

Chung Hwa Pulp Corporation

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Shareholders
Chung Hwa Pulp Corporation

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the financial statements for the year ended December 31, 2020. The matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

The key audit matter identified in the financial statements for the year ended December 31, 2020 is as follows:

Estimation of Expected Credit Loss of Accounts Receivable

The accounts receivable of the Company is material in amount. In consideration of the business volume, the recoverability of accounts receivable is not only subject to each customer's financial condition but also management's estimation and judgment. Therefore, the estimation of expected credit loss recognized on accounts receivables was identified as a key audit matter.

The audit procedures that we performed in respect of the above key audit matter included the following:

1. We obtained an understanding and assessed the reasonableness of the method and the information used by management for the estimation of expected credit loss of accounts receivable.
2. We sample-tested items in the aging report on the balance sheet date and we verified and assessed the correctness of the calculation of the expected credit loss.
3. We analyzed and sample-tested the recoverability of the overdue receivables after the balance sheet date. We assessed the reasonableness of the expected credit loss recognized on the accounts receivable based on the customers' historical payment record, credit limit control and overdue receivables tracking.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 19, 2021

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the 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' report and financial statements shall prevail.

CHUNG HWA PULP CORPORATION

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

ASSETS	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Notes 4 and 6)	\$ 153,557	1	\$ 144,332	1
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	5,370	-	10,794	-
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	1,142,817	4	1,297,521	5
Financial assets for hedging - current (Notes 4 and 9)	54	-	24	-
Notes and accounts receivable (Notes 4 and 10)	1,800,574	6	1,799,070	6
Accounts receivable from related parties (Notes 4 and 24)	970,716	3	1,039,436	4
Inventories (Notes 4 and 11)	3,007,231	10	3,090,420	11
Other current assets	<u>652,711</u>	<u>2</u>	<u>408,833</u>	<u>1</u>
Total current assets	<u>7,733,030</u>	<u>26</u>	<u>7,790,430</u>	<u>28</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	-	-	171,035	1
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	721,919	3	575,788	2
Investments accounted for using the equity method (Notes 4 and 12)	5,789,802	20	5,971,641	21
Property, plant and equipment (Notes 4 and 13)	14,244,035	48	12,420,909	45
Right-of-use assets (Notes 4 and 14)	30,685	-	43,919	-
Investment properties (Notes 4 and 15)	256,877	1	257,144	1
Deferred tax assets (Notes 4 and 20)	106,964	-	106,312	-
Prepayments for equipment	569,336	2	516,999	2
Net defined benefit assets (Notes 4 and 17)	9,406	-	-	-
Other non-current assets	<u>55,772</u>	<u>-</u>	<u>73,060</u>	<u>-</u>
Total non-current assets	<u>21,784,796</u>	<u>74</u>	<u>20,136,807</u>	<u>72</u>
TOTAL	<u>\$ 29,517,826</u>	<u>100</u>	<u>\$ 27,927,237</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ 1,642,777	6	\$ 5,245,500	19
Short-term bills payable (Note 16)	6,297,360	21	2,449,479	9
Notes and accounts payable	1,322,028	4	1,170,651	4
Accounts payable to related parties (Note 24)	368,179	1	459,648	1
Other payables	1,522,759	5	886,323	3
Lease liabilities - current (Notes 4 and 14)	14,836	-	19,304	-
Other current liabilities	<u>151,534</u>	<u>1</u>	<u>198,097</u>	<u>1</u>
Total current liabilities	<u>11,319,473</u>	<u>38</u>	<u>10,429,002</u>	<u>37</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 16)	1,390,592	5	147,675	1
Deferred tax liabilities (Notes 4 and 20)	2,002,167	7	2,002,167	7
Lease liabilities - non-current (Notes 4 and 14)	16,332	-	24,950	-
Net defined benefit liabilities (Notes 4 and 17)	-	-	202,645	1
Other non-current liabilities	<u>4,283</u>	<u>-</u>	<u>3,567</u>	<u>-</u>
Total non-current liabilities	<u>3,413,374</u>	<u>12</u>	<u>2,381,004</u>	<u>9</u>
Total liabilities	<u>14,732,847</u>	<u>50</u>	<u>12,810,006</u>	<u>46</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 18)				
Share capital	<u>11,028,353</u>	<u>37</u>	<u>11,028,353</u>	<u>40</u>
Capital surplus	<u>29,821</u>	<u>-</u>	<u>29,563</u>	<u>-</u>
Retained earnings				
Legal reserve	226,257	1	226,257	1
Special reserve	1,186,894	4	1,186,894	4
Unappropriated earnings	<u>2,033,543</u>	<u>7</u>	<u>2,236,125</u>	<u>8</u>
Total retained earnings	<u>3,446,694</u>	<u>12</u>	<u>3,649,276</u>	<u>13</u>
Other equity	<u>416,837</u>	<u>1</u>	<u>410,039</u>	<u>1</u>
Treasury shares	<u>(136,726)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total equity	<u>14,784,979</u>	<u>50</u>	<u>15,117,231</u>	<u>54</u>
TOTAL	<u>\$ 29,517,826</u>	<u>100</u>	<u>\$ 27,927,237</u>	<u>100</u>

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

CHUNG HWA PULP CORPORATION

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

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 24)				
Sales	\$ 16,788,230	101	\$ 18,435,504	101
Sales returns and allowances	<u>103,301</u>	<u>1</u>	<u>147,983</u>	<u>1</u>
Net sales	16,684,929	100	18,287,521	100
Other operating revenue	<u>35,903</u>	<u>-</u>	<u>41,454</u>	<u>-</u>
Total operating revenue	<u>16,720,832</u>	<u>100</u>	<u>18,328,975</u>	<u>100</u>
OPERATING COSTS (Notes 4, 11, 19 and 24)				
Cost of goods sold	15,433,522	92	17,178,852	94
Other operating cost	<u>24,657</u>	<u>-</u>	<u>28,023</u>	<u>-</u>
Total operating costs	<u>15,458,179</u>	<u>92</u>	<u>17,206,875</u>	<u>94</u>
GROSS PROFIT	<u>1,262,653</u>	<u>8</u>	<u>1,122,100</u>	<u>6</u>
OPERATING EXPENSES (Notes 4, 19 and 24)				
Selling and marketing	1,155,671	7	1,094,700	6
General and administrative	219,245	2	231,242	2
Research and development	<u>38,238</u>	<u>-</u>	<u>33,708</u>	<u>-</u>
Total operating expenses	<u>1,413,154</u>	<u>9</u>	<u>1,359,650</u>	<u>8</u>
LOSS FROM OPERATIONS	<u>(150,501)</u>	<u>(1)</u>	<u>(237,550)</u>	<u>(2)</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Note 19)	(90,795)	-	(85,269)	-
Share of loss of subsidiaries and associates (Notes 4 and 12)	(112,855)	(1)	(53,980)	-
Interest income	704	-	1,128	-
Dividend income	93,543	1	75,020	-
Other income (Note 24)	60,817	-	71,133	-
Gain on disposal of property, plant and equipment	-	-	32	-
Gain on disposal of investments	-	-	9	-
Foreign exchange loss (Note 4)	(5,317)	-	(51,247)	-
Gain on financial instruments at FVTPL	6,565	-	1,426	-
Other losses	<u>(3,958)</u>	<u>-</u>	<u>(1,563)</u>	<u>-</u>
Total non-operating income and expenses	<u>(51,296)</u>	<u>-</u>	<u>(43,311)</u>	<u>-</u>

(Continued)

CHUNG HWA PULP CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars, Except (Loss) Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
LOSS BEFORE INCOME TAX	\$ (201,797)	(1)	\$ (280,861)	(2)
INCOME TAX BENEFIT (Notes 4 and 20)	<u>-</u>	<u>-</u>	<u>(35,763)</u>	<u>-</u>
NET LOSS FOR THE YEAR	<u>(201,797)</u>	<u>(1)</u>	<u>(245,098)</u>	<u>(2)</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 17)	(3,261)	-	(4,701)	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	34,283	-	302,015	2
Share of the other comprehensive income of subsidiaries and associates	12,050	-	29,769	-
Tax effect of items that will not be reclassified (Note 20)	652	-	940	-
Items that may be reclassified subsequently to profit or loss:				
Gain on hedging instruments (Note 18)	527	-	1,185	-
Share of the other comprehensive loss of subsidiaries and associates (Note 18)	<u>(38,236)</u>	<u>-</u>	<u>(200,692)</u>	<u>(1)</u>
Other comprehensive income for the year, net of income tax	<u>6,015</u>	<u>-</u>	<u>128,516</u>	<u>1</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>\$ (195,782)</u>	<u>(1)</u>	<u>\$ (116,582)</u>	<u>(1)</u>
LOSS PER SHARE (Note 21)				
Basic	<u>\$ (0.18)</u>		<u>\$ (0.22)</u>	

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

(Concluded)

CHUNG HWA PULP CORPORATION

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

	Share Capital (Notes 4 and 18)		Capital Surplus (Notes 4 and 18)	Retained Earnings (Notes 4 and 18)				Other Equity (Notes 4 and 18)			Treasury Shares	Equity Attributable to Former Owner of Business Combination Under Common Control	Total Equity
	Shares (Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized (Loss) Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Gain (Loss) on Hedging Instrument			
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)	\$ -	\$ 13,440	\$ 15,635,150
Appropriation of 2018 earnings													
Legal reserve	-	-	-	44,566	-	(44,566)	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(385,992)	(385,992)	-	-	-	-	-	(385,992)
Adjustments for the changes in equity of subsidiaries and associates	-	-	(1,024)	-	-	-	-	-	-	-	-	-	(1,024)
Net loss for the year ended December 31, 2019	-	-	-	-	-	(245,098)	(245,098)	-	-	-	-	-	(245,098)
Other comprehensive (loss) income for the year ended December 31, 2019	-	-	-	-	-	(3,949)	(3,949)	(200,692)	331,972	1,185	-	-	128,516
Total comprehensive (loss) income for the year ended December 31, 2019	-	-	-	-	-	(249,047)	(249,047)	(200,692)	331,972	1,185	-	-	(116,582)
Business combination under common control	-	-	(865)	-	-	-	-	-	-	-	-	(13,440)	(14,305)
Disposal of investments accounted for using the equity method	-	-	(16)	-	-	-	-	-	-	-	-	-	(16)
Disposal of investments in equity instruments designated as at FVTOCI by associates	-	-	-	-	-	10,344	10,344	-	(10,344)	-	-	-	-
BALANCE AT DECEMBER 31, 2019	1,102,835	11,028,353	29,563	226,257	1,186,894	2,236,125	3,649,276	(300,705)	716,520	(5,776)	-	-	15,117,231
Adjustments for the changes in equity of subsidiaries and associates	-	-	(191)	-	-	(2)	(2)	-	-	-	-	-	(193)
Unclaimed dividend	-	-	449	-	-	-	-	-	-	-	-	-	449
Net loss for the year ended December 31, 2020	-	-	-	-	-	(201,797)	(201,797)	-	-	-	-	-	(201,797)
Other comprehensive (loss) income for the year ended December 31, 2020	-	-	-	-	-	(2,770)	(2,770)	(38,236)	46,494	527	-	-	6,015
Total comprehensive (loss) income for the year ended December 31, 2020	-	-	-	-	-	(204,567)	(204,567)	(38,236)	46,494	527	-	-	(195,782)
Disposal of investments in equity instruments designated as fair value through other comprehensive income	-	-	-	-	-	1,987	1,987	-	(1,987)	-	-	-	-
Buy back of ordinary shares	-	-	-	-	-	-	-	-	-	-	(136,726)	-	(136,726)
BALANCE AT DECEMBER 31, 2020	1,102,835	\$ 11,028,353	\$ 29,821	\$ 226,257	\$ 1,186,894	\$ 2,033,543	\$ 3,446,694	\$ (338,941)	\$ 761,027	\$ (5,249)	\$ (136,726)	\$ -	\$ 14,784,979

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

CHUNG HWA PULP CORPORATION

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

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	\$ (201,797)	\$ (280,861)
Adjustments for:		
Depreciation and amortization expenses	944,335	924,397
Expected credit loss recognized on accounts receivable	(2,440)	(22,285)
Gain on financial instruments at FVTPL	(6,565)	(1,426)
Finance costs	90,795	85,269
Interest income	(704)	(1,128)
Dividend income	(93,543)	(75,020)
Share of loss of subsidiaries and associates	112,855	53,980
Gain on disposal of property, plant and equipment	-	(32)
Net gain on disposal of investments	-	(9)
(Reversal of write-down) write-downs of inventories	(9,921)	34,116
Unrealized (gain) loss on foreign currency exchange	(7,217)	41,638
Changes in operating assets and liabilities		
Increase in financial assets mandatorily classified as at fair value through profit or loss	6,195	(6,202)
Notes and accounts receivable	(515)	(69,697)
Notes and accounts receivable from related parties	68,720	205,670
Inventories	93,110	510,858
Other current assets	(249,632)	(188,382)
Net defined benefit assets	(9,406)	-
Notes payable and accounts payable	155,093	(103,101)
Notes and accounts payable to related parties	(90,358)	(114,669)
Other payables	138,089	(62,997)
Other current liabilities	(46,505)	63,343
Net defined benefit liabilities	(205,906)	(36,991)
Cash generated from operations	684,683	956,471
Interest received	704	1,128
Interest paid	(103,543)	(84,529)
Income tax paid	(732)	(755)
Net cash generated from operating activities	581,112	872,315
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at FVTOCI	-	(3)
Proceeds from sales of financial assets at FVTOCI	1,800	-
Proceeds from capital reduction on financial assets at fair value through other comprehensive income	41,057	17,229
Proceeds from sale of financial assets at fair value through profit or loss	176,829	-
Proceeds from the sale of financial instruments for hedging	497	4,252
Proceeds from capital reduction on investments accounted for using the equity method	-	27,168
Payments for property, plant and equipment	(2,222,785)	(1,038,902)

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CHUNG HWA PULP CORPORATION

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

	2020	2019
Proceeds from the disposal of property, plant and equipment	\$ -	\$ 89
Increase in other non-current assets	(2,080)	(3,898)
Increase in prepayments for equipment	(52,337)	(144,467)
Dividend received	<u>136,147</u>	<u>125,388</u>
Net cash used in investing activities	<u>(1,920,872)</u>	<u>(1,013,144)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term borrowings	(3,592,454)	1,553,977
Increase in short-term bills payable	3,847,881	599,770
Proceeds from long-term borrowings	1,700,000	2,402,000
Repayments of long-term borrowings	(450,000)	(3,952,000)
Repayment of the principal portion of lease liabilities	(20,881)	(20,097)
Increase in other non-current liabilities	716	335
Cash dividends paid	-	(385,992)
Payments for buyback of ordinary shares	(136,726)	-
Capital surplus transferred from unclaimed dividends	<u>449</u>	<u>-</u>
Net cash generated from financing activities	<u>1,348,985</u>	<u>197,993</u>
NET INCREASE IN CASH	9,225	57,164
CASH AT THE BEGINNING OF THE YEAR	<u>144,332</u>	<u>87,168</u>
CASH AT THE END OF THE YEAR	<u>\$ 153,557</u>	<u>\$ 144,332</u>

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

(Concluded)

CHUNG HWA PULP CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

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 58.6% and 57.7% of ordinary shares of the Company, respectively, as of December 31, 2020 and 2019.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on February 26, 2021.

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

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

Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Company’s accounting policies:

Amendment to IFRS 16 “Covid-19-Related Rent Concessions”

The Company elected to apply the practical expedient provided in the amendment to IFRS 16 with respect to rent concessions negotiated with the lessor as a direct consequence of the COVID-19. The related accounting policies are stated in Note 4. Prior to the application of the amendment, the Company shall determine whether or not the abovementioned rent concessions need to be accounted for as lease modifications.

The Company applied the amendment from January 1, 2020. Because the abovementioned rent concessions affect only in 2020, retrospective application of the amendment has no impact on the retained earnings as of January 1, 2020.

- b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021

As of the date the consolidated financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’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 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

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

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

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Statement of compliance

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

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value 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. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;

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

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

d. Foreign currencies

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

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

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

e. Inventories

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

f. Investments in subsidiaries

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

A subsidiary is an entity that is controlled by the Company.

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

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

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues to recognize its share of further losses.

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

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

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

When the Company transacts with its subsidiaries, profit and loss resulting from the transactions with the subsidiaries are recognized in the Company's financial statements only to the extent of interests in the subsidiaries that are not owned by the Company.

g. Investment in associates

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

A subsidiary is an entity that is controlled by the Company.

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

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

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

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

When the Company transacts with its subsidiaries, profits and losses resulting from the transactions with the subsidiaries are recognized in the Company's financial statements only to the extent of interests in the subsidiaries that are not owned by the Company.

h. Property, plant and equipment

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

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

Freehold land is not depreciated.

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

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

i. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Investment properties acquired through leases were initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made on or before the commencement date, plus initial direct costs incurred and an estimate of costs needed to restore the underlying assets, less any lease incentives received. These investment properties are subsequently measured at cost less accumulated depreciation and accumulated impairment loss and adjusted for any remeasurement of the lease liabilities.

Depreciation is recognized using the straight-line method.

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

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

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

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

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

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

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

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

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

ii. Financial assets at amortized cost

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

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

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

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading.

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

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

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

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

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

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c) Derecognition of financial assets

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

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

2) Equity instruments

Equity instruments issued by the Company are classified as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except for financial liabilities at FVTPL, all financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities are classified as at FVTPL when such financial liabilities are held for trading.

Financial liabilities held for trading are stated at fair value, and any interest paid on such financial liability is recognized in finance costs; any remeasurement gains or losses on such financial liabilities are recognized in other gains or losses.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

l. Hedge accounting

The Company designates certain hedging instruments as cash flow hedges to partially hedge its foreign exchange rate risks associated with certain highly probable forecast purchases. The effective portion of changes in the fair value of hedging instruments is recognized in other comprehensive income. When the forecast transactions actually take place, the associated gains or losses that were recognized in other comprehensive income are removed from equity and included in the initial cost of the hedged items. The gains or losses from hedging instruments relating to the ineffective portion are recognized immediately in profit or loss.

The Company discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised.

m. Provisions

Provisions, including those arising from the contractual obligation, are stated at the best estimate of the discounted cash flow of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

n. Revenue recognition

The Company identifies contracts with customers and recognizes revenue when performance obligations are satisfied.

Revenue from the sale of goods is recognized when the goods are delivered to the customer's specific location and the performance obligation is satisfied because it is the time when customers have obtained control of the promised goods.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable and reduced for estimated customer returns, rebates and other similar allowances. Estimated sales returns and allowances are generally made and adjusted based on historical experience and the consideration of varying contractual terms to recognize refund liabilities.

Due to the short term nature of the receivables from sale of goods with the immaterial discounted effect, the Company measures them at the original invoice amounts without discounting.

o. Leases

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

1) The Company 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.

2) The Company as lessee

The Company 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 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 Company 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 Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

The Company negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2021, that results in the revised consideration for the lease. There is no substantive change to other terms and conditions. The Company elects to apply the practical expedient to all of these rent concessions and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Company recognizes the reduction in lease payment in profit or loss as a deduction of expenses of variable lease payments, in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

p. Borrowing costs

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

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

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

r. Taxation

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

1) Current tax

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Estimated impairment of financial assets

The provision for impairment of accounts receivable is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 10. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. CASH

	December 31	
	2020	2019
Cash on hand	\$ 596	\$ 639
Checking accounts and demand deposits	<u>152,961</u>	<u>143,693</u>
	<u>\$ 153,557</u>	<u>\$ 144,332</u>

The market rate intervals of cash in bank (excluding checking accounts) at the end of the reporting period were as follows:

	December 31	
	2020	2019
Bank balance	0.001%-0.20%	0.001%-0.38%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2020	2019
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts (a)	\$ 5,370	\$ 10,794
<u>Financial assets at FVTPL - non-current</u>		
Non-derivative financial assets		
Bank debentures in the ROC (b)	\$ -	\$ 171,035

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

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2020</u>			
Sell	USD:NTD	2021.01.15-2021.03.15	USD16,400/NTD467,072
<u>December 31, 2019</u>			
Sell	USD:NTD	2020.01.10-2020.02.27	USD33,400/NTD1,001,332

The Company 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 Company did not meet hedge effectiveness, so they are not applicable for hedge accounting.

- b. In 2015, the Company 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. On November 6, 2020, Bank SinoPac had redeemed financial bond with a par value of \$170,000 thousand.

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

	December 31	
	2020	2019
<u>Current</u>		
Domestic investments		
Listed shares	\$ 1,142,817	\$ 1,297,521
<u>Non-current</u>		
Domestic investments		
Listed shares	\$ 349,956	\$ 281,803
Unlisted shares	371,963	293,985
	\$ 721,919	\$ 575,788

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 Company's strategy of holding these investments for long-term purposes.

9. FINANCIAL INSTRUMENTS FOR HEDGING

	December 31	
	2020	2019
<u>Financial assets under hedge accounting - current</u>		
Cash flow hedges - foreign exchange forward contracts	\$ 54	\$ 24

The Company'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 Company 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 Company'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 in 2020 and 2019 were \$527 thousand and \$(2,106) thousand, respectively, the following tables summarize the information relating to the hedges of foreign currency risk.

	Currency	Maturity Date	Notional Amount (In Thousands)	
<u>December 31, 2020</u>				
Buy	EUR:NTD	2021.01.29	EUR300/NTD10,506	
<u>December 31, 2019</u>				
Buy	EUR:NTD	2020.01.31	EUR300/NTD10,077	
<u>December 31, 2020</u>				
	Hedged Items		Change in Value Used for Calculating Hedge Ineffectiveness	Other Equity Carrying Amount in Continuing Hedges
Cash flow hedge				
Forecast transactions (capital expenditures)			\$ 527	\$ (5,249)

December 31, 2019

Hedged Items	Change in Value Used for Calculating Hedge Ineffectiveness	Other Equity Carrying Amount in Continuing Hedges
Cash flow hedge		
Forecast transactions (capital expenditures)	\$ <u>(2,106)</u>	\$ <u>(5,776)</u>

For the years ended December 31, 2020 and 2019, refer to Note 18(e) for information relating to gain (loss) on changes in the fair value of hedging instruments and the original carrying amount transferred to hedged items in 2020 and 2019.

10. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	December 31	
	2020	2019
Notes receivable - operating	\$ 8,162	\$ 13,079
Accounts receivable - operating	<u>1,797,603</u>	<u>1,793,622</u>
Gross carrying amount	1,805,765	1,806,701
Less: Allowance for impairment loss	<u>(5,191)</u>	<u>(7,631)</u>
	<u>\$ 1,800,574</u>	<u>\$ 1,799,070</u>

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

For the accounts receivable that were past due at the end of the reporting period, the Company 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 Company held adequate collaterals or other credit enhancements for these receivables. In addition, the Company also did not have offset right for the receivables against the payables of the same parties.

The Company 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 trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix approach considering 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 forecast direction of economic conditions at the reporting date. As the Company'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 Company's different customer base.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Company 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 trade receivables based on the Company's provision matrix.

December 31, 2020

	Not Past Due	Less than 90 Days	91 Days to A Year	Over A Year	Total
Gross carrying amount	\$ 1,637,181	\$ 167,473	\$ 1,111	\$ -	\$ 1,805,765
Loss allowance (Lifetime ECL)	<u>(494)</u>	<u>(4,510)</u>	<u>(187)</u>	<u>-</u>	<u>(5,191)</u>
Amortized cost	<u>\$ 1,636,687</u>	<u>\$ 162,963</u>	<u>\$ 924</u>	<u>\$ -</u>	<u>\$ 1,800,574</u>

December 31, 2019

	Not Past Due	Less than 90 Days	91 Days to A Year	Over A Year	Total
Gross carrying amount	\$ 1,727,611	\$ 64,139	\$ 14,883	\$ 68	\$ 1,806,701
Loss allowance (Lifetime ECL)	<u>(570)</u>	<u>(1,355)</u>	<u>(5,638)</u>	<u>(68)</u>	<u>(7,631)</u>
Amortized cost	<u>\$ 1,727,041</u>	<u>\$ 62,784</u>	<u>\$ 9,245</u>	<u>\$ -</u>	<u>\$ 1,799,070</u>

The movement of the loss allowance of trade receivables were as follows:

	2020	2019
Balance at January 1	\$ 7,631	\$ 29,916
Net remeasurement of loss allowance	<u>(2,440)</u>	<u>(22,285)</u>
Balance at December 31	<u>\$ 5,191</u>	<u>\$ 7,631</u>

11. INVENTORIES

	<u>December 31</u>	
	2020	2019
Finished and purchased goods	\$ 1,698,466	\$ 1,696,283
Work in process	335,671	348,244
Materials	<u>973,094</u>	<u>1,045,893</u>
	<u>\$ 3,007,231</u>	<u>\$ 3,090,420</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2020 and 2019 were \$15,433,522 thousand and \$17,178,852 thousand, respectively.

The cost of goods sold for the years ended December 31, 2020 and 2019 included reversal of inventory write-downs of \$9,921 thousand and inventory write-downs of \$34,116 thousand, respectively.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2020	2019
Investments in subsidiaries	\$ 5,027,539	\$ 5,189,467
Investments in associates	<u>762,263</u>	<u>782,174</u>
	<u>\$ 5,789,802</u>	<u>\$ 5,971,641</u>

a. Investments in subsidiaries

	December 31	
	2020	2019
CHP International (BVI) Corporation	\$ 4,975,733	\$ 5,136,559
Hwa Fong Investment Co., Ltd.	<u>51,806</u>	<u>52,908</u>
	<u>\$ 5,027,539</u>	<u>\$ 5,189,467</u>

The Company's proportion of ownership and voting rights of its associates as of the balance sheet date were as follows:

	Proportion of Ownership and Voting Rights	
	December 31	
Name of Associate	2020	2019
CHP International (BVI) Corporation	100%	100%
Hwa Fong Investment Co., Ltd.	100%	100%

The Company's share of profit (loss) and other comprehensive income (loss) from subsidiaries using the equity method was recognized based on each subsidiary's audited financial statements.

b. Investments in associates

	December 31	
	2020	2019
Associates that are not individually material	<u>\$ 762,263</u>	<u>\$ 782,174</u>

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

	For the Year Ended December 31	
	2020	2019
The Company's share of:		
(Loss) profit for the year	\$ 5,695	\$ (3,023)
Other comprehensive income (loss)	<u>14,587</u>	<u>6,162</u>
Total comprehensive income (loss) for the year	<u>\$ 20,282</u>	<u>\$ 3,137</u>

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

The Company 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 Company uses the equity method to account for its investments in these associates.

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery	Electric Equipment	Tools	Miscellaneous Equipment	Property in Construction	Total
<u>Cost</u>								
Balance at January 1, 2019	\$ 6,637,258	\$ 3,078,665	\$ 24,765,503	\$ 2,966,987	\$ 1,722,566	\$ 593,904	\$ 920,285	\$ 40,685,168
Additions	-	11,996	53,360	13,774	28,813	7,880	926,829	1,042,652
Disposals	-	(6,235)	(199,015)	(56,500)	(27,840)	(19,255)	-	(308,845)
Reclassifications	-	18,921	632,342	31,046	45,760	13,659	(741,728)	-
Balance at December 31, 2019	\$ 6,637,258	\$ 3,103,347	\$ 25,252,190	\$ 2,955,307	\$ 1,769,299	\$ 596,188	\$ 1,105,386	\$ 41,418,975
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2019	\$ -	\$ 2,584,461	\$ 21,453,594	\$ 2,429,385	\$ 1,436,724	\$ 525,826	\$ -	\$ 28,429,990
Disposals	-	(6,235)	(199,015)	(56,500)	(27,783)	(19,255)	-	(308,788)
Depreciation expense	-	73,164	604,814	75,785	100,949	22,152	-	876,864
Balance at December 31, 2019	\$ -	\$ 2,651,390	\$ 21,859,393	\$ 2,448,670	\$ 1,509,890	\$ 528,723	\$ -	\$ 28,998,066
Carrying amounts at December 31, 2019	\$ 6,637,258	\$ 451,957	\$ 3,392,797	\$ 506,637	\$ 259,409	\$ 67,465	\$ 1,105,386	\$ 12,420,909
<u>Cost</u>								
Balance at January 1, 2020	\$ 6,637,258	\$ 3,103,347	\$ 25,252,190	\$ 2,955,307	\$ 1,769,299	\$ 596,188	\$ 1,105,386	\$ 41,418,975
Additions	1,560,400	201,556	284,044	15,972	28,800	8,461	627,563	2,726,796
Disposals	-	(1,288)	(301,470)	(49,012)	(135,574)	(11,742)	-	(499,086)
Reclassifications	-	32,569	726,506	134,714	82,112	51,275	(1,027,176)	-
Balance at December 31, 2020	\$ 8,197,658	\$ 3,336,184	\$ 25,961,270	\$ 3,056,981	\$ 1,744,637	\$ 644,182	\$ 705,773	\$ 43,646,685
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2020	\$ -	\$ 2,651,390	\$ 21,859,393	\$ 2,448,670	\$ 1,509,890	\$ 528,723	\$ -	\$ 28,998,066
Disposals	-	(1,288)	(301,470)	(49,012)	(135,574)	(11,742)	-	(499,086)
Depreciation expense	-	72,597	616,008	83,258	102,168	29,639	-	903,670
Balance at December 31, 2020	\$ -	\$ 2,722,699	\$ 22,173,931	\$ 2,482,916	\$ 1,476,484	\$ 546,620	\$ -	\$ 29,402,650
Carrying amounts at December 31, 2020	\$ 8,197,658	\$ 613,485	\$ 3,787,339	\$ 574,065	\$ 268,153	\$ 97,562	\$ 705,773	\$ 14,244,035

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

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

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Carrying amount</u>		
Land	\$ 4,862	\$ 4,284
Buildings	15,165	24,596
Office equipment	7,612	3,254
Transportation equipment	<u>3,046</u>	<u>11,785</u>
	<u>\$ 30,685</u>	<u>\$ 43,919</u>

	For the Year Ended December 31	
	2020	2019
Additions to right-of-use assets	\$ 7,795	\$ 14,209
Depreciation charge for right-of-use assets		
Land	\$ 2,536	\$ 2,142
Buildings	10,407	11,124
Office equipment	6,205	5,583
Transportation equipment	<u>1,882</u>	<u>1,583</u>
	<u>\$ 21,030</u>	<u>\$ 20,432</u>

b. Lease liabilities

	December 31	
	2020	2019
<u>Carrying amount</u>		
Current	\$ 14,836	\$ 19,304
Non-current	<u>\$ 16,332</u>	<u>\$ 24,950</u>

Range of discount rates for lease liabilities was as follows:

	December 31	
	2020	2019
Land	1.02%-1.21%	1.21%
Buildings	1.02%-1.21%	1.21%
Office equipment	1.02%-1.21%	1.21%
Transportation equipment	1.02%-1.21%	1.21%

c. Material lease-in activities and terms

The Company 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 Company also leases land and buildings for the use of plants, offices, and warehouses with lease terms of 2 to 8 years. The Company 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 15.

	For the Year Ended December 31	
	2020	2019
Expenses relating to short-term leases and low-value asset leases	\$ 54,850	\$ 53,735
Total cash outflow for leases	<u>\$ (81,961)</u>	<u>\$ (78,623)</u>

All lease commitments with lease terms commencing after the balance sheet dates are as follows:

	December 31	
	2020	2019
Lease commitments	\$ <u>38,738</u>	\$ <u>39,622</u>

15. INVESTMENT PROPERTIES

	For the Year Ended December 31	
	2020	2019
<u>Cost</u>		
Opening balance	\$ <u>272,334</u>	\$ <u>272,334</u>
Ending balance	\$ <u>272,334</u>	\$ <u>272,334</u>
<u>Accumulated depreciation and impairment</u>		
Opening balance	\$ (15,190)	\$ (14,923)
Depreciation expense	<u>(267)</u>	<u>(267)</u>
Ending balance	\$ <u>(15,457)</u>	\$ <u>(15,190)</u>
Ending carrying amount	\$ <u>256,877</u>	\$ <u>257,144</u>

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

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

	December 31	
	2020	2019
Fair value	\$ <u>347,731</u>	\$ <u>347,731</u>

The investment properties were leased out as operating leases from July 1, 2020 to June 30, 2025. 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 are as follows:

	December 31	
	2020	2019
Lease commitment of investment properties	\$ <u>33,241</u>	\$ <u>3,540</u>

16. BORROWINGS

a. Short-term borrowings

	December 31	
	2020	2019
Bank credit loans	\$ 855,000	\$ 4,917,000
Letter of credit loans	<u>787,777</u>	<u>328,500</u>
	<u>\$ 1,642,777</u>	<u>\$ 5,245,500</u>

As of December 31, 2020 and 2019, the interest rates of short-term borrowings were 0.52%-1.05% per annum and 0.92%-2.68% per annum, respectively.

b. Short-term bills payable

	December 31	
	2020	2019
Commercial paper	\$ 6,300,000	\$ 2,450,000
Less: Unamortized discount on bills payable	<u>(2,640)</u>	<u>(521)</u>
	<u>\$ 6,297,360</u>	<u>\$ 2,449,479</u>

Short-term bills payable are commercial papers due within one year. Interest rates on these bills payable were 0.78%-0.85% and 0.98%-1.17% as of December 31, 2020 and 2019, respectively.

c. Long-term borrowings

	December 31	
	2020	2019
Unsecured bank loans	\$ 1,400,000	\$ 150,000
Less: Loan management fees	<u>(9,408)</u>	<u>(2,325)</u>
	<u>\$ 1,390,592</u>	<u>\$ 147,675</u>

			Interest Rate	December 31	
	Due Date	Article		2020	2019
Taiwan Bank Credit loan A	2025.03.31	The credit can be revolved within 60 months from March 31, 2020, the first drawdown date of the loan.	1.79%	\$ 1,400,000	\$ -
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. Principal was fully paid in advance in 2020.	1.05% -1.10%	<u>-</u>	<u>150,000</u>
				<u>\$ 1,400,000</u>	<u>\$ 150,000</u>

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

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

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

	December 31	
	2020	2019
Present value of defined benefit obligation	\$ 513,617	\$ 542,868
Fair value of plan assets	<u>(523,023)</u>	<u>(340,223)</u>
Net defined benefit (assets) liability	<u>\$ (9,406)</u>	<u>\$ 202,645</u>

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Assets)
Balance at January 1, 2019	<u>\$ 602,251</u>	<u>\$ (367,316)</u>	<u>\$ 234,935</u>
Service cost			
Current service cost	17,257	-	17,257
Net interest expense (income)	<u>8,563</u>	<u>(5,392)</u>	<u>3,171</u>
Recognized in profit or loss	<u>25,820</u>	<u>(5,392)</u>	<u>20,428</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(12,270)	(12,270)
Actuarial loss - experience adjustments	341	-	341
Actuarial loss - changes in financial assumptions	<u>16,630</u>	<u>-</u>	<u>16,630</u>
Recognized in other comprehensive income	<u>16,971</u>	<u>(12,270)</u>	<u>4,701</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Assets)
Contributions from the employer	\$ -	\$ (57,419)	\$ (57,419)
Benefits paid	<u>(102,174)</u>	<u>102,174</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ 542,868</u>	<u>\$ (340,223)</u>	<u>\$ 202,645</u>
Balance at January 1, 2020	<u>\$ 542,868</u>	<u>\$ (340,223)</u>	<u>\$ 202,645</u>
Service cost			
Current service cost	15,135	-	15,135
Net interest expense (income)	<u>5,181</u>	<u>(4,403)</u>	<u>778</u>
Recognized in profit or loss	<u>20,316</u>	<u>(4,403)</u>	<u>15,913</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(11,321)	(11,321)
Actuarial gain - experience adjustments	(1,039)	-	(1,039)
Actuarial loss - changes in financial assumptions	<u>15,621</u>	<u>-</u>	<u>15,621</u>
Recognized in other comprehensive income	<u>14,582</u>	<u>(11,321)</u>	<u>3,261</u>
Contributions from the employer	-	(229,698)	(229,698)
Benefits paid	(62,622)	62,622	-
Accounts paid	<u>(1,527)</u>	<u>-</u>	<u>(1,527)</u>
Balance at December 31, 2020	<u>\$ 513,617</u>	<u>\$ (523,023)</u>	<u>\$ (9,406)</u> (Concluded)

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

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

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

	December 31	
	2020	2019
Discount rates	0.50%	1.00%
Expected rates of salary increase - less than 16 years	1.50%	1.50%
Expected rates of salary increase - more than 16 years	1.00%	1.00%

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

	December 31	
	2020	2019
Discount rates		
0.125% increase	\$ <u>(3,987)</u>	\$ <u>(4,246)</u>
0.125% decrease	\$ <u>4,042</u>	\$ <u>4,306</u>
Expected rates of salary increase		
0.125% increase	\$ <u>4,018</u>	\$ <u>4,301</u>
0.125% decrease	\$ <u>(5,973)</u>	\$ <u>(4,252)</u>

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

	December 31	
	2020	2019
The expected contributions to the plans for the next year	\$ <u>374,514</u>	\$ <u>229,698</u>
The average duration of the defined benefit obligation	6.3 years	6.4 years

18. EQUITY

a. Ordinary shares

	December 31	
	2020	2019
Number of shares authorized (in thousands)	<u>1,300,000</u>	<u>1,300,000</u>
Shares authorized	\$ <u>13,000,000</u>	\$ <u>13,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>1,102,835</u>	<u>1,102,835</u>
Shares issued	\$ <u>11,028,353</u>	\$ <u>11,028,353</u>

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

b. Capital surplus

	December 31	
	2020	2019
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*</u>		
Arising from treasury share transactions	\$ 20,817	\$ 20,817
The difference between consideration paid and the carrying amount of the subsidiary's net assets during actual acquisition	484	484
<u>May be used to offset a deficit only</u>		
Arising from share of changes in capital surplus of subsidiaries and associates	8,071	8,262
Capital surplus transferred from unclaimed dividends	<u>449</u>	<u>-</u>
	<u>\$ 29,821</u>	<u>\$ 29,563</u>

* 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 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 compensation of employees and remuneration of directors and supervisors after the amendment, refer to compensation of employees and remuneration of directors and supervisors in Note 19 (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 share dividends. If there is a requirement for capital expenditure, the Company may distribute only share 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 and 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. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed.

The offsetting of deficit for 2019 had been approved in the shareholders' meeting on June 30, 2020, which resolved not to distribute dividend. The appropriations of earnings for 2018 which were approved in the shareholders' meetings on June 21, 2019 were as follows:

	Appropriation of Earnings For the Year Ended December 31, 2018
Legal reserve	\$ 44,566
Cash dividends	385,992
Cash dividends per share (NT\$)	<u>0.35</u>

d. Special reserves

	For the Year Ended December 31 2020	2019
Special reserves	\$ 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. Other equity items

	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Gain (Loss) on Hedging Instruments	Total
<u>2020</u>				
Balance at January 1	\$ (300,705)	\$ 716,520	\$ (5,776)	\$ 410,039
Unrealized gain on financial assets at FVTOCI	-	34,283	-	34,283
Gain (loss) arising on changes in the fair value of hedging instruments	-	-	527	527
Share of other comprehensive loss of associates	(38,236)	12,211	-	(26,025)
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	<u>-</u>	<u>(1,987)</u>	<u>-</u>	<u>(1,987)</u>
Balance at December 31	<u>\$ (338,941)</u>	<u>\$ 761,027</u>	<u>\$ (5,249)</u>	<u>\$ 416,837</u> (Continued)

	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Gain (Loss) on Hedging Instruments	Total
<u>2019</u>				
Balance at January 1	\$ (100,013)	\$ 394,892	\$ (6,961)	\$ 287,918
Unrealized gain on financial assets at FVTOCI	-	302,015	-	302,015
Loss arising on changes in the fair value of hedging instrument	-	-	(2,106)	(2,106)
The amount transferred to initial carrying amount of hedged items	-	-	3,291	3,291
Share of other comprehensive loss of associates	(200,692)	29,957	-	(170,735)
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	<u>-</u>	<u>(10,344)</u>	<u>-</u>	<u>(10,344)</u>
Balance at December 31	<u>\$ (300,705)</u>	<u>\$ 716,520</u>	<u>\$ (5,776)</u>	<u>\$ 410,039</u> (Concluded)

- f. As of December 31, 2020, the Company had bought back 15,944 thousand treasury shares for transferring to employees with an average buy-back price of \$8.58 per share. The acquisition was approved by the board of directors on May 14, 2020 and fully executed on July 14, 2020. Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

19. NET LOSS FROM CONTINUING OPERATIONS

- a. Finance costs

	For the Year Ended December 31	
	2020	2019
Interest on bank loans	\$ 91,962	\$ 87,002
Less: Amounts included in the cost of qualifying assets	<u>(1,167)</u>	<u>(1,733)</u>
	<u>\$ 90,795</u>	<u>\$ 85,269</u>

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2020	2019
Capitalization rate	0.83%-1.14%	0.99%-1.24%

b. Depreciation and amortization

	For the Year Ended December 31	
	2020	2019
An analysis of depreciation by function		
Operating costs	\$ 916,939	\$ 889,855
Operating expenses	<u>8,028</u>	<u>7,708</u>
	<u>\$ 924,967</u>	<u>\$ 897,563</u>
An analysis of amortization by function		
Operating costs	\$ 164	\$ 163
Operating expenses	<u>19,204</u>	<u>26,671</u>
	<u>\$ 19,368</u>	<u>\$ 26,834</u>

c. Employee benefit expense

	For the Year Ended December 31	
	2020	2019
Post-employment benefits		
Defined contribution plans	\$ 57,096	\$ 55,098
Defined benefit plans	<u>15,913</u>	<u>20,428</u>
	73,009	75,526
Other employee benefits	<u>1,679,557</u>	<u>1,617,181</u>
Total employee benefit expense	<u>\$ 1,752,566</u>	<u>\$ 1,692,707</u>
An analysis of employee benefit expense by function		
Operating costs	\$ 1,595,377	\$ 1,542,579
Operating expenses	<u>157,189</u>	<u>150,128</u>
	<u>\$ 1,752,566</u>	<u>\$ 1,692,707</u>

As of December 31, 2020 and 2019, the Company had 1,949 and 1,983 employees, respectively, and 4 board of directors who were also classified as employees for both years. The calculation basis is consistent with the employee benefits.

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 year ended 2020 and 2019, due to operation loss, the Company did not estimate the compensation of employees and the remuneration of directors and supervisors.

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

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

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

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

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

20. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of income tax benefit were as follows:

	For the Year Ended December 31 2020	2019
Deferred tax		
In respect of the current year	\$ (182)	\$ (36,827)
Adjustments for prior years	<u>182</u>	<u>1,064</u>
Income tax benefit recognized in profit or loss	<u>\$ -</u>	<u>\$ (35,763)</u>

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

	For the Year Ended December 31 2020	2019
Loss before tax from continuing operations	\$ (201,797)	\$ (280,861)
Income tax benefit calculated at the statutory rate	\$ (40,359)	\$ (56,172)
Tax-exempt income	(22,066)	(6,165)
Unrecognized loss carryforwards and temporary differences	38,907	24,760
Non-deductible expenses in determining taxable income	23,336	750
Adjustments for prior years	<u>182</u>	<u>1,064</u>
Income tax benefit recognized in profit or loss	<u>\$ -</u>	<u>\$ (35,763)</u>

b. Income tax recognized in other comprehensive income

For the Year Ended December 31
2020 2019

Deferred tax

Remeasurement on defined benefit plan	\$ <u>652</u>	\$ <u>940</u>
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c. Deferred tax assets and liabilities

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

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Com- prehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit obligation	\$ 40,529	\$ -	\$ 652	\$ 41,181
Loss carryforwards	36,072	-	-	36,072
Others	<u>29,711</u>	<u>-</u>	<u>-</u>	<u>29,711</u>
	<u>\$ 106,312</u>	<u>\$ -</u>	<u>\$ 652</u>	<u>\$ 106,964</u>

Deferred tax liabilities

Temporary differences				
Land value increment tax	\$ 1,924,940	\$ -	\$ -	\$ 1,924,940
Others	<u>77,227</u>	<u>-</u>	<u>-</u>	<u>77,227</u>
	<u>\$ 2,002,167</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,002,167</u>

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Com- prehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit obligation	\$ 46,987	\$ (7,398)	\$ 940	\$ 40,529
Loss carryforwards	9,896	26,176	-	36,072
Others	<u>16,019</u>	<u>13,692</u>	<u>-</u>	<u>29,711</u>
	<u>\$ 72,902</u>	<u>\$ 32,470</u>	<u>\$ 940</u>	<u>\$ 106,312</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Com- prehensive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Land value increment tax	\$ 1,924,940	\$ -	\$ -	\$ 1,924,940
Others	<u>80,520</u>	<u>\$ (3,293)</u>	<u>-</u>	<u>77,227</u>
	<u>\$ 2,005,460</u>	<u>\$ (3,293)</u>	<u>\$ -</u>	<u>\$ 2,002,167</u> (Concluded)

- d. Unused loss carryforward for which no deferred tax assets have been recognized in the balance sheets

	<u>December 31</u>	
	2020	2019
Loss carryforwards		
Expire in 2030	<u>\$ 402,046</u>	<u>\$ -</u>
Deductible temporary differences	<u>\$ 225,461</u>	<u>\$ -</u>

- e. Loss carryforwards as of December 31, 2019 comprised:

Unused Amount	Expiry Year
\$ 44,158	2024
135,296	2029
<u>402,046</u>	2030
<u>\$ 581,500</u>	

- f. The aggregate amount of temporary differences associated with investments for which deferred tax liabilities have not been recognized.

As of December 31, 2020 and 2019, the taxable temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognized were \$580,951 thousand and \$636,479 thousand, respectively.

- g. Income tax assessments

	<u>Latest Approved Year</u>
The Company	2018

21. LOSS PER SHARE

	<u>For the Year Ended December 31</u>	
	2020	2019
Basic loss per share	<u>\$ (0.18)</u>	<u>\$ (0.22)</u>

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

Net Loss for the Year

	<u>For the Year Ended December 31</u>	
	2020	2019
Loss for the year attributable to owners of the Company	<u>\$ (201,797)</u>	<u>\$ (245,098)</u>

Weighted average number of ordinary shares outstanding (in thousands of shares):

	<u>For the Year Ended December 31</u>	
	2020	2019
Weighted average number of ordinary shares used in the computation of basic loss per share	<u>1,094,406</u>	<u>1,102,835</u>

If the Company offered to settle compensation or bonuses paid to employees in cash or shares, the Company assumes the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares are 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.

22. CAPITAL MANAGEMENT

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

Key management personnel of the Company 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 Company may adjust the amount of new debt issued or existing debt redeemed.

23. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

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

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

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

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets - foreign exchange forward contracts (not under hedge accounting)	\$ -	\$ 5,370	\$ -	\$ 5,370
Financial assets at FVTOCI				
Securities listed in the ROC	\$ 1,492,773	\$ -	\$ -	\$ 1,492,773
Domestic unlisted shares	-	-	371,963	371,963
	\$ -	\$ -	\$ 371,963	\$ 1,864,736
Hedging financial assets				
Derivative financial assets - foreign exchange forward contracts	\$ -	\$ 54	\$ -	\$ 54

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets - foreign exchange forward contracts (not under hedge accounting)	\$ -	\$ 10,794	\$ -	\$ 10,794
Bank debentures in the ROC	-	171,035	-	171,035
	\$ -	\$ 181,829	\$ -	\$ 181,829
Financial assets at FVTOCI				
Securities listed in the ROC	\$ 1,579,324	\$ -	\$ -	\$ 1,579,324
Domestic unlisted shares	-	-	293,985	293,985
	\$ 1,579,324	\$ -	\$ 293,985	\$ 1,873,309
Hedging financial assets				
Derivative financial assets - foreign exchange forward contracts	\$ -	\$ 24	\$ -	\$ 24

There were no transfers between Levels 1 and 2 for the years ended December 31, 2020 and 2019.

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

Financial Assets	Financial Assets of Equity Securities at FVTOCI
Balance at January 1, 2020	\$ 293,985
Proceeds from capital reduction	(41,057)
Recognized in other comprehensive income	120,835
Settlements	<u>(1,800)</u>
Balance at December 31, 2020	<u>\$ 371,963</u>

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	<u>11,088</u>
Balance at December 31, 2019	<u>\$ 293,985</u>

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: a) The average exchange rate (i.e., difference between the highest and the lowest exchange rates) of the counterparties' financial institutions in the accordance with the Reuters quoting system, or b) The daily spot exchange rate quoted by financial institutions.
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.

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.

	December 31	
	2020	2019
Discount for lack of marketability	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 have increased (decreased) as follows:

	December 31	
	2020	2019
Discount for lack of marketability		
2.5% increase	<u>\$ (11,218)</u>	<u>\$ (8,647)</u>
2.5% decrease	<u>\$ 11,218</u>	<u>\$ 8,647</u>

b. Categories of financial instruments

	December 31	
	2020	2019
<u>Financial assets</u>		
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	\$ 5,370	\$ 181,829
Financial assets for hedging	54	24
Financial assets at amortized cost (1)	2,964,138	3,044,776
Financial assets at FVTOCI	1,864,736	1,873,309

Financial liabilities

Financial liabilities at amortized cost (2)	12,547,978	10,362,843
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- 1) The balances include financial assets measured at amortized cost, which comprise cash, notes and accounts receivable, notes and accounts receivable 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, long-term borrowings, and deposits received (accounted as other non-current liabilities).

c. Financial risk management objectives and policies

The Company'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 Company's financial performance, the Company is devoted to identify, estimate and hedge the uncertainties of the market.

The Company 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 Company's policies approved by the board of directors, which provides 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 Company did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

a) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk. The Company 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 Company's income.

Sensitivity analysis

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

The Company was mainly exposed to the USD and RMB.

The following table details the Company'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 Year Ended December 31	
	2020	2019
Influence to profit or loss at 5% variance		
USD	\$ 56,153	\$ 100,207
RMB	33,366	35,603

b) Interest rate risk

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

	For the Year Ended December 31	
	2020	2019
Fair value interest rate risk		
Financial assets	\$ -	\$ 171,035
Financial liabilities	7,687,952	2,597,154
Cash flow interest rate risk		
Financial assets	152,961	143,693
Financial liabilities	1,642,777	5,245,500

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

Sensitivity analysis

For the Company's floating interest rate financial liabilities, if interest rates had been 0.1% higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2020 and 2019 would have decreased/increased as follows:

	<u>For the Year Ended December 31</u>	
	2020	2019
Decrease/increase	\$ 1,490	\$ 5,102

c) Other price risk

The Company was exposed to equity price risk through its investments in listed equity securities. To prevent significant price risk, the Company 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 Company's comprehensive income for the years ended December 31, 2020 and 2019 would have increased/decreased as follows:

	<u>For the Year Ended December 31</u>	
	2020	2019
Other comprehensive income		
Increase/decrease	\$ 93,237	\$ 93,665

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. At the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to the failure of 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 balance sheets.

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

To maintain the quality of the accounts receivable, the Company 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 Company'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 Company has sufficient financial flexibility.

As of December 31, 2020 and 2019, the Company's unused financing facilities were \$7,288,161 thousand and \$8,339,131 thousand, respectively.

24. TRANSACTIONS WITH RELATED PARTIES

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
YFY Inc.	Parent company
Genovella Renewables Inc.	Subsidiary
Shenzhen Jinglun Paper Co., Ltd.	Subsidiary
YFY Consumer Products Co., Ltd.	Fellow subsidiary
YFY Packaging Inc.	Fellow subsidiary
YFY International Ltd.	Fellow subsidiary
Yuen Foong Yu Paper MFG (Yangzhou) Co., Ltd.	Fellow subsidiary
YFY Development Corp. (formerly as YFY Capital Co., Ltd.)	Fellow subsidiary
Union Paper Corp.	Fellow subsidiary
Shin Foong Specialty & Applied Materials Co., Ltd.	Fellow subsidiary
China Color Printing Co., Ltd.	Fellow subsidiary
Cupid InfoTech Co., Ltd.	Fellow subsidiary
Ever Growing Agriculture Biotech Co., Ltd.	Fellow subsidiary
YFY Jupiter Ltd.	Fellow subsidiary
YFY Japan Co., Ltd.	Fellow subsidiary
Sustainable Carbohydrate Innovation Co., Ltd.	Fellow subsidiary
MOBIUS105 LIMITED	Fellow subsidiary
Arizon RFID Technology (Hong Kong) Co., Ltd., Taiwan Branch	Fellow subsidiary
YFY Holding Management Co., Ltd.	Fellow subsidiary
Yuen Foong Shop Co., Ltd.	Fellow subsidiary
YFY Biotechnology Co., Ltd.	Parent's associate
E Ink Holdings Inc.	Parent's associate
Shin-Yi Foundation	Substantial related party
Beautone Co., Ltd.	Substantial related party
Shin-Yi Enterprise Co., Ltd.	Substantial related party
Yuen Foong Paper Co., Ltd.	Substantial related party
SinoPac Leasing Co., Ltd.	Substantial related party
SinoPac Securities Co., Ltd.	Substantial related party

b. Sales of goods

Related Party Type	For the Year Ended December 31	
	2020	2019
Fellow subsidiaries	\$ 2,165,903	\$ 2,679,892
Subsidiaries	1,462,995	1,106,237
Substantial related parties	238,561	305,268
Parent company	41	41
Parent's associates	<u>2</u>	<u>76</u>
	<u>\$ 3,867,502</u>	<u>\$ 4,091,514</u>

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

c. Purchases of goods

Related Party Type	For the Year Ended December 31	
	2020	2019
Fellow subsidiaries	\$ 1,703,912	\$ 2,259,010
Subsidiaries	2,746	186
Substantial related parties	1,925	2,263
Parent's associates	<u>349</u>	<u>599</u>
	<u>\$ 1,708,932</u>	<u>\$ 2,262,058</u>

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

d. Receivables from related parties

Related Party Type	December 31	
	2020	2019
Subsidiaries		
Shenzhen Jinglun Paper Co., Ltd.	\$ 627,173	\$ 727,224
Others	<u>500</u>	<u>368</u>
	<u>627,673</u>	<u>727,592</u>
Fellow subsidiaries		
Yuen Foong Shop Co., Ltd.	125,921	49,565
Others	<u>167,884</u>	<u>201,981</u>
	<u>293,805</u>	<u>251,546</u>
Substantial related parties	49,234	60,256
Parent company	3	3
Parent's associates	<u>1</u>	<u>39</u>
	<u>\$ 970,716</u>	<u>\$ 1,039,436</u>

The outstanding accounts receivable from related parties are unsecured. No bad debt was recognized for the years ended December 31, 2020 and 2019 for allowance of impaired accounts receivable from related parties.

e. Payables to related parties

Related Party Type	December 31	
	2020	2019
Fellow subsidiaries		
YFY Packaging Inc.	\$ 215,407	\$ 260,528
Shin Foong Specialty & Applied Materials Co., Ltd.	78,534	97,603
YFY Development Corp.	35,341	59,291
Others	<u>34,097</u>	<u>36,663</u>
	<u>363,379</u>	<u>454,085</u>
Subsidiaries	3,813	3,784
Substantial related parties	987	1,491
Parent company	-	259
Parent's associates	<u>-</u>	<u>29</u>
	<u>\$ 368,179</u>	<u>\$ 459,648</u>

The outstanding accounts payable to related parties are unsecured.

f. Acquisition of investment properties

Related Party Type	For the Year Ended December 31	
	2020	2019
Fellow subsidiaries	<u>\$ 65</u>	<u>\$ -</u>

g. Lease arrangements

Related Party Type	December 31	
	2020	2019
<u>Lease liabilities</u>		
Parent company	<u>\$ 14,455</u>	<u>\$ 19,016</u>

Related Party Type	For the Year Ended December 31	
	2020	2019
<u>Interest expense</u>		
Parent company	<u>\$ 205</u>	<u>\$ 260</u>
<u>Lease expense</u>		
Parent company	<u>\$ 10,885</u>	<u>\$ 10,885</u>
Substantial related parties	<u>7,036</u>	<u>7,049</u>
	<u>\$ 17,921</u>	<u>\$ 17,934</u>

h. Other transactions with related parties

Related Party Type	Rental Income (Accounted as Other Income)	
	For the Year Ended December 31	
	2020	2019
Fellow subsidiaries	\$ 1,429	\$ 1,429
Parent company	<u>114</u>	<u>114</u>
	<u>\$ 1,543</u>	<u>\$ 1,543</u>

Related Party Type	Other Operating Expenses	
	For the Year Ended December 31	
	2020	2019
Fellow subsidiaries	<u>\$ 44,873</u>	<u>\$ 42,117</u>

Related Party Type	Management Fee (Accounted as Operating Expenses)	
	For the Year Ended December 31	
	2020	2019
Fellow subsidiaries	<u>\$ 89,678</u>	<u>\$ 84,932</u>

The amount of management fee was depended on the agreements, rental income and expenses which were received or paid monthly.

i. Compensation of key management personnel

	For the Year Ended December 31	
	2020	2019
Salaries and benefits	\$ 25,269	\$ 22,140
Executive fees	<u>3,051</u>	<u>2,900</u>
	<u>\$ 28,320</u>	<u>\$ 25,040</u>

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

25. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

As of December 31, 2020 and 2019, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately \$267,462 thousand and \$113,669 thousand, respectively.

26. OTHER ITEMS

Due to the impact of the COVID-19 pandemic in 2020, some of the Company's subsidiaries, clients and suppliers located in severely affected areas are under quarantine and travel restriction policies. The Company evaluated that there were no material impact on the it's business operations and financial conditions. Hence there are no issues arising from its ability to continue as a going concern, asset impairment and financial risk.

27. 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 Company 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:

December 31, 2020			
	Foreign Currency (In Thousands)	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 69,599	28.48	\$ 1,982,179
RMB	152,880	4.365	667,321
Investments accounted for using the equity method			
USD	174,710	28.48	4,975,733
Non-monetary items			
Derivative instruments			
USD	16,400	28.48	467,072
EUR	300	35.02	10,506
<u>Financial liabilities</u>			
Monetary items			
USD	46,565	28.48	1,326,183
December 31, 2019			
	Foreign Currency (In Thousands)	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 44,815	29.98	\$ 1,343,554
RMB	165,709	4.297	712,052
Investments accounted for using the equity method			
USD	171,333	29.98	5,136,558
Non-monetary items			
Derivative instruments			
USD	33,400	29.98	1,001,332
<u>Financial liabilities</u>			
Monetary items			
USD	11,366	29.98	340,753
Non-monetary items			
Derivative instruments			
EUR	300	33.59	10,077

28. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others (None)
- 2) Endorsements/guarantees provided (Table 1)
- 3) Marketable securities held (Table 2)
- 4) Marketable securities acquired and 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 (Table 3)
- 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) Information of investee (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:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period (None)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period (Table 4)
 - c) The amount of property transactions and the amount of the resultant gains or losses (None)
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes (Table 1)
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds (None)

- 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. (None)
- c. Information of major shareholders: List all shareholders with ownership of 5% or greater, showing the name of the shares owned, and percentage of ownership of each shareholder (Table 8)

TABLE 1

CHUNG HWA PULP CORPORATION

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2020
(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	Hwa Fong Investment Ind. Co., Ltd.	b.	\$ 22,675,847	\$ 130,000 (US\$ 4,565)	\$ 130,000 (US\$ 4,565)	\$ -	\$ -	0.88	\$ 30,234,462	Note 8	N	N
		CHP International (BVI) Corporation	b.	22,675,847	710,875 (US\$ 24,960)	526,880 (US\$ 18,500)	96,832	-	3.56	30,234,462	Note 8	N	N
		Guangdong Dingfung Pulp & Paper Co., Ltd.	b.	22,675,847	175,330 (RMB 40,169)	174,593 (RMB 40,000)	-	-	1.18	30,234,462	Note 8	N	Note 8

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 ordinary shares.
- c. Companies in which it holds more than 50% of its total outstanding ordinary shares.
- d. Companies in which it holds more than 90% of its total outstanding ordinary 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 2

CHUNG HWA PULP CORPORATION

MARKETABLE SECURITIES HELD
DECEMBER 31, 2020
(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	December 31, 2020			
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value (Note 1)
Chung Hwa Pulp Corporation	Ordinary shares	-	Financial assets at fair value through other comprehensive income - current	99,809,327	\$ 1,142,817	0.90	\$ 1,142,817
	SinoPac Holdings Co., Ltd.		Financial assets at fair value through profit or loss - non-current	800,000	-	6.30	-
	NTU Innovation & Incubation Co., Ltd.	The investor is the member of the investee's board of directors.					
	Groundhog Technologies Inc.	-	Financial assets at fair value through profit or loss - non-current	275,000	-	1.00	-
	KHL IB Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	15,055,884	371,960	14.88	371,960
	Direct Insight Inc.	-	Financial assets at fair value through other comprehensive income - non-current	265,000	3	1.00	3
	TaiGen Biopharmaceuticals Holdings Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	15,315,356	349,956	2.10	349,956

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 6 and Table 7 for information on investments in subsidiaries and associates.

TABLE 3

CHUNG HWA PULP CORPORATION

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Chung Hwa Pulp Corporation	Land, buildings and equipment	2020/10/23	\$ 2,000,000	Based on the terms in the contract, as at the end of the reporting period, the group paid \$1,400,000	Alpha Beta Global Tapes And Adhesives Co., Ltd.	Non-related party	-	-	-	\$ -	Market price	Build a non-plastic material development base	-

TABLE 4

CHUNG HWA PULP CORPORATION

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

Buyer/Seller	Related Party	Relationship (Note)	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	
Chung Hwa Pulp Corporation	YFY Development (Note 2)	a.	Sale	\$ (800,236)	(5)	0.5 month after transaction month	\$ -	-	\$ 60,340	2	\$ -
	Shenzhen Jinglun Paper Co., Ltd.	b.	Sale	(1,462,855)	(9)	5 months after transaction month	-	-	627,173	23	1,412
	YFY Consumer Products Co., Ltd.	a.	Sale	(409,135)	(2)	2 months after transaction month	-	-	125,921	5	-
	YFY Packaging Inc.	a.	Sale	(184,907)	(1)	3 months after transaction month	-	-	44,418	2	-
	YFY Packaging Inc.	a.	Purchase	1,106,192	7	2 months after transaction month	-	-	(215,407)	(13)	-
	Union Paper Corp.	a.	Sale	(694,398)	(4)	1 month after transaction month	-	-	50,667	2	-
	Union Paper Corp.	a.	Purchase	162,050	1	1 month after transaction month	-	-	(18,979)	(1)	-
	Beautone Co., Ltd.	c.	Sale	(198,821)	(1)	1 month after transaction month	-	-	37,946	1	-
	YFY Japan Co., Ltd.	a.	Purchase	232,652	2	In agreed terms	-	-	-	-	-
	Shin Foong Specialty and Applied Materials Co., Ltd.	a.	Purchase	192,954	1	4 months after transaction month	-	-	(78,534)	(5)	-

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

Note 2: Formerly as YFY Capital Co., Ltd.

TABLE 5

CHUNG HWA PULP CORPORATION

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

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Chung Hwa Pulp Corporation	Yuen Foong Yu Consumer Products Co., Ltd. Shenzhen Jinglun Paper Co., Ltd.	Fellow subsidiaries Parent company and subsidiary	\$ 125,921	4.66	\$ -	-	\$ 72,867	\$ -
			627,173	2.16	-	-	148,831	-

TABLE 6

CHUNG HWA PULP CORPORATION

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of December 31, 2020			Net (Loss) Income of the Investee	Share of (Loss) Profits	Note
				December 31, 2020	December 31, 2019	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	\$ 4,975,733	\$ (122,856)	\$ (123,756)	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	443,635	3,602,589	63,315	b.
	Effion Enertech Co., Ltd.	Taipei, Taiwan	To operate cogeneration and provide power technology.	343,000	343,000	34,300,000	49.0	225,552	(121,033)	(59,306)	b.
	Taiwan Global BioFund Co., Ltd.	Taipei, Taiwan	Biotechnology and biopharmaceutical business investment.	32,832	32,832	3,283,200	4.4	93,076	37,945	1,686	b.
	Hwa Fong Investment Co., Ltd.	Taipei, Taiwan	Investment and holding.	36,000	36,000	3,600,000	100.0	51,806	5,206	5,206	a.

Note: a. Subsidiaries.
b. Investments accounted for using the equity method.

TABLE 7

CHUNG HWA PULP CORPORATION

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020
(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, 2020 (Foreign Currencies in Thousands) (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 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 December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020
					Outward	Inward						
Guangdong Dingfung Pulp & Paper Co., Ltd.	Pulp and paper production, trading and forestry business	\$ 2,438,742 (US\$ 85,630) (Note 3)	Investment in mainland China through companies set up in another country.	\$ 375,936 (US\$ 13,200)	\$ -	\$ -	\$ 375,936 (US\$ 13,200)	\$ (284,085) (Note 2,b.)	60.0	\$ (170,451) (Note 2,b.)	\$ 2,713,276	\$ -
Shenzhen Jinglun Paper Co., Ltd.	Sale of paper merchandise and import/export business	13,967 (RMB 3,200)	(Note 5)	(Note 5)	-	-	(Note 5)	23,885 (Note 2,b.)	100.0	23,885 (Note 2,b.)	143,347	-
Zhaoqing Dingfung Forestry Ltd.	Export factoring, domestic factoring, business factoring and related consulting services, develop credit risk management platform	623,142 (US\$ 21,880)	Investment in mainland China through companies set up in another country.	126,109 (US\$ 4,428)	-	-	126,109 (US\$ 4,428)	22,526 (Note 2,b.)	86.5 (Note 4)	19,487 (Note 2,b.)	2,512,980	-
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	8,730 (RMB 2,000)	(Note 5)	(Note 5)	-	-	(Note 5)	44 (Note 2,b.)	100.0	44 (Note 2,b.)	9,456	-

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$502,045 (Note 1)	\$1,213,419 (Note 1)	\$8,870,987

Note 1: The exchange rates are US\$1=NT\$28.48 or RMB1=NT\$4.364818 as of December 31, 2020.

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.

2. For information on any investee company in mainland China, refer to Tables 1, 4 and 5.

TABLE 8**CHUNG HWA PULP CORPORATION AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2020**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
YFY Inc.	627,827,989	57.8

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

CHUNG HWA PULP CORPORATION

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CHUNG HWA PULP CORPORATION**STATEMENT OF CASH****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Name	Amount
Cash	
Cash on hand	\$ 596
Checking accounts and demand deposits	46,296
Demand deposits in foreign currency (Note)	<u>106,665</u>
	<u>\$ 153,557</u>

Note: Demand deposits include US\$3,036 thousand, JPY20,499 thousand, EUR351 thousand and RMB517 thousand. The exchange rates are US\$1=\$28.48, JPY1=\$0.2763, EUR1=\$35.02 and RMB1=\$4.377, respectively.

CHUNG HWA PULP CORPORATION

STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FVTOCI - CURRENT
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (In Thousands of New Taiwan Dollars)

Type and Name of Securities	Balance, January 1, 2020		Additions in Investment			Decrease in Investment		Changes in Value of Investment	Balance, December 31, 2020			Collateral
	Shares	Amount	Distributed Shares	Acquired Shares	Amount	Shares	Amount		Shares	%	Amount	
Ordinary shares												
SinoPac Financial Holdings Co., Ltd.	99,809,327	\$ 1,297,521	-	-	\$ -	-	\$ -	\$ (154,704)	99,809,327	0.9	\$ 1,142,817	-

CHUNG HWA PULP CORPORATION**STATEMENT OF NOTES AND ACCOUNTS RECEIVABLE****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Client Name	Amount
Avery Dennison Corporation	\$ 728,517
Others (Note)	1,077,248
Less: Allowance for doubtful accounts	<u>(5,191)</u>
	<u>\$ 1,800,574</u>

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

CHUNG HWA PULP CORPORATION**STATEMENT OF ACCOUNTS RECEIVABLE FROM RELATED PARTIES****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Client Name	Amount
Related parties	
Shenzhen Jinglun Paper Co., Ltd.	\$ 627,173
Yuen Foong Shop Co., Ltd.	125,921
YFY Development Corp.	60,340
Union Paper Corp.	50,667
Others (Note)	<u>106,615</u>
	<u>\$ 970,716</u>

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

CHUNG HWA PULP CORPORATION**STATEMENT OF INVENTORIES****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Item	Amount	
	Cost	Net Realizable Value
Finished goods	\$ 1,459,687	\$ 1,427,379
Purchased goods	275,674	271,087
Work in process	337,278	335,671
Materials	<u>973,687</u>	<u>973,094</u>
	3,046,326	<u>\$ 3,007,231</u>
Less: Write-downs of inventories (Note)	<u>(39,095)</u>	
	<u>\$ 3,007,231</u>	

Note: Including finished goods of \$32,308 thousand, purchased goods of \$4,587 thousand, work in process of \$1,607 thousand, and materials of \$593 thousand.

CHUNG HWA PULP CORPORATION**STATEMENT OF OTHER CURRENT ASSETS****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

Item	Amount
Prepayment for purchases	\$ 494,076
Input tax	74,964
Others (Note)	<u>83,671</u>
	<u>\$ 652,711</u>

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

CHUNG HWA PULP CORPORATION

STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FVTOCI - NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Name and Type of Securities	Balance, January 1, 2020		Additions in Investment			Decrease in Investment (Note)		Changes in Value of Investment	Balance, December 31, 2020				Collateral	Note
			Distributed Shares	Acquired in Cash					Shares	%	Unit Price	Fair Value		
	Shares	Amount		Shares	Shares	Amount	Shares	Amount					Shares	
Ordinary shares														
KHL IB Venture Capital Co., Ltd.	19,161,529	\$ 293,982	-	-	\$ -	4,105,645	\$ 41,057	\$ 119,035	15,055,884	14.88	24.71	\$ 371,960	-	-
Direct Insight Inc.	275,000	3	-	-	-	10,000	1,800	1,800	265,000	1.0	-	3	-	-
TaiGen Biopharmaceuticals Holdings Ltd.	15,315,356	<u>281,803</u>	-	-	<u>-</u>	-	<u>-</u>	<u>68,153</u>	15,315,356	2.1	22.85	<u>349,956</u>	-	-
		<u>\$ 575,788</u>			<u>\$ -</u>		<u>\$ 42,857</u>	<u>\$ 188,988</u>				<u>\$ 721,919</u>		

Note: Decrease in investment was the refund of shares due to capital reduction \$41,057 thousand and selling costs \$1,800 thousand.

CHUNG HWA PULP CORPORATION

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2020

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

Investee	Balance, January 1, 2020		Additions in Investment		Decrease in Investment (Note 3)		Investment Gain (Loss) (Note 1)	Equity Adjustments (Note 2)	Balance, December 31, 2020			Market Value or Net Assets Value
	Shares	Amount	Shares	Amount	Shares	Amount			Shares	%	Amount	
CHP International (BVI) Corporation	61,039,956	\$ 5,136,559	-	\$ -	-	\$ -	\$ (123,756)	\$ (37,070)	61,039,956	100.0	\$ 4,975,733	\$ 4,975,733
E Ink Holdings Inc.	20,000,000	417,192	-	-	-	40,000	63,315	3,128	20,000,000	1.8	443,635	537,744
Effion Enertech Inc.	34,300,000	284,522	-	-	-	-	(59,306)	336	34,300,000	49.0	225,552	225,552
Taiwan Global BioFund Co., Ltd.	3,283,200	80,460	-	-	-	-	1,686	10,930	3,283,200	4.4	93,076	83,671
Hwa Fong Investment Co., Ltd.	3,600,000	<u>52,908</u>	-	<u>-</u>	-	<u>2,604</u>	<u>5,206</u>	<u>(3,704)</u>	3,600,000	100.0	<u>51,806</u>	<u>51,806</u>
		<u>\$ 5,971,641</u>		<u>\$ -</u>		<u>\$ 42,604</u>	<u>\$ (112,855)</u>	<u>\$ (26,380)</u>			<u>\$ 5,789,802</u>	<u>\$ 5,874,506</u>

Note 1: The recognition basis for investment gain (loss) are the financial statements audited by ROC CPA firm.

Note 2: Including items that cause changes in the net assets value of investees, such as adjustments for recognized disproportioned ownership, exchange differences arising on translating the financial statements of foreign operations, actuarial gain (loss) on defined benefit plans, and unrealized gain (loss) on financial instruments.

Note 3: Decrease in investment was receipt of cash dividends \$42,604 thousand.

CHUNG HWA PULP CORPORATION

STATEMENT OF PREPAYMENT FOR EQUIPMENT

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Amount
Prepayment for equipment	<u>\$ 569,336</u>

CHUNG HWA PULP CORPORATION

STATEMENT OF SHORT-TERM BORROWINGS

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Type of Loan and Name of Creditors	Contract Period	Annual Interest Rates (%)	Balance, End of Year	Loan Commitments
Letter of credit loans				
Bangkok Bank	2020/08/24-2021/05/28	0.99-1.00	\$ 111,849	\$ 427,200
First Commercial Bank	2020/10/19-2021/06/08	0.88-0.95	193,372	400,000
Mega International Commercial Bank	2020/07/27-2021/06/25	0.90-1.05	248,244	600,000
Hua Nan Commercial Bank	2020/10/19-2021/01/25	0.98	47,258	600,000
Taiwan Business Bank Co., Ltd.	2020/11/18-2021/02/25	0.97-0.98	<u>187,054</u>	<u>500,000</u>
			<u>787,777</u>	<u>2,527,200</u>
Bank credit loans				
First Commercial Bank	2020/10/20-2021/01/18	0.80	105,000	500,000
The Export-Import Bank of the Republic of China	2020/09/17-2021/09/17	0.25-0.78	200,000	200,000
Taipeifubon Commercial Bank	2020/10/06-2021/01/06	0.80	350,000	350,000
Yuanta Commercial Bank Co., Ltd.	2020/12/18-2021/03/10	0.80	<u>200,000</u>	<u>200,000</u>
			<u>855,000</u>	<u>1,250,000</u>
			<u>\$ 1,642,777</u>	<u>\$ 3,777,200</u>

CHUNG HWA PULP CORPORATION

STATEMENT OF SHORT-TERM BILLS PAYABLE

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Name of Bills Finance Corporation	Contract Period	Annual Discount Rate (%)	Amount		
			Issue Price	Unamortized Discount on Bills Payable	Carrying Amount
Commercial Paper Payable					
China Bills Finance Corp.	2020/12/30-2021/01/11	0.25	\$ 200,000	\$ (44)	\$ 199,956
International Bills Finance Corp.	2020/10/16-2021/01/14	0.33	300,000	(89)	299,911
International Bills Finance Corp.	2020/12/31-2021/01/06	0.50	300,000	(33)	299,967
International Bills Finance Corp.	2020/12/21-2021/03/19	0.25	1,000,000	(1,684)	998,316
Ta Ching Bills Finance Corp.	2020/12/31-2021/01/07	0.56	200,000	(26)	199,974
Ta Ching Bills Finance Corp.	2020/11/10-2021/01/08	0.29	2,300,000	(370)	2,299,630
Taiwan Finance Corp.	2020/12/10-2021/01/11	0.23	200,000	(43)	199,957
Taiwan Finance Corp.	2020/12/18-2021/01/07	0.57	200,000	(27)	199,973
Taiwan Finance Corp.	2020/11/10-2021/01/08	0.29	1,300,000	(209)	1,299,791
The Shanghai Commercial & Savings Bank, Ltd.	2020/12/16-2021/01/19	0.22	300,000	(115)	299,885
			<u>\$ 6,300,000</u>	<u>\$ (2,640)</u>	<u>\$ 6,297,360</u>

CHUNG HWA PULP CORPORATION

STATEMENT OF NOTES AND ACCOUNTS PAYABLE

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Yoho King-rich Co., Ltd.	\$ 77,766
Mihaud International Co., Ltd.	75,016
Others (Note)	<u>1,169,246</u>
	<u>\$ 1,322,028</u>

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

CHUNG HWA PULP CORPORATION

STATEMENT OF ACCOUNTS PAYABLE TO RELATED PARTIES

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Related parties	
YFY Packaging Inc.	\$ 215,407
Shin Foong Specialty & Applied Materials Co., Ltd.	78,534
YFY Development Corp.	35,341
Union Paper Corp.	18,979
Others (Note)	<u>19,918</u>
	<u>\$ 368,179</u>

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

CHUNG HWA PULP CORPORATION

STATEMENT OF OTHER PAYABLES

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Amount
Payables on equipment	\$ 860,003
Payables on wages and employee benefits	208,197
Others (Note)	<u>454,559</u>
	<u>\$ 1,522,759</u>

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

CHUNG HWA PULP CORPORATION

STATEMENT OF OTHER CURRENT LIABILITIES

DECEMBER 31, 2020

(In Thousands of New Taiwan Dollars)

Item	Amount
Provision	\$ 97,259
Temporary received	22,594
Receipts under custody	16,742
Advances received	<u>14,939</u>
	<u>\$ 151,534</u>

CHUNG HWA PULP CORPORATION**STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Item	Quantity (In Tons)	Amount
Paper	390,590	\$ 11,410,754
Paperboard	219,912	4,024,128
Pulp	86,757	1,250,047
Others (Note)	-	<u>35,903</u>
		<u>\$ 16,720,832</u>

Note: The amount included in others mainly consists of sale of fertilizer and chemicals.

CHUNG HWA PULP CORPORATION**STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)**

Item	Amount
Direct materials	\$ 8,580,750
Direct labor	1,195,589
Manufacturing expenses	<u>4,782,589</u>
Manufacturing cost	14,558,928
Add (deduct):	
Work in process, beginning of year	349,539
Work in process, difference	198,489
Work in process, end of year	<u>(337,278)</u>
Cost of finished goods	14,769,678
Add (deduct):	
Finished goods, beginning of year	1,407,696
Finished goods, end of year	(1,459,687)
Transferred to other accounts	(2,434,986)
Reversal of write-down of inventories	(9,921)
Loss from work suspension and retirement of inventory	504,029
Revenue from sale of scraps	<u>(42,636)</u>
Cost of homemade products sold	12,734,173
Purchased goods, beginning of year	335,717
Finished goods purchased	2,663,963
Purchased goods, end of year	<u>(275,674)</u>
	<u>\$ 15,458,179</u>

CHUNG HWA PULP CORPORATION

STATEMENT OF OPERATING EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (In Thousands of New Taiwan Dollars)

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Freight	\$ 467,955	\$ -	\$ -	\$ 467,955
Export expense	405,847	-	-	405,847
Salary and wages expense	82,058	62,500	-	144,558
Commission expense	84,469	-	-	84,469
Others (Note)	<u>115,342</u>	<u>156,745</u>	<u>38,238</u>	<u>310,325</u>
	<u>\$ 1,155,671</u>	<u>\$ 219,245</u>	<u>\$ 38,238</u>	<u>\$ 1,413,154</u>

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

CHUNG HWA PULP CORPORATION

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

	2020			2019		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employment benefit expense (Note)						
Salary expense	\$ 1,337,208	\$ 132,592	\$ 1,469,800	\$ 1,282,040	\$ 124,478	\$ 1,406,518
Insurance expense	121,294	10,500	131,794	120,387	10,517	130,904
Pension expense	66,186	6,823	73,009	68,554	6,972	75,526
Compensation for directors and supervisors	-	-	-	-	-	-
Other expense	70,689	7,274	77,963	71,598	8,161	79,759
	<u>\$ 1,595,377</u>	<u>\$ 157,189</u>	<u>\$ 1,752,566</u>	<u>\$ 1,542,579</u>	<u>\$ 150,128</u>	<u>\$ 1,692,707</u>
Depreciation expense	<u>\$ 916,939</u>	<u>\$ 8,028</u>	<u>\$ 924,967</u>	<u>\$ 889,855</u>	<u>\$ 7,708</u>	<u>\$ 897,563</u>
Amortization expense	<u>\$ 164</u>	<u>\$ 19,204</u>	<u>\$ 19,368</u>	<u>\$ 163</u>	<u>\$ 26,671</u>	<u>\$ 26,834</u>

Note:

- 1 As of December 31, 2020 and 2019, the Company had 1,949 and 1,983 employees, respectively, and 5 board of directors who were not classified as employees for both years.
2. A company whose shares are listed on the stock exchange or traded in the over-the-counter market shall disclose the following:
 - a. For the years ended December 31, 2020 and 2019, the average employment benefit expense were \$902 thousand and \$855 thousand, respectively. ("Total Employment Benefit Expense" - "Total Compensation for Directors and Supervisors"/"Number of Employees" - "Number of Board of Directors Not Classified as Employees").
 - b. For the years ended, December 31, 2020 and 2019, the average salary expense were \$756 thousand and \$711 thousand, respectively. ("Total Salary Expense"/"Number of Employees" - "Number of Board of Directors Not Classified as Employees").
 - c. Average salary adjustment was 6%. ("Current Year Average Salary Expense" - "Prior Year Average Salary Expense"/"Prior Year Average Salary Expense").
 - d. The company has replaced the supervisor with independent directors and no longer has the position of supervisor.
 - e. Salary and remuneration policy (including directors, managers and employees):

The Company uses salary surveys to measure the salary level of employment and the talent market. The Company also refers to the salary status of the industry to adjust the overall salary policy. In addition to annual salary adjustments and the comprehensive promotion system, various incentive systems are also formulated to encourage and attract outstanding employees.

According to the Company's Articles, 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.

The annual salary of the Company's managers includes salary, bonuses and employee compensation. The salary is based on the general market and the industry conditions, considering the reasonableness of the Company's operating performance, personal performance and future risks. The manager's salary is submit to the Salary and Remuneration Committee for review and approval according to the law.