



中華紙漿股份有限公司
Chung Hwa Pulp Corporation

2021 ANNUAL REPORT

STOCK CODE 1905

CHP annual report is available at [MOPS.TWSE.COM.TW](https://mops.twse.com.tw)

Company website is [WWW.CHP.COM.TW](https://www.chp.com.tw)



Publishing Date: April 20, 2022

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3. Stock Administration

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4. Auditor

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5. Overseas Securities Exchange: None

6. Company Website: [Http://www.chp.com.tw](http://www.chp.com.tw)

7. Stakeholders Contact: csroffice.chp@yfy.com

8. Investors Contact: IR.chp@yfy.com

Notice to readers

This annual report is a translation of the Chinese version and if there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

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Letter to Shareholders

Dear Shareholders, Ladies and Gentlemen,

The three major global issues of 2021, COVID-19, inflation, and climate change, will persist in 2022. The world rebounded rapidly in 2021. Even though it is obvious that the economy is recovering, it still faces shipping and energy shortages. As vaccination coverage continues to increase in major countries, the economy will face new challenges in the post-pandemic era. According to the Taiwan Institute of Economic Research's latest forecast released in November 2021, the GDP growth rate in 2022 is 4.10%, which is 2.0 percentage points lower than the updated 6.10% for 2021.

In terms of the international paper industry, the pulp market bottomed out in the second half of 2021 and regained its strength before the end of the year. However, ocean freight rates continue to rise and wood chip prices remain strong. Cost pressures should limit the decline of international paper prices 2022. The price per ton in the international recycled paper market more than tripled from the beginning of 2020 to September 2021. In the short term, any decline in the price of raw materials declines should be limited. This is mainly due to the North American market, especially the impact of the pandemic in the U.S. The labor shortage and rising demand for recycled paper is keeping price quotes high.

In terms of energy, coal was less than US\$100 per ton at the beginning of 2020 and has increased to US\$200 per ton. It is likely that coal prices will still be high in 2022. Moreover, shipping rates have increased many times since the middle of last year and port congestion has hindered the transportation of raw materials. These are all factors that have caused production costs of the paper industry to rise.

CHP's consolidated operating income for 2021 amounted to approximately NT\$22.03 billion, which is an increase of approximately NT\$3.41 billion from NT\$18.62 billion in 2020. The net profit after tax attributable to the Company in 2021 is approximately NT\$490 million, which, compared with the net loss of NT\$200 million in 2020, is an increase of about NT\$690 million. For 2021, pulp production was 364,218 metric tons. Domestic pulp sales was 92,576 metric tons and export sales was 121,635, totaling 214,211 metric tons. Paper production was 395,713 metric tons. Domestic paper sales was 188,644 metric tons and export sales was 233,376, totaling 422,020 metric tons. Cardboard production was 136,838 metric tons. Domestic cardboard sales was 162,441 metric tons and export sales was 36,181, totaling 198,622 metric tons.

Since 2021, CHP has been actively transforming by diversifying the application of existing materials. Sludge generated from the pulping process and leftover wood chips can be further processed into new applications, including asphalt, landscaping, and agricultural improvement. In addition to the existing paper products, the Taoyuan Guanyin plant began operations in July 2021 and new pulp plastic production lines of the Hualien plant began operations in August 2021. With the rise of environmental awareness, CHP will continue to strengthen the Circuwell non-plastic food-safe paper products and utilize the advantages of pulping to produce circular products, focusing on a circular economy as the development core. We also plan to gradually transform the production portfolio from paper stationery products to industrial-use special materials to meet the diverse demands of the packaging, food, and electronics industry. Industrialized countries have greater demands for multi-use special purpose paper products, and the emerging new market also have stronger demands day by day. These are the source for sales value growth.

Looking ahead to 2022, we will continue to improve the quality of our products, strengthen the hold on raw materials and product supply stability, as well as expand

the applications of our products and improve local services. In response to ESG and the trend of developing green supply chains, CHP will use its 50-year power generation technology to expand investment in renewable energy products. We plan to strengthen existing biofuel, methane, and solar energy and develop next-generation energy applications to realize a new circular economy blueprint and achieve carbon neutrality.

Sustained development has always been the greatest common denominator of CHP's business. With 3R (Recycle/Reclaim/Regenerate) as the core strategy, CHP actively achieved the consistent production of forest, pulp, and paper, built a sustainable, circular management system, and then promoted it to the specialty materials industry. In the future, in the global industrial structure, CHP hopes that it can deepen its positioning and build a service connection platform, and adhere to the "ECO" business philosophy to continue to communicate with stakeholders and implement a new circular economy blueprint one step at a time.

Best regards,

Chairperson Kirk Hwang

Corporate Overview

2.1 Date of Incorporation

July 5th 1968

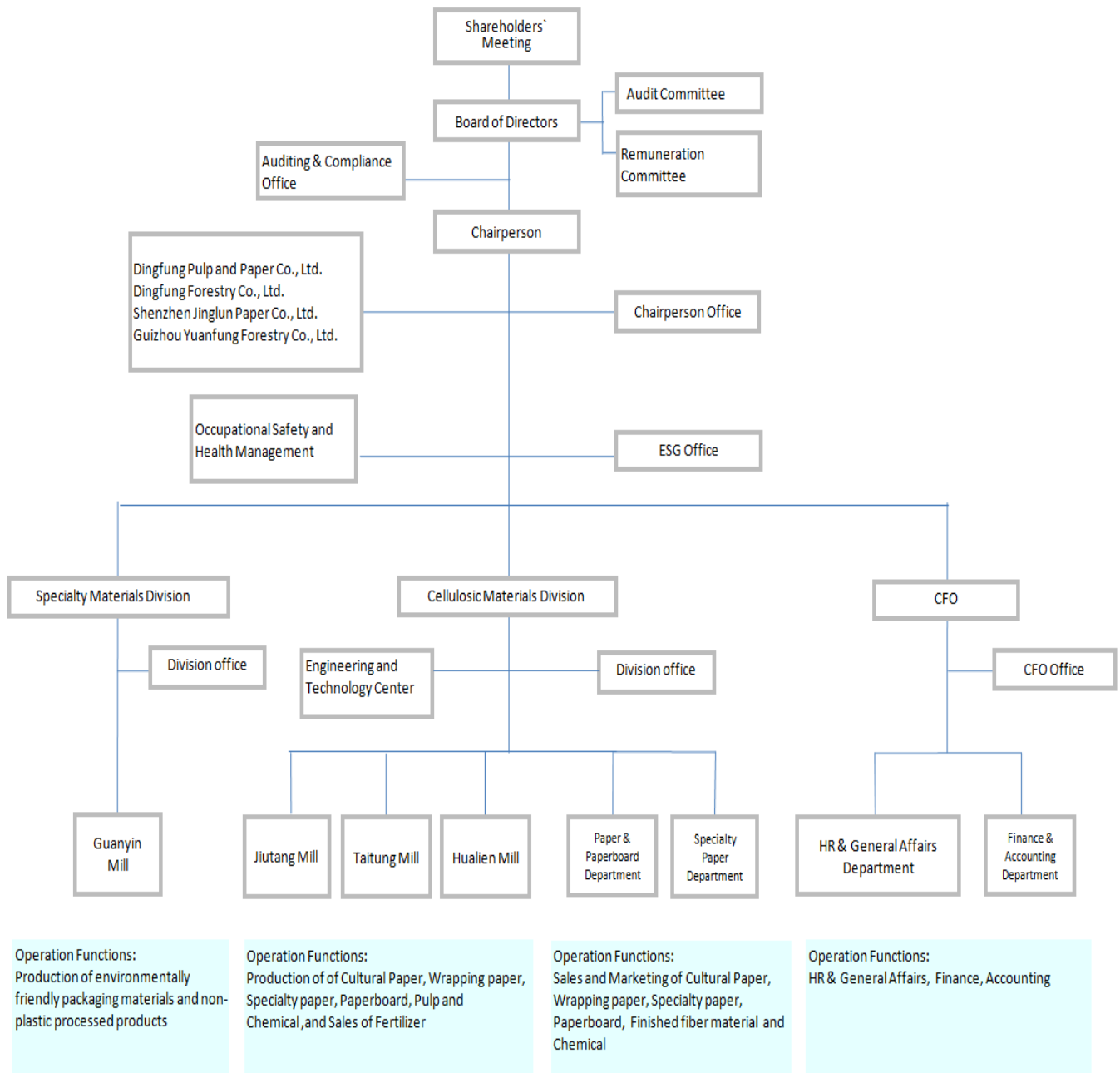
2.2 Company History

- 1968** Officially established the Company; initiated the construction for the Hualien mill.
- 1969** Began trial at the Hualien mill.
- 1970** Started production at the Hualien mill.
- 1975** The company's stock were listed
- 1976** Founded the invested company, PT Indah Kiat. Pulp & Paper.
- 1978** The production capacity of the Hualien mill was expanded to 120,000 tons of bleach pulp annually. It was officially put in production in 1980.
- 1990** Founded CHP International (BVI) Corporation.
- 1994** Founded Hwa Fong Investment Co., Ltd.
- 1996** Certified by ISO 9002, an international quality assurance certification.
- 2000** Invested in Guangdong Dingfung Plup & Paper Co., Ltd.
- 2000** Certified by ISO 14001, an international quality assurance certification.
- 2006** Founded Zhaoqing Dingfung Forestry Co., Ltd. in Guangdong Province, China.
- 2008** Invested in EFFION Enertech Co., Ltd.
- 2009** Received the FSC-CoC certification for the cultural paper.
- 2010** Received the PEFC-CoC certification for the kraft hardwood bleached pulp and cultural paper.
- 2010** The Company's shares were fully converted into non-physical securities.
- 2010** Obtained Paper Star Carbon Footprint Certificate for printing paper.
- 2012** The Shareholders' Meeting passed the decision to take over the paper and paperboard division of YFY Paper MFG. Co., Ltd. through demerger.
- 2013** The Director and Supervisor elections adopted the candidate nomination system and set up two seats for Independent Directors.
- 2014** The Taipei Office was relocated from the Tai Tsi Building to the YFY Hsin-Yi Building.
- 2014** The Guangdong Dingfung Pulp & Paper Co., Ltd. expanded the production line of household paper to 50,000 tons a year. It was put into production at the end of September, 2016.
- 2015** The Shareholders' Meeting passed the cash capital reduction of NT\$1.2 billion. The procedures were completed by October 2015, and the Company was re-listed for trading.

- 2016** The Company re-elected the 17th Board of Directors and Independent Directors, and set up the first Audit Committee to enter a new era of corporate governance.
- 2017** The forestry land of a subsidiary, Zhaoqing Dingfung Forestry Co., Ltd., officially passed the SGS certification in China and obtained the FM/CoC certificate from the FSC (Forest Stewardship Council).
- 2018** Guangdong Dingfung Pulp & Paper Co., Ltd. received Shenzhen Jinglun Paper Co., Ltd. The non-fluorescent process was applied for all products. The Company successfully developed the Easy Straw Paper and non-fluorescent cultural paper.
- 2019** CHP INTERNATIONAL (BVI) CORPORATION sferred to Syntax Communication (H.K.) Ltd.
Subsidiary Guangdong Dingfung Pulp & Paper Co., Ltd. established Zhaoqing Xinchuan Green Technology Co., Ltd. to develop environmentally friendly processing technology for process waste.
- 2020** The Board of Directors approved an investment of NT\$2 billion to purchase a mill in the Taoyuan Guanyin industrial zone to build a development base for non-plastic materials.
- 2021** The Board of Directors of subsidiary Zhaoqing Dingfung Forestry Co., Ltd. approved the investment in Guizhou Yuanfung Forestry Co., Ltd.

Corporate Governance Report

3.1 Organization



3.2 Directors and Management Team

3.2.1 Directors (A)

4/20/2022

Title	Nationality/ Place of Incorporation	Name	Gender Age	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director	ROC	YFY INC.	-	6/21/2019	3	6/13/2007	627,827,989	56.93	627,827,989	56.93	-	-	-	-	-	-	-	-	-	-
Chairperson	ROC	YFY Inc. Representative: Kirk Hwang	Male 71~80	6/21/2019	3	7/1/2011	55,737	-	995,737	-	-	-	-	-	CEO, CHP	Director of CHP International (BVI) Corp. Director of Guangdong Dingfung pulp and paper Co., Ltd. Other non-consolidated company positions please refer to the Note 1	-	-	-	-
Director	ROC	YFY Inc. Representative: S. C. Ho	Male 71~80	6/21/2019	3	3/15/1977	1,223,071	0.11	1,223,071	0.11	-	-	-	-	Director, YFY Inc.	Note2	Director	Felix Ho	Father and son	-
Director	ROC	YFY Inc. Representative: Felix Ho	Male 41~50	6/21/2019	3	3/16/2017	-	-	-	-	-	-	-	-	Chairperson, YFY Inc.	Note3	Director	S.C. Ho	Father and son	-
Director	ROC	YFY Paradigm Investment Co., Ltd.	-	10/7/2020	3	10/7/2020 Note 4	7,752,732	0.70	7,752,732	0.70	-	-	-	-	-	-	-	-	-	-
Director	ROC	YFY Paradigm Investment Co., Ltd. Representative: Cheng-Hsien Chu Note	Male 51~60	2/7/2022	3	2/7/2022	-	-	-	-	-	-	-	-	COO, YFY Inc.	Other non-consolidated company positions please refer to the Note 6	-	-	-	-
Director	ROC	YFY Paradigm Investment Co., Ltd. Representative: Guu-Fong Lin	Male 71~80	6/21/2019	3	12/12/2007	49,132	-	49,132	565	-	-	-	-	COO, CHP	CFO of CHP Director of CHP International (BVI) Corp. Chairperson of Guangdong Dingfung pulp and paper Co., Ltd. Chairperson and GM of Zhaoqing Dingfung Forestry Co., Ltd. Chairperson of Zhaoqing Xinchuan Green Technology Co., Ltd. Chairperson of Hwafong Investment Co.,Ltd. Chairperson of Guizhou Yuanfong Forestry Co., Ltd.	-	-	-	-
Director	ROC	YFY Paradigm Investment Co., Ltd. Representative: Ray Chen	Male 51~60	6/21/2019	3	6/24/2016	45	-	-	-	-	-	-	-	Executive Vice President, CHP	President of Cellulosic Materials Division of CHP Director of Shenzhen Jinglun paper Co., Ltd. Other non-consolidated company positions please refer to the Note 7	-	-	-	-
Independent Director	ROC	Donald Chang	Male 61~70	6/21/2019	3	6/24/2016	-	-	-	-	-	-	-	-	President of Greater China of 3M	Convener of CHP's Remuneration Committee and member of the Audit Committee Director of Advantech Co., Ltd. Independent Director of E-Ink holdings Inc. and member of the Remuneration Committee and the Audit Committee	-	-	-	-
Independent Director	ROC	Shih-Lai Lu	Male 71~80	6/21/2019	3	6/24/2016	-	-	-	-	-	-	-	-	Chief Scientist & Sr. R & D Manager of 3M	Member of CHP. Remuneration Committee and Audit Committee Professor of NTHU	-	-	-	-
Independent Director	ROC	Yi Lee	Male 71~80	6/21/2019	3	6/21/2019	-	-	-	-	-	-	-	-	Chairperson, E & E Recycling Development Inc.	Convener of CHP's Audit Committee and member of the Remuneration Committee	-	-	-	-

Note1: Director & CTO of YFY Inc., Director of Shin Foong Specialty and Applied Materials Co., Ltd., Director of NTU Innovation Incubation Co., Ltd., Director of Center for Corporate Sustainability Taiwan, Chairperson of Industrial Committee of TwIChE , Director, Taiwan Paper Industry Association , Director of Taiwan Carbon Capture Storage and Utilization Association and director of Global Views Educational Foundation.

Note2: Director of E Ink Corporation, Director of YFY Jupiter (BVI), Inc., Director of E Ink Holdings Inc., Director of TaiGen Biotechnology Co., Ltd., Director of TaiGen Biopharmaceuticals Holdings Limited, Director of San Ying Enterprise Co., Ltd., Director of China Color Printing Co., Ltd., Director of YFY Biotechnology Co., Ltd., Director of Shen's Art Print Co., Ltd., Director of Sustainable Carbohydrate Innovation Company Ltd., Director of Effion Enertech Co., Ltd., Director of YFY Biotech Management Company, Managing Director of China Investment and Development Co., Ltd., Director of Yuen Foong Yu Paper MFG (Yangzhou) Co., Ltd., Director of Yuen Foong Yu Consumer Products Co., Ltd., Director of Yuen Foong International (Samoa) Ltd., Director of YFY Japan Co., Ltd., Director of Artone Investment (H.K.) Ltd., Director of Artone Specialties Company Limited, Director of Hsinex International Corp., Director of Taitung Enterprise Corp., Director of Shin-Yi Enterprise Co., Ltd., Chairperson of Shin-Yi Investment Co., Ltd., Director of Shin-Yi Recreation Co., Ltd.; Director of Ru Yi Enterprise Co., Ltd., Director of Xing Yuan Investment Co., Ltd., Director of Yuen Foong Co., Ltd., Chairperson of Yuen Foong Paper Co., Ltd., Chairperson of Yuen Shin Yi Enterprise Co., Ltd., Director of Yong-An Leasing Co., Ltd., Director of Y F Chemical Corp., Director of SinoCell Technologies Co., Ltd, Chairperson of Fu Hwa Enterprise Co., Ltd., Director of HuaDong Industrial Co., Ltd., Director of Synmax Biochemical Co., Ltd, Director of Hsin Yi Holding Company, Director of Hsin Yi Foundation, Director of Shang Shan Human Culture Foundation, Director of Liver Disease Prevention & Treatment Research Foundation, Director of Yuan T. Lee Foundation Science Education for All, and Director of Foundation for the Advancement of Outstanding Scholarship..

Note3: Director of Jupiter Prestige Group Holding Limited, Chairperson of YFY Jupiter (BVI) Inc., Director of YFY Biopulp Technology Ltd., Director of YFY RFID Co., Ltd., Chairperson of YFY Consumer Products Co., Ltd., Chairperson of YFY Investment Co., Ltd., Chairperson of Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd., Director of Yuen Foong Yu Family Care (Kunshan) Co., Ltd., Chairperson of Ever Growing Agriculture Bio-tech Co., Ltd., Chairperson of Yuen Foong Shop Co., Ltd., Director of YFY Consumer Products, Co., Director of Livebricks Inc., Director of Yuen Foong Yu Consumer Products Investment Ltd., Director of E Ink Holdings Inc., Director of eCrowd Media Inc., Chairperson of Arizon RFID Technology Co., Ltd., Director of Arizon Japan Co., Ltd., Director of Arizon RFID Technology (Cayman) Co., Ltd., Director of YFY Japan Co., Ltd., Director of Yuen Foong International (Samoa) Ltd., Director of Artone Investment (H.K.) Ltd., Director of Shin-Yi Enterprise Co., Ltd., Director of Yuen Foong Paper Co., Ltd., Chairperson of Yuen Foong Co., Ltd., Director of Fu Hwa Enterprise Co., Ltd., Director of Cheng Yu Co., Ltd., Director of Aidatek Electronics Inc., Independent Director of Universal Cement Corporation, Supervisor of The Eisenhower Fellows Association in the Republic of China, Chairperson of Epoch Foundation, Director of Monte Jade Taiwan Science & Tech Association and Chairperson of Association of Corporate Patent Executives.

Note4: Lotus Ecoscience & Engineering Co., Ltd., originally an Institutional Director of the Company, merged with YFY Paradigm Investment Co., Ltd. on October 7, 2020, with YFY Paradigm Investment Co., Ltd. being the continuing company.

Note5: The representative of YFY Paradigm Investment Co., Ltd. changed from Mr. Chin-Cheng Huang to Cheng-Hsien Chu on February 7, 2022.

Note6:COO of YFY Inc., Director of YFY Packaging Inc. and Director of Cupid InfoTech Co., Ltd.

Note7: Director of Union Paper Corp. and Director of China Color Printing Co., Ltd.

Major shareholders of the institutional shareholders

12/31/2021

Name of Institutional Shareholders	Major Shareholders
YFY INC.	S. C. Ho(10.28%), Hsin-Yi Foundation(5.66%), Shin-Yi Enterprise Co., Ltd.(4.69%), Hsinex International Corp.(2.92%), Cheng-Ting Ho(2.80%), YFY Inc. Labor Retirement Reserve Supervisory Committee(2.79%), Mei-Yu Ho(2.65%), Ru Yi Enterprise Co., Ltd.(2.63%), NEW TALENT LIMITED(2.27%), Felix Ho(2.15%)
YFY Paradigm Investment Co., Ltd.	YFY INC.(100.0%)

Major shareholders of the Company's major institutional shareholders

12/31/2021

Name of Institutional Shareholders	Major Shareholders
Shin-Yi Foundation	Founded in 1971, main donors: Chuan Ho(deceased), Shou-Shan Ho(deceased), S. C. Ho, Lin-Fu-Xiang Ho(deceased), Yeh Sun(deceased), YFY MFG (donated prior to becoming a listed company) and Shin-Yi Enterprise Co., Ltd.
Shin-Yi Enterprise Co., Ltd.	S. C. Ho(27.84%), Jucheng Investment & Management Co., Ltd.(12.50%), BRILLIANT PRIDE LIMITED(12.50%), Gao Da Global Ltd.(12.50%), Mei-Yu Ho(12.50%), Guan Yu Investment Co., Ltd.(5.91%), Tsai-Hui-Shin Ho(2.48%), Richard Ho(2.18%), Jin Jie Investment Ltd.(1.52%), Hoss Educational Foundation(1.48%), Hoss Cultural Foundation (1.48%)
Hsinex International Corp.	S. C. Ho(53.13%), Yi-Chia Ho(24.48%), Felix Ho(22.28%), Chen Yu Co., Ltd.(0.11%)
Ru Yi Enterprise Co., Ltd.	S. C. Ho(76.00%), Yi-Chia Ho(24.00%)
NEW TALENT LIMITED	Modern Victory Limited(100.0%)

Directors (B)

1. Disclosure of information on the professional qualifications of Directors and the independence of Independent Directors:

4/20/2022

Qualifications Name	Professional qualifications and experience	Independence criteria	Number of concurrent posts at other listed companies as Independent Director
Kirk Hwang	Kirk Hwang has a Ph.D. in Materials Chemistry from the University of Wisconsin, R&D and multinational enterprise management expertise, experience as the Company's CEO and President, and served as a senior executive of a well-known global company.	Chairperson Kirk Hwang serves as a director and an important manager in the parent company Yuen Foong Yu Investment Holding Co., Ltd., and concurrently serves as a director of subsidiary Guandong Dingfung Pulp & Paper Co., Ltd. and CHP International (BVI) Corp.	-
S. C. Ho	S. C. Ho has a master's degree in Mechanical Engineering from the University of Wisconsin and leadership expertise. He founded the engineering design and planning team of YFY Group and served as a director of many well-known public companies.	Director S. C. Ho is within second degree of kinship to Director Felix Ho.	-
Felix Ho	Felix Ho has an MBA from the Massachusetts Institute of Technology and expertise in managing multinational enterprises. He has served as the Chairperson of Yuen Foong Yu Investment Holding Co., Ltd. and a director of many public companies such as SinoPac Financial Holdings Co., Ltd.	Director Felix Ho is within second degree of kinship to Director S. C. Ho.	-
Cheng-Hsien Chu	Cheng-Hsien Chu has a Ph.D. in Mechanical Engineering from the National Cheng-Kung University. He has worked in a well-known technology company for many years	Director Cheng-Hsien Chu serves as an important manager in the parent company Yuen Foong Yu Investment Holding Co., Ltd.	-

Qualifications Name	Professional qualifications and experience	Independence criteria	Number of concurrent posts at other listed companies as Independent Director
	and has extensive experience in operations management, process transformation, and smart manufacturing.		
Guu-Fong Lin	Guu-Fong Lin received a certificate of completion for the MBA program of the National Taipei University. He has accounting expertise and has been dispatched overseas to complete projects related to the establishment of factories for invested subsidiaries.	Guu-Fong Lin serves as the Company's CFO and concurrently serves as the Chairperson of subsidiaries Guandong Dingfung Pulp & Paper Co., Ltd., Zhaoqing Dingfung Forestry Co., Ltd., Zhaoqing Xinchuan Green Technology Co., Guizhou Yuanfung Forestry Co., Ltd., and Hwa Fong Investment Co., Ltd. and a director of CHP International (BVI) Corp.	-
Ray Chen	Ray Chen holds a master's degree from the Department of Forestry and Resource Conservation, National Taiwan University and is a senior manager of the Company. He has accumulated more than 20 years of experience in the paper industry and is familiar with the development and ecology of the paper industry.	Director Ray Chen serves as the President of the Fiber Materials Division of the Company and concurrently serves as a director of subsidiary Shenzhen Jinglun Paper Co., Ltd.	-
Donald Chang	Donald Chang has a bachelor's degree in chemical engineering from the Chinese Culture University and has expertise in managing multinational enterprises. He has served as the CEO of Greater China of a well-known global company and is now a director of a well-known public company.	Independent Director Donald Chang, Independent Director Shih-Lai Lu, and Independent Director Yi Lee do not have any of the situations set forth in Article 3, Paragraph 1, Subparagraphs 1 to 9 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies and	1
Shih-Lai Lu	Shih-Lai Lu has a Ph.D. in Chemistry from Iowa State		-

Qualifications Name	Professional qualifications and experience	Independence criteria	Number of concurrent posts at other listed companies as Independent Director
	University and has R&D expertise. He worked as the chief scientist in a well-known multinational company and has a registered a number of R&D patents. He is currently a professor at a well-known university.	therefore meet the independence criteria.	
Yi Lee	Yi Lee holds a master's degree in finance from the University of San Francisco and has financial expertise. He served as an important financial manager in well-known international companies and the banking industry, and served as a member of the remuneration committees of public companies.		-

Note: None of the provisions in Article 30 of the Company Act is applicable to the Company's Directors.

2. Board diversity policy and independence criteria:

(1) Board diversity

Board diversity policy According to the Company's Corporate Governance Code of Conduct, diversity shall be considered in the composition of the Company's Board of Directors. The Directors of the Company are evaluated to have the skills such as operational judgment, operational management, crisis management, international perspective, leadership and decision-making, and knowledge management. In addition, they have the following skills:

Diversification Name	Gender	Age			Director office term			Accounting and financial analysis	Transnational operations	Paper industry	Material research and development	Risk management
		< 50 years old	50-70 years old	70 and above	< 3 years	3-9 years	9 years and above					
Kirk Hwang	Male			V			V	V	V	V	V	V
S. C. Ho	Male			V			V	V	V	V	V	V
Felix Ho	Male	V				V		V	V	V	V	V
Cheng-Hsien Chu	Male		V		V			V	V	V	-	V
Guu-Fong Lin	Male			V			V	V	V	V	-	V
Ray Chen	Male		V			V		*	V	V	-	V
Donald Chang	Male		V			V		V	V	-	-	V
Shih-Lai Lu	Male			V		V		*	*	-	V	*
Yi Lee	Male			V	V			V	V	-	-	V

Note: * equip part of the ability.

(2) Board independence

The Company has a total of three Independent Directors, accounting for 1/3 of Board of Directors. The office term of all Independent Directors is less than nine years and they have no business dealings with the Company. They meet the independence regulations and have not violated Article 26-3 of the Securities and Exchange Act. They are not related to another Director.

3.2.2 Management Team

4/20/2022

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President Note1	ROC	Chih-Cheng Huang	Male	3/16/2017	-	-	-	-	-	-	CHP Executive Vice President	Chairperson of Shenzhen Jinglun Paper Co., Ltd. Director of Syntax Communication (H.K.) Ltd. Other non-consolidated company positions please refer to the Note 2	-	-	-	-
CFO	ROC	Guu-Fong Lin	Male	9/1/2013	49,132	-	565	-	-	-	CHP COO	Director of CHP International (BVI) Corp. Chairperson of Guangdong Dingfung Pulp and Paper Co., Ltd. Chairperson and GM of Zhaoqing Dingfung Forestry Co., Ltd. Chairperson of Zhaoqing Xinchuan Green Technology Co., Ltd. Chairperson of Hwafong Investment Co., Ltd. Chairperson of Guizhou Yuanfong Forestry Co., Ltd.	-	-	-	-
President of Cellulosic Materials Division	ROC	Ray Chen	Male	3/1/2021	45	-	-	-	-	-	CHP Executive Vice President	Director of Shenzhen Jinglun Paper Co., Ltd. non-consolidated company positions please refer to the Note 3	-	-	-	-
President of Specialty Materials Division	Japan	Yoshihiro Akiyama	Male	3/1/2021	-	-	-	-	-	-	3M West Japan Administrative	-	-	-	-	-
Executive Vice President of Cellulosic Materials Division Note4	ROC	Rong-Ming Lin	Male	3/1/2018	-	-	-	-	-	-	CHP Factory Director	non-consolidated company positions please refer to the Note 5	-	-	-	-
Vice President of Cellulosic Materials Division	ROC	Alex Chen	Male	7/1/2016	-	-	-	-	-	-	CHP Manager	non-consolidated company positions please refer to the Note 5	-	-	-	-
Vice President of Cellulosic Materials Division	ROC	Peter Huang	Male	3/1/2021	-	-	-	-	-	-	CHP Manager	-	-	-	-	-
Vice President of Specialty Materials Division	ROC	Hank Chen	Male	8/11/2021	-	-	-	-	-	-	3M Alphabeta Vice President	-	-	-	-	-
Factory Director of	ROC	Yen-Chang Hsieh	Male	5/15/2017	57	-	1,000	-	-	-	CHP Director	-	-	-	-	-

Title	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Note
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Cellulosic Materials Division Note6																
Factory Director of Cellulosic Materials Division	ROC	Yung-Shun Chen	Male	3/1/2018	-	-	-	-	-	-	CHP Director	-	-	-	-	-
Factory Director of Cellulosic Materials Division	ROC	Tony Chen	Male	1/1/2022	-	-	-	-	-	-	CHP Deputy Director	-	-	-	-	-
Factory Director of Cellulosic Materials Division	ROC	Allen Chiu	Male	1/1/2022	-	-	-	-	-	-	CHP Deputy Director	-	-	-	-	-
Accounting Manager	ROC	Jung-Min Huang	Male	3/17/2014	-	-	-	-	-	-	CHP Manager	-	-	-	-	-
Financial Manager	ROC	David Lin	Male	1/1/2015	-	-	-	-	-	-	CHP Manager	Supervisor of Hwafong Investment Co., Ltd. Director of Syntax Communication (H.K.) Ltd.	-	-	-	-
Audit Manager	ROC	Steven Chen	Male	8/17/2018	-	-	-	-	-	-	CHP Manager	-	-	-	-	-

Note1: Left on January 1, 2022..

Note2: Technical Director of YFY Institute of Technology of YFY Inc. and Chairperson of Hwa Fong Paper (Hong Kong) Co., Ltd.

Note3: Director of Union Paper Corp. and China Color Printing Co., Ltd.

Note4: Reassigned to the Division Office of the Cellulosic Materials Division on January 1, 2022.

Note5: Director of Union Paper Corp.

Note6: Reassigned to the Engineering Technology Center of the Cellulosic Materials Division on January 1, 2022

3.3 Remuneration of Directors (include Independent Directors), President, and Vice Presidents

3.3.1 Remuneration of Directors and Independent Directors

12/31/2021, Unit: NT\$ thousands

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Remuneration from ventures other than subsidiaries or from the parent company
		Base Compensation (A)		Severance Pay (B)		Directors Compensation(C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)						
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
																Cash	Stock	Cash	Stock			
Chairperson	YFY Inc. Representative: Kirk Hwang	0	0	0	0	4,000	4,000	1406	2004	1.11	1.23	25,759	26,643	3,178	3,178	9	0	9	0	7.04	7.34	10,170
Director	YFY Inc. Representative: S. C. Ho																					
Director	YFY Inc. Representative: Felix Ho																					
Director	YFY Paradigm Investment Co., Ltd. Representative: Chih-Cheng Huang																					
Director	YFY Paradigm Investment Co., Ltd. Representative: Guu-Fong Lin																					
Director	YFY Paradigm Investment Co., Ltd. Representative: Ray Chen																					
Independent Director	Donald Chang	0	0	0	0	3,000	3,000	809	809	0.78	0.78	0	0	0	0	0	0	0	0	0.78	0.78	0
Independent Director	Shih-Lai Lu																					
Independent Director	Yi Lee																					

Note1: Independent Directors' remuneration policy, system, standards, and structure, and description of the relevance to the amount of remuneration according to the responsibilities, risks, and time investment: The remuneration of the Independent Directors of the Company was drawn up with reference to the academic experience and social status of the Independent Directors, and market salary surveys and industry standards, and is based on the principle of meeting the general market standards and established after considering the Company's operating results and the contribution of the Independent Directors in terms of their responsibilities. The remuneration must be reported to the Board of Directors for resolution. The Company will continue to review Independent Directors' remuneration policy in a timely manner depending on the operating conditions and legal requirements to pursue reasonable remuneration and sustainable operations.

Note 2: Number of resolutions passed by the Board of Directors on March 15, 2022.

Note 3: Relevant expenses such as company car rental fees have been listed. The total expenses were approximately NT\$894 thousand.

Explanation of the relevance and rationality of after-tax income and changes in remuneration:
The remuneration of the Directors of the Company is handled in accordance with the Articles of Incorporation approved by the shareholders' meeting on July 7, 2021. No more than 2% of the profit for the year (i.e., the profit before employee and Director remunerations is deducted from profit before tax) less the cumulative losses is allocated as the remuneration of the Directors. Thus, Director remuneration for 2021 is estimated to be NT\$7,000 thousand.

Range of Remuneration

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Parent company and all investment businesses group	The company	Parent company and all investment businesses group
Less than NT\$ 1,000,000	S. C. Ho Felix Ho, Chih-Cheng Huang Guu-Fong Lin, Ray Chen	, S. C. Ho Felix Ho, Chih-Cheng Huang Ray Chen	S. C. Ho, Felix Ho	S. C. Ho, Felix Ho
NT\$1,000,000 ~ NT\$1,999,999	Kirk Hwang, Donald Chang Shih-Lai Lu, Yi Lee	Kirk Hwang, Guu-Fong Lin Donald Chang, Shih-Lai Lu Yi Lee	Donald Chang, Shih-Lai Lu Yi Lee	Donald Chang, Shih-Lai Lu Yi Lee
NT\$2,000,000 ~ NT\$3,499,999	-	-	-	-
NT\$3,500,000 ~ NT\$4,999,999	-	-	-	-
NT\$5,000,000 ~ NT\$9,999,999	-	-	Guu-Fong Lin, Ray Chen	Guu-Fong Lin, Ray Chen
NT\$10,000,000 ~ NT\$14,999,999	-	-	Kirk Hwang, Chih-Cheng Huang	Kirk Hwang, Chih-Cheng Huang
NT\$15,000,000 ~ NT\$29,999,999	-	-	-	-
NT\$30,000,000 ~ NT\$49,999,999	-	-	-	-
NT\$50,000,000 ~ NT\$99,999,999	-	-	-	-
Greater than or equal to NT\$100,000,000	-	-	-	-
Total	9	9	9	9

Note: Representative of YFY INC.: Kirk Hwang, S. C. Ho, Felix Ho; Representative of YFY Paradigm Investment Co., Ltd.: Chih-Cheng Huang, Guu-Fong Lin, Ray Chen

3.3.2 Remuneration of the President and Vice Presidents

12/31/2021, Unit: NT\$ thousands

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C) (Note 2)		Employee Compensation (D) (Note 3)				Ratio of total compensation (A+B+C+D) to net income (%)		Remuneration from ventures other than subsidiaries or from the parent company
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
President	Chih-Chen g Huang	13,454	13,982	3,286	3,286	10,282	10,639	15	0	15	0	5.54	5.72	320
CFO	Guu-Fong Lin													
President of Cellulosic Materials Division Note 1	Ray Chen													
President of Specialty Materials Division Note 1	Yoshihiro Akiyama													
Executive Vice President of Cellulosic Materials Division	Rong-Ming Lin													

Note 1: Appointed on March 1, 2022

Note 2: Relevant expenses such as company car rental fees have been listed. The total expenses were approximately NT\$879.6 thousand.

Note 3: Number of resolutions passed by the Board of Directors on 3/15/2022.

Range of Remuneration

Range of Remuneration	Name of President and Vice Presidents	
	The company	Parent company and all investment businesses group
Less than NT\$ 1,000,000	-	-
NT\$1,000,000 ~ NT\$1,999,999	-	-
NT\$2,000,000 ~ NT\$3,499,999	Rong-Ming Lin	Rong-Ming Lin
NT\$3,500,000 ~ NT\$4,999,999	Yoshihiro Akiyama	Yoshihiro Akiyama
NT\$5,000,000 ~ NT\$9,999,999	Chih-Cheng Huang Guu-Fong Lin, Ray Chen	Chih-Cheng Huang, Guu-Fong Lin Ray Chen
NT\$10,000,000 ~ NT\$14,999,999	-	-
NT\$15,000,000 ~ NT\$29,999,999	-	-
NT\$30,000,000 ~ NT\$49,999,999	-	-
NT\$50,000,000 ~ NT\$99,999,999	-	-
Greater than or equal to NT\$100,000,000	-	-
Total	5	5

3.3.3 Names of Managers and the Distribution of Employee's Compensation

12/31/2021, Unit: NT\$ thousands

Title		Name	Employee Compensation - in Stock	Employee CompensationNote - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	President Note1	Chih-Cheng Huang	0	39	39	0
	CFO	Guu-Fong Lin				
	President of Cellulosic Materials Division	Ray Chen				
	President of Specialty Materials Divisions	Yoshihiro Akiyama				
	Executive Vice President of Cellulosic Materials Division	Rong-Ming Lin Note 2				
	Vice President of Cellulosic Materials Division	Alex Chen				
	Vice President of Cellulosic Materials Division	Peter Huang				
	Factory Director of Cellulosic Materials Division	Yen-Chang Hsieh				
	Factory Director of Cellulosic Materials Division	Yung-Shun Chen				
	Vice President of Specialty Materials Division	Hank Chen				
	Accounting Manager	Jung-Min Huang				
	Finance Manager	David Lin				
	Audit Manager	Steven Chen				

Note1: Left on January 2, 2022

Note2: Reassigned to the Division Office of the Cellulosic Materials Division on January 1, 2022

Note3: Reassigned to the Engineering Technology Center of the Cellulosic Materials Division on January 1, 2022.

Note4: The Board of Directors approved the plan to distribute NT\$6,000 thousand (all in cash) as employee remuneration for 2021 on March 15, 2022. Since the distribution list has not been finalized, this table is an estimation of the proposed amount.

3.3.4 Comparison of Remuneration for Directors, President and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, President and Vice Presidents

Item	Ratio of total remuneration paid to directors, president and vice presidents to net income (%)					
	2021		2020		Difference	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Director	7.82	8.12	(14.11)	(14.97)	21.93	23.09
President and vice president	5.54	5.72	(13.26)	(13.71)	18.8	19.43

The policies, standards, and packages for the payment of remuneration, the procedures for determining remuneration, and the correlation with business performance and future risks.

- A. Remuneration of the Company's Directors: includes travel allowances, surplus earning distribution, and salary as an employee of the Company. Travel allowance standards for Directors are based on industry standards; Directors' remuneration is based on operating performance and future risks, and is handled in proportion to the Company's Articles of Incorporation.
- B. Remuneration of the President and Executive Vice Presidents is paid on a monthly basis: includes a monthly salary, allowances (e.g., additional duty payments and meal expenses), and other regular compensation. The annual bonuses and employee remuneration are paid separately. The salary standards are handled according to the agreement at the beginning of employment, while additional duty payments are determined by the position; performance bonus and other bonuses are based on business performance and personal performance. The information is consolidated each year and sent to the Remuneration Committee for review.
- C. Due to the profit in 2021, the remuneration of Directors, Presidents, and Executive Vice Presidents accounted for changes in the income after tax. The actual remuneration paid to Directors, Presidents, and Executive Vice Presidents, after deducting the remuneration of Directors and employees due to profit distribution, is equivalent to that in 2020.

3.4 Implementation of Corporate Governance

3.4.1 Board of Directors

In the recent year (2021), the 18th Board of Directors met 6 times, the Directors' attendance is as follows:

attendance is as follows.

Title	Name		Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Chairperson	Kirk Hwang	YFY Inc. Representative	6	0	100	-
Director	S. C. Ho		6	0	100	-
Director	Felix Ho		6	0	100	-
Director	Cheng-Hsien Chu	YFY Paradigm Investment Co., Ltd. Representative Note	0	0	-	February 7, 2022 Reassigned to take office
	Chih-Cheng Huang		6	0	100	February 7, 2022 Reassigned
Director	Guu-Fong Lin		6	0	100	-
Director	Ray Chen		6	0	100	-
Independent Director	Donald Chang		6	0	100	-
Independent Director	Shih-Lai Lu		6	0	100	-
Independent Director	Yi Lee		6	0	100	-

Note: Lotus Ecoscience & Engineering Co., Ltd., originally an Institutional Director of the Company, merged with YFY Paradigm Investment Co., Ltd. on October 7, 2020, with YFY Paradigm Investment Co., Ltd. being the continuing company.

Other mentionable items:

1. If any of the following circumstances have occurred amid operations of the Board of Directors, the date, period, agenda content, the opinions of all Independent Directors, and the handling of the opinions of the Independent Directors by the Company shall be specified:

(1) Matters prescribed under Article 14-3 of the Securities and Exchange Act:

Date	Agenda item	A11 independent directors' opinions and the company's response
February 26, 2021 (18th-term 10th time)	1. Approved the 2020 remuneration to the employees and Directors. 2. Approved the amendments to the Company's Articles of Incorporation.	Except for three Independent Directors who were recused from the first proposal

Date	Agenda item	A11 independent directors' opinions and the company's response
	3. Approved the amendments to the Company's Procedure for Lending Funds to Other Parties. 4. Approved the amendments to the Company's Procedures for Endorsements and Guarantees.	due to a conflict of interest, the remaining three proposals were approved by all Independent Directors after discussion.
May 13th, 2021 (18th-term 11th time)	1. Approved the amendments to the Company's Review Authority Table. 2. Approved the replacement of former CPAs with CPAs Shu-Wan Lin and Hui-Ming Huang.	Both matters were approved by all Independent Directors after discussion.
June 17th, 2021 (12th special meeting of the 18th Board of Directors)	1. No matters prescribed under Article 14-3 of the Securities and Exchange Act were included in this Board meeting.	N/A
August 12th, 2021 (18th-term 13th time)	1. No matters prescribed under Article 14-3 of the Securities and Exchange Act were included in this Board meeting.	N/A
November 11th, 2021 (18th-term 14th time)	1. No matters prescribed under Article 14-3 of the Securities and Exchange Act were included in this Board meeting.	N/A
December 28th, 2021 (18 th -term 15 th time)	1. Approved the adjustment of the Company's organizational structure and the change of the Company's managers.	After discussion, the matter was approved by all Independent Directors.

A. Aside from the above matters, other resolutions adopted by the Board of Directors with regard to which an Independent Director had a dissenting or qualified opinion that is on record or stated in a written statement: None.

2. Any Directors who had to recuse from a proposal to prevent conflicts of interest:

- (1) In the 18th-term 10th Board meeting on February 26, 2021, regarding the discussion of the 2020 employee remuneration and Director remuneration proposals, three Independent Directors recused themselves from the discussion and voting due to a conflict of interest.
- (2) In the 18th-term 15th Board meeting on December 28, 2021, regarding the discussion of the Company's organizational structure and the change of the Company's managers, Independent Director Ray Chen recused himself from the discussion and voting due to a conflict of interest.

3. Information about the Board's self (or peer) evaluation:

- (1) The Company approved the Board of Directors Performance Evaluation Guidelines in the 18th-term 3rd Board meeting on November 13, 2019, and made amendments in the 18th-term 8th Board meeting on November 12, 2020.
- (2) Implementation status of the evaluation of Board of Directors in 2020:
Evaluation cycle: Implemented once a year
Evaluation period: 2021.1.1~2021.12.31
Scope of evaluation: Performance evaluation of the Board of Directors, individual board members, and functional committees

Assessment method: Self-evaluation of the Board and its members

Evaluation content: The measures for evaluating the Board's performance includes the following five aspects: A. Understanding of and recommendations for Company operations, B. Improvement of the quality of the Board decisions, C. Composition and structure of the Board of Directors, D. Election and continuing education of the Directors, E. Internal control.

The measures for the self-evaluation of Board members include the following six aspects: A. Familiarity with the goals and missions of the Company, B. Awareness of the duties of a Director, C. Understanding of and recommendations for Company operations, D. Management of internal relationship and communication, E. The Director's professionalism and continuing education, F. Internal control.

The measures for evaluating the performance of the functional committees includes the following five aspects: A. Understanding of and recommendations for Company operations, B. Understanding of the roles and responsibilities of the functional committee, C. Improvement of the quality of committee decisions, D. Composition of the functional committee and the selection of its members, E. Internal control.

A. Results of the evaluation of Board of Directors in 2021:

The performance evaluation results of the Company's Board of Directors, Individual Directors, Audit Committee, and Remuneration Committee in 2021 are as follows:

Scope of evaluation	Evaluation indicator	Self-evaluation score		Evaluation results
Board of Directors	A. Understanding of and recommendations for Company operations	95.7	95.95	Excellent
	B. Improvement of the quality of Board decisions	97.6		
	C. Composition and structure of the Board of Directors	95.9		
	D. Election and continuing education of the Directors	93.0		
	E. Internal control	96.5		
Board members	A. Familiarity with the goals and missions of the Company	97.8	97.20	Excellent
	B. Awareness of the duties of a Director	98.5		
	C. Understanding of and recommendations for Company operations	96.1		
	D. Management of internal relationship and communication	97.0		
	E. The Director's	97.0		

Scope of evaluation	Evaluation indicator	Self-evaluation score		Evaluation results
	professionalism and continuing education			
	F. Internal control	98.5		
Audit Committee	A. Understanding of and recommendations for Company operations	100.0	99.39	Excellent
	B. Awareness of the duties of the Audit Committee	98.7		
	C. Improvement of the quality of Audit Committee decisions	100.0		
	D. Composition of the Audit Committee and the selection of its members	97.8		
	E. Internal control	100.0		
Remuneration Committee	A. Understanding of and recommendations for Company operations	100.0	98.60	Excellent
	B. Awareness of the duties of the Remuneration Committee	97.3		
	C. Improvement of the quality of Remuneration Committee decisions	99.0		
	D. Composition of the Remuneration Committee and the selection of its members	97.8		

The results of the self-evaluation:

Shows that all Directors (including Independent Directors) have given positive evaluations for the efficiency and effectiveness of the Board, Directors, and functional committees. The results were reported to the 18th-term 16th meeting of the Board of Directors on March 15, 2022.

4. Evaluation of targets and performance of the Board's functions for current year and past year:

- (1) Three Independent Directors form the Company's Audit Committee in substitution of Supervisors. Matters prescribed under Article 14-5 of the Securities and Exchange Act are submitted to the Audit Committee for discussion and resolution. The convener of the Audit Committee is responsible for reporting resolutions passed by the Audit Committee to the Board of Directors.
- (2) The Company discloses information regarding attendance to Board meetings, Director continuing education, and important resolutions passed during Board meetings and shareholders' meetings in the annual report.
- (3) To increase information transparency, the Company posts all important resolutions passed during Board/shareholders' meetings on the Company website immediately following such meetings.
- (4) In consideration of legal risks faced by Directors, the Company and its subsidiaries have

purchased director liability insurance for all Directors.

3.4.2 Audit Committee

The Company elected three Independent Directors at the shareholders' meeting on June 21, 2019 and established an Audit Committee in accordance with the Securities and Exchange Act. The Committee's purpose is to verify the fair presentation of the Company's financial statements, the independence and performance of the CPAs; the effectiveness regarding implementation of the Company's internal control system; compliance with relevant regulations and rules; and the Company's control of existing or latent risks.

A total of 4 meetings of the 2nd Audit Committee (appointed on June 21, 2019) were held in 2021. Key focuses for the year are described below:

A. Review financial reports

The Board of Directors prepared and submitted the 2020 business report, financial statements, and loss appropriation proposal. The financial statements were audited by Deloitte Taiwan, and an audit report was submitted. The Company's Audit Committee reviewed the said business report, financial statements, and loss appropriation proposal and did not find any instances of noncompliance.

A. Assess internal control system effectiveness

The Company's Audit Committee assessed the effectiveness of policies and procedures of the Company's internal control system (including finance, operations, risk management, information security, legal compliance, and other control measures) and audited the Company's Auditing Department and CPA, as well as regular reports by managers, including risk management and compliance.

A. Evaluate the independence and competence of CPAs

The Company's Audit Committee evaluated and found that CPAs Shu-Wan Lin, Hui-Ming Huang, and Hsiu-Ming Hsu of Deloitte and Touche Taiwan did not have direct or indirect interest in the Company that would compromise their independence; fulfill the independence and competence requirements of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies; and established a suitable and good method to communicate with the Company and its Audit Committee..

In 2021, the 2nd Audit Committee has convened 4 meetings (A), and the records of attendance of the Independent Directors are as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Independent Director	Yi Lee	4	0	100	Convener
Independent Director	Donald Chang	4	0	100	-
Independent Director	Shih-Lai Lu	4	0	100	-

Other mentionable items:

1. If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified:

(1) Matters prescribed under Article 14-5 of the Securities and Exchange Act:

Date	Agenda item	All Independent Directors' opinions and actions taken by the Company in response to Independent Directors' opinions
February 23, 2021 (2 nd -term 9 th time)	1. Approved the 2020 business report and financial statements. 2. Approved the loss appropriation for 2020. 3. Approved the 2020 Statement on Internal Control. 4. Approved the amendments to the Company's Procedure for Lending Funds to Other Parties. 5. Approved the amendments to the Company's Procedures for Endorsements and Guarantees.	Approved by all Independent Directors and in the 2/26/2021 Board meeting. Except for the third proposal which shall be announced according to the regulations after approval by the Board, all were approved or ratified by the 2021 shareholders' meeting.
May 11, 2021 (2 nd -term 10 th time)	Approved the replacement of the Company's former CPAs with CPAs Shu-Wan Lin and Hui-Ming Huang.	Approved by all Independent Directors and in the 5/13/2021 Board meeting.
August 9, 2021 (2 nd -term 11 th time)	There were no proposals related to matters listed under Article 14-5 of the Securities and Exchange Act in this Audit Committee meeting.	N/A
November 8, 2021 (2 nd -term 12 th time)	There were no proposals related to matters listed under Article 14-5 of the Securities and Exchange Act in this Audit Committee meeting.	N/A

(2) In addition to matters above, other resolutions which did not receive the approval of the Audit Committee but were approved by more than two thirds of the entire Board of Directors: None.

2. Any Independent Directors who had to recuse themselves to avoid conflicts of interest: None.

3. Communication between Independent Directors and Internal Auditing Officer and accountants:

(1) Communication method between Independent Directors and internal auditing officer and accountants:

Communication between Independent Directors and internal auditing officer:

A. On a regular basis —

Each month, completed audit reports are sent via email to each Audit Committee member. Each quarter, communicate with and respond to the inquiries of Independent Directors individually.

Each quarter, the Audit Committee submits an Audit Progress Report that contains audit practices, findings, and improvements for abnormalities of the Company as well as its subsidiaries.

A. On a non-regular basis —

Through telephone calls, emails, and meetings, communicate how to increase the Company's audit value and enhance operational efficiency and effectiveness. If any serious violations are discovered, Audit Committee members must be notified according to regulations.

Communication between Independent Directors and accountants:

A. On a regular basis —

At each Audit Committee meeting, the CPA shall attend and describe the audit implementation status of the financial statements and the recommendations, and report on the recent amendments of regulations related to accounting and taxes.

A. On a non-regular basis —

If an Independent Director deems it necessary, he/she shall invite the accountants to the Company from time to time to report on or describe projects.

A. Summary of communication between Independent Directors and internal auditing officer and accountants:

Date	Key points of communication	Communication summary and results
2021.2.23	1. The Chief Auditor reported the audit progress for December 2020. 2. The Chief Auditor explained the 2020 Statement on Internal Control.	1. Approved and understood. 2. Passed as proposed after review.
	1. The CPA explained audit implementation status of the 2020 financial statements. 2. The CPA explained changes in important regulations and communications.	Passed as proposed after inquiring about related audit conditions.
2021.5.11	The Chief Auditor reported the audit implementation status for 2021 Q1.	1. Independent Director Yi Lee recommended to propose a specific audit plan for the Guanyin plant. The on-site inspection items of the Guanyin plant have been planned according to the recommendation. 2. Approved and understood.
	The CPA explained the audit implementation status of the 2021 Q1 financial statements.	Approved and understood after inquiring about and reviewing related conditions.

Date	Key points of communication	Communication summary and results
2021.8.9	The Chief Auditor reported the audit implementation status for 2021 Q1.	1. Independent Director Donald Chang recommended to continue to improve the operations ability of digital audits. Registration for external digital auditing courses was carried out according to the recommendation. 2. Approved and understood.
	The CPA explained the audit implementation status of the 2021 Q2 financial statements.	Approved and understood after inquiring about and reviewing related conditions.
2021.11.8	1. The Chief Auditor reported the audit implementation status for 2021 Q3. 2. The Chief Auditor explained the 2022 annual audit plan formulated in accordance with results of risk assessments.	1. Approved and understood. 2. Passed as proposed after review.
	1. The CPA explained the audit implementation status of the 2021 Q3 financial statements. 2. The CPA explained the report of the conclusions of the 2021 key audit matters.	Approved and understood after inquiring about and reviewing related conditions.

(2) Delivered to the Independent Directors for review by the end of the next month following the completion of the audit items in accordance with Article 15 of the Regulations Governing Establishment of Internal Control Systems by Public Companies.

3.4.3 Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	V		The Company approved the Corporate Governance Code of Conduct in the 17-term 11 th Board meeting on November 8, 2018 and disclosed it on the Company’s website under the corporate governance section under investors for investors to review.	Compliant
2. Shareholding structure & shareholders’ rights				
(1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	V		To protect shareholders’ interests, the spokesperson, stock affairs unit, and shareholder service agents are responsible for handling matters related to shareholders.	Compliant
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	V		The Company regularly obtains this information through shareholder service agents at anytime.	Compliant
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	V		The management of personnel, assets, and finances between the Company and its affiliates are clearly regulated and independent, and the Company regularly evaluates operating performance.	Compliant
(4) Does the company establish internal rules against insiders trading with undisclosed information?	V		The Company has established the Procedures for Insider Trading Prevention and periodically emails the procedures to relevant personnel requiring that they comply with the rules.	Compliant
3. Composition and Responsibilities of the Board of Directors				
(1) Has the Board of Directors drawn up policies and	V		The Company established the Corporate	Compliant

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
specific targets on diversity of its members and implemented them? (2) Besides the Remuneration Committee and the Audit Committee established according to law, has the Company actively established other types of functional committees?	V		Governance Code of Conduct in the Board meeting on November 8, 2018. At present, the Company’s Board of Directors comprises six representatives of Institutional Directors and three Independent Directors. The experience of the Board members include the Company’s managers, university professors, directors of public companies, and managers of well-known global enterprises, chief researchers, retired finance executives, etc. They are good at marketing, financial management, strategic investment, papermaking, and innovative materials R&D. Currently, 2/9 of the Executive Directors are also managers of the Company. They are between 45 to 75 years old. The Company is currently planning the specific targets and implementation conditions. To strengthen short-, mid-, and long-term business development and strategies, and improve operational performance, the Company established a Business Development and Strategy Committee on October 19, 2020. The committee currently has five members, including the Chairperson, President of the Fiber Materials Division, and the three Independent Directors of the Company. Relevant employees are invited to attend meetings according to the meeting agenda. Please refer to page 62 for the composition and operations of the Business Development and	Compliant

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(3) Does the Company establish standards and method for evaluating Board performance, conduct annual performance evaluations, submit performance evaluation results to the Board, and use the results as a basis for determining the remuneration and nomination of individual directors?	V		Strategy Committee. The Board of Directors approved the amendments to the Board of Directors Performance Evaluation Guidelines on November 12, 2020. Self-evaluations by Directors are expected to take place in 2020. The results of the 2021 evaluation were submitted to the Company’s 18 th -term 16 th meeting of the Board of Directors on March 15, 2022.	Compliant
(4) Does the company regularly evaluate the independence of CPAs?	V		The Company’s accounting department regularly evaluates the independence and competence of the CPAs each year. The results were reported to the Audit Committee on November 8, 2021 and the Board of Directors on November 11, 2021. Evaluation items: 1. Independence: Including the statement of independence issued by the CPA, verifying whether the CPA has a rotation mechanism, whether the Company has not been using the same CPA for seven consecutive years, whether CPA has no direct or indirect interests in the Company, and whether there are no financing and guarantee behaviors between the CPA and Directors. 2. Competence: including whether the CPA has not been subject to any other punishment, or involved in situations that compromise professionalism or independence in past two years; whether the CPA actively provides the Company with the latest tax and securities regulations,	Compliant

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			International Financial Reporting Standards, and other relevant information on a regular basis; whether the CPA helps the Company communicate and coordinate with the competent authority; whether the financial reports are completed by the deadline; whether the CPA maintains adequate communication channels with the Company’s management, Audit Committee, and Directors. Evaluation results: The CPAs are independent and competent..	
4. Does the public company have a suitable number of competent corporate governance personnel and has it appointed a corporate governance supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their duties, assisting directors with regulatory compliance, handling matters related to Board meetings and shareholders’ meetings, and preparing proceedings for Board meetings and shareholders’ meetings)?	V		In the Board meeting on May 14, 2020, the Company appointed the finance manager David Lin as the Corporate Governance Manager to help the legal, stock affairs, and HR administration office members to deal with corporate governance matters. These matters include businesses related to Board and shareholders’ meetings, assisting Directors’ continuing education, providing Directors with information necessary to perform their duties, legal compliance, and other matters established in the Articles of Incorporation or contracts. In 2021, key corporate governance items include: 1. Organized the self-evaluation of the Board of Directors and relevant committees in accordance with the Board of Directors Performance Evaluation Guidelines. 2. Reported on the status of the Company’s ethical corporate management operations to the Board of Directors on November 11, 2021 for the Directors to	Compliant

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			understand the Company’s practices and determination for implementing ethical management. In this year up to the print date of this annual report, the cumulative training hours is 12 hours. Please refer to the Company’s website for the content of the courses.	
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	V		The Company has set up a relevant stakeholders section (www.chp.com.tw/利害關係人專區/利害關係者經營.htm) on the Company ‘s website, and distinguishes between employees, customers, suppliers, shareholders and investors, and government organizations. Stakeholders are supported by corresponding contact channels and methods to properly respond to related issues.	Compliant
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company has hired SinoPac Securities – Register & Transfer Agency Division to help with affairs related to shareholders’ meetings.	Compliant
7. Information Disclosure				
(1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	V		The Company has set up a corporate website (www.chp.com.tw) and discloses information regarding the Company’s financial, business, and corporate governance status in a timely manner for investor inquiry.	Compliant
(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	V		The Company has held a total of 4 investor conferences in 2020 and has disclosed the relevant information through press releases or on the Company’s website for investor inquiry. The Company has also set up a website in English to	Compliant

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(3) Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit?	V		help foreign investors understand the information. The Company announces and declares the annual financial report within three months after the end of the fiscal year, and announces and declares the first, second, and third quarter financial reports and operating status of each month within the prescribed deadline.	Roughly compliant
8. Does the Company have other information that is helpful for understanding its status of corporate governance (including but not limited to employee rights and interests, employee well-being, investor relations, supplier relations, rights of stakeholders, further education sought by directors and supervisors, implementation of risk management policies and risk evaluation standards, implementation of customer policies, the purchase of liability insurance for directors and supervisors, etc.)?	V		1. The Company established the Corporate Governance Code of Conduct in the Board meeting on November 8, 2018. 2. The Company formulates working rules for employees and employees' rights and interests in favor of the employees in accordance with the Labor Standards Act, and established the Employee Welfare Committee to allocate employee benefits and hold regular labor-management meetings on a monthly basis, as well as organize occupational training and recreational activities periodically. 3. Investors can communicate with us through shareholder service agents or spokespersons. The Company has also set up an investor relations mailbox to maintain a smooth communication channel. Suppliers and handling units can also maintain good communication between each other. 4. The Company has purchased liability insurance for the Directors and key personnel of the	Compliant

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			Company and its subsidiaries for 2021, and has reported such at the Board meeting on August 12, 2021. Periodic training information such as the stock exchange, the SFI and the Corporate Governance Association is provided for Directors to use as training reference, and laws and regulations relevant to the Directors are issued to each Director. When there are changes in the laws and regulations, the Directors will be notified by email first, and the updates will be explained to the Directors during the Board meetings. 5. The Company requires all suppliers to sign the Honesty and Integrity Declaration, which guarantees their commitment when dealing with relevant Company personnel to fulfill their obligations of honesty, integrity, environmental protection, and employment. 6. The Company has set up a stakeholder section on its website to provide relevant contact information for stakeholders to provide feedback and file complaints.	
9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures.				
Evaluation Indicators			Improvement	
Will the Company convened the annual shareholders’ meeting before the end of May?			The Company planned to hold the 2021 Annual Shareholders’ Meeting on May 25, but due to the impact of the epidemic, after the competent authority promulgated new regulations, the Company will hold the meeting on July 7.	

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
Has the company established methods for the appointment and dismissal, evaluation, and remuneration of internal auditors to be reported to the Board or submitted by the Chief Auditor for approval by the Chairperson? Has the Company disclosed the methods on the Company’s website?			The Company has disclosed the information on the Company’s website.	
Has the Company established a dedicated department (concurrent) unit for promoting business integrity and is responsible for formulating and supervising the implementation of integrity management policies and prevention plans? Has the Company disclosed the operations and implementation status of the dedicated unit on its annual report and Company website, and makes reports to the Board of Directors at least once a year?			The Company disclosed the relevant information on the Company’s website and annual report.	

Directors’ training records:

Title	Name	Assignment Date	Study Date	Sponsoring Organization	Course	Training Hours	Total Hours
Chairperson	Kirk Hwang	2019/06/21	2021/12/21	Taiwan Corporate Governance Association	What are Investors Thinking – Sustainable Transformation From an ESG Investing and Financing Perspective	3.0	11.0
			2021/12/14	Taiwan Academy of Banking and Finance	Corporate Governance Lecture	3.0	
			2021/11/4	Taiwan Corporate Governance Association	A Macro Look at Global Corporate Sustainability – From Vision 2050 to Action 2021	3.0	
			2021/4/29	Taiwan Institute for Sustainable Energy	The 24 th CEO Lectures and Talks	2.0	

Title	Name	Assignment Date	Study Date	Sponsoring Organization	Course	Training Hours	Total Hours
Director	S. C. Ho	2019/06/21	2021/12/21	Taiwan Corporate Governance Association	What are Investors Thinking – Sustainable Transformation from an ESG Investing and Financing Perspective	3.0	6.0
			2021/12/14	Taiwan Academy of Banking and Finance	Corporate Governance Lecture	3.0	
Director	Felix Ho	2019/06/21	2021/12/14	Taiwan Academy of Banking and Finance	Corporate Governance Lecture	3.0	9.0
			2021/9/9	Taiwan Corporate Governance Association	The Inevitable ESG/CSR Trend and Sustainable Governance in 2021	3.0	
			2021/1/20	Taiwan Corporate Governance Association	How to Prevent Insider Trading and Implement Corporate Governance	3.0	
Director	Chih-Cheng Huang	2019/06/21	2021/10/22	Securities & Futures Institute	2021 Seminar on Legal Compliance of Insider Equity Swaps	3.0	7.0
			2021/7/29	Taiwan Institute for Sustainable Energy	The 25 th CEO Lectures and Talks	2.0	
			2021/1/28	Taiwan Institute for Sustainable Energy	The 23 rd CEO Lectures and Talks	2.0	
Director	Guu-Fong Lin	2019/06/21	2021/8/26	Securities & Futures Institute	The Legal Risks and Countermeasures of Directors and Supervisors From a Material Corporate Scandals Perspective	3.0	6.0
			2021/3/15	Securities & Futures Institute	2021 Economic Outlook and Industry Trends	3.0	
Director	Ray Chen	2019/06/21	2021/12/21	Taiwan Corporate Governance Association	What are Investors Thinking – Sustainable Transformation from an ESG Investing and Financing Perspective	3.0	8.0

Title	Name	Assignment Date	Study Date	Sponsoring Organization	Course	Training Hours	Total Hours
			2021/10/28	Taiwan Institute for Sustainable Energy	The 26 th CEO Lectures and Talks	2.0	
			2021/5/12	Taiwan Institute of Directors	Radical Change, Learn How To Reform and Transform From Century-Old Companies	3.0	
Independent Director	Donald Chang	2019/06/21	2021/12/14	Taiwan Academy of Banking and Finance	Corporate Governance Lecture	3.0	8.0
			2021/9/1	FSC	The 13 th Taipei Corporate Governance Forum	3.0	
			2021/7/29	Taiwan Institute for Sustainable Energy	The 25 th CEO Lectures and Talks	2.0	
Independent Director	Shih-Lai Lu	2019/06/21	2021/10/22	Securities & Futures Institute	2021 Seminar on Legal Compliance of Insider Equity Swaps	3.0	8.0
			2021/9/1	FSC	The 13 th Taipei Corporate Governance Forum	3.0	
			2021/7/29	Taiwan Institute for Sustainable Energy	The 25 th CEO Lectures and Talks	2.0	
Independent Director	Yi Lee	2019/06/21	2021/12/14	Taiwan Academy of Banking and Finance	Corporate Governance Lecture	3.0	7.0
			2021/9/1	FSC	The 13 th Taipei Corporate Governance Forum	2.0	

3.4.4 Composition, Responsibilities and Operations of the Remuneration Committee

A. Information on members of the Remuneration Committee

4/20/2022

Identity	Qualifications Name	Professional qualifications and experience	Independence criteria (Note)	Number of publicly listed companies in which the member concurrently serves as a remuneration committee member
Independent Director (Convener)	Donald Chang	The convener is between 61 and 70 years old. He has served as the CEO of Greater China of a well-known global company and is now a director of a well-known public company.	The convener meets the independence criteria. Relevant related parties do not own shares of the Company, have not been a Director, Supervisor, or manager in any subsidiaries other than the Company, and have not received compensation from business dealings with the Company's group in the last two years.	1
Independent Director	Shih-Lai Lu	The committee member is between 71 and 80 years old. He has R&D expertise and worked as the chief scientist in a well-known multinational company, and has a registered a number of R&D patents. He is currently a professor at several well-known universities.		-
Independent Director	Yi Lee	The committee member is between 71 and 80 years old. He has financial expertise, served as an important financial manager in well-known international companies and the banking industry, and served as a member of the remuneration committees of public companies.		-

B. Attendance of Members at Remuneration Committee Meetings

- (1) The Company's Remuneration Committee is comprised of three persons.
- (2) Term of the current members: June 21, 2019 to June 20, 2022; in the most recent year (2021), the Remuneration Committee (A) has convened 2 meetings, and the qualifications and records of attendance of committee members are listed below:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Convener	Donald Chang	2	0	100	None
Committee Member	Shih-Lai Lu	2	0	100	None
Committee Member	Yi Lee	2	0	100	None
Other mentionable items: None					

(3) Functions of the Company's Remuneration Committee

The purpose of the Company's Remuneration Committee is to professionally and objectively evaluate the salary and compensation policy of the Company's Directors and managers. The committee should meet at least twice a year and convene as necessary, and provide its recommendations to the Board of Directors for reference in decision-making.

Responsibilities of the Company's Remuneration Committee.

- I. Stipulate and review regularly the compensation policies, systems, standards and structures, and performance of the Company's Directors and Managers.
- II. Regularly review Directors' and Managers' remuneration.

The Company's Remuneration Committee shall perform the abovementioned duties based on the following principles:

- I. The performance evaluations and compensation of Directors and managers should reference the common standards of industry peers, as well as consider the fairness of links between individual performance, the Company's operational performance, and future risks.
- II. There shall be no incentive for Directors or managers to pursue remuneration by engaging in activities that exceed the risk appetite of the Company.
- III. For Directors and senior managers, the percentage of bonuses to be distributed based on their short-term performance and the time for payment of any variable remuneration shall be decided with regard to the characteristics of the industry and nature of the Company's business.

(4) Summary of communications between the Company and the Remuneration Committee

Date	Main issues	Results of resolution	Actions taken by the Company in response to the opinion of the committee members
February 23, 2021 (4th-term 4th time)	1. 2020 Director remuneration distribution	Approved by all the present committee members, and the resolution was submitted to the Board of Directors and presented to the shareholders' meeting.	Submitted to the Board of Directors on February 26, 2021 and presented to the shareholders' meeting on July 7, 2021.
	2. 2020 employee remuneration distribution	Approved by all the present committee members, and the resolution was submitted to the Board of Directors and presented to the shareholders' meeting.	Submitted to the Board of Directors on February 26, 2021 and presented to the shareholders' meeting on July 7, 2021.
November 8, 2021 (4th-term 5th time)	1. Report on the annual adjustment of employee remuneration. 2. 2020 remuneration status report of main managers.	Understood. Understood. Recommendations: It is recommended that the percentage of variable remuneration for senior managers' should be higher, and the difference between the percentages of variable remuneration for managers at the same level should be small. The results of the Company's operation should be able to maintain the remuneration of senior managers. The percentage of variable remuneration	The annual adjustment of employee remuneration took effect in October 1, 2021. Adjustments in the remuneration structure of senior managers in the future will refer to the recommendations of the committee members

Date	Main issues	Results of resolution	Actions taken by the Company in response to the opinion of the committee members
	3. Transfer of treasury stock to employees.	of new senior managers should be higher to motivate new managers to embrace challenges and create more value. 3. Manager performance in the production unit should be linked to smooth production and quality conditions, and in the sales unit, it should be linked to the earnings. Approved by all the present committee members.	Approved.

3.4.5 Sustainable development implementation status, discrepancies between its implementation and the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and reasons for such discrepancies".

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
1. Has the Company established a governance structure to promote sustainable development? Does the Company have a dedicated (concurrent) unit responsible for promoting sustainable development? Is the unit run by senior managers, which are authorized by and report their progress to the Board of Directors?	V		To enhance corporate governance operations, the Audit Committee and Board of Directors approved the establishment of the Sustainability and Social Responsibility Guidelines and the Sustainable Development Committee on November 6 and November 8, 2018 respectively. The committee promotes sustainable policies and education, and reports to the Chairperson and President.	Roughly compliant
2. Does the Company assess risks in environmental, social, and corporate governance issues relevant to its business activities and devise risk management policies and strategies based on the principle of materiality?	V		To advance the Company’s organizational operations, we planned a complete sustainable roadmap, laying out the short, mid, and long term ESG goals. The CSR Office, originally established under the Sustainable Development Committee, was converted into the ESG Office on September 1, 2021. It reports directly to the Chairperson and has two full-time staff to implement matters related to corporate social responsibility and sustainable development.	Compliant

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
3. Environmental topics (1) Has the Company established a proper environmental management system based on the characteristics of the industry?	V		All production units of the Company have obtained ISO14001 and FSC certifications, and each plant is equipped with dedicated personnel to confirm that the environmental management system is operating effectively. In response to the impact of climate change, CHP will identify risks, develop improvement plans, and submit the plans to the Sustainable Development Committee for inclusion in the Company's sustainable strategy plan every year..	Compliant
(2) Is the Company committed to improving energy efficiency and using recycled materials which have a low environmental impact?	V		The Company invests a considerable amount of capital expenditures to improve production equipment every year to reduce energy consumption, waste, and solid materials, and continues to enhance technologies for recycling residual heat, waste, and solid materials to reduce waste heat, improve energy efficiency, and reduce the use of fossil fuels. The Company was awarded for excellence for green purchasing by the Environmental Protection Administration in 2021.	Compliant
(3) Does the Company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and adopt appropriate countermeasures?	V		The Company has incorporated global climate change and sustainable development trends into risk management for many years, and has identified items and results as an important basis for operating strategies. In addition to the Sustainable Development Committee and ESG Office that have already been established, the Company set up task forces to identify risk, including the ESG Team, Carbon Management Team, and TCFD team. The teams will develop targets and plans, and achieve the targets through teamwork. TCFD risk identification will begin in 2022 to enhance the climate risk management system and response measures, which will help the Company to realize sustainable development. The results of risk identification and assessment that the Company has completed so far are as follows.	Compliant

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons									
	Yes	No	Abstract Explanation										
			<table><tr><th>Risk item</th><th>Impact and risk</th><th>Outlook and response measures</th></tr><tr><td>Water resources</td><td>1. Water discharge and water quality control. 2. Lignin in discharge water. 3. Extreme climate impact; water shortage crisis.</td><td>1. Conduct water inventory to continue to carry out water conservation plans; strengthen water quality monitoring and establish response measures. 2. Control operating procedures and strengthen water treatment technologies. 3. Actively monitor the quality of discharge water and strengthen information transparency of discharge water, and disclose the water footprint. If we build an external platform, we will disclose real-time water quality data. 4. Introduce artificial wetlands to promote ecological restoration.</td></tr><tr><td>Energy resources</td><td>1. Global carbon reduction policies and government</td><td>1. Propose energy conservation plans and equipment</td></tr></table>	Risk item	Impact and risk	Outlook and response measures	Water resources	1. Water discharge and water quality control. 2. Lignin in discharge water. 3. Extreme climate impact; water shortage crisis.	1. Conduct water inventory to continue to carry out water conservation plans; strengthen water quality monitoring and establish response measures. 2. Control operating procedures and strengthen water treatment technologies. 3. Actively monitor the quality of discharge water and strengthen information transparency of discharge water, and disclose the water footprint. If we build an external platform, we will disclose real-time water quality data. 4. Introduce artificial wetlands to promote ecological restoration.	Energy resources	1. Global carbon reduction policies and government	1. Propose energy conservation plans and equipment	
Risk item	Impact and risk	Outlook and response measures											
Water resources	1. Water discharge and water quality control. 2. Lignin in discharge water. 3. Extreme climate impact; water shortage crisis.	1. Conduct water inventory to continue to carry out water conservation plans; strengthen water quality monitoring and establish response measures. 2. Control operating procedures and strengthen water treatment technologies. 3. Actively monitor the quality of discharge water and strengthen information transparency of discharge water, and disclose the water footprint. If we build an external platform, we will disclose real-time water quality data. 4. Introduce artificial wetlands to promote ecological restoration.											
Energy resources	1. Global carbon reduction policies and government	1. Propose energy conservation plans and equipment											

Evaluation Item	Implementation Status					Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation			
				policies. 2. Outsourced electricity and power shortage risks. 3. Power interruption risks.	improvements. 2. Increase the proportion of biofuel and energy efficiency. 3. Build green power generation equipment: Upgrade the capacity of biomass conversion equipment and use heat recovery technology to increase power generation capacity and efficiency.	
			Production by-products	1. Regulations are becoming more strict. 2. Outsourcing costs are gradually increasing.	Circular economy promotion: Make various materials with process waste through recycling and technological reengineering. Actively work towards achieving zero waste and zero emissions.	
			Gas emissions	1. National carbon reduction plan: Reach net-zero by 2050. 2. Carbon border tax trends. 3. Promotion of new	1. Established a GHG Reduction Team to conduct an inventory of emission sources in the plant, develop many reduction measures, formulate	

Evaluation Item	Implementation Status				Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation		
				regulations.	emission reduction plans, and set targets. 2. Regularly maintain, repair, and replace old equipment. 3. Improve energy-saving measures for production equipment and power generation systems. 4. Pollutant reduction plan.
(4) Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and formulate policies on energy efficiency and carbon reduction, greenhouse gas reduction, water reduction, or waste management?	V		To mitigate the impact of climate change and fulfill our social responsibility, the Company spares no effort in promoting energy conservation and carbon reduction. In addition to obtaining ISO50001 certification for energy management systems and ISO14067 certification for carbon footprint verification, each plant must also implement GHG inventories and energy conservation measures. 1. Greenhouse gas (GHG) inventory: In response to climate change and global greenhouse gas management trends, and to fully grasp relevant issues associated with the Company's business risks and opportunities, the Company continues to pay attention to international trends on the disclosure of carbon emissions as well as domestic regulations and requirements. At the same time, we request all corresponding units to complete GHG inventories and supply chain carbon inventories, and to discuss reduction measures. 2. Energy conservation and carbon reduction: The Company promotes the integration and reuse of resources within each plant, and formulates emission reduction plans. The Company conducts mutual inspections		Compliant

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			of each plant every quarter and continues the promotion of energy saving projects among plants and offices. We regularly maintain, repair, and replace LED lights, use high-efficiency motors, and purchase office equipment and supplies with energy-efficiency marks. At the same time, technological exchange meetings are held to introduce energy saving related technologies and improve each plant’s energy efficiency. We aim to move forward in the direction of energy conservation and environmental protection.	
4. Social topics (1) Does the Company comply with relevant laws and regulations and internationally recognized covenants on human rights, and have related management policies and procedures in place?	V		The Company supports the principles and spirit of the Universal Declaration of Human Rights and the Global Compact of the United Nations, the International Labor Office Tripartite Declaration of Principles, the OECD Guidelines for Multinational Enterprises. The Company established related declarations such as the Human Rights Declaration, management policies, and procedures, and set up employee grievance channels to help employees solve problems.	Compliant
(2) Has the Company established and implemented reasonable employee benefits (including remuneration, leave, and other benefits), and ensured business performance or results are reflected adequately in employee remuneration?	V		The Company clearly stipulates employee leave and benefits, and sets aside 1% or more of the profit as employee remuneration every year. We also organize various welfare activities, including benefits related to daily living, marriage and childbirth, personal safety insurance, further education rewards, and employee matchmaking.	Compliant

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(3) Does the Company provide a safe and healthy work environment, and provide employees with regular safety and health training?	V		The Company promotes the occupational safety and health management system and has designated personnel who are responsible for formulating occupational safety and health plans, and promoting the identification of workplace and operational safety. All plants have obtained ISO 45001 certification. We also require all employees to take at least three hours of safety and health training every three years.	Compliant
(4) Does the Company offer its employees effective occupational empowerment training programs?	V		Every year, each unit of the Company prepares the personnel training budget according to actual needs. The HR administration and management unit evaluates and plans the skills the personnel should have and conducts internal and external education and training regularly to enhance the employees’ career skills and improve the career development platform.	Compliant
(5) Does the Company comply with relevant laws and international standards in relation to customer health and safety, customer privacy, marketing, and labeling of products and services, and does it establish relevant consumer or customer protection policies and grievance procedures?	V		The Company operates in accordance with the laws and regulations of the locations of the plants, and provides customers with responsible products and services. The marketing and labeling of the Company's products and services comply with relevant laws and international standards, such as FSC, PEFC, ISO, etc.	Compliant
(6) Does the Company establish supplier management policies,	V		The Company requests all new suppliers and contractors to sign an Honesty and Integrity Declaration that includes compliance with the principles of honesty, trustworthiness and integrity, environmental and labor laws, as well as liabilities in	Compliant

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
which require suppliers to observe relevant regulations on environmental protection, occupational safety and hygiene, or labor and human rights? If so, describe the implementation results.			case of a breach of contract. When the Company signs a contract with the supplier, declarations have been made with respect to environmental protection and labor legal compliance as well as the liability for damages sustained. We request that all contractors commit to their corporate social responsibility. In the event of a violation, the Company has the right to terminate and void the contract.	
5. Does the Company reference internationally accepted reporting standards or guidelines when preparing reports that disclose non-financial information of the Company, such as sustainability reports? Does the Company obtain third-party assurance or qualified opinion for the reports above?	V		The Company commissioned a third party, British Standards Institution (BSI), to verify the 2020 Sustainability Report according to AA1000AS (2018) and its 2020 Addendum and GRI Standards. The report is verified to be in compliance with AA1000 v3 Type 1 moderate-level assurance and the Core Option Criteria for the GRI Standards.	Compliant
6. Describe the difference, if any, between actual practice and the corporate social responsibility principles, if the company has implemented such principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies: The Audit Committee and Board of Directors approved the establishment of the Company’s Sustainability and Social Responsibility Guidelines on November 6 and November 8, 2018 respectively. There are no major differences between the review and improvement of the planning, operation, or implementation of relevant strategies and systems by the current responsible unit, the Sustainable Development Committee, established by the Company and				

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
the Company's Sustainability and Social Responsibility Guidelines.				
7. Other useful information for explaining the status of corporate social responsibility practices:				
(1) Set up an environmental protection plan group to be responsible for implementing various response measures, and take the initiative to communicate and coordinate with the environmental stakeholders such as the public and community residents to form a consensus.				
(2) Actively contact various local environmental protection administrations, township (district) offices, representatives' associations, environmental protection groups, agencies, and schools to carry out various cooperation projects and coexist with the community.				
(3) ESG achievements:				
Environmental protection	*CHP has been awarded for excellence for green purchasing by the Environmental Protection Administration for many consecutive years. In addition to the strict and rigorous work on environmental protection, the plant also participates in various activities and certifications to promote environmental protection. For example: ISO, FSC, and GHG inventory. *The Hualien Mill has been awarded as an excellent adoption unit in the Air Quality Purification Zone of the Environmental Protection Administration for five consecutive years. The Jiutang Mill has been awarded as an excellent adoption unit in the Air Quality Purification Zone of the Environmental Protection Administration in 2021. The Company was awarded for excellence for green purchasing in 2020. *The Taitung Mill is committed to reusing process waste and improving process efficiency. At the end of 2018, it was awarded the Star Award in the Waste Resource Circular Economy Evaluation, practicing the paper industry ’s circular economy concept. *Biofuel power generation: a. Largest biomass power generation (16,000 kW) in Taiwan. b. Lignin biofuel power generation: Accounts for 92.7% of the self-generated power of the pulp and paper plants.			
Social welfare	The Company has long paid attention to and implemented the promotion of popular science education in rural areas. In particular, we hope that through the power of the enterprise, the students of Huadong can have excellent science education resources. Moreover, we also sponsored Hualien cyclists to support outstanding local youths to win glory for the country. *Yuan T. Lee Science Competition The Company has sponsored the Yuan T. Lee Science Competition to promote science education for many years. The competition lets senior and vocational high school students work on creative topics, where they can learn from difficult knowledge in the textbook by finding answers in real life, realizing the popularization of popular science education. We hope that with correct learning guidance, young students will be interested in exploring scientific knowledge. In 2020, the Company supported the Yuan T. Lee National Science Championships, which echoes the Inquiry and Practice curriculum guidelines, and cultivates students' ability to discover and solve problems. *Yuan T. Lee Science Camp			

Evaluation Item			Implementation Status		Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
			Yes	No	
		The Company has cooperated with the Yuan T. Lee Foundation Science Education for All since 2013, and has sponsored the Science Foundation Program, which aims to shorten the educational gap between urban and rural areas, and popularize science and math education. Over 1,000 Huadong students benefited from the program so far. *Tamkang University Chemistry On the Go From 2017, the Company has cooperated with the Center for Science Education of Tamkang University for many years in a row, becoming the university’s partner in chemical courses and events. The Company participates in coming up with teaching plans, provides materials for experiments, and participates in events as volunteers develop children's interest in science. The Company brings popular science education and chemistry experiments to rural schools in Hualien and Taitung through employee participation. More than 100 students participated in 2021. *Hualien cyclist - Hsiao-Lung Lin CHP has long cared about education for regional students and is committed to cultivating outstanding local talent. The Company has sponsored Hsiao-Lung Lin, a local cyclist from Hualien, since 2019, accompanying the 21-year old, rising sports star grow up and move towards his dream. *Promoting coding education CHP started cooperating with Coding Nations in 2019 to promote basic programming education in Huadong. The Taitung Mill adopted six primary schools in the surroundings, conducted basic programming courses twice a week, and exclusively sponsored the Hualien County 2019 CHP Public Welfare Cup Scratch Interscholastic Competition, letting Scratch masters of the eight primary schools in Hualien demonstrate their learning achievements while learning from each other. CHP hopes to use the power of the enterprise to cooperate with Taitung to promote education and train teachers. Currently, we have held education promotion courses that total over 200 hours and conducted Scratch programming courses through the integration of IT courses. Over 100 students have benefited from the courses. This way, children in rural areas can also have the ability to stay ahead in the AI era and we are paving the way for the next generation of IT talent.			
	Governance performance	*The Company has actively enhanced the disclosure of corporate governance information and strengthened the importance and investment in maintaining sustainable development, friendly environments, and social welfare, and won the TCSA - Top Taiwan Corporate Sustainability Award. The Company coordinated with downstream clients, paper machine plants, and paper recycling plants for the recycling system, which won the TCSA - Growth through Innovation Award. *In 2017, the Company added new declaration documents in line with international sustainable management trends, including the Green Purchasing Declaration, Wood Chips and Pulp Procurement Declaration, Human Rights Declaration, and Support for the United Nations Convention to enhance the supply chain management needs of the Company and customers and fulfill our corporate social responsibility. *Officially approved by the Board of Directors: Establishment of a Corporate Governance Supervisor. Establishment of the Board of Directors Performance Evaluation Guidelines (implemented in 2020), Corporate Governance Code of Conduct, Ethical Corporate Management Best			

Evaluation Item			Implementation Status		Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
			Yes	No	
		Practice Principles, and Sustainability and Social Responsibility Guidelines. *The corporate governance evaluation in 2020 is in the range of 21%-35%. *The Company’s resource reutilization measures have been recognized by the Asia Responsible Enterprise Award (Circular Economy) in 2020. *Won the 2021 TSAA Gold Award! The Company’s CircuWell Non-Plastic All-Paper Recyclable Solution won the SDG 12: Responsible Consumption and Production Award. *The CircuWell Total Recyclable Packaging Solution won the 2022 Taiwan Excellence Silver Award, the highest honor for Taiwan's products.			

3.4.6 Fulfillment of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies".

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Establishment of ethical corporate management policy and approaches				
(1) Has the Company implemented a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and senior management towards enforcement of such policy?	V		Through the approval of the Board on November 8, 2018, the Company has established the Ethical Corporate Management Best Practice Principles to actively prevent dishonest behavior and conflicts of interest, establish whistleblowing channels, and regulate the conduct of relevant personnel.	Compliant
(2) Does the Company have mechanisms in place to assess the risk of unethical conduct and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the Company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?		V	The Company complies with the relevant laws and regulations, and will establish an evaluation mechanism and measures in the future to take appropriate response measures. The Company established the Ethical Corporate Management Operating Procedures and Code of Conduct in accordance with the Ethical Corporate Management Best Practice Principles to clearly define disciplinary actions and complaint systems. The Company reviews and revises the actions and systems in a timely manner.	Changes are made gradually
(3) Does the Company clearly specify the operating	V		The Company has already established the Ethical	Compliant

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the Company enforce the programs above effectively and perform regular reviews and amendments?			Corporate Management Operating Procedures and Code of Conduct and our prevention methods against dishonest behaviors are listed below: 1. Prevention of dishonest behavior and the prohibition of bribery acceptance: Detailed information about disciplinary actions and the reporting system are listed in Chapter Four: Service Regulations of the Work Rules. 2. Protection of intellectual property rights: Achieved by requiring employees to sign the Integrity and Confidentiality of Intellectual Property Agreement as well as the employment contract. 3. Employee Code of Conduct: Established to implement the Company’s core values, maintain high ethical standards, provide employees with standard compliance requirements when performing their daily duties and tasks, protect the Company’s reputation, and earn the respect and trust of our clients, vendors, and other individuals.	
2. Implementation of ethical corporate managemet (1) Does the Company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?	V		In the credit evaluation process of business partners, we assess integrity of their records. Likewise, we clearly specify in the procurement contract as well as the Honesty and Integrity Declaration that absolutely no bribery or dishonest behavior are allowed.	Compliant

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(2) Does the Company have a dedicated unit responsible for business integrity under the Board of Directors which reports the ethical management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?	V		The Company set up an Integrity Management Team in accordance with the Ethical Corporate Management Best Practice Principles. The Accounting Department presented a report of the status at the 14th meeting of the 18th Board of Directors on November 11, 2021. The report was included in the audit reports and submitted to the Board of Directors.	Compliant
(3) Does the Company have policies that help prevent conflicts of interests, provide appropriate channels for filing related complaints, and precisely enforce them?	V		The Company has established the Ethical Corporate Management Operating Procedures and Code of Conduct, which have regulations for Directors, managers, supervisors, and employees to avoid conflicts of interest. Anyone who may have a conflict of interest must recuse themselves.	Compliant
(4) Does the Company have effective accounting and internal control systems in place to implement business integrity? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or engage CPAs to perform the audits?	V		The Company's current accounting and internal control system implements a separation of powers and responsibilities to prevent personnel from having an opportunity for dishonesty. Internal auditors include staff integrity as a reference basis for relevant audits.	Compliant
(5) Does the Company regularly provide internal and external training on ethical corporate management?	V		The Company arranges relevant internal and external education and training courses to promote ethical corporate management.	Compliant
3. Implementation of the Company's whistleblowing system				
(1) Does the Company have in place a concrete	V		There are many open reporting channels. The	Compliant

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
whistleblowing and reward system as well as a convenient reporting channel and appropriate designated personnel with regard to the party being reported on? (2) Does the Company have in place standard operating procedures for investigating and processing reports, as well as follow-up actions and relevant post-investigation confidentiality measures? (3) Does the Company adopt measures to protect whistleblowers from improper treatment?	V		Company established a Personnel Evaluation Committee to investigate the reports and implement disciplinary actions. The Company also set up the Employee Code of Conduct as a standard for personnel to follow, and has reporting channels and dedicated staff for employees to report illegal acts. After the report is processed, a record is made and the relevant unit will conduct an investigation and report the results to the responsible manager. After investigating and confirming that the specific behaviors violate the integrity regulations, the Company will severely discipline dishonest behaviors in accordance with the Employee Rewards and Disciplinary Actions, and record the situation as a serious offense at minimum or terminate the labor contract. The Company will keep confidential the employees or personnel who report violations or participate in the investigation process. Those who know the identity or content of the whistleblower due to their duties or business shall not disclose the information. The Company promises not to treat the whistleblower improperly due to the whistleblowing.	Compliant Compliant
4. Reinforcing information disclosure Has the Company disclosed the contents or its Ethical Corporate Management Guidelines as well as relative	V		The Company has disclosed the Ethical Corporate Management Guidelines on the Company's website	Compliant

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
implementation results on its website and on the Market Observation Post System?			(www.chp.com.tw) and the Market Observation Post System. The relevant promotion situation and effectiveness will be gradually disclosed according to the promotion schedule.	
5. If the Company has implemented its own ethical corporate management principles by following the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe the practice and any discrepancies with regard to the Best Practice Principles: The Audit Committee and Board of Directors approved the establishment of the Company’s Ethical Corporate Management Best Practice Principles on November 6 and November 8, 2018 respectively. At present, the Company's practices in integrity are in compliance with the Ethical Corporate Management Best Practice Principles. There is no significant discrepancy in the implementation of the guidelines. However, the revision of the Company’s guidelines is still under discussion due to the revision of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies in 2019.				
6. Other important information to facilitate better understanding of the Company’s implementation of ethical corporate management: (e.g., review/revision of the Company’s ethical corporate management principles, etc) : (a) The Company requires all suppliers and third parties to sign the Honesty and Integrity Declaration to guarantee their commitment to fulfill their obligations of conducting honest business operations. (b) The Board of Directors approved the Employee Code of Conduct in 2016 to implement the Company’s core values, maintain high ethical standards, provide employees with standard compliance requirements when performing their daily duties and tasks, protect the Company’s reputation, and earn the respect and trust of our clients, vendors, and other individuals. (c) In 2017, the Board of Directors approved the Procedures for Insider Trading Prevention, which is followed by Directors and other insiders when trading stocks and is included in the internal control system. Auditors regularly understand the status of compliance to implement the management of insider trading. (d) In 2018, the Board of Directors approved the Ethical Corporate Management Best Practice Principles as a basic policy for all employees of the Company and its subsidiaries to maintain the corporate culture and develop comprehensive integrity management. (e) The new version of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies was completed on May 23, 2019. The Company has been discussing the revised content to make the relevant amendments.				

3.4.7 Corporate Governance Guidelines and Regulations

The Company has established the Corporate Governance Code, Sustainability and Social Responsibility Guidelines, and Ethical Corporate Management Guidelines. Please review them on the Company's website (www.chp.com.tw) by following this path: Home > Investors > Corporate Governance > Internal Regulations.

3.4.8 Other Important Information Regarding Corporate Governance

1. The Company established a Business Development and Strategy Committee on October 19, 2020 to plan and discuss short-, mid-, and long-term business development and strategies, and listen to the opinions of Independent Directors. The 2021 committee has six members, including the Chairperson, President, President of the Fiber Materials Division, and three Independent Directors of the Company. Relevant employees are invited to attend meetings according to the meeting agenda.

The Business Development and Strategy Committee held 4 meetings (A) in 2021. The attendance details are as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Chairperson	Kirk Hwang	4	0	100	Convener
Independent Director	Donald Chang	4	0	100	International business management expertise
Independent Director	Shih-Lai Lu	4	0	100	R&D expertise
Independent Director	Yi Lee	4	0	100	CFO
President	Chin-Cheng Huang	4	0	100	-
Fiber Materials Division President	Ray Chen	4	0	100	-

Note: President Chin-Cheng Huang left on January 1, 2022. No additional members have been added as of the print date of this annual report.

The 2021 communication status is as follows:

Date	Participants	Matters of communication	Communication results
2021.2.23	Present: Chairperson Kirk Hwang, Independent Director Donald Chang, Independent Director Shih-Lai Lu, Independent Director Yi Lee, President Chin-Cheng Huang, and Executive Vice President Ray Chen. In attendance: CFO Guu-Fong Lin and Shenzhen Jinglun Paper Co., Ltd. President Owen Kuang (attendance by video conference)	1. Report and discuss the development of the China business market. 2. The impact of recent market changes on business performance and strategic planning and discussion.	Independent Directors made recommendations on each proposal as a reference for the management team, and to serve as the direction for tracking and execution.
2021.5.11	Present: Chairperson Kirk Hwang, Independent Director Donald Chang, Independent Director Shih-Lai Lu, Independent Director Yi Lee, President Chin-Cheng Huang, and Cellulosic Materials Division President Ray Chen. In attendance: CFO Guu-Fong Lin	1. The impact of recent market changes on business performance and strategic planning and discussion. 2. Explanation of the operational plan of the Guanyin Mill.	Independent Directors made recommendations on each proposal as a reference for the management team, and to serve as the direction for tracking and execution.
2021.8.9	Present: Chairperson Kirk Hwang (attended by video conference), Independent Director Donald Chang, Independent Director Shih-Lai Lu, Independent Director Yi Lee, President Chin-Cheng Huang (attended by video conference), and Cellulosic Materials Division President Ray Chen. In attendance: CFO Guu-Fong Lin	The impact of recent market changes on business performance and strategic planning and discussion.	Independent Directors made recommendations on each proposal as a reference for the management team, and to serve as the direction for tracking and execution.
2021.11.8	Present: Chairperson Kirk Hwang, Independent Director Donald Chang, Independent Director Shih-Lai Lu, Independent Director Yi Lee, President Chin-Cheng Huang, and Cellulosic Materials Division President Ray Chen. In attendance: CFO Guu-Fong Lin (attended by video conference)	1. The impact of recent market changes on business performance and strategic planning and discussion. 2. Explanation of the sale of products.	Independent Directors made recommendations on each proposal as a reference for the management team, and to serve as the direction for tracking and execution.

2. Deliver laws and regulations relevant to Directors to the Directors for reference.
3. Disclose important information in a timely manner and hold regular investor conferences to announce the results of operations, and disclose the relevant information on the Company's website (www.chp.com.tw) as well as the Market Observation Post System.
4. Since 2015, the Company started preparing corporate social responsibility reports and disclosed them on the Company's website and the Market Observation Post System.

3.4.9 Internal Control Systems

A. Internal Control Statement

Chung Hwa Pulp Corporation Statement of Internal Control System

Date : March 15 2022

Based on the findings of a self-assessment, CHP states the following with regard to its internal control system during the year 2021 :

1. CHP's Board of Directors and Management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets), reliability of our financial reporting, and compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and YFY takes immediate remedial actions in response to any identified deficiencies.
3. CHP evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring.
4. CHP has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, CHP believes that on December 31, 2019, it has maintained, in all material respects an effective internal control system (that includes the supervision and management of our subsidiaries) to provide reasonable assurance over our operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations.
6. This Statement will be an integral part of CHP's Annual Report for the year 2016 and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement has been passed by the Board of Directors in their meeting held on

March 15, 2022, where all of the nine attending directors express dissenting opinion and affirmed the content of this Statement.

Chung Hwa Pulp Corporation

B. Has the Company delegated CPAs to review its internal audit system and issued an audit report: None

3.4.10 Penalties issued on the Company and its personnel, punishment imposed by the Company on personnel in violation of internal control system regulations, major deficiencies and improvement measures taken during the current fiscal year up to the date of publication of the annual report:
None

3.4.11 Major Resolutions of Shareholders' Meeting and Board Meetings

A. Important resolutions of the 2021 Shareholders' Meeting (July 7, 2021) (abstract):

- (1). Approved the acknowledgment of the Company's 2020 financial statements.
- (2). Approved the acknowledgment of the Company's 2020 loss appropriation.
- (3). Approved the amendments to the Company's Articles of Incorporation.
- (4). Approved the amendments to the Company's Procedure for Lending Funds to Other Parties.
- (5). Approved the amendment to the Company's Procedures for Endorsements and Guarantees.

Implementation status: After the resolution of the shareholders' meeting, the Company will handle the matters (1) to (5) according to the resolutions of the shareholders' meeting.

B. Important Board resolutions

Important resolutions of the 10th meeting of the 18th Board of Directors on February 26, 2021 (abstract):

- (1). Approved the 2020 financial statements.
- (2). Approved the loss appropriation for 2020.
- (3). Approved the 2020 remuneration to the employees and Directors.

- (4). Approved the 2020 Statement on Internal Control.
- (5). Approved the amendments to the Company's Articles of Incorporation and submitted them to the shareholders' meeting for discussion.
- (6). Approved the amendments to the Company's Procedures for Extending Loans to Others and submitted them to the shareholders' meeting for discussion.
- (7). Approved the amendments to the Company's Procedures for Endorsements and Guarantees and submitted them to the shareholders' meeting for discussion.
- (8). Approved the amendments to the Company's Remuneration Committee Charter.
- (9). Approved the location and other relevant matters regarding the 2021 shareholders' meeting.
- (10). Approved the interbank lending credit line application.
- (11). Approved the acknowledgment of the total amount of guarantees for endorsements for external parties by the Company and its subsidiaries as of the fourth quarter of 2020.
- (12). Approved the adjustment of the Company's organizational structure.
- (13). Approved the change of the manager of the Company's Taichung branch.

Important resolutions of the 11th meeting of the 18th Board of Directors on May 13, 2021 (abstract):

- (1). Approved the amendments to the Company's Review Authority Table.
- (2). Approved the replacement of the Company's former CPAs with CPAs Shu-Wan Lin and Hui-Ming Huang.
- (3). Approved the Company's interbank lending credit line application.
- (4). Approved the total amount of guarantees for endorsements for external parties by the Company and its subsidiaries as of the first quarter of 2021.

Important resolutions of the 12th (interim) meeting of the 18th Board of Directors on June 17, 2021 (abstract):

- (1). Approved the new date, location, and other relevant matters regarding the Company's 2021 shareholders' meeting.

Important resolutions of the 13th meeting of the 18th Board of Directors on August 12, 2021 (abstract):

- (1). Approved the Company's interbank lending credit line application.
- (2). Approved the Company to be the joint promissory note maker of subsidiaries' interbank lending credit line applications.
- (3). Approved the total amount of guarantees for endorsements for external parties by the Company and its subsidiaries as of the second quarter of 2021.

Important resolutions of the 14th meeting of the 18th Board of Directors on November 11, 2021 (abstract):

- (1). Approved the Company's 2022 annual operational budget.
- (2). Approved the Company's 2022 audit plan.
- (3). Approved the Company's interbank lending credit line application.
- (4). Approved the Company to be the joint promissory note maker of subsidiaries' interbank lending credit line applications.
- (5). Approved the total amount of guarantees for endorsements for external parties by the Company and its subsidiaries as of the third quarter of 2021.

Important resolutions of the 15th (interim) meeting of the 18th Board of Directors on December 28, 2021 (abstract):

- (1). Approved the adjustment of the Company's organizational structure and the change of the Company's managers.

Important resolutions of the 16th meeting of the 18th Board of Directors on March 15, 2022 (abstract):

- (1). Approved the 2021 financial statements.
- (2). Approved the 2021 earnings distribution proposal.
- (3). Approved the 2021 remuneration to the employees and Directors.
- (4). Approved the 2021 Statement on Internal Control.
- (5). Approved the amendments to the Company's internal control system.
- (6). Approved the amendments to the Company's Articles of Incorporation and submitted them to the shareholders' meeting for discussion.
- (7). Approved the amendments to the Company's Shareholders' Meeting Policy and submitted them to the shareholders' meeting for discussion.
- (8). Approved the amendments to the Company's Asset Acquisition and Disposal Procedure and submitted them to the shareholders' meeting for discussion.
- (9). Approved the amendments to the Company's Procedure for Transactions with Related Parties and submitted them to the shareholders' meeting for discussion.
- (10). Approved the location and other relevant matters regarding the 2022 shareholders' meeting.
- (11). Approved the resolution to elect the 19th Board of Directors and Independent Directors during the 2022 shareholders' meeting.
- (12). Approved the proposal to the shareholders' meeting to remove the non-competition restriction for the new Directors and the institutional entities they represent.
- (13). Approved the interbank lending credit line application.

(14). Approved the Company to be the joint promissory note maker of subsidiaries' interbank lending credit line applications.

(15). Approved the acknowledgment of the total amount of guarantees for endorsements for external parties by the Company and its subsidiaries as of the fourth quarter of 2021.

3.4.12 Major Issues of Record or Written Statements Made by Any Director Dissenting to Important Resolutions Passed by the Board of Directors:
None

3.4.13 Resignation or Dismissal of the Company's Key Individuals, Including the Chairperson, CEO, and Heads of Accounting, Finance, Internal Audit, Company Secretary and R&D:

Title	Name	Date of appointment	Date of dismissal	Reason for resignation or adjustment
President	Chin-Cheng Huang	3/16/2017	1/1/2022	Retirement

3.4.14 Internal Audit Licenses

Certified Internal Auditor (CIA): 1 person in the Audit Department

3.5 Audit Fee

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Audit Fee	Non-audit Fee	Total	Remarks
Deloitte & Touche	Shu-Wan Lin Shiow- Ming Shue	1/1/2021~12/31/2021	3,200	25 Note	3,225	-

Note: The non-supervisor full-time employee salary information checklist for 2020 is NT\$25 thousand.

1. Where the Company's replacing accounting firm and audit fees paid for the year were less than that in the previous year before replacement: None.
2. Where the audit fees decreased by more than 10% compared to the previous year: None.

3.6 Replacement of Certified Public Accountant (CPA):

A. Regarding the former CPA

	From 1 st Quarter, 2021		
Replacement reasons and explanations	Due to the internal rotation policy of accountants in Deloitte and Touche Taiwan, the accountant responsible for auditing was changed from Shioh-Ming Shue accountant to Hui-Min Huang accountant.		
Describe whether the Company terminated or the CPA did not accept the appointment	Parties	CPA	The Company
	Status		
	Termination of appointment	N/A	N/A
	No longer accepted (continued) appointment	N/A	N/A
Other issues (except for unqualified issues) in the audit reports within the last two years	None		
Differences with the company	Yes	-	Accounting principles or practices
		-	Disclosure of Financial Statements
		-	Audit scope or steps
		-	Others
	None	V	
	Remarks/specify details:		
Other Revealed Matters	None		

B. Regarding the successor CPA

Name of accounting firm	Deloitte and Touche Taiwan
Name of CPA	Shu-Wan Lin and Hui-Ming Huang
Date of appointment	5/13/2021(From 1st Quarter 2021)
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	NA
Succeeding CPA's written opinion of disagreement toward the former CPA	None

C. The former CPA's reply to items in Article 10-6-1 and 10-6-2-3: None.

3.7 The Chairperson, President and Financial or Accounting Managerial Officer of the Company who had worked for the Independent CPA or the affiliate in the past year:

None.

3.8 Shareholding Transferred or Pledged by Directors, Management, and Major Shareholders Who Holds 10% of The Company Shares or More:

Unit: Shares

Title	Name		2021		As of April.20, 2022	
			Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Director	YFY INC.		-	-	-	-
Chairperson	Kirk Hwang	Representative of YFY INC.	-	-	-	-
Director	S. C. Ho		-	-	-	-
Director	Felix Ho		-	-	-	-
Director	YFY Paradigm Investment Co., Ltd.		-	-	-	-
Director	Cheng-Hsien Chu Note1	Representative of YFY Paradigm Investment Co., Ltd.	-	-	-	-
Director	Chih-Cheng Huang Note2		-	-	-	-
Director	Guu-Fong Lin		-	-	-	-
Director	Ray Chen		-	-	-	-
Independent Director	Donald Chang		-	-	-	-
Independent Director	Shih-Lai Lu		-	-	-	-
Independent Director	Yi Lee		-	-	-	-
President	Chih-Cheng Huang Note3		-	-	-	-
CFO	Guu-Fong Lin		-	-	-	-
President of Cellulosic Materials Division	Ray Chen		-	-	-	-
President of Specialty Materials Division	Yoshihiro Akiyama		-	-	-	-
Executive Vice President of Cellulosic Materials Division	Rong-Ming Lin Note4		-	-	-	-
Finance Manager	David Lin		-	-	-	-

Title	Name	2021		As of April.20, 2022	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Accounting Manager	Jung-Min Huang	-	-	-	-
Major shareholder	YFY INC.	-	-	-	-

Note1: Institutional director reappointment on February 7, 2022.

Note2: The Director was reassigned and stepped down on February 7, 2022.

Note3: President Chin-Cheng Huang retired on January 1, 2022.

Note4: Vice President Rong-Ming Lin reassigned to the Division Office of the Cellulosic Materials Division on January 1, 2022.

3.9 Information disclosing the spouse, kinship within second degree, and relationship between any of the top ten shareholders:

April 20, 2022

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
YFY INC.	627,827,989	56.93	-	-	-	-	YFY Paradigm Investment Co., Ltd. YFY Paradigm Investment Co., Ltd.	juristic-person director juristic-person supervisor	-
Representative: Jean Liu	-	-	-	-	-	-	-	-	-
Shin-Yi Enterprise Co., Ltd.	50,149,248	4.55	-	-	-	-	YFY INC. Shin-Yi Investment Co., Ltd. Yuen Shin Yi Enterprise Co., Ltd.	juristic-person director juristic-person director juristic-person director	-
Representative: Sing-Ju Chang	-	-	1,223,071	0.11	-	-	Representative of Shin-Yi Investment Co., Ltd., S. C. Ho Representative of Yuen Shin Yi Enterprise Co., Ltd., S. C. Ho	Spouse Spouse	-
Shin-Yi Recreation Co., Ltd.	23,624,028	2.14	-	-	-	-	-	-	-
Representative: Bao-Yu Hsieh	-	-	-	-	-	-	-	-	-
Shin-Yi Investment Co., Ltd.	21,090,110	1.91	-	-	-	-	Yuen Shin Yi Enterprise Co., Ltd.	juristic-person supervisor	-
Representative: S. C. Ho	1,223,071	0.11	-	-	-	-	Representative of Shin-Yi Enterprise Co., Ltd., Sing-Ju Chang Representative of Yuen Shin Yi Enterprise Co., Ltd., S. C. Ho	Spouse Same Representative	-
YFY paradigm Investment Co., Ltd	7,752,732	0.70	-	-	-	-	-	-	-
David Lo	-	-	-	-	-	-	-	-	-
Yuen Shin Yi Enterprise Co., Ltd	7,231,001	0.66	-	-	-	-	-	-	-
Representative: S. C. Ho	1,223,071	0.11	-	-	-	-	Representative of Shin-Yi Enterprise Co., Ltd., Sing-Ju Chang Representative of Yuen Shin Yi Enterprise Co., Ltd., S. C. Ho	Spouse Same Representative	-
Vanguard Emerging Markets Stock Index Fund, a series of Vanguard	5,250,000	0.48	-	-	-	-	-	-	-

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
International Equity Index Funds									
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	5,136,000	0.47	-	-	-	-	-	-	-
SPDR(R) Index Shares Funds – SPDR Portfolio Emerging Market Markets ETF	2,427,589	0.22	-	-	-	-	-	-	-
Vanguard Fiduciary Trust Company Institutional Total International Stock Market Index Trust II	2,082,000	0.19	-	-	-	-	-	-	-

3.10 Comprehensive Shareholding Information Relating to Company, Directors, Management, and Companies Affiliated through Direct and Indirect Investment:

Unit: shares/ %

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors/Supervisors/Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
CHP INT'L (BVI) CORP.	61,039,956	100	-	-	61,039,956	100
Hwa Fong Investment Co., Ltd	3,600,000	100	-	-	3,600,000	100
Guangdong Dingfung Pulp & Paper Co., Ltd.	-	-	-	100	-	100
Zhaoqing Dingfung Forestry Co., Ltd.	-	-	-	100	-	100
Genovella Renewables Inc.	-	-	-	100	-	100
Shenzhen Systax Paper Co., Ltd	-	-	-	100	-	100
Syntax Communication (H.K.) Ltd.	-	-	-	100	-	100
Zhaoqing Xinchuan Green Technology Co., Ltd.	-	-	-	100	-	100
E Ink Holdings Inc.	20,000,000	1.75	174,766,635	15.33	194,766,635	17.08
EFFION Enertech Co., Ltd.	34,300,000	49	35,700,000	51	70,000,000	100
Guizhou Yuanfong Forestry Co., Ltd.	-	-	-	67	-	67

Capital Overview

4.1 Source of capital

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Source of share capital	Capital Increased by Assets Other than Cash	Other
8/2015	10	1,300,000,000	13,000,000,000	1,102,835,316	11,028,353,160	Undistributed Earnings	-	8/17/2015 FSC No.1040030024

Note: The company handles cash reduction of NT\$1,200,000,000 on August 17 2015 and, the amount of paid-up capital after capital reduction to be NT\$ 11,028,353,160.

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Stock	1,102,835,316	197,164,684	1,300,000,000	1. Listed stocks 2. As of 2022.3.31, the treasury shares is 15,944,000 shares

Note: Contains treasury stocks of 15,944,000 shares

4.2 Shareholder Structure

4/20/2022

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	-	15	101	85,563	157	85,836
Shareholding (shares)	-	473,856	764,750,790	306,824,298	30,786,372	1,102,835,316
Percentage	-	0.04	69.35	27.82	2.79	100.00

4.3 Shareholding Distribution

4/20/2022

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	25,223	5,844,762	0.53
1,000 ~ 5,000	49,358	102,606,268	9.30
5,001 ~ 10,000	6,663	54,648,188	4.95
10,001 ~ 15,000	1,516	19,507,497	1.77
15,001 ~ 20,000	1,195	22,666,531	2.06
20,001 ~ 30,000	794	20,616,094	1.87
30,001 ~ 40,000	324	11,721,450	1.06
40,001 ~ 50,000	214	10,121,977	0.92
50,001 ~ 100,000	325	23,132,801	2.10
100,001 ~ 200,000	133	18,171,378	1.65
200,001 ~ 400,000	37	10,695,482	0.97
400,001 ~ 600,000	16	8,018,326	0.73
600,001 ~ 800,000	11	7,810,883	0.71
800,001 ~ 1,000,000	6	5,332,186	0.48
1,000,001 or over	21	781,941,493	70.90
Total	85,836	1,102,835,316	100.00

4.4 Major Shareholders

4/20/2022

Shareholder's Name	Shareholding	
	Shares	Percentage
YFY INC.	627,827,989	56.93
Shin-Yi Enterprise Co., Ltd.	50,149,248	4.55
Shin-Yi Recreation Co., Ltd.	23,624,028	2.14
Shin-Yi Investment Co., Ltd.	21,090,110	1.91
YFY paradigm Investment Co., Ltd	7,752,732	0.70
Yuen Shin Yi Enterprise Co., Ltd	7,231,001	0.66
Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	5,250,000	0.48
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	5,136,000	0.47
SPDR(R) Index Shares Funds – SPDR Portfolio Emerging Market Markets ETF	2,427,589	0.22
Vanguard Fiduciary Trust Company Institutional Total International Stock Market Index Trust II	2,082,000	0.19

4.5 Share Price, Net Worth, Earnings, Dividends and Related Information

Items	2020	2021	1/1/2022- 4/20/2022
Market Price per Share			
Highest Market Price	13.35	33.60	24.95
Lowest Market Price	6.01	9.72	20.10
Average Market Price	8.80	21.33	22.80
Net Worth per Share			
Before Distribution	13.51	14.23	-
After Distribution	13.51	-	-
Earnings per Share			
Weighted Average Shares	1,094,405,883	1,086,891,316	1,086,891,316
Diluted Earnings Per Share	(0.18)	0.45	-
Adjusted Diluted Earnings Per Share	(0.18)	0.45	-
Dividends per Share			
Cash Dividends	-	0.40	-
Stock Dividends			
• Dividends from Retained Earnings	-	-	-
• Dividends from Capital Surplus	-	-	-
Accumulated Undistributed Dividends	-	-	-
Return on Investment			
Price / Earnings Ratio (Note 1)	-	47.4	-
Price / Dividend Ratio (Note 2)	-	53.3	-
Cash Dividend Yield Rate (Note 3)	-	1.88	-

Note 1: Price / Earnings Ratio = Average Market Price / Earnings per Share.

Note 2: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share.

Note 3: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price.

Note 4: The 2021 earnings distribution proposal has already been approved by the Board of Directors and is yet to be approved by the 2022 shareholders' meeting.

4.6 Dividend Policy and Implementation Status

A. Dividend policy stipulated in the Company's Articles of Incorporation

Article 31-1: If the Company has any surplus at the end of a year, it shall first be applied to pay income taxes according to the law and cover losses from the previous years. Then 10% of the balance will be allocated to a statutory surplus reserve, and a special surplus reserve shall be allocated according to the law. A special surplus reserve or retained earnings are set aside if needed. Any remaining balance shall be distributed as dividends and bonus by the total number of shares.

Article 32: In consideration of external factors and the objectives of long term financial planning and in the interest of stable business growth, the Company's dividend policy measures future cash flows based on the capital budget and uses retained earnings to meet the cash flow requirements. An appropriate percentage of the remaining surplus will be retained as needed to support the ongoing business operations, and a minimum of 20% of the remaining surplus will be distributed in the form of cash dividends and the rest in share dividends. However, for the purpose of meeting other capital expenditure requirements, the Company may distribute the aforementioned remaining surplus in the form of share dividends only.

B. Dividend distribution to be proposed by the shareholders' meeting:

The board of directors of the company has approved the distribution of a cash dividend of NT\$0.4 per share on March 15, 2022, which will be submitted to the shareholders' meeting for approval.

4.7 Impact of Stock Dividend Distribution on Business Performance and EPS:

This Shareholders' Meeting did not resolve to distribute any stock dividends, so it is not applicable.

4.8 Employees' and Directors' Remunerations

A. Percentages or ranges of remuneration of employees and Directors under the Articles of Incorporation:

According to Article 31 of the Articles of Incorporation, if the Company sustains profit every year, 1% or more of the income shall be set aside as the remuneration to employees, and 2% or less shall be distributed as Directors' remuneration. However, an amount shall be set aside first to compensate cumulative losses, if any.

Directors' remuneration may be distributed by way of cash dividends, and employees' remuneration may be distributed by way of cash dividends or stock dividends. The Board of Director shall be authorized to define the qualification requirements of employees entitled to receive shares or cash, including the employees of subsidiaries of the Company that meet certain specific requirements. The distribution ratio of Directors' remunerations, and the method of distribution and ratio of employees' remunerations shall be resolved by a majority vote at a Board meeting attended by more than two thirds of the Directors, and shall be reported at the shareholders' meeting.

Employee and Director's remunerations are calculated deducting the cumulative losses from the profit for the year (i.e., the profit before employee and Director Remunerations are deducted from profit before tax).

B. Basis for estimating the amount of remuneration of employees and Directors, basis for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated amount, for the

current period:

The estimated employee and Director remunerations are recognized as expenses at the distributable amounts for the current year according to the Articles of Incorporation. Any change in the amounts on the date of resolution by the Board of Directors shall be treated as accounting adjustments and recognized as adjustments for net profit and loss of the year approved by the Board of Directors. If it is decided in the Board meeting to distribute employee remuneration in the form of shares, the number of share will be determined by dividing the approved amount by the fair price of the shares. The fair price of the shares will be calculated based on the closing price on the day before the date of the shareholders' meeting and the effect of ex-dividend/ex-rights.

C. Remuneration Proposals approved by the Board of Directors:

(1) Employee and Director Remuneration will be distributed in cash or shares:

Employee Compensation	NT\$ 6,000Thousand
Directors' Compensation	NT\$ 7,000Thousand

The above compensation is paid in cash. No share has been distributed, and the amount is consistent with the estimated expenses for 2021.

(2) The amount of remuneration to employees to be paid in shares out of the current company-level financial report in terms of the sum of net profit after tax and employee bonus.

Not applicable.

D. Any difference between actual distribution of employee remuneration and Director remuneration from the previous year and recognized employee and Director remunerations, and the reasons as well as corresponding treatments:

Remuneration of Employees and Directors were not distributed in 2020. The actual distribution is consistent with the resolution of the Board of Directors.

4.9 Repurchases of Treasury Stock:**4.9.1 Exercised:**

Phase of repurchase:	Third
Purpose of repurchase	to transfer shares to employees
Repurchase period	2020/5/15-2020/7/14
Expected repurchase price range	NT\$ 5.8 to 10.0
Expected repurchased shares	30,000,000 common shares
Repurchase price range	NT\$7.70 to 9.07 per share
Type and quantity of repurchased shares	15,944,000 common shares

Phase of repurchase:	Third
Amount of repurchased shares	NT\$136,726,350
Average repurchase price per share	NT\$8.58
Ratio of quantity of repurchased shares to scheduled quantity of shares to repurchase (%)	53.15%
Quantity of shares eliminated and transferred	None
Accumulated quantity of Company shares held	15,944,000 shares
Accumulated quantity of Company shares held to issued shares (%)	1.45%
Reason for the implementation yet to complete	Since the Company's strategy is to repurchase in batches depending on stock price and trading volume fluctuations, the implementation is not yet complete.

4.9.2 Currently exercising: None.

4.10 Corporate Bond Issuance:

The Company does not issue any corporate bonds.

4.11 Preferred Stock Issuance:

The Company does not issue preferred shares.

4.12 Global Depository Receipts Issuance:

The Company did not issue any global depository receipts.

4.13 Employee Stock Options:

The Company did not issue any employee stock options.

4.14 New Restricted Employee Shares:

None

4.15 Shares Issued for Mergers and Acquisitions:

None

4.16 Utilization of Funds:

4.16.1 Plan: The Company does not have any specific financial plans.

4.16.2 Implementation: None

Business Overview

5.1 Scope of Business

5.1.1 Business Scope

A. Main areas of business operations

Manufacturing, sales and distribution of pulp, paper, paperboard, timber, chemical products and fertilizers.

B. Revenue distribution

Unit: NT\$ thousands

Major Divisions	Total Sales in Year 2021	(%) of Total Sales
Forestry	150,417	0.68
Pulp	3,910,756	17.75
Paper	13,366,312	60.67
Paperboard	4,332,036	19.66
Other	272,329	1.24
Total	22,031,850	100.0

C. Main products

Timber, pulp (NBKP, LBKP), paper and paperboards (cultural paper, special paper, tissue paper), and other derivative products from the process such as chemicals and fertilizers.

D. New products development:

Development of specialty and food safety paper.

5.1.2 Industry Overview

A. Overall economic environment

As vaccination coverage increased in major countries in 2021, global economic recovery is obvious. However, due to shipping and energy shortages, the contribution to economic growth is expected to decline. Thus, according to the Taiwan Institute of Economic Research's latest forecast released in November 2021, the GDP growth rate in 2022 is 4.10%, which is 2.0 percentage points lower than the updated 6.10% for 2021.

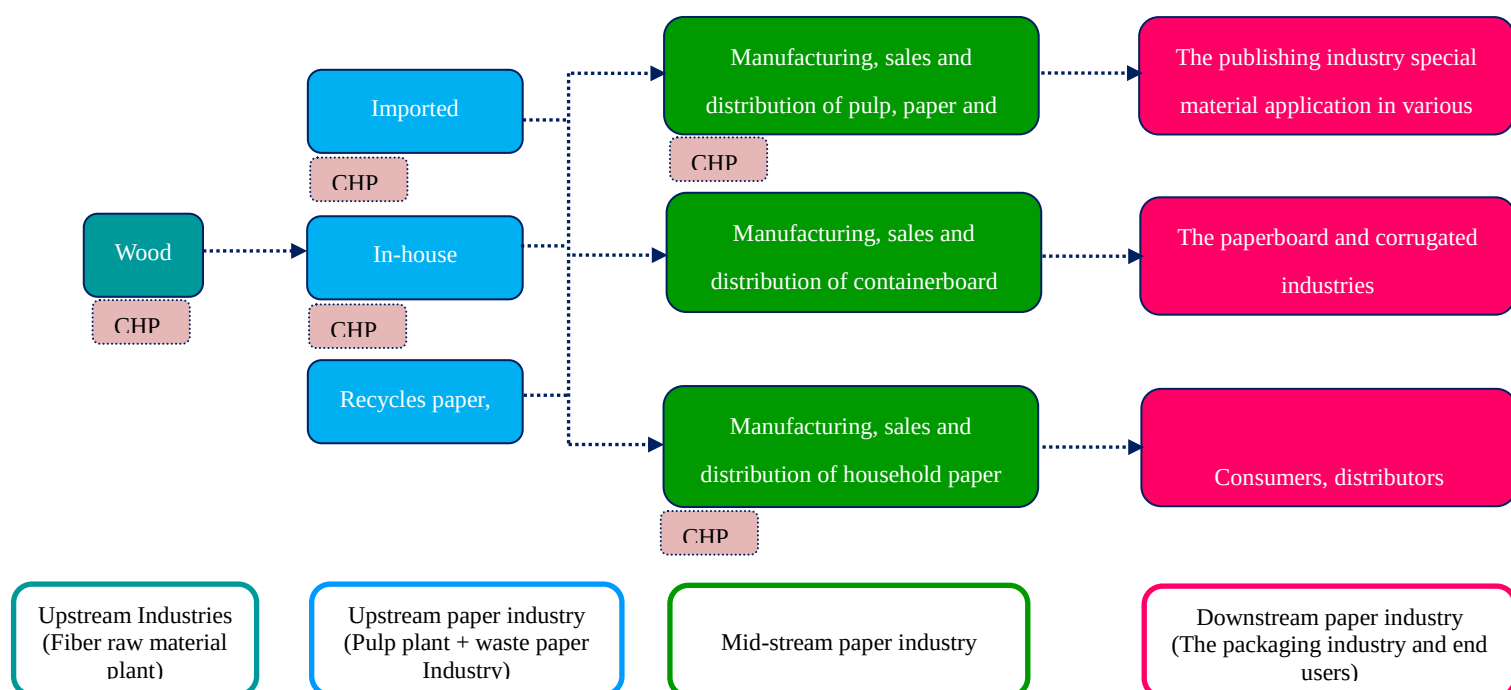
B. Current industry conditions and development

In terms of the international paper industry, prices rose from the fourth quarter of 2020 to the highs in May and June 2021. After basing for several months, prices regained their upward strength in December. In terms of demand, the strong demand in Europe and the United States cannot be met due to transportation problems. The decline in pulp prices in Asia is mainly due to the short-term pullback caused by the inability to ship the products. Comprehensive observations of supply and demand show that prices of raw materials will to continue rise until mid-2022.

In terms of wood chips, with high energy and shipping prices, wood shortages, chaotic shipping schedules, and China's ban on waste, demand for wood chips increased. Demand for packaging paper skyrocketed due to e-commerce and the worsening epidemic. The shortage of recycled pulp has led to a rise in the demand for

virgin pulp. These are all reasons for the sharp rise in the demand for wood chips. The price of wood chips is expected to continue increasing in 2022.

C. Relationship with Up-, Middle- and Downstream Companies



D. Product Trends and Competition

In recent years, domestic peers such as Cheng Loong and Taiwan Pulp and Paper Corporation have stopped the production of paper stationery products; CHP has partially switched to the production of special purpose paper, making the market to rely on imported paper stationery products.

On the demand side, the global demand for paper stationery products keeps declining due to the changes in reading habits, digitalization, and reduced birth rate. However, the demand for packaging paper stays stable due to the prosperous development in e-Commerce. The development of other special purpose paper is anticipated with the development of Industry 4.0 and the Internet of Things.

Facing the fluctuation of international pulp prices, CHP supplies the demand for short-fiber pulp in various factories within the group, in order to reduce the impact of market price fluctuations on profit and loss. The paper stationery product market will implement flexible production and marketing policies and will continue to expand the trade model of sales, in order to maintain the Company's reasonable profits and market share. In addition, CHP also continues to research and develop the high-value-added special purpose paper market, food-safe paper, and special materials to expand diversified applications.

5.1.3 Research and Development

A. Research and Development Expenses in the Past Year and as of the Published

Day:

In the past year and up to the date of publication of the annual report, the research and development expenses invested are about NT\$104.75 million and NT 30.66 million respectively, and the relevant costs for research and development applications are not included.

B. Research and Development Achievements of the Past Year:

- (1) Pulp products: The R&D of pulp products focuses on improving production efficiency and reducing the use of wood chips to alleviate the costs caused by rising raw material prices. In addition to the strength and resilience of general paper products, pulp-plastic products can also be made into various shapes according to the load, positioning, and cushioning requirements of the packaged objects. Pulp-plastic products can replace the foamed plastic in packaging.
- (2) Paper products: We added new technical elements and researched and developed multi-domain and multi-purpose special purpose paper products to increase the added value of the products.

5.1.4 Long- and Short-term Business Development Plans**Short-term Plans**

- (1) Actively improve the process and management, and enhance the momentum of transformation.
- (2) Strengthen the research and development of niche products, develop all kinds of alternative products for plastic, and stabilize our position in the environmental protection products market.
- (3) Vertically integrate the supply chain, strengthen cooperative development with downstream processing plants, and increase overall industry competitiveness.
- (4) Strengthen information integration, utilize big data analytics, and improve the efficiency of procurement, production, and marketing processes.
- (5) Provide customers with innovative cash flow and logistics services to solidify our market control capabilities.

Long-term Plans

- (1) Research and develop environmentally sustainable and high value-added, botanical fiber-based material products and continue promoting the transformation of product structure.
- (2) Dedicate to sustainable cycles and use the R3 (recycle, re-creation, and value reinvention) to enhance the usage of materials and promote the evolution of product diversity.
- (3) Implement a talent cultivation plan, build a succession team, and rank among the world-class materials companies.

5.2 Market and Sales Outlook**5.2.1 Market Analysis****A. Sales of main products**

In terms of pulp, the price of upstream raw material wood chips rose by more than 50% in 2021. Wood is a green source of energy. Although burning wood will release carbon, planting trees can contribute to carbon sequestration. With the global rise of environmental awareness, the United Kingdom, Hokkaido and more and more

power plants burn wood chips to generate electricity. Long-term demand is in an upward trend. To CHP, the sales strategy is still based on supplying short-fiber pulp to the various plants in the group. Our operation strategy is to retain cash, adjust production, and lengthen the period of regular equipment maintenance in response to the falling demand.

In terms of the sale of paper, in the development of special purpose paper sales and in response to the worldwide plastics reduction trend, and under the impact of the pandemic, the demand for medical supplies and packaging paper increased. Also, the demand for food-safe paper increased substantially since people made purchases online or ordered in due to reduced outdoor activities. Therefore, in 2021, CHP actively promoted non-plastic food paper that is free of plastic coating and 100% recyclable to achieve the three main goals of reducing plastic, reducing carbon, and reducing waste. Furthermore, the Taoyuan Guanyin mill began operations in July 2021 and new pulp plastic production lines of the Hualien mill began operations in August 2021. CHP will continue to strengthen the Circuwell non-plastic food-safe paper products and utilize the advantages of pulping to produce circular products, focusing on a circular economy as the development core.

CHP's consolidated operating income for 2021 amounted to approximately NT\$22.03 billion, which is an increase of approximately NT\$3.41 billion from NT\$18.62 billion in 2020. The net profit after tax attributable to the Company in 2021 is approximately NT\$490 million, which, compared with the net loss of NT\$200 million in 2020, is an increase of about NT\$690 million. For 2021, pulp production was 364,218 metric tons. Domestic pulp sales was 92,576 metric tons and export sales was 121,635, totaling 214,211 metric tons. Paper production was 395,713 metric tons. Domestic paper sales was 188,644 metric tons and export sales was 233,376, totaling 422,020 metric tons. Cardboard production was 136,838 metric tons. Domestic cardboard sales was 162,441 metric tons and export sales was 36,181, totaling 198,622 metric tons. Facing many uncertainties in the international economy in 2022, CHP will continue to improve product quality, strengthen the stability of raw material sources, prices, and supply, expand product application markets, and strengthen services to enhance market competitiveness.

The Company is focused on the development of special purpose paper with the aim of gradually transforming the production portfolio from paper stationery products to industrial-use special materials to meet the diverse demands of the packaging, food, and electronics industry. Advanced countries have greater demands for multi-use special purpose paper products, and the emerging new market also have stronger demands day by day. These are the source for sales value growth. Looking ahead to 2022, we will continue to improve the quality of our products, strengthen the hold on raw materials and product supply stability, as well as expand the applications of our products and improve local services. In response to ESG and the trend of developing green supply chains, CHP will use its 50-year power generation technology to expand investment in renewable energy products. We plan to strengthen existing biofuel, methane, and solar energy and develop next-generation energy applications to realize a new circular economy blueprint and achieve carbon neutrality.

B. Sources of raw materials, and sales regions of main products

a. Main sources of raw materials:

Pulp: Chile, Brazil, Uruguay, Canada, the United States, Russia, Finland,

Sweden, Germany, New Zealand, Japan, Thailand and Indonesia.

Wood chips: Australia, Chile, Brazil, Uruguay, Vietnam, Thailand, Indonesia, Malaysia, South Africa, Canada, the United States, Russia.

b. Pulp export: China, South Korea and Thailand.

c. Paper export: China, Japan, South Korea, Southeast Asia, Australia, India, South Africa, USA and South America.

5.2.2 Major applications and production procedures of main products

Pulp—Suitable tree species are used based on the paper plant's requirements; different types of pulp are produced from lumber after evaporation, cleaning, bleaching, molding and drying.

Paper products—The main raw material is pulp; different types of paper are produced by going through a series of processing steps including pulp dispersion, blending, cleaning, shaping, dehydration, drying, and coiling. High-quality printing paper (e.g., coated paper and simile paper) is made by coating and calendering the surface, which is suitable for premium quality text and color printing; and special purpose papers (e.g., glassine paper and masking paper) are suitable for various types of industrial use. We are also actively developing food-safe paper (e.g., paper straws, paper cups, and sealing paper).

5.2.3 Supply Status of Main Materials

In 2021, the Company imported wood chips for short-fiber pulp in Taiwan, mainly from Australia and Vietnam Eucalyptus wood chips. Considering market price fluctuations of wood chips, shipping time, and product characteristic requirements, we adjust the purchase amount from sources flexibly. For purchasing raw materials, we will keep abreast of changes in market supply and demand and monitor the quality of sources to stabilize the cost of raw materials.

5.2.4 Major Suppliers and Clients

A. Major Suppliers in the Last Two Calendar Years

The company had no suppliers purchased more than 10% in the most recent 2 years.

B. Major Clients in the Last Two Calendar Years

The company had no clients sold more than 10% in the most recent 2 years.

5.2.5 Production in the Last Two Years

Unit: MT / NT\$ thousands

Year Output Main Products	2020		2021	
	Quantity	Amount	Quantity	Amount
Pulp	320,202	4,564,051	364,218	6,649,377
Paper	391,362	11,401,874	395,713	12,533,111
Paperboard	143,416	2,641,644	136,838	2,984,489

Note: Outputs include the total numbers of overseas subsidiaries.

5.2.6 Shipments and Sales in the Last Two Years

Unit: MT / NT\$ thousands

Year Shipments & Sales Major Products	2020				2021			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Pulp	78,872	1,150,832	74,430	1,034,287	92,576	1,768,812	121,635	2,141,944
Paper	191,349	5,144,124	232,076	7,191,893	188,644	5,390,574	233,376	7,975,738
Paperboard	159,478	3,042,294	59,063	983,113	162,441	3,510,386	36,181	821,650

Note: Shipments & Sales include the total numbers of overseas subsidiaries.

5.3 Employee Information in the last two years and up to the print date of this annual report

Year		2020	2021	As of April 20, 2022
Number of employees		2,589	2,723	2,739
Average age		41.46	42.58	42.22
Average year of services		14.23	13.54	13.25
Education distribution ratio %	Ph.D.	0.15	0.15	0.18
	Masters	6.22	6.17	6.73
	Bachelor's Degree	46.27	51.78	43.05
	Below Senior High School	47.36	41.90	50.04

Note: The number of employees includes the total numbers of overseas subsidiaries.

5.4 Environmental Protection Expenditure

1. Losses of each production unit due to environmental pollution and relevant information in last year and up to the print date for this annual report:

Provision(s) violated	Content of disposition	Penalty date	Disposition No.	Response measures
Article(s): Article 40, Paragraph 1 of the Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution Content: Units which generate industrial solid waste shall utilize industrial solid waste according to economic and technical conditions. For waste that is not or cannot be used temporarily, storage facilities and places shall be constructed in accordance with the provisions of the State Council's ecological environment and other competent departments. The waste shall be stored according to the safety classification, or harmless disposal measures shall be adopted. Protective measures that are in line with national environmental protection standards shall be adopted for the storage of industrial solid waste.	A penalty of RMB 100,000	August 20, 2021	Zhao-Huan-Ning-Fa-Zi No. (2021)12	Improvements have been made in accordance with the requirements of the environmental protection department.
Article(s): Article 18 of the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution Content: Corporations and other producers and business operators shall conduct environmental impact assessments and disclose environmental impact assessment documents in accordance with the law when constructing projects that have an impact on the atmospheric environment. The discharge of pollutants into the atmosphere shall comply with the standards for the discharge of atmospheric pollutants and the control requirements for emission of key atmospheric pollutants.	A penalty of RMB 599,000	September 2, 2021	Zhao-Huan-Ning-Fa-Zi No. (2021)18	Improvements have been made in accordance with the requirements of the environmental protection department.
		April 2, 2022	Zhao-Huan-Ning-Fa-Zi No. (2022)1	The rectification plan has been submitted to the competent authority, and the project plan is being submitted. The rectification plan will be implemented once it is approved.
Article(s): Paragraph 1, Article 7 of the Water Pollution Control Act Content: Those enterprises, sewage systems, or building sewage treatment facilities that discharge wastewater or sewage into surface water bodies shall comply with effluent standards.	A penalty of NT\$864,000 in total.	September 28, 2021	30-110-090003	Improvements were completed and relevant improvement reports have been approved by the competent authority.
		December 14, 2021	30-110-120001	Improvements were completed and relevant improvement reports have been approved by the competent authority.
Article(s): Article 2 of the Stationary Pollution Source Air Pollutant Emissions Standards and Paragraph 1, Article 20 of the Air Pollution Control Act Content: Public and private premises with stationary pollution sources that emit air pollutants shall comply with emission standards.	A penalty of NT\$3,060,000 in total.	March 5, 2021	20-110-030002	Improvements were completed and relevant improvement reports have been approved by the competent authority.
		July 14, 2021	20-110-070007	Improvements were completed and relevant improvement reports have been approved by the competent authority.
		January 21, 2022	20-111-010002	Relevant improvement reports have been approved by the competent authority.
		January 22, 2022	20-111-010003	Relevant improvement reports have been approved by the competent authority.

Article(s): Article 31, Paragraph 1, Subparagraph 1 of the Waste Disposal Act Content: In accordance with the format, items, content and frequency stipulated by the central competent authority, report to the special municipality, county or city competent authority via the Internet the circumstances regarding the production, storage, clearance, disposal, reuse, export, import, transit and transshipment of the waste at issue. However, those circumstances in which the central competent authority allows the submission of written reports shall not be subject to this restriction.	A penalty of NT\$12,000 in total.	June 16, 2021	40-110-060001	Rectified and approved by the competent authority.
		October 14, 2021	40-110-100001	Rectified and approved by the competent authority.
Article(s): Article 19, Paragraph 1 of the Regulations for the Establishment and Management of Dedicated Wastewater (Sewage) Treatment Units or Personnel and Article 21, Paragraph 2 of the Water Pollution Control Act Content: When dedicated wastewater (sewage) treatment personnel of the enterprises or sewage systems resign or change, the agents of the enterprises or sewage systems shall handle the matters and report to the municipal and county (city) competent authorities in writing within 15 days after the occurrence for record.	A penalty of NT\$10,000.	July 21, 2021	30-110-070001	Additional documents have been filed after the occurrence.
Article(s): Paragraph 1, Article 44 of the Air Pollution Control Act Content: Motor vehicles shall undergo regular air pollutant emission testing. The owner of a motor vehicle for which testing reveals a failure to comply with the emission standards in Article 36 (2) shall make repairs and apply for retesting within one month after the date of testing.	A penalty of NT\$500.	August 17, 2021	21-110-080556	Additional documents have been filed after the occurrence and testing was completed.

2. As of the publication date, companies in the consolidated statements have zero environmental protection appeals.
3. The Company and its subsidiaries handle various by-products generated in the production process in accordance with the relevant environmental protection laws and regulations, and continue to strengthen the professional knowledge of relevant operators, equipment maintenance, and investments in environmental protection equipment.
4. In 2021, the production units of the Company and its subsidiaries mainly invested about NT\$138 million in related environmental protection expenditures, including expenditures related to air quality control of about NT\$45 million, water resource treatment of about NT\$25 million, and renewable energy of about NT\$40 million.

Information on greenhouse gases, water consumption and total waste weight for the last two years:

Unit: Million tones

Item \ Year	2020	2021
Total amount of solid residue	29.44	23.98
Greenhouse Gas Emissions	95.11	100.89
Total water withdrawal	28.54	28.57

* Solid waste treatment: 60% is recycled in the factory, 40% is recycled/reused outside the factory.

5.5 Labor Relations

5.5.1 Present status and the implementation of employer-employee agreements:

● Employee Welfare:

- The Company has formulated Work Rules in favor of the employees, established a Staff Welfare Committee, allocates employee benefits on a monthly basis, and regularly holds employee-employer meetings as an open communication channel between labor and management.
- To purchase employee group accident insurance and healthcare insurance to offer better protection for employees' families.
- To strengthen protection for employees' families, allowances and support are available to the families of employees who are disabled or deceased.
- To improve the quality of life of employees, promote employee friendships and encourage employees to organize self-improvement activities and provide subsidies.
- Encourage employees to organize clubs to organize activities that benefit the body and mind, and provide subsidies.
- Regularly conduct employee health checkups, and often organize a number of group sports activities to maintain employees' physical and mental health.

● Employee Retirement Program:

The Company's Taiwan region has implemented an employee retirement program in accordance with the Labor Standards Act and the Labor Pension Act, and has assembled a Supervisory Committees of Workers' Pension Reserve Funds and makes monthly contributions to the pension reserve. The Company regularly allocates 6% of the total salary expenses of employees under the old rules and saves it in a pension reserve account at the Bank of Taiwan. In addition, in compliance with the implementation of the Labor Pension Act, the Company makes monthly contributions of 6% of the total salary to individual pension accounts at the Bureau of Labor Insurance for existing employees who opted for the new rules and new employees who are subject to the new rules.

● Labor-management Communications:

The Company regularly convenes employer-employee meetings to communicate and coordinate with employees, and subsequently adjusts measures according to

the consensus of both parties.

- Continuing Education and Training for Employees

The Company holds talent strategic development consensus meetings with executives, amends training development rules, and conducts assessments of employee competency at all levels to sustain the development of the Company and overcome any market and industry challenges. Systematic and continuous talent cultivation programs are provided to encourage employees to maximize their potential and improve their performance. Meanwhile, diversified learning resources are made available to employees (e.g., orientation training, management training, professional training, and general training) to encourage self-enhancement among employees.

Orientation training: Aims to assist new employees to know their way around the workplace and understand the Company's vision, organizational structure, rules, and the operating status of each functional and business units.

Management training: Aims to strengthen the organization's management performance, and foster and improve supervisors' leadership and strategic thinking capabilities.

Professional training: Aims to enhance work-related skills of departmental professionals.

General training: Aims to foster employees' knowledge and skills required for independent operations, workplace communication, and job management to support the Company's future business development requirements and achieve long-term business goals.

The Company organized various education and training courses for employees in 2021, including 12,325 person-times and 37,158 hours of internal training and external training.

Course type	Number of Classes	Total Number of Employees	Total Hours	Total Expenses (in thousand dollars)
Professional competency	388	8,557	21,563	1,018
Management and general knowledge	99	3,538	14,666	719
Cultural cultivation for new recruits	47	229	790	5

- Employee Safety and Health:

The Company is responsible for and obligated to protect the health and safety of its employees. In addition to the OHSAS 18001 certification for occupational safety and health, the Company's Mills have declared their determination to promote employee

safety and the vision to create a corporate safety culture.

An occupational safety and health center was established to ensure employee health and safety. The following active measures are adopted in adherence to the aforementioned safety ideals:

- (1) Responsibilities of different levels of responsible units: The first level is the occupational safety and health center supervisor. A professional in occupational safety and health is responsible for cross-unit coordination and direct supervision of the safety and health policies, regulations, and practices adopted by each mill. The second level is the Company's mills. Each mill appoints an occupational safety and health supervisor who reports to the supervisor of the center and is responsible for developing safety and health work rules for the mills, and acts as the counselor, supervisor, and auditor of safety and health measures.
- (2) Safe operations promotion: Through safety education and labor safety systems, the safety management functions of managers of all levels are reinforced to gradually establish a coherent set of safety values and standards, and build a consensus to promote safe operations.
- (3) Operation standardization: Standard operating procedures and work safety analysis are implemented for various operations.
- (4) Employee health management: Regular employee physical checkups are held and exceed requirements of the Labor Health Protection Regulations. Health promotion programs for employees are developed according to health checkup results.
- (5) Employee safety training: Employees and contractors must receive safety training upon entering the Company and during reassignments. Departments hold ad hoc work safety training and education seminars to increase collective safety awareness.
- (6) Accident reporting and investigation: Any work accident at any of the mills must be reported to the occupational safety and health center supervisor and the person in charge of the mill within 24 hours, and an investigation for cause and improvement must take place within one week. Meanwhile, all employees are informed of the incident to prevent it from repeating.
- (7) Work safety reviews and disaster drills: In addition to regular disaster drills and monthly occupational safety and health center meetings, equipment safety inspections are reinforced to actively improve the

workplace and safety measures.

- Employee code of conduct or ethics:

The Company's Work Rules provide a service guideline and clear work principles for employee compliance. To more effectively protect the Company's trade secrets, operating profits, and competitive edge in response to the amendment made to the Trade Secrets Act in 2013, the Company has prescribed Integrity and Confidentiality of Intellectual Property Agreement as a mandatory document for registration of new recruits..

The Company subsequently promulgated the Employee Code of Conduct in July 2016. Employees' behavior must comply with this Code of Conduct when performing daily tasks and operations: Employees must take the initiative to avoid improper benefits, perform their duties properly, and effectively utilize Company resources and public properties during work. The Employee Code of Conduct prescribes reporting channels and investigation procedures. Regular education and training programs are provided to raise employees' awareness towards ethical conduct.

- Other Important Agreements:

None.

5.5.2 Performance of Social Responsibilities:

- (1). The Company has formulated Work Rules in favor of the employees and regularly holds employee-employer meetings as an open communication channel between labor and management.
- (2). The Company has set up an employee grievance mechanism and contact method, and handles complaints properly.
- (3). The Company's mills in Taiwan have all obtained OHSAS 18001 certification. Each mill has assembled a special unit for safety and health to actively promote related businesses, implement standard operating procedures and work safety analysis for the operations to fully standardize the operations and make them safe, and reinforce the safety management functions of the management to slowly establish a unified set of safety value and standards and build a consensus to promote safe operations. Employees are required to receive safety training upon entering the company and at reassignment. The departments hold regular safety training and education seminars to increase collective safety awareness and regular disaster drills and quarterly work safety reviews. They also reinforce equipment safety inspections to actively improve the workplace and safety measures.
- (4). The Company also organizes various education and training courses for employees which include professional competency, management and general knowledge, cultural cultivation for new recruits, and on-the-job continuing education to provide employees with development opportunities and cultivate effective occupational empowerment.

5.5.3 Measures to specifically enhance employee benefits or rights compared to the previous year:

- (1) Regularly organized employee gatherings and encouraged employees to travel domestically so that employees can relieve stress through various activities.
- (2) Increased the employee travel subsidies and added a variety of welfare products to meet the different needs of employees.
- (3) During the epidemic, we provided epidemic prevention materials free of charge to ensure the health and safety of all employees.
- (4) Increased the employee health checkup items to provide health checkups that are superior to regulations.

5.5.4 Losses due to labor disputes last year and up to the print date for this annual report:

The Company has always had a harmonious labor-management relationship. No major labor disputes have occurred.

5.5.5 As of the print date for this annual report, the following are the labor inspection results that violate the Labor Standards Act:

Disposition date	Disposition No.	Provisions(s) violated	Content of provision(s) violated	Content of disposition	Estimated values that might occur now and in the future and their countermeasures
July 9, 2021	Fu-She-Lao-Zi No. 1100132388A	Paragraph 2, Article 32 of the Labor Standards Act	The extension of working hours has exceeded the stipulations.	NT\$200,000	For special situations, employee rotation schedules will be coordinated to comply with the regulations.
July 9, 2021	Fu-She-Lao-Zi No. 1100132388A	Paragraph 2, Article 34 of the Labor Standards Act	The day and night rotation system does not give workers rest days in accordance with the regulations.	NT\$150,000	For special situations, employee rotation schedules will be coordinated to shift their schedules, and the rotation method has been adjusted to avoid insufficient rest periods.
December 20, 2021	Fu-She-Lao-Zi No. 1100263302	Paragraph 2, Article 32 of the Labor Standards Act	The extension of working hours referred to in the preceding paragraph, combined with the regular working hours shall not exceed twelve hours a day; the total overtime shall not exceed forty-six hours a month.	NT\$20,000	For special situations, employee rotation schedules will be coordinated to comply with the regulations.

5.6 Cyber security management

1. Cyber security risk management framework, cyber security policy, specific management plan, and resources invested in cyber security management:

Cyber security policy disclosure

Through the dedicated information security management platform and team, the Company's information security management allows the Company and its subsidiaries to adopt optimal approaches to utilize resources, centralize

management in an appropriate and timely manner, and upgrade existing information security network equipment and mechanisms, so that the information is kept secure in line with current trends.

Information security policies and specific management plans

The Company's cyber security policy is focused on the use of technology and information governance. By using a human-machine interface, software, and hardware configurations and systems of inspection and balance, we construct a cyber security management network and implement the established policy through the network, as outlined below:

- Firewall: Through next-generation firewalls, we control security through monitoring data access from people, events, time, execution method, source, destination, and accessed object. Threat detection is carried out for all network traffic, and intrusion detection and defense, viruses, and worms are effectively controlled. We log records of all network traffic, including who, where, and the access of data.
- Server room management: With Tier 1 data centers as a basis, the Company implements various standards for physical and environmental safety. We built an UPS system to avoid equipment damage, data loss, and service interruption due to power outages. In addition to high-end air-conditioning systems to meet the heat dissipation requirements of high-density cabinets, the server rooms are also equipped with fire detection and automatic extinguishing systems that comply with the relevant fire regulations. We regularly maintain the systems to prevent important information hardware from being damaged and destroyed. The aforementioned hardware facilities have strict physical access control and are equipped with 24-hour video surveillance equipment to avoid unauthorized access and keep data assets safe.
- User cyber security management: Through setting permissions on personal computers, regularly updating computer systems for security, email protection, enterprise endpoint antivirus solutions, endpoint detection, external network access, internal system control, and adopting online control for electronic documents of the group, and other policies and mechanisms, the Company set up cyber security protection nodes on internal and external network paths accessible by users to implement relevant cyber security requirements. The Company also established cyber security management specifications. The cyber security management unit periodically conducts drills for important systems each year to ensure the recovery plans work and enhance the cyber security emergency response and recovery abilities.
- Plant cyber security management: The information management unit conducts yearly discussions with IT technicians from each plant to talk about cyber security problems, trends, and reinforcement measures. Education and training programs are organized to increase employees' awareness towards the environmental maintenance of information security and risks.
- Education and training: The information management unit sends emails to promote cyber security and organizes physical cyber security courses and lectures for the Company to explain the existing cyber security crime methods and matters that require attention. We actively improve employees'

knowledge of cyber security raise their level of awareness. As cyber crime is becoming more and more serious, it will threaten and challenge future business operations. We need to pay more attention to strengthening cyber security governance mechanisms. Also, the most important aspect of cyber security protection is people. Thus, the future focus will be on strengthening enterprise network security protection and improving employees' awareness of cyber security risks. In today's Internet era, no one, including business entities, is safe from cyber security risks hidden in every corner of a network. The Company not only endeavors to comply with government policies and in-house regulations regarding information security but also, with a very careful attitude, fulfills responsibilities to complete routine tasks related to information security management, so as to minimize the IT-related operational risks of the Company and its subsidiaries.

2. Losses due to material cyber security incidents last year and up to the print date for this annual report and the possible impacts and response measures:

None.

5.7 Major Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Long term loan contract	Made jointly by Bank of Taiwan, Chang Hwa Bank, Land Bank of Taiwan, Taiwan Cooperative Bank, Hua Nan Bank, and Taipei Fubon Bank and 5 participating banks.	3/31/2020~ 3/31/2025	5-year syndicated loan repaid at maturity	None

Financial Overview

6.1 Five-Year Financial Summary

6.1.1 Condensed Balance Sheet and Condensed Statement of Comprehensive Income

A. Condensed Balance Sheet – IFRSs (Consolidated)

Unit: NT\$ thousands

Item \ Year		Financial Summary for The Last Five Years				
		2017 (Audited after Restated)	2018 (Audited after Restated)	2019	2020	2021
Current assets		12,937,151	13,777,988	13,098,672	12,893,835	14,411,937
Property, Plant and Equipment		14,345,577	14,565,801	14,654,819	16,557,872	16,436,919
Long-Term Investment		1,602,555	1,600,194	1,835,627	1,707,274	1,396,027
Other assets		1,387,464	1,433,589	1,509,299	1,511,252	1,723,573
Total assets		30,272,747	31,377,572	31,098,417	32,670,233	33,968,456
Current liabilities	Before distribution	8,871,833	9,173,037	11,116,249	12,035,465	13,203,844
	After distribution	9,423,251	9,559,029	11,116,249	12,035,465	13,644,978
Non-current liabilities		3,219,365	4,140,427	2,587,144	3,649,014	3,131,048
Total liabilities	Before distribution	12,091,198	13,313,464	13,703,393	15,684,479	16,334,892
	After distribution	12,642,616	13,699,456	13,703,393	15,684,479	16,776,026
Equity attributable to shareholders of the parent		15,688,969	15,621,710	15,117,231	14,784,979	15,469,412
Capital stock		11,028,353	11,028,353	11,028,353	11,028,353	11,028,353
Capital surplus		36,602	31,468	29,563	29,821	28,880
Retained earnings	Before distribution	4,398,747	4,273,971	3,649,276	3,446,694	3,866,246
	After distribution	3,847,329	3,887,979	3,649,276	3,446,694	3,425,112
Other equity interest		225,267	287,918	410,039	416,837	682,659
Treasury stock		-	-	-	(136,726)	(136,726)
Equity Attributable To Former Owner Of Business Combination Under Common Control		86,069	13,440	-	-	-
Non-controlling interest		2,406,511	2,428,958	2,277,793	2,200,775	2,164,152
Total equity	Before distribution	18,181,549	18,064,108	17,395,024	16,985,754	17,633,564
	After distribution	17,630,131	17,678,116	17,395,024	16,985,754	17,192,430

Note: The profit distribution for year 2021 has been approved by the Board and yet to be approved by the 2022 AGM.

B. Condensed Statement of Comprehensive Income – IFRSs (Consolidated)

Unit: NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years				
	2017 (Audited after Restated)	2018 (Audited after Restated)	2019	2020	2021
Operating revenue	22,839,355	24,025,221	20,689,397	18,616,694	22,031,850
Gross profit	2,383,345	2,336,838	1,213,022	1,241,776	2,402,478
Income from operations	817,915	592,042	(383,777)	(390,177)	272,452
Non-operating income & expenses	90,796	77,054	21,365	86,693	252,226
Income before tax	908,711	669,096	(362,412)	(303,484)	524,678
Net income (Loss)	744,953	532,245	(302,084)	(312,392)	463,373
Net income (Loss) from Discontinued Operations	-	-	-	-	-
Net income (Loss) in the period	744,953	532,245	(302,084)	(312,392)	463,373
Other comprehensive income (income after tax)	(302,896)	(47,309)	34,337	39,592	186,137
Total comprehensive income	442,057	484,936	(267,747)	(272,800)	649,510
Net income attributable to shareholders of the parent	618,582	445,663	(245,098)	(201,797)	488,231
Net income attributable to Former Owner Of Business Combination Under Common Control	18,738	21,999	-	-	-
Net income attributable to non-controlling interest	107,633	64,583	(56,986)	(110,595)	(24,858)
Comprehensive income attributable to Shareholders of the parent	363,366	445,156	(116,582)	(195,782)	686,133
Comprehensive income attributable to Former Owner Of Business Combination Under Common Control	17,550	18,233	-	-	-
Comprehensive income attributable to non-controlling interest	61,141	21,547	(151,165)	(77,018)	(36,623)
Earnings per share	0.56	0.40	(0.22)	(0.18)	0.45

C. Condensed Balance Sheet – IFRS (Stand-Alone)

Unit: NT\$ thousands

Year Item		Financial Summary for The Last Five Years				
		2017 (Audited after Restated)	2018 (Audited after Restated)	2019	2020	2021
Current assets		7,164,802	7,971,014	7,790,430	7,733,030	9,132,282
Property, Plant and Equipment		11,873,321	12,255,178	12,420,909	14,244,035	14,182,152
Long-Term Investment		6,986,810	7,020,935	6,718,464	6,511,721	6,308,452
Other assets		857,262	802,133	997,434	1,032,040	1,251,689
Total assets		26,882,195	28,049,260	27,927,237	29,517,826	30,874,575
Current liabilities	Before distribution	7,974,144	8,474,607	10,429,002	11,319,473	12,520,643
	After distribution	8,525,562	8,860,599	10,429,002	11,319,473	12,961,777
Non-current liabilities		3,133,013	3,939,503	2,381,004	3,413,374	2,884,520
Total liabilities	Before distribution	11,107,157	12,414,110	12,810,006	14,732,847	15,405,163
	After distribution	11,658,575	12,800,102	12,810,006	14,732,847	15,846,297
Capital stock		11,028,353	11,028,353	11,028,353	11,028,353	11,028,353
Capital surplus		36,602	31,468	29,563	29,821	28,880
Retained earnings	Before distribution	4,398,747	4,273,971	3,649,276	3,446,694	3,866,246
	After distribution	3,847,329	3,887,979	3,649,276	3,446,694	3,425,112
Other equity interest		225,267	287,918	410,039	416,837	682,659
Treasury stock		-	-	-	(136,726)	(136,726)
Former Owner Of Business Combination Under Common Control		86,069	13,440	13,440	-	-
Total equity	Before distribution	15,775,038	15,635,150	15,117,231	14,784,979	15,469,412
	After distribution	15,223,620	15,249,158	15,117,231	14,784,979	15,028,278

Note: The profit distribution for year 2021 has been approved by the Board and yet to be approved by the 2022 AGM.

D. Condensed Statement of Comprehensive Income – IFRSs (Stand-Alone)

Unit: NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years				
	2017 (Audited after Restated)	2018 (Audited after Restated)	2019	2020	2021
Operating revenue	19,905,161	21,005,335	18,328,975	16,720,832	19,453,580
Gross profit	1,900,672	1,765,932	1,122,100	1,262,653	2,225,905
Income from operations	497,495	291,560	(237,550)	(150,501)	316,380
Non-operating income & expenses	218,778	244,752	(43,311)	(51,296)	230,520
Income before tax	716,273	536,312	(280,861)	(201,797)	546,900
Net profit for the current period	637,320	467,662	(245,098)	(201,797)	488,231
Net income (Loss) from Discontinued Operations	-	-	-	-	-
Net income (Loss)	637,320	467,662	(245,098)	(201,797)	488,231
Other comprehensive income (income after tax)	(256,404)	(4,273)	128,516	6,015	197,902
Total comprehensive income	380,916	463,389	(116,582)	(195,782)	686,133
Earnings per share	0.56	0.40	(0.22)	(0.18)	0.45

6.1.2 Auditors' Name and their Opinions

Year	CPA's Name	Audit Opinion
2017	Shu-Wan Lin, Shiow-Ming Shue	An Unmodified Opinion
2018	Shu-Wan Lin, Shiow-Ming Shue	An Unmodified Opinion With Emphasis of Matter paragraph
2019	Shu-Wan Lin, Shiow-Ming Shue	An Unmodified Opinion With Emphasis of Matter paragraph
2020	Shu-Wan Lin, Shiow-Ming Shue	An Unmodified Opinion With Emphasis of Matter paragraph
2021	Shu-Wan Lin, Hui-Min Huang	An Unmodified Opinion With Emphasis of Matter paragraph

6.2 Five-Year Financial Analysis

A. Consolidated Financial Analysis – IFRSs

Year Item		Financial Analysis for the Last Five Years				
		2017	2018	2019	2020	2021
Financial Structure (%)	Debt Ratio	40.02	42.44	44.06	48.01	48.09
	Ratio of long-term capital to property, plant and equipment	131.81	135.68	120.81	111.33	126.33
Liquidity (%)	Current ratio	144.97	150.10	117.83	107.13	109.15
	Quick ratio	105.04	99.94	77.48	68.93	72.80
	Interest earned ratio (times)	11.84	8.27	(2.97)	(2.17)	6.85
Operating Ability	Accounts receivable turnover (times)	6.36	6.86	6.30	5.83	6.13
	Average collection period	57.39	53.21	57.94	62.61	59.54
	Inventory turnover (times)	6.77	6.00	4.82	4.54	4.87
	Accounts payable turnover (times)	9.04	9.54	9.82	9.33	10.23
	Average days in sales	53.91	60.83	75.73	80.40	74.95
	Property, plant and equipment turnover (times)	1.58	1.65	1.41	1.12	1.34
	Total assets turnover (times)	0.75	0.77	0.67	0.57	0.65
Profitability	Return on total assets (%)	2.65	1.96	(0.73)	(0.74)	1.61
	Return on stockholders' equity (%)	4.63	3.38	(1.97)	(2.09)	2.68
	Pre-tax income to paid-in capital (%)	8.02	6.03	(3.29)	(2.75)	4.76
	Profit ratio (%)	3.20	2.20	(1.46)	(1.68)	2.10
	Earnings per share (NT\$)	0.56	0.40	(0.22)	(0.18)	0.45
Cash Flow	Cash flow ratio (%)	21.45	5.39	7.38	2.23	3.77
	Cash flow adequacy ratio (%)	91.82	71.90	55.41	25.42	26.70
	Cash reinvestment ratio (%)	2.95	(0.11)	0.88	0.53	0.96
Leverage	Operating leverage	2.43	2.94	(1.99)	(1.95)	5.40
	Financial leverage	1.12	1.18	0.81	0.80	1.49

Explanation of the reasons for the changes in various financial ratios in the last two years:

1. Interest protection multiples: This resulted from the profit in 2021 due to increased international pulp prices.
2. Profitability: This resulted from the profit in 2021 due to increased international pulp prices.
3. Cash flow: This resulted from the profit in 2021 due to increased international pulp prices and the increase in cash inflow from operating activities compared with the previous period.
4. Leverage: This resulted from the profit in 2021 due to increased international pulp prices.

B. Stand-Alone Financial Analysis – IFRSs

Item \ Year		Financial Analysis for the Last Five Years				
		2017	2018	2019	2020	2021
Financial structure (%)	Debt Ratio	41	44	46	50	50
	Ratio of long-term capital to property, plant and equipment	159	160	141	128	129
Liquidity (%)	Current ratio	90	94	75	68	73
	Quick ratio	50	49	41	36	43
	Interest earned ratio (times)	10	8	(2)	(1)	7
Operating Ability	Accounts receivable turnover (times)	7.06	7.14	6.28	5.96	6.09
	Average collection period	52	51	58	61	60
	Inventory turnover (times)	6.72	5.98	5.12	5.07	5.32
	Accounts payable turnover (times)	9.03	9.49	9.89	9.31	9.85
	Average days in sales	54	61	71	72	69
	Property, plant and equipment turnover (times)	1.68	1.71	1.48	1.17	1.37
	Total assets turnover (times)	0.74	0.75	0.66	0.57	0.63
Profitability	Return on total assets (%)	2.56	1.91	(0.63)	(0.45)	1.84
	Return on stockholders' equity (%)	3.94	2.97	(1.59)	(1.35)	3.23
	Pre-tax income to paid-in capital (%)	6.32	4.84	(2.55)	(1.83)	4.96
	Profit ratio (%)	3.11	2.21	(1.34)	(1.21)	2.51
	Earnings per share (NT\$)	0.56	0.40	(0.22)	(0.18)	0.45
Cash flow	Cash flow ratio (%)	12	3	8	5	1
	Cash flow adequacy ratio (%)	79.80	60.69	39.95	31.31	31.46
	Cash reinvestment ratio (%)	1.18	(0.61)	1.06	1.23	0.34
Leverage	Operating leverage	2.78	4.10	(2.89)	(5.27)	4.11
	Financial leverage	1.18	1.34	0.74	0.62	1.37

Analysis of financial ratio differences for the last two years

1. Interest protection multiples: This resulted from the profit in 2021 due to increased international pulp prices.
2. Profitability: This resulted from the profit in 2021 due to increased international pulp prices.
3. Cash flow: This resulted from the profit in 2021 due to increased international pulp prices and the increase in cash inflow from operating activities compared with the previous period.
4. Leverage: This resulted from the profit in 2021 due to increased international pulp prices.

Note:

Financial Structure

(1) Debt to asset ratio = Total liabilities / Total assets

(2) Long-term fund to PP&E ratio = (Shareholders' equity + Long-term liabilities) / Net PP&E

Solvency

(1) Current ratio = Current assets / Current liabilities

(2) Quick ratio = (Current assets – Inventory – Prepaid expenses) / Current liabilities

(3) Interest coverage ratio = Income before interest and taxes / Interest expense

Operation Performance

- (1) Accounts receivable turnover = Net revenue / Average accounts receivable
- (2) Average collection days = 365 / AR turnover
- (3) Inventory turnover = COGS / Average inventory
- (4) Accounts payable turnover = COGS / Average accounts payable
- (5) Average days sales = 365 / Inventory turnover
- (6) PP&E turnover = Net revenue / Average net PP&E
- (7) Total asset turnover = Net revenue / Average total assets

Profitability

- (1) Return on assets = [Net income + Interest expense x (1 – Tax rate)] / Average assets
- (2) Return on equity = Net income / Average equity
- (3) Net income margin = Net income / Net sales
- (4) EPS = (Net income – Preferred stock dividends) / Weighted average outstanding shares

Cash Flow

- (1) Cash flow ratio = Cash flow from operating activities / Current liabilities
- (2) Cash flow adequacy ratio = Net cash flow from operating activities for the past 5 years / (Capital expenditure + Increases in inventory + Cash dividends for the past 5 years)
- (3) Cash reinvestment rate = (Cash flow from operating activities – Cash dividends) / (Gross PP&E + Long-term investments + Other assets + Working capital)

Leverage

- (1) Operating leverage = (Net revenue – Variable operating costs and expenses) / Operating income
- (2) Financial leverage = Operating income / (Operating income – Interest expense)

6.3 Audit Committee's Report for the Most Recent Year

The Company's 2021 business report, financial statements and proposal of surplus distribution have been reviewed and determined to be correct and accurate by the Audit Committee, so according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report to the 2022 Annual General Meeting of shareholders of the Company.

Chung Hwa Pulp Corporation

Convener of the audit committee: Yi Lee

March 15, 2022

**6.4 Consolidated Financial Statements for the Years Ended December 31, 2021 and 2020, and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Shareholders
Chung Hwa Pulp Corporation

Opinion

We have audited the accompanying consolidated financial statements of Chung Hwa Pulp Corporation (the “Company”) and its subsidiaries (collectively referred to as the “Group”) which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC) and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

Basis for Opinion

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

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

The key audit matter identified in the consolidated financial statements for the year ended December 31, 2021 is as follows:

Estimation of Expected Credit Loss of Accounts Receivable

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

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

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

Other Matter

We have also audited the parent company only financial statements of Chung Hwa Pulp Corporation as of and for the years ended December 31, 2021 and 2020, on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for 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 the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance,

but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine the matter that was of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021, and is therefore the key audit matter. We describe the matter in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 15, 2022

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 audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' 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' report and consolidated financial statements shall prevail.

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 536,128	2	\$ 386,604	1
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	2,459	-	6,731	-
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	1,650,599	5	1,170,239	4
Financial assets at amortized cost - current (Notes 4 and 10)	220,074	1	8,000	-
Financial assets for hedging - current (Notes 4 and 9)	-	-	54	-
Notes and accounts receivable (Notes 4 and 11)	3,446,252	10	2,809,182	9
Notes and accounts receivable from related parties (Notes 4 and 27)	456,010	1	475,592	1
Other receivables from related parties (Notes 4 and 27)	107,737	-	111,613	-
Inventories (Notes 4 and 12)	4,281,553	13	3,775,155	12
Biological assets (Notes 4 and 13)	3,193,535	9	3,327,526	10
Other current assets	<u>517,590</u>	<u>1</u>	<u>823,139</u>	<u>2</u>
Total current assets	<u>14,411,937</u>	<u>42</u>	<u>12,893,835</u>	<u>39</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	577,531	2	721,919	2
Financial assets at amortized cost - non-current (Notes 4 and 10)	-	-	218,241	1
Investments accounted for using the equity method (Notes 4 and 15)	818,496	3	767,114	2
Property, plant and equipment (Notes 4 and 16)	16,436,919	48	16,557,872	51
Right-of-use assets (Notes 4 and 17)	474,998	1	468,453	2
Investment properties (Notes 4 and 18)	256,610	1	256,877	1
Deferred tax assets (Notes 4 and 23)	127,841	-	110,871	-
Prepayments for equipment	492,402	2	600,787	2
Net defined benefit assets (Notes 4 and 20)	291,779	1	9,406	-
Other non-current assets (Note 15)	<u>79,943</u>	<u>-</u>	<u>64,858</u>	<u>-</u>
Total non-current assets	<u>19,556,519</u>	<u>58</u>	<u>19,776,398</u>	<u>61</u>
TOTAL	<u>\$ 33,968,456</u>	<u>100</u>	<u>\$ 32,670,233</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 19)	\$ 3,992,759	12	\$ 1,642,777	5
Short-term bills payable (Note 19)	5,649,221	17	6,297,360	19
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	7,486	-	3,019	-
Notes and accounts payable	1,528,096	5	1,495,978	5
Notes and accounts payable to related parties (Note 27)	434,313	1	380,514	1
Other payables	1,123,646	3	1,702,471	5
Other payables to related parties (Note 27)	2,223	-	-	-
Current tax liabilities (Note 23)	1,666	-	1,421	-
Lease liabilities - current (Notes 4 and 17)	26,092	-	15,815	-
Other current liabilities	<u>438,342</u>	<u>1</u>	<u>496,110</u>	<u>2</u>
Total current liabilities	<u>13,203,844</u>	<u>39</u>	<u>12,035,465</u>	<u>37</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 19)	792,992	2	1,390,592	4
Deferred tax liabilities (Notes 4 and 23)	2,060,083	6	2,002,167	6
Lease liabilities - non-current (Notes 4 and 17)	26,939	-	16,666	-
Other non-current liabilities	<u>251,034</u>	<u>1</u>	<u>239,589</u>	<u>1</u>
Total non-current liabilities	<u>3,131,048</u>	<u>9</u>	<u>3,649,014</u>	<u>11</u>
Total liabilities	<u>16,334,892</u>	<u>48</u>	<u>15,684,479</u>	<u>48</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 21)				
Share capital	<u>11,028,353</u>	<u>33</u>	<u>11,028,353</u>	<u>34</u>
Capital surplus	<u>28,880</u>	<u>-</u>	<u>29,821</u>	<u>-</u>
Retained earnings				
Legal reserve	226,257	1	226,257	1
Special reserve	1,186,894	3	1,186,894	3
Unappropriated earnings	<u>2,453,095</u>	<u>7</u>	<u>2,033,543</u>	<u>6</u>
Total retained earnings	<u>3,866,246</u>	<u>11</u>	<u>3,446,694</u>	<u>10</u>
Other equity	<u>682,659</u>	<u>2</u>	<u>416,837</u>	<u>1</u>
Treasury shares	<u>(136,726)</u>	<u>-</u>	<u>(136,726)</u>	<u>-</u>
Total equity attributable to owners of the Company	15,469,412	46	14,784,979	45
NON-CONTROLLING INTERESTS	<u>2,164,152</u>	<u>6</u>	<u>2,200,775</u>	<u>7</u>
Total equity	<u>17,633,564</u>	<u>52</u>	<u>16,985,754</u>	<u>52</u>
TOTAL	<u>\$ 33,968,456</u>	<u>100</u>	<u>\$ 32,670,233</u>	<u>100</u>

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

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Note 27)				
Sales	\$ 22,034,226	100	\$ 18,671,879	100
Sales returns and allowances	<u>110,871</u>	-	<u>103,301</u>	-
Net sales	21,923,355	100	18,568,578	100
Other operating revenue	<u>108,495</u>	-	<u>48,116</u>	-
Total operating revenue	<u>22,031,850</u>	<u>100</u>	<u>18,616,694</u>	<u>100</u>
OPERATING COSTS (Notes 12, 20, 22 and 27)				
Cost of goods sold	19,548,884	89	17,333,163	93
Other operating cost	<u>83,883</u>	-	<u>42,088</u>	-
Total operating costs	<u>19,632,767</u>	<u>89</u>	<u>17,375,251</u>	<u>93</u>
GAIN FROM CHANGES IN FAIR VALUE LESS COSTS TO SELL OF BIOLOGICAL ASSETS (Note 13)	<u>3,395</u>	-	<u>333</u>	-
GROSS PROFIT	<u>2,402,478</u>	<u>11</u>	<u>1,241,776</u>	<u>7</u>
OPERATING EXPENSES (Notes 20, 22 and 27)				
Selling and marketing	1,660,255	8	1,181,986	6
General and administrative	365,017	2	331,549	2
Research and development	<u>104,754</u>	-	<u>118,418</u>	1
Total operating expenses	<u>2,130,026</u>	<u>10</u>	<u>1,631,953</u>	<u>9</u>
GAIN (LOSS) FROM OPERATIONS	<u>272,452</u>	<u>1</u>	<u>(390,177)</u>	<u>(2)</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Notes 22 and 27)	(89,635)	-	(95,751)	-
Share of profit of associates (Note 15)	108,630	-	4,489	-
Interest income (Note 27)	8,061	-	11,539	-
Dividend income	148,767	1	95,220	1
Gain from bargain purchase (Note 15)	22,018	-	140	-
Other income (Note 27)	99,113	-	66,896	-
Gain on disposal of property, plant and equipment	30	-	164	-
Loss on disposal of investments	(159)	-	-	-
Foreign exchange gain	17,633	-	88,963	-
Loss on financial instruments at FVTPL	(56,417)	-	(80,078)	-
Other losses	<u>(5,815)</u>	-	<u>(4,889)</u>	-

(Continued)

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

	2021		2020	
	Amount	%	Amount	%
Total non-operating income and expenses	<u>252,226</u>	<u>1</u>	<u>86,693</u>	<u>1</u>
GAIN (LOSS) BEFORE INCOME TAX	524,678	2	(303,484)	(1)
INCOME TAX EXPENSE (Notes 4 and 23)	<u>(61,305)</u>	<u>-</u>	<u>(8,908)</u>	<u>-</u>
NET GAIN (LOSS) FOR THE YEAR	<u>463,373</u>	<u>2</u>	<u>(312,392)</u>	<u>(1)</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 20)	(89,995)	-	(3,261)	-
Unrealized gain on investments in equity instruments at FVTOCI	295,445	1	30,571	-
Share of the other comprehensive income of associates	57,090	-	15,762	-
Tax effect of items that will not be reclassified (Note 23)	17,999	-	652	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	(76,581)	-	(3,491)	-
Gain on hedging instruments	5,249	-	527	-
Share of the other comprehensive loss of associates	<u>(23,070)</u>	<u>-</u>	<u>(1,168)</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>186,137</u>	<u>1</u>	<u>39,592</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ 649,510</u>	<u>3</u>	<u>\$ (272,800)</u>	<u>(1)</u>
NET GAIN (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 488,231	2	\$ (201,797)	(1)
Non-controlling interests	<u>(24,858)</u>	<u>-</u>	<u>(110,595)</u>	<u>(1)</u>
	<u>\$ 463,373</u>	<u>2</u>	<u>\$ (312,392)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE GAIN (LOSS) INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 686,133	3	\$ (195,782)	(1)
Non-controlling interests	<u>(36,623)</u>	<u>-</u>	<u>(77,018)</u>	<u>-</u>

(Continued)

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

	<u>2021</u>		<u>2020</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
	<u>\$ 649,510</u>	<u>3</u>	<u>\$ (272,800)</u>	<u>(1)</u>
EARNINGS (LOSS) PER SHARE (Note 24)				
Basic	<u>\$ 0.45</u>		<u>\$ (0.18)</u>	
Duiledud	<u>\$ 0.45</u>			

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

(Concluded)

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company (Notes 4 and 21)													
								Other Equity						
	Share Capital		Capital Surplus	Retained Earnings				Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized (Loss) Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Gain (Loss) on Hedging Instrument	Treasury Share	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
Adjustments for the changes in equity of associates	-	-	(191)	-	-	(2)	(2)	-	-	-	-	(193)	-	(193)
Unclaimed dividends	-	-	449	-	-	-	-	-	-	-	-	449	-	449
Net loss for the year ended December 31, 2020	-	-	-	-	-	(201,797)	(201,797)	-	-	-	-	(201,797)	(110,595)	(312,392)
Other comprehensive (loss) income for the year ended December 31, 2020	-	-	-	-	-	(2,770)	(2,770)	(38,236)	46,494	527	-	6,015	33,577	39,592
Total comprehensive (loss) income for the year ended December 31, 2020	-	-	-	-	-	(204,567)	(204,567)	(38,236)	46,494	527	-	(195,782)	(77,018)	(272,800)
Disposal of investments accounted for using the equity method	-	-	(16)	-	-	-	-	-	-	-	-	(16)	-	(16)
Disposal of investments in equity instruments designated as fair value through other comprehensive income	-	-	-	-	-	1,987	1,987	-	(1,987)	-	-	-	-	-
Buy-back of ordinary shares	-	-	-	-	-	-	-	-	-	-	(136,726)	(136,726)	-	(136,726)
BALANCE AT DECEMBER 31, 2020	1,102,835	11,028,353	29,821	226,257	1,186,894	2,033,543	3,446,694	(338,941)	761,027	(5,249)	(136,726)	14,784,979	2,200,775	16,985,754
Adjustments for the changes in equity of associates	-	-	(2,136)	-	-	(759)	(759)	-	-	-	-	(2,895)	-	(2,895)
Unclaimed dividends	-	-	1,220	-	-	-	-	-	-	-	-	1,220	-	1,220
Net profit for the year ended December 31, 2021	-	-	-	-	-	488,231	488,231	-	-	-	-	488,231	(24,858)	463,373
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	(72,412)	(72,412)	(87,886)	352,951	5,249	-	197,902	(11,765)	186,137
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	415,819	415,819	(87,886)	352,951	5,249	-	686,133	(36,623)	649,510
Disposal of investments accounted for using the equity method	-	-	(25)	-	-	1,650	1,650	-	(1,650)	-	-	(25)	-	(25)
Disposal of investments in equity instruments designated as at FVTOCI by associates	-	-	-	-	-	2,842	2,842	-	(2,842)	-	-	-	-	-
BALANCE AT DECEMBER 31, 2021	1,102,835	\$ 11,028,353	\$ 28,880	\$ 226,257	\$ 1,186,894	\$ 2,453,095	\$ 3,866,246	\$ (426,827)	\$ 1,109,486	\$ -	\$ (136,726)	\$ 15,469,412	\$ 2,164,152	\$ 17,633,564

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

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before income tax	\$ 524,678	\$ (303,484)
Adjustments for:		
Depreciation and amortization expenses	1,198,553	1,153,888
Expected credit loss recognized (reversed)	5,150	(2,609)
Loss on financial instruments at FVTPL	56,417	80,078
Finance costs	89,635	95,751
Interest income	(8,061)	(11,539)
Dividend income	(148,767)	(95,220)
Share of profit of associates	(108,630)	(4,489)
Gain on disposal of property, plant and equipment	(30)	(164)
Loss on disposal of investments	159	-
Reversal of write-downs of inventories	(4,648)	(9,921)
Unrealized gain on foreign currency exchange	(8,080)	(7,217)
Gain on changes in fair value less costs to sell of biological assets	(3,395)	(333)
Gain from bargain purchase	(22,018)	(140)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at FVTPL	(47,539)	(83,229)
Notes and accounts receivable	(649,197)	(142,489)
Notes and accounts receivable from related parties	18,823	(18,155)
Inventories	(505,393)	131,079
Biological assets	119,601	(23,231)
Other current assets	305,169	(227,711)
Net defined benefit assets	(372,368)	(9,406)
Notes and accounts payable	33,873	131,234
Notes and accounts payable to related parties	55,626	(101,865)
Other payables	148,176	161,260
Other current liabilities	(92,333)	(139,918)
Net defined benefit liabilities	-	(205,906)
Cash generated from operations	585,401	366,264
Interest received	8,036	12,136
Interest paid	(90,457)	(100,946)
Income tax paid	(4,705)	(8,893)
Net cash generated from operating activities	498,275	268,561
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets at FVTOCI	-	1,800
Proceeds from capital reduction on investments accounted for financial assets at FVTOCI	26,122	41,057
Purchase of financial assets at amortized cost	-	(64,098)
Proceeds from sale of financial assets at amortized cost	5,000	153,452
Proceeds from sale of financial assets at fair value through profit or loss	-	176,829

(Continued)

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
Proceeds from sale of financial instruments for hedging	\$ 5,303	\$ 497
Purchase of investments accounted for using the equity method	(30,222)	(104)
Cash inflow from liquidation of investment accounted for using equity method	19,975	-
Payments for property, plant and equipment	(1,768,736)	(2,456,636)
Proceeds from disposal of property, plant and equipment	53	201
Decrease in other receivables from related parties	3,276	313,899
(Increase) decrease in other non-current assets	(19,455)	85
Decrease (increase) in prepayments for equipment	108,217	(30,035)
Dividends received	<u>202,577</u>	<u>135,220</u>
Net cash used in investing activities	<u>(1,447,890)</u>	<u>(1,727,833)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	2,359,734	(3,592,454)
(Decrease) increase in short-term bills payable	(648,139)	3,847,881
Proceeds from long-term borrowings	3,100,000	1,700,000
Repayments of long-term borrowings	(3,700,000)	(450,000)
Increase (decrease) in other payables to related parties	3,213	(8,661)
Repayment of the principal portion of lease liabilities	(27,788)	(22,269)
Increase in other non-current liabilities	12,703	27,452
Payments for buyback of ordinary shares	-	(136,726)
Capital surplus transferred from unclaimed dividends	<u>1,220</u>	<u>449</u>
Net cash generated from financing activities	<u>1,100,943</u>	<u>1,365,672</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(1,804)</u>	<u>1,479</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	149,524	(92,121)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>386,604</u>	<u>478,725</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 536,128</u>	<u>\$ 386,604</u>

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

(Concluded)

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

1. GENERAL INFORMATION

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

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

YFY Inc. and its subsidiaries held 58.6% of ordinary shares of the Company as of December 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 March 15, 2022.

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. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

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

retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: 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 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
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 IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

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 will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact of the application of other standards and interpretations 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

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

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

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.

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

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, Tables 6 and 7 for detailed information on subsidiaries (including percentages of ownership and main businesses).

d. Business combinations

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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any

non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

e. Foreign currencies

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

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

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

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

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

f. Inventories

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

g. Investment in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture.

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

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

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

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

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

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

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

h. Property, plant and equipment

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

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

Freehold land is not depreciated.

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

estimates accounted for on a prospective basis.

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

i. Investment properties

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

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

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

Depreciation is recognized using the straight-line method.

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

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

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

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

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

k. Financial instruments

Financial assets and financial liabilities are recognized when an entity in the Group becomes a party to the contractual provisions of the instruments.

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

immediately in profit or loss.

1) Financial assets

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

a) Measurement category

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

i. Financial assets at FVTPL

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

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

ii. Financial assets at amortized cost

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

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

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

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

Equity instruments issued by an entity in the Group are recognized at the proceeds received, net of direct issue costs.

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

3) Financial liabilities

a) Subsequent measurement

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

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

Financial liabilities held for trading are stated at fair value, and any interest paid on such financial liability is recognized in finance costs; any remeasurement gains or losses on such financial liabilities are recognized in other gains or losses. Fair value is determined in the manner described in Note 26.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

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

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

l. Hedge accounting

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

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

m. Provisions

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

n. Revenue recognition

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

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

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

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

o. Leases

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

1) The Group as lessor

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

2) The Group as lessee

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

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

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

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

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

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

p. Borrowing costs

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

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

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

r. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, to the extent that it is probable that

taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

3) Current and deferred taxes for the year

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

s. Biological assets

Biological assets are measured at fair value less costs to sell. The gains and losses arising from the change in fair value less costs to sell are recognized in profit or loss when they are incurred.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Group considers the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Estimated Impairment of Accounts Receivable

The provision for impairment of accounts receivable is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well

as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 11. Where the actual future cash inflows are less than expected, a material impairment loss may arise. Furthermore, the estimate of the probability of default is subject to greater uncertainties in the current year due to impact on credit risk of financial assets arising from the uncertainty on COVID-19 pandemic.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2021	2020
Cash on hand	\$ 2,070	\$ 1,576
Checking accounts and demand deposits	328,008	343,295
Cash equivalents		
Time deposits with original maturities of less than three months	<u>206,050</u>	<u>41,733</u>
	<u>\$ 536,128</u>	<u>\$ 386,604</u>

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

	December 31	
	2021	2020
Bank balance	0.001%-0.36%	0.001%-0.36%
Cash equivalents	0.35%-1.10%	0.35%-1.10%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2021	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	\$ 1,095	\$ 5,370
Non-derivative financial assets		
Mutual funds	<u>1,364</u>	<u>1,361</u>
	<u>\$ 2,459</u>	<u>\$ 6,731</u>
<u>Financial liabilities at FVTPL - current</u>		
Financial liabilities mandatorily classified as at FVTPL		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	<u>\$ 7,486</u>	<u>\$ 3,019</u>

At the end of the reporting year, outstanding foreign exchange forward contracts not under hedge

accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2021</u>			
Sell	USD:NTD	2022.01.14-2022.01.27	USD6,200/NTD171,616
	EUR:NTD	2022.01.26	EUR1,000/NTD31,320
Buy	USD:RMB	2022.01.18-2022.03.28	USD35,000/RMB223,150
<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

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

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

	<u>December 31</u>	
	2021	2020
<u>Current</u>		
Domestic investments		
Listed shares	<u>\$ 1,650,599</u>	<u>\$ 1,170,239</u>
<u>Non-current</u>		
Domestic investments		
Listed shares	\$ 303,810	\$ 349,956
Unlisted shares	<u>273,721</u>	<u>371,963</u>
	<u>\$ 577,531</u>	<u>\$ 721,919</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

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

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

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

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

The increase in value used for calculating hedge ineffectiveness in 2021 and 2020 were \$5,249 thousand and \$527 thousand, respectively, the following tables summarize the information relating to the hedges of foreign currency risk.

	Currency	Maturity Date	Notional Amount (In Thousands)	
<u>December 31, 2020</u>				
Buy	EUR:NTD	2021.01.29	EUR300/NTD10,506	
<u>December 31, 2021</u>				
			Change in Value Used for Calculating Hedge Ineffectiveness	Other Equity Carrying Amount in Continuing Hedges
Hedged Items				
Cash flow hedge				
Forecast transactions (capital expenditures)			\$ 5,249	\$ -
<u>December 31, 2020</u>				
			Change in Value Used for Calculating Hedge Ineffectiveness	Other Equity Carrying Amount in Continuing Hedges
Hedged Items				
Cash flow hedge				
Forecast transactions (capital expenditures)			\$ 527	\$ (5,249)

For the years ended December 31, 2021 and 2020, refer to Note 21(e) for information relating to gain (loss) on changes in the fair value of hedging instruments and the original carrying amount transferred to hedged items in 2021 and 2020.

10. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2021	2020
<u>Current</u>		
Domestic investments		
Time deposits with original maturity between three months and a year	\$ 3,000	\$ 8,000
Foreign investments		
Time deposits with original maturity of more than a year	<u>271,074</u>	<u>-</u>
	<u>\$ 220,074</u>	<u>\$ 8,000</u>
	December 31	
	2021	2020
<u>Non-current</u>		
Foreign investments		
Time deposits with original maturity of more than a year	<u>\$ -</u>	<u>\$ 218,241</u>

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

11. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	December 31	
	2021	2020
Notes receivable - operating	\$ 657,448	\$ 578,567
Accounts receivable - operating	<u>2,807,042</u>	<u>2,243,746</u>
Gross carrying amount	3,464,490	2,822,313
Less: Allowance for impairment loss	<u>(18,238)</u>	<u>(13,131)</u>
	<u>\$ 3,446,252</u>	<u>\$ 2,809,182</u>

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

For the accounts receivable that were past due at the end of the reporting period, the 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 for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook. 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 a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the 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 trade receivables based on the Group's provision matrix.

December 31, 2021

	Not Past Due	Less than 90 Days	91 Days to A Year	Over A Year	Total
Gross carrying amount	\$2,785,019	\$ 516,782	\$ 159,924	\$ 2,765	\$3,464,490
Loss allowance (Lifetime ECL)	<u>(1,047)</u>	<u>(11,292)</u>	<u>(3,134)</u>	<u>(2,765)</u>	<u>(18,238)</u>
Amortized cost	<u>\$2,783,972</u>	<u>\$ 505,490</u>	<u>\$ 156,790</u>	<u>\$ -</u>	<u>\$3,446,252</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 ECL)	<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>

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

	2021	2020
Balance at January 1	\$ 13,131	\$ 15,617
Net remeasurement of loss allowance	5,150	(2,609)
Foreign exchange translation gains and losses	<u>(43)</u>	<u>123</u>
Balance at December 31	<u>\$ 18,238</u>	<u>\$ 13,131</u>

As of December 31, 2021 and 2020, the Group discounted a portion of its banker's acceptance bills in mainland China with an aggregate carrying amount of \$73,795 thousand and \$42,523 thousand. For information on the transfer of financial instruments, refer to Note 27.

12. INVENTORIES

	December 31	
	2021	2020
Finished and purchased goods	\$ 2,341,317	\$ 2,192,648
Work in process	351,643	354,696
Materials	<u>1,588,593</u>	<u>1,227,811</u>
	<u>\$ 4,281,553</u>	<u>\$ 3,775,155</u>

The cost of goods sold for the years ended December 31, 2021 and 2020 included reversal of inventory write-downs of \$4,648 thousand and \$9,921 thousand, respectively.

13. BIOLOGICAL ASSETS

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 3,327,526	\$ 3,252,537
Increase due to planting	200,732	122,125
Gain from changes in fair value less costs to sell	3,395	333
Decrease due to harvest	(320,333)	(98,894)
Net exchange differences	<u>(17,785)</u>	<u>51,425</u>
Balance at December 31	<u>\$ 3,193,535</u>	<u>\$ 3,327,526</u>

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

	For the Year Ended December 31	
	2021	2020
Eucalyptus (Level 3)	<u>\$ 3,295,021</u>	<u>\$ 3,437,755</u>

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

	For the Year Ended December 31	
	2021	2020
Opening balance	\$ 3,437,755	\$ 3,360,128
Increase due to planting	214,819	126,964
Gain from changes in fair value less costs to sell - unrealized	3,633	346
Decrease due to harvest	(342,813)	(102,812)
Foreign exchange translation gains and losses	<u>(18,373)</u>	<u>53,129</u>
Ending balance	<u>\$ 3,295,021</u>	<u>\$ 3,437,755</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 December 31	
			2021	2020
The Company	CHP International (BVI) Corporation	Investment and holding.	100.0	100.0
CHP International (BVI) Corporation	Hwa Fong Investment Co., Ltd.	Investment and holding.	100.0	100.0
	Guangdong Dingfung Pulp & Paper Co., Ltd.	Pulp and paper production, trading and forestry business.	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
Hwa Fong Investment Co., Ltd.	Syntax Communication (H.K.) Limited	Sale and print of paper merchandise.	100.0	100.0
	Genovella Renewables Inc.	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
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
	Shenzhen Jinglun Paper Co., Ltd.	Paper trading, cargo and technic import and export business.	100.0	100.0
	Zhaoging Xinchuan Green Technology Co., Ltd.	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
Zhaoqing Dingfung Forestry Ltd.	Guizhou Yuanfung Forestry Co., Ltd. (Note)	Seedling cultivation and sales, reforestation, sales-cum-forest logging and other forestry, processing and transportation.	67.0	-

Note: Established in the fourth quarter of 2021, the capital injection has not completed.

15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2021	2020
Associates that are not individually material	<u>\$ 818,496</u>	<u>\$ 767,114</u>

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

	December 31	
	2021	2020
The Group's share of:		
Profit from continuing operations	\$ 108,630	\$ 4,489
Other comprehensive income	<u>34,020</u>	<u>14,594</u>
Total comprehensive income for the year	<u>\$ 142,650</u>	<u>\$ 19,083</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.

For the years ended December 31, 2021 and 2020, the Group obtained 4,272,247 voting shares and 20,504 voting shares of Union Paper Corporation., Ltd. at \$7-7.61 and \$5 per share, with a total investment of \$30,222 thousands and \$102 thousands, as well as 4.13% and 0.02% of voting rights. The Group recognized gain from bargain purchase of \$22,018 thousands and \$140 thousands.

The Group obtained 568,128 voting shares of Union Paper Corporation., Ltd. with a prepayment of \$3,977 thousands in December 2021. The transaction is accounted under other non-current assets since the equity settlement was completed in January 2022.

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.

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	\$ 1,771,897	\$ 763,555	\$ 1,303,050	\$ 46,497,087
Additions	1,560,400	203,304	285,039	15,972	28,895	12,248	862,244	2,968,102
Disposals	-	(1,288)	(301,580)	(49,012)	(135,574)	(13,775)	-	(501,229)
Effect of foreign currency exchange differences	-	11,156	65,500	-	(123)	2,497	4,643	83,673
Reclassifications	-	32,569	872,577	134,714	82,112	51,275	(1,173,247)	-
Balance at December 31, 2020	<u>\$ 8,197,658</u>	<u>\$ 4,058,786</u>	<u>\$ 30,174,512</u>	<u>\$ 3,056,980</u>	<u>\$ 1,747,207</u>	<u>\$ 815,800</u>	<u>\$ 996,690</u>	<u>\$ 49,047,633</u>
Accumulated depreciation and impairment								
Balance at January 1, 2020	\$ -	\$ 2,891,395	\$ 24,369,209	\$ 2,448,670	\$ 1,512,054	\$ 620,940	\$ -	\$ 31,842,268
Disposals	-	(1,288)	(301,542)	(49,012)	(135,574)	(13,776)	-	(501,192)
Depreciation expense	-	100,128	770,769	83,257	102,302	44,209	-	1,100,665
Effect of foreign currency exchange differences	-	4,290	42,296	-	(103)	1,537	-	48,020
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 2,994,525</u>	<u>\$ 24,880,732</u>	<u>\$ 2,482,915</u>	<u>\$ 1,478,679</u>	<u>\$ 652,910</u>	<u>\$ -</u>	<u>\$ 32,489,761</u>
Carrying amounts at December 31, 2020	<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>
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	-	16,154	54,667	22,786	26,194	7,199	919,511	1,046,511
Disposals	-	(1,326)	(103,833)	(8,643)	(10,119)	(6,861)	-	(130,832)
Effect of foreign currency exchange differences	-	(3,863)	(22,524)	-	(81)	(990)	(1,513)	(28,971)
Reclassifications	-	44,384	896,977	51,628	99,382	23,777	(1,116,148)	-
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 4,114,135</u>	<u>\$ 30,999,749</u>	<u>\$ 3,122,751</u>	<u>\$ 1,862,583</u>	<u>\$ 838,925</u>	<u>\$ 798,540</u>	<u>\$ 49,934,341</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	-	(1,326)	(103,883)	(8,643)	(10,115)	(6,842)	-	(130,809)
Depreciation expense	-	109,010	807,569	87,237	106,351	44,941	-	1,155,108
Effect of foreign currency exchange differences	-	(1,455)	(14,476)	-	(72)	(634)	-	(16,638)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 3,100,754</u>	<u>\$ 25,569,942</u>	<u>\$ 2,561,509</u>	<u>\$ 1,574,842</u>	<u>\$ 690,375</u>	<u>\$ -</u>	<u>\$ 33,497,422</u>
Carrying amounts at December 31, 2021	<u>\$ 8,197,658</u>	<u>\$ 1,013,381</u>	<u>\$ 5,429,807</u>	<u>\$ 561,242</u>	<u>\$ 287,741</u>	<u>\$ 148,550</u>	<u>\$ 798,540</u>	<u>\$ 16,436,919</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

	December 31	
	2021	2020
<u>Carrying amount</u>		
Land	\$ 425,106	\$ 441,401
Buildings	25,961	16,394
Office equipment	20,853	7,612
Transportation equipment	<u>3,348</u>	<u>3,046</u>
	<u>\$ 474,998</u>	<u>\$ 468,453</u>
	For the Year Ended December 31	
	2021	2020
Additions to right-of-use assets	<u>\$ 47,763</u>	<u>\$ 7,795</u>
Depreciation charge for right-of-use assets		
Land	\$ 14,655	\$ 14,090
Buildings	12,664	11,311
Office equipment	9,989	6,205
Transportation equipment	<u>1,570</u>	<u>1,882</u>
	<u>\$ 38,878</u>	<u>\$ 33,488</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 years ended December 31, 2021 and 2020.

b. Lease liabilities

	December 31	
	2021	2020
<u>Carrying amount</u>		
Current	<u>\$ 26,092</u>	<u>\$ 15,815</u>
Non-current	<u>\$ 26,939</u>	<u>\$ 16,666</u>

Range of discount rates for lease liabilities was as follows:

	December 31	
	2021	2020
Land	0.97%-1.21%	1.02%-1.21%
Buildings	0.97%-1.21%	1.02%-1.21%
Office equipment	0.97%-1.21%	1.02%-1.21%
Transportation equipment	0.97%-1.21%	1.02%-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 Year Ended December 31	
	2021	2020
Expenses relating to short-term leases and low-value asset leases	<u>\$ 62,392</u>	<u>\$ 55,919</u>
Total cash outflow for leases	<u>\$ (86,173)</u>	<u>\$ (83,030)</u>

18. INVESTMENT PROPERTIES

	For the Year Ended December 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	\$ (15,457)	\$ (15,190)
Depreciation expense	<u>(267)</u>	<u>(267)</u>
Ending balance	<u>\$ (15,724)</u>	<u>\$ (15,457)</u>
Ending carrying amount	<u>\$ 256,610</u>	<u>\$ 256,877</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:

	December 31	
	2021	2020
Fair value	<u>\$ 357,390</u>	<u>\$ 347,731</u>

The investment properties were leased out as operating leases from July 1, 2020 to June 30, 2025. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

The future minimum lease payments of non-cancellable operating lease commitments as of December 31, 2021 and 2020 are as follows:

	December 31	
	2021	2020
Lease commitment of investment properties	<u>\$ 25,948</u>	<u>\$ 33,241</u>

19. BORROWINGS

a. Short-term borrowings

	December 31	
	2021	2020
Bank credit loans	\$ 2,815,000	\$ 855,000
Letter of credit loans	<u>1,177,759</u>	<u>787,777</u>
	<u>\$ 3,992,759</u>	<u>\$ 1,642,777</u>

As of December 31, 2021 and 2020, the interest rates of short-term borrowings were both 0.52%-1.05% per annum.

b. Short-term bills payable

	December 31	
	2021	2020
Commercial paper	\$ 5,650,000	\$ 6,300,000
Less: Unamortized discounts on bills payable	<u>(779)</u>	<u>(2,640)</u>
	<u>\$ 5,649,221</u>	<u>\$ 6,297,360</u>

Short-term bills payable are commercial papers due within one year. Interest rates on these bills payable were 0.24%-0.66% and 0.78%-0.85% as of December 31, 2021 and 2020, respectively.

c. Long-term borrowings

	December 31	
	2021	2020
Unsecured bank loans	\$ 800,000	\$ 1,400,000
Less: Loan management fees	<u>(7,008)</u>	<u>(9,408)</u>
	<u>\$ 792,992</u>	<u>\$ 1,390,592</u>

				December 31	
	Due Date	Article	Interest Rate	2021	2020
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>\$ 800,000</u>	<u>\$ 1,400,000</u>

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

The employees of the Group's subsidiary in mainland China are members of a state-managed retirement benefit plan operated by the government of mainland China. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

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

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

	December 31	
	2021	2020
Fair value of plan assets	\$ 834,234	\$ 523,023
Present value of defined benefit plan	<u>(542,455)</u>	<u>(513,617)</u>
Net defined benefit asset	<u>\$ 291,779</u>	<u>\$ 9,406</u>

Movements in net defined benefit assets (liability) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Assets (Liability)
Balance at January 1, 2020	<u>\$ (542,868)</u>	<u>\$ 340,223</u>	<u>\$ (202,645)</u>
Service cost			
Current service cost	(15,135)	-	(15,135)
Net interest (expense) income	<u>(5,181)</u>	<u>4,403</u>	<u>(778)</u>
Recognized in profit or loss	<u>(20,316)</u>	<u>4,403</u>	<u>(15,913)</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	11,321	11,321
Actuarial gain - experience adjustments	1,039	-	1,039
Actuarial loss - changes in financial assumptions	<u>(15,621)</u>	<u>-</u>	<u>(15,621)</u>
Recognized in other comprehensive income	<u>(14,582)</u>	<u>11,321</u>	<u>(3,261)</u>
Contributions from the employer	-	229,698	229,698
Benefits paid	62,622	(62,622)	-
Accounts paid	<u>1,527</u>	<u>-</u>	<u>1,527</u>
Balance at December 31, 2020	<u>\$ (513,617)</u>	<u>\$ 523,023</u>	<u>\$ 9,406</u>
Balance at January 1, 2021	<u>\$ (513,617)</u>	<u>\$ 523,023</u>	<u>\$ 9,406</u>
Service cost			
Current service cost	(14,207)	-	(14,207)
Net interest (expense) income	<u>(2,474)</u>	<u>2,556</u>	<u>82</u>
Recognized in profit or loss	<u>(16,681)</u>	<u>2,556</u>	<u>(14,125)</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	7,796	7,796
Actuarial loss - experience adjustments	(95,054)	-	(95,054)
Actuarial loss - changes in financial assumptions	<u>(2,737)</u>	<u>-</u>	<u>(2,737)</u>
Recognized in other comprehensive income	<u>(97,791)</u>	<u>7,796</u>	<u>(89,995)</u>
Contributions from the employer	-	386,493	386,493
Benefits paid	<u>85,634</u>	<u>(85,634)</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ (524,455)</u>	<u>\$ (834,234)</u>	<u>\$ 291,779</u>

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

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

- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2021	2020
Discount rates	0.75%	0.50%
Expected rates of salary increase - less than 16 years	1.50%	1.50%
Expected rates of salary increase - more than 16 years	1.00%	1.00%

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

	December 31	
	2021	2020
Discount rates		
0.125% increase	<u>\$ (3,760)</u>	<u>\$ (3,987)</u>
0.125% decrease	<u>\$ 3,810</u>	<u>\$ 4,042</u>
Expected rates of salary increase		
0.125% increase	<u>\$ 3,797</u>	<u>\$ 4,018</u>
0.125% decrease	<u>\$ (3,757)</u>	<u>\$ (5,973)</u>

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

	December 31	
	2021	2020
The expected contributions to the plans for the next year	<u>\$ 11,251</u>	<u>\$ 374,514</u>
The average duration of the defined benefit obligation	5.6 years	6.3 years

21. EQUITY

a. Ordinary shares

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

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

b. Capital surplus

	December 31	
	2021	2020
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*</u>		
Arising from treasury share transactions	\$ 20,817	\$ 20,817
The difference between consideration paid and the carrying amount of the subsidiary's net assets during actual acquisition	484	484
<u>May be used to offset a deficit only</u>		
Arising from share of changes in capital surplus of associates	5,910	8,071
Capital surplus transferred from unclaimed dividends	<u>1,669</u>	<u>449</u>
	<u>\$ 28,880</u>	<u>\$ 29,821</u>

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

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the 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 compensation of employees and remuneration of directors after the amendment, refer to compensation of employees and remuneration of directors in Note 22 (c).

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

- 1) At least 20% as cash dividends; and
- 2) Remainder, as share dividends. If there is a requirement for capital expenditure, the Company may distribute only share dividends.

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

Under Order No. 1010012865 and Order No. 1010047490 and Order No. 1030006415 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate to or reverse from a special reserve. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed.

The offsetting of deficit for 2020 and 2019 was approved in the shareholders' meetings on July 7, 2021 and June 30, 2020, respectively, and the Company resolved not to distribute dividends.

The appropriation of earnings for 2021, which was proposed by the Company's board of directors on March 15, 2022, was as follows:

	<u>Appropriation of Earnings For the Year Ended December 31, 2021</u>
Legal reserve	\$ 41,955
Cash dividends	\$ 441,134
Cash dividends per share (NT\$)	\$ 0.4

The appropriation of earnings for 2021 will be resolved by the shareholders in their meeting to be held in June 2022. Information on the appropriation of earnings resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

d. Special reserves

	<u>For the Year Ended December 31</u>	<u>2021</u>	<u>2020</u>
Special reserves	\$ 1,186,894	\$ 1,186,894	

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

e. Other equity items

	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized (Loss) Gain on Financial Assets at FVTOCI	Gain (Loss) on Hedging Instruments	Total
<u>2021</u>				
Balance at January 1	\$ (338,941)	\$ 761,027	\$ (5,249)	\$ 416,837
Unrealized gain on financial assets at FVTOCI	-	295,445	-	295,445
Exchange differences on translation of the Financial Statements of foreign operations	(64,816)	-	-	(64,816)
Gain arising on changes in the fair value of hedging instrument	-	-	5,249	5,249
Share of other comprehensive income (loss) of associates	(23,070)	57,506		34,436
				(Continued)

	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized (Loss) Gain on Financial Assets at FVTOCI	Gain (Loss) on Hedging Instruments	Total
Disposal of associates accounted for using equity method	\$ -	\$ (1,650)	\$ -	\$ (1,650)
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal of associates	<u>-</u>	<u>(2,842)</u>	<u>-</u>	<u>(2,842)</u>
Balance at December 31	<u>\$ (426,827)</u>	<u>\$1,109,486</u>	<u>\$ -</u>	<u>\$ 682,659</u>
2020				
Balance at January 1	\$ (300,705)	\$ 716,520	\$ (5,776)	\$ 410,039
Unrealized gain on financial assets at FVTOCI	-	30,571	-	30,571
Exchange differences on translation of the Financial Statements of foreign operations	(37,068)	-	-	(37,068)
Gain arising on changes in the fair value of hedging instrument	-	-	527	527
Share of other comprehensive income (loss) of associates	(1,168)	15,923	-	14,755
Cumulative unrealized (loss) of equity instruments transferred to retained earnings due to disposal of associates	<u>-</u>	<u>(1,987)</u>	<u>-</u>	<u>(1,987)</u>
Balance at December 31	<u>\$ (338,941)</u>	<u>\$ 761,027</u>	<u>\$ (5,249)</u>	<u>\$ 416,837</u> (Concluded)

f. Non-controlling interests

	For the Year Ended December 31	
	2021	2020
Balance at January 1	\$ 2,200,775	\$ 2,277,793
Attributable to non-controlling interests:		
Share of loss for the year	(24,858)	(110,595)
Exchange differences on translation of the financial statements of foreign operations	<u>(11,765)</u>	<u>33,577</u>
Balance at December 31	<u>\$ 2,164,152</u>	<u>\$ 2,200,775</u>

- g. As of December 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

	<u>For the Year Ended December 31</u>	
	2021	2020
Interest on bank loans	\$ 90,322	\$ 96,425
Add: Interest of lease liabilities	582	493
Less: Amounts included in the cost of qualifying assets	<u>(1,269)</u>	<u>(1,167)</u>
	<u>\$ 89,635</u>	<u>\$ 95,751</u>

Information about capitalized interest was as follows:

	<u>For the Year Ended December 31</u>	
	2021	2020
Capitalization rate	0.79%-0.97%	0.83%-1.14%

b. Depreciation and amortization

	<u>For the Year Ended December 31</u>	
	2021	2020
An analysis of depreciation by function		
Operating costs	\$ 1,158,978	\$ 1,109,578
Operating expenses	<u>35,275</u>	<u>24,842</u>
	<u>\$ 1,194,253</u>	<u>\$ 1,134,420</u>
An analysis of amortization by function		
Operating costs	\$ 1,308	\$ 164
Operating expenses	<u>2,992</u>	<u>19,304</u>
	<u>\$ 4,300</u>	<u>\$ 19,468</u>

c. Employee benefit expense

	For the Year Ended December 31	
	2021	2020
Post-employment benefits		
Defined contribution plans	\$ 75,958	\$ 58,467
Defined benefit plans	<u>14,125</u>	<u>15,913</u>
	90,083	74,380
Other employee benefits	<u>2,075,200</u>	<u>1,818,450</u>
Total employee benefit expense	<u>\$ 2,165,283</u>	<u>\$ 1,892,830</u>
An analysis of employee benefit expense by function		
Operating costs	\$ 1,909,259	\$ 1,683,546
Operating expenses	<u>256,024</u>	<u>209,284</u>
	<u>\$ 2,165,283</u>	<u>\$ 1,892,830</u>

As of December 31, 2021 and 2020, the Group had 2,723 and 2,614 employees, respectively. The calculation basis is consistent with the employee benefits.

According to the Articles of Incorporation of the Company, the Company accrued compensation of employees and remuneration of directors 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 year ended 2020, due to operation loss, the Company did not estimate the compensation of employees and the remuneration of directors.

The appropriations of compensation of employees and remuneration of directors for 2021 that were resolved by the board of directors on March 15, 2022 are as shown below:

	For the Year Ended December 31, 2021
	Cash
Compensation of employees	<u>\$ 6,000</u>
Remuneration of directors	<u>\$ 7,000</u>

If there is a change in the amounts after the annual consolidated financial statements for 2021 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 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 Year Ended December 31	
	2021	2020
Current tax		
In respect of the current year	\$ 2,312	\$ 8,908
Adjustments for prior years	<u>118</u>	<u>-</u>
	2,430	8,908
Deferred tax		
In respect of the current year	69,692	(182)
Adjustments for prior years	<u>(10,817)</u>	<u>182</u>
	58,875	-
Income tax expense recognized in profit or loss	<u>\$ 61,305</u>	<u>\$ 8,908</u>

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

	For the Year Ended December 31	
	2021	2020
Profit (loss) before tax from continuing operations	<u>\$ 524,678</u>	<u>\$ (303,484)</u>
Income tax expense (benefit) calculated at the statutory rate (20%)	\$ 104,936	\$ (60,697)
Permanent differences	(61,909)	(35,455)
Additional tax on unappropriated earnings	-	93
Unrecognized loss carryforwards	29,269	103,308
Adjustments for prior years	(10,699)	182
Effect of different tax rates of group entities in the Group operating in other jurisdictions	<u>(292)</u>	<u>1,477</u>
Income tax expense recognized in profit or loss	<u>\$ 61,305</u>	<u>\$ 8,908</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. Under the “Preferential Income Tax Policies for Micro and Small Enterprises and Individual Industrial and Commercial Households”, Zhaoging Xinchuan Green Technology Co., Ltd. has met its requirements and had a deduction of 2.5% on enterprise income tax rate. Tax rates used by other entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2021	2020
<u>Deferred tax</u>		
Remeasurement on defined benefit plan	<u>\$ 17,999</u>	<u>\$ 652</u>

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Defined benefit plan	\$ 41,181	\$ (41,181)	\$ -	\$ -	\$ -
Loss carryforwards	36,072	63,083	-	-	99,155
Others	<u>33,618</u>	<u>(4,862)</u>	<u>-</u>	<u>(70)</u>	<u>28,686</u>
	<u>\$ 110,871</u>	<u>\$ 17,040</u>	<u>\$ -</u>	<u>\$ (70)</u>	<u>\$ 127,841</u>

Deferred tax liabilities

Temporary differences					
Land value increment tax	\$ 1,924,940	\$ -	\$ -	\$ -	\$ 1,924,940
Defined benefit plan	-	76,355	17,999	-	58,356
Others	<u>77,227</u>	<u>(440)</u>	<u>-</u>	<u>-</u>	<u>76,787</u>
	<u>\$ 2,002,167</u>	<u>\$ (75,915)</u>	<u>\$ (17,999)</u>	<u>\$ -</u>	<u>\$ 2,060,083</u>

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Defined benefit plan	\$ 40,529	\$ -	\$ 652	\$ -	\$ 41,181
Loss carryforwards	36,072	-	-	-	36,072
Others	<u>33,451</u>	<u>-</u>	<u>-</u>	<u>167</u>	<u>33,618</u>
	<u>\$ 110,052</u>	<u>\$ -</u>	<u>\$ 652</u>	<u>\$ 167</u>	<u>\$ 110,871</u>

Deferred tax liabilities

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

- d. Unused loss carryforwards and deductible temporary differences for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2021	2020
Loss carryforwards		
Expiry in 2030	\$ -	\$ 402,046
Unlimited	<u>11,096</u>	<u>-</u>
	<u>\$ 11,096</u>	<u>\$ 402,046</u>
Deductible temporary differences	<u>\$ -</u>	<u>\$ 225,461</u>

- e. Loss carryforwards as of December 31, 2021 comprised:

Unused Amount	Expiry Year
\$ 43,352	2024
133,015	2029
319,406	2030
<u>11,096</u>	Unlimited
<u>\$ 506,869</u>	

- f. Deferred tax liabilities associated with investments

As of December 31, 2021 and 2020, the taxable temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognized were \$559,153 thousand and \$580,951 thousand, respectively.

- g. Income tax assessments

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

24. EARNINGS (LOSS) PER SHARE

	<u>For the Year Ended December 31</u>	
	2021	2020
Basic earnings (loss) per share	<u>\$ 0.45</u>	<u>\$ (0.18)</u>
Diluted earnings per share	<u>\$ 0.45</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 year:

	For the Year Ended December 31	
	2021	2020
Profit (loss) for the year attributable to owners of the Company	<u>\$ 488,231</u>	<u>\$ (201,797)</u>

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

	For the Year Ended December 31	
	2021	2020
Weighted average number of ordinary shares used in the computation of basic earnings (loss) per share	1,086,891	<u>1,094,406</u>
Effect of potentially dilutive ordinary shares:		
Compensation issued to employees	<u>242</u>	
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>1,087,133</u>	

The Group may settle compensation or bonuses paid to employees in cash or shares, therefore, the Group assumes the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares will be 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 to approximate their fair values.

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

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ 1,364	\$ -	\$ -	\$ 1,364
Derivative financial assets - foreign exchange forward contracts (not under hedge accounting)	<u>-</u>	<u>1,095</u>	<u>-</u>	<u>1,095</u>
	<u>\$ 1,364</u>	<u>\$ 1,095</u>	<u>\$ -</u>	<u>\$ 2,459</u>
Financial assets at FVTOCI				
Securities listed in the ROC	\$ 1,954,409	\$ -	\$ -	\$ 1,954,409
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>273,721</u>	<u>273,721</u>
	<u>\$ 1,954,409</u>	<u>\$ -</u>	<u>\$ 273,721</u>	<u>\$ 2,228,130</u>
Financial liabilities at FVTPL				
Derivative financial liabilities - foreign exchange forward contracts (not under hedge accounting)	<u>\$ -</u>	<u>\$ 7,486</u>	<u>\$ -</u>	<u>\$ 7,486</u>

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	\$ 1,361	\$ -	\$ -	\$ 1,361
Derivative financial assets - foreign exchange forward contracts (not under hedge accounting)	<u>-</u>	<u>5,370</u>	<u>-</u>	<u>5,370</u>
	<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	<u>-</u>	<u>-</u>	<u>371,963</u>	<u>371,963</u>
	<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	<u>\$ -</u>	<u>\$ 54</u>	<u>\$ -</u>	<u>\$ 54</u>
Financial liabilities at FVTPL				
Derivative financial liabilities - foreign exchange forward contracts (not under hedge accounting)	<u>\$ -</u>	<u>\$ 3,019</u>	<u>\$ -</u>	<u>\$ 3,019</u>

There were no transfers between Levels 1 and 2 for the years ended December 31, 2021 and 2020.

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

Financial Assets	Financial Assets of Equity Securities at FVTOCI
Balance at January 1, 2021	\$ 371,963
Proceeds from capital reduction	(26,122)
Recognized in other comprehensive income	<u>(72,120)</u>
Balance at December 31, 2021	<u>\$ 273,721</u>
Balance at January 1, 2020	\$ 293,985
Proceeds from capital reduction	(41,057)
Recognized in other comprehensive income	120,835
Settlements	<u>(1,800)</u>
Balance at December 31, 2020	<u>\$ 371,963</u>

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 accordance with the Reuters quoting system, or b) The daily spot exchange rate quoted by financial institutions.

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

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

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

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

	December 31	
	2021	2020
Discount for lack of marketability		
2.5% increase	\$ (8,051)	\$ (11,218)
2.5% decrease	\$ 8,051	\$ 11,218

b. Categories of financial instruments

	December 31	
	2021	2020
<u>Financial assets</u>		
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	\$ 2,459	\$ 6,731
Financial assets for hedging	-	54
Financial assets at amortized cost (1)	5,160,712	4,073,113
Financial assets at FVTOCI	2,228,130	1,892,158

Financial liabilities

Financial liabilities at FVTPL	7,486	3,019
Financial liabilities at amortized cost (2)	13,774,284	13,149,281

- 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 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, RMB and EUR.

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 Year Ended December 31	
	2021	2020
Influence to profit or loss at 5% variance		
USD	\$ (25,788)	\$ (3,356)
RMB	111,602	98,968
EUR	9,332	5,939

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:

	December 31	
	2021	2020
Fair value interest rate risk		
Financial assets	\$ 533,861	\$ 379,587
Financial liabilities	6,495,244	7,687,952
Cash flow interest rate risk		
Financial assets	328,008	343,295
Financial liabilities	3,992,759	1,642,777

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 years ended December 31, 2021 and 2020 would have decreased/increased as follows:

	<u>For the Year Ended December 31</u>	
	2021	2020
Other comprehensive income		
Increase/decrease	<u>\$ 3,665</u>	<u>\$ 1,299</u>

c) Other price risk

The Group was exposed to equity price risk through its investments in equity securities and mutual funds. 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 years ended December 31, 2021 and 2020 would have increased/decreased as follows:

	<u>For the Year Ended December 31</u>	
	2021	2020
Profit before tax		
Increase/decrease	\$ 68	\$ 68
Other comprehensive income		
Increase/decrease	111,407	94,608

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. 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 concentration of credit risk of 12% and 8% of total amounts of trade receivables as of December 31, 2021 and 2020, respectively, was attributable to the Group's largest customer.

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 December 31, 2021 and 2020, the Group's unused financing facilities were \$5,627,907 thousand and \$7,288,161 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 December 31	
	2021	2020
The discounted amount	\$ 73,795	\$ 42,523
The received amount	\$ 73,359	\$ 41,094
Interest rates	2.60%-2.83%	3.72%-3.84%

27. TRANSACTIONS WITH RELATED PARTIES

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

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

(Continued)

Related Party Name	Related Party Category
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
Hwa Fong Paper (Hong Kong) 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
	(Concluded)

b. Sales of goods

Related Party Type	For the Year Ended December 31	
	2021	2020
Fellow subsidiaries	\$ 3,763,130	\$ 3,067,823
Substantial related parties	199,870	238,561
Parent company	52	41
Parent's associates	<u>23</u>	<u>2</u>
	<u>\$ 3,963,075</u>	<u>\$ 3,306,427</u>

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

c. Purchases of goods

Related Party Type	For the Year Ended December 31	
	2021	2020
Fellow subsidiaries	\$ 2,061,418	\$ 1,993,746
Substantial related parties	1,645	1,925
Parent's associates	<u>491</u>	<u>349</u>
	<u>\$ 2,063,554</u>	<u>\$ 1,996,020</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	December 31	
	2021	2020
Fellow subsidiaries		
YFY Consumer Products Co., Ltd	\$ 134,892	\$ 125,921
Union Paper Corp.	86,111	50,667
YFY Development Corp.	56,905	60,340
YFY Investment Co., Ltd.	28,802	125,893
Others	<u>100,256</u>	<u>63,513</u>
	406,966	426,334
Substantial related parties	49,036	49,254
Parent company	7	3
Parent's associates	<u>1</u>	<u>1</u>
	<u>\$ 456,010</u>	<u>\$ 475,592</u>

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

e. Notes and accounts payable to related parties

Related Party Type	December 31	
	2021	2020
Fellow subsidiaries		
YFY Packaging Inc.	\$ 245,005	\$ 215,407
Shin Foong Specialty & Applied Materials Co., Ltd.	120,809	78,534
Others	<u>67,524</u>	<u>85,586</u>
	433,338	379,527
Substantial related parties	970	987
Parent's associates	<u>5</u>	<u>-</u>
	<u>\$ 434,313</u>	<u>\$ 380,514</u>

The outstanding accounts payable to related parties are unsecured.

f. Other payable to related parties

Related Party Type	December 31	
	2021	2020
Fellow subsidiaries		
YFY Investment Co., Ltd.	<u>\$ 2,223</u>	<u>\$ -</u>

g. Loan to related parties (interest receivable included)

Related Party Type	December 31	
	2021	2020
Fellow subsidiaries		
Yuen Foong Yu Paper MFG (Yangzhou) Co., Ltd.	<u>\$ 107,737</u>	<u>\$ 111,613</u>

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

For the years ended December 31, 2021 and 2020, the interest income from the loans to related parties amounted to \$4,646 thousand and \$8,737 thousand, respectively.

h. Loans from related parties

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

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

For the years ended December 31, 2021 and 2020, the interest expense from the loans to related parties amounted to \$2 thousand and \$929 thousand, respectively.

i. Acquisition of investment properties

Related Party Type	December 31	
	2021	2020
Fellow subsidiaries	\$ <u> 52</u>	\$ <u> 65</u>

j. Lease arrangements

Related Party Type	For the Year Ended December 31	
	2021	2020
<u>Lease liabilities</u>		
Parent company	\$ <u> 9,695</u>	\$ <u> 14,455</u>
<u>Interest expense</u>		
Parent company	\$ <u> 149</u>	\$ <u> 205</u>
<u>Lease expense</u>		
Parent company	\$ <u> 11,028</u>	\$ <u> 10,885</u>
Substantial related parties	<u> 7,068</u>	<u> 7,036</u>
	\$ <u> 18,096</u>	\$ <u> 17,921</u>

k. Other transactions with related parties

Related Party Type	Rental Income (Accounted as Other Income) For the Year Ended December 31	
	2021	2020
Fellow subsidiaries	\$ 1,429	\$ 1,429
Parent company	<u>114</u>	<u>114</u>
	<u>\$ 1,543</u>	<u>\$ 1,543</u>

Related Party Type	Other Operating Expense For the Year Ended December 31	
	2021	2020
Fellow subsidiaries	<u>\$ 43,152</u>	<u>\$ 44,873</u>

Related Party Type	Management Fee (Accounted as Operating Expenses) For the Year Ended December 31	
	2021	2020
Fellow subsidiaries	<u>\$ 89,809</u>	<u>\$ 89,678</u>

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

l. Compensation of key management personnel

	For the Year Ended December 31	
	2021	2020
Salaries and benefits	\$ 38,267	\$ 25,269
Executive fees	<u>3,150</u>	<u>3,051</u>
	<u>\$ 41,787</u>	<u>\$ 28,320</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 December 31, 2021 and 2020, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately \$282,485 thousand and \$267,462 thousand, respectively.

29. OTHER ITEMS

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

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

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

December 31, 2021			
	Foreign Currency (In Thousands)	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 69,201	27.68	\$ 1,915,484
RMB	517,394	4.341	2,232,038
EUR	4,959	31.32	155,316
Non-monetary items			
Derivative instruments			
USD	6,200	27.68	171,616
EUR	1,000	31.32	31,320
<u>Financial liabilities</u>			
Monetary items			
USD	59,034	27.68	1,634,061
Non-monetary items			
Derivative instruments			
USD	35,000	27.68	968,800
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
EUR	3,092	35.02	10,506
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

For the years ended December 31, 2021 and 2020, realized and unrealized foreign exchange gains were

\$17,633 thousand and \$88,963 thousand, respectively. It is impractical to disclose net foreign exchange gains by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities in the Group.

31. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (Table 2)
- 3) Marketable securities held (Table 3)
- 4) Marketable securities acquired 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)

32. SEGMENT INFORMATION

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

	Business Unit of Pulp and Fine Paper	Business Unit of Forestry	Other Segment	Adjustment and Elimination	Total
<u>For the year ended December 31,</u>					
<u>2021</u>					
Revenue from external customers	\$ <u>21,772,938</u>	\$ <u>150,417</u>	\$ <u>108,495</u>	\$ <u>-</u>	\$ <u>22,031,850</u>
Revenue from other internal operating segments	\$ <u>1,899,708</u>	\$ <u>420,921</u>	\$ <u>40,848</u>	\$ <u>(2,361,477)</u>	\$ <u>-</u>
Segment profit or loss	\$ <u>389,535</u>	\$ <u>45,297</u>	\$ <u>28,541</u>	\$ <u>-</u>	\$ <u>463,373</u>
<u>For the year ended December 31,</u>					
<u>2020</u>					
Revenue from external customers	\$ <u>18,546,544</u>	\$ <u>22,034</u>	\$ <u>48,116</u>	\$ <u>-</u>	\$ <u>18,616,694</u>
Revenue from other internal operating segments	\$ <u>1,480,696</u>	\$ <u>219,947</u>	\$ <u>19,040</u>	\$ <u>(1,719,683)</u>	\$ <u>-</u>
Segment profit or loss	\$ <u>(330,998)</u>	\$ <u>22,526</u>	\$ <u>(3,920)</u>	\$ <u>-</u>	\$ <u>(312,392)</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.

Geographical Information

The Group operates in two principal geographical areas - Taiwan and mainland China.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2021	2020	2021	2020
Taiwan	\$ 17,611,063	\$ 15,251,729	\$ 15,043,300	\$ 15,165,656
Mainland China	<u>4,420,787</u>	<u>3,364,965</u>	<u>2,697,842</u>	<u>2,783,189</u>
	<u>\$ 22,031,850</u>	<u>\$ 18,616,694</u>	<u>\$ 17,740,872</u>	<u>\$ 17,948,845</u>

Information about Major Customers

No other single customers contributed 10% or more to the Group's revenue for both 2021 and 2020.

TABLE 1

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 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 111,402)	\$ 448,922 (RMB 103,403)	\$ 104,921 (RMB 24,167)	3.25	Short-term financing	\$ -	Operating capital	\$ -	-	-	\$ 448,924 (RMB 103,403)	\$ 1,795,695 (RMB 413,613)
2	CHP International (BVI) Corporation	Zhaoqing Dingfung Forestry Ltd.	Other receivables from related parties	Yes	313,885 (US\$ 11,340)	304,480 (US\$ 11,000)	304,480 (US\$ 11,000)	1.50	Short-term financing	-	Operating capital	-	-	-	1,944,748 (US\$ 70,258)	1,944,748 (US\$ 70,258)
		Shenzhen Jinglun Paper Co., Ltd.	Other receivables from related parties		184,268 (RMB 42,444)	182,342 (RMB 42,000)	182,342 (RMB 42,000)	3.00	Short-term financing	-	Operating capital	-	-	-	1,944,748 (RMB 447,945)	1,944,748 (RMB 447,945)
		Guangdong Dingfung Pulp & Paper Co., Ltd.	Other receivables from related parties	Yes	1,123,158 (RMB 258,704)	1,111,420 (RMB 256,000)	1,111,420 (RMB 256,000)	3.00	Short-term financing	-	Operating capital	-	-	-	1,944,748 (RMB 447,945)	1,944,748 (RMB 447,945)
3	Shenzhen Jinglun Paper Co., Ltd.	Yuen Foong Yu Paper MFG (Yangzhou) Co., Ltd	Other receivables from related parties	Yes	14,311 (RMB 3,296)	14,257 (RMB 3,284)	2,513 (RMB 579)	3.25	Short-term financing	-	Operating capital	-	-	-	14,258 (RMB 3,284)	57,032 (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 latest quarter while individual loans shall not exceed the total purchases and sales between the lender and the borrower of the latest quarter. In the provision of short-term loans, total loans shall not exceed 40% of the lender’s net equity of the latest quarter.

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

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 latest quarter while individual loans shall not exceed the total purchases and sales between the lender and the borrower of the latest quarter. In the provision of short-term loans, total loans shall not exceed 40% of the lender’s net equity of the latest quarter. 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 latest quarter.

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

Note 4: The exchange rates are US\$1=NT\$27.680000 or RMB1=NT\$4.341484 as of December 31, 2021.

Note 5: In preparing the consolidated financial statements, the transaction has been eliminated.

TABLE 2

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 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	CHP International (BVI) Corporation	b.	\$ 23,248,494	\$ 639,400 (US\$ 23,100)	\$ 636,640 (US\$ 23,000)	\$ -	\$ -	4.12	\$ 30,997,992	Note 8	N	N
		Hwa Fong Investment Ind. Co., Ltd.	b.	23,248,494	130,000	130,000	27,000	-	0.84	30,997,992	Note 8	N	N
		Guangdong Dingfung Pulp & Paper Co., Ltd.	b.	23,248,494	175,493 (RMB 40,422)	-	-	-	0.00	30,997,992	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: The limit on endorsement/guarantee given on behalf of Chung Hwa Pulp Corporation to a single entity is 150% of the net equity of the latest consolidated financial statements issued by CPA. The limit on endorsement/guarantee is 200% of the net equity of the latest consolidated financial statements issued by CPA.

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
DECEMBER 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	December 31, 2021			
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value (Note 1)
Chung Hwa Pulp Corporation	<u>Ordinary shares</u> SinoPac Holdings Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	99,809,327	\$ 1,611,921	0.9	\$ 1,611,921
	NTU Innovation & Incubation Co., Ltd.	The investor is the member of the investee’s board of directors.	Financial assets at fair value through profit or loss - non-current	800,000	-	6.3	-
	Groundhog Technologies Inc.	-	Financial assets at fair value through profit or loss - non-current	275,000	-	1.0	-
	KHL IB Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	12,443,688	273,718	14.9	273,718
	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	17,829,132	274,570	2.5	274,570
	Medeon Biodesign, Inc.	-	Financial assets at fair value through other comprehensive income - non-current	323,455	29,240	0.4	29,240
Hwa Fong Investment Co., Ltd.	<u>Ordinary shares</u> 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	38,678	-	38,678
Genovella Renewables Inc.	<u>Mutual fund</u> SinoPac TWD Money Market Fund	-	Financial assets at fair value through profit or loss - current	97,099	1,364	-	1,364

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

Note 2: Refer to Table 6 and Table 7 for information on investments in subsidiaries and associates.

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 YEAR ENDED DECEMBER 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 (Note 2)	a.	Sale	\$ (919,576)	(5)	0.5 month after transaction month	\$ -	-	\$ 56,905	2	\$ -
	Shenzhen Jinglun Paper Co., Ltd.	b.	Sale	(1,848,273)	(10)	5 months after transaction month	-	-	871,104	24	8,704
	YFY Consumer Products Co., Ltd.	a.	Sale	(683,065)	(4)	2 months after transaction month	-	-	134,892	4	-
	YFY Packaging Inc.	a.	Sale	(238,601)	(1)	3 months after transaction month	-	-	65,812	2	-
	YFY Packaging Inc.	a.	Purchase	1,133,148	7	2 months after transaction month	-	-	(245,005)	(14)	-
	Union Paper Corp.	a.	Sale	(976,051)	(5)	1 month after transaction month	-	-	86,111	2	-
	Union Paper Corp.	a.	Purchase	189,401	1	1 month after transaction month	-	-	(12,920)	(1)	-
	Beautone Co., Ltd.	c.	Sale	(142,982)	(1)	1 month after transaction month	-	-	26,674	1	-
	YFY Japan Co., Ltd.	a.	Purchase	260,656	2	In agreed terms	-	-	-	-	-
	Shin Foong Specialty and Applied Materials Co., Ltd.	a.	Purchase	258,230	1	4 months after transaction month	-	-	(120,809)	(7)	-
Guangdong Dingfung Pulp & Paper Co., Ltd.	YFY Investment Co., Ltd.	a.	Sale	(672,081)	(29)	2 months after transaction month	-	-	28,802	7	-
	YFY Investment Co., Ltd.	a.	Purchase	211,618	10	2 months after transaction month	-	-	(2,223)	(1)	-
	YFY Family Care (Kunshan) Co., Ltd.	a.	Sale	(107,876)	(5)	2 months after transaction month	-	-	9,957	2	-
	Zhaoqing Dingfung Forestry Ltd.	b.	Purchase	420,921 (Note 3)	18	In agreed terms	-	-	(298,380)	(69)	-
Zhaoqing Dingfung Forestry Ltd.	Guangdong Dingfung Pulp & Paper Co., Ltd.	b.	Sale	(420,921) (Note 3)	(74)	In agreed terms	-	-	298,380	100	-
Shenzhen Jinglun Paper Co., Ltd.	Chung Hwa Pulp Corporation	b.	Purchase	1,848,273 (Note 3)	100	5 months after transaction month	-	-	(817,104)	(100)	-

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

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

Note 3: 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
DECEMBER 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	Yuen Foong Yu Consumer Products Co., Ltd. Shenzhen Jinglun Paper Co., Ltd.	Fellow subsidiaries Parent company and subsidiary	\$ 134,892	5.24	\$ -	-	\$ 72,867	\$ -
			871,104	2.47	-	-	193,684	-
Zhaoqing Dingfund forestry Ltd.	Guandong Difung Pulp & Paper Co., Ltd.	Parent company and subsidiary	298,380	1.88	-	-	46,888	-

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 YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of December 31, 2021			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 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	\$ 4,877,213	\$ (27,723)	\$ (33,704)	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	522,654	5,150,045	90,762	b.
	Effion Enertech Co., Ltd.	Taipei, Taiwan	To operate cogeneration and provide power technology	343,000	343,000	34,300,000	49.0	238,688	26,192	12,834	b.
	Taiwan Global BioFund Co., Ltd.	Taipei, Taiwan	Biotechnology and biopharmaceutical business investment	-	32,832	-	-	-	325,205	5,049	b.
	Hwa Fong Investment Co., Ltd.	Taipei, Taiwan	Investment and holding	36,000	36,000	3,600,000	100.0	92,366	33,817	33,817	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	4,871	26,192	262	b.
	Genovella Renewables Inc.	Hualien, Taiwan	Fertilizer production, sale of fertilizer, retail sale of food products and groceries, special crop and edible fungus cultivation, refractory materials manufacturing, cement and concrete products manufacturing, ready-mixed concrete manufacturing, refractory materials wholesale and sale of building material	5,000	5,000	-	100.0	18,388	10,341	10,354	a.
	Union Paper Corp	Yunlin, Taiwan	Pulp manufacturing, processing and sales business	30,327	103	4,292,751	4.1	52,283	46,034	(277)	b.
	Syntax Communication (H.K.) Limited	Hong Kong	Sale and print of paper merchandise	US\$ 466 thousand	US\$ 466 thousand	34,000,000	100.0	8,873	(2,826)	(2,826)	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 YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (Foreign Currencies in Thousand) (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021 (Foreign Currencies in Thousand) (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020 (Foreign Currencies in Thousand) (Note 1)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021
					Outward	Inward						
Guangdong Dingfung Pulp & Paper Co., Ltd.	Pulp and paper production, trading and forestry business	\$ 2,370,238 (US\$ 85,630) (Note 3)	Investment in mainland China through companies set up in another country	\$ 365,376 (US\$ 13,200)	\$ -	\$ -	\$ 365,376 (US\$ 13,200)	\$ (77,424) (Note 2,b.)	60.0	\$ (45,455) (Note 2,b.)	\$ 2,652,319	\$ -
Shenzhen Jinglun Paper Co., Ltd.	Sale of paper merchandise and import/export business	13,893 (RMB 3,200)	(Note 5)	-	-	-	(Note 5)	(11,102) (Note 2,b.)	100.0	(11,102) (Note 2,b.)	131,480	-
Zhaoqing Dingfung Forestry Ltd.	Export factoring, domestic factoring, business factoring and related consulting services, develop credit risk management platform	605,638 (US\$ 21,880)	Investment in mainland China through companies set up in another country	122,567 (US\$ 4,428)	-	-	122,567 (US\$ 4,428)	45,297 (Note 2,b.)	86.5 (Note 4)	39,186 (Note 2,b.)	2,538,730	-
Zhaoqing Xinchuan Green Technology Co., Ltd. (Note 4)	Environmental equipment technology research and development; construction of wastewater, flue gas, noise and solid waste treatment; pure water treatment construction; environmental technology consulting; sale of environmental protection equipment and chemical raw material; import and export of cargo and technology	8,683 (RMB 2,000)	(Note 5)	-	-	-	(Note 5)	1,622 (Note 2,b.)	100.0	1,622 (Note 2,b.)	11,027	-
Guizhou Yuanfung Forestry Co., Ltd.	Export factoring, domestic factoring, business factoring and related consulting services, develop credit risk management platform	(Note 6)	(Note 5)	-			(Note 5)	-	67	-	-	-

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$487,946 (Note 1)	\$1,179,334 (Note 1)	\$9,281,647

Note 1: The exchange rates are US\$1=NT\$27.68 or RMB1=NT\$4.341484 as of December 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.

Note 6: Established in the fourth quarter of 2021. The capital injection has completed.

2. For information on any investee company in mainland China, refer to Tables 1, 2, 4, 5 and 8.

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 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	\$ 871,104 1,848,273	5 months after transaction month By market price	3 8
2	Chung Hwa Pulp Corporation	Guangdong Dingfung Pulp & Paper Co., Ltd.	Subsidiary	Sales	15,676	By market price	-
3	Guangdong Dingfung Pulp & Paper Co., Ltd.	Zhaoqing Xinchuan Green Technology Co., Ltd.	Subsidiary	Other receivable	170	Net 90 days	-
				Sales	16,295	By market price	-
4	Zhaoqing Dingfung Forestry Ltd.	Guangdong Dingfung Pulp & Paper Co., Ltd.	Fellow subsidiary	Accounts receivable	298,380	Net 120 days	1
				Sales	420,921	By market price	2
5	Genovella Renewables Inc.	Chung Hwa Pulp Corporation	Parent company	Accounts receivable	3,420	Prepaid or net 30 days	-
				Sales	40,848	By market price	-
6	Syntax Communication (H.K.) Limited	Chung Hwa Pulp Corporation	Parent company	Accounts receivable	1,655	Net 30 days	-
				Commission	19,465	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
DECEMBER 31, 2021**

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

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

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Shareholders

Chung Hwa Pulp Corporation

Opinion

We have audited the accompanying financial statements of Chung Hwa Pulp Corporation (the "Company") which comprise the balance sheets as of December 31, 2021 and 2020, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matter

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

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

Estimation of Expected Credit Loss of Accounts Receivable

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

statements.

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

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

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

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

From the matters communicated with those charged with governance, we determine the matter that was of most significance in the audit of the financial statements for the year

ended December 31, 2021, and is therefore the key audit matter. We describe the matter in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 15, 2022

Notice to Readers

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

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

CHUNG HWA PULP CORPORATION

BALANCE SHEETS DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

ASSETS	2021		2020	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Notes 4 and 6)	\$ 122,275	1	\$ 153,557	1
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	1,095	-	5,370	-
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	1,611,921	5	1,142,817	4
Financial assets for hedging - current (Notes 4 and 9)	-	-	54	-
Notes and accounts receivable (Notes 4 and 10)	2,352,789	8	1,800,574	6
Accounts receivable from related parties (Notes 4 and 24)	1,269,430	4	970,716	3
Inventories (Notes 4 and 11)	3,471,713	11	3,007,231	10
Other current assets	<u>303,059</u>	<u>1</u>	<u>652,711</u>	<u>2</u>
Total current assets	<u>9,132,282</u>	<u>30</u>	<u>7,733,030</u>	<u>26</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	577,531	2	721,919	3
Investments accounted for using the equity method (Notes 4 and 12)	5,730,921	19	5,789,802	20
Property, plant and equipment (Notes 4 and 13)	14,182,152	46	14,244,035	48
Right-of-use assets (Notes 4 and 14)	52,724	-	30,685	-
Investment properties (Notes 4 and 15)	256,610	1	256,877	1
Deferred tax assets (Notes 4 and 20)	124,211	-	106,964	-
Prepayments for equipment	463,130	1	569,336	2
Net defined benefit assets (Notes 4 and 17)	291,779	1	9,406	-
Other non-current assets	<u>63,235</u>	<u>-</u>	<u>55,772</u>	<u>-</u>
Total non-current assets	<u>21,742,293</u>	<u>70</u>	<u>21,784,796</u>	<u>74</u>
TOTAL	<u>\$ 30,874,575</u>	<u>100</u>	<u>\$ 29,517,826</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ 3,965,759	13	\$ 1,642,777	6
Short-term bills payable (Note 16)	5,649,221	18	6,297,360	21
Notes and accounts payable	1,360,462	4	1,322,028	4
Accounts payable to related parties (Note 24)	445,852	2	368,179	1
Other payables	909,056	3	1,522,759	5
Lease liabilities - current (Notes 4 and 14)	26,014	-	14,836	-
Other current liabilities	<u>164,279</u>	<u>1</u>	<u>151,534</u>	<u>1</u>
Total current liabilities	<u>12,520,643</u>	<u>41</u>	<u>11,319,473</u>	<u>38</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 16)	792,992	2	1,390,592	5
Deferred tax liabilities (Notes 4 and 20)	2,060,084	7	2,002,167	7
Lease liabilities - non-current (Notes 4 and 14)	27,212	-	16,332	-
Other non-current liabilities	<u>4,232</u>	<u>-</u>	<u>4,283</u>	<u>-</u>
Total non-current liabilities	<u>2,884,520</u>	<u>9</u>	<u>3,413,374</u>	<u>12</u>
Total liabilities	<u>15,405,163</u>	<u>50</u>	<u>14,732,847</u>	<u>50</u>
EQUITY (Notes 4 and 18)				
Share capital	<u>11,028,353</u>	<u>36</u>	<u>11,028,353</u>	<u>37</u>
Capital surplus	<u>28,880</u>	<u>-</u>	<u>29,821</u>	<u>-</u>
Retained earnings				
Legal reserve	226,257	-	226,257	1
Special reserve	1,186,894	4	1,186,894	4
Unappropriated earnings	<u>2,453,095</u>	<u>8</u>	<u>2,033,543</u>	<u>7</u>
Total retained earnings	<u>3,866,246</u>	<u>12</u>	<u>3,446,694</u>	<u>12</u>
Other equity	<u>682,659</u>	<u>2</u>	<u>416,837</u>	<u>1</u>
Treasury shares	<u>(136,726)</u>	<u>-</u>	<u>(136,726)</u>	<u>-</u>
Total equity	<u>15,469,412</u>	<u>50</u>	<u>14,784,979</u>	<u>50</u>
TOTAL	<u>\$ 30,874,575</u>	<u>100</u>	<u>\$ 29,517,826</u>	<u>100</u>

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

CHUNG HWA PULP CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 24)				
Sales	\$ 19,514,804	100	\$ 16,788,230	101
Sales returns and allowances	<u>110,871</u>	<u>-</u>	<u>103,301</u>	<u>1</u>
Net sales	19,403,933	100	16,684,929	100
Other operating revenue	<u>49,647</u>	<u>-</u>	<u>35,903</u>	<u>-</u>
Total operating revenue	<u>19,453,580</u>	<u>100</u>	<u>16,720,832</u>	<u>100</u>
OPERATING COSTS (Notes 4, 11, 19 and 24)				
Cost of goods sold	17,189,991	88	15,433,522	92
Other operating cost	<u>37,684</u>	<u>-</u>	<u>24,657</u>	<u>-</u>
Total operating costs	<u>17,227,675</u>	<u>88</u>	<u>15,458,179</u>	<u>92</u>
GROSS PROFIT	<u>2,225,905</u>	<u>12</u>	<u>1,262,653</u>	<u>8</u>
OPERATING EXPENSES (Notes 4, 19 and 24)				
Selling and marketing	1,626,601	9	1,155,671	7
General and administrative	246,038	1	219,245	2
Research and development	<u>36,886</u>	<u>-</u>	<u>38,238</u>	<u>-</u>
Total operating expenses	<u>1,909,525</u>	<u>10</u>	<u>1,413,154</u>	<u>9</u>
GAIN (LOSS) FROM OPERATIONS	<u>316,380</u>	<u>2</u>	<u>(150,501)</u>	<u>(1)</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Note 19)	(85,055)	-	(90,795)	-
Share of profit (loss) of subsidiaries and associates (Notes 4 and 12)	108,758	-	(112,855)	(1)
Interest income	423	-	704	-
Dividend income	147,091	1	93,543	1
Other income (Note 24)	80,475	-	60,817	-
Loss on disposal of investments	(159)	-	-	-
Foreign exchange loss (Note 4)	(12,929)	-	(5,317)	-
(Loss) gain on financial instruments at FVTPL	(3,875)	-	6,565	-
Other losses	<u>(4,209)</u>	<u>-</u>	<u>(3,958)</u>	<u>-</u>
Total non-operating income and expenses	<u>230,520</u>	<u>1</u>	<u>(51,296)</u>	<u>-</u>
GAIN (LOSS) BEFORE INCOME TAX	546,900	3	(201,797)	(1)
INCOME TAX EXPENSE (Notes 4 and 20)	<u>(58,669)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET GAIN (LOSS) FOR THE YEAR	<u>488,231</u>	<u>3</u>	<u>(201,797)</u>	<u>(1)</u>

(Continued)

CHUNG HWA PULP CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

	2021		2020	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 17)	\$ (89,995)	-	\$ (3,261)	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	284,189	1	34,283	-
Share of the other comprehensive income of subsidiaries and associates	68,346	-	12,050	-
Tax effect of items that will not be reclassified (Note 20)	17,999	-	652	-
Items that may be reclassified subsequently to profit or loss:				
Gain on hedging instruments (Note 18)	5,249	-	527	-
Share of the other comprehensive loss of subsidiaries and associates (Note 18)	<u>(87,886)</u>	<u>-</u>	<u>(38,236)</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>197,902</u>	<u>1</u>	<u>6,015</u>	<u>-</u>
TOTAL COMPREHENSIVE GAIN (LOSS) INCOME FOR THE YEAR	<u>\$ 686,133</u>	<u>4</u>	<u>\$ (195,782)</u>	<u>(1)</u>
EARNINGS (LOSS) PER SHARE (Note 21)				
Basic	<u>\$ 0.45</u>		<u>\$ (0.18)</u>	
Diluted	<u>\$ 0.45</u>			

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

(Concluded)

CHUNG HWA PULP CORPORATION

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

								Other Equity (Notes 4 and 18)				
	Share Capital (Notes 4 and 18)		Capital Surplus (Notes 4 and 18)	Retained Earnings (Notes 4 and 18)				Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized (Loss) Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Gain (Loss) on Hedging Instrument	Treasury Shares	Total Equity
	Shares (Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings	Total					
BALANCE AT JANUARY 1, 2020 AFTER ADJUSTMENTS	1,102,835	\$ 11,028,353	\$ 29,563	\$ 226,257	\$ 1,186,894	\$ 2,236,125	\$ 3,649,276	\$ (300,705)	\$ 716,520	\$ (5,776)	\$ -	\$ 15,117,231
Adjustments for the changes in equity of subsidiaries and associates	-	-	(191)	-	-	(2)	(2)		-	-	-	(193)
Unclaimed dividend	-	-	449	-	-	-	-	-	-	-	-	449
Net loss for the year ended December 31, 2020	-	-	-	-	-	(201,797)	(201,797)	-	-	-	-	(201,797)
Other comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	(2,770)	(2,770)	(38,236)	46,494	527	-	6,015
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	(204,567)	(204,567)	(38,236)	46,494	527	-	(195,782)
Disposal of investments in equity instruments designated as at FVTOCI by associates	-	-	-	-	-	1,987	1,987	-	(1,987)	-	-	-
Buy back of ordinary shares	-	-	-	-	-	-	-	-	-	-	(136,726)	(136,726)
BALANCE AT DECEMBER 31, 2020	1,102,835	11,028,353	29,821	226,257	1,186,894	2,033,543	3,446,694	(338,941)	761,027	(5,249)	(136,726)	14,784,979
Adjustments for the changes in equity of subsidiaries and associates	-	-	(2,136)	-	-	(759)	(759)	-	-	-	-	(2,895)
Unclaimed dividend	-	-	1,220	-	-	-	-	-	-	-	-	1,220
Net gain for the year ended December 31, 2021	-	-	-	-	-	488,231	488,231	-	-	-	-	488,231
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	(72,412)	(72,412)	(87,886)	352,951	5,249	-	197,902
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	415,819	415,819	(87,886)	352,951	5,249	-	686,133
Disposal of investments accounted for using the equity method	-	-	(25)	-	-	1,650	1,650	-	(1,650)	-	-	(25)
Disposal of investments in equity instruments designated as at FVTOCI by associates	-	-	-	-	-	2,842	2,842	-	(2,842)	-	-	-
BALANCE AT DECEMBER 31, 2021	1,102,835	\$ 11,028,353	\$ 28,880	\$ 226,257	\$ 1,186,894	\$ 2,453,095	\$ 3,866,246	\$ (426,827)	\$ 1,109,486	\$ -	\$ (136,726)	\$ 15,469,412

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

CHUNG HWA PULP CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before income tax	\$ 546,900	\$ (201,797)
Adjustments for:		
Depreciation and amortization expenses	984,552	944,335
Expected credit loss (reversed)	5,150	(2,440)
Loss (gain) on financial instruments at FVTPL	3,875	(6,565)
Finance costs	85,055	90,795
Interest income	(423)	(704)
Dividend income	(147,091)	(93,543)
Share of (gain) loss of subsidiaries and associates	(108,758)	112,855
Net loss on disposal of investments	159	-
Reversal of write-down of inventories	(4,648)	(9,921)
Unrealized gain on foreign currency exchange	(8,080)	(7,217)
Changes in operating assets and liabilities		
Increase in financial assets mandatorily classified as at fair value through profit or loss	400	6,195
Notes and accounts receivable	(558,945)	(515)
Notes and accounts receivable from related parties	(298,714)	68,720
Inventories	(459,834)	93,110
Other current assets	346,963	(249,632)
Net defined benefit assets	(372,368)	(9,406)
Notes payable and accounts payable	39,226	155,093
Notes and accounts payable to related parties	78,607	(90,358)
Other payables	98,247	138,089
Other current liabilities	12,907	(46,505)
Net defined benefit liabilities	-	(205,906)
Cash generated from operations	243,180	684,683
Interest received	423	704
Interest paid	(83,936)	(103,543)
Income tax received (paid)	709	(732)
Net cash generated from operating activities	160,376	581,112
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of financial assets at FVTOCI	-	1,800
Proceeds from capital reduction on financial assets at fair value through other comprehensive income	26,122	41,057
Proceeds from sale of financial assets at fair value through profit or loss	-	176,829
Proceeds from the sale of financial instruments for hedging	5,303	497
Cash inflow from liquidation of investments accounted for using equity method	19,975	-
Payments for property, plant and equipment	(1,602,528)	(2,222,785)
Increase in other non-current assets	(11,629)	(2,080)

(Continued)

CHUNG HWA PULP CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

	2021	2020
Decrease (increase) in prepayments for equipment	\$ 106,206	\$ (52,337)
Dividend received	<u>205,490</u>	<u>136,147</u>
Net cash used in investing activities	<u>(1,251,061)</u>	<u>(1,920,872)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	2,332,734	(3,592,454)
(Decrease) increase in short-term bills payable	(648,139)	3,847,881
Proceeds from long-term borrowings	3,100,000	1,700,000
Repayments of long-term borrowings	(3,700,000)	(450,000)
Repayment of the principal portion of lease liabilities	(26,361)	(20,881)
(Decrease) increase in other non-current liabilities	(51)	716
Payments for buyback of ordinary shares	-	(136,726)
Capital surplus transferred from unclaimed dividends	<u>1,220</u>	<u>449</u>
Net cash generated from financing activities	<u>1,059,403</u>	<u>1,348,985</u>
NET (DECREASE) INCREASE IN CASH	(31,282)	9,225
CASH AT THE BEGINNING OF THE YEAR	<u>153,557</u>	<u>144,332</u>
CASH AT THE END OF THE YEAR	<u>\$ 122,275</u>	<u>\$ 153,557</u>

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

(Concluded)

CHUNG HWA PULP CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

1. GENERAL INFORMATION

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

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

YFY Inc. and its subsidiaries held 58.6% of ordinary shares of the Company, respectively, as of December 31, 2021 and 2020.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 15, 2022.

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 Company’s accounting policies.

- b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2022

New IFRSs	Effective Date Announced by IASB
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)

Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

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

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: 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 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
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 IFRS 17 “Initial Application of IFRS 9 and	January 1, 2023

IFRS 17 - Comparative Information”	
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

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 will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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

d. Foreign currencies

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

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

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

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

e. Inventories

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

f. Investments in subsidiaries

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

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

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

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

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

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

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

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

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

g. Investment in associates

An associate is an entity over which the Company has significant influence and which is neither a subsidiary nor an interest in a joint venture.

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

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

When the Company's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further loss, if any. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Company continues to apply the equity method and does not remeasure the retained interest.

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

h. Property, plant and equipment

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

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

Freehold land is not depreciated.

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

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

i. Investment properties

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

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

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

Depreciation is recognized using the straight-line method.

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

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

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

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

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been

recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

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

i. Financial assets at FVTPL

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

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

ii. Financial assets at amortized cost

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

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

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

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

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

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

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

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

1. Hedge accounting

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

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

m. Provisions

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

n. Revenue recognition

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

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

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

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

o. Leases

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

1) The Company as lessor

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

2) The Company as lessee

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

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

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method,

with interest expense recognized over the lease terms. When there is a change in a lease term or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

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

p. Borrowing costs

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

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

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

any refunds from the plans or reductions in future contributions to the plans.

r. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Company considers the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates in cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Estimated impairment of accounts receivable

The provision for impairment of accounts receivable is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 10. Where the actual future cash inflows are less than expected, a material impairment loss may arise. Furthermore, the estimate of the probability of default is subject to greater uncertainties in the current year due to impact on credit risk of financial assets arising from the uncertainty on COVID-19 pandemic.

6. CASH

	December 31	
	2021	2020
Cash on hand	\$ 705	\$ 596
Checking accounts and demand deposits	<u>121,570</u>	<u>152,961</u>
	<u>\$ 122,275</u>	<u>\$ 153,557</u>

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

	December 31	
	2021	2020
Bank balance	0.001%-0.20%	0.001%-0.20%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2021	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	<u>\$ 1,095</u>	<u>\$ 5,370</u>

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

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2021</u>			
Sell	USD:NTD	2022.01.14-2022.01.27	USD6,200/NTD171,616
	EUR:NTD	2022.01.26	EUR1,000/NTD31,320
<u>December 31, 2020</u>			
Sell	USD:NTD	2021.01.15-2021.03.15	USD16,400/NTD467,072

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

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

	<u>December 31</u>	
	2021	2020
<u>Current</u>		
Domestic investments		
Listed shares	<u>\$ 1,611,921</u>	<u>\$ 1,142,817</u>
<u>Non-current</u>		
Domestic investments		
Listed shares	\$ 303,810	\$ 349,956
Unlisted shares	<u>273,721</u>	<u>371,963</u>
	<u>\$ 577,531</u>	<u>\$ 721,919</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 Company's strategy of holding these investments for long-term purposes.

9. FINANCIAL INSTRUMENTS FOR HEDGING

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

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

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

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

The increase in value used for calculating hedge ineffectiveness in 2021 and 2020 were \$5,249 thousand and \$527 thousand, respectively, the following tables summarize the information relating to the hedges of foreign currency risk.

	Currency	Maturity Date	Notional Amount (In Thousands)	
<u>December 31, 2020</u>				
Buy	EUR:NTD	2021.01.29	EUR300/NTD10,506	
<u>December 31, 2021</u>				
	Hedged Items		Change in Value Used for Calculating Hedge Ineffectiveness	Other Equity Carrying Amount in Continuing Hedges
Cash flow hedge				
Forecast transactions (capital expenditures)			\$ 5,249	\$ -
<u>December 31, 2020</u>				
	Hedged Items		Change in Value Used for Calculating Hedge Ineffectiveness	Other Equity Carrying Amount in Continuing Hedges
Cash flow hedge				
Forecast transactions (capital expenditures)			\$ 527	\$ (5,249)

For the years ended December 31, 2021 and 2020, refer to Note 18(e) for information relating to gain (loss) on changes in the fair value of hedging instruments and the original carrying amount transferred to hedged items in 2021 and 2020.

10. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	December 31	
	2021	2020
Notes receivable - operating	\$ 16,866	\$ 8,162
Accounts receivable - operating	<u>2,346,264</u>	<u>1,797,603</u>
Gross carrying amount	2,363,130	1,805,765
Less: Allowance for impairment loss	<u>(10,341)</u>	<u>(5,191)</u>
	<u>\$ 2,352,789</u>	<u>\$ 1,800,574</u>

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

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

The Company applies the simplified approach for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

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

The following table details the loss allowance of trade receivables based on the Company's provision matrix.

December 31, 2021

	Not Past Due	Less than 90 Days	91 Days to A Year	Over A Year	Total
Gross carrying amount	\$2,095,556	\$ 261,211	\$ 6,363	\$ -	\$2,363,130
Loss allowance (Lifetime ECL)	<u>(484)</u>	<u>(8,552)</u>	<u>(1,305)</u>	<u>-</u>	<u>(10,341)</u>
Amortized cost	<u>\$2,095,072</u>	<u>\$ 252,659</u>	<u>\$ 5,058</u>	<u>\$ -</u>	<u>\$2,352,789</u>

December 31, 2020

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

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

	2021	2020
Balance at January 1	\$ 5,191	\$ 7,631
Net remeasurement of loss allowance	<u>5,150</u>	<u>(2,440)</u>
Balance at December 31	<u>\$ 10,341</u>	<u>\$ 5,191</u>

11. INVENTORIES

	December 31	
	2021	2020
Finished and purchased goods	\$ 1,950,040	\$ 1,698,466
Work in process	338,685	335,671
Materials	<u>1,182,988</u>	<u>973,094</u>
	<u>\$ 3,471,713</u>	<u>\$ 3,007,231</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020 were \$17,189,991 thousand and \$15,433,522 thousand, respectively.

The cost of goods sold for the years ended December 31, 2021 and 2020 included reversal of inventory write-downs of \$4,648 thousand and \$9,921 thousand, respectively.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2021	2020
Investments in subsidiaries	\$ 4,969,579	\$ 5,027,539
Investments in associates	<u>761,342</u>	<u>762,263</u>
	<u>\$ 5,730,921</u>	<u>\$ 5,789,802</u>

a. Investments in subsidiaries

	December 31	
	2021	2020
CHP International (BVI) Corporation	\$ 4,877,213	\$ 4,975,733
Hwa Fong Investment Co., Ltd.	<u>92,366</u>	<u>51,806</u>
	<u>\$ 4,969,579</u>	<u>\$ 5,027,539</u>

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

Name of Subsidiary	Proportion of Ownership and Voting Rights	
	December 31	
	2021	2020
CHP International (BVI) Corporation	100%	100%
Hwa Fong Investment Co., Ltd.	100%	100%

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

b. Investments in associates

	December 31	
	2021	2020
Associates that are not individually material	<u>\$ 761,342</u>	<u>\$ 762,263</u>

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

	For the Year Ended December 31	
	2021	2020
The Company's share of:		
Profit for the year	\$ 108,645	\$ 5,695
Other comprehensive income	<u>34,327</u>	<u>14,587</u>
Total comprehensive income for the year	<u>\$ 142,972</u>	<u>\$ 20,282</u>

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

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

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery	Electric Equipment	Tools	Miscellaneous Equipment	Property in Construction	Total
Cost								
Balance at January 1, 2020	\$ 6,637,258	\$ 3,103,347	\$ 25,252,190	\$ 2,955,307	\$ 1,769,299	\$ 596,188	\$ 1,105,386	\$ 41,418,975
Additions	1,560,400	201,556	284,044	15,972	28,800	8,461	627,563	2,726,796
Disposals	-	(1,288)	(301,470)	(49,012)	(135,574)	(11,742)	-	(499,086)
Reclassifications	-	32,569	726,506	134,714	82,112	51,275	(1,027,176)	-
Balance at December 31, 2020	<u>\$ 8,197,658</u>	<u>\$ 3,336,184</u>	<u>\$ 25,961,270</u>	<u>\$ 3,056,981</u>	<u>\$ 1,744,637</u>	<u>\$ 644,182</u>	<u>\$ 705,773</u>	<u>\$ 43,646,685</u>
Accumulated depreciation and impairment								
Balance at January 1, 2020	\$ -	\$ 2,651,390	\$ 21,859,393	\$ 2,448,670	\$ 1,509,890	\$ 528,723	\$ -	\$ 28,998,066
Disposals	-	(1,288)	(301,470)	(49,012)	(135,574)	(11,742)	-	(499,086)
Depreciation expense	-	72,597	616,008	83,258	102,168	29,639	-	903,670
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 2,722,699</u>	<u>\$ 22,173,931</u>	<u>\$ 2,482,916</u>	<u>\$ 1,476,484</u>	<u>\$ 546,620</u>	<u>\$ -</u>	<u>\$ 29,402,650</u>
Carrying amounts at December 31, 2020	<u>\$ 8,197,658</u>	<u>\$ 613,485</u>	<u>\$ 3,787,339</u>	<u>\$ 574,065</u>	<u>\$ 268,153</u>	<u>\$ 97,562</u>	<u>\$ 705,773</u>	<u>\$ 14,244,035</u>

(Continued)

	Freehold Land	Buildings	Machinery	Electric Equipment	Tools	Miscellaneous Equipment	Property in Construction	Total
<u>Cost</u>								
Balance at January 1, 2021	\$ 8,197,658	\$ 3,336,184	\$ 25,961,270	\$ 3,056,981	\$ 1,744,637	\$ 644,182	\$ 705,773	\$ 43,646,685
Additions	-	15,885	54,406	22,786	26,166	6,613	766,003	891,859
Disposals	-	(1,326)	(103,883)	(8,643)	(9,823)	(6,209)	-	(129,884)
Reclassifications	-	44,384	716,017	51,628	99,382	22,609	(934,020)	-
Balance at December 31, 2021	<u>\$ 8,197,658</u>	<u>\$ 3,395,127</u>	<u>\$ 26,627,810</u>	<u>\$ 3,122,752</u>	<u>\$ 1,860,362</u>	<u>\$ 667,195</u>	<u>\$ 537,756</u>	<u>\$ 44,408,660</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2021	\$ -	\$ 2,722,699	\$ 22,173,931	\$ 2,482,916	\$ 1,476,484	\$ 546,260	\$ -	\$ 29,402,650
Disposals	-	(1,326)	(103,883)	(8,643)	(9,823)	(6,209)	-	(129,884)
Depreciation expense	-	80,994	647,556	87,237	106,126	31,739	-	953,742
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 2,802,367</u>	<u>\$ 22,717,604</u>	<u>\$ 2,561,510</u>	<u>\$ 1,572,877</u>	<u>\$ 572,150</u>	<u>\$ -</u>	<u>\$ 30,226,508</u>
Carrying amounts at December 31, 2021	<u>\$ 8,197,658</u>	<u>\$ 592,760</u>	<u>\$ 3,910,206</u>	<u>\$ 561,242</u>	<u>\$ 287,485</u>	<u>\$ 95,045</u>	<u>\$ 537,756</u>	<u>\$ 14,182,152</u>

(Concluded)

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

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

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31</u>	
	2021	2020
<u>Carrying amount</u>		
Land	\$ 2,613	\$ 4,862
Buildings	25,386	15,165
Machinery and office equipment	21,377	7,612
Transportation equipment	<u>3,348</u>	<u>3,046</u>
	<u>\$ 52,724</u>	<u>\$ 30,685</u>
<u>For the Year Ended December 31</u>		
	2021	2020
Additions to right-of-use assets	<u>\$ 48,419</u>	<u>\$ 7,795</u>
Depreciation charge for right-of-use assets		
Land	\$ 2,942	\$ 2,536
Buildings	11,747	10,407
Machinery and office equipment	10,121	6,205
Transportation equipment	<u>1,570</u>	<u>1,882</u>
	<u>\$ 26,380</u>	<u>\$ 21,030</u>

b. Lease liabilities

	December 31	
	2021	2020
<u>Carrying amount</u>		
Current	<u>\$ 26,014</u>	<u>\$ 14,836</u>
Non-current	<u>\$ 27,212</u>	<u>\$ 16,332</u>

Range of discount rates for lease liabilities was as follows:

	December 31	
	2021	2020
Land	0.97%-1.21%	1.02%-1.21%
Buildings	0.97%-1.21%	1.02%-1.21%
Machinery and office equipment	0.97%-1.21%	1.02%-1.21%
Transportation equipment	0.97%-1.21%	1.02%-1.21%

c. Material lease-in activities and terms

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

The Company also leases land and buildings for the use of plants, offices, and warehouses with lease terms of 2 to 8 years. The Company does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Other lease information

Lease arrangements under operating leases for the leasing out of investment properties are set out in Note 15.

	For the Year Ended December 31	
	2021	2020
Expenses relating to short-term leases and low-value asset leases	<u>\$ 61,381</u>	<u>\$ 54,850</u>
Total cash outflow for leases	<u>\$ (88,481)</u>	<u>\$ (81,961)</u>

15. INVESTMENT PROPERTIES

	For the Year Ended December 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>

(Continued)

	For the Year Ended December 31	
	2021	2020
<u>Accumulated depreciation and impairment</u>		
Opening balance	\$ (15,457)	\$ (15,190)
Depreciation expense	<u>(267)</u>	<u>(267)</u>
Ending balance	<u>\$ (15,724)</u>	<u>\$ (15,457)</u>
Ending carrying amount	<u>\$ 256,610</u>	<u>\$ 256,877</u>
		(Concluded)

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

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

	December 31	
	2021	2020
Fair value	<u>\$ 357,290</u>	<u>\$ 347,731</u>

The investment properties were leased out as operating leases from July 1, 2020 to June 30, 2025. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

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

	December 31	
	2021	2020
Lease commitment of investment properties	<u>\$ 25,948</u>	<u>\$ 33,241</u>

16. BORROWINGS

a. Short-term borrowings

	December 31	
	2021	2020
Bank credit loans	\$ 2,788,000	\$ 855,000
Letter of credit loans	<u>1,177,559</u>	<u>787,777</u>
	<u>\$ 3,965,759</u>	<u>\$ 1,642,777</u>

As of December 31, 2021 and 2020, the interest rates of short-term borrowings were both 0.52%-1.05% per annum.

b. Short-term bills payable

	December 31	
	2021	2020
Commercial paper	\$ 5,650,000	\$ 6,300,000
Less: Unamortized discount on bills payable	<u>(779)</u>	<u>(2,640)</u>
	<u>\$ 5,649,221</u>	<u>\$ 6,297,360</u>

Short-term bills payable are commercial papers due within one year. Interest rates on these bills payable were 0.24%-0.66% and 0.78%-0.85% as of December 31, 2021 and 2020, respectively.

c. Long-term borrowings

	December 31	
	2021	2020
Unsecured bank loans	\$ 800,000	\$ 1,400,000
Less: Loan management fees	<u>(7,008)</u>	<u>(9,408)</u>
Long-term bank loans	<u>\$ 792,992</u>	<u>\$ 1,390,592</u>

	Due Date	Article	Interest Rate	December 31	
				2021	2020
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>\$ 800,000</u>	<u>\$ 1,400,000</u>

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government of the Republic of China. Pension benefits are calculated on the basis of the length of service and average monthly salary of the six months before retirement. The Company contributes specific percentage of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the

“Bureau”); the Company has no right to influence the investment policy and strategy.

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

	December 31	
	2021	2020
Fair value of plan assets	\$ 834,234	\$ 523,023
Present value of defined benefit obligation	<u>(542,455)</u>	<u>(513,617)</u>
Net defined benefit assets	<u>\$ 291,779</u>	<u>\$ 9,406</u>

Movements in net defined benefit assets (liabilities) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Assets (Liabilities)
Balance at January 1, 2020	\$ (542,868)	\$ 340,223	\$ (202,645)
Service cost			
Current service cost	(15,135)	-	(15,135)
Net interest (expense) income	<u>(5,181)</u>	<u>4,403</u>	<u>(778)</u>
Recognized in profit or loss	<u>(20,316)</u>	<u>4,403</u>	<u>(15,913)</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	11,321	11,321
Actuarial gain - experience adjustments	(1,039)	-	1,039
Actuarial loss - changes in financial assumptions	<u>(15,621)</u>	<u>-</u>	<u>(15,621)</u>
Recognized in other comprehensive income	<u>(14,582)</u>	<u>11,321</u>	<u>(3,261)</u>
Contributions from the employer	-	229,698	229,698
Benefits paid	62,622	(62,622)	-
Accounts paid	<u>1,527</u>	<u>-</u>	<u>1,527</u>
Balance at December 31, 2020	<u>\$ (513,617)</u>	<u>\$ 523,023</u>	<u>\$ 9,406</u>
Balance at January 1, 2021	<u>\$ (513,617)</u>	<u>\$ 523,023</u>	<u>\$ 9,406</u>
Service cost			
Current service cost	(14,207)	-	(14,207)
Net interest (expense) income	<u>(2,474)</u>	<u>2,556</u>	<u>82</u>
Recognized in profit or loss	<u>(16,681)</u>	<u>2,556</u>	<u>(14,125)</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	7,796	7,796
Actuarial loss - experience adjustments	(95,504)	-	(95,504)
Actuarial loss - changes in financial assumptions	<u>(2,737)</u>	<u>-</u>	<u>(2,737)</u>
Recognized in other comprehensive income	<u>(97,791)</u>	<u>7,796</u>	<u>(89,995)</u>
Contributions from the employer	-	386,493	386,493
Benefits paid	<u>85,634</u>	<u>(85,634)</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ (524,455)</u>	<u>\$ 834,234</u>	<u>\$ 291,779</u>

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

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

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

	December 31	
	2021	2020
Discount rates	0.75%	0.50%
Expected rates of salary increase - less than 16 years	1.50%	1.50%
Expected rates of salary increase - more than 16 years	1.00%	1.00%

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

	December 31	
	2021	2020
Discount rates		
0.125% increase	<u>\$ (3,760)</u>	<u>\$ (3,987)</u>
0.125% decrease	<u>\$ 3,810</u>	<u>\$ 4,042</u>
Expected rates of salary increase		
0.125% increase	<u>\$ 3,797</u>	<u>\$ 4,018</u>
0.125% decrease	<u>\$ (3,757)</u>	<u>\$ (5,973)</u>

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

	December 31	
	2021	2020
The expected contributions to the plans for the next year	<u>\$ 11,251</u>	<u>\$ 374,514</u>
The average duration of the defined benefit obligation	5.6 years	6.3 years

18. EQUITY

a. Ordinary shares

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

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

b. Capital surplus

	December 31	
	2021	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
The difference between consideration paid and the carrying amount of the subsidiary's net assets during actual acquisition	484	484
<u>May be used to offset a deficit only</u>		
Arising from share of changes in capital surplus of subsidiaries and associates	5,910	8,071
Capital surplus transferred from unclaimed dividends	<u>1,669</u>	<u>449</u>
	<u>\$ 28,880</u>	<u>\$ 29,821</u>

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

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, and setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors after the amendment, refer to compensation of employees and remuneration of directors in Note 19 (c).

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

- 1) At least 20% as cash dividends; and
- 2) Remainder, as share dividends. If there is a requirement for capital expenditure, the Company may distribute only share dividends.

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

Under Order No. 1010012865 and Order No. 1010047490 and Order No. 1030006415 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate to or reverse from a special reserve. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed.

The offsetting of deficit for 2020 and 2019 was approved in the shareholders' meetings on July 7, 2021 and June 30, 2020, and the Company resolved not to distribute dividends.

The appropriation of earnings for 2021, which was proposed by the Company's board of directors on March 15, 2022, was as follows:

	<u>Appropriation of Earnings For the Year Ended December 31, 2021</u>
Legal reserve	\$ 41,955
Cash dividends	\$ 441,134
Cash dividends per share (NT\$)	\$ 0.4

The appropriation of earnings for 2021 will be resolved by the shareholders in their meeting to be held in June 2022. Information on the appropriation of earnings resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

d. Special reserves

	<u>For the Year Ended December 31</u>	
	2021	2020
Special reserves	\$ 1,186,894	\$ 1,186,894

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

e. Other equity items

	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Gain (Loss) on Hedging Instruments	Total
<u>2021</u>				
Balance at January 1	\$ (338,941)	\$ 761,027	\$ (5,249)	\$ 416,837
Unrealized gain on financial assets at FVTOCI	-	284,189	-	284,189
Gain (loss) arising on changes in the fair value of hedging instruments	-	-	5,249	5,249
Share of other comprehensive loss of subsidiaries and associates	(87,886)	68,762	-	(19,124)
Disposal of associates accounted for using equity method	-	(1,650)	-	(1,650)
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	<u>-</u>	<u>(2,842)</u>	<u>-</u>	<u>(2,842)</u>
Balance at December 31	<u>\$ (426,827)</u>	<u>\$1,109,486</u>	<u>\$ -</u>	<u>\$ 682,659</u>
<u>2020</u>				
Balance at January 1	\$ (300,705)	\$ 716,520	\$ (5,776)	\$ 410,039
Unrealized gain on financial assets at FVTOCI	-	34,283	-	34,283
Gain (loss) arising on changes in the fair value of hedging instruments	-	-	527	527
Share of other comprehensive loss of subsidiaries and associates	(38,236)	12,211	-	(26,025)
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	<u>-</u>	<u>(1,987)</u>	<u>-</u>	<u>(1,987)</u>
Balance at December 31	<u>\$ (338,941)</u>	<u>\$ 761,027</u>	<u>\$ (5,249)</u>	<u>\$ 416,837</u>

- f. As of December 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.

19. NET LOSS FROM CONTINUING OPERATIONS

a. Finance costs

	For the Year Ended December 31	
	2021	2020
Interest on bank loans	\$ 85,749	\$ 91,941
Add: Interest of lease liabilities	575	471
Less: Amounts included in the cost of qualifying assets	<u>(1,269)</u>	<u>(1,167)</u>
	<u>\$ 85,055</u>	<u>\$ 90,795</u>

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2021	2020
Capitalization rate	0.79%-0.97%	0.83%-1.14%

b. Depreciation and amortization

	For the Year Ended December 31	
	2021	2020
An analysis of depreciation by function		
Operating costs	\$ 960,646	\$ 916,939
Operating expenses	<u>19,743</u>	<u>8,028</u>
	<u>\$ 980,389</u>	<u>\$ 924,967</u>
An analysis of amortization by function		
Operating costs	\$ 1,308	\$ 164
Operating expenses	<u>2,855</u>	<u>19,204</u>
	<u>\$ 4,163</u>	<u>\$ 19,368</u>

c. Employee benefit expense

	For the Year Ended December 31	
	2021	2020
Post-employment benefits		
Defined contribution plans	\$ 60,711	\$ 57,096
Defined benefit plans	<u>14,125</u>	<u>15,913</u>
	74,836	73,009
Other employee benefits	<u>1,880,192</u>	<u>1,679,557</u>
Total employee benefit expense	<u>\$ 1,955,028</u>	<u>\$ 1,752,566</u>
An analysis of employee benefit expense by function		
Operating costs	\$ 1,757,497	\$ 1,595,377
Operating expenses	<u>197,531</u>	<u>157,189</u>
	<u>\$ 1,955,028</u>	<u>\$ 1,752,566</u>

As of December 31, 2021 and 2020, the Company had 2,059 and 1,949 employees, including 6 and 5 board of directors who were also classified as employees, respectively. The calculation basis is consistent with the employee benefits.

According to the Articles of Incorporation of the Company, the Company accrued compensation of employees and remuneration of directors 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 year ended 2020, due to operation loss, the Company did not estimate the compensation of employees and the remuneration of directors.

The appropriations of compensation of employees and remuneration of directors for 2021 that were resolved by the board of directors on March 15, 2022 are as shown below:

	For the Year Ended December 31, 2021
	Cash
Compensation of employees	<u>\$ 6,000</u>
Remuneration of directors	<u>\$ 7,000</u>

If there is a change in the amounts after the annual financial statements for 2021 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 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

20. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

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

	For the Year Ended December 31	
	2021	2020
Deferred tax		
In respect of the current year	\$ 69,486	\$ (182)
Adjustments for prior years	<u>(10,817)</u>	<u>182</u>
Income tax expense recognized in profit or loss	<u>\$ 58,669</u>	<u>\$ -</u>

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

	For the Year Ended December 31	
	2021	2020
Profit (loss) before tax from continuing operations	<u>\$ 546,900</u>	<u>\$ (201,797)</u>
Income tax expense (benefit) calculated at the statutory rate (20%)	\$ 109,380	\$ (40,359)
Permanent differences	(51,442)	1,270
Unrecognized loss carryforwards and temporary differences	11,548	38,907
Adjustments for prior years	<u>(10,817)</u>	<u>182</u>
Income tax benefit recognized in profit or loss	<u>\$ 58,669</u>	<u>\$ -</u>

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2021	2020
<u>Deferred tax</u>		
Remeasurement on defined benefit plan	<u>\$ 17,999</u>	<u>\$ 652</u>

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit plan	\$ 41,181	\$ (41,181)	\$ -	\$ -
Loss carryforwards	36,072	63,083	-	99,155
Others	<u>29,711</u>	<u>(4,655)</u>	<u>-</u>	<u>25,056</u>
	<u>\$ 106,964</u>	<u>\$ 17,247</u>	<u>\$ -</u>	<u>\$ 124,211</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Land value increment tax	\$ 1,924,940	\$ -	\$ -	\$ 1,924,940
Defined benefit plan	-	76,355	(17,999)	58,356
Others	<u>77,227</u>	<u>(439)</u>	<u>-</u>	<u>76,788</u>
	<u>\$ 2,002,167</u>	<u>\$ 75,916</u>	<u>\$ (17,999)</u>	<u>\$ 2,060,084</u>

For the year ended December 31, 2020

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Com- prehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit plan	\$ 40,529	\$ -	\$ 652	\$ 41,181
Loss carryforwards	36,072	-	-	36,072
Others	<u>29,711</u>	<u>-</u>	<u>-</u>	<u>29,711</u>
	<u>\$ 106,312</u>	<u>\$ -</u>	<u>\$ 652</u>	<u>\$ 106,964</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Land value increment tax	\$ 1,924,940	\$ -	\$ -	\$ 1,924,940
Others	<u>77,227</u>	<u>-</u>	<u>-</u>	<u>77,227</u>
	<u>\$ 2,002,167</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,002,167</u>

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

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

- e. Loss carryforwards as of December 31, 2021 comprised:

Unused Amount	Expiry Year
\$ 43,352	2024
133,015	2029
<u>319,406</u>	2030
<u>\$ 495,773</u>	

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

As of December 31, 2021 and 2020, the taxable temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognized were \$559,153 thousand and \$580,951 thousand, respectively.

- g. Income tax assessments

	<u>Latest Approved Year</u>
The Company	2019

21. LOSS PER SHARE

	<u>For the Year Ended December 31</u>	
	2021	2020
Basic earnings (loss) per share	<u>\$ 0.45</u>	<u>\$ (0.18)</u>
Diluted earnings per share	<u>\$ 0.45</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 Year

	<u>For the Year Ended December 31</u>	
	2021	2020
Profit (loss) for the year attributable to owners of the Company	<u>\$ 488,231</u>	<u>\$ (201,797)</u>

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

	<u>For the Year Ended December 31</u>	
	2021	2020
Weighted average number of ordinary shares used in the computation of basic earnings (loss) per share	1,086,891	<u>1,094,406</u>
Effect of potentially dilutive ordinary shares:		
Compensation issued to employees	<u>242</u>	
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>1,087,133</u>	

The Company may settle compensation or bonuses paid to employees in cash or shares; therefore, the Company assumes the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

22. CAPITAL MANAGEMENT

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

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

23. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

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

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

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

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets - foreign exchange forward contracts (not under hedge accounting)	\$ -	\$ 1,095	\$ -	\$ 1,095
Financial assets at FVTOCI				
Securities listed in the ROC	\$ 1,915,731	\$ -	\$ -	\$ 1,915,731
Domestic unlisted shares	-	-	273,721	273,721
	<u>\$ 1,915,731</u>	<u>\$ -</u>	<u>\$ 273,721</u>	<u>\$ 2,189,452</u>

December 31, 2020

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

There were no transfers between Levels 1 and 2 for the years ended December 31, 2021 and 2020.

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

Financial Assets	Financial Assets of Equity Securities at FVTOCI
Balance at January 1, 2021	\$ 371,963
Proceeds from capital reduction	(26,122)
Recognized in other comprehensive income	<u>(72,120)</u>
Balance at December 31, 2021	<u>\$ 273,721</u>
Financial Assets	Financial Assets of Equity Securities at FVTOCI
Balance at January 1, 2020	\$ 293,985
Proceeds from capital reduction	(41,057)
Recognized in other comprehensive income	120,835
Settlements	<u>(1,800)</u>
Balance at December 31, 2020	<u>\$ 371,963</u>

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.

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

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

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

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

	December 31	
	2021	2020
Discount for lack of marketability		
2.5% increase	<u>\$ (8,051)</u>	<u>\$ (11,218)</u>
2.5% decrease	<u>\$ 8,051</u>	<u>\$ 11,218</u>

b. Categories of financial instruments

	December 31	
	2021	2020
<u>Financial assets</u>		
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	\$ 1,095	\$ 5,370
Financial assets for hedging	-	54
Financial assets at amortized cost (1)	3,832,706	2,964,407
Financial assets at FVTOCI	2,189,452	1,864,736

Financial liabilities

Financial liabilities at amortized cost (2)	13,127,574	12,547,978
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- 1) The balances include financial assets measured at amortized cost, which comprise cash, notes and accounts receivable, notes and accounts receivable from related parties, other receivables (accounted as other current assets), and refundable deposits (accounted as other current assets and other non-current assets).
- 2) The balances include financial liabilities measured at amortized cost, which comprise short-term borrowings, short-term bills payable, notes and accounts payable, notes and accounts payable to related parties, other payables, long-term borrowings, and deposits received (accounted as other non-current liabilities).

c. Financial risk management objectives and policies

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

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

1) Market risk

a) Foreign currency risk

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

Sensitivity analysis

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

The Company was mainly exposed to the USD, RMB and EUR.

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

	<u>For the Year Ended December 31</u>	
	2021	2020
Influence to profit or loss at 5% variance		
USD	\$ 37,605	\$ 56,153
RMB	46,973	33,366
EUR	9,332	5,939

b) Interest rate risk

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

	<u>For the Year Ended December 31</u>	
	2021	2020
Fair value interest rate risk		
Financial liabilities	\$ 6,495,439	\$ 7,719,120
Cash flow interest rate risk		
Financial assets	121,570	152,961
Financial liabilities	3,965,759	1,642,777

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

Sensitivity analysis

For the Company's floating interest rate financial liabilities, if interest rates had been 0.1% higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2021 and 2020 would have decreased/increased as follows:

	<u>For the Year Ended December 31</u>	
	2021	2020
Decrease/increase	\$ 3,844	\$ 1,490

c) Other price risk

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

Sensitivity analysis

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

If equity prices had been 5% higher/lower, the Company's comprehensive income for the years ended December 31, 2021 and 2020 would have increased/decreased as follows:

	<u>For the Year Ended December 31</u>	
	2021	2020
Other comprehensive income		
Increase/decrease	\$ 109,473	\$ 93,237

2) Credit risk

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

The Company's concentration of credit risk was attributable to the Company's largest customer. As of December 31, 2021 and 2020, the ratio of trade receivables was 13% and 9%, respectively.

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

3) Liquidity risk

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

As of December 31, 2021 and 2020, the Company's unused financing facilities were \$5,627,907 thousand and \$7,288,161 thousand, respectively.

24. TRANSACTIONS WITH RELATED PARTIES

a. Related party name and category

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

b. Sales of goods

<u>Related Party Type</u>	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Fellow subsidiaries	\$ 2,880,643	\$ 2,165,903
Subsidiaries	1,863,948	1,462,995
Substantial related parties	199,870	238,561
Parent company	52	41
Parent's associates	<u>23</u>	<u>2</u>
	<u>\$ 4,944,536</u>	<u>\$ 3,867,502</u>

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

c. Purchases of goods

Related Party Type	For the Year Ended December 31	
	2021	2020
Fellow subsidiaries	\$ 1,844,560	\$ 1,703,912
Subsidiaries	9,366	2,746
Substantial related parties	1,646	1,925
Parent's associates	<u>491</u>	<u>349</u>
	<u>\$ 1,856,063</u>	<u>\$ 1,708,932</u>

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

d. Receivables from related parties

Related Party Type	December 31	
	2021	2020
Subsidiaries		
Shenzhen Jinglun Paper Co., Ltd.	\$ 871,104	\$ 627,173
Others	<u>372</u>	<u>500</u>
	<u>871,476</u>	<u>627,673</u>
Fellow subsidiaries		
YFY Consumer Products Co., Ltd.	134,892	125,921
Others	<u>214,037</u>	<u>167,884</u>
	<u>348,929</u>	<u>293,805</u>
Substantial related parties	49,018	49,234
Parent company	7	3
Parent's associates	<u>-</u>	<u>1</u>
	<u>\$ 1,269,430</u>	<u>\$ 970,716</u>

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

e. Payables to related parties

Related Party Type	December 31	
	2021	2020
Fellow subsidiaries		
YFY Packaging Inc.	\$ 245,005	\$ 215,407
Shin Foong Specialty & Applied Materials Co., Ltd.	120,809	78,534
YFY Development Corp.	41,902	35,341
Others	<u>25,622</u>	<u>34,097</u>
	<u>433,338</u>	<u>363,379</u>
Subsidiaries	11,539	3,813
Substantial related parties	970	987
Parent's associates	<u>5</u>	<u>-</u>
	<u>\$ 445,852</u>	<u>\$ 368,179</u>

The outstanding accounts payable to related parties are unsecured.

f. Acquisition of investment properties

Related Party Type	For the Year Ended December 31	
	2021	2020
Fellow subsidiaries	\$ <u>52</u>	\$ <u>65</u>

g. Lease arrangements

Related Party Type	December 31	
	2021	2020
<u>Lease liabilities</u>		
Subsidiaries	\$ 18,088	\$ -
Parent company	<u>9,695</u>	<u>14,455</u>
	<u>\$ 27,783</u>	<u>\$ 14,455</u>

Related Party Type	For the Year Ended December 31	
	2021	2020
<u>Interest expense</u>		
Parent company	\$ 149	\$ 205
Subsidiaries	<u>115</u>	<u>-</u>
	<u>\$ 264</u>	<u>\$ 205</u>

<u>Lease expense</u>		
Parent company	\$ 11,028	\$ 10,885
Subsidiaries	8,647	-
Substantial related parties	<u>7,068</u>	<u>7,036</u>
	<u>\$ 26,743</u>	<u>\$ 17,921</u>

h. Other transactions with related parties

Related Party Type	Rental Income (Accounted as Other Income)	
	For the Year Ended December 31	
	2021	2020
Fellow subsidiaries	\$ 1,429	\$ 1,429
Parent company	<u>114</u>	<u>114</u>
	<u>\$ 1,543</u>	<u>\$ 1,543</u>

Related Party Type	Other Operating Expenses	
	For the Year Ended December 31	
	2021	2020
Fellow subsidiaries	\$ <u>43,152</u>	\$ <u>44,873</u>

Related Party Type	Management Fee (Accounted as Operating Expenses)	
	For the Year Ended December 31	
	2021	2020
Fellow subsidiaries	\$ <u>89,809</u>	\$ <u>89,678</u>

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

i. Compensation of key management personnel

	For the Year Ended December 31	
	2021	2020
Salaries and benefits	\$ 38,637	\$ 25,269
Executive fees	<u>3,150</u>	<u>3,051</u>
	\$ <u>41,787</u>	\$ <u>28,320</u>

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

25. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

As of December 31, 2021 and 2020, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately \$282,485 thousand and \$267,462 thousand, respectively.

26. OTHER ITEMS

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

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

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

December 31, 2021			
	Foreign Currency (In Thousands)	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 68,946	27.68	\$ 1,908,425
RMB	216,417	4.341	939,466
EUR	4,959	31.32	155,316
Investments accounted for using the equity method			
USD	176,200	27.68	4,877,213
Non-monetary items			
Derivative instruments			
USD	6,200	27.68	171,616
EUR	1,000	31.32	31,320
<u>Financial liabilities</u>			
Monetary items			
USD	47,975	27.68	1,327,948

December 31, 2020			
	Foreign Currency (In Thousands)	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 69,599	28.48	\$ 1,982,179
RMB	152,880	4.365	667,321
EUR	3,092	35.02	108,282
Investments accounted for using the equity method			
USD	174,710	28.48	4,975,733
Non-monetary items			
Derivative instruments			
USD	16,400	28.48	467,072
EUR	300	35.02	10,506
<u>Financial liabilities</u>			
Monetary items			
USD	46,565	28.48	1,326,183

28. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others (None)

- 2) Endorsements/guarantees provided (Table 1)
 - 3) Marketable securities held (Table 2)
 - 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital (None)
 - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (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 3)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
 - 9) Trading in derivative instruments (Notes 7 and 9)
 - 10) Information of investee (Table 5)
- 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 6)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period (None)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period (Table 3)
 - c) The amount of property transactions and the amount of the resultant gains or losses (None)
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes (Table 1)
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds (None)
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services. (None)
- c. Information of major shareholders: List all shareholders with ownership of 5% or greater, showing the name of the shares owned, and percentage of ownership of each shareholder (Table 7)

TABLE 1

CHUNG HWA PULP CORPORATION

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 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	CHP International (BVI) Corporation	b.	\$ 23,248,494	\$ 639,400 (US\$ 23,100)	\$ 636,640 (US\$ 23,000)	\$ -	\$ -	4.12	\$ 30,997,992	Note 8	N	N
		Hwa Fong Investment Ind. Co., Ltd.	b.	23,248,494	130,000	130,000	27,000	-	0.84	30,997,992	Note 8	N	N
		Guangdong Dingfung Pulp & Paper Co., Ltd.	b.	23,248,494	175,493 (RMB 40,422)	-	-	-	0.00	30,997,992	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: The limit on endorsement/guarantee given on behalf of Chung Hwa Pulp Corporation to a single entity is 150% of the net equity in the latest financial statements issued by CPA. The limit on endorsement/guarantee is 200% of the net equity in the latest financial statements issued by CPA.

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

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

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

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

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

TABLE 2

CHUNG HWA PULP CORPORATION

MARKETABLE SECURITIES HELD
DECEMBER 31, 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	December 31, 2021			
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value (Note 1)
Chung Hwa Pulp Corporation	<u>Ordinary shares</u>						
	SinoPac Holdings Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	99,809,327	\$ 1,611,921	0.9	\$ 1.161.921
	NTU Innovation & Incubation Co., Ltd.	The investor is the member of the investee’s board of directors.	Financial assets at fair value through profit or loss - non-current	800,000	-	6.3	-
	Groundhog Technologies Inc.	-	Financial assets at fair value through profit or loss - non-current	275,000	-	1.0	-
	KHL IB Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	12,443,688	273,718	14.9	273,718
	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	17,829,132	274,570	2.5	274,570
	Medeon Biodesign, Inc.	-	Financial assets at fair value through other comprehensive income - non-current	323,455	29,240	0.4	29,240

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

TABLE 3

CHUNG HWA PULP CORPORATION

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars)

Buyer/Seller	Related Party	Relationship (Note)	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Unrealized Gain (Loss)
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Chung Hwa Pulp Corporation	YFY Development (Note 2)	a.	Sale	\$ (919,576)	(5)	0.5 month after transaction month	\$ -	-	\$ 56,905	2	\$ -
	Shenzhen Jinglun Paper Co., Ltd.	b.	Sale	(1,848,273)	(10)	5 months after transaction month	-	-	871,104	24	8,704
	YFY Consumer Products Co., Ltd.	a.	Sale	(683,065)	(4)	2 months after transaction month	-	-	134,892	4	-
	YFY Packaging Inc.	a.	Sale	(238,601)	(1)	3 months after transaction month	-	-	65,812	2	-
	YFY Packaging Inc.	a.	Purchase	1,133,148	7	2 months after transaction month	-	-	(245,005)	(14)	-
	Union Paper Corp.	a.	Sale	(976,051)	(5)	1 month after transaction month	-	-	86,111	2	-
	Union Paper Corp.	a.	Purchase	189,401	1	1 month after transaction month	-	-	(12,920)	(1)	-
	Beautone Co., Ltd.	c.	Sale	(142,982)	(1)	1 month after transaction month	-	-	26,674	1	-
	YFY Japan Co., Ltd.	a.	Purchase	260,656	2	In agreed terms	-	-	-	-	-
	Shin Foong Specialty and Applied Materials Co., Ltd.	a.	Purchase	258,230	1	4 months after transaction month	-	-	(120,809)	(7)	-

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

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

TABLE 4

CHUNG HWA PULP CORPORATION

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 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	Yuen Foong Yu Consumer Products Co., Ltd. Shenzhen Jinglun Paper Co., Ltd.	Fellow subsidiaries Parent company and subsidiary	\$ 134,892 871,104	5.24 2.47	\$ -	-	\$ 72,867	\$ -
					-	-	193,684	-

TABLE 5**CHUNG HWA PULP CORPORATION****INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)**

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of December 31, 2021			Net (Loss) Income of the Investee	Share of (Loss) Profits	Note
				December 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	\$ 4,877,213	\$ (27,723)	\$ (33,704)	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	522,654	5,150,045	90,762	b.
	Effion Enertech Co., Ltd.	Taipei, Taiwan	To operate cogeneration and provide power technology	343,000	343,000	34,300,000	49.0	238,688	26,192	12,834	b.
	Taiwan Global BioFund Co., Ltd.	Taipei, Taiwan	Biotechnology and biopharmaceutical business investment	-	32,832	-	0.0	-	325,205	5,049	b.
	Hwa Fong Investment Co., Ltd.	Taipei, Taiwan	Investment and holding	36,000	36,000	3,600,000	100.0	92,366	33,817	33,817	a.

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

TABLE 6

CHUNG HWA PULP CORPORATION

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 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 December 31, 2020 (Foreign Currencies in Thousands) (Note 1)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021
					Outward	Inward						
Guangdong Dingfung Pulp & Paper Co., Ltd.	Pulp and paper production, trading and forestry business	\$ 2,370,238 (US\$ 85,630) (Note 3)	Investment in mainland China through companies set up in another country.	\$ 365,376 (US\$ 13,200)	\$ -	\$ -	\$ 365,375 (US\$ 13,200)	\$ (77,424) (Note 2,b.)	60	\$ (45,455) (Note 2,b.)	\$ 2,652,319	\$ -
Shenzhen Jinglun Paper Co., Ltd.	Sale of paper merchandise and import/export business	13,893 (RMB 3,200)	(Note 5)	-	-	-	(Note 5)	(11,102) (Note 2,b.)	100	(11,102) (Note 2,b.)	131,480	-
Zhaoqing Dingfung Forestry Ltd.	Export factoring, domestic factoring, business factoring and related consulting services, develop credit risk management platform	605,638 (US\$ 21,880)	Investment in mainland China through companies set up in another country.	122,567 (US\$ 4,428)	-	-	122,567 (US\$ 4,428)	45,297 (Note 2,b.)	86.5 (Note 4)	39,186 (Note 2,b.)	2,538,730	-
Zhaoqing Xinchuan Green Technology Co., Ltd. (Note 4)	Environmental equipment technology research and development; construction of wastewater, flue gas, noise and solid waste treatment; pure water treatment construction; environmental technology consulting; sale of environmental protection equipment and chemical raw material; import and export of cargo and technology	8,683 (RMB 2,000)	(Note 5)	-	-	-	(Note 5)	1,622 (Note 2,b.)	100	1,622 (Note 2,b.)	11,027	-
Guizhou Yuanfung Forestry Co., Ltd.	Export factoring, domestic factoring, business factoring and related consulting services, develop credit risk management platform	(Note 6)	(Note 5)	-			(Note 5)	-	67	-	-	

Accumulated Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$487,946 (Note 1)	\$1,179,334 (Note 1)	\$9,281,647

Note 1: The exchange rates are US\$1= NT\$27.68 or RMB1= NT\$4.341484 as of December 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.

Note 6: Established in the fourth quarter of 2021. The capital injection has not been completed.

2. For information on any investee company in mainland China, refer to Tables 1, 3 and 4.

TABLE 7**CHUNG HWA PULP CORPORATION AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS****DECEMBER 31, 2021**

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

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

6.6 Any financial difficulty and the impact on the Company's finance in last year and up to the print date of this annual report:

None

Review of Financial Conditions, Financial Performance, and Risk Management

7.1 Balance Sheet Analysis

Unit: NT\$ thousands

Item \ Year	2021	2020	Difference	
			Amount	%
Current Assets	14,411,937	12,893,835	1,518,102	12
Property, plant and equipment	16,436,919	16,557,872	(120,953)	(1)
Other Assets	3,119,600	3,128,526	(98,926)	(3)
Total Assets	33,968,456	32,670,233	1,298,223	4
Current Liabilities	13,203,844	12,035,465	1,168,378	10
Non-current Liabilities	3,131,048	3,649,014	(517,966)	(14)
Total Liabilities	16,334,892	15,684,479	650,413	4
Capital stock	11,028,353	11,028,353	-	-
Capital surplus	28,880	29,821	(914)	(3)
Retained Earnings	3,866,246	3,446,694	419,552	12
Other Equity	682,659	416,837	265,822	64
Treasury stock	(136,726)	(136,726)	-	-
Non-controlling interests	2,164,152	2,200,775	(36,623)	(2)
Total Stockholders' Equity	17,633,564	16,985,754	647,810	4
Analysis of changes in financial ratios: Other equity: Mainly due to the increase in financial assets measured at fair value through other comprehensive income.				

7.2 Statements of Comprehensive Income Analysis

A. Statements of Comprehensive Income Analysis of Operation Results

Unit: NT\$ thousands

Item \ Year	2021	2020	Difference	
			Amount	%
Net Sales	22,031,850	18,616,694	3,415,156	18
Cost of Sales	19,632,767	17,375,251	2,257,516	13
Changes in Biological Assets	3,395	333	3,062	920
Gross Profit	2,402,478	1,241,776	1,160,702	94
Operating Expenses	2,130,026	1,631,953	498,073	31
Operating Income	272,452	(390,177)	662,629	(170)
Non-operating Gains and Losses	252,226	86,693	165,533	191
Income (Loss) before Tax	524,678	(303,484)	828,162	(273)
Tax Expense (Benefit)	61,305	8,908	52,397	588
Net income (Loss)	463,373	(312,392)	775,765	(248)
Analysis of changes in financial ratios: (1) Gains or losses sustained by changes in fair value minus the cost to sell a biological asset: Mainly due to the increase in fair value minus the cost to sell a biological asset. (2) Gross profit: Mainly due to the rebound of international pulp prices and the impact of the Company's price increase on products for sale. (3) Operating expenses: Mainly due to the increase in sales and the impact of the increase in sea freight on sales and marketing expenses. (4) Net operating profit: Same as Note (2). (5) Non-operating income and expenditure: Mainly due to the recognition of the profits of affiliated companies and the increase in dividend income. (6) Pre-tax profit (loss): Please see Note (2) and (5). (7) Income tax (benefits) expenses: Mainly due to the pre-tax profit in this year. (8) Net profit (loss) of this period: Please see Notes (3) and (5).				

B. Expected sales in 2022

Energy, export shipping rates, and raw material prices will remain high. However, as ESG gradually becomes more important, the Company expects a substantial growth in food-safe paper. The overall revenue in 2022 is expected to grow by 3-5% compared to 2021.

7.3 Cash Flow Analysis

Cash Flow Analysis for the Current Year

Unit: NT\$ thousands

Cash and Cash Equivalents, Beginning of Year	Net Cash Flow from Operating Activities	Cash Outflow	Cash Surplus (Deficit)	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
386,604	(223,950)	373,474	536,128	-	-

A. Analysis on the cash flow changes of 2021

1. Operating Activities: The Company's net cash flow from operating activities decreased compared with the previous period, mainly due to the substantial growth in revenue and the increase in inventory due to the shortage of containers and ships for transportation in the current period.
2. Investment Activities: The Company's net cash flow from investment activities decreased compared with the previous period, mainly due to not having any investment plans for major projects except for routine capital expenditures in the current period.
3. Financing Activities: The Company's net cash flow from financing activities increased compared with the previous period, mainly due to the final payment for the Taoyuan Guanyin plant and payment for raw materials.

B. Remedy for Cash Deficit and Liquidity Analysis: None

C. Cash Flow Analysis for the Coming Year:

1. Business Activities: Continue to strengthen inventory management, actively destock inventory, and strengthen the recovery of accounts receivables to maintain stable operating cash flow under normal operations.
2. Investment Activities: Mainly for replacing and repairing equipment with constancy mechanisms.
3. Financing Activities: Appropriate financing or repayments will be arranged based on the overall operating and investment activities.

7.4 Major Capital Expenditures and Impact on Financial Operations in last year

The Company's major capital expenditures in the most recent year include: Purchasing new plants, replacing and improving existing equipment, and investing in pulp production line equipment are briefly described as follows:

We purchased the Taoyuan Guanyin Mill in 2021 to develop non-plastic products and become the development base for non-plastic materials.

We updated the Hualien Mill's steam and power equipment to achieve a green economy, comply with relevant laws and regulations, and improve production efficiency to reduce costs. We continue to invest in equipment for pulp, plastic, and food-safe paper for the Hualien Mill, develop new products for new markets, increase production capacity, and expand sales to improve profitability for the product lines.

We updated the process equipment of the Dingfeng Mill. In addition adding low-emission equipment to reduce the discharge of production by-products, we implemented environmental protection and stipulations of laws and regulations. We also replaced old pulping equipment, enhanced energy efficiency, and improved production, quality, and competitiveness.

Working capital for the abovementioned capital expenditures are sourced from the Company's funds and bank loans. Although this year's interest expenditures were more than last year, there was no material impact on the Company's overall finance position.

7.5 Reinvestment Policy, Reasons for Profit or Loss, Improvement Plans, and Investment Plans for Next Year

- A. The Company's reinvestments are in line with the Company's long-term development strategy, focusing on areas such as afforestation and pulp and paper to achieve the consistent production of forests, pulp, and paper. The investee companies suffered losses in 2021, mainly due to the correction in international pulp prices and the rising transportation costs, which caused the price of raw materials to remain high.
- B. The global economy is expected to continue its growth after the COVID-19 vaccine rollout becomes widespread in 2022. With the development of global policies to limit plastic usage, the Company will continue to develop plastic-free products with a circular economy as the development core.

7.6 Risk Analysis and Assessment (in the most recent year and up to the print date of this annual report)

7.6.1 Impact of Changes in Interest Rates, Exchange Rates, and Inflation on the Company's Profitability and Response Measures:

Interest Rate: The global economy will recover strongly in 2021 due to the gradual popularization of the COVID-19 vaccine in major countries around the world, and the continued monetary easing in the United States, Europe, and Japan for stimulating the economy. However, funds flooded the world, the global supply chain and logistics are still deeply affected by the pandemic, and the pressure on prices rose. Thus, the Federal Reserve will start to reduce the scale of bond purchases in November 2021, and release the message that they will begin to tighten the monetary policy. And, they will officially start raising interest rates in March 2022. In 2021, Taiwan will benefit from the transfer of orders because of its success in controlling the epidemic. Taiwan will become one of the few economies with sustained high growth. Coupled with the stable domestic prices, the central bank kept interest rates unchanged in 2021 and the NTD interest rate market will remain stable as a whole. Once the Central Bank of the Republic of China (Taiwan) follows the Federal Reserve in raising interest rates in March 2022, market interest rates will also began to rise.

Response Measures: As the impact of the COVID-19 pandemic on the global economy is gradually easing, but the flood of funds, supply chain bottlenecks, and tight labor market have also led Fed officials to shift their focus from monetary policy to controlling

inflation. They will initiate multiple interest rate hikes in 2022. The Central Bank of the Republic of China (Taiwan) will follow suit by gradually increasing the interest rates to keep prices stable. The Company will evaluate the liability positions and financing policies regularly and flexibly to effectively reduce the Company's interest expenditures.

Exchange Rate: As the impact of the pandemic on the United States gradually eased in 2021, economic activity and the labor market rebounded significantly. The tight labor market and global supply chain bottleneck triggered persistent and high inflation. Since the second half of the year, the Federal Reserve raised the prospects of US dollar interest rates several times, causing USD exchange rates to rise while major non-U.S. Currencies like the EUR, JPY, and AUD depreciated. China, due to outstanding foreign trade performance, guided the RMB to appreciate slightly to about 6.37. Taiwan continued its excellent economic and trade performance since 2020, so overseas funds continued to flow in, causing NTD to continue to appreciate. Major exchange rate risks faced by the Company are USD and RMB receivables from exports. In 2021, the Company continued to dynamically adjust the hedging ratio and implement response measures for hedging and cost control in order to reduce the fluctuations in currency exchange gain or loss.

Response Measures: Looking ahead to 2022, we will continue to be susceptible to the high risk of changes as the global economy and financial markets are affected by monetary policy tightening by central banks and uncertainties in the development of the COVID-19 pandemic. Related foreign currency exchange rate fluctuations are full of variables. The Company will take into account exchange rate risks and hedging costs, and make appropriate financial and hedging strategies to reduce the negative impact of exchange rate fluctuations on the Company's overall operations.

Inflation: The continued increase in vaccination coverage in major countries around the world led the recovery of overall global demand, which caused a sharp rise in global raw material prices. However, global logistics efficiency dropped significantly under the impact of the pandemic and transportation costs have soared, intensifying the upward pressure on prices. Fortunately, the appreciation of the NTD against USD will reduce inflation pressure in Taiwan in 2021, and domestic price trends are still stable overall. In 2021, although the overall CPI was 1.96%, the highest in 13 years, core CPI (excluding the CPI of energy and fruits and vegetables) was 1.33%, suggesting commodity prices remain stable.

Response Measures: Looking ahead to 2022, the central bank estimated the annual growth rate of CPI and core CPI in 2022 to be 2.37% and 2.03%, respectively. As the prices of commodities have generally risen sharply in 2021, the market originally expected relatively stable commodity prices this year, and international inflation pressure is

expected to gradually decline. However, the Russia-Ukraine war has once again increased the uncertainty of prices of global commodity markets, which may prolong global inflation. Up to the printing date of this annual report, inflation does not exert a material impact on the Company. However, due to factors such as the impact of the pandemic on global logistics and supply chains and geopolitical tensions, there is still a risk of substantial fluctuations in raw material prices. In the future, we must pay close attention to the risks caused by related factors.

7.6.2 Policies on High Risk or High Leverage Investments, Lending to Others, Making Endorsements or Guarantees, and Trading Derivatives, Reasons for Profit or Loss, and Response Measures:

The Company has not invested in high risk and high leverage instruments. For example, the utilization of short-term idle funds focuses on repaying working capital loans and reducing interest expenses.

The Company adheres to its Procedures for Extending Loans to Others and Procedures for Endorsements and Guarantees when lending funds to others and providing endorsements and guarantees. Funds or endorsement/guarantees are extended between affiliated parent companies and subsidiaries for financial and business purposes.

The Company engages in derivative transactions in accordance with its Procedure for Processing Derivative Transactions so as to clearly define the purposes of each transaction, which must be primarily hedging. The derivatives operated in 2021 are primarily aimed at avoiding USD and RMB exchange rate risks. The hedging ratio is adjusted with due consideration given to the hedge cost and exchange rate risk of derivatives to mitigate the effects of USD and RMB exchange rate fluctuations.

7.6.3 Future R&D Plans and Expected R&D investment:

A. Future R&D Plans:

The development of non-plastic products, including food-safe paper and pulp plastic products.

B. Expected R&D investment:

Expected R&D expenditure for 2022 is approximately NT\$110 million to 130 million.

7.6.4 Major Changes in Government Policies and Laws at Home and Broad, Impact on the Company's Finance and Business, and Response Measures:

For the purpose of managing legal risks as a whole, the Company hired external legal consultants to assist the Company in managing legal risks due to regulation changes in addition to signing a legal service contract with the legal department of Yuen Foong Yu

Investment Holding Co., Ltd.

The Company's response measures for any potential impact of important policy and legislative changes in Taiwan and overseas on the Company's financial or sales performance will be devised by the legal department together with the responsible departments. In case of any noncompliance with the law in the Company's internal guidelines and operating procedures, the responsible departments will make the necessary changes to effectively manage and reduce the Company's legal risk.

7.6.5 Impact of Recent Technological and Market Changes on the Company's Finance and Business, and Response Measures:

With the rapid development of technology, technological innovation has become an indispensable plan for operations, and it is also an important niche for corporate competition. The Company is committed to industrial innovation and will evaluate the impact on the Company's finances and business to adopt good response measures to pursue sustainable operation. Through the dedicated cyber security management platform and team, the Company and its subsidiaries can adopt optimal approaches to utilize resources, centralize management in an appropriate and timely manner, and upgrade existing cyber security network equipment and mechanisms, so that the information is kept secure in line with current trends.

7.6.6 Impact of Corporate Image Change on Risk Management and Response Measures:

There are various risks in the operation of enterprises, including aspects such as industrial safety, finance, products, marketing, and cybersecurity. Especially with today's widespread mass media and social networks, the occurrence of a risky event and the deliberate dissemination of false information will often evolve into an irreparable crisis. The Company believes that corporate image is more than just a facade, and to fundamentally adjust the Company's structure, we must start from the inside and enhance our corporate image at a steady pace.

CHP was established over 50 years ago in 1968. The Company has always adhered to the professional concept of corporate governance and conducts talent training, participates in social and community public welfare activities, and gives back to local neighborhoods. The management team has always adhered to the mission of sustainable development by using employees, community, and the environment as its three major concerns. With an active and robust approach in taking actions, we aim to externally transform our corporate image by taking not only actions but also maintaining constant communication.

In terms of employees and community involvement, we share the goals and vision of the

Company to raise employee's awareness towards environmental protection and eco-friendly subjects, and encourage employees to participate in environmental, cultural, and charitable activities. With respect to supply chain management, we aim to incorporate environmental protection, labor safety, and other standards into the work process, regulations, and agreements.

In the protection of employee rights, we continue to improve personnel health and provide a safe work environment. We have raised the threshold of CHP's safety and health, social responsibility, and sustainable development fields. Through internal communication, we internalized the Company's philosophy, brand value, and major concerns in the minds of employees, and raised the standards in various fields such as safety and health, social responsibility, and sustainable development. From employees to leaders, we clearly understand the attitude and response to facing related issues, so that we can radically reduce the probability of occurrence of various crises such as industrial safety and environmental protection in enterprise operations, and at the same time promote the corporate image with specific results.

For CHP, corporate image change and corporate crisis management are important topics with mutual objectives and consistent goals, as well as major management policies that we will keep improving from now to the future to respond to social needs and world trends.

7.6.7 The Expected Benefits and Possible Risks of Mergers and Acquisitions as well as the Responding Measures:

The company has no new merger and acquisition plan in 2022, so there are no related risks and countermeasures.

7.6.8 Expected Benefits of Plant Expansion, Potential Risks, and Response Measures:

As of the publication date, the Company has no plans for plant expansion, so there are no related risks and countermeasures.

7.6.9 Risks in Concentrated Procurement or Sales and Response Measures:

- (1). Procurements: The main raw material procurement strategy for the Company's products is to comprehensively consider factors such as supplier quality, price, delivery time, and whether there will be a global shortage of raw materials in the future to select suitable suppliers and flexibly adjust the preparation period. Moreover, the Company maintains more than two suppliers for the main raw materials and has good long-term relationship with them. There is currently no risk of centralized purchasing.
- (2). Sales: The Company has not yet had a significant degree of centralization, and each customer has accounted for less than 10% of the sales in the past three years. The company maintains a long-term cooperative relationship with existing customers. On

the one hand, we strive to develop new customers to expand and diversify our business sources, so there should be no risk of sales centralization.

7.6.10 Impact of mass transfer of equity by or change of directors, supervisors, or shareholders holding more than 10% equity of the Company, associated risks and response measures:

The composition of directors or shareholders holding more than 10% of the Company's shares and the shareholding ratio are stable. As of the print date of this annual report, there are not large transfers. Equity transfer or conversion is considered a normal financial transaction for shareholders, which does not have a significant impact on the Company. The Company's directors and major shareholders always maintain open channels of communication.

7.6.11 The Impact and Risk of a Change in Company Ownership, and Response Measures:

The Company is not exposed to risks of control transfer.

7.6.12 Litigation or Non-litigation Events:

The Company is currently not involved in any litigations. Non-litigious events of the Company are mainly appeals against environmental sanctions. There was one appeal in 2021 that has already been concluded.

7.6.13 Other significant risks and response measures:

(1) The impact of major security events and countermeasures.

There were no major cyberattacks or events from 2020 to the publication date of this annual report. We were not involved in any legal cases or investigated for related incidents. Through the dedicated information security management platform and team, the Company's information security management allows the Company and its subsidiaries to adopt optimal approaches to utilize resources, centralize management in an appropriate and timely manner, and upgrade existing information security network equipment and mechanisms, so that the information is kept secure in line with current trends.

Information security policies and specific management plans

The Company's information security policy is focused on the use of technology and information governance. By using a human-machine interface, software, and hardware configurations and systems of inspection and balance, we construct a network of information security management and subsequently implement various aspects of the policy through firewall setup, information server room management, user information management, and plant information security management. The Company conducts yearly

discussions with IT technicians from each plant to talk about information security problems, trends, and reinforcement measures. Education and training programs are organized to increase employees' awareness towards the environmental maintenance of information security and risks.

The professional IT management and service platform is responsible for the governance, planning, supervision, and policy implementation relating to the information security of the Company and its subsidiaries. The platform simultaneously evaluates and selects potential risks and proposes corresponding plans as needed. An external consultant is hired when necessary in hopes of keeping in pace with current trends and facilitating immediate response to various IT demands. Reporting of information security risk management is conducted periodically, and information security policies and plans of action are inspected every six months. In addition, information security protection mechanism review and counseling is occasionally conducted at production sites to develop a total information security protection capability and educate employees on the importance of information security.

Complete information security auditing system: Auditing departments of the Company and its subsidiaries regularly conduct auditing of information security tasks to ensure the completeness of information security systems and the effective implementation of relevant policies. Relevant audit results are periodically reported to the senior managers as required by law.

The Company not only endeavors to comply with government policies and in-house regulations regarding information security. The Company also fulfills responsibilities to complete routine tasks related to information security management so as to minimize the IT-related operational risks of the Company and its subsidiaries.

(2) Other major risks:

In addition to implementing management guidelines for internal management accordance with the law, the Company also devises rules to be followed by relevant units. Operational risks are distributed and managed by various departments according to their functions, and the audit department regularly and project-examines the implementation and compliance of the regulations, systems, and procedures of each department.

(3) Other market risk:

Before the administration of the COVID-19 vaccines is popularized, the Company will give priority to epidemic prevention to ensure that all production lines can run smoothly. We will also continue to develop various types of non-plastic products that can be directly recycled to contribute to the environment..

(4)The organizational structure for risk management countermeasures:

Unit	Operation (function)	Corresponding Risks
Cellulosic Materials Division	Production of household paper, paper stationery products, special purpose paper, paperboard, pulp, and chemical products	Production, labor safety, labor management, markets, and law
Specialty Materials Division	R&D and production of non-plastic products	Production, labor safety, labor management, markets, and law
Human Resource and Administrative Division	Human resources management, human resources and organizational development	Laws, policies, and organizations
Financial and Accounting Department	Investment analysis, financial management, and fund utilization management, and accounting administration	Interest rate, exchange rate, inflation, investment, acquisition, laws, equity, and policies
Auditing Office	Internal control plans and systems auditing and research	Laws and policies

7.7 Other Important Matters

None

Special Disclosure

8.1 Summary of Affiliated Companies

8.1.1 Relationship Report

(1). Relationship between subordinate company and control company

Control Company	Control Name	Holding or Pledged of Shares			Served Position	
		Shares	Percentage	Pledged	Title	Name
YFY INC.	Obtained more than half of Directors' seats	627,827,989	57.8	-	Chairperson	Kirk Hwang

(2). Transactions

A. Sales and purchase

a. Percentage of (sales) purchase and sales amount in total purchase (sales) amount

Import/Sale	Amount(NT Thousand)	Ratio of Import(Sale)	Gross Margin(NT Thousand)
Sale	51	-	6

b. Transaction terms and comparison with general transaction terms: equivalent

c. Accounts receivable (payable), balance of bills receivable (payable) and the ratio of each item at the end of the period:

Notes and accounts receivable/payable	Ending balance	Percentages of the Ending balance
Notes and accounts receivable	7	-

d. When accounts receivable were overdue during the year, the amount, handling method and provision for bad debts: None.

e. Advanced receipts (prepayments): None.

B. Property transaction: None

C. Bank accommodation: None

D. Asset leasing:

Unit: NT\$ thousands

Transaction type	Nature of lease	Rental decisions	Collection (payment) method	Comparison with general rental levels	Total current rent	Other agreed items
Lessee	Operating leases	Reference to general local standards	Monthly payment	Equivalent	11,028	None

E. Other important transactions: None.

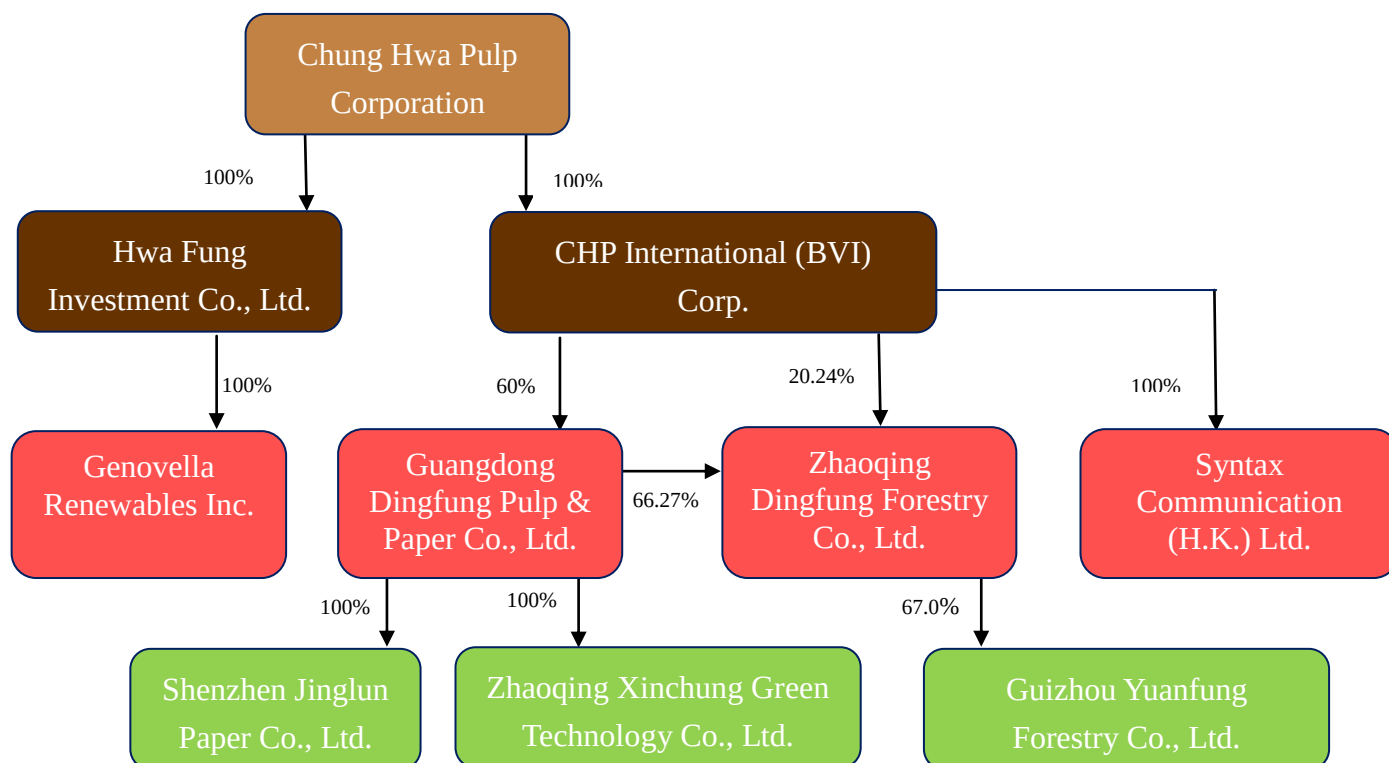
(3). Endorsements/Guarantees: None.

(4). Other matters that have a significant impact on the financial and business activities: None.

8.1.2 Relationship business merger business report

A. Affiliates' Highlights

(1). Affiliates' Structure



(2). Affiliates' profile

Name	Date of Incorporation	Address	Paid-in Capital (Thousand)	Main Business
CHP International (BVI) Corp.	3/15/1990	Citco Building, P.O. BOX 662, Road Town, Tortola, British Virgin Islands	US\$ 61,040	Investment and holding
Hwa Fung Investment Co., Ltd	2/4/1994	12F, 51, Sec. 2, Chung Ching S. Rd., Taipei, Taiwan	NT\$ 36,000	Investment and holding
Genovella Renewables Inc.	8/30/2010	No.100, Guanghua St., Ji'an Township, Hualien County, Taiwan	NT\$ 5,000	To produce fertilizer
Guangdong Dingfung Pulp & Paper Co., Ltd.	8/18/2000	Shouyue, Nanjie, Guangning County, Zhaoqing City, Guangdong Province, PROC	US\$ 85,630	Pulp and paper production, trading and forestry business
Zhaoqing Dingfung Forestry Co., Ltd.	4/1/2006	Shouyue, Nanjie, Guangning County, Zhaoqing City, Guangdong Province, PROC	US\$ 21,880	Seedling cultivation and sales, reforestation, sales-cum-forest logging and other forestry, processing and transportation
Shenzhen Jinglun Paper Co., Ltd.	6/24/2008	Room 1705, Tongxin Building 17F, No. 5020, Binhe Avenue, Futian Dist. Shenzhen City, Guangdong Province	CNY 3,200	Paper trading, cargo and technic Import and export business
Syntax	5/31/1985	2F, No. 22-28, Shatin Industrial	HKD\$ 34,088	Trading, printing and

Name	Date of Incorporation	Address	Paid-in Capital (Thousand)	Main Business
Communication (H.K.) Ltd.		Building, Wo Shui Rd., Fo Tan, Shatin, NT, HK		sales of all types of paper products; paper-related businesses.
Zhaoqing Xinchuan Green Technology Co., Ltd.	9/19/2019	Shouyue, Nanjie, Guangning County, Zhaoqing City, Guangdong Province, PROC	CNY 2,000	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
Guizhou Yuanfung Forestry Co., Ltd.	12/3/2021	Qiandao, Wuxing Village, Longping Town, Luodian County, Qiannan Prefecture, Guizhou Province Room 4, 1st Floor, Area B, Lake Hotel	CNY 10,000	Seedling cultivation and sales, reforestation, sales-cum-forest logging and other forestry, processing and transportation

Note: Established in the fourth quarter of 2021, the capital injection has not completed

(3). Industry covered by the overall Affiliates

- Production and Sales of Pulp and Paper Product.
- Production and Sales of Afforestation, Nursery and Forestry
- Investment Business
- Steam and Electricity Symbiosis Industry
- Manufacturing and Retailing of Fertilizer
- Retail and wholesale of chemical raw materials
- Manufacturing, Retail and wholesale of refractory material
- Environment equipment technology research and development, waste treatment and treatment engineering

(4). Directors, Supervisors and GM of all Affiliates

Unit: Share; %

Company Name	Title	Name of Representative	Shareholding	
			Shares	%
CHP International (BVI) Corp.	Director Director	Kirk Hwang: Representative of CHP Guu-Fong Lin: Representative of CHP	61,039,956	100.0
Hwa Fong Investment Co., Ltd	Chairperson Director Director Supervisor	Guu-Fong Lin: Representative of CHP Yen-Chang Hsieh: Representative of CHP Claire Hou: Representative of CHP David Lin: Representative of CHP	3,600,000	100.0
Genovella Renewables Inc.	Director	Shih-Hsiung Wu: Representative of Hwa Fong Investment Co., Ltd.	-	100.0
Guangdong	Chairperson	Guu-Fong Lin: Representative of CHP	-	60.0

Company Name	Title	Name of Representative	Shareholding	
			Shares	%
Dingfung Pulp & Paper Co., Ltd.	Director	International (BVI) Corp. Frank Chin: Representative of CHP	-	40.0
	Director	International (BVI) Corp. Kirk Hwang: Representative of YFY		
	Supervisor	International Corp. Vincent Chan: Representative of YFY		
	President	International Corp. Frank Chin		
Zhaoqing Dingfung Forestry Co., Ltd.	Chairperson & President	Guu-Fong Lin: Representative of Guangdong Dingfung Pulp & Paper Co., Ltd.	-	66.27
	Director	Frank Chin: Representative of CHP	-	20.24
	Director	International (BVI) Corp. Tsung-yun Lin: Representative of YFY	-	13.49
	Supervisor	International Corp. Vincent Chan: Representative of YFY		
Shenzhen Jinglun Paper Co., Ltd	Chairperson	Chih-Cheng Huang: Representative of Guangdong Dingfung Pulp & Paper Co., Ltd.	-	100.0
	Director	Ray Chen: Representative of Guangdong Dingfung Pulp & Paper Co., Ltd.		
	Director	Owen Kwong: Representative of Guangdong Dingfung Pulp & Paper Co., Ltd.		
	Supervisor	Vincent Chan: Representative of Guangdong Dingfung Pulp & Paper Co., Ltd.		
	President	Owen Kwong		
Syntax Communication (H.K.) Ltd.	Director	Chih-Cheng Huang: Representative of CHP	-	100.0
	Director	International (BVI) Corp.. Owen Kwong: Representative of CHP		
	Director	International (BVI) Corp. David Lin: Representative of CHP		
	President	International (BVI) Corp. Owen Kwong		
Zhaoqing Xinchuan Green Technology Co., Ltd.	Chairperson	Guu-Fong Lin: Representative of Guangdong Dingfung Pulp & Paper Co., Ltd.	-	100.0
	Director	Frank Chin: Representative of Guangdong Dingfung Pulp & Paper Co., Ltd.		
	Director	Tsung-Yun Lin: Representative of Guangdong Dingfung Pulp & Paper Co., Ltd.		
	Supervisor	Claire Hou: Representative of Guangdong Dingfung Pulp & Paper Co., Ltd.		
Guizhou Yuanfung Forestry Co., Ltd. Note	Chairperson	Guu-Fong Lin: Representative of Zhaoqing Dingfung Forestry Co., Ltd.	-	67.0
	Director	Tsung-Yum Lin: Representative of Zhaoqing Dingfung Forestry Co., Ltd.		67.0
	Director	Chen-Yuan Xiao: Representative of Hezhou Chenyuan Forestry Co., Ltd.		33.0
	Supervisor	Ming-Hui Lin: Representative of Zhaoqing Dingfung Forestry Co., Ltd.		67.0

Note: Established in the fourth quarter of 2021, the capital injection has not completed

B. Affiliates' operating highlights

Unit: Thousand

Company Name	Currency	Paid-in Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Operating Income	Net Income	EPS
CHP International (BVI) Corp.	USD	61,040	176,640	275	176,365	-	(14)	(990)	(0.02)
Hwa Fong Investment Co., Ltd	NTD	36,000	119,540	27,174	92,366	-	(170)	33,817	9.4
Genovella Renewables Inc.	NTD	5,000	45,649	27,261	18,388	81,743	2,711	10,341	-
Guangdong Dingfung Pulp & Paper Co., Ltd.	CNY	648,482	1,413,062	394,855	1,018,207	541,696	(22,620)	(17,833)	-
Zhaoqing Dingfung Forestry Co., Ltd.	CNY	178,162	878,251	202,291	675,960	131,594	10,348	10,433	-
Shenzhen Jinglun Paper Co., Ltd	CNY	3,200	257,079	226,794	30,285	437,016	(1,498)	(2,557)	-
Syntax Communication (H.K.) Ltd.	HKD	34,088	3,390	890	2,500	5,402	(819)	(784)	(0.002)
Zhaoqing Xinchuan Green Technology Co., Ltd.	CNY	2,000	6,477	3,937	2,540	4,135	381	374	-
Guizhou Yuanfung Forestry Co., Ltd.	CNY	Note	-	-	-	-	-	-	-

Note: Established in the fourth quarter of 2021, the capital injection has not completed

8.1.3 Consolidated of financial statements of affiliated:

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2021 are all the same as the companies required to be included in the consolidated financial statements of parent company and its subsidiaries as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent company and its subsidiaries. Hence, we have not prepared a separate set of consolidated financial statements of affiliates for the year ended December 31, 2020.

Very truly yours,

CHUNG HWA PULP CORPORATION

By:

March 15, 2022

8.2 Private Placement Securities in the Last Fiscal Year and Up to the Publishing Date of this Annual Report

None

8.3 The Shares in the Company Held or Disposed of by Subsidiaries in the last Fiscal Year and Up to the Publishing Date of this Annual Report

None

8.4 Other Information Which Should be Disclosed

None

8.5 Other Supplementary Information

Matters according to the Article 36.3.2 of the Securities and Exchange Act of Taiwan in the most recent year and up to the date of printing of this Annual Report which have significant impact to Shareholders' Equity or stock price: None