u>	<u>\$ 14,001</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 824,130</u>

December 31, 2019

	<b>0 to 60 Days</b>	<b>61 to 90 Days</b>	<b>91 to 120 Days</b>	<b>121 to 150 Days</b>	<b>Total</b>
Carrying amount	\$ 707,403	\$ 14,821	\$ 297	\$ 94	\$ 722,615
Loss allowance (Lifetime ECLs)	<u>(432)</u>	<u>(3,513)</u>	<u>(297)</u>	<u>(94)</u>	<u>(4,336)</u>
Amortized cost	<u>\$ 706,971</u>	<u>\$ 11,308</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 718,279</u>

The above aging schedule was based on the number of days past due from the invoice date.

The movements of the loss allowance of notes receivable and trade receivables were as follows:

	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 4,336	\$ 6,105
Net remeasurement of loss allowance	<u>638</u>	<u>(1,769)</u>
Balance at December 31	<u>\$ 4,974</u>	<u>\$ 4,336</u>

## 11. INVENTORIES

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Finished goods	\$ 294,729	\$ 460,050
Work in progress	12,013	20,905
Raw materials	<u>47,298</u>	<u>154,959</u>
	<u>\$ 354,040</u>	<u>\$ 635,914</u>

The nature of the cost of goods sold is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Cost of inventories sold	\$ 9,023,207	\$ 10,965,608
Inventory reversals of write-downs	<u>(7,897)</u>	<u>(13,828)</u>
	<u>\$ 9,015,310</u>	<u>\$ 10,951,780</u>

The reversals of previous write-downs resulted from increased selling prices in certain markets.

## 12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

### a. Investments in Subsidiaries

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Pacific Petrochemical (Holding) Ltd. (PPL)	\$ 4,864,238	\$ 5,677,414
Tong Fu Investment Co., Ltd. (TFIC)	1,226,009	1,249,609
OUCG (Bermuda) Holding Ltd. (OUCG (Bermuda))	<u>786,507</u>	<u>912,198</u>
	<u>\$ 6,876,754</u>	<u>\$ 7,839,221</u>

Proportion of ownership and voting rights held by the Corporation were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
PPL	100%	100%
TFIC	100%	100%
OUCG (Bermuda)	100%	100%

Investments of subsidiaries were accounted for using the equity method; the share of profit or loss and other comprehensive income of those investments were calculated based on subsidiaries' financial statements which have been audited.

Refer to Note 28 for information relating to investment of TFIC pledged as loans security.

Refer to Tables 6 and 7 for information relating to the detailed information of subsidiaries, including percentage of ownership and main businesses.

## 13. PROPERTY, PLANT AND EQUIPMENT AND CONSTRUCTION IN PROGRESS

	<b>Land</b>	<b>Land Improvements</b>	<b>Buildings</b>	<b>Machinery and Equipment</b>	<b>Other Equipment</b>	<b>Construction in Progress and Equipment to Be Inspected</b>	<b>Total</b>
<b>Cost</b>							
Balance at January 1, 2019	\$ 1,591,461	\$ 320,689	\$ 606,575	\$ 14,980,200	\$ 644,745	\$ 804,568	\$ 18,948,238
Additions	-	-	-	-	-	249,160	249,160
Disposals	-	(1,768)	(27,400)	(195,466)	(2,440)	-	(227,074)
Reclassification	-	<u>36,747</u>	-	<u>134,098</u>	<u>21,505</u>	<u>(196,126)</u>	<u>(3,776)</u>
Balance at December 31, 2019	<u>\$ 1,591,461</u>	<u>\$ 355,668</u>	<u>\$ 579,175</u>	<u>\$ 14,918,832</u>	<u>\$ 663,810</u>	<u>\$ 857,602</u>	<u>\$ 18,966,548</u>
<b>Accumulated depreciation</b>							
Balance at January 1, 2019	\$ -	\$ 310,323	\$ 405,085	\$ 11,165,722	\$ 505,576	\$ -	\$ 12,386,706
Disposals	-	(1,768)	(21,060)	(193,254)	(2,440)	-	(218,522)
Depreciation expenses	-	<u>2,128</u>	<u>19,853</u>	<u>468,497</u>	<u>29,584</u>	-	<u>520,062</u>
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 310,683</u>	<u>\$ 403,878</u>	<u>\$ 11,440,965</u>	<u>\$ 532,720</u>	<u>\$ -</u>	<u>\$ 12,688,246</u>
Carrying amounts at December 31, 2019	<u>\$ 1,591,461</u>	<u>\$ 44,985</u>	<u>\$ 175,297</u>	<u>\$ 3,477,867</u>	<u>\$ 131,090</u>	<u>\$ 857,602</u>	<u>\$ 6,278,302</u>

(Continued)

	Land	Land Improvements	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Equipment to Be Inspected	Total
<u>Cost</u>							
Balance at January 1, 2020	\$ 1,591,461	\$ 355,668	\$ 579,175	\$ 14,918,832	\$ 663,810	\$ 857,602	\$ 18,966,548
Additions	-	-	-	-	-	452,753	452,753
Disposals	-	-	-	(21,623)	(4,180)	-	(25,803)
Reclassification	-	57,682	35,180	563,416	7,993	(670,062)	(5,791)
Balance at December 31, 2020	<u>\$ 1,591,461</u>	<u>\$ 413,350</u>	<u>\$ 614,355</u>	<u>\$ 15,460,625</u>	<u>\$ 667,623</u>	<u>\$ 640,293</u>	<u>\$ 19,387,707</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2020	\$ -	\$ 310,683	\$ 403,878	\$ 11,440,965	\$ 532,720	\$ -	\$ 12,688,246
Disposals	-	-	-	(21,623)	(4,180)	-	(25,803)
Depreciation expenses	-	5,554	19,710	467,157	29,140	-	521,561
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 316,237</u>	<u>\$ 423,588</u>	<u>\$ 11,886,499</u>	<u>\$ 557,680</u>	<u>\$ -</u>	<u>\$ 13,184,004</u>
Carrying amounts at December 31, 2020	<u>\$ 1,591,461</u>	<u>\$ 97,113</u>	<u>\$ 190,767</u>	<u>\$ 3,574,126</u>	<u>\$ 109,943</u>	<u>\$ 640,293</u>	<u>\$ 6,203,703</u>

(Concluded)

The above items of property, plant and equipment were depreciated on a straight-line basis over the estimated useful lives as follows:

Land improvements	15-25 years
Buildings	7-60 years
Machinery and equipment	2-20 years
Other equipment	3-20 years

#### 14. LEASE ARRANGEMENTS

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

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Carrying amounts</u>		
Land	\$ 553	\$ 1,572
Machinery and equipment	12,373	18,829
Transportation equipment	<u>2,047</u>	<u>3,402</u>
	<u>\$ 14,973</u>	<u>\$ 23,803</u>
<b><u>For the Year Ended December 31</u></b>		
	<b><u>2020</u></b>	<b><u>2019</u></b>
Additions to right-of-use assets	<u>\$ 1,357</u>	<u>\$ 1,832</u>
Depreciation charge for right-of-use assets		
Land	\$ 254	\$ 345
Machinery and equipment	6,456	6,456
Transportation equipment	<u>2,712</u>	<u>3,833</u>
	<u>\$ 9,422</u>	<u>\$ 10,634</u>

Except for depreciation recognized, the Corporation had no significant addition, disposal, and impairment of right-of-use assets for the years ended December 31, 2020 and 2019.

b. Lease liabilities

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Carrying amounts</u>		
Current	<u>\$ 8,103</u>	<u>\$ 8,996</u>
Non-current	<u>\$ 7,130</u>	<u>\$ 14,919</u>

Ranges of discount rates for lease liabilities were 0.79%-1.17% and 0.85%-1.17% per annum as of December 31, 2020 and 2019, respectively.

c. Other lease information

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

The Corporation as lessor

Operating leases relate to leasing the investment properties owned by the Corporation with lease terms between 1 and 10 years. According to the agreement, the lease can be terminated by either party by giving 2 to 3 months formal notice in writing to the other party.

## 15. INVESTMENT PROPERTIES

Cost

Balance at December 31, 2020 and 2019 \$ 2,023,323

	<b>Accumulated Depreciation</b>	<b>Accumulated Impairment</b>	<b>Total</b>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2019	\$ 25,156	\$ 6,513	\$ 31,669
Depreciation expenses	<u>83</u>	<u>-</u>	<u>83</u>
Balance at December 31, 2019	<u>\$ 25,239</u>	<u>\$ 6,513</u>	<u>\$ 31,752</u>
Balance at January 1, 2020	\$ 25,239	\$ 6,513	\$ 31,752
Depreciation expenses	<u>83</u>	<u>-</u>	<u>83</u>
Balance at December 31, 2020	<u>\$ 25,322</u>	<u>\$ 6,513</u>	<u>\$ 31,835</u>

The investment properties of land improvements held by the Corporation which are depreciated over their estimated useful lives of 16 years using the straight-line method.

The fair values of investment properties were \$3,317,798 thousand and \$3,229,402 thousand as of December 31, 2020 and 2019, respectively. The fair values were arrived at on the basis of a valuation carried out by independent qualified professional valuer, Mr. Chia-ho Tsai from Debenham Tie Leung Real Estate Appraiser Office.

## 16. OTHER ASSETS

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Other assets</u>		
Silver and catalysts	\$ 978,785	\$ 601,703
Materials	209,221	199,820
Input tax	25,800	6,437
Others	<u>46,698</u>	<u>56,043</u>
	<u>\$ 1,260,504</u>	<u>\$ 864,003</u>
Current	\$ 184,009	\$ 26,432
Non-current	<u>1,076,495</u>	<u>837,571</u>
	<u>\$ 1,260,504</u>	<u>\$ 864,003</u>

Other assets include silver and catalysts used in the production, parts and components for the maintenance of equipment and input tax.

## 17. BORROWINGS

### Long-term Borrowings

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Secured borrowings</u> (Note 28)		
Long-term commercial paper payables	<u>\$ -</u>	<u>\$ 129,885</u>
<u>Unsecured borrowings</u>		
Line of credit borrowings	7,360,000	8,310,000
Long-term commercial paper payables	<u>1,299,389</u>	<u>499,722</u>
	<u>8,659,389</u>	<u>8,809,722</u>
Less: Current portion of long-term borrowings	<u>-</u>	<u>600,000</u>
Long-term borrowing	<u>\$ 8,659,389</u>	<u>\$ 8,339,607</u>
Interest rate	0.35%-1.10%	0.60%-1.12%
Maturity date	December 2022	December 2021

## 18. OTHER PAYABLES

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Payables for purchase of equipment	\$ 80,652	\$ 32,608
Freight payables	45,558	44,074
Payables for salaries	18,931	34,164
Payables for annual leave	4,000	18,613
Payables for dividends	3,424	1,899
Payables for employees' compensation and remuneration of directors	1,694	7,151
Others	<u>117,905</u>	<u>122,321</u>
	<u>\$ 272,164</u>	<u>\$ 260,830</u>

## 19. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Contract liabilities	\$ 78,113	\$ 87,843
Provisions for repairs and maintenance	24,091	58,128
Others	<u>16,959</u>	<u>13,667</u>
	<u>\$ 119,163</u>	<u>\$ 159,638</u>
Current	\$ 95,072	\$ 159,638
Non-current	<u>24,091</u>	<u>-</u>
	<u>\$ 119,163</u>	<u>\$ 159,638</u>

Contract liabilities were receipts in advance.

## 20. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The Corporation adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

### b. Defined benefit plan

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



The amounts included in the balance sheets in respect of the Corporation's defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Present value of defined benefit obligation	\$ 322,582	\$ 382,672
Fair value of plan assets	<u>(62,902)</u>	<u>(118,907)</u>
Net defined benefit liabilities	<u>\$ 259,680</u>	<u>\$ 263,765</u>

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2019	\$ 385,505	\$ (135,345)	\$ 250,160
Service cost			
Current service cost	10,132	-	10,132
Net interest expense (income)	<u>4,337</u>	<u>(1,601)</u>	<u>2,736</u>
Recognized in profit or loss	<u>14,469</u>	<u>(1,601)</u>	<u>12,868</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(4,600)	(4,600)
Actuarial loss - changes in demographic assumptions	263	-	263
Actuarial loss - changes in financial assumptions	14,297	-	14,297
Actuarial loss - experience adjustments	<u>6,749</u>	<u>-</u>	<u>6,749</u>
Recognized in other comprehensive income (loss)	<u>21,309</u>	<u>(4,600)</u>	<u>16,709</u>
Contributions from the employer	-	(15,972)	(15,972)
Benefits paid	<u>(38,611)</u>	<u>38,611</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ 382,672</u>	<u>\$ (118,907)</u>	<u>\$ 263,765</u>
Balance at January 1, 2020	<u>\$ 382,672</u>	<u>\$ (118,907)</u>	<u>\$ 263,765</u>
Service cost			
Current service cost	9,291	-	9,291
Net interest expense (income)	<u>2,870</u>	<u>(941)</u>	<u>1,929</u>
Recognized in profit or loss	<u>12,161</u>	<u>(941)</u>	<u>11,220</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(4,297)	(4,297)
Actuarial loss - changes in financial assumptions	8,855	-	8,855
Actuarial loss - experience adjustments	<u>7,930</u>	<u>-</u>	<u>7,930</u>
Recognized in other comprehensive income (loss)	<u>16,785</u>	<u>(4,297)</u>	<u>12,488</u>
Contributions from the employer	-	(27,793)	(27,793)
Benefits paid	<u>(89,036)</u>	<u>89,036</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 322,582</u>	<u>\$ (62,902)</u>	<u>\$ 259,680</u>

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

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rate(s)	0.50%	0.75%
Expected rate(s) of long-term salary increase	2.00%	2.00%

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rate(s)		
0.25% increase	<u>\$ (8,855)</u>	<u>\$ (9,622)</u>
0.25% decrease	<u>\$ 9,203</u>	<u>\$ 10,000</u>
Expected rate(s) of long-term salary increase		
0.25% increase	<u>\$ 8,901</u>	<u>\$ 9,700</u>
0.25% decrease	<u>\$ (8,612)</u>	<u>\$ (9,384)</u>

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
The expected contributions to the plan for the next year	<u>\$ 10,816</u>	<u>\$ 13,133</u>
The average duration of the defined benefit obligation	11.8 years	11.1 years

## 21. EQUITY

### a. Common stock

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Number of stocks authorized (in thousands)	<u>1,000,000</u>	<u>1,000,000</u>
Stocks authorized	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>
Number of stocks issued and fully paid (in thousands)	<u>885,703</u>	<u>885,703</u>
Stocks issued	<u>\$ 8,857,031</u>	<u>\$ 8,857,031</u>

A total of 10,000 thousand stocks of the Corporation's stock were authorized to be reserved for the issuance of employee stock options.

### b. Capital surplus

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
May be used to offset a deficit, distributed as cash dividends, or transferred to capital stock (Note)		
Issuance of common stock	\$ 470,767	\$ 470,767
Changes in percentage of ownership interests in subsidiaries	16,367	-
Treasury stock transactions	4,662	4,662
Only be used to offset a deficit		
Treasury stock transactions - dividends distributed to subsidiary	318,125	313,999
Dividends unclaimed by stockholders	35,794	35,794
Changes in capital surplus from investments in associates accounted for using the equity method	<u>110,571</u>	<u>-</u>
	<u>\$ 956,286</u>	<u>\$ 825,222</u>

Note: Such capital surplus may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital stock (limited to a certain percentage of the Corporation's capital surplus and once a year)

### c. Retained earnings and dividends policy

Under the dividend policy as set forth in the Corporation's Articles of Incorporation ("Articles"), apart from paying all its income taxes in the case where there are profits at the end of the year, the Corporation shall make up for accumulated deficits in past years. Where there is still balance, 10% of the unappropriated earnings from the yearly net income coupled with other items that recognized in retained earning directly thereof shall be set aside by the Corporation as legal reserve. Subject to certain business conditions under which the Corporation may retain a portion, and distribute to the shareholders the remainder after deducting special reserve as required by law together with undistributed profits from previous years in proportion to the number of the shares held by each shareholders as shareholders' dividend. When there is a share capital increase, the distributed dividends of the year for the new shares shall be dealt with according to the resolution of the stockholders' meeting. For the policies on the distribution of employees' compensation and remuneration of directors before and after amendment, refer to Note 22 (d) "Employee benefits expense".

In accordance with the Articles, the dividend distribution takes into consideration the characteristics of industry that the Corporation operates in and the forthcoming capital requirement and tax policy that is influenced by the Corporation's products or services, and it should be settled for the purpose of maintaining stable dividends. For the purposes of improving the financial structure effectively, coping with reinvestment, expanding capacity or other significant capital expenditures in which capital is required, when distributing stockholders' dividend, the dividend payout ratio each fiscal year shall be no less than 50% of the final surplus which is the sum of after-tax profit of the fiscal year to offset previous loss, if any, and to appropriate legal reserve and special reserve as required by law; the amount of cash dividends shall not be less than 10% of the total dividends and bonuses to be distributed to stockholders in the fiscal year.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. The legal reserve may be used to offset deficits. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", shall be appropriated to or reversed from a special reserve by the Corporation. Any appropriated special reserve may be reversed to the extent that the net debit balance reverses, and thereafter it is distributed.

The appropriations of earnings for 2019 and 2018 were approved in the stockholders' meetings on June 16, 2020 and June 11, 2019, respectively. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Legal reserve	\$ 2,025	\$ 175,073		
Cash dividends	265,711	1,549,981	\$0.30	\$1.75

The deficit compensation for 2020 was proposed by the Corporation's board of directors on March 18, 2021.

The deficit compensation for 2020 was subject to the resolution of the stockholders' meeting on June 16, 2021.

d. Special reserves

On the first-time adoption of IFRSs, the Corporation appropriated to special reserve, the amounts that were the same as the unrealized revaluation increment, the fair value of investment properties at the date of transition as the deemed cost and the cumulative translation differences transferred to retained earnings, which were \$985,545 thousand, \$787,176 thousand and \$138,408 thousand, respectively.

e. Treasury stock

The Corporation's stocks held by its subsidiaries at the end of the reporting periods were as follows:

Name of Subsidiary	Number of Stocks Held (In Thousands of Stocks)	Carrying Amount	Market Price
<u>December 31, 2020</u>			
TFIC	13,754	<u>\$ 187,798</u>	<u>\$ 279,197</u>
<u>December 31, 2019</u>			
TFIC	13,754	<u>\$ 187,798</u>	<u>\$ 288,825</u>

Under the Securities and Exchange Act, the Corporation shall neither pledge treasury stocks nor exercise stockholders' rights on these stocks, such as rights to dividends and to vote. The subsidiaries holding treasury stock, however, retain stockholders' rights, except the rights to participate in any stock issuance for cash and to vote.

## 22. NET (LOSS) PROFIT

a. Other income

	<u>For the Year Ended December 31</u>	
	2020	2019
Settlement of insurance claims (Note 1)	\$ 5,040	\$ 252,575
Government grants (Note 2)	16,286	-
Others	<u>22,748</u>	<u>24,637</u>
	<u>\$ 44,074</u>	<u>\$ 277,212</u>

Note 1: The Corporation obtained insurance compensation for its business interruption caused by the fire damage in 2019.

Note 2: The Corporation obtained government grants pursuant to the Prevention, Relief and Revitalization Measures for Severe Pneumonia with Novel Pathogens.

b. Interest expense

	<u>For the Year Ended December 31</u>	
	2020	2019
Interest on bank loans	\$ 78,333	\$ 68,925
Interest on lease liabilities	216	318
Other interest expense	<u>31</u>	<u>31</u>
	<u>\$ 78,580</u>	<u>\$ 69,274</u>

Information about capitalized interest was as follows:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
Capitalized interest	\$ <u>1,013</u>	\$ <u>1,019</u>
Capitalization rate	0.34%-1.17%	0.49%-1.64%

c. Depreciation and amortization

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
Property, plant and equipment	\$ 521,561	\$ 520,062
Intangible assets (included other assets)	9,781	10,625
Right-of-use assets	9,422	10,634
Investment properties	<u>83</u>	<u>83</u>
	<u>\$ 540,847</u>	<u>\$ 541,404</u>
 An analysis of depreciation by function		
Operating costs	\$ 475,165	\$ 473,808
Operating expenses	55,818	56,888
Non-operating expenses and losses	<u>83</u>	<u>83</u>
	<u>\$ 531,066</u>	<u>\$ 530,779</u>
 An analysis of amortization by function		
Operating costs	\$ 8,111	\$ 8,476
Operating expenses	<u>1,670</u>	<u>2,149</u>
	<u>\$ 9,781</u>	<u>\$ 10,625</u>

d. Employee benefits expense

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
Salary expense	\$ 301,600	\$ 349,822
Insurance expense	30,659	33,874
Post-employment benefits (Note 20)		
Defined contribution plans	10,481	10,442
Defined benefit plans	11,220	12,868
Other employee benefits	<u>52,752</u>	<u>65,720</u>
Total employee benefits expense	<u>\$ 406,712</u>	<u>\$ 472,726</u>
 An analysis of employee benefits expense by function		
Operating costs	\$ 234,799	\$ 293,616
Operating expenses	<u>171,913</u>	<u>179,110</u>
	<u>\$ 406,712</u>	<u>\$ 472,726</u>

In compliance with the Articles, the Corporation accrued employees' compensation and remuneration of directors at the rates from 1% to 2% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. However, if the Corporation has accumulated any deficit, the profit should be set aside for offsetting the losses. The accrued employees' compensation and remuneration of directors was \$686 thousand for the year ended December 31, 2019. The Corporation did not accrue employees' compensation and remuneration of directors because of net loss before tax for the year ended December 31, 2020.

If there is a change in the amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

Information on the employees' compensation and remuneration of directors resolved by the Corporation's board of directors is available on the Market Observation Post System website of the TWSE.

## 23. INCOME TAXES

- a. Major components of income tax benefit recognized in profit or loss are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Current tax		
In respect of the current year	\$ -	\$ 41,127
Income tax on unappropriated earnings	-	15,980
Adjustments for prior periods	<u>-</u>	<u>(9,668)</u>
	<u>-</u>	<u>47,439</u>
Deferred tax		
In respect of the current year	<u>(15,318)</u>	<u>(58,883)</u>
Income tax benefit recognized in profit or loss	<u>\$ (15,318)</u>	<u>\$ (11,444)</u>

A reconciliation of accounting profit and income tax benefit is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
(Loss) profit before tax	<u>\$ (1,080,016)</u>	<u>\$ 22,174</u>
Income tax (benefit) expense calculated at the statutory rate	\$ (216,003)	\$ 4,435
Nondeductible expenses in determining taxable income	59	3,978
Tax-exempt income	(17,655)	(11,749)
Income tax on unappropriated earnings	-	15,980
Unrecognized deductible temporary differences	11,818	(14,420)
Unrecognized loss carryforwards	206,463	-
Adjustments for prior periods	<u>-</u>	<u>(9,668)</u>
Income tax benefit recognized in profit or loss	<u>\$ (15,318)</u>	<u>\$ (11,444)</u>

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. When calculating the tax on unappropriated earnings, the Corporation deducts only the amount of the unappropriated earnings that has been reinvested in capital expenditure.

In accordance with Rule No. 10904550440 issued by the Ministry of Finance of Taiwan (MOF), the Corporation used the losses incurred in the first quarter of 2020 to estimate losses for the first six months of 2020 and this amount is deducted from the Corporation's unappropriated earnings for 2018 for filing the additional tax. For the 2020 financial reporting purpose, the tax on unappropriated earnings for 2018 is measured based on the actual loss for 2020, and the current income tax payable is adjusted accordingly.

Because of net loss for the year ended December 31, 2020, there is no potential income tax consequence of the unappropriated earnings.

b. Income tax recognized in other comprehensive income

	<u>For the Year Ended December 31</u>	
	2020	2019
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement on defined benefit plans	\$ <u>2,498</u>	\$ <u>3,342</u>

c. Current tax liabilities

	<u>December 31</u>	
	2020	2019
Income tax payable	\$ <u>31,424</u>	\$ <u>34,515</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Recognition of loss on foreign investments using equity method	\$ 359,876	\$ (182,040)	\$ -	\$ 177,836
Defined benefit obligation	52,753	(3,315)	2,498	51,936
Loss carryforwards	-	232,773	-	232,773
Others	<u>13,128</u>	<u>(13,128)</u>	<u>-</u>	<u>-</u>
	<u>\$ 425,757</u>	<u>\$ 34,290</u>	<u>\$ 2,498</u>	<u>\$ 462,545</u>

(Continued)



	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
<u>Deferred tax liabilities</u>				
Land revaluation increment tax	\$ 341,231	\$ -	\$ -	\$ 341,231
Property, plant and equipment	296,392	18,972	-	315,364
Investment properties	14,814	-	-	14,814
Others	<u>7,949</u>	<u>-</u>	<u>-</u>	<u>7,949</u>
	<u>\$ 660,386</u>	<u>\$ 18,972</u>	<u>\$ -</u>	<u>\$ 679,358</u> (Concluded)

For the year ended December 31, 2019

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Recognition of loss on foreign investments using equity method	\$ 296,611	\$ 63,265	\$ -	\$ 359,876
Defined benefit obligation	50,032	(621)	3,342	52,753
Others	<u>-</u>	<u>13,128</u>	<u>-</u>	<u>13,128</u>
	<u>\$ 346,643</u>	<u>\$ 75,772</u>	<u>\$ 3,342</u>	<u>\$ 425,757</u>
<u>Deferred tax liabilities</u>				
Land revaluation increment tax	\$ 341,231	\$ -	\$ -	\$ 341,231
Property, plant and equipment	279,503	16,889	-	296,392
Investment properties	14,814	-	-	14,814
Others	<u>7,949</u>	<u>-</u>	<u>-</u>	<u>7,949</u>
	<u>\$ 643,497</u>	<u>\$ 16,889</u>	<u>\$ -</u>	<u>\$ 660,386</u>

e. Income tax assessments

The Corporation's tax returns through 2018 have been assessed by the tax authorities.

## 24. (LOSS) EARNINGS PER SHARE

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Basic (loss) earnings per share	<u>\$ (1.22)</u>	<u>\$ 0.04</u>
Diluted (loss) earnings per share	<u>\$ (1.22)</u>	<u>\$ 0.04</u>

The net (loss) profit and weighted average number of common stock outstanding in the computation of (loss) earnings per share were as follows:

### Net (Loss) Profit for the Year

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Net (loss) profit used in the computation of basic (loss) earnings per share	<u>\$ (1,064,698)</u>	<u>\$ 33,618</u>

Weighted average number of common stock outstanding (in thousand stocks):

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Weighted average number of common stock	885,703	885,703
Less: Reclassification of the Corporation's stocks held by subsidiaries	<u>(13,754)</u>	<u>(13,754)</u>
Weighted average number of common stock used in the computation of basic (loss) earnings per share	871,949	871,949
Effect of potentially dilutive ordinary shares:		
Employees' compensation or bonuses issued to employees	<u>-</u>	<u>284</u>
Weighted average number of ordinary shares used in the computation of diluted (loss) earnings per share	<u>871,949</u>	<u>872,233</u>

If the Corporation offered to settle compensation or bonuses paid to employees in cash or shares, the Corporation assumed the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 25. CAPITAL MANAGEMENT

The Corporation manages its capital to ensure that entities in the Corporation will be able to continue as going concerns while maximizing the return to stockholders through the optimization of the debt and equity balance. The capital structure of the Corporation consists of bank loans and equity of the Corporation.

Financial management department of the Corporation reviews the capital structure on a monthly basis. As part of this review, the financial management department considers whether there were exceptions between the current ratio, the debt ratio and the target ratio set by the financial management department.

## 26. FINANCIAL INSTRUMENTS

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

Management believes the carrying amounts of non-financial assets and financial liabilities recognized in the financial statements approximate their fair values or the fair values cannot be reliably measured.

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

- 1) Fair value hierarchy

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic listed shares	\$ 1,038,031	\$ -	\$ -	\$ 1,038,031
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>2,862,211</u>	<u>2,862,211</u>
	<u>\$ 1,038,031</u>	<u>\$ -</u>	<u>\$ 2,862,211</u>	<u>\$ 3,900,242</u>

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic mutual funds	<u>\$ 76,537</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,537</u>
Financial assets at FVTOCI				
Investments in equity instruments at FVTOCI				
Domestic listed shares	\$ 1,104,867	\$ -	\$ -	\$ 1,104,867
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>3,065,913</u>	<u>3,065,913</u>
	<u>\$ 1,104,867</u>	<u>\$ -</u>	<u>\$ 3,065,913</u>	<u>\$ 4,170,780</u>

There were no transfers between Levels 1 and 2 in 2020 and 2019.

- 2) Valuation techniques and assumptions applied for the purpose of measuring fair value

- a) The fair value of financial instruments traded in active markets is based on quoted market prices (including beneficiary certificates that went public).
- b) Valuation techniques and inputs applied for Level 3 fair value measurement: The significant and unobservable input parameter for unlisted investments use market-based approach mainly relates to liquidity discount rate. Market-based approach adopts the equity basis multiplier (P/B) of comparable listed companies, the fair price of the Company's stock is calculated after considering the liquidity discount parameter.

c. Categories of financial instruments

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Financial assets</u>		
Fair value through profit or loss (FVTPL)		
Mandatorily classified as at FVTPL	\$ -	\$ 76,537
Financial assets at amortized cost (Note 1)	1,546,467	2,183,882
Financial assets at FVTOCI		
Equity instruments	3,900,242	4,170,780
<u>Financial liabilities</u>		
Amortized cost (Note 2)	9,503,848	9,881,218

Note 1: The balances include financial assets at amortized cost, which comprise cash and cash equivalents, debt investments, notes receivable, trade receivables and other receivables.

Note 2: The balances include financial liabilities at amortized cost, which comprise trade payables, other payables, long-term loans (including current portion) and guarantee deposits.

d. Financial risk management objectives and policies

The Corporation's major financial instruments included equity and debt investments, trade receivables, trade payables and borrowings. The Corporation's Corporate Treasury function provides services to the business, monitors and manages the financial risks relating to the operations of the Corporation through internal risk evaluation. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

The Corporation's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

a) Foreign currency risk

The Corporation had foreign currency sales and purchases, which exposed the Corporation to foreign currency risk. To protect against reductions foreign assets in value and the volatility of future cash flows caused by changes in foreign exchange rates, the Corporation managed the risk by balancing positions of assets and liabilities denominated in foreign currencies.

The carrying amounts of the Corporation's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 31.

Sensitivity analysis

The Corporation was mainly exposed to the USD and RMB.

The following details the effects of a 5% increase or decrease in NTD (the functional currency) against the relevant foreign currencies. For a 5% strengthening/weakening of NTD against the relevant currency, the net (loss) profit would be increase/decrease of \$1,295 thousand and \$10,082 thousand for the years ended December 31, 2020 and 2019, respectively. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rate is 5%.

b) Interest rate risk

The Corporation was exposed to interest rate risk because of borrowing funds at both fixed and floating interest rates. The risk is managed by the Corporation by maintaining an appropriate mix of fixed and floating rate borrowings, ensuring the most cost-effective hedging strategies are applied.

The carrying amount of the Corporation's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Fair value interest rate risk		
Financial assets	\$ 634,383	\$ 1,392,973
Financial liabilities	6,375,233	4,863,915
Cash flow interest rate risk		
Financial assets	13,413	36,922
Financial liabilities	2,300,000	4,100,000

Sensitivity analysis

The sensitivity analyses below were determined based on the Corporation's exposure to interest rates at the end of the reporting period. A 50 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Corporation's net (loss) profit for the years ended December 31, 2020 and 2019 would have increased/decreased by \$11,433 thousand and decreased/increased by \$20,315 thousand, respectively, which was mainly attributable to the Corporation's exposure to interest rates on its cash flow by variable-rate bank loans.

c) Other price risk

The Corporation was exposed to equity price risk through its investments in listed equity securities and beneficiary certificates of open-end funds.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% higher/lower, pre-tax profit for the year ended December 31, 2019 would have increased/decreased by \$3,827 thousand, as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income (loss) for the years ended December 31, 2020 and 2019 would have increased/decreased by \$51,902 thousand and \$55,243 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

## 2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Corporation. As at the end of the reporting period, the Corporation's maximum exposure to credit risk which will cause a financial loss to the Corporation due to failure of counterparties to discharge an obligation and financial guarantees provided by the Corporation could arise from:

- a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- b) The amount of contingent liabilities in relation to financial guarantee issued by the Corporation.

The Corporation adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Corporation only transacts with entities that are rated good. The Corporation uses other publicly available financial information and its own trading records to rate its major customers. The Corporation's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the credit organization.

Trade receivables consisted of a large number of unrelated customers. Ongoing credit evaluation is performed on the financial condition of trade receivables.

Credit risk represents the potential impact to financial asset that the Corporation might encounter if counterparties or third parties breach the contracts. The Corporation evaluated credit risk exposure for contracts with positive carrying value. The Corporation evaluated the credit risk exposure as immaterial because all counterparties are reputable financial institutions and companies with credit ratings.

## 3) Liquidity risk

The Corporation manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Corporation's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Corporation relies on bank borrowings as a significant source of liquidity. As of December 31, 2020 and 2019, the Corporation had available unutilized bank loan facilities set out in (b) below.

- a) Liquidity and interest risk rate tables

The following table details the Corporation's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Corporation can be required to pay.

December 31, 2020

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>
Non-interest bearing liabilities	\$ -	\$ 545,940	\$ -	\$ -
Lease liabilities	903	1,394	5,929	7,172
Variable interest rate liabilities	-	-	-	2,335,551
Fixed interest rate liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,366,049</u>
	<u>\$ 903</u>	<u>\$ 547,334</u>	<u>\$ 5,929</u>	<u>\$ 8,708,772</u>

December 31, 2019

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>
Non-interest bearing liabilities	\$ -	\$ 659,234	\$ -	\$ -
Lease liabilities	1,054	1,782	6,373	15,092
Variable interest rate liabilities	3,658	606,487	19,563	3,520,762
Fixed interest rate liabilities	<u>1,446</u>	<u>1,736</u>	<u>-</u>	<u>4,840,000</u>
	<u>\$ 6,158</u>	<u>\$ 1,269,239</u>	<u>\$ 25,936</u>	<u>\$ 8,375,854</u>

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities were subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Financing facilities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Unsecured bank borrowing limit		
Amount used	\$ 9,124,000	\$ 10,142,000
Amount unused	<u>3,226,000</u>	<u>2,278,000</u>
	<u>\$ 12,350,000</u>	<u>\$ 12,420,000</u>
Secured bank borrowing limit		
Amount used	\$ -	\$ 130,000
Amount unused	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 130,000</u>

## 27. TRANSACTIONS WITH RELATED PARTIES

The prices and payment terms of these transactions were similar to those for third parties. Details of transactions between the Corporation and other related parties are disclosed below.

<u>Related Party Name</u>	<u>Related Party Category</u>
Far Eastern New Century Corp.	Investors with significant influence over the Corporation
Asia Cement Corp.	Others
Far Eastern Polytex (Vietnam) Ltd.	Others
Oriental Petrochemical (Taiwan) Co., Ltd. (OPTC)	Others
Fu-Ming Transport Corp.	Others
Fu-Da Transport Corp.	Others
Far Eastern International Bank (FEIB)	Others
Mr. Xu Yuanzhi Memorial Foundation	Others
Yuan Ze University	Others

### a. Sale of goods

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Investors with significant influence over the Corporation	\$ 950,973	\$ 1,068,220
Others	<u>28,734</u>	<u>46,901</u>
	<u>\$ 979,707</u>	<u>\$ 1,115,121</u>

### b. Purchase of goods

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Others	<u>\$ 222</u>	<u>\$ 52</u>

### c. Operating expenses

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Others		
Fu-Ming Transport Corp.	\$ 159,544	\$ 173,397
Others.	<u>1,599</u>	<u>-</u>
	<u>\$ 161,143</u>	<u>\$ 173,397</u>

### d. Other income

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Subsidiaries	\$ 4,171	\$ 6,874
Others	<u>1,599</u>	<u>-</u>
	<u>\$ 5,770</u>	<u>\$ 6,874</u>



e. Rental income

**For the Year Ended December 31**  
**2020**                      **2019**

Others		
Fu-Da Transport Corp.	\$	9,694
	<u>          </u>	<u>          </u>

f. Cash and cash equivalents

**December 31**  
**2020**                      **2019**

Others		
FEIB	\$	3,533
	<u>          </u>	<u>          </u>

g. Receivables from related parties

**December 31**  
**2020**                      **2019**

Investors with significant influence over the Corporation		
Far Eastern New Century Corp.	\$	86,553
Others	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2020 and 2019, no impairment loss was recognized for trade receivables from related parties.

h. Financial assets at amortized cost

**December 31**  
**2020**                      **2019**

Others		
FEIB	\$	63,917
	<u>          </u>	<u>          </u>

i. Other payables

**December 31**  
**2020**                      **2019**

Others		
Fu-Ming Transport Corp.	\$	29,188
	<u>          </u>	<u>          </u>

j. Acquisitions of financial assets

For the year ended December 31, 2020: None.

For the year ended December 31, 2019

	<b>Line Item</b>	<b>Number of Shares</b>	<b>Underlying Assets</b>	<b>Purchase Price</b>
Others			<u>Shares</u>	
OPTC	Financial assets at FVTOCI - non-current	27,301,120	Oriental Petrochemical (Taiwan) Co., Ltd.	<u>\$ 273,011</u>

k. Acquisitions of investment

For the year ended December 31, 2020: None.

For the year ended December 31, 2019

	<b>Line Item</b>	<b>Number of Shares</b>	<b>Underlying Assets</b>	<b>Purchase Price</b>
Subsidiary			<u>Shares</u>	
OUC (Bermuda)	Investments accounted for using the equity method	64,072	OUC (Bermuda)	<u>\$ 615,143</u>

l. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Short-term employee benefits	\$ 32,438	\$ 37,130
Post-employment benefits	<u>432</u>	<u>432</u>
	<u>\$ 32,870</u>	<u>\$ 37,562</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

**28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY**

The following assets had been pledged by bank, as guarantees for Suppliers and Customers:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Pledged deposits (financial assets at amortized cost)	<u>\$ 64,383</u>	<u>\$ 56,043</u>

As of December 31, 2020, the Corporation pledged 28,599 thousand stocks of the subsidiary TFIC as security.

## 29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Corporation as of December 31, 2020 and 2019 were as follows:

- a. As of December 31, 2020, unused letters of credit for purchases of raw materials amounted to \$229,335 thousand and purchase guarantees from banking institution amounted to \$235,000 thousand, respectively.
- b. Endorsements/guarantees provided to subsidiaries and associates

### The Corporation

TFIC \$ 1,450,000

- c. The Corporation has a long-term ethylene purchase agreement with Chinese Petroleum Corporation, Taiwan under which the Corporation is committed to purchase ethylene until December 31, 2020. The purchase price under the agreement is in U.S. dollars.
- d. The Corporation has a three-year agreement beginning from 2004, to sell ethylene glycols to major customers, namely, Far Eastern New Century Corporation, Tainan Spinning Co., Ltd., and Shinkong Synthetic Fibers Corporation. The agreement is automatically renewed for successive periods of three years unless otherwise terminated by either party with prior notice. The determined price under the agreement is in U.S. dollars.
- e. In May 2016, the Corporation signed a five-year ethylene carbonate designated production/sales agreement with Chi Mei Corporation (“CMC”). Also, the Corporation agreed to purchase from CMC any qualified ethylene glycol by-products which are produced during the manufacturing process. And the purchase price is determined by agreed upon bases. Both sides agreed that the Corporation could sell part of the output to a specific-purpose market.

## 30. OTHER ITEMS

The impact of COVID-19 pandemic and fluctuations of international crude oil price has resulted in a decrease of operating revenue in 2020. With the epidemic slowing and policy loosening, the Corporation expects that operation will gradually return to normal. Besides continuously assessing and overseeing the development of the epidemic, the Corporation applied for government grants and adjusted operating strategies for responding the impact. As of the reporting date, the Corporation considered there is no doubt on the Corporation’s ability to continue as a going concern, on the fund risk, and on the risk of impairment loss of assets.

### 31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Corporation entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2020

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 4,957	28.48 (USD:NTD)	\$ <u>141,175</u>
Non-monetary items			
Investments accounted for using the equity method			
RMB	1,294,611	4.36 (RMB:NTD)	\$ <u>5,650,745</u>
<u>Financial liabilities</u>			
Monetary items			
USD	2,736	28.48 (USD:NTD)	\$ 77,921
RMB	8,560	4.36 (RMB:NTD)	<u>37,363</u>
			<u>\$ 115,284</u>

December 31, 2019

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 3,095	29.98 (USD:NTD)	\$ 92,788
RMB	185	4.30 (RMB:NTD)	<u>795</u>
			<u>\$ 93,583</u>
Non-monetary items			
Investments accounted for using the equity method			
RMB	1,533,370	4.30 (RMB:NTD)	\$ <u>6,589,612</u>
<u>Financial liabilities</u>			
Monetary items			
USD	9,847	29.98 (USD:NTD)	\$ <u>295,213</u>

### 32. SEPARATELY DISCLOSED ITEMS

- a. Information about significant transactions:
  - 1) Financing provided to others. (Table 1)
  - 2) Endorsements/guarantees provided. (Table 2)
  - 3) Marketable securities held. (Table 3)
  - 4) Marketable securities acquired or disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital. (None)
  - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
  - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
  - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 4)
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)
  - 9) Trading in derivative instruments. (None)
- b. Information on investees. (Table 6)
- c. Information on investments in mainland China
  - 1) Information on any investee Corporation in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 7)
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses. (None)
- d. Information of major stockholders: List all stockholders with ownership of 5% or greater showing the name of the stockholders, the number of shares owned, and percentage of ownership of each stockholders. (Table 8)

## **32. SEGMENT INFORMATION**

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. Specifically, the Corporation's reportable segments under IFRS 8 "Operating Segments" were as follows:

- Ethylene glycols business
- Special chemicals business
- Gas business
- Investment and others

The revenue and operation results and departmental assets have been disclosed in the consolidated financial statements by the reportable segments, please refer to the consolidated financial statements for details.

**ORIENTAL UNION CHEMICAL CORPORATION**

**FINANCINGS PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Amount Limits	Note
													Item	Value			
1	FUPY	HXYZ	Other receivables - related parties loans	Yes	\$ 498,409	\$ 498,409	\$ 498,409	1.3%-4.61%	Necessary for short-term financing	\$ -	Operating capital	\$ -	Promissory notes	\$ -	40% of net worth of FUPY \$2,541,029	40% of net worth of FUPY \$2,541,029	-
2	TDIY	FUPY	Other receivables - related parties loans	Yes	349,186	- (Note 1)	-	3.6%	Necessary for short-term financing	-	Operating capital	-	Promissory notes	-	40% of net worth of TDIY \$747,866	40% of net worth of TDIY \$747,866	Note 2

Note 1: TDIY was dissolved on December 31, 2020, please refer to the consolidated financial statements Note 12 (a) Remark (2).

Note 2: It was calculated based on 40% of audited net worth of the lender on December 31, 2020.

## ORIENTAL UNION CHEMICAL CORPORATION

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)

No.	Endorser/ Guarantor	Endorsee/Guaranteed		Limits on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship (Note 1)											
0	The Corporation	TFIC	2	50% of net worth of the Corporation \$6,051,985	\$ 1,450,000	\$ 1,450,000	\$ 590,000	\$ -	11.98	100% of net worth of the Corporation \$12,103,969	Y	N	N	
		PPL	2	50% of net worth of the Corporation \$6,051,985	284,800	-	-	-	-	100% of net worth of the Corporation \$12,103,969	Y	N	N	
		OUCC (Bermuda)	2	50% of net worth of the Corporation \$6,051,985	284,800	-	-	-	-	100% of net worth of the Corporation \$12,103,969	Y	N	N	
		OPYC	3	50% of net worth of the Corporation \$6,051,985	1,139,200	-	-	-	-	100% of net worth of the Corporation \$12,103,969	Y	N	Y	Note 2
1	FUPY	HXYZ	6	50% of net worth of FUPY \$3,176,286	107,086	-	-	-	-	100% of net worth of FUPY \$6,352,572	N	N	Y	

Note 1: The relationships between the endorser/guarantor and the endorsee/guaranteed are listed below:

2. Represents the entity whose voting shares are exceed fifty percent (50%) owned directly or indirectly by the Corporation.
3. The company that owns directly or indirectly hold over fifty percent (50%) ownership of the Corporation.
6. Represents the entity is guaranteed by the percentage of ownership to the entity under the mutual investment.

Note 2: OPYC was dissolved on December 31, 2020, please refer to the consolidated financial statements Note 12 (a) Remark (2).



## ORIENTAL UNION CHEMICAL CORPORATION

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Note	
				Number of Stocks/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value		
The Corporation	Far Eastern Department Stores Ltd.	Same chairman	Financial assets at FVTOCI - non-current	14,378,228	\$ 345,077	1	\$ 345,077	Note 1	
	Far Eastern New Century Corp.	Same chairman	Same as above	6,888,446	199,421	-	199,421	Note 1	
	Asia Cement Corp.	Same chairman	Same as above	8,486,315	366,609	-	366,609	Note 1	
	Everest Textile Co., Ltd.	The chairman of Everest Textile Co., Ltd. is a director of the Corporation	Same as above	12,885,683	126,924	3	126,924	Note 1	
	Oriental Petrochemical (Taiwan) Co., Ltd.	The Corporation is one of its director	Same as above	309,334,376	2,548,915	14	2,548,915	Note 2	
	Grand Cathay Venture Capital Co., Ltd.	-	Same as above	26,666,667	264,800	17	264,800	Note 2	
	Eminent Venture Capital Corp.	-	Same as above	2,700,000	15,714	10	15,714	Note 2	
	Eminent II Venture Capital Corp.	-	Same as above	3,600,000	25,632	6	25,632	Note 2	
	Tai An Technologies Corp.	-	Same as above	499,998	7,150	5	7,150	Note 2	
	TFIC	Yuanta FTSE4Good TIP Taiwan ESG ETF	-	Financial assets at FVTPL - current	105,000	3,067	-	3,067	Note 1
UPC Technology Corp.		-	Same as above	150,000	2,880	-	2,880	Note 1	
Tainan Spinning Co., Ltd.		-	Same as above	270,000	4,050	-	4,050	Note 1	
Eternal Materials Co., Ltd.		-	Same as above	240,000	8,772	-	8,772	Note 1	
Ta Chen Stainless Pipe Co., Ltd.		-	Same as above	60,000	1,878	-	1,878	Note 1	
Turvo International Co., Ltd.		-	Same as above	30,000	2,511	-	2,511	Note 1	
Hon Hai Precision Industry Co., Ltd.		-	Same as above	72,000	6,624	-	6,624	Note 1	
Lelon Electronics Corp.		-	Same as above	90,000	5,742	-	5,742	Note 1	
Novatek Microelectronics Corp.		-	Same as above	6,000	2,214	-	2,214	Note 1	
Faraday Technology Corp.		-	Same as above	90,000	4,581	-	4,581	Note 1	
Win Semiconductors Corp.		-	Same as above	15,000	5,190	-	5,190	Note 1	
Advanced Ceramic X Corp.		-	Same as above	2,000	1,020	-	1,020	Note 1	
Chipbond Technology Corp.		-	Same as above	60,000	3,984	-	3,984	Note 1	
Taiwan Surface Mounting Technology Corp.		-	Same as above	12,000	1,548	-	1,548	Note 1	
Taiwan Hon Chuan Enterprise Co., Ltd.		-	Same as above	90,000	5,427	-	5,427	Note 1	
The Corporation		Treasury stock		Financial assets at FVTOCI - non-current	13,753,554	187,798	2	279,197	Note 1
Far Eastern International Commercial Bank ("FEIC")		The chairman of the Corporation is FEIC's director	Same as above	Same as above	30,195,438	327,620	1	327,620	Note 1
Everest Textile Co., Ltd.	The chairman of Everest Textile Co., Ltd. is the Corporation's parent corporation's director	Same as above	Same as above	11,712,847	115,372	2	115,372	Note 1	
Yue Ding Enterprise Corp.	Related party in substance	Same as above	Same as above	5,498,645	83,579	5	83,579	Note 2	
Ding Shen Investment Co., Ltd.	Related party in substance	Same as above	Same as above	40,328,640	382,719	18	382,719	Note 2	
Oriental Petrochemical (Taiwan) Co., Ltd.	The Corporation is one of its director	Same as above	Same as above	98,759,902	813,782	4	813,782	Note 2	

Note 1: The market value was calculated at closing price on December 31, 2020 provided by the TWSE.

Note 2: The net asset value was calculated based on the latest assessments.

**ORIENTAL UNION CHEMICAL CORPORATION**

**TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Corporation	Far Eastern New Century Corp.	Same chairman	Sale	\$ (950,973)	(5)	Same as those to unrelated parties	-	-	\$ 86,553	7	-
FUPY	Far Eastern Industries (Shanghai) Ltd.	Others	Sale	(169,459)	(1)	Same as those to unrelated parties	-	-	115,594	10	-

**ORIENTAL UNION CHEMICAL CORPORATION**

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

**DECEMBER 31, 2020**

**(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
FUPY	Far Eastern Industries (Shanghai) Ltd.	Others	Receivables \$ 115,594	2.93	\$ -	-	\$ 81,662	\$ -

## ORIENTAL UNION CHEMICAL CORPORATION

INFORMATION ON INVESTEEES  
 FOR THE YEAR ENDED DECEMBER 31, 2020  
 (In Thousands of New Taiwan Dollars or Foreign Currency)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2020			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2020	December 31, 2019	Stocks	%	Carrying Amount			
The Corporation	PPL	British Virgin Islands	Investment	US\$ 192,972	US\$ 192,972	148,356	100	\$ 4,864,238	\$ (980,180)	\$ (980,180)	Note
	TFIC	Taipei City, ROC	Enterprise and financial institution investments	\$ 1,110,000	\$ 1,110,000	149,694,275	100	1,226,009	42,410	38,284	
	OUCG (Bermuda)	British Bermuda Islands	Investment	US\$ 90,000	US\$ 90,000	103,580	100	786,507	(169,472)	(169,472)	

Note: The ending balance includes 28,599,328 stocks pledged to financial institutions.

## ORIENTAL UNION CHEMICAL CORPORATION

INFORMATION OF INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2020

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

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020	Note
					Outflow	Inflow							
OPSC	Manufacture and sale of purified terephthalic acid.	US\$ 241,310	Indirect	US\$ 92,886	US\$ -	US\$ -	US\$ 92,886	RMB (340,642)	39	\$ (563,814) (Note 2)	\$ 1,574,342	\$ -	
OPYC	Manufacturing and selling ethanolamine (EA) and alcohol ethoxylates (AEO).	US\$ 80,000	Indirect	US\$ 80,000	US\$ -	US\$ -	- (Note 4)	RMB (39,625)	- (Note 4)	(169,702) (Note 2)	- (Note 4)	-	
FUPY	Manufacturing and selling chemical products (ethylene glycol, diethylene glycol, triethylene glycol and ethylene oxide) and other specific chemical products.	US\$ 150,500	Indirect	US\$ 66,000	US\$ -	US\$ -	US\$ 179,500 (Note 4)	RMB (209,586)	56 (Note 4)	(436,642) (Note 2)	3,544,735 (Note 4)	-	Note 3
TDIY	Manufacturing and selling gas oxygen, gas nitrogen, liquid oxygen, liquid nitrogen and liquid argon and the warehousing management of ethylene.	US\$ 67,000	Indirect	US\$ 33,500	US\$ -	US\$ -	- (Note 4)	RMB 19,544	- (Note 4)	41,850 (Note 2)	- (Note 4)	-	
HXYZ	The production and sales of hot water (non-potable water) and steam; the erection and maintenance of heat-supply pipelines; the consultancy service in heat-supply technologies.	RMB 160,000	Indirect	-	-	-	-	RMB (38,442)	28	(82,153) (Note 2)	280,437	-	

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
US\$272,386	US\$281,636	(Note 1)

Note 1: The Corporation obtained certificate No. 10920426220 from Industrial Development Bureau, Ministry of Economic Affairs according to the "Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China", the accumulation of fund is not limited.

Note 2: Based on audited financial statements.

Note 3: Significant non-controlling interests.

Note 4: OPYC and TDIY was dissolved and merged into FUPY on December 31, 2020, please refer to the consolidated financial statements Note 12 (a) Remark (2).

**ORIENTAL UNION CHEMICAL CORPORATION****INFORMATION OF MAJOR STOCKHOLDERS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

Name of Major Stockholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Far Eastern New Century Corp.	81,217,005	9.16
Yuan Ding Investment Co., Ltd.	70,817,684	7.99
Asia Cement Corp.	63,766,522	7.19
Yuan Tong Investment Co., Ltd.	49,705,396	5.61

Note: The table discloses stockholding information of stockholders whose stockholding percentages are more than 5%. The Taiwan Depository & Clearing Corporation calculates the total number of common stocks (including treasury stocks) that have completed the dematerialized registration and delivery on the last business day of the quarter. The stocks reported in the financial statements and the actual number of stocks that have completed the dematerialized registration and delivery may be different due to the basis of calculation.

# ORIENTAL UNION CHEMICAL CORPORATION

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**ORIENTAL UNION CHEMICAL CORPORATION**

**STATEMENT OF CASH AND CASH EQUIVALENTS**

**DECEMBER 31, 2020**

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

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<b>Name</b>	<b>Maturity Date</b>	<b>Interest Rate (%)</b>	<b>Amount</b>
Bank balance			
Repurchase agreements collateralized by bonds	January 15, 2021	0.23	\$ 570,000
Checking accounts			72,605
Demand deposits (Note)			13,413
Petty cash			<u>110</u>
			<u>\$ 656,128</u>

Note: Including demand deposits of US\$101 thousand and the exchange rate was US\$1=NT\$28.48.



**ORIENTAL UNION CHEMICAL CORPORATION****STATEMENT OF NOTES AND TRADE ACCOUNTS RECEIVABLE****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

<b>Client Name</b>	<b>Notes Receivable</b>	<b>Trade Receivables</b>	<b>Total</b>
Related parties			
Far Eastern New Century Corp.	\$ -	\$ 86,553	\$ 86,553
Others (Note)	<u>-</u>	<u>7,120</u>	<u>7,120</u>
	<u>-</u>	<u>93,673</u>	<u>93,673</u>
Unrelated parties			
Sino-Japan Chemical Co., Ltd.	54,390	16,360	70,750
Chi Mei Corp.	-	77,829	77,829
Lealea Enterprise Co., Ltd.	-	44,393	44,393
Shinkong Synthetic Fibers Corp.	-	72,980	72,980
Tainan Spinning Co., Ltd.	-	72,197	72,197
Others (Note)	<u>3,411</u>	<u>393,871</u>	<u>397,282</u>
	<u>57,801</u>	<u>677,630</u>	<u>735,431</u>
Less: Allowance for impairment loss	<u>347</u>	<u>4,627</u>	<u>4,974</u>
	<u>\$ 57,454</u>	<u>\$ 766,676</u>	<u>\$ 824,130</u>

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

## ORIENTAL UNION CHEMICAL CORPORATION

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)

	Beginning Balance		Increase		Decrease		Adjustments on Equity Method Amount	Ending Balance			Net Assets Value
	Thousands Shares	Amount	Thousands Shares	Amount	Thousands Shares	Amount		Thousands Shares	Percentage of Ownership (%)	Amount	
PPL	148	\$ 5,677,414	-	\$ -	-	\$ -	\$ (813,176)	148	100	\$ 4,864,238	\$ 4,864,238
TFIC	146,659	1,249,609	3,035	-	-	-	(23,600)	149,694	100	1,226,009 (Note 2)	1,505,206
OUCG (Bermuda)	104	912,198	-	-	-	-	(125,691)	104	100	786,507	786,507
		<u>\$ 7,839,221</u>		<u>\$ -</u>		<u>\$ -</u>	<u>\$ (962,467)</u>			<u>\$ 6,876,754</u>	

Note 1: Adjustments on equity method amount include:

a) Share of loss of subsidiaries and associates, accounted for using equity method	\$ (1,111,368)
b) Exchange differences on translating the financial statements of foreign operations	83,847
c) Changes in the Corporation's share of the equity of associates and subsidiaries	60,928
d) Changes in capital surplus from dividends distributed to subsidiaries	<u>4,126</u>
	<u>\$ (962,467)</u>

Note 2: The ending balance includes \$28,599 stocks pledged to financial institutions.

## ORIENTAL UNION CHEMICAL CORPORATION

STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT  
 FOR THE YEAR ENDED DECEMBER 31, 2020  
 (In Thousands of New Taiwan Dollars)

Financial Instruments Name	Balance, January 1, 2020 (Note)		Additions in Investment		Decrease in Investment		Adjustments on Financial Instruments	Balance, December 31, 2020		Accumulated Impairment	Provide a Guarantee or Pledge
	Shares	Fair Value	Shares	Amount	Shares	Amount		Shares	Fair Value		
Asia Cement Corp.	8,486	\$ 406,919	-	\$ -	-	\$ -	\$ (40,310)	8,486	\$ 366,609	NA	None
Far Eastern Department Stores Ltd.	14,378	374,553	-	-	-	-	(29,476)	14,378	345,077	NA	None
Everest Textile Co., Ltd.	12,886	117,775	-	-	-	-	9,149	12,886	126,924	NA	None
Far Eastern New Century Corp.	6,888	205,620	-	-	-	-	(6,199)	6,888	199,421	NA	None
Oriental Petrochemical (Taiwan) Co., Ltd.	309,334	2,743,796	-	-	-	-	(194,881)	309,334	2,548,915	NA	None
Grand Cathay Venture Capital Co., Ltd.	26,667	230,667	-	-	-	-	34,133	26,667	264,800	NA	None
Eminent Venture Capital Corp.	4,500	31,095	-	-	1,800	18,000	2,619	2,700	15,714	NA	None
Eminent II Venture Capital Corp.	6,000	52,980	-	-	2,400	24,000	(3,348)	3,600	25,632	NA	None
Tai An Technologies Corp.	250	<u>7,375</u>	250	-	-	-	<u>(225)</u>	500	<u>7,150</u>	NA	None
		<u>\$ 4,170,780</u>		<u>\$ -</u>		<u>\$ 42,000</u>	<u>\$ (228,538)</u>		<u>\$ 3,900,242</u>		

**ORIENTAL UNION CHEMICAL CORPORATION**

**STATEMENT OF TRADE PAYABLES**

**DECEMBER 31, 2020**

**(In Thousands of New Taiwan Dollars)**

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<b>Vendor Name</b>	<b>Amount</b>
CPC Corp., Taiwan	\$ 256,697
Taiwan Power Company	85,310
Mitsui & Co., Ltd.	76,101
Others (Note)	<u>127,832</u>
	<u>\$ 545,940</u>

Note: Each of the suppliers was less than 5% of the total account balance.

**ORIENTAL UNION CHEMICAL CORPORATION****STATEMENT OF OPERATING REVENUES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Quantity (Ton)</b>	<b>Amount</b>
Ethylene oxide and ethylene glycol products	352,092	\$ 4,963,108
Special chemicals products	134,902	3,682,298
Gas products	447,922	<u>1,153,506</u>
		<u>\$ 9,798,912</u>

**ORIENTAL UNION CHEMICAL CORPORATION****STATEMENT OF OPERATING COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Raw materials, beginning of year	\$ 154,959
Add: Raw material purchased	7,084,420
Catalysts roll-in	168,315
Less: Raw materials, end of year	47,298
Others	<u>2,139</u>
Direct raw material used	7,358,257
Direct labor	65,199
Manufacturing expenses	<u>985,844</u>
Manufacturing cost	8,409,300
Work in process, beginning of year	20,905
Add: Work in process purchased	32,903
Less: Work in process, end of year	<u>12,013</u>
Cost of finished goods	8,451,095
Finished goods, beginning of year	460,050
Add: Finished goods purchased	410,598
Others	1,974
Less: Finished goods, end of year	294,729
Others	<u>13,678</u>
Operating costs	<u>\$ 9,015,310</u>

**ORIENTAL UNION CHEMICAL CORPORATION****STATEMENT OF OPERATING EXPENSES****FOR THE YEAR ENDED DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

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	<b>Selling and Marketing Expenses</b>	<b>General and Administrative Expenses</b>	<b>Research and Development Expenses</b>	<b>Expected Credit Loss</b>	<b>Total</b>
Salaries	\$ 34,485	\$ 43,437	\$ 60,193	\$ -	\$ 138,115
Freight	240,029	-	-	-	240,029
Export sales expenses	111,876	-	-	-	111,876
Repair and maintenance expense	39,635	5,533	11,077	-	56,245
Depreciation expenses	29,368	2,075	24,375	-	55,818
Others (Note)	<u>56,217</u>	<u>63,232</u>	<u>54,320</u>	<u>638</u>	<u>174,407</u>
	<u>\$ 511,610</u>	<u>\$ 114,277</u>	<u>\$ 149,965</u>	<u>\$ 638</u>	<u>\$ 776,490</u>

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

## ORIENTAL UNION CHEMICAL CORPORATION

STATEMENT OF EMPLOYEE BENEFIT, DEPRECIATION AND AMORTIZATION BY FUNCTION  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)

	2020				2019			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Expenses	Total
Labor cost								
Salary expenses	\$ 163,485	\$ 136,683	\$ -	\$ 300,168	\$ 209,031	\$ 139,130	\$ -	\$ 348,161
Insurance expenses	18,786	11,873	-	30,659	21,481	12,393	-	33,874
Pension	11,619	10,082	-	21,701	13,219	10,091	-	23,310
Board compensation	-	1,432	-	1,432	-	1,661	-	1,661
Others	40,909	11,843	-	52,752	49,885	15,835	-	65,720
	<u>\$ 234,799</u>	<u>\$ 171,913</u>	<u>\$ -</u>	<u>\$ 406,712</u>	<u>\$ 293,616</u>	<u>\$ 179,110</u>	<u>\$ -</u>	<u>\$ 472,726</u>
Depreciation expenses	<u>\$ 475,165</u>	<u>\$ 55,818</u>	<u>\$ 83</u>	<u>\$ 531,066</u>	<u>\$ 473,808</u>	<u>\$ 56,888</u>	<u>\$ 83</u>	<u>\$ 530,779</u>
Amortization expenses	<u>\$ 8,111</u>	<u>\$ 1,670</u>	<u>\$ -</u>	<u>\$ 9,781</u>	<u>\$ 8,476</u>	<u>\$ 2,149</u>	<u>\$ -</u>	<u>\$ 10,625</u>

Note 1: For the years ended December 31, 2020 and 2019, the average numbers of the Corporation's employees were 352 and 376, respectively, and the numbers of directors who were not employees were both 8.

Note 2: For the years ended December 31, 2020 and 2019, the average labor cost were \$1,178 thousands and \$1,280 thousands.

Note 3: For the years ended December 31, 2020 and 2019, the average salary expenses were \$873 thousands and \$946 thousands.

Note 4: Average Adjustment of salary expenses were (8%).

Note 5: Pursuant to Rule No. 10200531121 issued by the FSC, the Corporation established the Audit Committee to replace Supervisors.

Note 6: Pursuant to the Corporation Law and the Article 33 of Articles of Incorporation, when there is profit at the end of the year, the Corporation shall distribute 1%-2% of the profit as remuneration for employees and no more than 1% as remuneration for Directors. However, should there be any accumulated loss, the loss should be offset in advance. profit as remuneration for employees and no more than 1% as remuneration for Directors. However, should there be any accumulated loss, the loss should be offset in advance. The remuneration for employee can be of stock or cash. Its actual proportion, amount, form or number of stock shall be resolved at the Board of Directors' Meeting, with consent of over half of the least two third of total Directors attendant, prior to the Shareholders' Meeting. Same shall be applied to the Directors remuneration. The remainder to be distributed may be in accordance with the actual operation status of the Corporation as well as with references from the associates and past experiences. The remuneration distributed will be subject to the changes in allocation measure, structure and system in view of actual operation status, and to the adjustment according to reenactment of relevant statute mainly according to factors such as job accountability, overall environment, operating risk and market standard.

The remuneration for the Directors will be set pursuant to the "Procedures for the Board Performance Evaluation", in view of the overall operation performance, future management risks and development of the Corporation, as well as individual performance achievement and contribution to the Corporation, then submitted to the Remuneration Committee for the relevant performance assessment and justness evaluation prior to the Board Meeting for approval. The remuneration system shall be reviewed at any time in accordance with the status quo of operation and the relevant statute.