

**Chung Hwa Pulp Corporation and
Subsidiaries**

**Consolidated Financial Statements for the
Three Months Ended March 31, 2021 and 2020 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Chung Hwa Pulp Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of Chung Hwa Pulp Corporation and its subsidiaries (collectively, the "Group") as of March 31, 2021 and 2020, the related consolidated statements of comprehensive income, the consolidated statements of changes in equity and cash flows for the three months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As disclosed in Note 14 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated financial statements referred to in the first paragraph were not reviewed. As of March 31, 2021 and 2020, combined total assets of these subsidiaries were NT\$4,754,096 thousand and NT\$4,546,979 thousand, respectively, both representing 15%, respectively, of the consolidated total assets, and combined total liabilities of these subsidiaries were NT\$639,505 thousand and NT\$559,852 thousand, respectively, both representing 4%, respectively, of the consolidated total liabilities; for the three months ended March 31, 2021 and 2020, the amounts of combined comprehensive income of these subsidiaries were NT\$3,951 thousand and NT\$7,103 thousand, respectively, representing 2% and (1%), respectively, of the consolidated total comprehensive income. In addition, as disclosed in Note 15 to the consolidated financial statements, as of March 31, 2021 and 2020, investments accounted for using the equity method of the Group were NT\$331,665 thousand and NT\$349,268 thousand, respectively; for the three months ended March 31, 2021 and 2020, shares of comprehensive income (loss) recognized were a gain of NT\$8,657 thousand and a loss of NT\$21,521 thousand, respectively; as well as the related information of investments disclosed in Note 30 to the consolidated financial statements which was based on the investees' unreviewed financial statements for the same reporting periods.

Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries and other investees as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the review resulting in this independent auditors’ review report are Shu-Wan Lin and Hui-Min Huang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 13, 2021

Notice to Readers

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

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

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	March 31, 2021 (Reviewed)		December 31, 2020 (Audited)		March 31, 2020 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 616,112	2	\$ 386,604	1	\$ 338,125	1
Financial assets at fair value through profit or loss (Note 7)	8,814	-	6,731	-	15,200	-
Financial assets at fair value through other comprehensive income - current (Note 8)	1,313,325	4	1,170,239	4	1,129,357	4
Financial assets at amortized cost - current (Note 10)	220,118	1	8,000	-	11,550	-
Financial assets for hedging - current (Note 9)	-	-	54	-	-	-
Notes and accounts receivable (Note 11)	2,890,893	9	2,809,182	9	2,845,583	9
Notes and accounts receivable from related parties (Note 27)	601,187	2	475,592	1	387,859	1
Other receivables from related parties (Note 27)	110,693	-	111,613	-	491,860	2
Inventories (Note 12)	3,356,360	10	3,775,155	12	3,677,224	12
Biological assets (Note 13)	3,313,177	10	3,327,526	10	3,261,505	10
Other current assets	<u>610,560</u>	<u>2</u>	<u>823,139</u>	<u>2</u>	<u>867,104</u>	<u>3</u>
Total current assets	<u>13,041,239</u>	<u>40</u>	<u>12,893,835</u>	<u>39</u>	<u>13,025,367</u>	<u>42</u>
NON-CURRENT ASSETS						
Financial assets at fair value through profit or loss - non-current (Note 7)	-	-	-	-	172,670	1
Financial assets at fair value through other comprehensive income - non-current (Note 8)	712,223	2	721,919	2	468,574	2
Financial assets at amortized cost - non-current (Note 10)	-	-	218,241	1	298,620	1
Investments accounted for using the equity method (Note 15)	757,396	2	767,114	2	756,531	2
Property, plant and equipment (Note 16)	16,521,580	50	16,557,872	51	14,595,242	47
Right-of-use assets (Note 17)	478,956	2	468,453	2	479,198	2
Investment properties (Note 18)	256,810	1	256,877	1	257,077	1
Deferred tax assets (Note 23)	97,859	-	110,871	-	110,059	-
Prepayments for equipment	504,319	2	600,787	2	580,948	2
Net defined benefit asset (Note 20)	367,562	1	9,406	-	-	-
Other non-current assets	<u>64,983</u>	<u>-</u>	<u>64,858</u>	<u>-</u>	<u>77,625</u>	<u>-</u>
Total non-current assets	<u>19,761,688</u>	<u>60</u>	<u>19,776,398</u>	<u>61</u>	<u>17,796,544</u>	<u>58</u>
TOTAL	<u>\$ 32,802,927</u>	<u>100</u>	<u>\$ 32,670,233</u>	<u>100</u>	<u>\$ 30,821,911</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Note 19)	\$ 1,907,066	6	\$ 1,642,777	5	\$ 5,301,338	17
Short-term bills payable (Note 19)	6,946,996	21	6,297,360	19	2,948,700	10
Financial liabilities at fair value through profit or loss - current (Note 7)	7,903	-	3,019	-	1,932	-
Financial liabilities for hedging - current (Note 9)	66	-	-	-	27	-
Notes and accounts payable	1,449,177	4	1,495,978	5	1,356,445	4
Notes and accounts payable to related parties (Note 27)	437,719	1	380,514	1	448,203	2
Other payables	819,212	3	1,702,471	5	857,500	3
Other payables to related parties (Note 27)	141	-	-	-	7,054	-
Current tax liabilities (Note 23)	3,473	-	1,421	-	3,350	-
Lease liabilities - current (Notes 17 and 27)	20,858	-	15,815	-	19,095	-
Other current liabilities	<u>520,611</u>	<u>2</u>	<u>496,110</u>	<u>2</u>	<u>426,487</u>	<u>1</u>
Total current liabilities	<u>12,113,222</u>	<u>37</u>	<u>12,035,465</u>	<u>37</u>	<u>11,370,131</u>	<u>37</u>
NON-CURRENT LIABILITIES						
Long-term borrowings (Note 19)	1,191,254	3	1,390,592	4	137,971	-
Deferred tax liabilities (Note 23)	2,002,167	6	2,002,167	6	2,002,167	6
Lease liabilities - non-current (Notes 17 and 27)	27,306	-	16,666	-	25,291	-
Net defined benefit liabilities (Note 20)	-	-	-	-	202,523	1
Other non-current liabilities	<u>234,417</u>	<u>1</u>	<u>239,589</u>	<u>1</u>	<u>210,067</u>	<u>1</u>
Total non-current liabilities	<u>3,455,144</u>	<u>10</u>	<u>3,649,014</u>	<u>11</u>	<u>2,578,019</u>	<u>8</u>
Total liabilities	<u>15,568,366</u>	<u>47</u>	<u>15,684,479</u>	<u>48</u>	<u>13,948,150</u>	<u>45</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 21)						
Share capital	<u>11,028,353</u>	<u>34</u>	<u>11,028,353</u>	<u>34</u>	<u>11,028,353</u>	<u>36</u>
Capital surplus	<u>28,472</u>	<u>-</u>	<u>29,821</u>	<u>-</u>	<u>29,563</u>	<u>-</u>
Retained earnings						
Legal reserve	226,257	1	226,257	1	226,257	1
Special reserve	1,186,894	4	1,186,894	3	1,186,894	4
Unappropriated earnings	<u>2,128,325</u>	<u>6</u>	<u>2,033,543</u>	<u>6</u>	<u>2,118,538</u>	<u>7</u>
Total retained earnings	<u>3,541,476</u>	<u>11</u>	<u>3,446,694</u>	<u>10</u>	<u>3,531,689</u>	<u>12</u>
Other equity	576,979	2	416,837	1	50,468	-
Treasury shares	<u>(136,726)</u>	<u>(1)</u>	<u>(136,726)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total equity attributable to owners of the Company	15,038,554	46	14,784,979	45	14,640,073	48
NON-CONTROLLING INTERESTS	<u>2,196,007</u>	<u>7</u>	<u>2,200,775</u>	<u>7</u>	<u>2,233,688</u>	<u>7</u>
Total equity	<u>17,234,561</u>	<u>53</u>	<u>16,985,754</u>	<u>52</u>	<u>16,873,761</u>	<u>55</u>
TOTAL	<u>\$ 32,802,927</u>	<u>100</u>	<u>\$ 32,670,233</u>	<u>100</u>	<u>\$ 30,821,911</u>	<u>100</u>

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

(With Deloitte & Touche auditors' review report dated May 13, 2021)

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Note 27)				
Sales	\$ 5,484,852	100	\$ 4,592,658	101
Sales returns and allowances	<u>28,057</u>	<u>-</u>	<u>42,803</u>	<u>1</u>
Net sales	5,456,795	100	4,549,855	100
Other operating revenue	<u>20,483</u>	<u>-</u>	<u>11,617</u>	<u>-</u>
Total operating revenue	<u>5,477,278</u>	<u>100</u>	<u>4,561,472</u>	<u>100</u>
OPERATING COSTS (Notes 12, 20, 22 and 27)				
Cost of goods sold	4,830,436	88	4,309,752	95
Other operating cost	<u>16,745</u>	<u>-</u>	<u>7,571</u>	<u>-</u>
Total operating costs	<u>4,847,181</u>	<u>88</u>	<u>4,317,323</u>	<u>95</u>
GAIN (LOSS) FROM CHANGES IN FAIR VALUE LESS COSTS TO SELL OF BIOLOGICAL ASSETS (Note 13)	<u>2,125</u>	<u>-</u>	<u>602</u>	<u>-</u>
GROSS PROFIT	<u>632,222</u>	<u>12</u>	<u>244,751</u>	<u>5</u>
OPERATING EXPENSES (Notes 20, 22 and 27)				
Selling and marketing	396,415	7	281,560	6
General and administrative	90,972	2	81,598	2
Research and development	<u>33,203</u>	<u>1</u>	<u>17,989</u>	<u>-</u>
Total operating expenses	<u>520,590</u>	<u>10</u>	<u>381,147</u>	<u>8</u>
PROFIT (LOSS) FROM OPERATIONS	<u>111,632</u>	<u>2</u>	<u>(136,396)</u>	<u>(3)</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Notes 22 and 27)	(21,799)	-	(26,832)	-
Share of profit of associates (Note 15)	23,525	-	11,146	-
Interest income (Note 27)	2,559	-	4,436	-
Gain from bargain purchase (Note 15)	367	-	-	-
Other income (Note 27)	21,744	-	9,574	-
Loss on disposal of property, plant and equipment	-	-	(37)	-
Foreign exchange loss	(7,717)	-	(10,349)	-
(Loss) gain on financial instruments at FVTPL	(12,940)	-	6,693	-
Other losses	<u>(456)</u>	<u>-</u>	<u>(547)</u>	<u>-</u>
Total non-operating income and expenses	<u>5,283</u>	<u>-</u>	<u>(5,916)</u>	<u>-</u>

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CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2021		2020	
	Amount	%	Amount	%
PROFIT (LOSS) BEFORE INCOME TAX	\$ 116,915	2	\$ (142,312)	(3)
INCOME TAX EXPENSE (Notes 4 and 23)	<u>(15,482)</u>	<u>-</u>	<u>(3,026)</u>	<u>-</u>
NET PROFIT (LOSS) FOR THE PERIOD	<u>101,433</u>	<u>2</u>	<u>(145,338)</u>	<u>(3)</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain (loss) on investments in equity instruments at FVTOCI	152,962	3	(306,512)	(6)
Share of the other comprehensive income (loss) of associates	28,535	-	(36,562)	(1)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(25,225)	-	(26,752)	(1)
Loss on hedging instruments	(242)	-	(63)	-
Share of the other comprehensive loss of associates	<u>(7,259)</u>	<u>-</u>	<u>(6,036)</u>	<u>-</u>
Other comprehensive income (loss) for the period, net of income tax	<u>148,771</u>	<u>3</u>	<u>(375,925)</u>	<u>(8)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	<u>\$ 250,204</u>	<u>5</u>	<u>\$ (521,263)</u>	<u>(11)</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 94,830	2	\$ (117,587)	(2)
Non-controlling interests	<u>6,603</u>	<u>-</u>	<u>(27,751)</u>	<u>(1)</u>
	<u>\$ 101,433</u>	<u>2</u>	<u>\$ (145,338)</u>	<u>(3)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 254,972	5	\$ (477,158)	(10)
Non-controlling interests	<u>(4,768)</u>	<u>-</u>	<u>(44,105)</u>	<u>(1)</u>
	<u>\$ 250,204</u>	<u>5</u>	<u>\$ (521,263)</u>	<u>(11)</u>

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CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2021		2020	
	Amount	%	Amount	%
EARNINGS (LOSS) PER SHARE (Note 24)				
Basic	<u>\$ 0.09</u>		<u>\$ (0.11)</u>	
Diluted	<u>\$ 0.09</u>			

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

(With Deloitte & Touche auditors' review report dated May 13, 2021)

(Concluded)

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company (Notes 4 and 21)													
								Other Equity						
	Share Capital		Capital Surplus	Retained Earnings				Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Loss on Hedging Instrument	Treasury Shares	Total	Non-controlling Interests	Total Equity
	Shares (Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings	Total							
BALANCE AT JANUARY 1, 2020	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	\$ 2,277,793	\$ 17,395,024
Net loss for the three months ended March 31, 2020	-	-	-	-	-	(117,587)	(117,587)	-	-	-	-	(117,587)	(27,751)	(145,338)
Other comprehensive loss for the three months ended March 31, 2020, net of income tax	-	-	-	-	-	-	-	(16,434)	(343,074)	(63)	-	(359,571)	(16,354)	(375,925)
Total comprehensive loss for the three months ended March 31, 2020	-	-	-	-	-	(117,587)	(117,587)	(16,434)	(343,074)	(63)	-	(477,158)	(44,105)	(521,263)
BALANCE AT MARCH 31, 2020	<u>1,102,835</u>	<u>\$ 11,028,353</u>	<u>\$ 29,563</u>	<u>\$ 226,257</u>	<u>\$ 1,186,894</u>	<u>\$ 2,118,538</u>	<u>\$ 3,531,689</u>	<u>\$ (317,139)</u>	<u>\$ 373,446</u>	<u>\$ (5,839)</u>	<u>\$ -</u>	<u>\$ 14,640,073</u>	<u>\$ 2,233,688</u>	<u>\$ 16,873,761</u>
BALANCE AT JANUARY 1, 2021	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	\$ 2,200,775	\$ 16,985,754
Adjustments for the changes in equity of associates	-	-	(1,349)	-	-	(48)	(48)	-	-	-	-	(1,397)	-	(1,397)
Net profit for the three months ended March 31, 2021	-	-	-	-	-	94,830	94,830	-	-	-	-	94,830	6,603	101,433
Other comprehensive income (loss) for the three months ended March 31, 2021, net of income tax	-	-	-	-	-	-	-	(21,113)	181,497	(242)	-	160,142	(11,371)	148,771
Total comprehensive income (loss) for the three months ended March 31, 2021	-	-	-	-	-	94,830	94,830	(21,113)	181,497	(242)	-	254,972	(4,768)	250,204
BALANCE AT MARCH 31, 2021	<u>1,102,835</u>	<u>\$ 11,028,353</u>	<u>\$ 28,472</u>	<u>\$ 226,257</u>	<u>\$ 1,186,894</u>	<u>\$ 2,128,325</u>	<u>\$ 3,541,476</u>	<u>\$ (360,054)</u>	<u>\$ 942,524</u>	<u>\$ (5,491)</u>	<u>\$ (136,726)</u>	<u>\$ 15,038,554</u>	<u>\$ 2,196,007</u>	<u>\$ 17,234,561</u>

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

(With Deloitte & Touche auditors' review report dated May 13, 2021)

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	\$ 116,915	\$ (142,312)
Adjustments for:		
Depreciation and amortization expenses	296,615	292,433
Expected credit loss reversed on accounts receivable	-	(170)
Loss (gain) on financial instruments at FVTPL	12,940	(6,693)
Finance costs	21,799	26,832
Interest income	(2,559)	(4,436)
Share of profit of associates	(23,525)	(11,146)
Loss on disposal of property, plant and equipment	-	37
Reversal of write-downs of inventories	(18,145)	(9,400)
Unrealized (gain) loss on foreign currency exchange	(4,666)	2,037
Gain on changes in fair value less costs to sell of biological assets	(2,125)	(602)
Gain from bargain purchase	(367)	-
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at FVTPL	(10,083)	(2,037)
Notes and accounts receivable	(78,725)	(208,531)
Notes and accounts receivable from related parties	(126,620)	66,534
Inventories	434,491	213,147
Biological assets	(663)	(32,580)
Other current assets	266,459	(268,140)
Net defined benefit asset	(358,156)	-
Notes and accounts payable	(45,505)	(8,937)
Notes and accounts payable to related parties	58,901	(26,193)
Other payables	(109,261)	(55,756)
Other current liabilities	39,167	(87,690)
Net defined benefit liabilities	-	(122)
Cash generated from (used in) operations	466,887	(263,725)
Interest received	2,564	4,498
Interest paid	(22,130)	(28,750)
Income tax paid	(418)	(823)
Net cash generated from (used in) operating activities	446,903	(288,800)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from capital reduction on investment accounted for financial assets at FVTOCI	19,573	-
Purchase of financial assets at amortized cost	-	(1,750)
Purchase of financial instruments for hedging	5,000	1,900
Disposal of financial instruments for hedging	(121)	(11)
Purchase of investments accounted for using the equity method	(511)	-
Payments for property, plant and equipment	(1,033,996)	(352,362)

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CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2021	2020
Decrease (increase) in other receivables from related parties	\$ 350	\$ (69,703)
Decrease in other non-current assets	(1,130)	(176)
(Increase) decrease in prepayments for equipment	<u>96,195</u>	<u>(11,350)</u>
Net cash used in investing activities	<u>(914,640)</u>	<u>(433,452)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	259,207	59,662
Increase in short-term bills payable	649,636	499,221
Proceeds from long-term borrowings	1,200,000	150,000
Repayments of long-term borrowings	(1,400,000)	(150,000)
Increase in other payables to related parties	1,102	1,921
Repayment of the principal portion of lease liabilities	(6,127)	(5,771)
(Decrease) increase in other non-current liabilities	<u>(3,993)</u>	<u>3,182</u>
Net cash generated from financing activities	<u>699,825</u>	<u>558,215</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(2,580)</u>	<u>23,437</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	229,508	(140,600)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>386,604</u>	<u>478,725</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 616,112</u>	<u>\$ 338,125</u>

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

(With Deloitte & Touche auditors' review report dated May 13, 2021)

(Concluded)

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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 as of March 31, 2021 and 2020.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on May 13, 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)

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

- b. 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

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
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)
	(Concluded)

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 are 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” are 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” are 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 first 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 consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

c. Basis of consolidation

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

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

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

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

d. Other significant accounting policies

Except for leases and other accounting policies listed below, refer to the consolidated financial statements for the year ended December 31, 2020.

1) Retirement benefits

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

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

For the critical accounting judgments and key sources of estimation uncertainty, refer to the consolidated financial statements for the year ended December 31, 2020.

6. CASH AND CASH EQUIVALENTS

	March 31, 2021	December 31, 2020	March 31, 2020
Cash on hand	\$ 2,060	\$ 1,576	\$ 1,812
Checking accounts and demand deposits	381,450	343,295	254,106
Cash equivalents			
Time deposits with original maturities of less than three months	<u>232,602</u>	<u>41,733</u>	<u>82,207</u>
	<u>\$ 616,112</u>	<u>\$ 386,604</u>	<u>\$ 338,125</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2021	December 31, 2020	March 31, 2020
<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)	\$ 7,452	\$ 5,370	\$ 13,842
Non-derivative financial assets			
Mutual funds	<u>1,362</u>	<u>1,361</u>	<u>1,358</u>
	<u>\$ 8,814</u>	<u>\$ 6,731</u>	<u>\$ 15,200</u>
<u>Financial assets at FVTPL - non-current</u>			
Non-derivative financial assets			
Bank debentures in the ROC (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 172,670</u>
<u>Financial liabilities at FVTPL - current</u>			
Financial liabilities mandatorily classified as at FVTPL			
Derivative financial assets (not under hedge accounting) foreign exchange forward contracts (a)	<u>\$ 7,903</u>	<u>\$ 3,019</u>	<u>\$ 1,932</u>

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

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>March 31, 2021</u>			
Sell	USD:NTD	2021.04.15-2021.05.17	USD17,900/NTD510,777
Buy	USD:RMB	2021.04.07-2021.06.16	USD35,000/RMB229,996
<u>December 31, 2020</u>			
Sell	USD:NTD	2021.01.15-2021.03.15	USD16,400/NTD467,072
Buy	USD:RMB	2021.01.07-2021.01.29	USD30,000/RMB195,747
<u>March 31, 2020</u>			
Sell	USD:NTD	2020.04.16-2020.04.30	USD16,000/NTD483,600
	RMB:NTD	2020.04.07-2020.05.29	RMB80,000/NTD341,280
Buy	USD:RMB	2020.04.14-2020.04.23	USD27,000/RMB191,297

The Group entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. The above foreign exchange forward contracts held by the Group did not meet hedge effectiveness; therefore, such contracts do not apply hedge accounting.

- b. In 2015, the Group bought subordinated financial bonds issued by Bank SinoPac with a coupon rate of 3.9% at par value of \$170,000 thousand. The bonds have no maturity date but may be redeemed by Bank SinoPac after 5 years from issue date. On November 6, 2020, Bank SinoPac had redeemed financial bonds with a par value of \$170,000 thousand.

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

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Current</u>			
Domestic investments			
Listed shares	<u>\$ 1,313,325</u>	<u>\$ 1,170,239</u>	<u>\$ 1,129,357</u>
<u>Non-current</u>			
Domestic investments			
Listed shares	\$ 387,479	\$ 349,956	\$ 173,829
Unlisted shares	<u>324,744</u>	<u>371,963</u>	<u>294,745</u>
	<u>\$ 712,223</u>	<u>\$ 721,919</u>	<u>\$ 468,574</u>

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

9. FINANCIAL INSTRUMENTS FOR HEDGING

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Financial assets under hedge accounting - current</u>			
Cash flow hedges - foreign exchange forward contracts	\$ -	\$ 54	\$ -
<u>Financial liabilities under hedge accounting - current</u>			
Cash flow hedges - foreign exchange forward contracts	\$ 66	\$ -	\$ 27

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

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

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

The decrease in value used for calculating hedge ineffectiveness for the three months ended March 31, 2021 and 2020 were \$(242) thousand and \$(63) thousand, respectively. The following tables summarize the information relating to the hedges of foreign currency risk.

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>March 31, 2021</u>			
Buy	EUR:NTD	2021.04.29	EUR300/NTD10,044
<u>December 31, 2020</u>			
Buy	EUR:NTD	2021.01.29	EUR300/NTD10,506
<u>March 31, 2020</u>			
Buy	EUR:NTD	2020.04.30	EUR300/NTD9,972

March 31, 2021

Hedged Items	Change in Value Used for Calculating Hedge Ineffectiveness	Other Equity Carrying Amount - Continuing Hedges
Cash flow hedge		
Forecast transactions (capital expenditure)	\$ <u>242</u>	\$ <u>(5,491)</u>

March 31, 2020

Hedged Items	Change in Value Used for Calculating Hedge Ineffectiveness	Other Equity Carrying Amount - Continuing Hedges
Cash flow hedge		
Forecast transactions (capital expenditure)	\$ <u>63</u>	\$ <u>(5,839)</u>

Refer to Note 21(e) for information relating to loss arising on changes in the fair value of hedging instruments and the original carrying amount transferred to hedged items for the three months ended March 31, 2021 and 2020.

10. FINANCIAL ASSETS AT AMORTIZED COST

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Current</u>			
Domestic investments			
Time deposits with original maturity between three months and a year	\$ 3,000	\$ 8,000	\$ 6,550
Time deposits with original maturity of more than a year	<u>-</u>	<u>-</u>	<u>5,000</u>
	<u>3,000</u>	<u>8,000</u>	<u>11,550</u>
Foreign investments			
Time deposits with original maturity of more than a year	<u>217,118</u>	<u>-</u>	<u>-</u>
	<u>\$ 220,118</u>	<u>\$ 8,000</u>	<u>\$ 11,550</u>
<u>Non-current</u>			
Domestic investments			
Time deposits with original maturity of more than a year	\$ -	\$ -	\$ -
Foreign investments			
Time deposits with original maturity of more than a year	<u>-</u>	<u>218,241</u>	<u>298,620</u>
	<u>\$ -</u>	<u>\$ 218,241</u>	<u>\$ 298,620</u>

As of March 31, 2021, December 31, 2020, and March 31, 2020, the interest rates for time deposits with original maturity between three months and a year were 0.82%, 0.41%-0.85% and 0.82%, respectively, and the interest rates for time deposits with original maturity of more than a year were 3.96%, 3.96% and 1.12%-3.96%, respectively.

11. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	March 31, 2021	December 31, 2020	March 31, 2020
Notes receivable - operating	\$ 627,312	\$ 578,567	\$ 515,089
Accounts receivable - operating	<u>2,276,671</u>	<u>2,243,746</u>	<u>2,345,885</u>
Gross carrying amount	2,903,983	2,822,313	2,860,974
Less: Allowance for impairment loss	<u>(13,090)</u>	<u>(13,131)</u>	<u>(15,391)</u>
	<u>\$ 2,890,893</u>	<u>\$ 2,809,182</u>	<u>\$ 2,845,583</u>

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

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

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable. The expected credit losses on accounts receivable are estimated using a provision matrix prepared by reference to the past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

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

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

March 31, 2021

	Not Past Due	Less than 90 Days	91 Days to A Year	Over A Year	Total
Gross carrying amount	\$ 2,703,352	\$ 191,583	\$ 9,048	\$ -	\$ 2,903,983
Loss allowance (Lifetime ECLs)	<u>(8,474)</u>	<u>(1,558)</u>	<u>(3,058)</u>	<u>-</u>	<u>(13,090)</u>
Amortized cost	<u>\$ 2,694,878</u>	<u>\$ 190,025</u>	<u>\$ 5,990</u>	<u>\$ -</u>	<u>\$ 2,890,893</u>

December 31, 2020

	Not Past Due	Less than 90 Days	91 Days to A Year	Over A Year	Total
Gross carrying amount	\$ 2,491,435	\$ 321,259	\$ 9,619	\$ -	\$ 2,822,313
Loss allowance (Lifetime ECLs)	<u>(8,433)</u>	<u>(4,511)</u>	<u>(187)</u>	<u>-</u>	<u>(13,131)</u>
Amortized cost	<u>\$ 2,483,002</u>	<u>\$ 316,748</u>	<u>\$ 9,432</u>	<u>\$ -</u>	<u>\$ 2,809,182</u>

March 31, 2020

	Not Past Due	Less than 90 Days	91 Days to A Year	Over A Year	Total
Gross carrying amount	\$ 2,636,701	\$ 205,004	\$ 19,201	\$ 68	\$ 2,860,974
Loss allowance (Lifetime ECLs)	<u>(8,331)</u>	<u>(1,355)</u>	<u>(5,637)</u>	<u>(68)</u>	<u>(15,391)</u>
Amortized cost	<u>\$ 2,628,370</u>	<u>\$ 203,649</u>	<u>\$ 13,564</u>	<u>\$ -</u>	<u>\$ 2,845,583</u>

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

	For the Three Months Ended March 31	
	2021	2020
Balance at January 1	\$ 13,131	\$ 15,617
Net remeasurement of loss allowance	-	(170)
Foreign exchange translation gains and losses	<u>(41)</u>	<u>(56)</u>
Balance at March 31	<u>\$ 13,090</u>	<u>\$ 15,391</u>

As of March 31, 2021 and 2020, the Group discounted a portion of its banker's acceptance bills in mainland China with an aggregate carrying amount of \$39,556 thousand and \$0, respectively. For information on the transfer of financial instruments, refer to Note 26.

12. INVENTORIES

	March 31, 2021	December 31, 2020	March 31, 2020
Finished and purchased goods	\$ 1,858,503	\$ 2,192,648	\$ 2,094,531
Work in process	362,520	354,696	305,004
Materials	<u>1,135,337</u>	<u>1,227,811</u>	<u>1,277,689</u>
	<u>\$ 3,356,360</u>	<u>\$ 3,775,155</u>	<u>\$ 3,677,224</u>

The cost of goods sold for the three months ended March 31, 2021 and 2020 included reversals of inventory write-downs of \$18,145 thousand and \$9,400 thousand, respectively.

13. BIOLOGICAL ASSETS

	For the Three Months Ended March 31	
	2021	2020
Balance at January 1	\$ 3,327,526	\$ 3,252,537
Increases due to planting	46,681	39,451
Gain from changes in fair value less costs to sell	2,125	602
Decreases due to harvest	(46,018)	(6,871)
Net exchange differences	<u>(17,137)</u>	<u>(24,214)</u>
Balance at March 31	<u>\$ 3,313,177</u>	<u>\$ 3,261,505</u>

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

	March 31, 2021	December 31, 2020	March 31, 2020
Eucalyptus (Level 3)	<u>\$ 3,422,969</u>	<u>\$ 3,437,755</u>	<u>\$ 3,368,489</u>

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

	For the Three Months Ended March 31	
	2021	2020
Balance at January 1	\$ 3,437,755	\$ 3,360,128
Increase due to planting	48,863	39,669
Gain from changes in fair value less costs to sell	2,225	605
Decrease due to harvest	(48,169)	(6,909)
Foreign exchange translation gains and losses	<u>(17,705)</u>	<u>(25,004)</u>
Balance at March 31	<u>\$ 3,422,969</u>	<u>\$ 3,368,489</u>

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

14. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

Investor	Investee	Main Business	% of Ownership		
			March 31, 2021	December 31, 2020	March 31, 2020
The Company	CHP International (BVI) Corporation	Investment and holding	100.0	100.0	100.0
	Hwa Fong Investment Co., Ltd.	Investment and holding	100.0	100.0	100.0
CHP International (BVI) Corporation	Guangdong Dingfung Pulp & Paper Co., Ltd.	Pulp and paper production, trading and forestry business	60.0	60.0	60.0
	Zhaoqing Dingfung Forestry Ltd.	Seedling cultivation and sales, reforestation, sales-cum-forest logging and other forestry, processing and transportation	20.2	20.2	20.2
	Syntax Communication (H.K.) Limited (b)	Sale and print of paper merchandise	100.0	100.0	100.0

(Continued)

Investor	Investee	Main Business	% of Ownership		
			March 31, 2021	December 31, 2020	March 31, 2020
Hwa Fong Investment Co., Ltd.	Genovella Renewables Inc. (c)	Sale and production of fertilizer, retail sale of food products and groceries, plant cultivation, refractory materials manufacturing, cement and concrete products manufacturing, refractory materials wholesale and sale of building material, manpower services and wholesale and sale of chemistry raw materials	100.0	100.0	100.0
Guangdong Dingfung Pulp & Paper Co., Ltd.	Zhaoqing Dingfung Forestry Ltd.	Seedling cultivation and sales, reforestation, sales-cum-forest logging and other forestry, processing and transportation	66.3	66.3	66.3
	Shenzhen Jinglun Paper Co., Ltd. (b)	Paper trading, cargo and technic import and export business	100.0	100.0	100.0
	Zhaoging Xinchuan Green Technology Co., Ltd. (d)	Environment equipment technology research and development, construction for wastewater, flue gas, noise and solid waste treatment, pure water construction, environment technology consulting, sale of environment equipment and chemical raw material, cargo and technic import and export	100.0	100.0	-

(Concluded)

The financial statements of subsidiaries that are not individually material, including Hwa Fong Investment Co., Ltd., Zhaoqing Dingfung Forestry Ltd., Shenzhen Jinglun Paper Co., Ltd., Syntax Communication (H.K.) Limited, Genovella Renewables Inc., and Zhaoging Xinchuan Green Technology Co., Ltd., have not been reviewed. As of March 31, 2021 and 2020, combined total assets of these subsidiaries were NT\$4,754,096 thousand and NT\$4,546,979 thousand, respectively, both representing 15%, of the consolidated total assets, and combined total liabilities of these subsidiaries were NT\$639,505 thousand and NT\$559,852 thousand, respectively, both representing 4%, respectively, of the consolidated total liabilities. For the three months ended March 31, 2021 and 2020, the amounts of combined comprehensive income of these subsidiaries were NT\$3,951 thousand and NT\$7,103 thousand, respectively, representing 2% and (1%), respectively, of the consolidated total comprehensive income. Management believes that the financial statements, even if reviewed, are not subject to significant adjustments.

15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	March 31, 2021	December 31, 2020	March 31, 2020
Associates that are not individually material	<u>\$ 757,396</u>	<u>\$ 767,114</u>	<u>\$ 756,531</u>

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

	For the Three Months Ended March 31	
	2021	2020
The Group's share of:		
Profit from continuing operations	\$ 23,525	\$ 11,146
Other comprehensive income (loss)	<u>21,276</u>	<u>(42,598)</u>
Total comprehensive income (loss) for the period	<u>\$ 44,801</u>	<u>\$ (31,452)</u>

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

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

Between January and March 2021, subsidiary Hwa Fong Investment Co., Ltd. obtained 72,828 voting shares of Union Paper Corporation., Ltd. at \$7 per share, with a total investment of \$511 thousands and 0.09% of voting rights. Hwa Fong Investment Co., Ltd recognized a gain from bargain purchase of \$367 thousand.

As of March 31, 2021 and 2020, investments accounted for using the equity method of the Group were NT\$331,665 thousand and NT\$349,268 thousand, respectively, for the three months ended March 31, 2021 and 2020, shares of comprehensive net (loss) income of \$8,657 thousand and \$(21,521) thousand, respectively, were recognized based on the investees' unreviewed financial statements for the same reporting periods. Management believes that the financial statements, even if reviewed, are not subject to significant adjustments.

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery	Electric Equipment	Tools	Miscellaneous Equipment	Property in Construction	Total
Cost								
Balance at January 1, 2020	\$ 6,637,258	\$ 3,813,045	\$ 29,252,976	\$ 2,955,306	\$ 1,769,299	\$ 766,153	\$ 1,303,050	\$ 46,497,087
Additions	-	3,006	10,362	3,087	12,908	499	203,532	233,394
Disposals	-	-	(30,103)	(906)	(80)	(1,280)	-	(32,369)
Effect of foreign currency exchange differences	-	(5,199)	(29,297)	-	(1)	(1,125)	(1,676)	(37,298)
Reclassifications	-	13,710	344,782	49,516	22,792	33,054	(463,854)	-
Balance at March 31, 2020	<u>\$ 6,637,258</u>	<u>\$ 3,824,562</u>	<u>\$ 29,548,720</u>	<u>\$ 3,007,003</u>	<u>\$ 1,804,918</u>	<u>\$ 797,301</u>	<u>\$ 1,041,052</u>	<u>\$ 46,660,814</u>
Accumulated depreciation and impairment								
Balance at January 1, 2020	\$ -	\$ 2,891,395	\$ 24,369,209	\$ 2,448,670	\$ 1,509,889	\$ 623,105	\$ -	\$ 31,842,268
Disposals	-	-	(30,066)	(906)	(80)	(1,280)	-	(32,332)
Depreciation expenses	-	25,057	194,904	20,105	26,127	10,756	-	276,949
Effect of foreign currency exchange differences	-	(1,840)	(18,843)	-	-	(630)	-	(21,313)
Balance at March 31, 2020	<u>\$ -</u>	<u>\$ 2,914,612</u>	<u>\$ 24,515,204</u>	<u>\$ 2,467,869</u>	<u>\$ 1,535,936</u>	<u>\$ 631,951</u>	<u>\$ -</u>	<u>\$ 32,065,572</u>
Carrying amounts at January 1, 2020	<u>\$ 6,637,258</u>	<u>\$ 921,650</u>	<u>\$ 4,883,767</u>	<u>\$ 506,636</u>	<u>\$ 259,410</u>	<u>\$ 143,048</u>	<u>\$ 1,303,050</u>	<u>\$ 14,654,819</u>
Carrying amounts at March 31, 2020	<u>\$ 6,637,258</u>	<u>\$ 909,950</u>	<u>\$ 5,033,516</u>	<u>\$ 539,134</u>	<u>\$ 268,982</u>	<u>\$ 165,350</u>	<u>\$ 1,041,052</u>	<u>\$ 14,595,242</u>
Cost								
Balance at January 1, 2021	\$ 8,197,658	\$ 4,058,786	\$ 30,174,512	\$ 3,056,980	\$ 1,747,207	\$ 815,800	\$ 996,690	\$ 49,047,633
Additions	-	1,647	7,169	3,528	4,557	471	244,511	261,883
Disposals	-	(100)	(3,243)	(4,230)	(5,679)	(370)	-	(13,622)
Effect of foreign currency exchange differences	-	(3,716)	(21,663)	-	(2)	(874)	(1,542)	(27,797)
Reclassifications	-	16,322	270,356	15,993	39,142	12,639	(354,182)	-
Balance at March 31, 2021	<u>\$ 8,197,658</u>	<u>\$ 4,072,939</u>	<u>\$ 30,427,131</u>	<u>\$ 3,072,271</u>	<u>\$ 1,785,225</u>	<u>\$ 827,396</u>	<u>\$ 885,477</u>	<u>\$ 49,268,097</u>
Accumulated depreciation and impairment								
Balance at January 1, 2021	\$ -	\$ 2,994,525	\$ 24,880,732	\$ 2,482,915	\$ 1,478,679	\$ 652,910	\$ -	\$ 32,489,761
Disposals	-	(100)	(3,243)	(4,230)	(5,679)	(370)	-	(13,622)
Depreciation expenses	-	27,109	198,880	21,701	27,084	11,867	-	286,641
Effect of foreign currency exchange differences	-	(1,454)	(14,243)	-	(3)	(563)	-	(16,263)
Balance at March 31, 2021	<u>\$ -</u>	<u>\$ 3,020,080</u>	<u>\$ 25,062,126</u>	<u>\$ 2,500,386</u>	<u>\$ 1,500,081</u>	<u>\$ 663,844</u>	<u>\$ -</u>	<u>\$ 32,746,517</u>
Carrying amounts at January 1, 2021	<u>\$ 8,197,658</u>	<u>\$ 1,064,261</u>	<u>\$ 5,293,780</u>	<u>\$ 574,065</u>	<u>\$ 268,528</u>	<u>\$ 162,890</u>	<u>\$ 996,690</u>	<u>\$ 16,557,872</u>
Carrying amounts at March 31, 2021	<u>\$ 8,197,658</u>	<u>\$ 1,052,859</u>	<u>\$ 5,365,005</u>	<u>\$ 571,885</u>	<u>\$ 285,144</u>	<u>\$ 163,552</u>	<u>\$ 885,477</u>	<u>\$ 16,521,580</u>

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

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

17. LEASE ARRANGEMENTS

a. Right-of-use assets

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Carrying amounts</u>			
Land	\$ 436,184	\$ 441,401	\$ 441,983
Buildings	30,340	16,394	23,646
Office equipment	9,798	7,612	10,790
Transportation equipment	<u>2,634</u>	<u>3,046</u>	<u>2,779</u>
	<u>\$ 478,956</u>	<u>\$ 468,453</u>	<u>\$ 479,198</u>
		For the Three Months Ended March 31	
		2021	2020
Additions to right-of-use assets		<u>\$ 21,675</u>	<u>\$ 3,583</u>
Depreciation charge for right-of-use assets			
Land		\$ 3,687	\$ 3,542
Buildings		3,149	3,055
Office equipment		1,702	1,536
Transportation equipment		<u>407</u>	<u>474</u>
		<u>\$ 8,945</u>	<u>\$ 8,607</u>

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the three months ended March 31, 2021 and 2020.

b. Lease liabilities

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Carrying amounts</u>			
Current	<u>\$ 20,858</u>	<u>\$ 15,815</u>	<u>\$ 19,095</u>
Non-current	<u>\$ 27,306</u>	<u>\$ 16,666</u>	<u>\$ 25,291</u>

Range of discount rate for lease liabilities was as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
Land	0.97%-1.21%	1.02%-1.21%	1.02%-1.21%
Buildings	0.97%-3.5%	1.02%-3.5%	1.21%-3.5%
Office equipment	0.97%-1.21%	1.02%-1.21%	1.02%-1.21%
Transportation equipment	1.02%-1.21%	1.02%-1.21%	1.21%

c. Material lease-in activities and terms

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

The Group also leases land and buildings for the use of plants, offices, and warehouses with lease terms of 2 to 8 years. The lease contract for land and buildings located in China specifies that land and buildings are mainly used as plants, and lease payments will be made at the beginning of the contract with lease terms of 50 years. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Other lease information

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

	For the Three Months Ended March 31	
	2021	2020
Expenses relating to short-term leases and low-value asset leases	<u>\$ 15,890</u>	<u>\$ 13,407</u>
Total cash outflow for leases	<u>\$ (27,541)</u>	<u>\$ (26,569)</u>

All lease commitments (the Group as a lessee) with lease terms commencing after the balance sheet dates are as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
Lease commitments	<u>\$ 86,150</u>	<u>\$ 40,580</u>	<u>\$ 81,575</u>

18. INVESTMENT PROPERTIES

	For the Three Months Ended March 31	
	2021	2020
<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	<u>\$ (15,457)</u>	<u>\$ (15,190)</u>
Depreciation expenses	<u>(67)</u>	<u>(67)</u>
Ending balance	<u>\$ (15,524)</u>	<u>\$ (15,257)</u>
Opening carrying amounts	<u>\$ 256,877</u>	<u>\$ 257,144</u>
Ending carrying amounts	<u>\$ 256,810</u>	<u>\$ 257,077</u>

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

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

	March 31, 2021	December 31, 2020	March 31, 2020
Fair value	<u>\$ 347,731</u>	<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.

Lease commitments (the Group as a lessor) with lease terms commencing after the balance sheet dates are as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
Lease commitments of investment properties	<u>\$ 31,418</u>	<u>\$ 33,241</u>	<u>\$ 1,770</u>

19. BORROWINGS

a. Short-term borrowings

	March 31, 2021	December 31, 2020	March 31, 2020
Bank credit loans	\$ 1,181,000	\$ 855,000	\$ 4,562,000
Letter of credit loans	<u>726,066</u>	<u>787,777</u>	<u>739,338</u>
	<u>\$ 1,907,066</u>	<u>\$ 1,642,777</u>	<u>\$ 5,301,338</u>

As of March 31, 2021, December 31, 2020, and March 31, 2020, interest rates on short-term borrowings were 0.52%-0.94%, 0.52%-1.05% and 0.73%-2.74%, respectively.

b. Short-term bills payable

	March 31, 2021	December 31, 2020	March 31, 2020
Commercial paper	\$ 6,950,000	\$ 6,300,000	\$ 2,950,000
Less: Unamortized discounts on bills payable	<u>(3,004)</u>	<u>(2,640)</u>	<u>(1,300)</u>
	<u>\$ 6,946,996</u>	<u>\$ 6,297,360</u>	<u>\$ 2,948,700</u>

Short-term bills payable are commercial papers due within one year. As of March 31, 2021, December 31, 2020, and March 31, 2020, interest rates on bills payable were 0.74%-0.83%, 0.78%-0.85% and 0.98%-1.08%, respectively.

c. Long-term borrowings

	March 31, 2021	December 31, 2020	March 31, 2020
Unsecured bank loans	\$ 1,200,000	\$ 1,400,000	\$ 150,000
Less: Loan management fees	<u>(8,746)</u>	<u>(9,408)</u>	<u>(12,029)</u>
Long-term bank loans	<u>\$ 1,191,254</u>	<u>\$ 1,390,592</u>	<u>\$ 137,971</u>

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

	Due Date	Article	Interest Rate	March 31, 2021	December 31, 2020	March 31, 2020
KGI Bank Credit loan	2022.01.31	The credit can be revolved within 24 months from January 31, 2020, the first drawdown date of the loan.	0.89%	\$ -	\$ -	\$ 150,000
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%	<u>1,200,000</u>	<u>1,400,000</u>	<u>-</u>
				<u>\$ 1,200,000</u>	<u>\$ 1,400,000</u>	<u>\$ 150,000</u>

20. RETIREMENT BENEFIT PLANS

The amounts of pension cost in respect to the Group's defined benefit plans were recognized based on the actuarial valuations of cost rates as of December 31, 2020 and 2019 in the following items:

	For the Three Months Ended March 31	
	2021	2020
Operating costs	<u>\$ 6,710</u>	<u>\$ 6,841</u>
Selling and marketing expenses	<u>\$ 184</u>	<u>\$ 373</u>
General and administrative expenses	<u>\$ 364</u>	<u>\$ 182</u>

21. EQUITY

a. Ordinary shares

	March 31, 2021	December 31, 2020	March 31, 2020
Number of shares authorized (in thousands)	<u>1,300,000</u>	<u>1,300,000</u>	<u>1,300,000</u>
Shares authorized	<u>\$ 13,000,000</u>	<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>	<u>1,102,835</u>
Shares issued	<u>\$ 11,028,353</u>	<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

	March 31, 2021	December 31, 2020	March 31, 2020
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*			
Arising from treasury share transactions	\$ 20,817	\$ 20,817	\$ 20,817
The difference between consideration paid and the carrying amount of the subsidiaries' net assets during actual acquisition	484	484	484
<u>May only be used to offset a deficit</u>			
Arising from share of changes in capital surplus of associates	6,722	8,071	8,262
Capital surplus transferred from unclaimed dividends	<u>449</u>	<u>449</u>	<u>-</u>
	<u>\$ 28,472</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 capital surplus).

c. Retained earnings and dividends policy

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

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, 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 2020 had been approved in the board of directors’ meeting on March 19, 2021, which resolved not to distribute dividend. The offsetting of deficit for 2019 had been approved in the shareholders’ meeting on June 30, 2020, which resolved not to distribute dividend.

d. Special reserves

	March 31, 2021	December 31, 2020	March 31, 2020
Special reserves	<u>\$ 1,186,894</u>	<u>\$ 1,186,894</u>	<u>\$ 1,186,894</u>

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

e. Others equity items

	Exchange Differences Arising on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Gain (Loss) on Hedging Instruments	Total
<u>2021</u>				
Balance at January 1	\$ (338,941)	\$ 761,027	\$ (5,776)	\$ 416,837
Unrealized loss on financial assets at FVTOCI	-	152,962	-	152,962
Exchange differences on translating the financial statements of foreign operations	(13,854)	-	-	(13,854)
Loss arising on changes in the fair value of hedging instruments	-	-	(242)	(242)
Share of other comprehensive loss of associates	<u>(7,259)</u>	<u>28,535</u>	<u>-</u>	<u>21,276</u>
Balance at March 31	<u>\$ (360,054)</u>	<u>\$ 942,524</u>	<u>\$ (5,491)</u>	<u>\$ 576,979</u>
				(Continued)

	Exchange Differences Arising on Translating 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	-	(306,512)	-	(306,512)
Exchange differences on translating the financial statements of foreign operations	(10,398)	-	-	(10,398)
Loss arising on changes in the fair value of hedging instruments	-	-	(63)	(63)
Share of other comprehensive income of associates	<u>(6,036)</u>	<u>(36,562)</u>	<u>-</u>	<u>(42,598)</u>
Balance at March 31	<u>\$ (317,139)</u>	<u>\$ 373,446</u>	<u>\$ (5,839)</u>	<u>\$ 50,468</u> (Concluded)

f. Non-controlling interests

	For the Three Months Ended March 31	
	2021	2020
Balance at January 1	\$ 2,200,775	\$ 2,277,793
Attributable to non-controlling interests:		
Share of (loss) profit for the period	6,603	(27,751)
Exchange differences on translating the financial statements of foreign operations	<u>(11,371)</u>	<u>(16,354)</u>
Balance at March 31	<u>\$ 2,196,007</u>	<u>\$ 2,233,688</u>

- g. As of March 31, 2021, 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.

22. NET (LOSS) PROFIT FROM CONTINUING OPERATIONS

a. Finance costs

	For the Three Months Ended March 31	
	2021	2020
Interest on bank loans	\$ 21,854	\$ 27,163
Add: Interests of lease liabilities	139	143
Less: Amounts included in the cost of qualifying assets	<u>(194)</u>	<u>(331)</u>
	<u>\$ 21,799</u>	<u>\$ 26,832</u>

Information about capitalized interest was as follows:

	For the Three Months Ended March 31	
	2021	2020
Capitalization rate	0.81%-0.97%	1.08%-1.14%

b. Depreciation and amortization

	For the Three Months Ended March 31	
	2021	2020
An analysis of depreciation by function		
Operating costs	\$ 283,609	\$ 279,368
Operating expenses	<u>12,044</u>	<u>6,255</u>
	<u>\$ 295,653</u>	<u>\$ 285,623</u>
An analysis of amortization by function		
Operating costs	\$ 138	\$ 46
Operating expenses	<u>824</u>	<u>6,764</u>
	<u>\$ 962</u>	<u>\$ 6,810</u>

c. Employee benefit expense

	For the Three Months Ended March 31	
	2021	2020
Post-employment benefits		
Defined contribution plans	\$ 17,811	\$ 15,473
Defined benefit plans	<u>7,258</u>	<u>7,396</u>
	25,069	22,869
Other employee benefits	<u>484,872</u>	<u>443,152</u>
Total employee benefit expense	<u>\$ 509,941</u>	<u>\$ 466,021</u>

(Continued)

	For the Three Months Ended March 31	
	2021	2020
An analysis of employee benefit expense by function		
Operating costs	\$ 452,482	\$ 408,342
Operating expenses	<u>57,459</u>	<u>57,679</u>
	<u>\$ 509,941</u>	<u>\$ 466,021</u>
		(Concluded)

d. Employee's compensation and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued compensation of employees and remuneration of directors 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. For the three months ended March 31, 2020, due to operation loss, the Company did not estimate the compensation of employees and the remuneration of directors. The compensation of employees and remuneration of directors for the three months ended March 31, 2021 are as follows:

	For the Three Months Ended March 31, 2021
Compensation of employees	<u>\$ 5,478</u>
Remuneration of directors	<u>\$ 2,307</u>

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

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors in 2021 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

23. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

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

	For the Three Months Ended March 31	
	2021	2020
Current tax		
In respect of the current period	\$ 2,482	\$ 3,026
Adjustments for prior periods	-	-
Deferred tax		
In respect of the current period	<u>13,000</u>	<u>-</u>
Income tax (benefit) expense recognized in profit or loss	<u>\$ 15,482</u>	<u>\$ 3,026</u>

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

b. Income tax assessments

	<u>Latest Approved Year</u>
The Company	2018
Genovella Renewables Inc. (c)	2019
Hwa Fong Investments Co., Ltd.	2019

24. EARNINGS (LOSS) PER SHARE

	<u>For the Three Months Ended March 31</u>	
	<u>2021</u>	<u>2020</u>
Basic earnings (loss) per share	<u>\$ 0.09</u>	<u>\$ (0.11)</u>
Diluted earnings per share	<u>\$ 0.09</u>	

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

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

	<u>For the Three Months Ended March 31</u>	
	<u>2021</u>	<u>2020</u>
Profit (loss) for the period attributable to owners of the Company	<u>\$ 94,830</u>	<u>\$ (117,587)</u>

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

	<u>For the Three Months Ended March 31</u>	
	<u>2021</u>	<u>2020</u>
Weighted average number of ordinary shares used in the computation of basic earnings per share	1,086,891	<u>1,102,835</u>
Effect of potentially dilutive ordinary shares:		
Bonuses issued to employees	<u>415</u>	
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>1,087,306</u>	

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

25. CAPITAL MANAGEMENT

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

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

26. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

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

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

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

March 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ 1,362	\$ -	\$ -	\$ 1,362
Derivative financial assets - foreign exchange forward contracts (not under hedge accounting)	-	7,452	-	7,452
Bank debentures in the ROC	-	-	-	-
	<u>\$ 1,362</u>	<u>\$ 7,452</u>	<u>\$ -</u>	<u>\$ 8,814</u>
Financial assets at FVTOCI				
Securities listed in the ROC	\$ 1,700,804	\$ -	\$ -	\$ 1,700,804
Domestic unlisted shares	-	-	324,744	324,744
	<u>\$ 1,700,804</u>	<u>\$ -</u>	<u>\$ 324,744</u>	<u>\$ 2,025,548</u>
Financial liabilities at FVTPL				
Derivative financial liabilities - foreign exchange forward contracts (not under hedge accounting)	\$ -	\$ 7,903	\$ -	\$ 7,903
Hedging financial liabilities				
Derivative financial liabilities - foreign exchange forward contracts	\$ -	\$ 66	\$ -	\$ 66

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ 1,361	\$ -	\$ -	\$ 1,362
Derivative financial assets - foreign exchange forward contracts (not under hedge accounting)	-	5,370	-	5,370
Bank debentures in the ROC	-	-	-	-
	<u>\$ 1,361</u>	<u>\$ 5,370</u>	<u>\$ -</u>	<u>\$ 6,731</u>
Financial assets at FVTOCI				
Securities listed in the ROC	\$ 1,520,195	\$ -	\$ -	\$ 1,520,195
Domestic unlisted shares	-	-	371,963	371,963
	<u>\$ 1,520,195</u>	<u>\$ -</u>	<u>\$ 371,963</u>	<u>\$ 1,892,158</u>
Hedging financial assets				
Derivative financial assets - foreign exchange forward contracts	\$ -	\$ 54	\$ -	\$ 54
Financial liabilities at FVTPL				
Derivative financial liabilities - foreign exchange forward contracts (not under hedge accounting)	\$ -	\$ 3,019	\$ -	\$ 3,019

March 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ 1,358	\$ -	\$ -	\$ 1,358
Derivative financial assets - foreign exchange forward contracts (not under hedge accounting)	-	13,842	-	13,842
Bank debentures in the ROC	-	172,670	-	172,670
	<u>\$ 1,358</u>	<u>\$ 186,512</u>	<u>\$ -</u>	<u>\$ 187,870</u>
Financial assets at FVTOCI				
Securities listed in the ROC	\$ 1,303,186	\$ -	\$ -	\$ 1,303,186
Domestic unlisted shares	-	-	294,745	294,745
	<u>\$ 1,303,186</u>	<u>\$ -</u>	<u>\$ 294,745</u>	<u>\$ 1,597,931</u>

(Continued)

	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Derivative financial liabilities				
- foreign exchange forward contracts (not under hedge accounting)	\$ <u>-</u>	\$ <u>1,932</u>	\$ <u>-</u>	\$ <u>1,932</u>
Hedging financial liabilities				
Derivative financial liabilities				
- foreign exchange forward contracts	\$ <u>-</u>	\$ <u>27</u>	\$ <u>-</u>	\$ <u>27</u> (Concluded)

There were no transfers between Levels 1 and 2 for the three months ended March 31, 2021 and 2020.

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

For the three months ended March 31, 2021

Financial Assets	Financial Assets of Equity Securities at FVTOCI
Balance at January 1, 2021	\$ 371,963
Proceeds from capital reduction	(19,573)
Recognized in other comprehensive income	<u>(27,646)</u>
Balance at March 31, 2021	<u>\$ 324,744</u>

For the three months ended March 31, 2020

Financial Assets	Financial Assets of Equity Securities at FVTOCI
Balance at January 1, 2020	\$ 293,985
Recognized in other comprehensive income	<u>760</u>
Balance at March 31, 2020	<u>\$ 294,745</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.

	March 31, 2021	December 31, 2020	March 31, 2020
Discount for lack of marketability	15%	15%	15%

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

	March 31, 2021	December 31, 2020	March 31, 2020
Discount for lack of marketability			
2.5% increase	<u>\$ (10,127)</u>	<u>\$ (11,218)</u>	<u>\$ (8,669)</u>
2.5% decrease	<u>\$ 10,127</u>	<u>\$ 11,218</u>	<u>\$ 8,669</u>

b. Categories of financial instruments

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Financial assets</u>			
Financial assets at FVTPL			
Mandatorily classified as at FVTPL	\$ 8,814	\$ 6,731	\$ 187,870
Financial assets for hedging	-	54	-
Financial assets at amortized cost (1)	4,644,367	4,073,113	4,480,756
Financial assets at FVTOCI	2,025,548	1,892,158	1,597,931

(Continued)

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Financial liabilities</u>			
Financial liabilities at FVTPL	\$ 7,903	\$ 3,019	\$ 1,932
Financial liabilities at amortized cost (2)	12,985,982	13,149,281	11,267,278
Financial liabilities for hedging	66	-	27
			(Concluded)

- 1) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, debt investments, notes and accounts receivable, notes and accounts receivable from related parties, other receivables from related parties, other receivables (accounted as other current assets), and refundable deposits (accounted as other non-current assets).
- 2) The balances include financial liabilities measured at amortized cost, which comprise short-term borrowings, short-term bills payable, notes and accounts payable, notes and accounts payable to related parties, other payables, other payables to related parties, long-term borrowings, and deposits received (accounted as other non-current liabilities).

c. Financial risk management objectives and policies

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

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

1) Market risk

a) Foreign currency risk

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

Sensitivity analysis

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

The Group is mainly exposed to the USD and RMB.

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

	For the Three Months Ended March 31	
	2021	2020
Influence to profit or loss at 5% variance		
USD	\$ 42,758	\$ 34,804
RMB	102,904	103,653

b) Interest rate risk

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

	March 31, 2021	December 31, 2020	March 31, 2020
Fair value interest rate risk			
Financial assets	\$ 563,413	\$ 379,587	\$ 1,056,907
Financial liabilities	8,138,391	7,687,952	3,093,725
Cash flow interest rate risk			
Financial assets	381,450	343,295	254,106
Financial liabilities	1,907,066	1,642,777	5,301,338

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

Sensitivity analysis

For the Group's floating interest rate financial liabilities, if interest rates had been 0.1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the three months ended March 31, 2021 and 2020 would decrease/increase as follows:

	For the Three Months Ended March 31	
	2021	2020
Decrease/increase	\$ 381	\$ 1,262

c) Other price risk

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

Sensitivity analysis

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

If equity prices had been 5% higher/lower, the Group's comprehensive income for the three months ended March 31, 2021 and 2020 would increase/decrease as follows:

	For the Three Months Ended March 31	
	2021	2020
Profit before tax		
Increase/decrease	\$ 68	\$ 68
Other comprehensive income		
Increase/decrease	101,277	79,897

2) Credit risk

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

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

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

3) Liquidity risk

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

As of March 31, 2021 and March 31, 2020, the Group's unused financing facilities were \$5,992,059 thousand and \$8,081,627 thousand, respectively.

d. Transfers of financial assets

The Group transferred a portion of its banker's acceptance bills in mainland China to other bank in order to generate working capital. Since the Group transferred substantially all risks and rewards relating to these bills receivable, the Group derecognized the full carrying amount of the banker's acceptance bills. The Group's discounted and received amount and the ranges of interest rates were as follows:

	For the Year Ended March 31	
	2021	2020
The discounted amount	\$ 39,556	\$ -
The received amount	\$ 39,314	\$ -
Interest rates	3.93%	-

27. TRANSACTIONS WITH RELATED PARTIES

The Company's parent is YFY Inc. Company, which held 57.8%, 57.8% and 56.9%, of the ordinary shares of the Company as of March 31, 2021, December 31, 2020 and March 31, 2020, respectively.

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

a. Related party name and category

Related Party Name	Related Party Category
YFY Consumer Products Co., Ltd.	Fellow subsidiary
YFY Packaging Inc.	Fellow subsidiary
YFY International Ltd.	Fellow subsidiary
Yuen Foong Yu Paper MFG (Yangzhou) Co., Ltd.	Fellow subsidiary
YFY Family Care (Kunshan) Co., Ltd.	Fellow subsidiary
YFY Family Paper (Beijing) 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
YFY Japan Co., Ltd.	Fellow subsidiary
YFY Investment 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
Arizon RFID Technology (Hong Kong) Co., Ltd., Taiwan Branch	Fellow subsidiary
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Fellow subsidiary
Sustainable Carbohydrate Innovation Co., Ltd.	Fellow subsidiary
YFY Jupiter Ltd.	Fellow subsidiary
MOBIUS 105 LIMITED	Fellow subsidiary
YFY Holding Management Co., Ltd.	Fellow subsidiary
Yuen Foong Shop Co., Ltd.	Fellow subsidiary
YFY Biotechnology Co., Ltd.	Parent's associates
E Ink Holdings Inc.	Parent's associates
Beautone Co., Ltd.	Substantial related party
Shin-Yi Foundation	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 Three Months Ended March 31	
	2021	2020
Fellow subsidiaries	\$ 1,011,441	\$ 664,079
Substantial related-parties	51,440	62,815
Parent company	13	11
Parent's associates	-	2
	<u>\$ 1,062,894</u>	<u>\$ 726,907</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 Three Months Ended March 31	
	2021	2020
Fellow subsidiaries	\$ 537,058	\$ 492,487
Substantial related-parties	922	131
Parent's associates	<u>229</u>	<u>190</u>
	<u>\$ 539,209</u>	<u>\$ 492,808</u>

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

d. Notes and accounts receivable from related parties

Related Party Type	March 31, 2021	December 31, 2020	March 31, 2020
Fellow subsidiaries			
YFY Consumer Products Co., Ltd.	\$ 173,988	\$ 125,921	\$ 62,776
YFY Investment Co., Ltd.	109,495	125,893	70,514
Union Paper Corp.	79,527	50,667	66,019
YFY Development Corp.	65,475	60,340	51,482
Others	<u>131,641</u>	<u>63,513</u>	<u>86,864</u>
	560,126	426,334	337,655
Substantial related-parties	41,058	49,254	50,139
Parent's associates	-	1	-
Parent company	<u>3</u>	<u>3</u>	<u>65</u>
	<u>\$ 601,187</u>	<u>\$ 475,592</u>	<u>\$ 387,859</u>

The outstanding accounts receivable from related parties are unsecured. No bad debt was recognized for the three months ended March 31, 2021 and 2020 for allowance of impaired accounts receivable from related parties.

e. Notes and accounts payable to related parties

Related Party Type	March 31, 2021	December 31, 2020	March 31, 2020
Fellow subsidiaries			
YFY Packaging Inc.	\$ 218,530	\$ 215,407	\$ 233,574
Shin Foong Specialty & Applied Materials Co., Ltd.	97,085	78,534	89,075
YFY Investment Co., Ltd.	45,062	16,148	37,552
Others	<u>72,091</u>	<u>69,438</u>	<u>81,302</u>
	432,768	397,527	441,503
Parent company	3,033	-	5,715
Substantial related-parties	1,875	987	923
Parent's associates	<u>43</u>	<u>-</u>	<u>62</u>
	<u>\$ 437,719</u>	<u>\$ 380,514</u>	<u>\$ 448,203</u>

The outstanding accounts payable to related parties are unsecured.

f. Loan to related parties (interest receivable included)

Related Party Type	March 31, 2021	December 31, 2020	March 31, 2020
Fellow subsidiaries			
Yuen Foong Yu Paper MFG (Yangzhou) Co., Ltd.	\$ 110,693	\$ 111,613	\$ 185,360
YFY International BVI Corp.	<u>-</u>	<u>-</u>	<u>306,500</u>
	<u>\$ 110,693</u>	<u>\$ 111,613</u>	<u>\$ 491,860</u>

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

For the three months ended March 31, 2021 and 2020, the interest income from the loans to related parties amounted to \$1,093 thousand and \$3,618 thousand, respectively.

g. Loans from related parties

Related Party Type	March 31, 2021	December 31, 2020	March 31, 2020
Fellow subsidiaries			
Yuen Foong Yu Paper MFG (Yangzhou) Co., Ltd.	\$ <u>141</u>	\$ <u>-</u>	\$ <u>7,054</u>

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

For the three months ended March 31, 2021 and 2020, the interest expense from the loans from related parties amounted to \$0 and \$120 thousand, respectively.

h. Acquisitions of property, plant and equipment

	Purchase Price	
	For the Three Months Ended March 31	
	2021	2020
Fellow subsidiaries	\$ <u>52</u>	\$ <u>24</u>

i. Lease arrangements

Lease Liabilities	March 31, 2021	December 31, 2020	March 31, 2020
Parent company	\$ <u>13,270</u>	\$ <u>14,455</u>	\$ <u>17,881</u>

Related Party Category	For the Three Months Ended March 31	
	2021	2020
<u>Interest expense</u>		
Parent company	\$ <u>43</u>	\$ <u>56</u>
<u>Lease expense</u>		
Parent company	\$ 1,530	\$ 1,530
Substantial related-parties	<u>1,772</u>	<u>1,734</u>
	<u>\$ 3,302</u>	<u>\$ 3,264</u>

j. Other transactions with related parties

Related Party Type	Rental Income (Accounted as Other Income) For the Three Months Ended March 31	
	2021	2020
Fellow subsidiaries	\$ 357	\$ 357
Parent company	<u>29</u>	<u>29</u>
	<u>\$ 386</u>	<u>\$ 386</u>

Related Party Type	Other Operating Expense (Accounted as Operating Expense) For the Three Months Ended March 31	
	2021	2020
Fellow subsidiaries	<u>\$ 11,923</u>	<u>\$ 10,535</u>

Related Party Type	Management Fee (Accounted as Operating Expenses) For the Three Months Ended March 31	
	2021	2020
Fellow subsidiaries	<u>\$ 21,103</u>	<u>\$ 21,907</u>

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

k. Compensation of key management personnel

	For the Three Months Ended March 31	
	2021	2020
Salaries and benefits	\$ 8,098	\$ 5,561
Executive fees	<u>782</u>	<u>768</u>
	<u>\$ 8,880</u>	<u>\$ 6,329</u>

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

28. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

As of March 31, 2021, December 31, 2020 and March 31, 2020, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately \$701,200 thousand, \$267,462 thousand and \$276,710 thousand, respectively.

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

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

	March 31, 2021		
	Foreign Currency (In Thousands)	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 63,140	28.535	\$ 1,801,699
RMB	473,955	4.342	2,058,087
Non-monetary items			
Derivative instruments			
USD	35,000	28.535	998,725
<u>Financial liabilities</u>			
Monetary items			
USD	50,271	28.535	1,434,483
Non-monetary items			
Derivative instruments			
USD	17,900	28.535	510,777
EUR	300	33.48	10,044

December 31, 2020			
	Foreign Currency (In Thousands)	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 69,841	28.48	\$ 1,989,072
RMB	453,480	4.365	1,979,358
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	58,598	28.48	1,668,871
Non-monetary items			
Derivative instruments			
USD	30,000	28.48	854,400
March 31, 2020			
	Foreign Currency (In Thousands)	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 51,041	30.225	\$ 1,542,714
RMB	405,948	4.266	1,731,774
Non-monetary items			
Derivative instruments			
USD	27,000	30.225	816,075
RMB	80,000	4.266	341,280
<u>Financial liabilities</u>			
Monetary items			
USD	39,011	30.225	1,179,107
Non-monetary items			
Derivative instruments			
USD	16,000	30.225	483,600
EUR	300	33.24	9,972

For the three months ended March 31, 2021 and 2020, realized and unrealized foreign exchange losses were \$(7,717) thousand and \$(10,349) thousand, respectively. It is impractical to disclose net foreign exchange gains or losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

30. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (Table 2)
- 3) Marketable securities held (Table 3)
- 4) Marketable securities acquired 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 (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5)
- 9) Trading in derivative instruments (Notes 7 and 9)
- 10) Intercompany relationships and significant intercompany transactions (Table 8)
- 11) Information on investees (Table 6)

b. Information on investments in mainland China:

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 7)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period (Table 4)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period (Tables 4 and 8)
 - 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 2)
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds (Table 1)

- 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 9)

31. SEGMENT INFORMATION

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

	Business Unit of Pulp and Fine Paper	Business Unit of Forestry	Other Segment	Adjustment and Elimination	Total
For the three months ended <u>March 31, 2021</u>					
Revenue from external customers	<u>\$ 5,453,672</u>	<u>\$ 3,123</u>	<u>\$ 20,483</u>	<u>\$ -</u>	<u>\$ 5,477,278</u>
Revenue from other internal operating segments	<u>\$ 439,950</u>	<u>\$ 79,877</u>	<u>\$ 11,058</u>	<u>\$ (530,885)</u>	<u>\$ -</u>
Segment profit or loss	<u>\$ 190,210</u>	<u>\$ (9,415)</u>	<u>\$ 1,638</u>	<u>\$ -</u>	<u>\$ 101,433</u>
For the three months ended <u>March 31, 2020</u>					
Revenue from external customers	<u>\$ 4,549,284</u>	<u>\$ 571</u>	<u>\$ 11,617</u>	<u>\$ -</u>	<u>\$ 4,561,472</u>
Revenue from other internal operating segments	<u>\$ 302,773</u>	<u>\$ 13,953</u>	<u>\$ 2,277</u>	<u>\$ (319,003)</u>	<u>\$ -</u>
Segment profit or loss	<u>\$ (142,647)</u>	<u>\$ (856)</u>	<u>\$ (1,835)</u>	<u>\$ -</u>	<u>\$ (145,338)</u>

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

- a. Pulp and fine paper segment

Manufacture and sale of cardboard, paper and pulp.

- b. Forestry segment

Seedling cultivation and reforestation.

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

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE THREE MONTHS ENDED MARCH 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period (Foreign Currencies in Thousands) (Notes 2 and 4)	Ending Balance (Foreign Currencies in Thousands) (Notes 2 and 4)	Actual Borrowing Amount (Foreign Currencies in Thousands) (Note 4)	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Foreign Currencies in Thousands) (Notes 3 and 4)	Aggregate Financing Limit (Foreign Currencies in Thousands) (Notes 3 and 4)
													Item	Value		
1	Guangdong Dingfung Pulp & Paper Co., Ltd.	Yuen Foong Yu Paper MFG (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	\$ 483,648 (RMB 111,379)	\$ 449,887 (RMB 103,604)	\$ 110,385 (RMB 25,420)	3.25	Short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 449,887 (RMB 103,604)	\$ 1,799,547 (RMB 414,416)
2	CHP International (BVI) Corporation	Guangdong Dingfung Pulp & Paper Co., Ltd.	Other receivables from related parties	Yes	1,123,158 (RMB 258,651)	1,111,646 (RMD 256,000)	1,111,646 (RMD 256,000)	2.1-3.0	Short-term financing	-	Operating capital	-	-	-	1,993,571 (RMB 459,098)	1,993,571 (RMB 459,098)
		Zhaoqing Dingfung Forestry Ltd.	Other receivables from related parties	Yes	313,885 (US\$ 11,000)	313,885 (US\$ 11,000)	313,885 (US\$ 11,000)	1.50	Short-term financing	-	Operating capital	-	-	-	1,993,571 (US\$ 69,864)	1,993,571 (US\$ 69,864)
		Shenzhen Jinglun Paper Co., Ltd.	Other receivables from related parties	Yes	184,268 (RMB 42,435)	182,379 (RMB 42,000)	182,379 (RMB 42,000)	2.10	Short-term financing	-	Operating capital	-	-	-	1,993,571 (RMB 459,098)	1,993,571 (RMB 459,098)
3	Shenzhen Jinglun Paper Co., Ltd.	Yuen Foong Yu Paper MFG (Yangzhou) Co., Ltd.	Other receivables from related parties	Yes	14,260 (RMB 3,284)	14,260 (RMB 3,284)	-	3.25	Short-term financing	-	Operating capital	-	-	-	14,260 (RMB 3,284)	57,044 (RMB 13,137)

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

a. The Company is numbered 0.

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

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

Note 3:

a. Limitation of financing provided to the Company:

In the provision of loans due to business dealings, total loans shall not exceed 40% of the lender’s net equity of the prior year while individual loans shall not exceed the total purchases and sales between the lender and the borrower of the prior year. In the provision of short-term loans, total loans shall not exceed 40% of the lender’s net equity of the prior year.

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

In the provision of loans due to business dealings, total loans shall not exceed 40% of the lender’s net equity of the prior year while individual loans shall not exceed the total purchases and sales between the lender and the borrower of the prior year. In the provision of short-term loans, total loans shall not exceed 40% of the lender’s net equity of the prior year. Contributions to the cash pool to be used for lending purposes shall not exceed 10% of the lender’s net equity of the prior year.

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

In the provision of loans due to business dealings, total loans shall not exceed 40% of the lender’s net equity of the prior year while individual loans shall not exceed the total purchases and sales between the lender and the borrower of the prior year. In the provision of short-term loans, total loans shall not exceed 40% of the lender’s net equity of the prior year. Financing to YFY International Ltd. is for revolving credit facility purposes, and the financing amount shall not exceed 10% of the lender’s net equity of the prior year.

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

In the provision of loans due to business dealings, total loans shall not exceed 40% of the lender’s net equity of the prior year while individual loans shall not exceed the total purchases and sales between the lender and the borrower of the prior year. In the provision of short-term loans, total loans shall not exceed 40% of the lender’s net equity of the prior year.

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

In the provision of loans due to business dealings, total loans shall not exceed 40% of the lender’s net equity of the prior year while individual loans shall not exceed the total purchases and sales between the lender and the borrower of the prior year. In the provision of short-term loans, total loans shall not exceed 40% of the lender’s net equity of the prior year. Contributions to the cash pool to be used for lending purposes shall not exceed 10% of the lender’s net equity of the prior year.

Note 4: The exchange rates are US\$1=NT\$28.535 or RMB1=NT\$4.342368 as of March 31, 2021.

Note 5: In preparing the consolidated financial statements, the financing transactions between the parent company and the subsidiary have been eliminated.

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE THREE MONTHS ENDED MARCH 31, 2021
(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.	\$ 22,117,649	\$ 130,000 (US\$ 4,556)	\$ 130,000 (US\$ 4,556)	\$ -	\$ -	0.86	\$ 29,569,958	Note 8	N	N
		CHP International (BVI) Corporation	b.	22,117,649	527,898 (US\$ 18,500)	527,898 (US\$ 18,500)	103,949	-	3.51	29,569,958	Note 8	N	N
		Guangdong Dingfung Pulp & Paper Co., Ltd.	b.	22,117,649	175,493 (RMB 40,414)	173,695 (RMB 40,000)	-	-	1.15	29,569,958	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 3

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
MARCH 31, 2021
(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	March 31, 2021			
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value (Note 1)
Chung Hwa Pulp Corporation	Ordinary shares	The investor is the member of the investee’s board of directors.					
	SinoPac Holdings Co., Ltd.		Financial assets at fair value through other comprehensive income - current	99,809,327	\$ 1,282,550	0.9	\$ 1,282,550
	NTU Innovation & Incubation Co., Ltd.		Financial assets at fair value through profit or loss - non-current	800,000	-	6.3	-
	Groundhog Technologies Inc.		Financial assets at fair value through profit or loss - non-current	275,000	-	1.0	-
	KHL IB Venture Capital Co., Ltd.		Financial assets at fair value through other comprehensive income - non-current	13,098,619	324,741	14.88	324,741
	Direct Insight Inc.		Financial assets at fair value through other comprehensive income - non-current	265,000	3	1.0	3
	TaiGen Biopharmaceuticals Holdings Ltd.		Financial assets at fair value through other comprehensive income - non-current	15,315,356	387,479	2.1	387,479
Hwa Fong Investment Co., Ltd.	Ordinary shares						
	Caihui Technology Co., Ltd.		Financial assets at fair value through profit or loss - non-current	150,000	-	0.2	-
	SinoPac Holdings Co., Ltd.		Financial assets at fair value through other comprehensive income - current	2,394,960	30,775	-	30,775
Kuang Hwa Fertilizer Limited Company	Beneficiary certificates						
	SinoPac TWD Money Market Fund		Financial assets at fair value through profit or loss - current	97,099	1,362	-	1,362

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

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

TABLE 4

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE THREE MONTHS ENDED MARCH 31, 2021
(In Thousands of New Taiwan Dollars)**

Buyer/Seller	Related Party	Relationship (Note 1)	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Unrealized Gain (Loss)
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Chung Hwa Pulp Corporation	YFY Development Corp. Shenzhen Jinglun Paper Co., Ltd.	a.	Sale	\$ (229,378)	(5)	0.5 month after transaction month	\$ -	-	\$ 65,475	4	\$ -
		b.	Sale	(426,409) (Note 2)	(9)	5 months after transaction month	-	-	711,329	39	1,412
	YFY Consumer Products Co., Ltd. YFY Packaging Inc. Union Paper Corp.	a.	Sale	(166,315)	(4)	2 months after transaction month			173,988	9	
		a.	Purchase	291,546	7	1 months after transaction month	-	-	(218,530)	(13)	-
		a.	Sale	(213,537)	(5)	1 month after transaction month	-	-	79,527	4	-
Guangdong Dingfung Pulp & Paper Co., Ltd.	YFY Investment Co., Ltd.	a.	Sale	(224,371)	(27)	2 months after transaction month	-	-	104,130	18	-
Shenzhen Jinglun Paper Co., Ltd.	Chung Hwa Pulp Corporation	b.	Purchase	426,409 (Note 2)	100	5 months after transaction month	-	-	(711,329)	(100)	-

Note 1: a. Fellow subsidiaries.
b. Parent company and subsidiary.

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

TABLE 5

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
MARCH 31, 2021
(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	Shenzhen Jinglun Paper Co., Ltd.	Parent company and subsidiary	\$ 711,329 (Note)	2.55	\$ -	-	\$ 125,366	\$ -
	Yuen Foong Yu Consumer Products Co., Ltd.	Fellow subsidiaries	173,988	4.44	-	-	51,724	-
Guangdong Dingfung Pulp & Paper Co., Ltd.	YFY Investment Co., Ltd.	Fellow subsidiaries	104,130	8.03	-	-	39,912	-
Zhaoqing Dingfund forestry Ltd.	Guandong Difung Pulp & Paper Co., Ltd.	Parent company and subsidiary	149,097 (Note)	2.14	-	-	21,712	-

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

TABLE 6**CHUNG HWA PULP CORPORATION AND SUBSIDIARIES**

INFORMATION ON INVESTEEES
FOR THE THREE MONTHS ENDED MARCH 31, 2021
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of March 31, 2021			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note (Note)
				March 31, 2021	December 31, 2020	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	\$ 4,973,154	\$ 11,274	\$ 11,274	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	425,731	1,166,829	20,841	b.
	Effion Enertech Co., Ltd.	Taipei, Taiwan	To operate cogeneration and provide power technology	343,000	343,000	34,300,000	49.0	223,904	(3,020)	(1,480)	b.
	Taiwan Global BioFund Co., Ltd.	Taipei, Taiwan	Biotechnology and biopharmaceutical business investment	32,832	32,832	3,283,200	4.4	102,065	94,344	4,193	b.
	Hwa Fong Investment Co., Ltd.	Taipei, Taiwan	Investment and holding	36,000	36,000	3,600,000	100.0	58,721	3,567	3,567	a.
Hwa Fong Investment Co., Ltd.	Effion Enertech Co., Ltd.	Taipei, Taiwan	To operate cogeneration and provide power technology	7,000	7,000	700,000	1.0	4,570	(3,020)	(30)	b.
	Genovella Renewables Inc.	Hualien, Taiwan	Sale and production of fertilizer, retail sale of food products and groceries, plant cultivation, refractory materials manufacturing, cement and concrete products manufacturing, refractory materials wholesale and sale of building material, manpower services and wholesale and sale of chemistry raw materials	5,000	5,000	-	100.0	17,421	3,262	3,262	a.
	Union Paper Corp	Yunlin, Taiwan	Pulp manufacturing, processing and sales business.	614	103	93,332	0.09	1,126	19,400	1	b.
CHP International (BVI) Corporation	Syntax Communication (H.K.) Limited	Hong Kong	Sale and print of paper merchandise	US\$ 466	US\$ 466	34,000,000	100.0	13,385	1,326	1,326	a.

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

TABLE 7

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 2021
(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, 2021 (Foreign Currencies in Thousands) (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2021 (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 March 31, 2021	Accumulated Repatriation of Investment Income as of March 31, 2021
					Outward	Inward						
Guangdong Dingfung Pulp & Paper Co., Ltd.	Pulp and paper production, trading and forestry business	\$ 2,443,452 (US\$ 85,630) (Note 3)	Investment in mainland China through companies set up in another country	\$ 376,662 (US\$ 13,200)	\$ -	\$ -	\$ 376,662 (US\$ 13,200)	\$ 19,682 (Note 2,b.)	60	\$ 11,809 (Note 2,b.)	\$ 2,711,038	\$ -
Shenzhen Syntax Paper Co., Ltd.	Sale of paper merchandise and import/export business	13,896 (RMB 3,200)	(Note 5)	-	-	-	(Note 5)	4,992 (Note 2,c.)	100	4,992 (Note 2,c.)	147,563	-
Zhaoqing Dingfung Forestry Ltd.	Export factoring, domestic factoring, business factoring and related consulting services, develop credit risk management platform	624,346 (US\$ 21,880)	Investment in mainland China through companies set up in another country	126,353 (US\$ 4,428)	-	-	126,353 (US\$ 4,428)	(9,415) (Note 2,c.)	86.5 (Note 4)	(8,145) (Note 2,c.)	2,491,974	-
Zhaoqing Xinchuan Green Technology Co., Ltd.	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	8,685 (RMB 2,000)	(Note 5)	-	-	-	(Note 5)	131 (Note 2,c.)	100.0	131 (Note 2,c.)	9,537	-

Accumulated Investment in Mainland China as of March 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$503,015 (Note 1)	\$1,215,762 (Note 1)	\$9,023,132

- Note 1: The exchange rates are US\$1=NT\$28.535 or RMB1=NT\$4.342368 as of March 31, 2021.
- 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, 2, 4, 5 and 8.

TABLE 8

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2021
(In Thousands of New Taiwan Dollars)**

No.	Investee Company	Counterparty	Relationship	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets
1	Chung Hwa Pulp Corporation	Shenzhen Jinglun Paper Co., Ltd.	Subsidiary	Accounts receivable Sales	\$ 711,329 426,409	5 months after transaction month By market price	2 8
2	Chung Hwa Pulp Corporation	Guangdong Dingfung Pulp & Paper Co., Ltd.	Subsidiary	Sales	8,260	By market price	-
3	Zhaoqing Dingfung Forestry Ltd.	Guangdong Dingfung Pulp & Paper Co., Ltd.	Parent company	Accounts receivable Sales	149,097 79,877	Net 120 days By market price	- 1
4	Genovella Renewables Inc.	Chung Hwa Pulp Corporation	Parent company	Accounts receivable Sales	4,542 11,058	Prepaid or Net 30 days By market price	- -
5	Syntax Communication (H.K.) Limited	Chung Hwa Pulp Corporation	Parent company	Accounts receivable Commission	2,074 5,281	Net 30 days By market price	- -

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

TABLE 9**CHUNG HWA PULP CORPORATION AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS
FOR THE THREE MONTHS ENDED MARCH 31, 2021
(In Thousands of New Taiwan Dollars)**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
YFY Inc. Company	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.