Chung Hwa Pulp Corporation and Subsidiaries

Consolidated Financial Statements for the Nine Months Ended September 30, 2019 and 2018 and Independent Auditors' Review Report

Deloitte.

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INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Chung Hwa Pulp Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of Chung Hwa Pulp Corporation and its subsidiaries (collectively, the "Group") as of September 30, 2019 and 2018, the related consolidated statements of comprehensive income for the three months ended September 30, 2019 and 2018 and for the nine months ended September 30, 2019 and 2018, the consolidated statements of changes in equity and cash flows for the nine months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As disclosed in Note 14 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of September 30, 2019 and 2018, combined total assets of these subsidiaries were NT$4,531,139 thousand and NT$4,095,301 thousand, respectively, representing 14% and 13%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were NT$535,890 thousand and NT$516,434 thousand, respectively, representing 4% and 4%, respectively, of the consolidated total liabilities. For the three months ended September 30, 2019 and 2018 and for the nine months ended September 30, 2019 and 2018, the amounts of combined comprehensive income of these subsidiaries were NT$12,758 thousand, NT$3,240 thousand, NT$26,326 thousand and NT$29,996 thousand, respectively, representing (3%), 12%, 41% and 6%, respectively, of the consolidated total comprehensive income. In addition, as disclosed in Note 15 to the consolidated financial statements, as of September 30, 2019 and 2018, investments accounted for using the equity method of the Group were NT$367,112 thousand and NT$471,422 thousand, respectively; for the three months ended September 30, 2019 and 2018 and for the nine months ended September 30, 2019 and 2018, shares of comprehensive income (loss) recognized were a gain of NT$363 thousand, a loss of NT$6,997 thousand, a loss of NT60,464 thousand, and a gain of NT$831 thousand, respectively; as well as the related information of investments disclosed in Note 31 to the consolidated financial statements which were based on the investees' unreviewed financial statements for the same reporting periods.

Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries and other investees as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2019 and 2018, its consolidated financial performance for the three months ended September 30, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Emphasis of Matter

As disclosed in Notes 14 and 25 to the consolidated financial statements, Guangdong Dingfung Pulp & Paper Co., Ltd. acquired 100% equity of Shenzhen Jinglun Paper Co., Ltd. from fellow subsidiaries of YFY Group in the fourth quarter of 2018, and CHP International (BVI) Corporation acquired 100% equity of Syntax Communication (H.K.) Limited from fellow subsidiaries of YFY Group in the first quarter of 2019. In compliance with the "Comments on IFRS" and Interpretation 2012-301 issued by the Accounting Research and Development Foundation, the acquisitions resulted in joint control restructuring. In the preparation of comparative consolidated financial statements, the acquisitions are disclosed as if they have occurred before January 1, 2018, and the Group's consolidated financial statements for the previous year are restated. Therefore, our review result is not modified in respect of this matter.

The engagement partners on the reviews resulting in this independent auditors' review report are Shu-Wan Lin and Shiow-Ming Shue.

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 13, 2019

Notice to Readers

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

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

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	September 30, 2019 (Reviewed)		December 31, 2018 (Audited after Restatement)		September 30, 2018 (Reviewed after Restatement)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	$ 597,197	2	$ 565,494	2	$ 687,192	2
Financial assets at fair value through profit or loss (Note 7)	6,043	-	7,515	-	10,583	-
Financial assets at fair value through other comprehensive income - current (Note 8)	1,236,672	4	1,052,704	3	1,139,578	4
Financial assets for hedging - current (Note 9)	-	-	50	-	722	-
Financial assets at amortized cost - current (Note 10)	5,900	-	5,900	-	4,800	-
Notes and accounts receivable (Note 11)	2,787,922	9	2,683,910	9	2,804,656	9
Notes and accounts receivable from related parties (Note 28)	460,162	2	775,443	3	783,387	2
Other receivables from related parties (Note 28)	764,829	2	769,379	2	816,508	3
Inventories (Note 12)	4,242,475	13	4,196,216	13	3,598,846	12
Biological assets (Note 13)	3,303,546	10	3,317,475	11	3,278,450	10
Other current assets	484,355	2	403,902	1	573,448	2
Total current assets	13,889,101	44	13,777,988	44	13,698,170	44
NON-CURRENT ASSETS						
Financial assets at fair value through profit or loss - non-current (Note 7)	175,994	-	171,035	1	175,994	1
Financial assets at fair value through other comprehensive income - non-current (Note 8)	571,586	2	560,484	2	614,271	2
Financial assets at amortized cost - non-current (Note 10)	224,429	1	5,000	-	5,000	-
Investments accounted for using the equity method (Note 15)	775,293	2	863,675	3	865,523	3
Property, plant and equipment (Note 16)	14,585,193	46	14,565,801	46	14,396,221	46
Right-of-use assets (Notes 4 and 17)	503,895	2	-	-	-	-
Investment properties (Note 18)	257,211	1	257,411	1	257,478	1
Deferred tax assets	76,332	-	76,976	-	91,801	-
Prepayments for equipment	521,688	2	534,411	2	366,547	1
Long-term prepayments for lease	-	-	459,664	1	458,750	2
Other non-current assets	88,686	-	105,127	-	110,546	-
Total non-current assets	17,780,307	56	17,599,584	56	17,342,131	56
TOTAL	$ 31,669,408	100	$ 31,377,572	100	$ 31,040,301	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 19)	$ 5,886,816	19	$ 3,694,901	12	$ 4,677,000	15
Short-term bills payable (Note 19)	2,249,721	7	1,849,709	6	2,049,353	6
Financial liabilities at fair value through profit or loss - current (Note 7)	1,940	-	-	-	-	-
Financial liabilities for hedging - current (Note 9)	37	-	250	-	3,355	-
Notes and accounts payable	1,411,163	4	1,515,665	5	1,572,401	5
Notes and accounts payable to related parties (Note 28)	472,165	1	602,770	2	573,120	2
Other payables	894,832	3	1,032,774	3	1,004,971	3
Other payables to related parties (Note 28)	1,226	-	7,433	-	-	-
Current tax liabilities (Note 23)	1,921	-	16,768	-	185	-
Lease liabilities - current (Notes 4 and 17)	21,501	-	-	-	-	-
Other current liabilities	473,515	2	452,767	1	511,121	2
Total current liabilities	11,414,837	36	9,173,037	29	10,391,506	33
NON-CURRENT LIABILITIES						
Long-term borrowings (Note 19)	79,150	-	1,695,875	5	145,350	1
Deferred tax liabilities	2,005,460	6	2,005,460	6	2,003,159	6
Lease liabilities - non-current (Notes 4 and 17)	29,010	-	-	-	-	-
Net defined benefit liabilities	208,013	1	234,935	1	207,624	1
Other non-current liabilities	205,141	1	204,157	1	112,684	-
Total non-current liabilities	2,526,774	8	4,140,427	13	2,468,817	8
Total liabilities	13,941,611	44	13,313,464	42	12,860,323	41
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 21)						
Share capital	11,028,353	35	11,028,353	35	11,028,353	36
Capital surplus	30,111	-	31,468	-	29,519	-
Retained earnings						
Legal reserve	226,257	-	181,691	1	181,691	1
Special reserve	1,186,894	4	1,186,894	4	1,186,894	4
Unappropriated earnings	2,445,352	8	2,905,386	9	2,844,726	9
Total retained earnings	3,858,503	12	4,273,971	14	4,213,311	14
Other equity	452,378	2	287,918	1	408,821	1
Total equity attributable to owners of the Company	15,369,345	49	15,621,710	50	15,680,004	51
EQUITY ATTRIBUTABLE TO FORMER OWNER OF BUSINESS COMBINATION UNDER COMMON CONTROL	-	-	13,440	-	116,583	-
NON-CONTROLLING INTERESTS	2,358,452	7	2,428,958	8	2,383,391	8
Total equity	17,727,797	56	18,064,108	58	18,179,978	59
TOTAL	$ 31,669,408	100	$ 31,377,572	100	$ 31,040,301	100

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

(With Deloitte & Touche auditors' review report dated November 13, 2019)

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2019		2018 (Reviewed after Restatement)		2019		2018 (Reviewed after Restatement)	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Note 28)								
Sales	$ 4,937,771	100	$ 6,068,994	100	$ 15,727,331	101	$ 18,116,066	100
Sales returns and allowances	29,453	-	26,382	-	98,820	1	72,211	-
Net sales	4,908,318	100	6,042,612	100	15,628,511	100	18,043,855	100
Other operating revenue	13,577	-	15,451	-	35,850	-	43,724	-
Total operating revenue	4,921,895	100	6,058,063	100	15,664,361	100	18,087,579	100
OPERATING COSTS (Notes 12, 20, 22 and 28)								
Cost of goods sold	4,715,738	96	5,450,722	90	14,533,300	93	16,353,375	90
Other operating cost	9,510	-	11,664	-	27,219	-	33,706	-
Total operating costs	4,725,248	96	5,462,386	90	14,560,519	93	16,387,081	90
LOSS FROM CHANGES IN FAIR VALUE LESS COSTS TO SELL OF BIOLOGICAL ASSETS (Note 13)	(1,464)	-	(2,119)	-	(4,617)	-	(8,650)	-
GROSS PROFIT	195,183	4	593,558	10	1,099,225	7	1,691,848	10
OPERATING EXPENSES (Notes 20, 22 and 28)								
Selling and marketing	279,194	5	311,484	5	840,194	5	905,308	5
General and administrative	91,522	2	91,224	2	277,815	2	294,275	2
Research and development	41,123	1	7,881	-	96,452	1	23,643	-
Total operating expenses	411,839	8	410,589	7	1,214,461	8	1,223,226	7
PROFIT (LOSS) FROM OPERATIONS	(216,656)	(4)	182,969	3	(115,236)	(1)	468,622	3
NON-OPERATING INCOME AND EXPENSES								
Finance costs (Note 22)	(24,258)	-	(22,088)	-	(67,201)	-	(63,894)	-
Share of (loss) profit of associates (Note 15)	23,524	-	16,216	-	(16,513)	-	39,983	-
Interest income (Note 28)	7,937	-	10,620	-	21,212	-	25,267	-
Dividend income	74,959	2	55,783	1	76,543	-	55,783	-
Other income (Note 28)	13,979	-	14,663	-	59,708	-	37,527	-
Gain on disposal of property, plant and equipment	-	-	-	-	32	-	8	-
Gain on disposal of investments	-	-	-	-	9	-	12	-
Foreign exchange loss	(55,887)	(1)	(58,046)	(1)	(22,811)	-	(35,907)	-
Gain (loss) on financial instruments at FVTPL	5,229	-	5,216	-	(11,415)	-	(15,241)	-
Other losses	(335)	-	(4,054)	-	(1,379)	-	(4,393)	-
Total non-operating income and expenses	45,148	1	18,310	-	38,185	-	39,145	-
(LOSS) PROFIT BEFORE INCOME TAX	(171,508)	(3)	201,279	3	(77,051)	(1)	507,767	3
INCOME TAX BENEFIT (EXPENSE) (Notes 4 and 23)	14,239	-	(29,874)	-	23,206	-	(93,402)	(1)
NET (LOSS) PROFIT FOR THE PERIOD	(157,269)	(3)	171,405	3	(53,845)	(1)	414,365	2

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CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2019		2018 (Reviewed after Restatement)		2019		2018 (Reviewed after Restatement)	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized gain (loss) on investments in equity instruments at FVTOCI	$ (78,719)	(2)	$ 86,025	1	$ 212,297	2	$ 200,120	1
Share of the other comprehensive income (loss) of associates	(4,869)	-	(233)	-	14,301	-	(3,053)	-
Tax effect of items that will not be reclassified	-	-	-	-	-	-	8,587	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating the financial statements of foreign operations	(174,315)	(4)	(222,544)	(4)	(97,468)	(1)	(119,346)	-
(Loss) gain on hedging instruments	(688)	-	(344)	-	(1,878)	-	2,709	-
Share of the other comprehensive loss of associates	(10,537)	-	(6,916)	-	(8,929)	-	(3,649)	-
Other comprehensive income (loss) for the period, net of income tax	(269,128)	(6)	(144,012)	(3)	118,323	1	85,368	1
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	$ (426,397)	(9)	$ 27,393	-	$ 64,478	-	$ 499,733	3
NET PROFIT (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	$ (110,982)	(2)	$ 175,144	3	$ (29,646)	-	$ 351,196	2
Equity attributable to former owner of business combination under common control	-	-	2,772	-	-	-	22,980	-
Non-controlling interests	(46,287)	(1)	(6,511)	-	(24,199)	-	40,189	-
	$ (157,269)	(3)	$ 171,405	3	$ (53,845)	-	$ 414,365	2
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	$ (310,877)	(6)	$ 124,036	2	$ 134,984	1	$ 503,809	3
Equity attributable to former owner of business combination under common control	-	-	(1,248)	-	-	-	19,044	-
Non-controlling interests	(115,520)	(3)	(95,395)	(2)	(70,506)	(1)	(23,120)	-
	$ (426,397)	(9)	$ 27,393	-	$ 64,478	-	$ 499,733	3

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CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2019		2018 (Reviewed after Restatement)		2019		2018 (Reviewed after Restatement)	
	Amount	%	Amount	%	Amount	%	Amount	%
EARNINGS (LOSS) PER SHARE (Note 24)								
Basic	$ (0.10)		$ 0.16		$ (0.03)		$ 0.32	
Diluted			$ 0.16				$ 0.32	

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

(With Deloitte & Touche auditors' review report dated November 13, 2019) (Concluded)

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Company (Note 21)															
	Share Capital			Retained Earnings				Other Equity								
	Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Cash Flow Hedges	Gain (loss) on Hedging Instrument	Total	Equity Attributable to Former Owner of Business Combination Under Common Control	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2018	1,102,835	$ 11,028,353	$ 36,602	$ 119,833	$ 1,186,894	$ 3,092,020	$ 4,398,747	$ (87,435)	$ 319,079	$ -	$ (6,377)	$ -	$ 15,688,969	$ -	$ 2,406,511	$ 18,095,480
Effect of retrospective application	-	-	-	-	-	(8,818)	(8,818)	-	(319,079)	358,643	6,377	(6,377)	30,746	-	-	30,746
Retrospective adjustments of equity attributable to former owner due to business combination under common control	-	-	-	-	-	-	-	-	-	-	-	-	-	44,409	-	44,409
BALANCE AT JANUARY 1, 2018 AS RESTATED	1,102,835	11,028,353	36,602	119,833	1,186,894	3,083,202	4,389,929	(87,435)	-	358,643	-	(6,377)	15,719,715	44,409	2,406,511	18,170,635
Issuance of ordinary shares for cash	-	-	-	-	-	-	-	-	-	-	-	-	-	53,130	-	53,130
Appropriation of 2017 earnings																
Legal reserve	-	-	-	61,858	-	(61,858)	-	-	-	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(551,418)	(551,418)	-	-	-	-	-	(551,418)	-	-	(551,418)
Adjustments for the changes in equity of associates	-	-	(7,067)	-	-	14,981	14,981	-	-	-	-	-	7,914	-	-	7,914
Net profit for the nine months ended September 30, 2018	-	-	-	-	-	351,196	351,196	-	-	-	-	-	351,196	22,980	40,189	414,365
Other comprehensive income (loss) for the nine months ended September 30, 2018	-	-	-	-	-	8,623	8,623	(55,750)	-	197,031	-	2,709	152,613	(3,936)	(63,309)	85,368
Total comprehensive income (loss) for the nine months ended September 30, 2018	-	-	-	-	-	359,819	359,819	(55,750)	-	197,031	-	2,709	503,809	19,044	(23,120)	499,733
Disposal of investments accounted for using the equity method	-	-	(16)	-	-	-	-	-	-	-	-	-	(16)	-	-	(16)
BALANCE AT SEPTEMBER 30, 2018	1,102,835	$ 11,028,353	$ 29,519	$ 181,691	$ 1,186,894	$ 2,844,726	$ 4,213,311	$ (143,185)	$ -	$ 555,674	$ -	$ (3,668)	$ 15,680,004	$ 116,583	$ 2,383,391	$ 18,179,978
BALANCE AT JANUARY 1, 2019	1,102,835	$ 11,028,353	$ 31,468	$ 181,691	$ 1,186,894	$ 2,905,386	$ 4,273,971	$ (100,013)	$ -	$ 394,892	$ -	$ (6,961)	$ 15,621,710	$ 13,440	$ 2,428,958	$ 18,064,108
Appropriation of 2018 earnings																
Legal reserve	-	-	-	44,566	-	(44,566)	-	-	-	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(385,992)	(385,992)	-	-	-	-	-	(385,992)	-	-	(385,992)
Adjustments for the changes in equity of associates	-	-	(476)		-	-	-		-	-	-	-	(476)	-	-	(476)
Net loss for the nine months ended September 30, 2019	-	-	-	-	-	(29,646)	(29,646)	-	-	-	-	-	(29,646)	-	(24,199)	(53,845)
Other comprehensive income (loss) for the nine months ended September 30, 2019	-	-	-	-	-	-	-	(60,090)	-	226,598	-	(1,878)	164,630	-	(46,307)	118,323
Total comprehensive income (loss) for the nine months ended September 30, 2019	-	-	-	-	-	(29,646)	(29,646)	(60,090)	-	226,598	-	(1,878)	134,984	-	(70,506)	64,478
Business combination under common control	-	-	(865)	-	-	-	-	-	-	-	-	-	(865)	(13,440)	-	(14,305)
Disposal of investments accounted for using the equity method	-	-	(16)	-	-	-	-	-	-	-	-	-	(16)	-	-	(16)
Disposal of investments in equity instruments designated as at FVTOCI by associates	-	-	-	-	-	170	170	-	-	(170)	-	-	-	-	-	-
BALANCE AT SEPTEMBER 30, 2019	1,102,835	$ 11,028,353	$ 30,111	$ 226,257	$ 1,186,894	$ 2,445,352	$ 3,858,503	$ (160,103)	$ -	$ 621,320	$ -	$ (8,839)	$ 15,369,345	$ -	$ 2,358,452	$ 17,727,797

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

(With Deloitte & Touche auditors' review report dated November 13, 2019)

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2019	2018 (Reviewed after Restatement)
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) income before income tax	$ (77,051)	$ 507,767
Adjustments for:		
Depreciation and amortization expenses	862,538	865,516
Expected credit loss (reversed) recognized on account receivables	(1,396)	4,628
Loss on financial instruments at FVTPL	11,415	15,241
Finance costs	67,201	63,894
Interest income	(21,212)	(25,267)
Dividend income	(76,543)	(55,783)
Share of loss (profit) of associates	16,513	(39,983)
Gain on disposal of property, plant and equipment	(32)	(8)
Gain on disposal of investments	(9)	(12)
Reversal of write-downs of inventories	(3,616)	-
Unrealized loss (gain) on foreign currency exchange	28,712	(9,595)
Loss on changes in fair value less costs to sell of biological assets	4,617	8,650
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at FVTPL	(12,964)	211,207
Notes and accounts receivable	(143,550)	(86,121)
Notes and accounts receivable from related parties	314,013	21,192
Inventories	(55,945)	(518,676)
Biological assets	(56,638)	(93,567)
Other current assets	(95,852)	21,576
Notes and accounts payable	(100,616)	(280,492)
Notes and accounts payable to related parties	(118,035)	(1,693)
Other payables	(20,644)	170,060
Other current liabilities	26,802	(7,365)
Net defined benefit liabilities	(26,922)	(17,071)
Cash generated from operations	520,786	754,098
Interest received	21,154	25,005
Interest paid	(70,725)	(64,163)
Income tax refunded (paid)	8,788	(66,485)
Net cash generated from operating activities	480,003	648,455
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at FVTOCI	(3)	(24,983)
Proceeds from capital reduction on investments accounted for financial assets at FVTOCI	17,229	18,655
Purchase of financial assets at amortized cost	(226,565)	-
Proceeds from sale of financial assets at amortized cost	-	(3,774)

(Continued)

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2019	**2018 (Reviewed after Restatement)**
Disposal of financial instruments for hedging	$ (2,041)	$ 9,117
Net cash outflow from acquisition of subsidiary under common control	(14,305)	-
Proceeds from capital reduction on investments accounted for using the equity method	27,168	-
Payments for property, plant and equipment	(1,000,491)	(717,213)
Proceeds from disposal of property, plant and equipment	7,892	9
Decrease (increase) in other receivables from related parties	14,745	(730,209)
(Increase) decrease in other non-current assets	(3,886)	20,887
Decrease in prepayments for equipment	13,431	38,517
Dividends received	126,133	32,800
Net cash used in investing activities	(1,040,693)	(1,356,194)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	2,192,081	1,352,672
Increase in short-term bills payable	400,012	100,085
Proceeds from long-term borrowings	2,252,000	801,275
Repayments of long-term borrowings	(3,870,000)	(1,570,000)
Increase in other payables to related parties	20,441	-
Repayment of the principal portion of lease liabilities	(15,460)	-
Increase in other non-current liabilities	4,997	24,755
Distribution of cash dividends	(385,190)	(551,418)
Net cash generated from financing activities	598,881	157,369
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(6,488)	(10,985)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	31,703	(561,355)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	565,494	1,248,547
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 597,197	$ 687,192

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

(With Deloitte & Touche auditors' review report dated November 13, 2019) (Concluded)

1. GENERAL INFORMATION

Chung Hwa Pulp Corporation (the "Company"), is principally engaged in the production and sale of pulp and paper. The Company's shares have been listed on the Taiwan Stock Exchange.

In line with the Company's operating strategy to carry out vertical integration, in the meetings of the board of directors on March 21, 2012 and of the shareholders on June 27, 2012, the Company decided to issue new shares in exchange for YFY Inc.'s paper and cardboard business unit's assets, liabilities and operations. After this transaction, the Company became a subsidiary of YFY Inc.

YFY Inc. and its subsidiaries held 57.7% of ordinary shares of the Company as of September 30, 2019 and 2018.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on November 13, 2019.

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

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

   Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group's accounting policies:

   IFRS 16 "Leases"

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

   Definition of a lease

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

The Group as lessee

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

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

The Group also applies the following practical expedients:

1) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

2) The Group accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

3) The Group excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.

4) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 2.397%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 63,594
Less: Recognition exemption for short-term leases and leases of low-value assets	(9,095)
Undiscounted amounts on January 1, 2019	$ 54,499
Discounted amounts using the incremental borrowing rate on January 1, 2019	$ 53,292
Lease liabilities recognized on January 1, 2019	$ 53,292

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

	As Originally Stated on December 31, 2018	Adjustments Arising from Initial Application	Restated on January 1, 2019
Prepayments for leases - current	$ 12,073	$ (12,073)	$ -
Prepayments for leases - non-current	459,664	(459,664)	-
Right-of-use assets	-	525,029	525,029
Total effect on assets	$ 471,737	$ 53,292	$ 525,029
Lease liabilities - current	$ -	$ 17,516	$ 17,516
Lease liabilities - non-current	-	35,776	35,776
Total effect on liabilities	$ -	$ 53,292	$ 53,292

b. The IFRSs endorsed and issued into effect by the FSC for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 2)

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

Note 2: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021

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

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group'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

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

b. Basis of preparation

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

The fair value measurements, 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.

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company.

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

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

See Note 14, Table 6 and Table 7 for detailed information on subsidiaries (including percentages of ownership and main businesses).

d. Business combinations

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

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

Business combinations involving entities under common control are not accounted for using the acquisition method but are accounted for at the carrying amounts of the entities. Comparative information of the prior period in the consolidated financial statements is restated as if a business combination involving entities under common control had already occurred in that period. The acquirer is disclosed as if it had occurred before January 1, 2018, and the Group's financial statements for the period are restated. The equity held by original shareholders is recorded as "equity attributable to former owner of business combination under common control" when preparing the comparative consolidated balance sheet. In the preparation of the consolidated statement of changes in equity, the profit or loss recognized by original shareholders is attributed to "former owners' interests under common control".

e. Other significant accounting policies

Except for leases and other accounting policies listed below, refer to the consolidated financial statements for the year ended December 31, 2018.

1) Leases

2019

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

a) The Group as lessor

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

b) The Group as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

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, which comprise fixed 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 Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group 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 consolidated balance sheets.

<u>2018</u>

a) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

b) The Group as lessee

Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

2) Defined benefit retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

3) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized consistently with the accounting for the transaction itself which gives rise to the tax consequence, and this is recognized in profit or loss or other comprehensive income in full in the period in which the change in tax rate occurs.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

For the critical accounting judgments and key sources of estimation uncertainty, refer to the consolidated financial statements for the year ended December 31, 2018.

6. CASH AND CASH EQUIVALENTS

	September 30, 2019	December 31, 2018	September 30, 2018
Cash on hand	$ 1,635	$ 947	$ 1,244
Checking accounts and demand deposits	319,952	564,547	261,070
Cash equivalents			
Time deposits with original maturities of less than three months	275,610	-	424,878
	$ 597,197	$ 565,494	$ 687,192

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2019	December 31, 2018	September 30, 2018
Financial assets at FVTPL - current			
Financial assets mandatorily classified as at FVTPL			
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts (a)	$ 4,688	$ 3,166	$ 6,239
Non-derivative financial assets			
Mutual funds	1,355	4,349	4,344
	$ 6,043	$ 7,515	$ 10,583
Financial assets at FVTPL - non-current			
Non-derivative financial assets			
Bank debentures in the ROC (b)	$ 175,994	$ 171,035	$ 175,994
Financial liabilities at FVTPL - current			
Financial liabilities mandatorily classified as at FVTPL			
Derivative financial liabilities (not under hedge accounting)			
Foreign exchange forward contracts (a)	$ 1,940	$ -	$ -

a. At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
September 30, 2019			
Sell	USD:NTD	2019.10.15-2019.11.28	USD24,800/NTD769,792
Sell	USD:NTD	2019.10.07-2019.10.15	USD7,000/NTD217,280
Buy	USD:RMB	2019.10.09-2019.10.18	USD20,000/RMB141,458
December 31, 2018			
Sell	USD:NTD	2019.01.09-2019.01.22	USD16,500/NTD506,798
September 30, 2018			
Sell	USD:NTD	2018.10.9-2018.10.29	USD24,000/NTD732,600
Sell	EUR:NTD	2018.10.25	EUR1,600/NTD56,768

The Group entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. The above foreign exchange forward contracts held by the Group did not meet hedge effectiveness, so they are not applicable for hedge accounting.

b. In 2015, the Group bought subordinated financial bonds issued by Bank SinoPac with a coupon rate of 3.9% at par value of $170,000 thousand. The bonds have no maturity date but may be redeemed by Bank SinoPac after 5 years from issue date.

8. INVESTMENT IN EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	September 30, 2019	December 31, 2018	September 30, 2018
Current			
Domestic investments			
Listed shares	$ 1,236,672	$ 1,052,704	$ 1,139,578
Non-current			
Domestic investments			
Listed shares	$ 264,955	$ 260,361	$ 313,199
Unlisted shares	306,631	300,123	301,072
	$ 571,586	$ 560,484	$ 614,271

These investments in equity instruments 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 Group's strategy of holding these investments for long-term purposes.

9. FINANCIAL INSTRUMENTS FOR HEDGING

	September 30, 2019	December 31, 2018	September 30, 2018
Financial assets under hedge accounting - current			
Cash flow hedges - foreign exchange forward contracts	$ -	$ 50	$ 722
Financial liabilities under hedge accounting - current			
Cash flow hedges - foreign exchange forward contracts	$ 37	$ 250	$ 3,355

The Group's hedge strategy is to enter into foreign exchange forward contracts to avoid its foreign currency exposure to certain foreign currency receipts and payments and to manage its foreign currency exposures in relation to foreign currency forecast purchases. When forecast purchases actually take place, the carrying amounts of the non-financial hedged items will be adjusted accordingly.

The Group determined that the value of the forward exchange contracts and the value of the corresponding hedged items will systematically move in the opposite direction in response to changes in the underlying exchange rates based on their relationship.

The source of hedge ineffectiveness in these hedging relationships is the effect of the counterparty and the Group's own credit risk on the fair value of the forward exchange contracts. No other sources of ineffectiveness are expected to emerge from these hedging relationships.

The increase (decrease) in value used for calculating hedge ineffectiveness for the three months ended September 30, 2019 and 2018 and for the nine months ended September 30, 2019 and 2018 were $(688) thousand, $(344) thousand, $(1,878) thousand and $2,709 thousand, respectively. The following tables summarize the information relating to the hedges of foreign currency risk.

	Currency	Maturity Date	Notional Amount (In Thousands)
September 30, 2019			
Buy	EUR:NTD	2019.10.28-2019.10.31	EUR478/NTD16,228
December 31, 2018			
Buy	EUR:NTD	2019.03.05	EUR243/NTD8,554
Buy	EUR:NTD	2019.01.22-2019.01.28	EUR3,470/NTD122,144
September 30, 2018			
Buy	EUR:NTD	2018.12.5	EUR1,500/NTD53,220
Buy	EUR:NTD	2018.10.26-2018.12.20	EUR5,698/NTD202,165

September 30, 2019

Hedged Items	Change in Value Used for Calculating Hedge Ineffectiveness	Other Equity Carrying Amount - Continuing Hedges
Cash flow hedge		
Forecast transactions (capital expenditure)	$ 1,878	$ (8,839)

September 30, 2018

Hedged Items	Change in Value Used for Calculating Hedge Ineffectiveness	Other Equity Carrying Amount - Continuing Hedges
Cash flow hedge		
Forecast transactions (capital expenditure)	$ (2,709)	$ (3,668)

Refer to Note 21(e) for information relating to gain (loss) arising on changes in the fair value of hedging instruments and the original carrying amount transferred to hedged items for the nine months ended September 30, 2019 and 2018.

10. FINANCIAL ASSETS AT AMORTIZED COST

	September 30, 2019	December 31, 2018	September 30, 2018
Current			
Domestic investments			
Time deposits with original maturity between three months and a year	$ 5,900	$ 5,900	$ 4,800
Non-current			
Domestic investments			
Time deposits with original maturity of more than a year	$ 224,429	$ 5,000	$ 5,000

As of September 30, 2019, December 31, 2018 and September 30, 2018, the interest rates for time deposits with original maturity between three months and a year were 0.82%, 0.82% and 0.82%, respectively, and the interest rates for time deposits with original maturity of more than a year were 1.12%-3.96%, 1.12% and 1.12%, respectively.

11. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	September 30, 2019	December 31, 2018	September 30, 2018
Notes receivable - operating	$ 374,897	$ 593,550	$ 504,710
Accounts receivable - operating	2,451,946	2,130,831	2,338,243
Gross carrying amount	2,826,843	2,724,381	2,842,953
Less: Allowance for impairment loss	(38,921)	(40,471)	(38,297)
	$ 2,787,922	$ 2,683,910	$ 2,804,656

The Group's customers are a large number of unrelated customers that did not create concentration of credit risk.

For accounts receivable that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss because there was no significant change in credit quality and the amounts were still considered recoverable. The Group held adequate collaterals or other credit enhancements for these receivables. In addition, the Group also did not have offset right for the receivables against the payables of the same parties.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to the 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. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off an accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For accounts receivable that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of accounts receivable based on the Group's provision matrix.

September 30, 2019

	Not Past Due	Less than 90 Days	91 Days to A Year	Over A Year	Total
Gross carrying amount	$ 2,571,192	$ 248,083	$ 6,668	$ 900	$ 2,826,843
Loss allowance (Lifetime ECLs)	(31,263)	(3,424)	(3,334)	(900)	(38,921)
Amortized cost	$ 2,539,929	$ 244,659	$ 3,334	$ -	$ 2,787,922

December 31, 2018

	Not Past Due	Less than 90 Days	91 Days to A Year	Over A Year	Total
Gross carrying amount	$ 2,597,347	$ 124,543	$ 1	$ 2,490	$ 2,724,381
Loss allowance (Lifetime ECLs)	(36,262)	(1,718)	(1)	(2,490)	(40,471)
Amortized cost	$ 2,561,085	$ 122,825	$ -	$ -	$ 2,683,910

September 30, 2018

	Not Past Due	Less than 90 Days	91 Days to A Year	Over A Year	Total
Gross carrying amount	$ 2,747,198	$ 91,021	$ 4,202	$ 532	$ 2,842,953
Loss allowance (Lifetime ECLs)	(26,534)	(9,373)	(1,858)	(532)	(38,297)
Amortized cost	$ 2,720,664	$ 81,648	$ 2,344	$ -	$ 2,804,656

The movements of the loss allowance of accounts receivable were as follows:

	For the Nine Months Ended September 30	
	2019	2018
Balance at January 1	$ 40,471	$ 33,900
Amounts (reversed) written off	(1,396)	4,628
Foreign exchange translation gains and losses	(154)	(231)
Balance at September 30	$ 38,921	$ 38,297

12. INVENTORIES

	September 30, 2019	December 31, 2018	September 30, 2018
Finished and purchased goods	$ 2,457,162	$ 2,373,492	$ 1,920,274
Work in process	435,279	416,128	462,597
Materials	1,350,034	1,406,596	1,215,975
	$ 4,242,475	$ 4,196,216	$ 3,598,846

The cost of goods sold for the three months ended September 30, 2019 and 2018 and for the nine months ended September 30, 2019 and 2018 included inventory write-downs of $2,015 thousand, $0, reversals of inventory write-downs of $3,616 thousand and $0, respectively.

13. BIOLOGICAL ASSETS

	For the Nine Months Ended September 30	
	2019	2018
Balance at January 1	$ 3,317,475	$ 3,280,877
Increases due to planting	127,695	212,324
Loss from changes in fair value less costs to sell	(4,617)	(8,650)
Decreases due to harvest	(71,057)	(118,756)
Foreign exchange translation gains and losses	(65,950)	(87,345)
Balance at September 30	$ 3,303,546	$ 3,278,450

The Group's biological assets are eucalyptus that are used as raw materials for paper manufacturing. They are mainly located in Zhaoqing City, Guangdong Province.

The biological assets and their fair values measured on a recurring basis (before deducting costs to sell) were as follows:

	September 30, 2019	December 31, 2018	September 30, 2018
Eucalyptus (Level 3)	$ 3,411,357	$ 3,396,946	$ 3,382,857

The movements in the fair value of the assets within Level 3 of the hierarchy were as follows:

	For the Nine Months Ended September 30	
	2019	2018
Balance at January 1	$ 3,396,946	$ 3,380,533
Increases due to planting	131,075	231,267
Loss from changes in fair value less costs to sell	(4,739)	(9,421)
Decreases due to harvest	(72,938)	(129,351)
Foreign exchange translation gains and losses	(38,987)	(90,171)
Balance at September 30	$ 3,411,357	$ 3,382,857

The financial risks related to biological assets arose from the estimation of eucalyptus volume since the method used in estimation is highly uncertain.

14. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

			% of Ownership		
Investor	Investee	Main Business	September 30, 2019	December 31, 2018	September 30, 2018
The Company	CHP International (BVI) Corporation	Investment and holding	100.0	100.0	100.0
	Hwa Fong Investment Co., Ltd.	Investment and holding	100.0	100.0	100.0
CHP International (BVI) Corporation	Guangdong Dingfung Pulp & Paper Co., Ltd.	Pulp and paper production, trading and forestry business	60.0	60.0	60.0
	Zhaoqing Dingfung Forestry Ltd.	Seedling cultivation and sales, reforestation, sales-cum-forest logging and other forestry, processing and transportation	20.2	20.2	20.2
	Syntax Communication (H.K.) Limited (Note b)	Sale and print of paper merchandise	100.0	-	-
Hwa Fong Investment Co., Ltd.	Genovella Renewables Inc. (Note c)	To produce fertilizer	100.0	100.0	100.0
Guangdong Dingfung Pulp & Paper Co., Ltd.	Zhaoqing Dingfung Forestry Ltd.	Seedling cultivation and sales, reforestation, sales-cum-forest logging and other forestry, processing and transportation	66.3	66.3	66.3
	Shenzhen Jinglun Paper Co., Ltd. (Note b)	Paper trading, cargo and technic import and export business	100.0	100.0	-
	Zhaoqing Xinchuan Green Technology Co., Ltd. (Note d)	Environmental equipment technology research and development; construction of wastewater, flue gas, noise and solid waste treatment; pure water treatment construction; environmental technology consulting; sale of environmental protection equipment and chemical raw material; import and export of cargo and technology	100.0	-	-

a. The financial statements of subsidiaries that are not individually material, including Hwa Fong Investment Co., Ltd., Zhaoqing Dingfung Forestry Ltd., Shenzhen Jinglun Paper Co., Ltd., Syntax Communication (H.K.) Limited, and Genovella Renewables Inc., Zhaoqing Xinchuan Green Technology Co., Ltd., have not been reviewed. As of September 30, 2019 and 2018, combined total assets of these subsidiaries were NT$4,531,139 thousand and NT$4,095,301 thousand, respectively, representing 14% and 13%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were NT$535,890 thousand and NT$516,434 thousand, respectively, representing 4% and 4%, respectively, of the consolidated total liabilities. For the three months ended September 30, 2019 and 2018 and for the nine months ended September 30, 2019 and 2018, the amounts of combined comprehensive income of these subsidiaries were NT$12,758 thousand, NT$3,240 thousand, NT$26,326 thousand and NT$29,996 thousand, respectively, representing (3%), 12%, 41% and 6%, respectively, of the consolidated total comprehensive income. Management believes that the financial statements, even if reviewed, are not subject to significant adjustments.

b. Guangdong Dingfung Pulp & Paper Co., Ltd., a subsidiary of the Group, acquired 100% equity of Shenzhen Jinglun Paper Co., Ltd. from fellow subsidiaries of YFY Group for RMB22,560 thousand in the fourth quarter of 2018, and CHP International (BVI) Corporation., a subsidiary of the Group, acquired 100% equity of Syntax Communication (H.K.) Limited from fellow subsidiaries of YFY Group for HK$3,653 thousand in the first quarter of 2019. In compliance with the "Comments on IFRS" and Interpretation 2012-301 issued by Accounting Research and Development Foundation, the acquisitions resulted in joint control restructuring. In the preparation of comparative consolidated financial statements, the acquisitions are disclosed as if they have occurred before January 1, 2018, and the Group's consolidated financial statements as of and for the three months ended March 31, 2018 are restated. The related equity adjustments are recognized as equity attributable to former owner of business combination under common control.

c. Kuang Hwa Fertilizer Limited Company was renamed as Genovella Renewables Inc. on April 22, 2019.

d. On September 12, 2019, the board of directors of Guangdong Dingfung Pulp & Paper Co., Ltd. decided to establish Zhaoqing Xinchuan Green Technology Co., Ltd. The total investment was RMB10,000 thousand and Guangdong Dingfung Pulp & Paper Co., Ltd. held 100% equity. Capital injection was planned to meet fund needs. There was no capital injection as of September 30, 2019.

15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	September 30, 2019	December 31, 2018	September 30, 2018
Associates that are not individually material	$ 775,293	$ 863,675	$ 865,523

Aggregate information of associates that are not individually material were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
The Group's share of:				
Profit (loss) from continuing operations	$ 23,524	$ 16,216	$ (16,513)	$ 39,983
Other comprehensive income (loss)	(15,406)	(7,149)	5,372	(6,702)
Total comprehensive income (loss) for the period	$ 8,118	$ 9,067	$ (11,141)	$ 33,281

The combined ownership held by the Group and its parent company, YFY Inc., in some associates that are not individually material was more than 20%. Thus, the Group used the equity method to account for its investments in these associates.

The Group is able to exercise significant influence over some associates that are not individually material even if it holds less than 20% of their voting rights. Thus, the Group uses the equity method to account for its investments in these associates.

As of September 30, 2019 and 2018, investments accounted for using the equity method of the Group were NT$367,112 thousand and NT$471,422 thousand, respectively, as well as for the three months ended September 30, 2019 and 2018 and for the nine months ended September 30, 2019 and 2018, shares of comprehensive income (loss) recognized were a gain of NT$363 thousand, a loss of NT$6,997 thousand, a loss of NT$60,464 thousand, and a gain of NT$831 thousand, respectively, based on the investees' unreviewed financial statements for the same reporting periods. Management believes that the financial statements, even if reviewed, are not subject to significant adjustments.

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery	Electric Equipment	Tools	Miscellaneous Equipment	Property in Construction	Total
Cost								
Balance at January 1, 2018	$ 6,637,258	$ 3,772,039	$ 28,487,324	$ 2,912,891	$ 1,613,469	$ 759,471	$ 420,855	$ 44,603,307
Additions	-	9,435	56,804	14,870	28,325	8,417	828,906	946,757
Disposals	-	-	(7,180)	(1,525)	(599)	(5,085)	-	(14,389)
Effect on foreign currency exchange differences	-	(18,972)	(108,220)	-	-	(4,315)	(3,037)	(134,544)
Reclassifications	-	29,203	379,585	31,530	64,836	10,703	(515,857)	-
Balance at September 30, 2018	$ 6,637,258	$ 3,791,705	$ 28,808,313	$ 2,957,766	$ 1,706,031	$ 769,191	$ 730,867	$ 45,401,131
Accumulated depreciation and impairment								
Balance at January 1, 2018	$ -	$ 2,706,087	$ 23,283,026	$ 2,357,159	$ 1,336,737	$ 574,003	$ -	$ 30,257,012
Disposals	-	-	(7,180)	(1,525)	(599)	(5,084)	-	(14,388)
Depreciation expenses	-	78,575	594,691	55,517	75,275	32,704	-	836,762
Effect on foreign currency exchange differences	-	(5,801)	(66,822)	-	-	(1,853)	-	(74,476)
Balance at September 30, 2018	$ -	$ 2,778,861	$ 23,803,715	$ 2,411,151	$ 1,411,413	$ 599,770	$ -	$ 31,004,910
Carrying amount at September 30, 2018	$ 6,637,258	$ 1,012,844	$ 5,004,598	$ 546,615	$ 294,618	$ 169,421	$ 730,867	$ 14,396,221
Cost								
Balance at January 1, 2019	$ 6,637,258	$ 3,815,936	$ 28,950,266	$ 2,966,986	$ 1,724,793	$ 769,498	$ 981,308	$ 45,846,045
Additions	-	9,073	36,789	9,685	19,256	5,335	809,272	889,410
Disposals	-	(5,376)	(155,952)	(39,087)	(5,030)	(10,425)	-	(215,870)
Effect on foreign currency exchange differences	-	(14,288)	(80,802)	-	21	(3,367)	(6,643)	(105,079)
Reclassifications	-	18,304	572,949	26,639	42,134	14,211	(674,237)	-
Balance at September 30, 2019	$ 6,637,258	$ 3,823,649	$ 29,323,250	$ 2,964,223	$ 1,781,174	$ 775,252	$ 1,109,700	$ 46,414,506
Accumulated depreciation and impairment								
Balance at January 1, 2019	$ -	$ 2,805,733	$ 24,000,093	$ 2,429,384	$ 1,438,808	$ 606,226	$ -	$ 31,280,244
Disposals	-	(5,376)	(148,216)	(39,087)	(4,973)	(10,358)	-	(208,010)
Depreciation expenses	-	76,627	575,080	56,516	76,406	32,602	-	817,231
Effect on foreign currency exchange differences	-	(4,981)	(53,235)	-	21	(1,957)	-	(60,152)
Balance at September 30, 2019	$ -	$ 2,872,003	$ 24,373,722	$ 2,446,813	$ 1,510,262	$ 626,513	$ -	$ 31,829,313
Carrying amount at January 1, 2019	$ 6,637,258	$ 1,010,203	$ 4,950,173	$ 537,602	$ 285,985	$ 163,272	$ 981,308	$ 14,565,801
Carrying amount at September 30, 2019	$ 6,637,258	$ 951,646	$ 4,949,528	$ 517,410	$ 270,912	$ 148,739	$ 1,109,700	$ 14,585,193

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

Buildings	
Main buildings	15-35 years
Others	3-44 years
Machinery	3-15 years
Electric equipment	5-15 years
Tools	3-5 years
Miscellaneous equipment	3-20 years

17. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	September 30, 2019
Carrying amounts	
Land	$ 458,534
Buildings	29,817
Office equipment	13,685
Transportation equipment	1,859
	$ 503,895

	For the Three Months Ended September 30, 2019	**For the Nine Months Ended September 30, 2019**
Additions to right-of-use assets	$ 7,022	$ 12,719
Depreciation charge for right-of-use assets		
Land	$ 3,544	$ 10,778
Buildings	3,063	9,015
Office equipment	2,380	4,183
Transportation equipment	329	988
	$ 9,316	$ 24,964

b. Lease liabilities - 2019

	September 30, 2019
Carrying amounts	
Current	$ 21,501
Non-current	$ 29,010

Range of discount rate for lease liabilities was as follows:

	September 30, 2019
Land	1.21%
Buildings	1.21%-3.50%
Office equipment	1.21%
Transportation equipment	1.21%

c. Material lease-in activities and terms

The Group leases certain equipment for the use of operating activities with lease terms of 2 to 5 years. These arrangements do not contain renewal or purchase options at the end of the lease terms.

The Group also leases land and buildings for the use of plants, offices, and warehouses with lease terms of 2 to 6 years. The lease contract for land and buildings located in China specifies that land and buildings are mainly used as plants, and lease payments will be made at the beginning of the contract with lease terms of 50 years. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Other lease information

Lease arrangements under operating leases for the leasing out of investment properties are set out in Note 18.

2019

	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2019
Expenses relating to short-term leases and low-value asset leases	$ 14,264	$ 41,101
Total cash outflow for leases		$ (60,984)

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

For the nine months ended September 30, 2019, expenses relating to short-term leases also include expenses relating to leases for which the lease terms end on or before December 31, 2019 and for which the recognition exemption is applied. The amount of lease commitments for short-term leases for which the recognition exemption is applied was $2,262 thousand as of September 30, 2019.

2018

The future minimum lease payments of non-cancellable operating lease commitments are as follows:

	December 31, 2018	September 30, 2018
Not later than 1 year	$ 27,026	$ 26,747
Later than 1 year and not later than 5 years	36,568	39,775
	$ 63,594	$ 66,522

The lease payments and sublease payments recognized in profit or loss were as follows:

	For the Three Months Ended September 30, 2018	For the Nine Months Ended September 30, 2018
Minimum lease payments	$ 2,504	$ 16,197

18. INVESTMENT PROPERTIES

	For the Nine Months Ended September 30	
	2019	2018
Cost		
Opening balance	$ 272,334	$ 272,334
Ending balance	$ 272,334	$ 272,334
Accumulated depreciation and impairment		
Opening balance	$ (14,923)	$ (14,656)
Depreciation expenses	(200)	(200)
Ending balance	$ (15,123)	$ (14,856)
Opening carrying amounts	$ 257,411	$ 257,678
Ending carrying amounts	$ 257,211	$ 257,478

The investment properties held by the Group are depreciated over their estimated useful life of 55 years, using the straight-line method.

The valuation was done by the Group using market evidence of transaction prices for similar properties. The fair values of the investment properties owned by the Group were as follows:

	September 30, 2019	December 31, 2018	September 30, 2018
Fair value	$ 341,731	$ 341,731	$ 341,731

The investment properties were leased out as operating leases from May 1, 2015 to June 30, 2020. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

The future minimum lease payments of non-cancellable operating lease commitments as of September 30, 2019 are as follows:

	September 30, 2019
Payment period	
Fourth quarter of 2019	$ 1,770
2020	3,540
	$ 5,310

The future minimum lease payments of non-cancellable operating lease commitments as of December 31 and September 30, 2018 are as follows:

	December 31, 2018	September 30, 2018
Not later than 1 year	$ 7,080	$ 7,080
Later than 1 year and not later than 5 years	3,540	5,310
	$ 10,620	$ 12,390

19. BORROWINGS

a. Short-term borrowings

	September 30, 2019	December 31, 2018	September 30, 2018
Bank credit loans	$ 5,715,000	$ 3,601,000	$ 4,677,000
Letter of credit loans	171,816	93,901	-
	$ 5,886,816	$ 3,694,901	$ 4,677,000

As of September 30, 2019, December 31, 2018 and September 30, 2018, interest rates on short-term borrowings were 0.92%-2.78%, 0.91%-3.89% and 0.96%-1.40%, respectively.

b. Short-term bills payable

	September 30, 2019	December 31, 2018	September 30, 2018
Commercial paper	$ 2,250,000	$ 1,850,000	$ 2,050,000
Less: Unamortized discounts on bills payable	(279)	(291)	(647)
	$ 2,249,721	$ 1,849,709	$ 2,049,353

Short-term bills payable are commercial papers due within one year. As of September 30, 2019, December 31, 2018 and September 30, 2018, interest rates on bills payable were 0.98%-1.01%, 0.96%-1.12% and 0.91%-1.09%, respectively.

c. Long-term borrowings

	September 30, 2019	December 31, 2018	September 30, 2018
Unsecured bank loans	$ 82,000	$ 1,700,000	$ 150,000
Less: Loan management fees	(2,850)	(4,125)	(4,650)
Long-term bank loans	$ 79,150	$ 1,695,875	$ 145,350

Significant terms of the long-term borrowings contracts were as follows:

	Due Date	Article	Interest Rate	September 30, 2019	December 31, 2018	September 30, 2018
Taiwan Bank Credit loan A	2021.06.30	The credit can be revolved within 60 months from September 30, 2016, the first drawdown date of the loan.	1.80%	$ -	$ 1,700,000	$ -
KGI Bank Credit loan	2019.12.12	The credit can be revolved during the contract period. Principal was fully repaid in advance in 2018.	0.99%	-	-	150,000
KGI Bank Credit loan	2021.01.04	The credit can be revolved within 24 months from January 4, 2019, the first drawdown date of the loan.	1.05%	82,000	-	-
				$ 82,000	$ 1,700,000	$ 150,000

20. RETIREMENT BENEFIT PLANS

The amounts of pension cost in respect to the Group's defined benefit plans were recognized based on the actuarial valuations of cost rates as of December 31, 2018 and 2017 in the following items:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Operating costs	$ 6,961	$ 7,726	$ 21,359	$ 23,464
Selling and marketing expenses	$ 320	$ 338	$ 990	$ 1,002
General and administrative expenses	$ 225	$ 234	$ 675	$ 710

21. EQUITY

a. Ordinary shares

	September 30, 2019	December 31, 2018	September 30, 2018
Number of shares authorized (in thousands)	1,300,000	1,300,000	1,300,000
Shares authorized	$ 13,000,000	$ 13,000,000	$ 13,000,000
Number of shares issued and fully paid (in thousands)	1,102,835	1,102,835	1,102,835
Shares issued	$ 11,028,353	$ 11,028,353	$ 11,028,353

Fully paid ordinary shares, which have a par value of $10, carry one vote per share and a right to dividends.

b. Capital surplus

	September 30, 2019	December 31, 2018	September 30, 2018
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*			
Arising from treasury share transactions	$ 20,817	$ 20,817	$ 20,817
The difference between consideration paid and the carrying amount of the subsidiaries' net assets during actual acquisition	484	1,349	-
May only be used to offset a deficit			
Arising from share of changes in capital surplus of associates	8,810	9,302	8,702
	$ 30,111	$ 31,468	$ 29,519

* Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of paid-in capital).

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, and setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 22 (c).

In making its dividends policy, the Company takes into account future capital expenditures and working capital requirements. Based on this policy, dividends should be distributed as follows:

1) At least 20% as cash dividends; and

2) Remainder, as stock dividends. If there is a requirement for capital expenditure, the Company may distribute only stock dividends.

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

Under Order No. 1010012865, Order No. 1010047490, and Order No. 1030006415 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate to or reverse from a special reserve.

The appropriations of earnings for 2018 and 2017 approved in the shareholders' meetings on June 21, 2019 and June 26, 2018 were as follows:

	Appropriation of Earnings For the Year Ended December 31		Dividends Per Share (NT$) For the Year Ended December 31	
	2018	2017	2018	2017
Legal reserve	$ 44,566	$ 61,858		
Cash dividends	385,992	551,418	$ 0.35	$ 0.5

d. Special reserves

	September 30, 2019	December 31, 2018	September 30, 2018
Special reserves	$ 1,186,894	$ 1,186,894	$ 1,186,894

The Company appropriated a special reserve in an amount equal to the unrealized revaluation increment, which was already transferred to retained earnings.

e. Others equity items

	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Gain (Loss) on Hedging Instruments	Total
2019				
Balance at January 1	$ (100,013)	$ 394,892	$ (6,961)	$ 287,918
Unrealized gain on financial assets at FVTOCI	-	212,297	-	212,297
Exchange differences on translating the financial statements of foreign operations	(51,161)	-	-	(51,161)
Gain (loss) arising on changes in the fair value of hedging instruments	-	-	(1,878)	(1,878)
Share of other comprehensive income (loss) of associates	(8,929)	14,301	-	5,372
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	-	(170)	-	(170)
Balance at September 30	$ (160,103)	$ 621,320	$ (8,839)	$ 452,378

(Continued)

	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Gain (Loss) on Hedging Instruments	Total
2018				
Balance at January 1 (IAS 39)	$ (87,435)	$ -	$ -	$ (87,435)
Applying IFRS 9 retrospectively with the cumulative effect of the initial application of this standard	-	358,643	(6,377)	352,266
Balance at January 1 (IFRS 9)	(87,435)	358,643	(6,377)	264,831
Unrealized gain on financial assets at FVTOCI	-	200,120	-	200,120
Exchange differences on translating the financial statements of foreign operations	(52,101)	-	-	(52,101)
Gain (loss) arising on changes in the fair value of hedging instruments	-	-	2,709	2,709
Share of other comprehensive income (loss) of associates	(3,649)	(3,089)	-	(6,738)
Balance at September 30	$ (143,185)	$ 555,674	$ (3,668)	$ 408,821

(Concluded)

f. Non-controlling interests

	For the Nine Months Ended September 30	
	2019	2018
Balance at January 1	$ 2,428,958	$ 2,406,511
Attributable to non-controlling interests:		
Share of profit (loss) for the period	(24,199)	40,189
Exchange differences on translating the financial statements of foreign operations	(46,307)	(63,309)
Balance at September 30	$ 2,358,452	$ 2,383,391

g. Equity attributable to former owner of business combination under common control

	For the Nine Months Ended September 30	
	2019	2018
Balance at January 1	$ 13,440	$ 44,409
Attributable to non-controlling interests:		
Issuance of ordinary shares for cash	-	53,130
Share of profit for the period	-	22,980
Exchange differences on translating the financial statements of foreign operations	-	(3,936)
Equity attributable to owners of the Company from former owner of business combination under common control	(13,440)	-
Balance at September 30	$ -	$ 116,583

22. NET PROFIT FROM CONTINUING OPERATIONS

a. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Interest on bank loans	$ 24,791	$ 22,222	$ 68,388	$ 64,289
Less: Amounts included in the cost of qualifying assets	(533)	(134)	(1,187)	(395)
	$ 24,258	$ 22,088	$ 67,201	$ 63,894

Information about capitalized interest was as follows:

	For the Nine Months Ended September 30	
	2019	2018
Capitalization rate	0.99%-1.25%	1.00%-1.22%

b. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
An analysis of depreciation by function				
Operating costs	$ 273,890	$ 264,667	$ 818,697	$ 831,977
Operating expenses	8,419	1,727	23,698	4,985
	$ 282,309	$ 266,394	$ 842,395	$ 836,962

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
An analysis of amortization by function				
Operating costs	$ 42	$ 3,137	$ 120	$ 9,444
Operating expenses	6,724	6,456	20,023	19,110
	$ 6,766	$ 9,593	$ 20,143	$ 28,554

(Concluded)

c. Employee benefit expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Post-employment benefits				
Defined contribution plans	$ 20,119	$ 16,832	$ 56,953	$ 50,716
Defined benefit plans	7,506	8,298	23,024	25,176
	27,625	25,130	79,977	75,892
Other employee benefits	451,847	442,289	1,358,500	1,357,760
Total employee benefit expense	$ 479,472	$ 467,419	$ 1,438,477	$ 1,433,652
An analysis of employee benefit expense by function				
Operating costs	$ 414,917	$ 411,935	$ 1,256,345	$ 1,264,189
Operating expenses	64,555	55,484	182,132	169,463
	$ 479,472	$ 467,419	$ 1,438,477	$ 1,433,652

According to the Articles of Incorporation of the Company, the Company accrued compensation of employees and remuneration of directors and supervisors at the rates of no less than 1% and no higher than 2%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors and supervisors. For the nine months ended September 30, 2019, because of operation loss, the Company did not estimate the compensation of employees and the remuneration of directors and supervisors. The compensation of employees and remuneration of directors and supervisors for the nine months ended September 30, 2018 is as follows:

	For the Nine Months Ended September 30, 2018
Compensation of employees	$ 5,925
Remuneration of directors and supervisors	$ 5,250

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

The appropriations of employees' compensation and remuneration of directors and supervisors for 2018 and 2017 that were resolved by the board of directors on March 21, 2019 and March 22, 2018, respectively, are as shown below:

	For the Year Ended December 31	
	2018	2017
	Cash	Cash
Compensation of employees	$ 5,500	$ 8,000
Remuneration of directors and supervisors	7,000	7,000

There was no difference between the actual amounts of the compensation and remuneration proposed in 2018 and 2017, and the amounts recognized in the consolidated financial statements for the years ended December 31, 2018 and 2017.

Information on the compensation of employees and remuneration of directors and supervisors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

23. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax (benefit) expense were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Current tax				
In respect of the current period	$ (6,239)	$ 874	$ 9,413	$ 49,656
Adjustments for prior periods	-	-	(32,619)	-
Deferred tax				
In respect of the current period	(8,000)	29,000	-	43,000
Effect of change in tax rate	-	-	-	746
Income tax (benefit) expense recognized in profit or loss	$ (14,239)	$ 29,874	$ (23,206)	$ 93,402

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. The effect of the change in tax rate on deferred tax income to be recognized in profit or loss is recognized in full in the period in which the change in tax rate occurs. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

The applicable tax rate used by subsidiaries in China is 25%. Under the "Criteria for Designation of High and New Technology Enterprise", a designated high and new technology enterprise is allowed a 15% income tax rate. Guangdong Dingfung Pulp & Paper Co., Ltd. had obtained its qualification certificates and have a tax incentive of 15% income tax rate. Tax rates used by other entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

b. Income tax recognized in other comprehensive income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Deferred tax				
Effect of change in tax rate	$ -	$ -	$ -	$ (8,587)

c. Income tax assessments

	Latest Approved Year
The Company	2017
Genovella Renewables Inc.	2017
Hwa Fong Investments Co., Ltd.	2017

24. (LOSS) EARNINGS PER SHARE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Basic (loss) earnings per share	$ (0.10)	$ 0.16	$ (0.03)	$ 0.32
Diluted earnings per share		$ 0.16		$ 0.32

The (loss) earnings and weighted average number of ordinary shares outstanding in the computation of (loss) earnings per share from continuing operations were as follows:

Net (loss) profit for the period is as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
(Loss) profit for the period attributable to owners of the Company	$ (110,982)	$ 175,144	$ (29,646)	$ 351,196

The weighted average number of ordinary shares outstanding (in thousands of shares) is as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Weighted average number of ordinary shares used in the computation of basic earnings (loss) per share	1,102,835	1,102,835	1,102,835	1,102,835
Effect of potentially dilutive ordinary shares:				
Bonuses issued to employees		587		791
Weighted average number of ordinary shares used in the computation of diluted earnings per share		1,103,422		1,103,626

If the Group offered to settle compensation or bonuses paid to employees in cash or shares, the Group 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. BUSINESS COMBINATIONS

a. Subsidiaries acquired

Subsidiary	Principal Activity	Date of Reorganization	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Shenzhen Jinglun Paper Co., Ltd.	Note 14	The fourth quarter, 2018	100	$ 100,083
Syntax Communication (H.K.) Limited	Note 14	The first quarter, 2019	100	$ 14,305

The acquisition of Shenzhen Jinglun Paper Co., Ltd. and Syntax Communication (H.K.) Limited is the Group's operating strategy to continue the expansion of its business activities in China and Hong Kong.

b. Consideration transferred

	Shenzhen Jinglun Paper Co., Ltd.	Syntax Communication (H.K.) Limited
Cash	$ 100,083	$ 14,305

The Group paid RMB22,560 thousand and HK$3,653 thousand to the related parties of YFY Group in exchange for the equity of Shenzhen Jinglun Paper Co., Ltd. and Syntax Communication (H.K.) Limited, respectively, and the amount of investments held by the related parties were measured at the carrying amount of RMB23,062 thousand and HK$3,428 thousand, respectively, by using the equity method at the time of acquisition.

c. Assets acquired and liabilities assumed at the date of acquisition

	Shenzhen Jinglun Paper Co., Ltd.	**Syntax Communication (H.K.) Limited**
Current assets		
Cash and cash equivalents	$ 675	$ 12,115
Trade and other receivables	416,256	2,003
Inventories	66,625	-
Other current assets	28,235	383
Non-current assets	1,917	2,692
Current liabilities		
Trade and other payables	(401,830)	(3,654)
Other current liabilities	(9,546)	(99)
	$ 102,332	$ 13,440

d. The difference between consideration paid and the carrying amount of the subsidiaries' net assets during actual acquisition

	Shenzhen Jinglun Paper Co., Ltd.	**Syntax Communication (H.K.) Limited**
Consideration transferred	$ 100,083	$ 14,305
Less: Carrying amount of identifiable net assets acquired	(102,332)	(13,440)
	(2,249)	865
Equity attributable to former owner due to business combination under common control		
Capitals surplus	1,349	(865)
Non-controlling interests	900	-
	$ -	$ -

26. CAPITAL MANAGEMENT

The capital structure of the Group consists of debt and equity of the Group (comprising issued capital, reserves, retained earnings, and other equity).

Key management personnel of the Group review the capital structure on a regular basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. In order to balance the overall capital structure, the Group may adjust the amount of new debt issued or existing debt redeemed.

27. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

1) Fair value of financial instruments not carried at fair value

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

2) Fair value of financial instruments measured at fair value on a recurring basis

September 30, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	$ 1,355	$ -	$ -	$ 1,355
Derivative financial assets - foreign exchange forward contracts (not under hedge accounting)	-	4,688	-	4,688
Bank debentures in the ROC	-	175,994	-	175,994
	$ 1,355	$ 180,682	$ -	$ 182,037
Financial assets at FVTOCI				
Securities listed in the ROC	$ 1,501,627	$ -	$ -	$ 1,501,627
Domestic unlisted shares	-	-	306,631	306,631
	$ 1,501,627	$ -	$ 306,631	$ 1,808,258
Financial liabilities at FVTPL				
Derivative financial liabilities - foreign exchange forward contracts (not under hedge accounting)	$ -	$ 1,940	$ -	$ 1,940
Hedging financial liabilities				
Derivative financial liabilities - foreign exchange forward contracts	$ -	$ 37	$ -	$ 37

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	$ 4,349	$ -	$ -	$ 4,349
Derivative financial assets - foreign exchange forward contracts (not under hedge accounting)	-	3,166	-	3,166
Bank debentures in the ROC	-	171,035	-	171,035
	$ 4,349	$ 174,201	$ -	$ 178,550
Financial assets at FVTOCI				
Securities listed in the ROC	$ 1,313,065	$ -	$ -	$ 1,313,065
Domestic unlisted shares	-	-	300,123	300,123
	$ 1,313,065	$ -	$ 300,123	$ 1,613,188
Hedging financial assets				
Derivative financial assets - foreign exchange forward contracts	$ -	$ 50	$ -	$ 50
Hedging financial liabilities				
Derivative financial liabilities - foreign exchange forward contracts	$ -	$ 250	$ -	$ 250

September 30, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	$ 4,344	$ -	$ -	$ 4,344
Structured deposits	-	6,239	-	6,239
Bank debentures in the ROC	-	175,994	-	175,994
	$ 4,344	$ 182,233	$ -	$ 186,577
Financial assets at FVTOCI				
Securities listed in the ROC	$ 1,452,777	$ -	$ -	$ 1,452,777
Domestic unlisted shares	-	-	301,072	301,072
	$ 1,452,777	$ -	$ 301,072	$ 1,753,849
Hedging financial assets				
Derivative financial assets - foreign exchange forward contracts	$ -	$ 722	$ -	$ 722
Hedging financial liabilities				
Derivative financial liabilities - foreign exchange forward contracts	$ -	$ 3,355	$ -	$ 3,355

There were no transfers between Levels 1 and 2 for the nine months ended September 30, 2019 and 2018.

3) Reconciliation of Level 3 fair value measurements of financial assets

For the nine months ended September 30, 2019

Financial Assets	Financial Assets of Equity Securities at FVTOCI
Balance at January 1, 2019	$ 300,123
Purchases	3
Proceeds from capital reduction	(17,229)
Recognized in other comprehensive income	23,734
Balance at September 30, 2019	$ 306,631

For the nine months ended September 30, 2018

Financial Assets	Financial Assets of Equity Securities at FVTOCI
Balance at January 1, 2018	$ 268,826
Proceeds from capital reduction	(18,655)
Recognized in other comprehensive income	50,901
Balance at September 30, 2018	$ 301,072

4) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivatives - foreign exchange forward contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Bank debentures in the ROC	Discounted cash flow. Future cash flows are discounted at a rate that reflects current borrowing interest rates of the debenture issuers at the end of the reporting period.
Structured deposits	Discounted cash flow. Future cash flows are estimated based on contract interest rates, discounted at a rate that reflects the credit risk.

5) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of unlisted equity securities - ROC were determined using the assets approach. The total value of individual assets and individual liabilities reflects the overall value of the investment. The significant unobservable inputs used are listed in the table below. A decrease in discount for lack of marketability used in isolation would result in increases in fair value.

	September 30, 2019	**December 31, 2018**	**September 30, 2018**
Discount for lack of marketability	15%	15%	15%

If the inputs to the valuation model were changed to reflect reasonably possible alternative assumptions while all the other variables were held constant, the fair value of the shares would increase (decrease) as follows:

	September 30, 2019	**December 31, 2018**	**September 30, 2018**
Discount for lack of marketability			
2.5% increase	$ (9,018)	$ (8,827)	$ (8,855)
2.5% decrease	$ 9,018	$ 8,827	$ 8,855

b. Categories of financial instruments

	September 30, 2019	**December 31, 2018**	**September 30, 2018**
Financial assets			
Financial assets at FVTPL			
Mandatorily classified as at FVTPL	$ 182,037	$ 178,550	$ 186,577
Financial assets for hedging	-	50	722
Financial assets at amortized cost (1)	4,928,420	4,917,529	5,217,127
Financial assets at FVTOCI	1,808,258	1,613,188	1,753,849
Financial liabilities			
Financial liabilities at FVTPL	1,940	-	-
Financial liabilities at amortized cost (2)	11,200,214	10,603,284	10,134,879
Financial liabilities for hedging	37	250	3,355

1) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, debt investments, notes and accounts receivable, notes and accounts receivable from related parties, other receivables from related parties, other receivables (accounted as other current assets), and refundable deposits (accounted as other non-current assets).

2) The balances include financial liabilities measured at amortized cost, which comprise short-term borrowings, short-term bills payable, notes and accounts payable, notes and accounts payable to related parties, other payables, other payables to related parties, long-term borrowings, and deposits received (accounted as other non-current liabilities).

c. Financial risk management objectives and policies

The Group’s main target in financial risk management is to manage the market risk related to operating activities (including foreign currency risk, interest rate risk, and other price risk), credit risk, and liquidity risk. To reduce the potential and detrimental influence of the fluctuations in market on the Group’s financial performance, the Group is devoted to identify, estimate, and hedge the uncertainties of the market.

The Group sought to minimize the effects of these risks by using both derivative and non-derivative financial instruments to avoid risk exposures. The use of financial instruments is governed by the Group’s policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, derivative and non-derivative financial instruments, and investment of excess liquidity. Compliance with policies and exposure limits is being reviewed by the internal auditors on a regular basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

a) Foreign currency risk

The Group had foreign currency denominated sales and purchases, which exposed the Group to foreign currency risk. The Group used foreign exchange forward contracts to eliminate currency exposure. These foreign exchange forward contracts could reduce the influence of the exchange rate fluctuations on the Group’s income.

<u>Sensitivity analysis</u>

For the position of financial assets and liabilities that had significant influence on the Group, the risk was measured by considering the net position of foreign currency forward contracts that was in effect.

The Group is mainly exposed to the USD and RMB.

The following table details the Group’s sensitivity to a 5% increase in the functional currency against the relevant foreign currencies. For a 5% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

	For the Nine Months Ended September 30	
	2019	**2018**
Influence to profit or loss at 5% variance		
USD	$ (3,427)	$ 32,041
RMB	60,711	25,854

b) Interest rate risk

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

	September 30, 2019	December 31, 2018	September 30, 2018
Fair value interest rate risk			
Financial assets	$ 1,446,762	$ 1,122,349	$ 1,427,180
Financial liabilities	2,330,097	3,553,017	2,194,703
Cash flow interest rate risk			
Financial assets	319,952	564,547	261,070
Financial liabilities	5,886,816	3,694,901	4,677,000

Due to the close and long-term relationship with banks, the Group obtained better and flexible interest rates from banks. The impact of changing in interest rates is not significant to the Group.

Sensitivity analysis

For the Group's floating interest rate financial liabilities, if interest rates had been 0.1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the nine months ended September 30, 2019 and 2018 would decrease/increase as follows:

	For the Nine Months Ended September 30	
	2019	2018
Decrease/increase	$ 4,175	$ 3,312

c) Other price risk

The Group was exposed to equity price risk through its investments in listed equity securities. To prevent significant price risk, the Group has built an immediate control system.

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, the Group's comprehensive income for the nine months ended September 30, 2019 and 2018 would increase/decrease as follows:

	For the Nine Months Ended September 30	
	2019	2018
Profit before tax		
Increase/decrease	$ 68	$ 217
Other comprehensive income		
Increase/decrease	90,413	72,639

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation is at the level of the carrying amounts of the respective recognized financial assets which comprise receivables from operating activities and financial assets from investing activities as stated in the consolidated balance sheets.

The Group's transactions are done with a large number of unrelated customers and various industries. The Group continuously evaluates the financial conditions of those customers.

To maintain the quality of the accounts receivable, the Group has developed a credit risk management procedure to reduce the credit risk from specific customer. The credit evaluation of individual customer includes considering factors that will affect its payment ability such as financial condition, past transaction records and current economic conditions. Credit risk of bank deposits, fixed-income investments and other financial instruments with banks is evaluated and monitored by the Group's financial department. Since the counterparties are creditworthy banks and financial institutions with good credit rating, there was no significant credit risk.

3) Liquidity risk

The objective of liquidity risk management is to maintain adequate cash and cash equivalents with high liquidity and sufficient bank facilities required by business operation and to ensure the Group has sufficient financial flexibility.

As of September 30, 2019, December 31, 2018 and September 30, 2018, the Group's unused financing facilities were $4,676,601 thousand, $5,788,780 thousand and $5,667,762 thousand, respectively.

28. TRANSACTIONS WITH RELATED PARTIES

The Company's parent is YFY Inc. Company, which held 56.9% of the ordinary shares of the Company as of September 30, 2019, December 31, 2018 and September 30, 2018.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

a. Related party name and category

Related Party Name	Related Party Category
YFY Consumer Products Co., Ltd.	Fellow subsidiaries
YFY Packaging Inc.	Fellow subsidiaries
YFY International BVI Corp.	Fellow subsidiaries
Yuen Foong Yu Paper MFG (Yangzhou) Co., Ltd.	Fellow subsidiaries
YFY Family Care (Kunshan) Co., Ltd.	Fellow subsidiaries
YFY Family Paper (Beijing) Co., Ltd.	Fellow subsidiaries
YFY Capital Co., Ltd.	Fellow subsidiaries
Union Paper Corp.	Fellow subsidiaries
Shin Foong Specialty & Applied Materials Co., Ltd.	Fellow subsidiaries
YFY Japan Co., Ltd.	Fellow subsidiaries

(Continued)

Related Party Name	Related Party Category
YFY Investment Co., Ltd.	Fellow subsidiaries
Pek Crown Paper Co., Ltd.	Fellow subsidiaries
China Color Printing Co., Ltd.	Fellow subsidiaries
Cupid InfoTech Co., Ltd.	Fellow subsidiaries
YFY Holding Management Co., Ltd.	Fellow subsidiaries
YFY Paradigm Investment Co., Ltd.	Fellow subsidiaries
Jiangyin Yuen Foong Yu Paper MFG. Co., Ltd.	Fellow subsidiaries
YFY Jupiter Ltd.	Fellow subsidiaries
Yuen Foong Yu Blue Economy Natural Resource (Yangzhou) Co., Ltd.	Fellow subsidiaries
Ever Growing Agriculture Biotech Co., Ltd.	Fellow subsidiaries
Arizon RFID Technology (Hong Kong) Co., Ltd., Taiwan Branch	Fellow subsidiaries
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Fellow subsidiaries
Sustainable Carbohydrate Innovation Co., Ltd.	Fellow subsidiaries
YFY Biotechnology Co., Ltd.	Associates
E Ink Holdings Inc.	Associates
Yuen Foong Paper Co., Ltd.	Substantial related-parties
Shin-Yi Foundation	Substantial related-parties
Beautone Co., Ltd.	Substantial related-parties
Shin-Yi Enterprise Co., Ltd.	Substantial related-parties
SinoPac Leasing Co., Ltd.	Substantial related-parties
SinoPac Securities Co., Ltd.	Substantial related-parties

(Concluded)

b. Sales of goods

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
Related Party Type	2019	2018	2019	2018
Fellow subsidiaries	$ 877,553	$ 1,221,466	$ 3,053,224	$ 3,673,516
Parent company	13	19	33	141
Substantial related-parties	77,186	105,535	221,810	245,955
Associates	-	-	38	-
	$ 954,752	$ 1,327,020	$ 3,275,105	$ 3,919,612

For sales of goods to related parties, the prices and terms of receivables approximate to those with non-related parties.

c. Purchases of goods

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
Related Party Type	2019	2018	2019	2018
Fellow subsidiaries	$ 555,269	$ 803,334	$ 1,846,124	$ 2,345,869
Substantial related-parties	215	209	1,585	2,314
Associates	97	153	403	409
	$ 555,581	$ 803,696	$ 1,848,112	$ 2,348,592

For purchases of goods from related parties, the prices and terms of payables approximate to those with non-related parties.

d. Notes and accounts receivable from related parties

Related Party Type	September 30, 2019	December 31, 2018	September 30, 2018
Fellow subsidiaries			
YFY Consumer Products Co., Ltd.	$ 91,158	$ 261,088	$ 218,252
YFY Investment Co., Ltd.	96,607	106,240	134,372
YFY Packaging Inc.	80,631	114,679	90,437
Union Paper Corp.	77,601	112,940	62,251
Others	66,731	115,789	202,054
	412,728	710,736	707,366
Substantial related-parties	47,366	64,699	75,953
Parent company	68	8	68
	$ 460,162	$ 775,443	$ 783,387

The outstanding accounts receivable from related parties are unsecured. No bad debt was recognized for the nine months ended September 30, 2019 and 2018 for allowance of impaired accounts receivable from related parties.

e. Notes and accounts payable to related parties

Related Party Type	September 30, 2019	December 31, 2018	September 30, 2018
Fellow subsidiaries			
YFY Packaging Inc.	$ 254,600	$ 346,869	$ 332,138
Shin Foong Specialty & Applied Materials Co., Ltd.	101,314	132,512	128,347
YFY Capital Co., Ltd.	78,582	65,315	67,715
Others	32,741	55,663	41,476
	467,237	600,359	569,676
Associates	97	-	132
Substantial related-parties	2,493	2,152	3,053
Parent company	2,338	259	259
	$ 472,165	$ 602,770	$ 573,120

The outstanding accounts payable to related parties are unsecured.

f. Loan to related parties (interest receivable included)

Related Party Type	September 30, 2019	December 31, 2018	September 30, 2018
Fellow subsidiaries			
Yuen Foong Yu Paper MFG (Yangzhou) Co., Ltd.	$ 451,121	$ 460,215	$ 509,766
YFY International BVI Corp.	313,708	309,164	306,742
	$ 764,829	$ 769,379	$ 816,508

The Group provided fellow subsidiaries with short-term loans at rates comparable to the market rate of interest.

For the three months ended September 30, 2019 and 2018 and for the nine months ended September 30, 2019 and 2018, the interest income from the loans to related parties amounted to $6,525 thousand, $4,977 thousand, $17,492 thousand and $14,405 thousand, respectively.

g. Loans from related parties

Related Party Type	September 30, 2019	December 31, 2018	September 30, 2018
Fellow subsidiaries			
Yuen Foong Yu Paper MFG (Yangzhou) Co., Ltd.	$ 1,226	$ 7,433	$ -

The Group obtained loans at rates comparable to market interest rates for the loans from related parties.

For the three months ended September 30, 2019 and 2018 and for the nine months ended September 30, 2019 and 2018, the interest expense from the loans from related parties amounted to $168 thousand, $456 thousand, $442 thousand and $2,063 thousand, respectively.

h. Disposals of property, plant and equipment

	Proceeds		Gain (Loss) on Disposal	
	For the Nine Months Ended September 30		For the Nine Months Ended September 30	
Related Party Type	2019	2018	2019	2018
Fellow subsidiaries				
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	$ 7,867	$ -	$ -	$ -

i. Lease arrangements

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
Related Party Category	2019	2018	2019	2018
Interest expense				
Parent company	$ 63	$ -	$ 200	$ -
Lease expense				
Parent company	$ 1,530	$ 1,760	$ 4,590	$ 5,285
Substantial related-parties	1,766	2,721	5,296	8,164
	$ 3,296	$ 4,481	$ 9,886	$ 13,449

j. Other transactions with related parties

	Rental Income (Accounted as Other Income)			
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
Related Party Type	2019	2018	2019	2018
Fellow subsidiaries	$ 357	$ 357	$ 1,071	$ 1,071
Parent company	29	29	86	86
	$ 386	$ 386	$ 1,157	$ 1,157

	Management Fee (Accounted as Operating Expenses)			
	For the Three Months Ended September 30		For the Nine Months Ended September 30	
Related Party Type	2019	2018	2019	2018
Fellow subsidiaries	$ 22,418	$ 20,345	$ 62,513	$ 61,033

The amount of management fee depended on the agreements; rental income and expenses which were received or paid monthly were based on the market price.

k. Compensation of key management personnel

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Salaries and benefits	$ 1,798	$ 8,679	$ 15,894	$ 22,428
Executive fees	718	742	2,116	2,382
	$ 2,516	$ 9,421	$ 18,010	$ 24,810

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

29. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

As of September 30, 2019, December 31, 2018 and September 30, 2018, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately $323,868 thousand, $447,769 thousand and $475,738 thousand, respectively.

30. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following is information on the foreign currencies other than the functional currencies of the Group's group entities and the related exchange rates between the foreign currencies and respective functional currencies. The significant assets and liabilities denominated in foreign currencies were as follows:

	September 30, 2019		
	Foreign Currency (In Thousands)	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 49,767	31.04	$ 1,544,768
RMB	276,650	4.389	1,214,217
Non-monetary items			
Derivative instruments			
USD	7,000	31.04	217,280
Financial liabilities			
Monetary items			
USD	34,175	31.04	1,060,792
Non-monetary items			
Derivative instruments			
USD	24,800	31.04	769,792
EUR	478	33.95	16,228

	December 31, 2018		
	Foreign Currency (In Thousands)	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 37,977	30.715	$ 1,166,463
RMB	136,271	4.475	609,813
Non-monetary items			
Derivative instruments			
USD	16,500	30.715	506,798
EUR	243	35.2	8,544
Financial liabilities			
Monetary items			
USD	51,905	30.715	1,594,262
Non-monetary items			
Derivative instruments			
EUR	3,470	35.2	122,144

	September 30, 2018		
	Foreign Currency (In Thousands)	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 43,255	30.525	$ 1,320,359
RMB	116,537	4.437	517,075
Non-monetary items			
Derivative instruments			
EUR	3,100	35.48	109,988
USD	24,000	30.525	732,600
Financial liabilities			
Monetary items			
USD	46,262	30.525	1,412,148
Non-monetary items			
Derivative instruments			
EUR	5,698	35.48	202,165

For the three months ended September 30, 2019 and 2018 and for the nine months ended September 30, 2019 and 2018, realized and unrealized foreign exchange gains (losses) were a loss of $55,887 thousand, a loss of $58,046 thousand, a loss of $22,811 thousand and a loss of $35,907 thousand, respectively. It is impractical to disclose net foreign exchange gains or losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

31. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others (Table 1)

2) Endorsements/guarantees provided (Table 2)

3) Marketable securities held (Table 3)

4) Marketable securities acquired or disposed at costs or prices at least NT$300 million or 20% of the paid-in capital (None)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital (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 (Notes 7 and 9)

10) Intercompany relationships and significant intercompany transactions (Table 8)

11) Information on investees (Table 6)

b. Information on investments in mainland China:

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment 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):

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period

c) The amount of property transactions and the amount of the resultant gains or losses

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to the financing of funds

f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services

32. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

	Business Unit of Pulp and Fine Paper	Business Unit of Forestry	Other Segment	Adjustment and Elimination	Total
For the nine months ended September 30, 2019					
Revenue from external customers	$ 15,599,311	$ 29,200	$ 35,850	$ -	$ 15,664,361
Revenue from other internal operating segments	$ 811,938	$ 97,468	$ 6,841	$ (916,247)	$ -
Segment profit or loss	$ (61,704)	$ 6,995	$ 864	$ -	$ (53,845)
For the nine months ended September 30, 2018					
Revenue from external customers	$ 17,967,197	$ 76,658	$ 43,724	$ -	$ 18,087,579
Revenue from other internal operating segments	$ 723,425	$ 190,785	$ 5,874	$ (920,084)	$ -
Segment profit or loss	$ 406,678	$ 1,001	$ 6,686	$ -	$ 414,365

The Group classifies its products into two segments in accordance with their characteristics, as follows:

a. Pulp and fine paper segment

   Manufacture and sale of cardboard, paper and pulp.

b. Forestry segment

   Seedling cultivation and reforestation.

The accounting policies of each segment are the same as those accounting policies stated in Note 4. The performance of segments is measured by income after tax. Revenue and profit between segments have been adjusted; these adjustments include the elimination of inter-segment transactions to reconcile the segment information with that reported for the Group as a whole.

TABLE 1

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period (Foreign Currencies in Thousands) (Notes 2 and 4)	Ending Balance (Foreign Currencies in Thousands) (Notes 2 and 4)	Actual Borrowing Amount (Foreign Currencies in Thousands) (Note 4)	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Foreign Currencies in Thousands) (Notes 3 and 4)	Aggregate Financing Limit (Foreign Currencies in Thousands) (Notes 3 and 4)
													Item	Value		
1	Guangdong Dingfung Pulp & Paper Co., Ltd.	Yuen Foong Yu Paper MFG (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	$ 521,007 (RMB 118,707)	$ 497,972 (RMB 113,459)	$ 449,836 (RMB 102,492)	3.25	Short-term financing	$ -	Operating capital	$ -	-	$ -	$ 497,972 (RMB 113,459)	$ 1,991,887 (RMB 453,836)
2	CHP International (BVI) Corporation	YFY International BVI Corp.	Other receivables from related parties	Yes	316,000 (US$ 10,180)	310,400 (US$ 10,000)	310,400 (US$ 10,000)	2.80	Short-term financing	-	Operating capital	-	-	-	543,268 (US$ 17,502)	2,173,072 (US$ 70,009)
		Guangdong Dingfung Pulp & Paper Co., Ltd.	Other receivables from related parties	Yes	1,037,795 (US$ 33,434)	1,005,716 (US$ 32,401)	1,005,716 (US$ 32,401)	2.50-3.10	Short-term financing	-	Operating capital	-	-	-	2,173,072 (US$ 70,009)	2,173,072 (US$ 70,009)
		Zhaoqing Dingfung Forestry Ltd.	Other receivables from related parties	Yes	379,200 (US$ 12,216)	372,480 (US$ 12,000)	372,480 (US$ 12,000)	2.50	Short-term financing	-	Operating capital	-	-	-	2,173,072 (US$ 70,009)	2,173,072 (US$ 70,009)
3	Zhaoqing Dingfung Forestry Ltd.	Guangdong Dingfung Pulp & Paper Co., Ltd.	Other receivables from related parties	Yes	91,023 (RMB 20,739)	-	-	-	Short-term financing	-	Operating capital	-	-	-	1,156,245 (RMB 263,442)	1,156,245 (RMB 263,442)
4	Shenzhen Jinglun Paper Co., Ltd.	Yuen Foong Yu Paper MFG (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	10,737 (RMB 2,446)	10,262 (RMB 2,338)	-	3.25	Short-term financing	-	Operating capital	-	-	-	10,262 (RMB 2,338)	41,050 (RMB 9,353)

Note 1: The number column of financing provided to others by Chung Hwa Pulp Corporation and subsidiaries is illustrated as follows:

a. The Company is numbered 0.
b. The subsidiaries of the Company are sequentially numbered from 1 based on their investment structures.

Note 2: The balances are the approved amount that could be financed to others, including those not actually borrowed.

Note 3: a. Limitation of financing provided to the Company:

Total loans should not exceed 40% of the lender’s net equity of the prior year, and individual loans should not exceed 40%. Short-term financing to individuals should not exceed 40% of the lender’s net equity of the prior year.

b. Limitation of financing provided to Guangdong Dingfung Pulp & Paper Co., Ltd:

Total loans should not exceed 40% of the lender’s net equity of the prior year, and individual loans should not exceed 40%. Contributions to the cash pool to be used for lending purposes should not exceed 10% of the lender’s net equity of the prior year.

c. Limitation of financing provided to CHP International (BVI) Corporation:

Total loans should not exceed 40% of the lender’s net equity of the prior year, and individual loans should not exceed 40%. Short-term financing to individuals should not exceed 40% of the lender’s net equity of the prior year. Financing to YFY International BVI Corporation is for revolving credit facility purposes, and the financing amount should not exceed 10% of the lender’s net equity of the prior year.

d. Limitation of financing provided to Zhaoqing Dingfung Forestry Ltd.:

Total loans should not exceed 40% of the lender’s net equity of the prior year, and individual loans should not exceed 40%. Short-term financing to individuals should not exceed 40% of the lender’s net equity of the prior year.

e. Limitation of financing provided to Shenzhen Jinglun Paper Co., Ltd.:

Total loans should not exceed 40% of the lender’s net equity of the prior year, and individual loans should not exceed 40%. Contributions to the cash pool to be used for lending purposes should not exceed 10% of the lender’s net equity of the prior year.

Note 4: The exchange rates are US$1=NT$31.04 or RMB1=NT$4.389 as of September 30, 2019.

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period (Foreign Currencies in Thousands) (Note 4)	Outstanding Endorsement/ Guarantee at the End of the Period (Foreign Currencies in Thousands) (Note 5)	Actual Borrowing Amount (Note 6)	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries (Note 7)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent (Note 7)	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China (Note 7)
		Name	Relationship (Note 2)										
0	Chung Hwa Pulp Corporation	CHP International (BVI) Corporation	b.	$ 23,432,565	$ 862,960 (US$ 27,802)	$ 713,920 (US$ 23,000)	$ -	$ -	4.65	$ 31,243,420	Note 8	N	N
		Guangdong Dingfung Pulp & Paper Co., Ltd.	b.	23,432,565	183,973 (RMB 41,917)	175,543 (RMB 39,996)	-	-	1.14	31,243,420	Note 8	N	N

Note 1: The number column is illustrated as follows:

a. The Company is numbered 0.
b. The subsidiaries of the Company are sequentially numbered from 1 based on their investment structure.

Note 2: The 7 different relationships between endorsee and guarantee are as follows:

a. The companies with which it has business relations.
b. Subsidiaries in which it holds more than 50% of its total outstanding common shares.
c. Companies in which it holds more than 50% of its total outstanding common shares.
d. Companies in which it holds more than 90% of its total outstanding common shares.
e. Companies in same type of business and providing mutual endorsements/guarantees in favor of each other in accordance with the contractual obligations in order to fulfill the needs of the construction project.
f. Shareholders making endorsements/guarantees for their mutually invested companies in proportion to their shareholding percentages.
g. Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: Limit on endorsement/guarantee given on behalf of Chung Hwa Pulp Corporation to a single entity is 150% of the net equity of the prior year. Limit on endorsement/guarantee is 200% of the net equity of the prior year.

Note 4: The balance is the maximum amount endorsed/guaranteed to others during the period.

Note 5: The balance is the amount approved by the board of directors. If the chairman is authorized by the board of directors to make the endorsement/guarantee decisions based on the guidelines for lending of capital, endorsements and guarantees by Public Companies Art. 12.8, the balance is the amount approved by the chairman.

Note 6: The balance is the actual borrowing amount determined by the endorsee/guarantee within the limit.

Note 7: Endorsement/guarantee given by parent on behalf of subsidiaries, endorsement/guarantee given by subsidiaries on behalf of parent, and endorsement/guarantee given on behalf of companies in mainland China should be Y.

Note 8: The endorsee and guarantee jointly issued promissory notes in consideration of the line of credit of financial institutions.

TABLE 3

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
SEPTEMBER 30, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	September 30, 2019			
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value (Note 1)
Chung Hwa Pulp Corporation	Ordinary shares						
	SinoPac Holdings Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	99,809,327	$ 1,207,693	0.9	$ 1,207,693
	NTU Innovation & Incubation Co., Ltd.	The investor is the member of the investee's board of directors.	Financial assets at fair value through profit or loss - non-current	800,000	-	6.3	-
	Groundhog Technologies Inc.	-	Financial assets at fair value through profit or loss - non-current	275,000	-	1.0	-
	Direct Insight Inc.	-	Financial assets at fair value through other comprehensive income - non-current	275,000	3	1.0	3
	KHL IB Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	19,161,529	306,628	14.9	306,628
	TaiGen Biopharmaceuticals Holdings Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	15,315,356	264,955	2.1	264,955
	Subordinated bank debentures						
	Bank SinoPac 3rd unsecured perpetual non-cumulative subordinated financial debentures issue in 2015	-	Financial assets at fair value through profit or loss - non-current	-	175,994	-	175,994
Hwa Fong Investment Co., Ltd.	Ordinary shares						
	Caihui Technology Co., Ltd.	-	Financial assets at fair value through profit or loss - non-current	150,000	-	0.2	-
	SinoPac Holdings Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	2,394,960	28,979	-	28,979
Genovella Renewables Inc.	Beneficiary certificates						
	SinoPac TWD Money Market Fund	-	Financial assets at fair value through profit or loss - current	97,099	1,355	-	1,355

Note 1: The securities mentioned in the table above are those classified as financial instruments under IFRS 9, including shares, bonds, beneficiary certificates, and all other securities derived from those items.

Note 2: Refer to Table 7 and Table 8 for information on investments in subsidiaries and associates.

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(In Thousands of New Taiwan Dollars)

Buyer/Seller	Related Party	Relationship (Note 1)	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Unrealized Gain (Loss)
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Company	YFY Capital Co., Ltd.	a.	Sale	$ (601,152)	(4)	0.5 month after transaction month	$ -	-	$ 42,819	1	$ -
	Shenzhen Jinglun Paper Co., Ltd.	b.	Sale	(790,999) (Note 2)	(6)	5 months after transaction month	-	-	676,624	22	1,388
	YFY Consumer Products Co., Ltd.	a.	Sale	(538,648)	(4)	2 months after transaction month	-	-	91,158	3	-
	YFY Packaging Inc.	a.	Sale	(249,769)	(2)	3 months after transaction month	-	-	80,631	3	-
	YFY Packaging Inc.	a.	Purchase	1,143,185	9	1 month after transaction month	-	-	(254,600)	(15)	-
	Union Paper Corp.	a.	Sale	(672,879)	(5)	1 month after transaction month	-	-	77,601	3	-
	Union Paper Corp.	a.	Purchase	110,044	1	1 month after transaction month	-	-	(13,644)	(1)	
	Beautone Co., Ltd.	c.	Sale	(191,178)	(1)	1 month after transaction month	-	-	42,352	1	-
	YFY Japan Co., Ltd.	a.	Purchase	304,248	2	In agreed terms	-	-	-	-	-
	Shin Foong Specialty & Applied Materials Co., Ltd.	a.	Purchase	162,451	1	4 months after transaction month	-	-	(101,314)	(6)	-
Guangdong Dingfung Pulp & Paper Co., Ltd.	YFY Investment Co., Ltd.	a.	Sale	(807,408)	(47)	2 months after transaction month	-	-	96,607	26	-
	YFY Investment Co., Ltd.	a.	Purchase	122,552	7	2 months after transaction month	-	-	-	-	-
Shenzhen Jinglun Paper Co., Ltd.	Chung Hwa Pulp Corporation	b.	Purchase	790,999 (Note 2)	100	5 months after transaction month	-	-	(676,624)	(100)	-

Note 1: a. Fellow subsidiaries.
b. Parent company and subsidiary.
c. Substantial related-parties.

Note 2: In preparing the consolidated financial statements, the transaction has been eliminated.

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
SEPTEMBER 30, 2019
(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		
The Company	Shenzhen Jinglun Paper Co., Ltd.	Parent company and subsidiary	$ 676,624	1.64	$ -	-	$ 47,708	$ -

Note: In preparing the consolidated financial statements, the transaction has been eliminated.

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of September 30, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note (Note 1)
				September 30, 2019	December 31, 2018	Number of Shares	%	Carrying Amount			
Chung Hwa Pulp Corporation	CHP International (BVI) Corporation	British Virgin Island	Investment and holding	$ 1,747,085	$ 1,747,085	61,039,956	100.0	$ 5,310,627	$ (11,755)	$ (12,093)	a.
	E Ink Holdings Inc.	Hsinchu, Taiwan	To research, develop, produce and sale of thin-film transistor liquid crystal display	329,000	329,000	20,000,000	1.8	408,181	2,470,387	43,641	b.
	Effion Enertech Co., Ltd.	Taipei, Taiwan	To operate cogeneration and provide power technology	343,000	343,000	34,300,000	49.0	286,685	(97,216)	(47,636)	b.
	Taiwan Global BioFund Co., Ltd.	Taipei, Taiwan	Biotechnology and biopharmaceutical business investment	32,832	60,000	3,283,200	4.4	74,576	(258,809)	(11,546)	b.
	Hwa Fong Investment Co., Ltd.	Taipei, Taiwan	Investment and holding	36,000	36,000	3,600,000	100.0	50,317	2,405	2,405	a.
Hwa Fong Investment Co., Ltd.	Effion Enertech Co., Ltd.	Taipei, Taiwan	To operate cogeneration and provide power technology	7,000	7,000	700,000	1.0	5,851	(97,216)	(972)	b.
	Genovella Renewables Inc. (Note 3)	Hualien, Taiwan	To produce fertilizer	5,000	5,000	-	100.0	8,911	1,935	1,935	a.
CHP International (BVI) Corporation	Syntax Communication (H.K.) Limited	Hong Kong	Sale and print of paper merchandise	US$ 466 (Note 2)	- (Note 2)	34,000,000	100.0	14,685	1,119	1,119	a.

Note 1: a. Subsidiaries.
b. Investments accounted for using the equity method.
c. Refer to Table 7 for information on investments in mainland China.

Note 2: CHP International (BVI) Corporation, subsidiary of the Company, acquire shares of Syntax Communication (H.K.) Limited by cash from a fellow subsidiary, YFY International BVI Corp. in January 2019.

Note 3: Formerly as Kuang Hwa Fertilizer Limited Company.

TABLE 7

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (Foreign Currencies in Thousands) (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2019 (Foreign Currencies in Thousands) (Note 1)	Remittance of Funds Outward	Remittance of Funds Inward	Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2019 (Foreign Currencies in Thousands) (Note 1)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of September 30, 2019	Accumulated Repatriation of Investment Income as of September 30, 2019
Guangdong Dingfung Pulp & Paper Co., Ltd.	Pulp and paper production, trading and forestry business.	$ 2,657,955 (US$ 85,630) (Note 3)	Investment in mainland China through companies set up in another country.	$ 409,728 (US$ 13,200)	$ -	$ -	$ 409,728 (US$ 13,200)	$ (62,859) (Note 2,b.)	60.0	$ 37,716 (Note 2,b.)	$ 2,951,314	$ -
Shenzhen Jinglun Paper Co., Ltd.	Sale of paper merchandise and import/export business.	14,045 (RMB 3,200)	(Note 5)	-	-	-	-	16,079 (Note 2,c.)	100.0 (Note 6)	16,079 (Note 2,c.)	118,192	-
Zhaoqing Dingfung Forestry Ltd.	Seedling cultivation and sales, reforestation, sales-cum-forest logging and other forestry, processing and transportation	679,155 (US$ 21,880)	Investment in mainland China through companies set up in another country.	137,445 (US$ 4,428)	-	-	137,445 (US$ 4,428)	6,995 (Note 2,c.)	86.5 (Note 4)	6,051 (Note 2,c.)	2,506,475	-
Zhaoqing Xinchuan Green Technology Co., Ltd. (Note 4)	Environmental equipment technology research and development; construction of wastewater, flue gas, noise and solid waste treatment; pure water treatment construction; environmental technology consulting; sale of environmental protection equipment and chemical raw material; import and export of cargo and technology	- (Note 7)	(Note 5)	-	-	-	-	-	-	-	-	-

Accumulated Investment in Mainland China as of September 30, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$547,173 (Note 1)	$1,322,490 (Note 1)	$9,221,607

Note 1: The exchange rates are US$1=NT$31.04 or RMB1=NT$4.389 as of September 30, 2019.

Note 2: The recognition basis for investment gain (loss) are as follows:

a. Financial statements audited by an international CPA firm with the cooperation of the ROC CPA firm.
b. Financial statements audited by the ROC CPA firm.
c. Others.

Note 3: Guangdong Dingfung Pulp & Paper Co., Ltd. increased its capital by retained earnings in an amount of US$41,630 thousand from 2004 to 2007, and increased its capital by retained earnings from 2007 and 2008 in an amount of US$22,000 thousand in July 2015. The paid-in-capital after the capital increase was US$85,630 thousand.

Note 4: Ownership percentage of investment for CHP International (BVI) Corporation and Guangdong Dingfung Pulp & Paper Co., Ltd. are 20.2% and 66.3%, respectively.

Note 5: Investment in mainland China through companies set up in another country. The direct investor is Guangdong Dingfung Pulp & Paper Co., Ltd.

Note 6: Guangdong Dingfung Pulp & Paper Co., Ltd., subsidiary of the Company, acquired shares of Shenzhen Jinglun Paper Co., Ltd. by cash from a fellow subsidiary, Hwa Fong Paper (Hong Kong) Limited in the fourth quarter of 2018.

Note 7: On September 12, 2019, the board of directors of Guangdong Dingfung Pulp & Paper Co., Ltd. decided to establish Zhaoqing Xinchuan Green Technology Co., Ltd. The total investment was RMB10,000 thousand and Guangdong Dingfung Pulp & Paper held 100% equity. Capital injection was planned to meet fund needs. There was no capital injection as of September 30, 2019.

TABLE 8

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(In Thousands of New Taiwan Dollars)

No.	Investee Company	Counterparty	Relationship	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets
1	Chung Hwa Pulp Corporation	Shenzhen Jinglun Paper Co., Ltd.	Subsidiary	Accounts receivable	$ 676,624	5 months after transaction month	2
				Sales	790,999	By market price	5
2	Zhaoqing Dingfung Forestry Ltd.	Guangdong Dingfung Pulp & Paper Co., Ltd.	Parent company	Accounts receivable	74,925	Net 120 days	-
				Sales	97,468	By market price	1
3	Genovella Renewables Inc.	Chung Hwa Pulp Corporation	Parent company	Accounts receivable	548	Prepaid or net 30 days	-
				Sales	6,841	By market price	-
4	Syntax Communication (H.K.) Limited	Chung Hwa Pulp Corporation	Parent company	Accounts receivable	1,859	Net 30 days	-
				Commission	20,939	By market price	-

Note: In preparing the consolidated financial statements, the transaction has been eliminated.