

Chung Hwa Pulp Corporation

**Parent Company Only Financial Statements for the
Years Ended December 31, 2024 and 2023 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Shareholders
Chung Hwa Pulp Corporation

Opinion

We have audited the accompanying parent company only financial statements of Chung Hwa Pulp Corporation (the "Company") which comprise the balance sheets as of December 31, 2024 and 2023, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies (collectively referred to as the "parent company only financial statements").

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, 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 Financial Statement Audit and Attestation Engagement of Certified Public Accountants and the Standards on Auditing of 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 parent company only financial statements for the year ended December 31, 2024. The matter was addressed in the context of our audit of the parent company only 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 parent company only financial statements for the year ended December 31, 2024 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 the reports of impaired receivables impairment and assessed the reasonableness of the methodology and data used in the reports.
2. We tested the receivables aging schedule and reviewed the calculation of expected credit loss for reasonableness of the recognized expected credit loss on receivables.
3. We tested the recoverability of receivables by analyzing overdue accounts and by verifying cash receipts in the subsequent period. For a receivable that was past due but not yet received, we assessed the reasonableness of the expected credit loss based on the customer's payment history, customer's credit policy control and tracking of overdue receivables.

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

Management is responsible for the preparation and fair presentation of parent company only 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 parent company only 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 Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only 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 Standards on Auditing of 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 parent company only financial statements.

As part of an audit in accordance with the Standards on Auditing of 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 parent company only 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 parent company only 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 parent company only financial statements, including the disclosures, and whether the parent company only 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 parent company only 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 parent company only financial statements for the year ended December 31, 2024, 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 Shiow-Ming Shue and Hui-Min Huang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 14, 2025

Notice to Readers

The accompanying parent company only 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 parent company only financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying parent company only 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 parent company only financial statements shall prevail.

CHUNG HWA PULP CORPORATION

PARENT COMPANY ONLY BALANCE SHEETS DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars)

	2024		2023	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Notes 4 and 6)	\$ 363,735	1	\$ 146,520	-
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	320	-	28,773	-
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	2,543,674	7	2,134,854	7
Notes and accounts receivable (Notes 4 and 10)	1,902,348	5	1,797,589	6
Accounts receivable from related parties (Notes 4 and 24)	1,636,376	5	1,305,756	4
Inventories (Notes 4 and 11)	5,116,623	15	4,570,253	14
Other current assets	584,243	2	407,693	1
Total current assets	12,147,319	35	10,391,438	32
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	408,712	1	451,021	2
Investments accounted for using the equity method (Notes 4 and 12)	6,812,658	20	6,183,814	19
Property, plant and equipment (Notes 4 and 13)	13,754,241	39	13,636,858	42
Right-of-use assets (Notes 4 and 14)	59,698	-	49,497	-
Investment properties (Notes 4 and 15)	755,008	2	755,275	3
Deferred tax assets (Notes 4 and 20)	362,647	1	277,617	1
Prepayments for equipment	158,126	1	56,445	-
Net defined benefit assets (Notes 4 and 17)	391,781	1	351,695	1
Other non-current assets	82,130	-	80,150	-
Total non-current assets	22,785,001	65	21,842,372	68
TOTAL	\$ 34,932,320	100	\$ 32,233,810	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ 4,100,726	12	\$ 3,213,529	10
Short-term bills payable (Note 16)	7,980,992	23	7,780,171	24
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	16,691	-	198	-
Financial liabilities for hedging - current (Notes 4 and 9)	-	-	4,155	-
Notes and accounts payable	1,409,257	4	1,350,093	4
Notes and accounts payable to related parties (Note 24)	338,755	1	278,394	1
Other payables	1,000,158	3	828,123	2
Lease liabilities - current (Notes 4 and 14)	34,710	-	23,268	-
Other current liabilities	214,605	-	208,886	1
Total current liabilities	15,095,894	43	13,686,817	42
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 16)	2,022,787	6	1,270,467	4
Deferred tax liabilities (Notes 4 and 20)	2,081,059	6	2,075,915	7
Lease liabilities - non-current (Notes 4 and 14)	25,498	-	26,515	-
Other non-current liabilities	9,005	-	8,610	-
Total non-current liabilities	4,138,349	12	3,381,507	11
Total liabilities	19,234,243	55	17,068,324	53
EQUITY (Notes 4 and 18)				
Share capital	11,028,353	31	11,028,353	34
Capital surplus	38,480	-	39,116	-
Retained earnings				
Legal reserve	316,847	1	316,847	1
Special reserve	1,186,894	3	1,186,894	4
Unappropriated earnings	1,258,287	4	1,483,204	4
Total retained earnings	2,762,028	8	2,986,945	9
Other equity	2,005,942	6	1,247,798	4
Treasury shares	(136,726)	-	(136,726)	-
Total equity	15,698,077	45	15,165,486	47
TOTAL	\$ 34,932,320	100	\$ 32,233,810	100

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

CHUNG HWA PULP CORPORATION

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2024		2023	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 24)				
Sales	\$ 18,362,318	100	\$ 18,656,016	101
Sales returns and allowances	<u>220,352</u>	<u>1</u>	<u>227,110</u>	<u>1</u>
Net sales	18,141,966	99	18,428,906	100
Other operating revenue	<u>100,286</u>	<u>1</u>	<u>82,785</u>	<u>-</u>
Total operating revenue	<u>18,242,252</u>	<u>100</u>	<u>18,511,691</u>	<u>100</u>
OPERATING COSTS (Notes 4, 11, 19 and 24)				
Cost of goods sold	17,030,890	94	17,733,526	96
Other operating cost	<u>24,972</u>	<u>-</u>	<u>35,080</u>	<u>-</u>
Total operating costs	<u>17,055,862</u>	<u>94</u>	<u>17,768,606</u>	<u>96</u>
GROSS PROFIT	<u>1,186,390</u>	<u>6</u>	<u>743,085</u>	<u>4</u>
OPERATING EXPENSES (Notes 4, 19 and 24)				
Selling and marketing	1,565,340	9	1,417,536	8
General and administrative	191,844	1	187,375	1
Research and development	<u>74,775</u>	<u>-</u>	<u>80,343</u>	<u>-</u>
Total operating expenses	<u>1,831,959</u>	<u>10</u>	<u>1,685,254</u>	<u>9</u>
LOSS FROM OPERATIONS	<u>(645,569)</u>	<u>(4)</u>	<u>(942,169)</u>	<u>(5)</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Note 19)	(273,438)	(1)	(229,696)	(1)
Share of profit of subsidiaries and associates (Notes 4 and 12)	335,413	2	274,674	1
Interest income	3,893	-	3,199	-
Dividend income	82,383	-	65,257	-
Other income (Note 24)	159,875	1	154,235	1
Gain on disposal of property, plant and equipment	500	-	60	-
Gain on disposal of investments	52	-	1	-
Foreign exchange gain (Note 4)	141,630	1	22,691	-
Loss on financial instruments at FVTPL	(137,741)	(1)	(65,129)	-
Other losses	<u>(4,219)</u>	<u>-</u>	<u>(1,125)</u>	<u>-</u>
Total non-operating income and expenses	<u>308,348</u>	<u>2</u>	<u>224,167</u>	<u>1</u>

(Continued)

CHUNG HWA PULP CORPORATION

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2024		2023	
	Amount	%	Amount	%
LOSS BEFORE INCOME TAX	\$ (337,221)	(2)	\$ (718,002)	(4)
INCOME TAX BENEFIT (Notes 4 and 20)	<u>85,098</u>	<u>1</u>	<u>144,607</u>	<u>1</u>
NET LOSS FOR THE YEAR	<u>(252,123)</u>	<u>(1)</u>	<u>(573,395)</u>	<u>(3)</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 17)	26,059	-	(34,729)	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	366,510	2	323,095	2
Share of the other comprehensive income of subsidiaries and associates	69,482	-	55,650	-
Tax effect of items that will not be reclassified (Note 20)	(5,212)	-	6,946	-
Items that may be reclassified subsequently to profit or loss:				
Gain (loss) on hedging instruments (Note 18)	6,034	-	(6,034)	-
Share of the other comprehensive income (loss) of subsidiaries and associates (Note 18)	<u>322,478</u>	<u>2</u>	<u>(67,748)</u>	<u>(1)</u>
Other comprehensive income for the year, net of income tax	<u>785,351</u>	<u>4</u>	<u>277,180</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ 533,228</u>	<u>3</u>	<u>\$ (296,215)</u>	<u>(2)</u>
LOSS PER SHARE (Note 21)				
Basic	<u>\$ (0.23)</u>		<u>\$ (0.53)</u>	

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

CHUNG HWA PULP CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(In Thousands of New Taiwan Dollars)

	Share Capital (Notes 4 and 18)		Capital Surplus (Notes 4 and 18)	Retained Earnings (Notes 4 and 18)				Other Equity (Notes 4 and 18)				Total Equity
	Shares (Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized (Loss) Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Gain on Hedging Instrument	Treasury Shares	
BALANCE AT JANUARY 1, 2023	1,102,835	\$ 11,028,353	\$ 35,632	\$ 268,212	\$ 1,186,894	\$ 2,456,364	\$ 3,911,470	\$ (153,000)	\$ 1,098,713	\$ -	\$ (136,726)	\$ 15,784,442
Appropriation of 2022 earnings												
Legal reserve	-	-	-	48,635	-	(48,635)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(326,067)	(326,067)	-	-	-	-	(326,067)
Adjustments for the changes in equity of subsidiaries and associates	-	-	1,873	-	-	(158)	(158)	-	-	-	-	1,715
Unclaimed dividend	-	-	1,077	-	-	-	-	-	-	-	-	1,077
Net loss for the year ended December 31, 2023	-	-	-	-	-	(573,395)	(573,395)	-	-	-	-	(573,395)
Other comprehensive (loss) income for the year ended December 31, 2023	-	-	-	-	-	(28,854)	(28,854)	(67,748)	379,816	(6,034)	-	277,180
Total comprehensive (loss) income for the year ended December 31, 2023	-	-	-	-	-	(602,249)	(602,249)	(67,748)	379,816	(6,034)	-	(296,215)
Disposal of investments accounted for using the equity method	-	-	534	-	-	183	183	-	(183)	-	-	534
Disposal of investments in equity instruments designated as at FVTOCI by associates	-	-	-	-	-	3,766	3,766	-	(3,766)	-	-	-
BALANCE AT DECEMBER 31, 2023	1,102,835	11,028,353	39,116	316,847	1,186,894	1,483,204	2,986,945	(220,748)	1,474,580	(6,034)	(136,726)	15,165,486
Adjustments for the changes in equity of subsidiaries and associates	-	-	(3,233)	-	-	(1)	(1)		-	-	-	(3,234)
Unclaimed dividend	-	-	764	-	-	-	-	-	-	-	-	764
Net loss for the year ended December 31, 2024	-	-	-	-	-	(252,123)	(252,123)	-	-	-	-	(252,123)
Other comprehensive income for the year ended December 31, 2024	-	-	-	-	-	20,894	20,894	322,478	435,945	6,034	-	785,351
Total comprehensive income (loss) for the year ended December 31, 2024	-	-	-	-	-	(231,229)	(231,229)	322,478	435,945	6,034	-	533,228
Disposal of investments accounted for using the equity method	-	-	1,833	-	-	816	816	-	(816)	-	-	1,833
Disposal of investments in equity instruments designated as at FVTOCI by associates	-	-	-	-	-	5,497	5,497	-	(5,497)	-	-	-
BALANCE AT DECEMBER 31, 2024	<u>1,102,835</u>	<u>\$ 11,028,353</u>	<u>\$ 38,480</u>	<u>\$ 316,847</u>	<u>\$ 1,186,894</u>	<u>\$ 1,258,287</u>	<u>\$ 2,762,028</u>	<u>\$ 101,730</u>	<u>\$ 1,904,212</u>	<u>\$ -</u>	<u>\$ (136,726)</u>	<u>\$ 15,698,077</u>

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

CHUNG HWA PULP CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	\$ (337,221)	\$ (718,002)
Adjustments for:		
Depreciation and amortization expenses	1,005,801	995,023
Expected credit (reversed) loss	(20,200)	24,387
Loss on financial instruments at FVTPL	137,741	65,129
Finance costs	273,438	229,696
Interest income	(3,893)	(3,199)
Dividend income	(82,383)	(65,257)
Share of profit of subsidiaries and associates	(335,413)	(274,674)
Net gain on disposal of property, plant and equipment	(500)	(60)
Net gain on disposal of investments	(52)	(1)
Recognition of inventories write-downs (reversed)	30,166	(16,966)
Unrealized (gain) loss on foreign currency exchange	(13,139)	47,384
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at FVTPL	(92,795)	(102,354)
Notes and accounts receivable	(70,385)	(197,325)
Notes and accounts receivable from related parties	(330,620)	515,509
Inventories	(576,536)	(296,980)
Other current assets	(171,883)	205,065
Net defined benefit assets	(14,027)	(20,358)
Notes payable and accounts payable	57,030	(188,210)
Notes and accounts payable to related parties	60,361	24,645
Other payables	110,020	30,074
Other current liabilities	5,527	19,398
Cash generated from operations	(368,963)	272,924
Interest received	3,893	3,199
Interest paid	(266,551)	(239,524)
Income tax paid	(218)	(262)
Net cash (used in) generated from operating activities	(631,839)	36,337
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	-	(81,540)
Proceeds from the sale of financial instruments for hedging	1,879	(1,879)
Payments for property, plant and equipment	(1,021,924)	(604,479)
Proceeds from disposal of property, plant and equipment	500	60
Increase in other non-current assets	(14,192)	(15,886)
(Increase) decrease in prepayments for equipment	(101,681)	45,560
Dividend received	179,562	177,156
Net cash used in investing activities	(955,856)	(481,008)

(Continued)

CHUNG HWA PULP CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars)

	2024	2023
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	\$ 884,038	\$ 621,350
Increase in short-term bills payable	200,821	7,530,320
Proceeds from long-term borrowings	2,100,000	1,780,000
Repayments of long-term borrowings	(1,350,000)	(9,200,000)
Repayment of the principal portion of lease liabilities	(31,108)	(30,818)
Increase in other non-current liabilities	395	154
Cash dividends	-	(326,067)
Capital surplus transferred from unclaimed dividends	<u>764</u>	<u>1,077</u>
Net cash generated from financing activities	<u>1,804,910</u>	<u>376,016</u>
NET INCREASE (DECREASE) IN CASH	217,215	(68,655)
CASH AT THE BEGINNING OF THE YEAR	<u>146,520</u>	<u>215,175</u>
CASH AT THE END OF THE YEAR	<u>\$ 363,735</u>	<u>\$ 146,520</u>

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

(Concluded)

CHUNG HWA PULP CORPORATION

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (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 on October 1, 2012. 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, 2024 and 2023.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The parent company only financial statements were approved by the Company’s board of directors on March 14, 2025.

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 “IFRS Accounting Standards”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Company’s accounting policies.

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2025

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 1)
Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments” - the amendments to the application guidance of classification of financial assets	January 1, 2026 (Note 2)

Note 1: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments to IAS 21, the Company shall not restate the comparative information and shall recognize any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or, if applicable, to the cumulative amount of translation differences in equity as well as affected assets or liabilities.

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2026. It is permitted to apply these amendments for an earlier period beginning on January 1, 2025. An entity shall apply the amendments retrospectively but is not required to restate prior periods. The effect of initially applying the amendments shall be recognized as an adjustment to the opening balance at the date of initial application. An entity may restate prior periods if, and only if, it is possible to do so without the use of hindsight.

- c. The IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note)</u>
Annual Improvements to IFRS Accounting Standards - Volume 11	January 1, 2026
Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments” - the amendments to the application guidance of derecognition of financial liabilities	January 1, 2026
Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”	January 1, 2026
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
IFRS 18 “Presentation and Disclosure in Financial Statements”	January 1, 2027
IFRS 19 “Subsidiaries without Public Accountability: Disclosures”	January 1, 2027

Note: Unless stated otherwise, the above IFRS Accounting Standards are effective for annual reporting periods beginning on or after their respective effective dates.

IFRS 18 “Presentation and Disclosure in Financial Statements”

IFRS 18 will supersede IAS 1 “Presentation of Financial Statements”. The main changes comprise:

- Items of income and expenses included in the statement of profit or loss shall be classified into the operating, investing, financing, income taxes and discontinued operations categories.
- The statement of profit or loss shall present totals and subtotals for operating profit or loss, profit or loss before financing and income taxes and profit or loss.
- Provides guidance to enhance the requirements of aggregation and disaggregation: The Company shall identify the assets, liabilities, equity, income, expenses and cash flows that arise from individual transactions or other events and shall classify and aggregate them into companies based on shared characteristics, so as to result in the presentation in the primary financial statements of line items that have at least one similar characteristic. The Company shall disaggregate items with dissimilar characteristics in the primary financial statements and in the notes. The Company labels items as “other” only if it cannot find a more informative label.

- Disclosures on Management-defined Performance Measures (MPMs): When in public communications outside financial statements and communicating to users of financial statements management's view of an aspect of the financial performance of the Company as a whole, the Company shall disclose related information about its MPMs in a single note to the financial statements, including the description of such measures, calculations, reconciliations to the subtotal or total specified by IFRS Accounting Standards and the income tax and non-controlling interests effects of related reconciliation items.

Except for the above impact, as of the date the parent company only financial statements were authorized for issue, the Company is continuously assessing the other impacts of the other amended 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 MATERIAL ACCOUNTING POLICY INFORMATION

a. Statement of compliance

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

b. Basis of preparation

The parent company only 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 excluding bearer plants 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.

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

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

Current assets include:

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

3) Cash and cash equivalents.

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 parent company only financial statements are authorized for issue; and
- 3) Liabilities for which the Company does not have the substantial right at the end of the reporting period 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 Company's parent company only 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 in which they arise.

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 presenting of preparing financial statements, the parent company only financial statements of the Company and its foreign operations (including subsidiaries and associates that are prepared using functional 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.

e. Inventories

Inventories consist of raw materials, supplies, work in progress, finished and purchased 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 accounted for as 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 loss 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 recognizing its share of further loss, if any.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary 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 Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary over the cost of acquisition is recognized immediately in profit or loss.

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

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

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

g. Investments 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 the 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 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 initially measured at cost and subsequently 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 rental 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.

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

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

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

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, and any remeasurement 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 assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost 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 trade receivables).

The Company always recognizes lifetime expected credit losses (ECLs) for trade receivables. 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 impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

The 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 an entity in 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 the 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 liabilities 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 a 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 hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

l. Hedge accounting

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

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

m. Provisions

Provisions are measured at the best estimate of the discounted cash flows 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 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 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 lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in 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, 2022, 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 an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

r. Taxation

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

1) Current tax

According to the Income Tax Act 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, 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 recognized only 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 assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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. MATERIAL 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 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.

Estimated impairment of accounts receivable

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

6. CASH

	December 31	
	2024	2023
Cash on hand	\$ 975	\$ 456
Checking accounts and demand deposits	<u>362,760</u>	<u>146,064</u>
	<u>\$ 363,735</u>	<u>\$ 146,520</u>

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

	December 31	
	2024	2023
Bank balance	0.001%-0.95%	0.001%-1.45%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2024	2023
<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>320</u>	\$ <u>28,773</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>16,691</u>	\$ <u>198</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, 2024</u>			
Sell	USD:NTD	2025.01.06-2024.02.03	USD26,000/NTD852,410
	EUR:NTD	2025.01.23-2025.01.24	EUR7,000/NTD238,980
	RMB:NTD	2025.01.02-2025.03.24	RMB325,000/NTD1,482,325
<u>December 31, 2023</u>			
Sell	USD:NTD	2024.01.08-2024.03.29	USD29,200/NTD896,586
	EUR:NTD	2024.01.12	EUR4,000/NTD135,920
	RMB:NTD	2024.02.07-2024.02.20	RMB80,000/NTD346,800

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

	December 31	
	2024	2023
<u>Current</u>		
Domestic investments		
Listed shares	\$ <u>2,543,674</u>	\$ <u>2,134,854</u>

(Continued)

	December 31	
	2024	2023
<u>Non-current</u>		
Domestic investments		
Listed shares	\$ 262,088	\$ 290,015
Unlisted shares	<u>146,624</u>	<u>161,006</u>
	<u>\$ 408,712</u>	<u>\$ 451,021</u>
		(Concluded)

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

9. FINANCIAL INSTRUMENTS FOR HEDGING

	December 31	
	2024	2023
<u>Financial assets - current</u>		
Cash flow hedges		
Forward exchange contracts	\$ -	\$ 4,155

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

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

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

The increase (decrease) in value used for calculating hedge ineffectiveness in 2024 and 2023 were \$(4,155) and \$4,155 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, 2023</u>			
Buy	JPY:NTD	2024.01.18-2024.02.20	JPY594,150/NTD129,049

December 31, 2024

Hedged Items	Change in Value Used for Calculating Hedge Ineffectiveness	Other Equity Carrying Amount in Continuing Hedges
Cash flow hedge		
Forecast transactions (capital expenditures)	\$ <u>(4,155)</u>	\$ <u>-</u>

December 31, 2023

Hedged Items	Change in Value Used for Calculating Hedge Ineffectiveness	Other Equity Carrying Amount in Continuing Hedges
Cash flow hedge		
Forecast transactions (capital expenditures)	\$ <u>4,155</u>	\$ <u>(6,034)</u>

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 2024 and 2023.

10. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	December 31	
	2024	2023
Notes receivable - operating	\$ 19,470	\$ 18,446
Accounts receivable - operating	<u>1,895,836</u>	<u>1,812,301</u>
Gross carrying amount	1,915,306	1,830,747
Less: Allowance for impairment loss	<u>(12,958)</u>	<u>(33,158)</u>
	<u>\$ 1,902,348</u>	<u>\$ 1,797,589</u>

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

For 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.

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 receivable 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 receivable based on the Company's provision matrix:

December 31, 2024

	Not Past Due	Less than 90 Days	91 Days to A Year	Over A Year	Total
Gross carrying amount	\$ 1,758,037	\$ 138,080	\$ 19,115	\$ 74	\$ 1,915,306
Loss allowance (Lifetime ECL)	<u>(5,027)</u>	<u>(953)</u>	<u>(6,904)</u>	<u>(74)</u>	<u>(12,958)</u>
Amortized cost	<u>\$ 1,753,010</u>	<u>\$ 137,127</u>	<u>\$ 12,211</u>	<u>\$ -</u>	<u>\$ 1,902,348</u>

December 31, 2023

	Not Past Due	Less than 90 Days	91 Days to A Year	Over A Year	Total
Gross carrying amount	\$ 1,535,957	\$ 255,600	\$ 39,190	\$ -	\$ 1,830,747
Loss allowance (Lifetime ECL)	<u>(3,206)</u>	<u>(2,854)</u>	<u>(27,098)</u>	<u>-</u>	<u>(33,158)</u>
Amortized cost	<u>\$ 1,532,751</u>	<u>\$ 252,746</u>	<u>\$ 12,092</u>	<u>\$ -</u>	<u>\$ 1,797,589</u>

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

	2024	2023
Balance at January 1	\$ 33,158	\$ 8,771
(Reversed) recognized for the year	<u>(20,200)</u>	<u>24,387</u>
Balance at December 31	<u>\$ 12,958</u>	<u>\$ 33,158</u>

11. INVENTORIES

	<u>December 31</u>	
	2024	2023
Finished and purchased goods	\$ 2,700,668	\$ 2,793,720
Work in process	886,754	636,892
Materials	<u>1,529,201</u>	<u>1,139,641</u>
	<u>\$ 5,116,623</u>	<u>\$ 4,570,253</u>

The cost of goods sold for the years ended December 31, 2024 and 2023 included inventory write-downs of \$30,166 thousand and reversal of inventory write-down of \$16,966 thousand, respectively.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2024	2023
Investments in subsidiaries	\$ 5,913,027	\$ 5,421,694
Investments in associates	<u>899,631</u>	<u>762,120</u>
	<u>\$ 6,812,658</u>	<u>\$ 6,183,814</u>

a. Investments in subsidiaries

	December 31	
	2024	2023
CHP International (BVI) Corporation	\$ 5,784,586	\$ 5,308,450
Hwa Fong Investment Co., Ltd.	<u>128,441</u>	<u>113,244</u>
	<u>\$ 5,913,027</u>	<u>\$ 5,421,694</u>

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

	Proportion of Ownership and Voting Rights	
	December 31	
Name of Subsidiary	2024	2023
CHP International (BVI) Corporation	100%	100%
Hwa Fong Investment Co., Ltd.	100%	100%

b. Investments in associates

	December 31	
	2024	2023
Associates that are not individually material	<u>\$ 899,631</u>	<u>\$ 762,120</u>

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

	For the Year Ended December 31	
	2024	2023
The Company's share of:		
Profit for the year	\$ 154,915	\$ 137,032
Other comprehensive income	<u>73,725</u>	<u>40,749</u>
Total comprehensive income for the year	<u>\$ 228,640</u>	<u>\$ 177,781</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 investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2024 and 2023 were based on the subsidiaries' result which have been audited for the same years.

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery	Electric Equipment	Tools	Miscellaneous Equipment	Property in Construction	Total
<u>Cost</u>								
Balance at January 1, 2023	\$ 7,922,547	\$ 3,434,946	\$ 27,094,206	\$ 3,032,867	\$ 1,920,105	\$ 677,170	\$ 946,261	\$ 45,028,102
Additions	1,772	10,553	53,515	11,907	24,655	9,699	479,441	591,542
Disposals	-	-	(142,339)	(3,264)	(8,731)	(12,224)	-	(166,558)
Reclassifications	-	53,459	364,680	121,596	67,411	5,113	(612,259)	-
Balance at December 31, 2023	<u>\$ 7,924,319</u>	<u>\$ 3,498,958</u>	<u>\$ 27,370,062</u>	<u>\$ 3,163,106</u>	<u>\$ 2,003,440</u>	<u>\$ 679,758</u>	<u>\$ 813,443</u>	<u>\$ 45,453,086</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2023	\$ -	\$ 2,880,901	\$ 23,358,544	\$ 2,519,895	\$ 1,676,649	\$ 594,299	\$ -	\$ 31,030,288
Disposals	-	-	(142,339)	(3,264)	(8,731)	(12,224)	-	(166,558)
Depreciation expense	-	75,334	661,345	88,461	98,135	29,223	-	952,498
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 2,956,235</u>	<u>\$ 23,877,550</u>	<u>\$ 2,605,092</u>	<u>\$ 1,766,053</u>	<u>\$ 611,298</u>	<u>\$ -</u>	<u>\$ 31,816,228</u>
Carrying amounts at December 31, 2023	<u>\$ 7,924,319</u>	<u>\$ 542,723</u>	<u>\$ 3,492,512</u>	<u>\$ 558,014</u>	<u>\$ 237,387</u>	<u>\$ 68,460</u>	<u>\$ 813,443</u>	<u>\$ 13,636,858</u>
<u>Cost</u>								
Balance at January 1, 2024	\$ 7,924,319	\$ 3,498,958	\$ 27,370,062	\$ 3,163,106	\$ 2,003,440	\$ 679,758	\$ 813,443	\$ 45,453,086
Additions	34,170	14,959	38,759	25,296	23,801	7,103	935,284	1,079,372
Disposals	-	(30,528)	(481,671)	(1,274)	(16,417)	(6,727)	-	(536,617)
Reclassifications	-	38,908	632,678	33,873	92,338	23,228	(821,025)	-
Balance at December 31, 2024	<u>\$ 7,958,489</u>	<u>\$ 3,527,297</u>	<u>\$ 27,559,828</u>	<u>\$ 3,221,001</u>	<u>\$ 2,103,162</u>	<u>\$ 703,362</u>	<u>\$ 927,702</u>	<u>\$ 45,995,841</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2024	\$ -	\$ 2,956,235	\$ 23,877,550	\$ 2,605,092	\$ 1,766,053	\$ 611,298	\$ -	\$ 31,816,228
Disposals	-	(30,528)	(481,671)	(1,274)	(16,417)	(6,727)	-	(536,617)
Depreciation expense	-	72,179	672,502	92,058	94,338	30,912	-	961,989
Balance at December 31, 2024	<u>\$ -</u>	<u>\$ 2,997,886</u>	<u>\$ 24,068,381</u>	<u>\$ 2,695,876</u>	<u>\$ 1,843,974</u>	<u>\$ 635,483</u>	<u>\$ -</u>	<u>\$ 32,241,600</u>
Carrying amounts at December 31, 2024	<u>\$ 7,958,489</u>	<u>\$ 524,411</u>	<u>\$ 3,491,447</u>	<u>\$ 525,125</u>	<u>\$ 259,188</u>	<u>\$ 67,879</u>	<u>\$ 927,702</u>	<u>\$ 13,754,241</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over the 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

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2024	2023
<u>Carrying amount</u>		
Land	\$ 5,903	\$ 8,438
Buildings	30,573	20,178
Machinery and office equipment	21,408	15,280
Transportation equipment	<u>1,814</u>	<u>5,601</u>
	<u>\$ 59,698</u>	<u>\$ 49,497</u>

	For the Year Ended December 31	
	2024	2023
Additions to right-of-use assets	<u>\$ 41,533</u>	<u>\$ 28,297</u>
Depreciation charge for right-of-use assets		
Land	\$ 2,612	\$ 2,580
Buildings	14,397	17,954
Machinery and office equipment	10,902	7,012
Transportation equipment	<u>3,421</u>	<u>3,151</u>
	<u>\$ 31,332</u>	<u>\$ 30,697</u>

b. Lease liabilities

	December 31	
	2024	2023
<u>Carrying amount</u>		
Current	<u>\$ 34,710</u>	<u>\$ 23,268</u>
Non-current	<u>\$ 25,498</u>	<u>\$ 26,515</u>

Range of discount rates for lease liabilities was as follows:

	December 31	
	2024	2023
Land	0.88%-1.75%	0.88%-1.75%
Buildings	0.88%-1.86%	0.88%-1.75%
Machinery and office equipment	0.88%-1.86%	0.88%-1.75%
Transportation equipment	0.88%-1.86%	0.88%-1.75%

c. Material lease-in activities and terms

The Company leases certain equipment and plant 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	
	2024	2023
Expenses relating to short-term leases and low-value asset leases	<u>\$ 104,490</u>	<u>\$ 87,366</u>
Total cash outflow for leases	<u>\$ (144,668)</u>	<u>\$ (126,900)</u>

15. INVESTMENT PROPERTIES

	For the Year Ended December 31	
	2024	2023
<u>Cost</u>		
Opening balance	\$ 771,534	\$ 771,534
Ending balance	<u>\$ 771,534</u>	<u>\$ 771,534</u>
<u>Accumulated depreciation and impairment</u>		
Opening balance	\$ (16,259)	\$ (15,992)
Depreciation expense	<u>(267)</u>	<u>(267)</u>
Ending balance	<u>\$ (16,526)</u>	<u>\$ (16,259)</u>
Ending carrying amount	<u>\$ 755,008</u>	<u>\$ 755,275</u>

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

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

	December 31	
	2024	2023
Fair value	<u>\$ 856,590</u>	<u>\$ 856,590</u>

The investment properties were leased out as operating leases from July 1, 2020 to August 15, 2042. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

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

	December 31	
	2024	2023
Lease commitment of investment properties	<u>\$ 276,567</u>	<u>\$ 299,409</u>

16. BORROWINGS

a. Short-term borrowings

	December 31	
	2024	2023
Bank credit loans	\$ 3,840,000	\$ 2,970,000
Letter of credit loans	<u>260,726</u>	<u>243,529</u>
	<u>\$ 4,100,726</u>	<u>\$ 3,213,529</u>

As of December 31, 2024 and 2023, interest rates on short-term borrowings were 1.543%-5.88% and 1.625%-6.72%, respectively.

b. Short-term bills payable

	December 31	
	2024	2023
Commercial paper	\$ 8,000,000	\$ 7,800,000
Less: Unamortized discount on bills payable	<u>(19,008)</u>	<u>(19,829)</u>
	<u>\$ 7,980,992</u>	<u>\$ 7,780,171</u>

Short-term bills payable are commercial papers due within one year. As of December 31, 2024 and 2023 rates on bills payable were 1.64%-1.67% and 1.405%-1.61%, respectively.

c. Long-term borrowings

	December 31	
	2024	2023
Unsecured bank loans	\$ 2,030,000	\$ 1,280,000
Less: Loan management fees	<u>(7,213)</u>	<u>(9,533)</u>
Long-term bank loans	<u>\$ 2,022,787</u>	<u>\$ 1,270,467</u>

	Due Date	Article	Interest Rate	December 31	
				2024	2023
Syndicated Loan from First Bank - credit loan A	2028.12.29	The credit can be revolved within 60 months from December 29, 2023, the first drawdown date of the loan.	1.93%-2.15%	\$ 1,550,000	800,000
Syndicated loan from Taipei Fubon Bank and Bank of Taiwan - credit loan A	2027.09.30	The credit can be used separately within 60 months and can not be revolved from September 30, 2022, the first drawdown date of the loan.	1.90%-2.12%	<u>480,000</u>	<u>480,000</u>
				<u>\$ 2,030,000</u>	<u>\$ 1,280,000</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 parent company only balance sheets in respect of the Company's defined benefit plan were as follows:

	December 31	
	2024	2023
Fair value of plan assets	\$ 849,214	\$ 817,691
Present value of defined benefit obligation	<u>(457,433)</u>	<u>(465,996)</u>
Net defined benefit assets	<u>\$ 391,781</u>	<u>\$ 351,695</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 (Liabilities)
Balance at January 1, 2023	<u>\$ (469,600)</u>	<u>\$ 835,666</u>	<u>\$ 366,066</u>
Service cost			
Current service cost	(11,965)	-	(11,965)
Net interest (expense) income	<u>(7,792)</u>	<u>14,247</u>	<u>6,455</u>
Recognized in profit or loss	<u>(19,757)</u>	<u>14,247</u>	<u>(5,510)</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	3,635	3,635
Actuarial loss - experience adjustments	(32,850)	-	(32,850)
Actuarial loss - changes in financial assumptions	<u>(5,514)</u>	<u>-</u>	<u>(5,514)</u>
Recognized in other comprehensive income	<u>(38,364)</u>	<u>3,635</u>	<u>(34,729)</u>
Contributions from the employer	-	25,868	25,868
Benefits paid	<u>61,725</u>	<u>(61,725)</u>	<u>-</u>
Balance at December 31, 2023	<u>\$ (465,996)</u>	<u>\$ 817,691</u>	<u>\$ 351,695</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Assets (Liabilities)
Balance at January 1, 2024	<u>\$ (465,996)</u>	<u>\$ 817,691</u>	<u>\$ 351,695</u>
Service cost			
Current service cost	(12,613)	-	(12,613)
Net interest (expense) income	<u>(6,626)</u>	<u>11,956</u>	<u>5,330</u>
Recognized in profit or loss	<u>(19,239)</u>	<u>11,956</u>	<u>(7,283)</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	72,368	72,368
Actuarial loss - experience adjustments	(45,873)	-	(45,873)
Actuarial loss - changes in financial assumptions	<u>(436)</u>	<u>-</u>	<u>(436)</u>
Recognized in other comprehensive income	<u>(46,309)</u>	<u>72,368</u>	<u>26,059</u>
Contributions from the employer	-	21,310	21,310
Benefits paid	<u>74,111</u>	<u>(74,111)</u>	<u>-</u>
Balance at December 31, 2024	<u>\$ (457,433)</u>	<u>\$ 849,214</u>	<u>\$ 391,781</u> (Concluded)

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

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

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

	December 31	
	2024	2023
Discount rates	1.50%	1.50%
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	
	2024	2023
Discount rates		
0.125% increase	<u>\$ (2,413)</u>	<u>\$ (2,774)</u>
0.125% decrease	<u>\$ 2,439</u>	<u>\$ 2,806</u>
Expected rates of salary increase		
0.125% increase	<u>\$ 2,449</u>	<u>\$ 2,817</u>
0.125% decrease	<u>\$ (2,378)</u>	<u>\$ (2,791)</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	
	2024	2023
The expected contributions to the plans for the next year	<u>\$ 7,129</u>	<u>\$ 7,283</u>
The average duration of the defined benefit obligation	4.3 years	4.9 years

18. EQUITY

a. Ordinary shares

	December 31	
	2024	2023
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	
	2024	2023
May be used to offset a deficit, distributed as cash dividends, or <u>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

(Continued)

	December 31	
	2024	2023
<u>May be used to offset a deficit only</u>		
Arising from share of changes in capital surplus of subsidiaries and associates	\$ 12,875	\$ 14,275
Capital surplus transferred from unclaimed dividends	<u>4,304</u>	<u>3,540</u>
	<u>\$ 38,480</u>	<u>\$ 39,116</u>
		(Concluded)

* 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, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, refer to employees' compensation and remuneration of directors in Note 19 (c).

In making its dividends policy, the Company takes into account future capital expenditures and working capital requirements. Based on this policy, dividends shall 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 deficit. 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. 1010047490, Order No. 1030006415 and Order No. 1090150022 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRS Accounting Standards", the Company shall 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 2023 was approved in the shareholders' meetings on June 26, 2024, and the Company resolved not to distribute dividends. The appropriation of earnings for 2022, which was proposed by the Company's board of directors on June 30, 2023, was as follows:

	For the Year Ended December 31, 2022
Legal reserve	<u>\$ 48,635</u>
Cash dividends	<u>\$ 326,067</u>
Cash dividends per share (NT\$)	<u>\$ 0.3</u>

Information on the appropriation of earnings resolved by the Company's shareholders' meeting is available at the Market Observation Post System website of the Taiwan Stock Exchange.

d. Special reserves

	For the Year Ended December 31	
	2024	2023
Special reserves	<u>\$ 1,186,894</u>	<u>\$ 1,186,894</u>

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

e. Other equity items

	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Loss on Hedging Instruments	Total
<u>2024</u>				
Balance at January 1	\$ (220,748)	\$ 1,474,580	\$ (6,034)	\$ 1,247,798
Unrealized gain on financial assets at FVTOCI	-	366,510	-	366,510
Share of other comprehensive gain of subsidiaries and associates	322,478	69,435	-	391,913
Disposal of investments accounted for using the equity method	-	(816)	-	(816)
Fair value changes of financial instruments for hedging	-	-	4,155	4,155
				(Continued)

	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Loss on Hedging Instruments	Total
The amount transferred to initial carrying amount of hedged items	\$ -	\$ -	\$ 1,879	\$ 1,879
Disposal of investments in equity instruments designated as at FVTOCI by associates	-	(5,497)	-	(5,497)
Balance at December 31	<u>\$ 101,730</u>	<u>\$ 1,904,212</u>	<u>\$ -</u>	<u>\$ 2,005,942</u>
<u>2023</u>				
Balance at January 1	\$ (153,000)	\$ 1,098,713	\$ -	\$ 945,713
Unrealized gain on financial assets at FVTOCI	-	323,095	-	323,095
Share of other comprehensive (loss) gain of subsidiaries and associates	(67,748)	56,721	-	(11,027)
Disposal of investments accounted for using the equity method	-	(183)	-	(183)
Fair value changes of financial instruments for hedging	-	-	(4,155)	(4,155)
The amount transferred to initial carrying amount of hedged items	-	-	(1,879)	(1,879)
Disposal of investments in equity instruments designated as at FVTOCI by associates	-	(3,766)	-	(3,766)
Balance at December 31	<u>\$ (220,748)</u>	<u>\$ 1,474,580</u>	<u>\$ (6,034)</u>	<u>\$ 1,247,798</u> (Concluded)

- f. As of December 31, 2024, the Company has 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.

The Company's board of directors resolved on November 13, 2024, to transfer treasury shares to employees for subscription under the "Shares Buyback Programs." This resolution was approved by the Compensation Committee on November 8, 2024. Employees may purchase 15,944 thousand treasury shares at a subscription price of \$8.58 per share. Each option entitles the holder to subscribe for one ordinary share of the Company.

The grant Date was January 7, 2025. Employees exercised the treasury share options from March 11, 2025.

19. NET LOSS FROM CONTINUING OPERATIONS

a. Finance costs

	For the Year Ended December 31	
	2024	2023
Interest on bank loans	\$ 273,636	\$ 229,921
Add: Interest of lease liabilities	913	552
Less: Amounts included in the cost of qualifying assets	<u>(1,111)</u>	<u>(777)</u>
	<u>\$ 273,438</u>	<u>\$ 229,696</u>

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2024	2023
Capitalization rate	1.96%-2.03%	1.75%-1.84%

b. Depreciation and amortization

	For the Year Ended December 31	
	2024	2023
An analysis of depreciation by function		
Operating costs	\$ 989,572	\$ 975,745
Operating expenses	<u>4,016</u>	<u>7,717</u>
	<u>\$ 993,588</u>	<u>\$ 983,462</u>
An analysis of amortization by function		
Operating costs	\$ 9,561	\$ 8,826
Operating expenses	<u>2,652</u>	<u>2,735</u>
	<u>\$ 12,213</u>	<u>\$ 11,561</u>

c. Employee benefit expense

	For the Year Ended December 31	
	2024	2023
Post-employment benefits		
Defined contribution plans	\$ 65,159	\$ 65,398
Defined benefit plans	<u>7,283</u>	<u>5,510</u>
	72,442	70,908
Other employee benefits	<u>1,909,801</u>	<u>1,854,376</u>
Total employee benefit expense	<u>\$ 1,982,243</u>	<u>\$ 1,925,284</u>
An analysis of employee benefit expense by function		
Operating costs	\$ 1,793,666	\$ 1,751,363
Operating expenses	<u>188,577</u>	<u>173,921</u>
	<u>\$ 1,982,243</u>	<u>\$ 1,925,284</u>

As of December 31, 2024 and 2023, the Company had 2,090 and 2,077 employees, including 4 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 years ended December 31, 2024 and 2023, due to operation loss, the Company did not estimate the compensation of employees and the remuneration of directors.

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 tax benefit were as follows:

	For the Year Ended December 31	
	2024	2023
Deferred tax		
In respect of the current year	<u>\$ (85,098)</u>	<u>\$ (144,607)</u>
Income tax benefit recognized in profit or loss	<u>\$ (85,098)</u>	<u>\$ (144,607)</u>

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

	For the Year Ended December 31	
	2024	2023
Net loss before tax from continuing operations	\$ (337,221)	\$ (718,002)
Income tax benefit calculated at the statutory rate (20%)	\$ (67,444)	\$ (143,600)
Tax-exempt income	<u>(17,654)</u>	<u>(1,007)</u>
Income tax benefit recognized in profit or loss	<u>\$ (85,098)</u>	<u>\$ (144,607)</u>

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2024	2023
<u>Deferred tax</u>		
Remeasurement on defined benefit plan	\$ (5,212)	\$ 6,946

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, 2024

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Com- prehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Loss carryforwards	\$ 224,370	\$ 82,247	\$ -	\$ 306,617
Others	<u>53,247</u>	<u>2,783</u>	<u>-</u>	<u>56,030</u>
	<u>\$ 277,617</u>	<u>\$ 85,030</u>	<u>\$ -</u>	<u>\$ 362,647</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Land value increment tax	\$ 1,924,940	\$ -	\$ -	\$ 1,924,940
Defined benefit plan	70,339	2,805	5,212	78,356
Others	<u>80,636</u>	<u>(2,873)</u>	<u>-</u>	<u>77,763</u>
	<u>\$ 2,075,915</u>	<u>\$ (68)</u>	<u>\$ 5,212</u>	<u>\$ 2,081,059</u>

For the year ended December 31, 2023

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Com- prehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Loss carryforwards	\$ 81,628	\$ 142,742	\$ -	\$ 224,370
Others	<u>41,962</u>	<u>11,285</u>	<u>-</u>	<u>53,247</u>
	<u>\$ 123,590</u>	<u>\$ 154,027</u>	<u>\$ -</u>	<u>\$ 277,617</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Land value increment tax	\$ 1,924,940	\$ -	\$ -	\$ 1,924,940
Defined benefit plan	73,214	4,071	(6,946)	70,339
Others	<u>75,287</u>	<u>5,349</u>	<u>-</u>	<u>80,636</u>
	<u>\$ 2,073,441</u>	<u>\$ 9,420</u>	<u>\$ (6,946)</u>	<u>\$ 2,075,915</u>

d. Loss carryforwards as of December 31, 2024 comprised:

Unused Amount	Expiry Year
\$ 88,731	2029
319,406	2030
713,711	2033
<u>411,236</u>	2034
<u>\$ 1,533,084</u>	

e. Deferred tax liabilities associated with investments.

As of December 31, 2024 and 2023, the taxable temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognized were \$707,358 thousand and \$652,253 thousand, respectively.

f. Income tax assessments

	<u>Latest Approved Year</u>
The Company	2022

21. LOSS PER SHARE

	<u>For the Year Ended December 31</u>	
	2024	2023
Basic loss per share	<u>\$ (0.23)</u>	<u>\$ (0.53)</u>

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

Net Loss for the Year

	<u>For the Year Ended December 31</u>	
	2024	2023
Loss for the year attributable to owners of the Company	<u>\$ (252,123)</u>	<u>\$ (573,395)</u>

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

	<u>For the Year Ended December 31</u>	
	2024	2023
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>1,086,891</u>	<u>1,086,891</u>

The Company may settle compensation or bonuses paid to employees in cash or shares, therefore, the Company assumes that 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 parent company only financial statements as approximate fair values.

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

December 31, 2024

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets - foreign exchange forward contracts (not under hedge accounting)	<u>\$ -</u>	<u>\$ 320</u>	<u>\$ -</u>	<u>\$ 320</u>
Financial assets at FVTOCI				
Securities listed in the ROC	\$ 2,805,762	\$ -	\$ -	\$ 2,805,762
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>146,624</u>	<u>146,624</u>
	<u>\$ 2,805,762</u>	<u>\$ -</u>	<u>\$ 146,624</u>	<u>\$ 2,952,386</u>
Financial liabilities at FVTPL				
Derivative financial liabilities - foreign exchange forward contracts (not under hedge accounting)	<u>\$ -</u>	<u>\$ 16,691</u>	<u>\$ -</u>	<u>\$ 16,691</u>

December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets - foreign exchange forward contracts (not under hedge accounting)	<u>\$ -</u>	<u>\$ 28,773</u>	<u>\$ -</u>	<u>\$ 28,773</u>
Financial assets at FVTOCI				
Securities listed in the ROC	\$ 2,424,869	\$ -	\$ -	\$ 2,424,869
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>161,006</u>	<u>161,006</u>
	<u>\$ 2,424,869</u>	<u>\$ -</u>	<u>\$ 161,006</u>	<u>\$ 2,585,875</u>
Financial liabilities at FVTPL				
Derivative financial liabilities - foreign exchange forward contracts (not under hedge accounting)	<u>\$ -</u>	<u>\$ 198</u>	<u>\$ -</u>	<u>\$ 198</u>

There were no transfers between Levels 1 and 2 for the years ended December 31, 2024 and 2023.

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

Financial Assets	Financial Assets of Equity Securities at FVTOCI
Balance at January 1, 2024	\$ 161,006
Recognized in other comprehensive income	(14,379)
Transfers out of Level 3	<u>(3)</u>
Balance at December 31, 2024	<u>\$ 146,624</u>
Balance at January 1, 2023	\$ 184,007
Recognized in other comprehensive income	<u>(23,001)</u>
Balance at December 31, 2023	<u>\$ 161,006</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	
	2024	2023
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	
	2024	2023
Discount for lack of marketability		
2.5% increase	<u>\$ (4,312)</u>	<u>\$ (4,735)</u>
2.5% decrease	<u>\$ 4,312</u>	<u>\$ 4,735</u>

b. Categories of financial instruments

	December 31	
	2024	2023
<u>Financial assets</u>		
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	\$ 320	\$ 28,773
Financial assets at amortized cost (1)	3,998,162	3,335,586
Financial assets at FVTOCI	2,952,386	2,585,875
<u>Financial liabilities</u>		
Financial liabilities at FVTPL		
Mandatorily classified as at FVTPL	16,691	198
Financial liabilities at amortized cost (2)	16,861,680	14,729,387
Financial liabilities for hedging	-	4,155

- 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 objective 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 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 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 denominated sales and purchases, which exposed the Company to foreign currency risk. The Group follows the movement of foreign exchange rates and adjusts the exposure position respond to it to minimize the effects of these risks.

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 is 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 loss and the balances below would be negative.

	<u>For the Year Ended December 31</u>	
	2024	2023
Influence to profit or loss at 5% variance		
USD	\$ 16,922	\$ 95,924
RMB	29,776	66,902
EUR	7,524	10,996

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>	
	2024	2023
Fair value interest rate risk		
Financial liabilities	\$ 10,063,987	\$ 9,100,422
Cash flow interest rate risk		
Financial assets	362,760	146,064
Financial liabilities	4,100,726	3,213,529

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 loss for the years ended December 31, 2024 and 2023 would have decreased/increased as follows:

	<u>For the Year Ended December 31</u>	
	2024	2023
Decrease/increase	\$ 3,738	\$ 3,067

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 (loss) income for the years ended December 31, 2024 and 2023 would have increased/decreased as follows:

	<u>For the Year Ended December 31</u>	
	2024	2023
Other comprehensive (loss) income		
Increase/decrease	\$ 147,619	\$ 129,294

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. As 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 the counterparty to discharge its obligation 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.

Credit risk arising from operations, and it is the Company's policy that transactions only be dealt with credit worthy counter parties, that conducting credit search and analysis. Credits are then given to parties, according to its nature of transaction, financial status and conditions of collateral, with terms be renewed after careful reexamination to ensure credit risk of counter parties are within scope of the Company.

The Company's concentration of credit risk was attributable to the Company's largest customer. As of December 31, 2024 and 2023, the ratio of trade receivables was 9%, respectively.

To maintain the quality of the accounts receivable, the Company has developed a credit risk management procedure to reduce credit risk from specific customer. The credit evaluation of an 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, 2024 and 2023, the Company's unused financing facilities were \$8,137,619 thousand and \$10,028,233 thousand, respectively.

24. TRANSACTIONS WITH RELATED PARTIES

a. Related party name and category

Related Party Name	Related Party Category
YFY Inc.	Parent company
Genovella Renewables Inc.	Subsidiary
Shenzhen Jinglun Paper Co., Ltd.	Subsidiary
SYNTAX Communication (H.K.) Co., Ltd.	Subsidiary
YFY Consumer Products Co., Ltd.	Fellow subsidiary
YFY Packaging Inc.	Fellow subsidiary
YFY Development Corp.	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
YFY Corporate Advisory & Services Co., Ltd.	Fellow subsidiary
Ever Growing Agriculture Biotech Co., Ltd.	Fellow subsidiary
YFY Japan Co., Ltd.	Fellow subsidiary
Sustainable Carbohydrate Innovation Co., Ltd.	Fellow subsidiary
PEK Crown Paper Co., Ltd.	Fellow subsidiary
Arizon RFID Technology (Hong Kong) Co., Ltd., Taiwan Branch	Fellow subsidiary
Yuen Foong Shop Co., Ltd.	Fellow subsidiary
Ensilience Co., Ltd.	Fellow subsidiary
YFY Biotechnology Co., Ltd.	Parent's associate
E Ink Holdings Inc.	Parent's associate
FS-TECH Company Ltd.	Parent's associate
YuanHan Materials Inc.	Parent's associate
Shin-Yi Foundation	Substantial related party
Beautone Co., Ltd.	Substantial related party
Shin-Yi Enterprise Co., Ltd.	Substantial related party
Hsin Yi Recreation Enterprise CO., LTD.	Substantial related party
Yuen Foong Paper Co., Ltd.	Substantial related party
SinoPac Securities Co., Ltd.	Substantial related party

b. Sales of goods

Related Party Type	For the Year Ended December 31	
	2024	2023
Subsidiaries		
Shenzhen Jinglun Paper Co., Ltd.	\$ 2,153,852	\$ 1,776,651
Substantial related parties	106,134	159,746
Fellow subsidiaries	2,007,242	2,039,024
Parent's associates	1,354	1,442
Parent company	<u>32</u>	<u>38</u>
	<u>\$ 4,268,614</u>	<u>\$ 3,976,901</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	
	2024	2023
Fellow subsidiaries	\$ 1,421,236	\$ 1,054,378
Substantial related parties	408	857
Parent's associates	266	94
Subsidiaries	<u>256</u>	<u>1,142</u>
	<u>\$ 1,422,166</u>	<u>\$ 1,056,471</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	
	2024	2023
Subsidiaries		
Shenzhen Jinglun Paper Co., Ltd.	\$ 1,362,081	\$ 996,454
Others	<u>397</u>	<u>458</u>
	<u>1,362,478</u>	<u>996,912</u>
Fellow subsidiaries		
YFY Consumer Products Co., Ltd.	102,883	110,473
Union Paper Corp.	73,543	67,509
Others	<u>65,004</u>	<u>73,103</u>
	<u>241,430</u>	<u>251,085</u>
Substantial related parties	<u>32,465</u>	<u>57,756</u>
Parent company	<u>3</u>	<u>3</u>
	<u>\$ 1,636,376</u>	<u>\$ 1,305,756</u>

The outstanding accounts receivable from related parties are unsecured. No bad debt was recognized for the years ended December 31, 2024 and 2023 for allowance of impaired accounts receivable from related parties.

e. Notes and accounts payables to related parties

Related Party Type	December 31	
	2024	2023
Fellow subsidiaries		
Shin Foong Specialty & Applied Materials Co., Ltd.	\$ 159,345	\$ 108,949
YFY Packaging Inc.	94,840	96,308
YFY Development Corp.	38,590	33,379
Others	<u>35,335</u>	<u>33,197</u>
	<u>328,110</u>	<u>271,833</u>
Subsidiaries	<u>4,902</u>	<u>5,459</u>
Substantial related parties	<u>1,041</u>	<u>1,102</u>
Parent's associates	<u>4,702</u>	<u>-</u>
	<u>\$ 338,755</u>	<u>\$ 278,394</u>

The outstanding accounts payable to related parties are unsecured.

- f. Acquisitions of property, plant and equipment

Related Party Type	Purchase Price For the Year Ended December 31	
	2024	2023
Fellow subsidiary	\$ 1	\$ 431
Parent company	8	-
Parent's associates	<u>871</u>	<u>-</u>
	<u>\$ 880</u>	<u>\$ 431</u>

- g. Disposal of property, plant and equipment

Related Party Type	Consideration Received For the Year Ended December 31	
	2024	2023
Fellow subsidiaries	<u>\$ 500</u>	<u>\$ -</u>

- h. Lease arrangements

Related Party Type	For the Year Ended December 31	
	2024	2023
<u>Interest expense</u>		
Parent company	<u>\$ -</u>	<u>\$ 32</u>
<u>Lease expense</u>		
Parent company	\$ 11,028	\$ 11,028
Subsidiaries	10,194	9,488
Substantial related parties	<u>7,160</u>	<u>7,121</u>
	<u>\$ 28,382</u>	<u>\$ 27,637</u>

- i. Other transactions with related parties

Related Party Type	Rental Income (Accounted as Other Income) For the Year Ended December 31	
	2024	2023
Parent's associates	\$ 15,467	\$ 15,408
Fellow subsidiaries	1,653	1,728
Parent company	<u>114</u>	<u>114</u>
	<u>\$ 17,234</u>	<u>\$ 17,250</u>

Related Party Type	Other Operating Expenses	
	For the Year Ended December 31	
	2024	2023
Fellow subsidiaries	\$ 50,963	\$ 45,003
Substantial related parties	<u>67</u>	<u>-</u>
	<u>\$ 51,030</u>	<u>\$ 45,003</u>

Related Party Type	Management Fee (Accounted as Operating Expenses)	
	For the Year Ended December 31	
	2024	2023
Fellow subsidiaries	\$ 81,859	\$ 88,843
Parent's associates	3,068	-
Substantial related parties	<u>3,385</u>	<u>3,735</u>
	<u>\$ 88,312</u>	<u>\$ 92,578</u>

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

j. Acquisition of financial assets

For the year ended December 31, 2023

Related Party Type/Name	Line Item	Number of Shares	Underlying Assets	Purchase Price
SinoPac Financial Holdings Company Limited	Financial assets at fair value through other comprehensive income - current	5,435,937	SinoPac Financial Holdings Company - equity	<u>\$ 81,540</u>

k. Compensation of key management personnel

	For the Year Ended December 31	
	2024	2023
Salaries and benefits	\$ 28,535	\$ 25,549
Executive fees	<u>2,720</u>	<u>2,720</u>
	<u>\$ 31,255</u>	<u>\$ 28,269</u>

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

25. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

- a. As of December 31, 2024 and 2023, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately \$333,552 thousand and \$546,534 thousand, respectively.

- b. On February 15, 2023, the president of the ROC announced the amendments to the “Climate Change Response Act”, which added the provision of carbon fee collection. Subsequently, the Ministry of Environment announced the “Regulations Governing the Collection of Carbon Fees”, “Regulations for Administration of Voluntary Reduction Plans” and “Designated Greenhouse Gas Reduction Goal for Entities Subject to Carbon Fees” on August 29, 2024. According to the “Regulations Governing the Collection of Carbon Fees” will commence from the effective date of the announced carbon fee rates, companies belonging to the power generation and gas supply industry and the manufacturing industry, with total annual greenhouse gas emissions generated by direct emissions and indirect emissions that occur through the use of purchased electricity exceeding 25,000 metric tons of carbon dioxide equivalent (tCO₂e), shall pay carbon fees if their plants are the emission sources subject to inventory, registration and inspection as announced by the Ministry of Environment. Based on the emissions of the Group in 2024, the Group expects that it will be the entity subject to carbon fees, the Group will recognize the provision of the carbon fees based on its actual emissions in 2025 and will pay them in May 2026.

26. 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 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, 2024			
	Foreign Currency (In Thousands)	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 52,004	32.785	\$ 1,704,951
RMB	335,815	4.561	1,531,652
EUR	11,647	34.14	397,629
Non-monetary items			
Derivative instruments			
USD	2,000	32.785	65,570
RMB	60,000	4.561	273,660
Investments accounted for using the equity method			
USD	176,237	32.785	5,777,930
<u>Financial liabilities</u>			
Monetary items			
USD	19,681	32.785	645,242
RMB	245	4.561	1,117
EUR	239	34.14	8,159
Non-monetary items			
Derivative instruments			
USD	24,000	32.785	786,840
RMB	265,000	4.561	1,208,665
EUR	7,000	34.14	238,980

December 31, 2023			
	Foreign Currency (In Thousands)	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 54,853	30.705	\$ 1,684,261
RMB	228,869	4.335	992,147
EUR	10,571	33.98	359,203
Non-monetary items			
Derivative instruments			
USD	29,200	30.705	896,586
RMB	80,000	4.335	34,680
Investments accounted for using the equity method			
USD	172,717	30.705	5,303,275
<u>Financial liabilities</u>			
Monetary items			
USD	21,572	30.705	662,368
RMB	207	4.335	897
EUR	99	33.98	3,364
Non-monetary items			
Derivative instruments			
EUR	4,000	33.98	135,920

27. 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 on investees (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 the 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, 2024
(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.	\$ 23,984,574	\$ 755,202 (US\$ 23,035 thousand)	\$ 590,130 (US\$ 130,000 thousand)	\$ 29,507	\$ -	3.69	\$ 31,979,432	Note 8	N	N
		Hwa Fong Investment Ind. Co., Ltd.	b.	23,984,574	130,000	130,000	85,000	-	0.81	31,979,432	Note 8	N	N

Note 1: The number column is illustrated as follows:

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

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

- a. The Companies with which it has business relations.
- b. Subsidiaries in which it holds more than 50% of its total outstanding 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 financial statements issued by CPA. The limit on endorsement/guarantee is 200% of the net equity of 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, 2024
(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, 2024			
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value (Note 1)
Chung Hwa Pulp Corporation	Ordinary shares SinoPac Holdings Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	111,077,429	\$ 2,543,674	0.9	\$ 2,543,674
	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	16,415,242	146,624	14.9	146,624
	Direct Insight Inc.	-	Financial assets at fair value through other comprehensive income - non-current	286,200	41,785	0.9	41,785
	TaiGen Biopharmaceuticals Holdings Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	17,829,132	204,144	2.5	204,144
	Medeon Biodesign, Inc.	-	Financial assets at fair value through other comprehensive income - non-current	407,550	16,159	0.4	16,159

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 Tables 5 and 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, 2024
(In Thousands of New Taiwan Dollars)**

Buyer/Seller	Related Party	Relationship (Note)	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)	
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total
Chung Hwa Pulp Corporation	YFY Development	a.	Sale	\$ (570,671)	(3)	0.5 month after transaction month	\$ -	-	\$ 37,631	1
	Shenzhen Jinglun Paper Co., Ltd.	b.	Sale	(2,153,852)	(12)	5 months after transaction month	-	-	1,362,081	38
	YFY Consumer Products Co., Ltd.	a.	Sale	(428,115)	(2)	2 months after transaction month	-	-	102,883	3
	YFY Packaging Inc.	a.	Sale	(117,206)	(1)	2 months after transaction month	-	-	22,357	1
	YFY Packaging Inc.	a.	Purchase	448,512	3	2 months after transaction month	-	-	(94,840)	(5)
	Union Paper Corp.	a.	Sale	(844,600)	(5)	1 month after transaction month	-	-	73,543	2
	Union Paper Corp.	a.	Purchase	133,864	1	1 month after transaction month	-	-	(12,298)	(1)
	Yuen Foong Paper Co., Ltd.	c.	Sale	(105,936)	(1)	1 month after transaction month	-	-	32,465	1
	YFY Japan Co., Ltd.	a.	Purchase	520,499	3	In agreed terms	-	-	-	-
	Shin Foong Specialty and Applied Materials Co., Ltd.	a.	Purchase	316,075	2	4 months after transaction month	-	-	(159,345)	(9)

Note: a. Fellow subsidiary.
b. Parent company and subsidiary.
c. Related party in substance.

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, 2024
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Chung Hwa Pulp Corporation	Shenzhen Jinglun Paper Co., Ltd.	Parent company and subsidiary	\$ 1,362,081	1.83	\$ 254,703	-	\$ 209,380	\$ -
	Yuen Foong Yu Consumer Products Co., Ltd.	Fellow subsidiaries	102,883	4.01	-	-	67,480	-

TABLE 5

CHUNG HWA PULP CORPORATION

**INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of December 31, 2024			Net Income of the Investee	Share of Profits	Note
				December 31, 2024	December 31, 2023	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	100.00	\$ 5,784,586	\$ 165,787	\$ 167,280	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	1.74	899,631	8,867,482	154,915	b.
	Hwa Fong Investment Co., Ltd.	Taipei, Taiwan	Investment and holding	36,000	36,000	6,600,000	100.00	128,441	13,220	13,220	a.

Note: a. Subsidiary.
b. Associates for using the equity method.

CHUNG HWA PULP CORPORATION

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1.

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, 2024 (Foreign Currencies in Thousands) (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2024 (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, 2024	Accumulated Repatriation of Investment Income as of December 31, 2024
					Outward	Inward						
Guangdong Dingfung Pulp & Paper Co., Ltd.	Pulp and paper production, trading and forestry business	\$ 2,807,380 (US\$ 85,630 thousand) (Note 3)	Investment in mainland China through companies set up in another country.	\$ 432,762 (US\$ 13,200 thousand)	\$ -	\$ -	\$ 432,762 (US\$ 13,200 thousand)	\$ 58,969 (Note 2, b)	60.0	\$ 35,382 (Note 2, b)	\$ 2,976,568	\$ -
Shenzhen Jinglun Paper Co., Ltd.	Sale of paper merchandise and import/export business	14,595 (RMB 3,200 thousand)	(Note 5)	-	-	-	(Note 5)	468 (Note 2, b)	100.0	468 (Note 2, b)	110,208	-
Zhaoqing Dingfung Forestry Ltd.	Export factoring, domestic factoring, business factoring and related consulting services, develop credit risk management platform	717,336 (US\$ 21,880 thousand)	Investment in mainland China through companies set up in another country.	145,172 (US\$ 4,428 thousand)	-	-	145,172 (US\$ 4,428 thousand)	44,920 (Note 2, b)	86.5 (Note 4)	38,859 (Note 2, b)	2,789,172	-
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	9,122 (RMB 2,000 thousand)	(Note 5)	-	-	-	(Note 5)	5,061 (Note 2, b)	100.0	5,061 (Note 2, b)	26,181	-
Guizhou Yuanfung Forestry Co., Ltd.	Export factoring, domestic factoring, business factoring and related consulting services, develop credit risk management platform	228,041 (RMB 50,000 thousand)	(Note 6)	-	-	-	(Note 6)	- (Note 2, b)	67.0	- (Note 2, b)	152,787	-

Accumulated Investment in Mainland China as of December 31, 2024	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$577,937 (Note 1)	\$1,396,838 (Note 1)	\$9,418,846

- Note 1: The exchange rates are US\$1= NT\$32.785 or RMB1= NT\$4.560820 as of December 31, 2024.
- 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 percentages 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 is set up in another country. The direct investor is Guangdong Dingfung Pulp & Paper Co., Ltd.
- Note 6: Investment in mainland China through companies is set up in another country. The direct investor is Zhaoqing Dingfung Forestry Ltd.
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, 2024**

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 parent company only financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

CHUNG HWA PULP CORPORATION

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

<u>Item</u>	<u>Statement Index</u>
Major Accounting Items in Assets, Liabilities and Equity	
Statement of cash	1
Statement of changes in financial assets at FVTOCI - current	2
Statement of notes and accounts receivable	3
Statement of accounts receivable from related parties	4
Statement of inventories	5
Statement of other current assets	6
Statement of changes in financial assets at FVTOCI - non-current	7
Statement of changes in investments accounted for using the equity method	8
Statement of changes in property, plant, and equipment	Note 13
Statement of changes in investment properties	Note 15
Statement of deferred income tax assets	Note 20
Statement of net defined benefit assets	Note 17
Statement of short-term borrowings	9
Statement of short-term bills payable	10
Statement of notes and accounts payable	11
Statement of accounts payable to related parties	12
Statement of other payables	13
Statement of other current liabilities	14
Statement of long-term borrowings	Note 15
Statement of deferred tax liabilities	Note 20
Major Accounting Items in Profit or Loss	
Statement of operating revenue	16
Statement of operating costs	17
Statement of operating expenses	18
Statement of employee benefit and depreciation expense by function	19

STATEMENT 1**CHUNG HWA PULP CORPORATION****STATEMENT OF CASH****DECEMBER 31, 2024****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Item	Foreign Currency	Exchange Rate	Amount
Cash			
Cash on hand	\$ -		\$ 975
Cash in banks			
USD	1,842	32.785	60,401
RMB	30,399	4.561	138,649
EUR	212	34.14	7,253
JPY	19,928	0.2099	4,183
NTD	<u>-</u>		<u>152,274</u>
	<u>\$ 52,381</u>		<u>\$ 363,735</u>

CHUNG HWA PULP CORPORATION

STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FVTOCI - CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars)

Type and Name of Securities	Balance, January 1, 2024		Additions in Investment			Decrease in Investment		Changes in Value of Investment	Balance, December 31, 2024			Note
	Shares	Amount	Distributed Shares	Acquired Shares	Amount	Shares	Amount		Shares	%	Amount	
Ordinary shares												
Using equity method												
SinoPac Financial Holdings Co., Ltd.	108,368,224	\$ 2,134,854	2,709,205	-	\$ -	-	\$ -	\$ 408,820	111,077,429	0.9	\$ 2,543,674	
Medeon Biodesign, Inc.	407,550	<u>19,012</u>	-	-	<u>-</u>	-	<u>-</u>	<u>(2,853)</u>	407,550	0.4	<u>16,159</u>	
		<u>\$ 2,153,866</u>			<u>\$ -</u>		<u>\$ -</u>	<u>\$ 405,967</u>			<u>\$ 2,559,833</u>	

CHUNG HWA PULP CORPORATION**STATEMENT OF NOTES AND ACCOUNTS RECEIVABLE****DECEMBER 31, 2024****(In Thousands of New Taiwan Dollars)**

Client Name	Amount
Avery Dennison India Pvt. Ltd.	\$ 313,656
Ritrama S.P.A.	205,213
Arcomver S.P.A.	116,694
Others (Note)	1,279,743
Less: Allowance for doubtful accounts	<u>(12,958)</u>
	<u>\$ 1,902,348</u>

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

CHUNG HWA PULP CORPORATION

STATEMENT OF ACCOUNTS RECEIVABLE FROM RELATED PARTIES

DECEMBER 31, 2024

(In Thousands of New Taiwan Dollars)

Client Name	Amount
Related parties	
Shenzhen Jinglun Paper Co., Ltd.	\$ 1,362,081
YFY Consumer Products Co., Ltd.	102,883
Others (Note)	<u>171,412</u>
	<u>\$ 1,636,376</u>

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

CHUNG HWA PULP CORPORATION**STATEMENT OF INVENTORIES****DECEMBER 31, 2024****(In Thousands of New Taiwan Dollars)**

Item	Amount	
	Cost	Net Realizable Value
Finished goods	\$ 2,391,494	\$ 2,349,495
Purchased goods	353,697	351,173
Work in process	909,464	886,754
Materials	<u>1,529,793</u>	<u>1,529,201</u>
	5,184,448	<u>\$ 5,116,623</u>
Less: Write-downs of inventories (Note)	<u>(67,825)</u>	
	<u>\$ 5,116,623</u>	

Note: Including finished goods of \$41,999 thousand, purchased goods of \$2,524 thousand, work in process of \$22,710 thousand, and materials of \$592 thousand.

CHUNG HWA PULP CORPORATION**STATEMENT OF OTHER CURRENT ASSETS****DECEMBER 31, 2024****(In Thousands of New Taiwan Dollars)**

Item	Amount
Prepayment for purchases	\$ 260,622
Other prepayments	117,554
Other receivables	77,386
Input tax	64,551
Prepaid insurance premiums	45,307
Others (Note)	<u>18,823</u>
	<u>\$ 584,243</u>

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

CHUNG HWA PULP CORPORATION

STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FVTOCI - NON-CURRENT
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Name and Type of Securities			Additions in Investment					Changes in Value of Investment	Balance, December 31, 2024				Collateral	Note
	Balance, January 1, 2024		Distributed Shares	Acquired in Cash		Decrease in Investment			Shares	%	Unit Price	Fair Value		
	Shares	Amount		Shares	Amount	Shares	Amount							
Ordinary shares														
KHL IB Venture Capital Co., Ltd.	16,415,242	\$ 161,003	-	-	\$ -	-	\$ -	\$ (14,379)	16,415,242	14.9	-	\$ 146,624	-	-
Direct Insight Inc.	286,200	3	-	-	-	-	-	41,782	286,200	0.9	146.00	41,785	-	-
TaiGen Biopharmaceuticals Holdings Ltd.	17,829,132	271,003	-	-	-	-	-	(66,859)	17,829,132	2.5	11.45	204,144	-	-
Medeon Biodesign, Inc.	407,550	<u>19,012</u>	-	-	<u>-</u>	-	<u>-</u>	<u>(2,853)</u>	407,550	0.4	39.65	<u>16,159</u>	-	-
		<u>\$ 451,021</u>			<u>\$ -</u>		<u>\$ -</u>	<u>\$ (42,309)</u>	-			<u>\$ 408,712</u>		

CHUNG HWA PULP CORPORATION

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2024

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

Investee	Balance, January 1, 2024		Additions in Investment		Decrease in Investment (Note 3)		Investment Gain (Loss) (Note 1)	Equity Adjustments (Note 2)	Balance, December 31, 2024			Market Value or Net Assets Value
	Shares	Amount	Shares	Amount	Shares	Amount			Shares	%	Amount	
CHP International (BVI) Corporation	61,039,956	\$ 5,308,450	-	\$ -	-	\$ -	\$ 167,280	\$ 308,856	61,039,956	100.00	\$ 5,784,586	\$ 5,777,930
E Ink Holdings Inc.	20,000,000	762,120	-	-	-	89,793	154,914	72,390	20,000,000	1.74	899,631	5,460,000
Hwa Fong Investment Co., Ltd.	6,600,000	<u>113,244</u>	-	<u>-</u>	-	<u>7,386</u>	<u>13,219</u>	<u>9,364</u>	6,600,000	100.00	<u>128,441</u>	<u>128,441</u>
		<u>\$ 6,183,814</u>		<u>\$ -</u>		<u>\$ 97,179</u>	<u>\$ 335,413</u>	<u>\$ 390,610</u>			<u>\$ 6,812,658</u>	<u>\$ 11,366,371</u>

Note 1: The recognition basis for investment gain are the audited financial statements.

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

Note 3: The decrease in investment was due to the receipt of cash dividends of \$97,179 thousand.

CHUNG HWA PULP CORPORATION

STATEMENT OF SHORT-TERM BORROWINGS

DECEMBER 31, 2024

(In Thousands of New Taiwan Dollars)

Type of Loan and Name of Creditors	Contract Period	Annual Interest Rates (%)	Balance, End of Year	Loan Commitments
Bank credit loans				
Bank of Taiwan	2024/12/11-2025/03/11	1.9	\$ 800,000	\$ 800,000
Land Bank of Taiwan	2024/11/08-2025/02/06	1.91	200,000	200,000
First Commercial Bank	2024/10/04-2025/03/19	1.825	300,000	500,000
The Export-Import Bank of the Republic of China	2024/09/30-2025/09/29	1.543-2.072	400,000	500,000
Taiwan Cooperative Bank	2024/11/28-2025/01/10	1.98	300,000	300,000
Yuanta Commercial Bank Co., Ltd.	2024/11/22-2025/02/20	1.91	200,000	200,000
Taishin International Bank Co., Ltd	2024/12/25-2025/01/24	1.95	750,000	750,000
United Overseas Bank	2024/12/16-2025/01/17	1.9	300,000	655,700
Mega International Commercial Bank	2024/12/02-2025/01/17	1.88	300,000	600,000
Far Eastern International Bank	2024/12/12-2025/01/15	1.98	<u>290,000</u>	<u>300,000</u>
			<u>\$ 3,840,000</u>	<u>\$ 4,805,700</u>
L/C loans				
Hua Nan Commercial Bank	2023/12/13-2024/05/31	5.82-5.88	<u>\$ 260,726</u>	<u>\$ 800,000</u>

CHUNG HWA PULP CORPORATION

STATEMENT OF SHORT-TERM BILLS PAYABLE

DECEMBER 31, 2024

(In Thousands of New Taiwan Dollars)

Name of Bills Finance Corporation	Contract Period	Annual Discount Rate (%)	Amount		
			Issue Price	Unamortized Discount on Bills Payable	Carrying Amount
Commercial Paper Payable					
Taiwan Finance Corporation	2024.10.23-2025.02.19	1.64-1.65	\$ 5,600,000	\$ (13,035)	\$ 5,586,965
Mega Bills Finance Co., Ltd.	2024.11.21-2025.02.19	1.67	<u>2,400,000</u>	<u>(5,973)</u>	<u>2,394,027</u>
			<u>\$ 8,000,000</u>	<u>\$ (19,008)</u>	<u>\$ 7,980,992</u>

CHUNG HWA PULP CORPORATION

STATEMENT OF NOTES AND ACCOUNTS PAYABLE

DECEMBER 31, 2024

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Yoho King-Rich Co., Ltd.	\$ 84,526
Others (Note)	<u>1,324,731</u>
	<u>\$ 1,409,257</u>

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

CHUNG HWA PULP CORPORATION

STATEMENT OF ACCOUNTS PAYABLE TO RELATED PARTIES

DECEMBER 31, 2024

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Related parties	
Shin Foong Specialty & Applied Materials Co., Ltd.	\$ 159,345
YFY Packaging Inc.	94,840
YFY Development Corp.	38,590
Others (Note)	<u>45,980</u>
	<u>\$ 338,755</u>

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

CHUNG HWA PULP CORPORATION**STATEMENT OF OTHER PAYABLES****DECEMBER 31, 2024****(In Thousands of New Taiwan Dollars)**

Item	Amount
Payables on wages and employee benefits	\$ 167,626
Other accounts payables	207,204
Payables on equipment	196,577
Others (Note)	<u>428,751</u>
	<u>\$ 1,000,158</u>

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

CHUNG HWA PULP CORPORATION**STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars)**

Item	Quantity (In Tons)	Amount
Paper	357,165	\$ 12,929,167
Paperboard	155,182	3,082,741
Pulp	66,014	1,395,549
Others (Note)	-	<u>834,795</u>
		<u>\$ 18,242,252</u>

Note: The amount included in others mainly consists of sale of fertilizer, chemicals and processing fees income.

CHUNG HWA PULP CORPORATION

STATEMENT OF OPERATING COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2024
 (In Thousands of New Taiwan Dollars)

Item	Amount
Direct materials	\$ 11,288,429
Direct labor and manufacturing expenses	<u>6,235,120</u>
Manufacturing cost	17,523,549
Add (deduct):	
Work in process, beginning of year	645,804
Work in process, end of year	<u>(909,464)</u>
Cost of finished goods	17,259,889
Add (deduct):	
Finished goods, beginning of year	2,473,120
Finished goods, end of year	(2,391,494)
Transferred to other accounts	(3,132,126)
Write-down of inventories	30,166
Loss from work suspension and retirement of inventory	742,560
Revenue from sale of scraps	<u>(22,685)</u>
Cost of homemade products sold	14,959,430
Purchased goods, beginning of year	348,755
Finished goods purchased	2,101,374
Purchased goods, end of year	<u>(353,697)</u>
	<u>\$ 17,055,862</u>

CHUNG HWA PULP CORPORATION

STATEMENT OF OPERATING EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2024
 (In Thousands of New Taiwan Dollars)

Item	Selling and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Freight	\$ 532,181	\$ -	\$ -	\$ 532,181
Export expense	804,047	-	-	804,047
Salary and wages expense	119,304	45,274	5,019	169,597
Others (Note)	<u>109,808</u>	<u>146,570</u>	<u>69,756</u>	<u>326,134</u>
	<u>\$ 1,565,340</u>	<u>\$ 191,844</u>	<u>\$ 74,775</u>	<u>\$ 1,831,959</u>

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

CHUNG HWA PULP CORPORATION

STATEMENT OF EMPLOYMENT BENEFITS, DEPRECIATION AND AMORTIZATION BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(In Thousands of New Taiwan Dollars)

	2024			2023		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employment benefit expense (Note)						
Salary expense	\$ 1,499,197	\$ 157,840	\$ 1,657,037	\$ 1,463,492	\$ 144,552	\$ 1,608,044
Insurance expense	145,915	12,017	157,932	146,218	11,798	158,016
Pension expense	65,515	6,927	72,442	64,281	6,627	70,908
Compensation for directors	-	4,830	4,830	-	4,692	4,692
Other expense	<u>83,039</u>	<u>6,963</u>	<u>90,002</u>	<u>77,372</u>	<u>6,252</u>	<u>83,624</u>
	<u>\$ 1,793,666</u>	<u>\$ 188,577</u>	<u>\$ 1,982,243</u>	<u>\$ 1,751,363</u>	<u>\$ 173,921</u>	<u>\$ 1,925,284</u>
Depreciation expense	<u>\$ 989,572</u>	<u>\$ 4,016</u>	<u>\$ 993,588</u>	<u>\$ 975,745</u>	<u>\$ 7,717</u>	<u>\$ 983,462</u>
Amortization expense	<u>\$ 9,561</u>	<u>\$ 2,652</u>	<u>\$ 12,213</u>	<u>\$ 6,108</u>	<u>\$ 5,453</u>	<u>\$ 11,561</u>

Note:

- 1 As of December 31, 2024 and 2023, the Company had 2,090 and 2,077 employees, including 4 board of directors who were not classified as employees, respectively.
- 2 A company whose shares are listed on the stock exchange or traded in the over-the-counter market shall disclose the following:
 - a. For the years ended December 31, 2024 and 2023, the average employment benefit expense were \$948 thousand and \$926 thousand, respectively. ("Total Employment Benefit Expense" - "Total Compensation for Directors and Supervisors"/"Number of Employees" - "Number of Board of Directors Not Classified as Employees").
 - b. For the years ended, December 31, 2024 and 2023, the average salary expense were \$794 thousand and \$776 thousand, respectively. ("Total Salary Expense"/"Number of Employees" - "Number of Board of Directors Not Classified as Employees").
 - c. Average salary adjustment was 2%. ("Current Year Average Salary Expense" - "Prior Year Average Salary Expense"/"Prior Year Average Salary Expense").
 - d. The company has replaced the supervisor with independent directors and no longer has the position of supervisor.
 - e. Salary and remuneration policy (including directors, managers and employees):

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

According to the Company's Articles, the Company accrued compensation of employees and remuneration of directors and supervisors at the rates of no less than 1% and no higher than 2%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors and supervisors.

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