



Chung Hwa Pulp Corporation

2021 Annual General Meeting of Shareholders

Meeting Handbook

Date: May 25, 2021

Venue: 3F, No.24, Sec. 1, Hangzhou S. Rd., Taipei City, GIS Convention Center

Note: This is a translation of the meeting handbook of the 2021 Annual general meeting of shareholders of Chung Hwa Pulp Corporation. This translation is intended for reference only and nothing else, the company here by disclaims any and all liabilities whatsoever for the translation. The Chinese text of the handbook shall govern any and matters related to the interpretation of the subject matter stated herein.

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**2021 Annual General Meeting of Shareholders
Chung Hwa Pulp Corporation**

Date and Time: May 25, 2021 (Tuesday), 9 A.M. (Taipei Time)

Venue: 3F, No.24, Sec. 1, Hangzhou S. Rd., Taipei City.

GIS MOTC Convention Center

Meeting Procedure:

1. Call to Order
2. Chairperson Takes the Chair
3. Chairperson's Remarks
4. Items to Report
5. Ratifications
6. Proposals for Discussion
7. Extraordinary Motions
8. Adjournment

Items to Report

1. Please review the report on the business status for the year 2020.

Proposed by the Board

Description:

- (1) The Company's consolidated operating income for 2020 is NT\$18,616,694 thousand, gross profit is NT\$1,241,776 thousand, net operating profit is -NT\$390,177 thousand, and net profit after tax is -NT\$312,392 thousand. Among them, the net loss attributable to the owners of the company is NT\$201,797 thousand and the basic earnings per share is -NT\$0.18. The total comprehensive income of the term is a loss of NT\$272,800 thousand and the total comprehensive income attributable to the owners of the company is a net loss of NT\$195,782 thousand.
- (2) Please refer to Appendices 1–3 for the business report and the related financial statements (see pages 7 to 29) for details.

2. Please review the Audit Committee's review report on financial statements for the year 2020.

Proposed by the Audit Committee

Description:

The Company's 2020 consolidated and standalone financial statements have been audited by CPAs, and the statements, business report, and loss appropriation table have been reviewed by the Audit Committee. Please refer to Appendices 1–5 (see pages 7 to 31) for details.

3. Please review the report on distribution of employees' compensation, and directors' compensation for the year 2020.

Proposed by the Board

Description:

The Company will not pay remuneration to employees or directors due to the resulting loss of the annual income settlement for 2020. This case was deliberated and approved by the 4th meeting of the Remuneration Committee on February 23, 2021 and by the 10th meeting of the 18th Board of Directors on February 26, 2021. Please report to the shareholders' meeting in accordance with the Company's Articles of Incorporation.

4. Please review the report of the amendment to the Rules for the Repurchase of Shares and Transfer to Employees.

Proposed by the Board

Description:

- (1) To handle the transfer of repurchased shares to employees, in accordance with the Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies, amendments to the Procedures for Repurchase of Shares and Transfer to Employees were approved during the sixth meeting of the 18th Board of Directors on August 13, 2020.
- (2) Please refer to Appendix 6 (see pages 32 to 34) for the full text and the comparison table of the amended of the Rules for the Repurchase of Shares and Transfer to Employees.

5. Please review the report on the implementation of the third repurchase of the Company's shares.

Proposed by the Board

Description:

- (1) The Company's third repurchase of shares for the purpose of transferring to employees has been approved by the fifth meeting of the 18th Board of Directors on May 14, 2020, and the implementation period ended on July 14, 2020.

(2) Report on the actual implementation of the repurchase:

I.	Phase of repurchase:	Third
II.	Purpose of repurchase:	to transfer shares to employees
III.	Repurchase period:	2020/5/15-2020/7/14
IV.	Repurchase price range:	NT\$7.70 to 9.07 per share
V.	Type and quantity of repurchased shares:	15,944,000 common shares
VI.	Amount of repurchased shares:	NT\$136,726,350
VII.	Average repurchase price per share:	NT\$8.58
VIII.	Ratio of quantity of repurchased shares to scheduled quantity of shares to repurchase (%):	53.15%
IX.	Quantity of shares eliminated and transferred:	None
X.	Accumulated quantity of Company shares held:	15,944,000 shares
XI.	Accumulated quantity of Company shares held to issued shares (%):	1.45%
XII.	Reason for the implementation yet to complete:	Since the Company's strategy is to repurchase in batches depending on stock price and trading volume fluctuations, the implementation is not yet complete.

Ratifications

1. Please ratify the Company's financial statements for the year 2020.

Proposed by the Board

Description:

The Company's 2020 financial statements have been audited by the CPAs, and the statements and business report have been reviewed by the Audit Committee. Please refer to Appendices 1 - 4 (see pages 7 to 30) for details.

Resolution:

2. Please ratify the Company's earnings appropriation for the year 2020.

Proposed by the Board

Description:

- (1) The Company's undistributed earnings at the beginning of 2020 is NT\$2,236,124,628; after deducting the net loss after tax of NT\$201,797,226 and adding the disposal of interests (NT\$1,986,494) in financial asset at FVOCI (including reinvestment companies) due to the retained earnings from investment adjustments accounted for using the equity method (NT\$1,941), and the remeasurement amount of the welfare plan (NT\$2,769,761), the accumulated undistributed earnings at the end of the period is NT\$2,033,542,194.
- (2) The Company will not pay dividends to shareholders due to the after-tax losses in 2020.
- (3) Please refer to Appendix 5 for details of the Statement of Earnings Appropriation for 2020. (See page 31).

Resolution:

Proposals for Discussion

1. Proposal of amendment to the Company's Articles of Incorporation. Please proceed to discuss.

Proposed by the Board

Explanation:

- (1) To accommodate the Company's future development, business scope items have been added and plans are being made to revise certain provisions in the articles of incorporation.
- (2) Please refer to Appendix 7 (see pages 35 to 42) for the full text and the comparison table of the amended articles of “the Articles of Incorporation”.

Resolution:

2. Proposal of amendment to the Company's the Operational Procedures for Loaning Funds to Others. Please proceed to discuss.

Proposed by the Board

Explanation:

- (1) The amendment is due to the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies published by the Securities and Futures Bureau, Financial Supervisory Commission, stating that the calculation of a company's net worth should be based on the latest audited financial report.
- (2) Please refer to Appendix 8 (see pages 43 to 49) for the full text and the comparison table of the amended Operational Procedures for Loaning Funds to Others.

Resolution:

3. Proposal of amendment to the Company's the Operational Procedures for Making of Endorsement/ Guarantees. Please proceed to discuss.

Proposed by the Board

Explanation:

- (1) The amendment is due to the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies published by the Securities and Futures Bureau, Financial Supervisory Commission, stating that the calculation of a company's net worth should be based on the latest audited financial report.³³³
- (2) Please refer to Appendix 9 (see pages 50 to 56) for the full text and the comparison table of the amended Operational Procedures for Making of Endorsement/ Guarantees.

Resolution:

Extraordinary Motions

Appendix

Appendix 1

2020 Business Report

In 2020, impacted by the volatility of the US-China tech war, global economic growth momentum has clearly weakened. However, Taiwan has benefited from export growth that was driven by factors such as the transfer of trade orders and controlling the epidemic. The annual real GDP growth rate reached 2.3% in the third quarter. Domestic consumption rebounded and investments increased. On January 3, 2021, the Taiwan Institute of Economic Research estimated that Taiwan's economic growth rate in 2020 would be 2.54% and forecasted a GDP of 3.83% for 2021.

In terms of the international paper industry, due to the trade conflicts between China, the US, Japan, and South Korea, UK's Brexit in 2019, and supply chain reorganization, peak periods are not prosperous and demand is weak overall. In 2020, the COVID-19 outbreak caused a severe recession in the global economy. At the same time, due to the US-China trade conflict and the sharp appreciation of the New Taiwan dollar, many are in observation mode, giving no incentive for pulp and paper prices to rise. The pulp market fell from the high point in the third quarter of 2018. Although there were rebounds during the period, the overall trend is still downwards and has continued until the third quarter of 2020. So far, this has been the longest consolidation at low end. After pulp mills around the world have adjusted their inventories in 2020, pulp prices began to rise from the bottom in December 2020. International pulp and paper prices rebounded in early 2021.

In terms of international recycled paper, due to the impact of COVID-19, countries have implemented lockdowns, closed borders, and adopted home quarantine or quarantine measures one after another. Inconvenient logistics greatly reduced the supply of recycled paper, thereby skyrocketing global waste paper quotations. However, China's ban on importing recycled paper in 2021 may effectively improve domestic supply and prices should return to normal levels.

CHP's consolidated operating income for 2020 amounted to approximately NT\$18.68 billion, which is a decrease of approximately NT\$2 billion from NT\$20.69 billion in 2019. The net loss after tax attributable to the Company in 2020 is approximately NT\$200 million, which, compared with the net loss of NT\$245 million in 2019, is a decrease of about NT\$45 million. Paper production in 2020 is 391,362 metric tons, which is an increase of 19,928 metric tons from 371,434 metric tons in 2019. Domestic paper sales is 191,349 metric tons and export sales is 232,076, totaling 423,425 metric tons. Cardboard production was 143,416 metric tons, which is an increase of 10,344 metric tons from the 133,072 metric tons produced in 2019.

In 2020, CHP actively developed non-plastic food paper that is free of plastic coating and 100% recyclable. It can be used for paper cups, paper bowls, and paper lunch boxes, which can be directly recycled and reused. With this development, CHP achieved the three main goals of reducing plastic, reducing carbon, and reducing waste. Moreover, the Hualien plant will also build a new plant in 2021. CHP's operational momentum in 2021 will be improved by utilizing the advantages of pulping to produce full cycle end products, focusing on a

circular economy as the development core for overall upgrading, and the operation of the Guanyin plant in the second half of the year. And with the development of policies that limit plastic usage around the world, CHP will continue to develop relevant plastic-free products. Facing the many uncertainties of the global economy and COVID-19 in 2021, CHP will not only continue to strengthen the source of raw materials, improve production efficiency, and reduce costs, but also focus more on the global marketing and expansion of plastic-free products and food safety packaging materials, continue to develop new products with high added value, and expand the application market of existing products and strengthen services to enhance market competitiveness and create maximum profit for shareholders.

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

Appendix 2
CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

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

	2020		2019	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents	\$ 386,604	1	\$ 478,725	2
Financial assets at fair value through profit or loss - current	6,731	-	12,151	-
Financial assets at fair value through other comprehensive income - current	1,170,239	4	1,328,656	4
Financial assets at amortized cost - current	8,000	-	11,700	-
Financial assets for hedging - current	54	-	24	-
Notes and accounts receivable	2,809,182	9	2,649,484	9
Notes and accounts receivable from related parties	475,592	1	455,513	1
Other receivables from related parties	111,613	-	423,820	1
Inventories	3,775,155	12	3,886,070	13
Biological assets	3,327,526	10	3,252,537	10
Other current assets	<u>823,139</u>	<u>2</u>	<u>599,992</u>	<u>2</u>
Total current assets	<u>12,893,835</u>	<u>39</u>	<u>13,098,672</u>	<u>42</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current	-	-	171,035	1
Financial assets at fair value through other comprehensive income - non-current	721,919	2	575,788	2
Financial assets at amortized cost - non-current	218,241	1	300,823	1
Investments accounted for using the equity method	767,114	2	787,981	2
Property, plant and equipment	16,557,872	51	14,654,819	47
Right-of-use assets	468,453	2	487,433	2
Investment properties	256,877	1	257,144	1
Deferred tax assets	110,871	-	110,052	-
Prepayments for equipment	600,787	2	570,344	2
Net defined benefit assets	9,406	-	-	-
Other non-current assets	<u>64,858</u>	<u>-</u>	<u>84,326</u>	<u>-</u>
Total non-current assets	<u>19,776,398</u>	<u>61</u>	<u>17,999,745</u>	<u>58</u>
TOTAL	<u>\$ 32,670,233</u>	<u>100</u>	<u>\$ 31,098,417</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	\$ 1,642,777	5	\$ 5,245,500	17
Short-term bills payable	6,297,360	19	2,449,479	8
Financial liabilities at fair value through profit or loss - current	3,019	-	5,995	-
Notes and accounts payable	1,495,978	5	1,365,942	4
Notes and accounts payable to related parties	380,514	1	480,665	2
Other payables	1,702,471	5	1,025,660	3
Other payables to related parties	-	-	5,194	-
Current tax liabilities	1,421	-	1,179	-
Lease liabilities - current	15,815	-	20,202	-
Other current liabilities	<u>496,110</u>	<u>2</u>	<u>516,433</u>	<u>2</u>
Total current liabilities	<u>12,035,465</u>	<u>37</u>	<u>11,116,249</u>	<u>36</u>
NON-CURRENT LIABILITIES				
Long-term borrowings	1,390,592	4	147,675	-
Deferred tax liabilities	2,002,167	6	2,002,167	6
Lease liabilities - non-current	16,666	-	26,243	-
Net defined benefit liabilities	-	-	202,645	1
Other non-current liabilities	<u>239,589</u>	<u>1</u>	<u>208,414</u>	<u>1</u>
Total non-current liabilities	<u>3,649,014</u>	<u>11</u>	<u>2,587,144</u>	<u>8</u>
Total liabilities	<u>15,684,479</u>	<u>48</u>	<u>13,703,393</u>	<u>44</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital	<u>11,028,353</u>	<u>34</u>	<u>11,028,353</u>	<u>36</u>
Capital surplus	<u>29,821</u>	<u>-</u>	<u>29,563</u>	<u>-</u>
Retained earnings				
Legal reserve	226,257	1	226,257	1
Special reserve	1,186,894	3	1,186,894	4
Unappropriated earnings	<u>2,033,543</u>	<u>6</u>	<u>2,236,125</u>	<u>7</u>
Total retained earnings	<u>3,446,694</u>	<u>10</u>	<u>3,649,276</u>	<u>12</u>
Other equity	<u>416,837</u>	<u>1</u>	<u>410,039</u>	<u>1</u>
Treasury shares	<u>(136,726)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total equity attributable to owners of the Company	14,784,979	45	15,117,231	49
NON-CONTROLLING INTERESTS	<u>2,200,775</u>	<u>7</u>	<u>2,277,793</u>	<u>7</u>
Total equity	<u>16,985,754</u>	<u>52</u>	<u>17,395,024</u>	<u>56</u>
TOTAL	<u>\$ 32,670,233</u>	<u>100</u>	<u>\$ 31,098,417</u>	<u>100</u>

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales	\$ 18,671,879	100	\$ 20,788,779	101
Sales returns and allowances	<u>103,301</u>	<u>-</u>	<u>147,984</u>	<u>1</u>
Net sales	18,568,578	100	20,640,795	100
Other operating revenue	<u>48,116</u>	<u>-</u>	<u>48,602</u>	<u>-</u>
Total operating revenue	<u>18,616,694</u>	<u>100</u>	<u>20,689,397</u>	<u>100</u>
OPERATING COSTS				
Cost of goods sold	17,333,163	93	19,435,059	94
Other operating cost	<u>42,088</u>	<u>-</u>	<u>35,227</u>	<u>-</u>
Total operating costs	<u>17,375,251</u>	<u>93</u>	<u>19,470,286</u>	<u>94</u>
GAIN (LOSS) FROM CHANGES IN FAIR VALUE LESS COSTS TO SELL OF BIOLOGICAL ASSETS	<u>333</u>	<u>-</u>	<u>(6,089)</u>	<u>-</u>
GROSS PROFIT	<u>1,241,776</u>	<u>7</u>	<u>1,213,022</u>	<u>6</u>
OPERATING EXPENSES				
Selling and marketing	1,181,986	6	1,117,383	5
General and administrative	331,549	2	351,205	2
Research and development	<u>118,418</u>	<u>1</u>	<u>128,211</u>	<u>1</u>
Total operating expenses	<u>1,631,953</u>	<u>9</u>	<u>1,596,799</u>	<u>8</u>
LOSS FROM OPERATIONS	<u>(390,177)</u>	<u>(2)</u>	<u>(383,777)</u>	<u>(2)</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs	(95,751)	-	(91,305)	-
Share of profit (loss) of associates	4,489	-	(3,987)	-
Interest income	11,539	-	27,380	-
Dividend income	95,220	1	76,543	-
Gain from bargain purchase	140	-	-	-
Other income	66,896	-	83,311	-
Gain (loss) on disposal of property, plant and equipment	164	-	(219)	-
Gain on disposal of investments	-	-	9	-
Foreign exchange gain (loss)	88,963	-	(66,848)	-
Loss on financial instruments at FVTPL	(80,078)	-	(1,672)	-
Other losses	<u>(4,889)</u>	<u>-</u>	<u>(1,847)</u>	<u>-</u>

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

	2020		2019	
	Amount	%	Amount	%
Total non-operating income and expenses	<u>86,693</u>	<u>1</u>	<u>21,365</u>	<u>-</u>
LOSS BEFORE INCOME TAX	(303,484)	(1)	(362,412)	(2)
INCOME TAX (EXPENSE) BENEFIT	<u>(8,908)</u>	<u>-</u>	<u>60,328</u>	<u>1</u>
NET LOSS FOR THE YEAR	<u>(312,392)</u>	<u>(1)</u>	<u>(302,084)</u>	<u>(1)</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(3,261)	-	(4,701)	-
Unrealized gain on investments in equity instruments at FVTOCI	30,571	-	308,482	2
Share of the other comprehensive income of associates	15,762	-	23,302	-
Tax effect of items that will not be reclassified	652	-	940	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(3,491)	-	(277,653)	(2)
Gain (loss) on hedging instruments	527	-	1,185	-
Share of the other comprehensive loss of associates	<u>(1,168)</u>	<u>-</u>	<u>(17,218)</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>39,592</u>	<u>-</u>	<u>34,337</u>	<u>-</u>
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	<u>\$ (272,800)</u>	<u>(1)</u>	<u>\$ (267,747)</u>	<u>(1)</u>
NET LOSS ATTRIBUTABLE TO:				
Owners of the Company	\$ (201,797)	(1)	\$ (245,098)	(1)
Non-controlling interests	<u>(110,595)</u>	<u>(1)</u>	<u>(56,986)</u>	<u>-</u>
	<u>\$ (312,392)</u>	<u>(2)</u>	<u>\$ (302,084)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ (195,782)	(1)	\$ (116,582)	-
Non-controlling interests	<u>(77,018)</u>	<u>-</u>	<u>(151,165)</u>	<u>(1)</u>

(Continued)

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

	2020		2019	
	Amount	%	Amount	%
	<u>\$ (272,800)</u>	<u>(1)</u>	<u>\$ (267,747)</u>	<u>(1)</u>
LOSS PER SHARE				
Basic	<u>\$ (0.18)</u>		<u>\$ (0.22)</u>	

(Concluded)

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company														
								Other Equity			Treasury Share	Total	Equity Attributable to Former Owner of Business Combination Under Common Control	Non-controlling Interests	Total Equity
								Unrealized (Loss) Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Gain (Loss) on Hedging Instrument						
	Share Capital		Capital Surplus	Retained Earnings				Exchange Differences on Translating Foreign Operations							
Shares (Thousands)	Amount	Legal Reserve		Special Reserve	Unappropriated Earnings	Total									
BALANCE AT JANUARY 1, 2019	1,102,835	\$ 11,028,353	\$ 31,468	\$ 181,691	\$ 1,186,894	\$ 2,905,386	\$ 4,273,971	\$ (100,013)	\$ 394,892	\$ (6,961)	\$ -	\$ 15,621,710	\$ 13,440	\$ 2,428,958	\$ 18,064,108
Appropriation of 2018 earnings															
Legal reserve	-	-	-	44,566	-	(44,566)	-	-	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(385,992)	(385,992)	-	-	-	-	(385,992)	-	-	(385,992)
Adjustments for the changes in equity of associates	-	-	(1,024)	-	-	-	-	-	-	-	-	(1,024)	-	-	(1,024)
Net loss for the year ended December 31, 2019	-	-	-	-	-	(245,098)	(245,098)	-	-	-	-	(245,098)	-	(56,986)	(302,084)
Other comprehensive (loss) income for the year ended December 31, 2019	-	-	-	-	-	(3,949)	(3,949)	(200,692)	331,972	1,185	-	128,516	-	(94,179)	34,337
Total comprehensive (loss) income for the year ended December 31, 2019	-	-	-	-	-	(249,047)	(249,047)	(200,692)	331,972	1,185	-	(116,582)	-	(151,165)	(267,747)
Business combination under common control	-	-	(865)	-	-	-	-	-	-	-	-	(865)	(13,440)	-	(14,305)
Disposal of investments accounted for using the equity method	-	-	(16)	-	-	-	-	-	-	-	-	(16)	-	-	(16)
Disposal of investments in equity instruments designated as at FVTOCI by associates	-	-	-	-	-	10,344	10,344	-	(10,344)	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2019	1,102,835	11,028,353	29,563	226,257	1,186,894	2,236,125	3,649,276	(300,705)	716,520	(5,776)	-	15,117,231	-	2,277,793	17,395,024
Adjustments for the changes in equity of associates	-	-	(191)	-	-	(2)	(2)	-	-	-	-	(193)	-	-	(193)
Unclaimed dividends	-	-	449	-	-	-	-	-	-	-	-	449	-	-	449
Net loss for the year ended December 31, 2020	-	-	-	-	-	(201,797)	(201,797)	-	-	-	-	(201,797)	-	(110,595)	(312,392)
Other comprehensive (loss) income for the year ended December 31, 2020	-	-	-	-	-	(2,770)	(2,770)	(38,236)	46,494	527	-	6,015	-	33,577	39,592
Total comprehensive (loss) income for the year ended December 31, 2020	-	-	-	-	-	(204,567)	(204,567)	(38,236)	46,494	527	-	(195,782)	-	(77,018)	(272,800)
Disposal of investments in equity instruments designated as fair value through other comprehensive income	-	-	-	-	-	1,987	1,987	-	(1,987)	-	-	-	-	-	-
Buy-back of ordinary shares	-	-	-	-	-	-	-	-	-	-	(136,726)	(136,726)	-	-	(136,726)
BALANCE AT DECEMBER 31, 2020	1,102,835	\$ 11,028,353	\$ 29,821	\$ 226,257	\$ 1,186,894	\$ 2,033,543	\$ 3,446,694	\$ (338,941)	\$ 761,027	\$ (5,249)	\$ (136,726)	\$ 14,784,979	\$ -	\$ 2,200,775	\$ 16,985,754

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

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

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	\$ (303,484)	\$ (362,412)
Adjustments for:		
Depreciation and amortization expenses	1,153,888	1,148,547
Expected credit loss recognized on account receivables	(2,609)	(24,525)
Loss on financial instruments at FVTPL	80,078	1,672
Finance costs	95,751	91,305
Interest income	(11,539)	(27,380)
Dividend income	(95,220)	(76,543)
Share of (profit) loss of associates	(4,489)	3,987
(Gain) loss on disposal of property, plant and equipment	(164)	219
Gain on disposal of investments	-	(9)
(Reversal of write-down) Write-downs of inventories	(9,921)	36,351
Unrealized (gain) loss on foreign currency exchange	(7,217)	41,638
(Gain) loss on changes in fair value less costs to sell of biological assets	(333)	6,089
Gain from bargain purchase	(140)	-
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at FVTPL	(83,229)	(127)
Notes and accounts receivable	(142,489)	(21,474)
Notes and accounts receivable from related parties	(18,155)	311,578
Inventories	131,079	242,529
Biological assets	(23,231)	(75,863)
Other current assets	(227,711)	(214,718)
Net defined benefit assets	(9,406)	-
Notes and accounts payable	131,234	(141,771)
Notes and accounts payable to related parties	(101,865)	(90,228)
Other payables	161,260	(13,696)
Other current liabilities	(139,918)	75,837
Net defined benefit liabilities	(205,906)	(36,991)
Cash generated from operations	366,264	874,015
Interest received	12,136	27,302
Interest paid	(100,946)	(89,931)
Income tax (paid) received	(8,893)	9,213
Net cash generated from operating activities	268,561	820,599
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at FVTOCI	-	(3)
Proceeds from sale of financial assets at FVTOCI	1,800	-
Proceeds from capital reduction on investments accounted for financial assets at FVTOCI	41,057	17,229
Purchase of financial assets at amortized cost	(64,098)	(314,548)
Proceeds from sale of financial assets at amortized cost	153,452	-

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

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

	2020	2019
Proceeds from sale of financial assets at fair value through profit or loss	176,829	-
Proceeds from sale of financial instruments for hedging	497	4,252
Purchase of investments accounted for using the equity method	(104)	-
Net cash outflow from acquisition of subsidiary under common control	-	(14,305)
Proceeds from capital reduction on investments accounted for using the equity method	-	27,168
Payments for property, plant and equipment	(2,456,636)	(1,264,293)
Proceeds from disposal of property, plant and equipment	201	7,807
Increase in other receivables from related parties	313,899	341,159
Increase (decrease) in other non-current assets	85	(6,563)
Increase in prepayments for equipment	(30,035)	(41,275)
Dividends received from investments accounted for using equity method	<u>135,220</u>	<u>126,133</u>
Net cash used in investing activities	<u>(1,727,833)</u>	<u>(1,117,239)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Increase) decrease in short-term borrowings	(3,592,454)	1,553,977
Increase in short-term bills payable	3,847,881	599,770
Proceeds from long-term borrowings	1,700,000	2,402,000
Repayments of long-term borrowings	(450,000)	(3,952,000)
Decrease in other payables to related parties	(8,661)	(2,027)
Repayment of the principal portion of lease liabilities	(22,269)	(21,633)
Increase in other non-current liabilities	27,452	12,753
Distribution of cash dividends	-	(385,992)
Payments for buyback of ordinary shares	(136,726)	-
Capital surplus transferred from unclaimed dividends	<u>449</u>	<u>-</u>
Net cash generated from financing activities	<u>1,365,672</u>	<u>206,848</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>1,479</u>	<u>3,023</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(92,121)	(86,769)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>478,725</u>	<u>565,494</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 386,604</u>	<u>\$ 478,725</u>

(Concluded)

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Shareholders
Chung Hwa Pulp Corporation

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC) and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

Basis for Opinion

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

Key Audit Matter

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

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

Estimation of Expected Credit Loss of Accounts Receivable

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

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

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

Other Matter

We have also audited the parent company only financial statements of Chung Hwa Pulp Corporation as of and for the years ended December 31, 2020 and 2019, on which we have issued an unmodified opinion with emphasis of matter paragraph.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine the matter that was of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020, and is therefore the key audit matter. We describe the matter in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our

report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 19, 2021

Notice to Readers

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

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

Appendix 3
CHUNG HWA PULP CORPORATION

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

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

CHUNG HWA PULP CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales	\$ 16,788,230	101	\$ 18,435,504	101
Sales returns and allowances	<u>103,301</u>	<u>1</u>	<u>147,983</u>	<u>1</u>
Net sales	16,684,929	100	18,287,521	100
Other operating revenue	<u>35,903</u>	<u>-</u>	<u>41,454</u>	<u>-</u>
Total operating revenue	<u>16,720,832</u>	<u>100</u>	<u>18,328,975</u>	<u>100</u>
OPERATING COSTS				
Cost of goods sold	15,433,522	92	17,178,852	94
Other operating cost	<u>24,657</u>	<u>-</u>	<u>28,023</u>	<u>-</u>
Total operating costs	<u>15,458,179</u>	<u>92</u>	<u>17,206,875</u>	<u>94</u>
GROSS PROFIT	<u>1,262,653</u>	<u>8</u>	<u>1,122,100</u>	<u>6</u>
OPERATING EXPENSES				
Selling and marketing	1,155,671	7	1,094,700	6
General and administrative	219,245	2	231,242	2
Research and development	<u>38,238</u>	<u>-</u>	<u>33,708</u>	<u>-</u>
Total operating expenses	<u>1,413,154</u>	<u>9</u>	<u>1,359,650</u>	<u>8</u>
LOSS FROM OPERATIONS	<u>(150,501)</u>	<u>(1)</u>	<u>(237,550)</u>	<u>(2)</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs	(90,795)	-	(85,269)	-
Share of loss of subsidiaries and associates	(112,855)	(1)	(53,980)	-
Interest income	704	-	1,128	-
Dividend income	93,543	1	75,020	-
Other income	60,817	-	71,133	-
Gain on disposal of property, plant and equipment	-	-	32	-
Gain on disposal of investments	-	-	9	-
Foreign exchange loss	(5,317)	-	(51,247)	-
Gain on financial instruments at FVTPL	6,565	-	1,426	-
Other losses	<u>(3,958)</u>	<u>-</u>	<u>(1,563)</u>	<u>-</u>
Total non-operating income and expenses	<u>(51,296)</u>	<u>-</u>	<u>(43,311)</u>	<u>-</u>
LOSS BEFORE INCOME TAX	(201,797)	(1)	(280,861)	(2)
INCOME TAX BENEFIT	<u>-</u>	<u>-</u>	<u>(35,763)</u>	<u>-</u>

(Continued)

CHUNG HWA PULP CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

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

(Concluded)

CHUNG HWA PULP CORPORATION

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

	Share Capital		Capital Surplus	Retained Earnings				Other Equity (Notes 4 and 18)			Treasury Shares	Equity Attributable to Former Owner of Business Combination Under Common Control	Total Equity
	Shares (Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized (Loss) Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Gain (Loss) on Hedging Instrument			
BALANCE AT JANUARY 1, 2019	1,102,835	\$ 11,028,353	\$ 31,468	\$ 181,691	\$ 1,186,894	\$ 2,905,386	\$ 4,273,971	\$ (100,013)	\$ 394,892	\$ (6,961)	\$ -	\$ 13,440	\$ 15,635,150
Appropriation of 2018 earnings													
Legal reserve	-	-	-	44,566	-	(44,566)	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(385,992)	(385,992)	-	-	-	-	-	(385,992)
Adjustments for the changes in equity of subsidiaries and associates	-	-	(1,024)	-	-	-	-	-	-	-	-	-	(1,024)
Net loss for the year ended December 31, 2019	-	-	-	-	-	(245,098)	(245,098)	-	-	-	-	-	(245,098)
Other comprehensive (loss) income for the year ended December 31, 2019	-	-	-	-	-	(3,949)	(3,949)	(200,692)	331,972	1,185	-	-	128,516
Total comprehensive (loss) income for the year ended December 31, 2019	-	-	-	-	-	(249,047)	(249,047)	(200,692)	331,972	1,185	-	-	(116,582)
Business combination under common control	-	-	(865)	-	-	-	-	-	-	-	-	(13,440)	(14,305)
Disposal of investments accounted for using the equity method	-	-	(16)	-	-	-	-	-	-	-	-	-	(16)
Disposal of investments in equity instruments designated as at FVTOCI by associates	-	-	-	-	-	10,344	10,344	-	(10,344)	-	-	-	-
BALANCE AT DECEMBER 31, 2019	1,102,835	11,028,353	29,563	226,257	1,186,894	2,236,125	3,649,276	(300,705)	716,520	(5,776)	-	-	15,117,231
Adjustments for the changes in equity of subsidiaries and associates	-	-	(191)	-	-	(2)	(2)	-	-	-	-	-	(193)
Unclaimed dividend	-	-	449	-	-	-	-	-	-	-	-	-	449
Net loss for the year ended December 31, 2020	-	-	-	-	-	(201,797)	(201,797)	-	-	-	-	-	(201,797)
Other comprehensive (loss) income for the year ended December 31, 2020	-	-	-	-	-	(2,770)	(2,770)	(38,236)	46,494	527	-	-	6,015
Total comprehensive (loss) income for the year ended December 31, 2020	-	-	-	-	-	(204,567)	(204,567)	(38,236)	46,494	527	-	-	(195,782)
Disposal of investments in equity instruments designated as fair value through other comprehensive incom	-	-	-	-	-	1,987	1,987	-	(1,987)	-	-	-	-
Buy back of ordinary shares	-	-	-	-	-	-	-	-	-	-	(136,726)	-	(136,726)
BALANCE AT DECEMBER 31, 2020	<u>1,102,835</u>	<u>\$ 11,028,353</u>	<u>\$ 29,821</u>	<u>\$ 226,257</u>	<u>\$ 1,186,894</u>	<u>\$ 2,033,543</u>	<u>\$ 3,446,694</u>	<u>\$ (338,941)</u>	<u>\$ 761,027</u>	<u>\$ (5,249)</u>	<u>\$ (136,726)</u>	<u>\$ -</u>	<u>\$ 14,784,979</u>

CHUNG HWA PULP CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

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

CHUNG HWA PULP CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(In Thousands of New Taiwan Dollars)

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

(Concluded)

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Shareholders
Chung Hwa Pulp Corporation

Opinion

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

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

Basis for Opinion

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

Key Audit Matter

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

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

Estimation of Expected Credit Loss of Accounts Receivable

The accounts receivable of the Company is material in amount. In consideration of the business

volume, the recoverability of accounts receivable is not only subject to each customer's financial condition but also management's estimation and judgement. Therefore, the estimation of expected credit loss recognized on accounts receivables was identified as a key audit matter.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine the matter that was of most significance in the audit of the financial statements for the year ended December 31, 2020, and is therefore the key audit matter. We describe the matter in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our

report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 19, 2021

Notice to Readers

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

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

Audit Committee's Review Report

The Company's 2020 business report, financial statements and proposal of earnings appropriation have been reviewed and determined to be correct and accurate by the Audit Committee, so according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report to the 2021 Annual General Meeting of shareholders of the Company.

Chung Hwa Pulp Corporation

Convener of the audit committee: Yi Lee

February 26, 2021

Chung Hwa Pulp Corporation

2020 STATEMENTS OF EARNINGS APPROPRIATION

UNIT: NTD

Item	Amount
A. Undistributed balance accumulated from the previous year	2,236,124,628
B. Current year net loss after taxes	(201,797,226)
C. Disposal of interests in financial assets at FVOCI (including reinvestment companies)	1,986,494
D. Due to the retained earnings from investment adjustments accounted for using the equity method	(1,941)
E. Remeasurement amount of the welfare plan	(2,769,761)
Undistributed ending balance	2,033,542,194

Chung Hwa Pulp Corporation

Table of Comparison of Rules for the Repurchase of Shares and Transfer to Employees

Article Number	After Amendment	Before Amendment	Description
Article 4	(Eligibility requirements for transferees) All full-time employees of the Company who have arrived before the record date for subscription or have made special contributions to the Company, as well as full-time employees who <u>directly or indirectly holds more than 50% of the voting rights of domestic or foreign subsidiaries</u> , are eligible in accordance with the relevant provisions of these Procedures.	(Eligibility requirements for transferees) All full-time employees of the Company who have arrived before the record date for subscription or have made special contributions to the Company, as well as full-time employees who <u>meet certain conditions of domestic or foreign control or subordinate companies</u> , are eligible in accordance with the relevant provisions of these Procedures.	The article is adjusted in accordance with the instructions of the competent authority.
Article 7	(Agreed transfer price per share) The share transfer price for the present repurchase of shares and transfer to employees will be the average of the actual share repurchase prices, provided that if, prior to the transfer, there is either an increase (or decrease) in the number of issued shares of the Company's ordinary shares, the transfer price will be adjusted within a range proportional to the increase (or decrease). <u>Transfer pricing adjustment formula:</u> <u>Adjusted transfer price = average repurchase price per share x (total number of ordinary shares at the completion of the repurchase by the Company ÷ total number of ordinary shares prior to the repurchase of shares to transfer to employees by the Company)</u>	(Agreed transfer price per share) The share transfer price for the present repurchase of shares and transfer to employees will be the average of the actual share repurchase prices, provided that if, prior to the transfer, there is either an increase (or decrease) in the number of issued shares of the Company's ordinary shares, the transfer price will be adjusted within a range proportional to the increase (or decrease).	The transfer pricing adjustment formula was added in accordance with the instructions of the competent authority.

Chung Hwa Pulp Corporation

Procedures for Repurchase of Shares and Transfer to Employees (After Amendment)

- Article 1 In order to encourage employees and enhance employees' devotion, the Company established the Procedures for Repurchase of Shares and Transfer to Employees in accordance with Article 28-2, Paragraph 1, Subparagraph 1 of the Securities and Exchange Act and the provisions of the Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies issued by the Financial Supervisory Commission. Any repurchase of shares and transfer to employees by the Company, in addition to complying with related laws and regulations, will be carried out in accordance with these Procedures.
- (Type of shares to transfer and the rights and restrictions)
- Article 2 The shares transferred by the Company to employees are ordinary shares, and their rights and obligations are the same as other ordinary shares in circulation, except as otherwise provided by the relevant laws and these Procedures.
- (Transfer period)
- Article 3 In accordance with these Procedures, the shares in the present share repurchase may be transferred to employees in a single transfer or multiple transfers within five years from the date of the share repurchase.
- (Eligibility requirements for transferees)
- Article 4 All full-time employees of the Company who have arrived before the record date for subscription or have made special contributions to the Company, as well as full-time employees who directly or indirectly holds more than 50% of the voting rights of domestic or foreign subsidiaries, are eligible in accordance with the relevant provisions of these Procedures.
- (Transfer allocation)
- Article 5 The employees shall subscribe to the number of shares as approved in accordance with Article 4. Employees who have not subscribed and completed payment at the conclusion of the designated subscription and payment period will be deemed to have waived their subscription rights. In the event of an insufficient number of subscriptions, the Chairman may contact other qualified employees regarding subscription to the remaining shares.
- Article 6 Repurchase and procedures for transfer of shares:
- (1) The repurchase of the Company's shares will be publicly announced, reported, and carried out during the implementation period in accordance with a resolution of the Board of Directors.
 - (2) The Chairman is authorized by the Board of Directors to set and announce the record date for employee subscriptions, the numbers of shares to which employees may subscribe, the period for payment for subscriptions, and the rights and restrictions associated with share subscriptions.
 - (3) Statistics will be compiled on the numbers of shares actually subscribed and paid for, and the registration of share transfers will be carried out.
- (Agreed transfer price per share)
- Article 7 The share transfer price for the present repurchase of shares and transfer to employees will be the average of the actual share repurchase prices, provided that if, prior to the

transfer, there is either an increase (or decrease) in the number of issued shares of the Company's ordinary shares, the transfer price will be adjusted within a range proportional to the increase (or decrease).

Transfer pricing adjustment formula: Adjusted transfer price = average repurchase price per share x (total number of ordinary shares at the completion of the repurchase by the Company ÷ total number of ordinary shares prior to the repurchase of shares to transfer to employees by the Company)

(Rights and obligations after the transfer)

Article 8 Once the transfer of the repurchased shares to employees is registered, unless otherwise specified, the rights and obligations are consistent with the ordinary shares.

Article 9 The Company shall transfer the shares it has repurchased to the employees within five years from the date of the share repurchase. Shares that have not been transferred within the deadline shall be deemed as the Company's unissued shares, and shall be canceled in accordance with the law. The Company shall also handle the change of registration.

(Other)

Article 10 These Procedures will take effect following a resolution of the Board of Directors, and may be amended by submission to the Board of Directors for a resolution.

Article 11 These Procedures shall be reported to the shareholders' meeting, and so shall any later amendments.

Chung Hwa Pulp Corporation

Table of Comparison of the Articles of Incorporation

Article Number	After Amendment	Before Amendment	Description
Article 2	<p>The Company's scope of business is as follows:</p> <p>I. A101011 Seeding.</p> <p>II. A201010 Forestation.</p> <p>III. A201030 Special forest business.</p> <p>IV. A202040 Logging.</p> <p>V. A299990 Other logging services.</p> <p><u>VI. C301010 Spinning of yarn.</u></p> <p><u>VII. C501010 Lumbering.</u></p> <p><u>VIII. C501030 Plywood manufacturing.</u></p> <p><u>IX. C501040 Reconstituted wood manufacturing.</u></p> <p><u>X. C601010 Pulp manufacturing.</u></p> <p><u>XI. C601020 Paper manufacturing.</u></p> <p><u>XII. C601030 Paper containers manufacturing.</u></p> <p><u>XIII. C601040 Processed paper manufacturing.</u></p> <p><u>XIV. C601050 Domestic and sanitary paper products manufacturing.</u></p> <p><u>XV. C601990 Manufacture of other paper products.</u></p> <p><u>XVI. C801010 Basic industrial chemical manufacturing.</u></p> <p><u>XVII. C801100 Synthetic resin and plastic manufacturing.</u></p> <p><u>XVIII. C802090 Cleaning products manufacturing.</u></p> <p><u>XIX. C802120 Industrial and additive manufacturing.</u></p> <p><u>XX. C802160 Adhesive tapes manufacturing.</u></p> <p><u>XXI. C805010 Plastic sheets, pipes and tubes manufacturing.</u></p> <p><u>XXII. C805020 Plastic sheets & bags manufacturing.</u></p> <p><u>XXIII. C114010 Food additives manufacturing.</u></p> <p><u>XXIV. CB01010 Machinery and equipment manufacturing.</u></p> <p><u>XXV. CO01010 Tableware manufacturing.</u></p> <p><u>XXVI. CZ99990 Other industrial products manufacturing not elsewhere classified.</u></p> <p><u>XXVII. D101050 Steam and electricity paragenesis.</u></p> <p><u>XXVIII. F107030 Wholesale of cleaning preparations.</u></p> <p><u>XXIX. F107190 Wholesale of plastic</u></p>	<p>The Company's scope of business is as follows:</p> <p>I. A101011 Seeding.</p> <p>II. A201010 Forestation.</p> <p>III. A201030 Special forest business.</p> <p>IV. A202040 Logging.</p> <p>V. A299990 Other logging services.</p> <p><u>VI. C501010 Lumbering.</u></p> <p><u>VII. C501030 Plywood manufacturing.</u></p> <p><u>VIII. C501040 Reconstituted wood manufacturing.</u></p> <p><u>IX. C601010 Pulp manufacturing.</u></p> <p><u>X. C601020 Paper manufacturing.</u></p> <p><u>XI. C601990 Manufacture of other paper products.</u></p> <p><u>XII. C801010 Basic industrial chemical manufacturing.</u></p> <p><u>XIII. C802090 Cleaning products manufacturing.</u></p> <p><u>XIV. C805020 Plastic sheets & bags manufacturing.</u></p> <p><u>XV. C114010 Food additives manufacturing.</u></p> <p><u>XVI. CB01010 Machinery and equipment manufacturing.</u></p> <p><u>XVII. D101050 Steam and electricity paragenesis.</u></p> <p><u>XVIII. F107030 Wholesale of cleaning preparations.</u></p> <p><u>XIX. F107190 Wholesale of plastic sheets & bags.</u></p> <p><u>XX. F107200 Wholesale of chemistry raw material.</u></p> <p><u>XXI. F107990 Wholesale of other chemical products.</u></p> <p><u>XXII. F121010 Wholesale of food additives.</u></p> <p><u>XXIII. F207030 Retail sale of cleaning preparations.</u></p> <p><u>XXIV. F207190 Retail sale of plastic sheets & bags.</u></p> <p><u>XXV. F207200 Retail sale of chemistry raw material.</u></p> <p><u>XXVI. F221010 Retail of food additives.</u></p> <p><u>XXVII. F299990 Retail sale of other retail trade not elsewhere classified.</u></p> <p><u>XXVIII. F399040 Retail business without shop.</u></p> <p><u>XXIX. H701010 Residence and buildings lease construction and</u></p>	<p>For the purpose of facilitating business development, the Company's business scope items were added.</p>

	<p>sheets & bags.</p> <p><u>XXX.F107200 Wholesale of chemistry raw material.</u></p> <p><u>XXXI.F107990 Wholesale of other chemical products.</u></p> <p><u>XXXII.F113010 Wholesale of machinery.</u></p> <p><u>XXXIII.F113990 Wholesale of other machinery and tools.</u></p> <p><u>XXXIV.F121010 Wholesale of food additives.</u></p> <p><u>XXXV.F207030 Retail sale of cleaning preparations.</u></p> <p><u>XXXVI.F207190 Retail sale of plastic sheets & bags.</u></p> <p><u>XXXVII.F207200 Retail sale of chemistry raw material.</u></p> <p><u>XXXVIII.F213080 Retail sale of other machinery and equipment.</u></p> <p><u>XXXIX.F221010 Retail of food additives.</u></p> <p><u>XL.F299990 Retail sale of other retail trade not elsewhere classified.</u></p> <p><u>XLI.F399040 Retail business without shop.</u></p> <p><u>XLII.F401010 International trade.</u></p> <p><u>XLIII.H701010 Residence and buildings lease construction and development.</u></p> <p><u>XLIV.H701040 Specialized field construction and development.</u></p> <p><u>XLV.H701060 New county and community construction and investment.</u></p> <p><u>XLVI.H701090 Urban renewal renovation or maintenance.</u></p> <p><u>XLVII.ZZ99999 All business items that are not prohibited or restricted by law, except those subject to special approval.</u></p>	<p>development.</p> <p><u>XXX.H701040 Specialized field construction and development.</u></p> <p><u>XXXI.H701060 New county and community construction and investment.</u></p> <p><u>XXXII.H701090 Renovation, or maintenance within the renewal area.</u></p> <p><u>XXXIII.ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.</u></p>	
Article 5	<p>The Company extends external guarantees and check endorsements to companies and organizations, and is limited to the <u>following</u> circumstances:</p> <p>I. Required for the businesses of the Company and the business scope the Company invests in.</p> <p>II. Related to inter-industry guarantees.</p>	<p>The Company extends external guarantees and check endorsements to companies and organizations, and is limited to the circumstances <u>to the left</u>:</p> <p>I. Required for the businesses of the Company and the business scope the Company invests in.</p> <p>II. Related to inter-industry guarantees.</p>	<p>In accordance with legal terminology, “to the left” was revised to the “following” .</p>
Article 8	<p>Stocks of the Company shall be registered, signed, or sealed by <u>directors representing the Company</u>, list the items of Article 162 of the Company Act, and <u>certified by the securities authority or a bank competent to serve as attestors for the issuance of share certificates under the laws, prior to given a serial number and issued according to law.</u></p>	<p>Stocks of the Company shall be registered, signed, or sealed by <u>at least three of the Company’s directors</u>, list the items of Article 162 of the Company Act, and <u>issued after proper certification by the competent authority or its authorized registration institutes.</u></p>	<p>Revised in accordance with Article 162 of the Company Act.</p>

	Stocks issued according to the preceding paragraph are not required to be printed. The Company shall contact the centralized securities depository enterprise institution for registration of the share certificates.	Stocks issued according to the preceding paragraph are not required to be printed. The Company shall contact the centralized securities depository enterprise institution for registration of the share certificates.	
Article 35	The Articles of Incorporation was established on July 5th, 1968 (the 1st to the 46th amendments were made, dates omitted), <u>and the 47th amendment was made on May 25th, 2021.</u>	The Articles of Incorporation was established on July 5th, 1968 (the 1st to the 46th amendments were made, dates omitted).	Added the date of the 47th amendment.

Chung Hwa Pulp Corporation

Articles of Incorporation (After Amendment)

Chapter I General Provisions

- Article 1 The Company shall be incorporated, as a company limited by shares, under the Company Law of the Republic of China, and its name is 中華紙漿股份有限公司, and Chung Hwa Pulp Corporation in the English language.
- Article 2 The Company's scope of business is as follows:
- I. A101011 Seeding.
 - II. A201010 Forestation.
 - III. A201030 Special forest business.
 - IV. A202040 Logging.
 - V. A299990 Other logging services.
 - VI. C301010 Spinning of yarn.
 - VII. C501010 Lumbering.
 - VIII. C501030 Plywood manufacturing.
 - IX. C501040 Reconstituted wood manufacturing.
 - X. C601010 Pulp manufacturing.
 - XI. C601020 Paper manufacturing.
 - XII. C601030 Paper containers manufacturing.
 - XIII. C601040 Processed paper manufacturing.
 - XIV. C601050 Domestic and sanitary paper products manufacturing.
 - XV. C601990 Manufacture of other paper products.
 - XVI. C801010 Basic industrial chemical manufacturing.
 - XVII. C801100 Synthetic resin and plastic manufacturing.
 - XVIII. C802090 Cleaning products manufacturing.
 - XIX. C802120 Industrial and additive manufacturing.
 - XX. C802160 Adhesive tapes manufacturing.
 - XXI. C805010 Plastic sheets, pipes and tubes manufacturing.
 - XXII. C805020 Plastic sheets & bags manufacturing.
 - XXIII. C114010 Food additives manufacturing.
 - XXV. CB01010 Machinery and equipment manufacturing.
 - XXVI. CZ99990 Other industrial products manufacturing not elsewhere classified.
 - XXVII. D101050 Steam and electricity paragenesis.
 - XXVIII. F107030 Wholesale of cleaning preparations.
 - XXIX. F107190 Wholesale of plastic sheets & bags.
 - XXX. F107200 Wholesale of chemistry raw material.
 - XXXI. F107990 Wholesale of other chemical products.
 - XXXII. F113010 Wholesale of machinery.
 - XXXIII. F113990 Wholesale of other machinery and tools.
 - XXXIV. F121010 Wholesale of food additives.
 - XXXV. F207030 Retail sale of cleaning preparations.
 - XXXVI. F207190 Retail sale of plastic sheets & bags.
 - XXXVII. F207200 Retail sale of chemistry raw material.

XXXVIII. F213080 Retail sale of other machinery and equipment.

XXXIX. F221010 Retail of food additives.

XL. F299990 Retail sale of other retail trade not elsewhere classified.

XLI. F399040 Retail business without shop.

XLII. F401010 International trade.

XLIII. H701010 Residence and buildings lease construction and development.

XLIV. H701040 Specialized field construction and development.

XLV. H701060 New county and community construction and investment.

XLVI. H701090 Renovation, or maintenance within the renewal area.

XLVII. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

- Article 3 The Company has established its headquarters in Hualien County, Taiwan, and opens subsidiaries or branch offices and production/marketing units as needed.
- Article 4 Public announcements of the Company are made pursuant to Article 28 of the Company Act.
- Article 5 The Company extends external guarantees and check endorsements to companies and organizations, and is limited to the following circumstances:
- I. Required for the businesses of the Company and the business scope the Company invests in.
 - II. Related to inter-industry guarantees.
- Article 6 The Company's investments in other enterprises are not be subject to the limit of 40 percent of its paid-in capital as imposed by Article 13 of the Company Act.

Chapter II Shares

- Article 7 The total amount of capital of the Company is NT\$13 billion, being divided into 1.3 billion shares of par value NT\$10 per share, and authorizing the board of directors to issue in installments.
- Article 8 Stocks of the Company shall be registered, signed, or sealed by directors representing the Company, list the items of Article 162 of the Company Act, and certified by the securities authority or a bank competent to serve as attestors for the issuance of share certificates under the laws, prior to given a serial number and issued according to law.
- Stocks issued according to the preceding paragraph are not required to be printed. The Company shall contact the centralized securities depository enterprise institution for registration of the share certificates.
- Article 9 Upon opening a new account, the shareholder shall supply a specimen chop, where the specimen chop is registered, replaced, lost, destroyed, or upon transfer of stock certificates, registration of change, pledges, and lost reporting procedures, the Regulations Governing the Administration of Shareholder Services of Public Companies promulgated by competent authority shall apply.
- Article 10 The original copies and application should be submitted to the Company for the renewal of soiled or mutilated stock certificates; however, when authenticity is beyond recognition, the preceding provision of lost share certificates applies, mutatis mutandis.
- Article 11 Taiwan Depository & Clearing Corporation may request a large par value securities substitute by means of consolidation, in which the costs are borne by the company.
- Article 12 Where the Company processes a shareholder's application to issue replacement stocks due to splits and such split stocks do not exceed 1,000 shares, the company may charge a handling fee, except where the stocks were obtained through inheritance.
- Article 13 The Company shall not handle any requests for transfers of shares within 60 days prior to the regular shareholders' meeting, 30 days prior to the special shareholders meeting, or five days prior to the record date for the distribution of dividends, bonuses or other interests.

Chapter III Shareholders' Meeting

- Article 14 Shareholders' meeting of the Company shall be of the following two kinds: regular meeting of shareholders and special meeting of shareholders.
- I. Regular meeting of shareholders shall be convened within 6 months after close of each fiscal year.
- II. Special meeting of shareholders is held when necessary pursuant to the Company Act.
- Article 15 Convening of regular and special shareholder's meeting shall notify each registered shareholder 30 and 15 days prior to meeting date respectively.
- Article 16 Resolutions at a shareholders' meeting shall, unless otherwise provided for in the Company Act, be adopted by a majority vote of the shareholders present, who represent more than one-half of the total number of voting shares.
- Article 17 Except in the circumstances set forth in Item 3, Article 157 of the Company, a shareholder shall have one voting power in respect of each share in his/her/its possession.
- The shares shall have no voting power under any of the following circumstances:
- I. The share(s) of a company that are held by the issuing company itself in accordance with the laws.
- II. The shares of a holding company that are held by its subordinate company, where the total number of voting shares or total shares equity held by the holding company in such a subordinate company represents more than one half of the total number of voting shares or the total shares equity of such a subordinate company.
- III. The shares of a holding company and its subordinate company(ies) that are held by another company, where the total number of the shares or total shares equity of that company held by the holding company and its subordinate company(ies) directly or indirectly represents more than one half of the total number of voting shares or the total share equity of such a company.
- Article 17-1 When the Company holds a shareholders' meeting, voting rights of the shareholders shall be exercised in electronic means and may be exercised by correspondence. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice.
- Shareholders exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived their rights with respect to the extempore motions and amendments to original proposals of that meeting.
- Article 18 Shareholders who cannot attend shareholders' meeting may appoint representatives to attend on their behalf by executing a power of attorney printed and issued by the Company, stating clearly the scope of the authorization. When one person is authorized to act as proxy by over two shareholders, the voting rights represented shall not exceed three percent of the total outstanding shares; voting rights exceeded the said limit shall not be counted. Otherwise, the portion of excessive voting power shall not be counted.
- Article 19 The Chairman of the board of directors shall preside the shareholders' meeting unless the Company Act provides otherwise. In case the Chairman of the board of directors is absent for any cause, the Chairman shall designate one of the directors; in the absence of such a designation, the directors shall elect one from among themselves to preside over the meeting.
- Article 20 Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting, which shall bear the signature or seal of the chairperson of the meeting; and shall be distributed to all shareholders of the company within 20 days after the close of the meeting. The preparation and distribution of the minutes of shareholders' meeting may be effected by means of electronic transmission. The aforesaid distribution of the minutes of shareholders' meeting may be effected by means of public notice. The minutes shall be kept permanently throughout the existence of the Company; the attendance record bearing the signatures of shareholders present at the meeting and the powers of attorney of the proxies shall be kept by the Company for a minimum period of one year. However, if a lawsuit has been instituted by any shareholder

in accordance with the provisions of Article 189 of the Company Act, the minutes of the shareholders' meeting involved shall be kept by the Company until the legal proceedings of the foregoing lawsuit have been concluded.

Chapter IV Directors

- Article 21 The Company shall have seven to thirteen directors. The Board meeting is authorized to approve the number of directors. A candidate nomination system shall be adopted. Candidates shall be nominated and elected at the shareholders' meeting from the list of candidates in accordance with Article 198 of the Company Act. The term of office shall be three years, and the director may be eligible for re-election.
- In the aforesaid quota of directors, independent directors shall be at least three and not less than representing one-fifth of all directors. Regarding other requirements on independent directors including professional qualifications, restrictions on shareholdings and concurrent positions held, determination of independence, method of nomination, and other compliance matters, the Company shall be set forth in accordance with relevant regulations announced by the competent authority for the securities industry.
- Article 21-1 The Company has established an audit committee since the 17th Board of Directors. The audit committee is composed of the entire number of independent directors which shall not be fewer than three persons in number; one of whom shall be convener, and at least one of whom shall have accounting or financial expertise. The exercise of power by audit committee and independent directors and related matters shall be set forth in accordance with relevant regulations or the Articles of Incorporation.
- Article 22 The total registered shares owned by all directors shall not be less than the minimum percentage of total issued shares specified in the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies.
- Article 23 When the number of vacancies reaches one-third of the total number of directors, the board of directors shall call, within 60 days of the date of occurrence, a by-election for directors at a special shareholders' meeting. The term of office for the director to be elected in the by-election shall be limited to the remaining term of office of the former director.
- Article 24 Directors shall organize board meetings in which their duties are performed. A chairman shall be elected from the directors to represent the Company. If the Chairman is unable to perform such duties due to leave of absence or any other reason, the Chairman shall appoint one of the directors to act on the Chairman's behalf. If no delegate is appointed by the Chairman, one shall be elected from among the directors to act on the Chairman's behalf.
- Article 25 The board of directors shall make decisions on pledge of assets to meet the cash flow requirements for business operations.
- Article 26 The notice of board of directors meeting may be effected by means of electronic transmission. Unless otherwise provided for in the Company Act, resolutions of the board of directors shall be adopted by a majority of the directors present at a meeting attended by a majority of the directors. A director may appoint another director as his/her proxy to attend the board of directors meetings.
- In case a board of directors meeting is held by video conference, then the directors taking part in such a video conference shall be deemed to have attended the meeting in person.
- Article 27 Remuneration of directors shall be determined by shareholders' meetings. Payment to employees shall be made in accordance with general standards regardless of the Company's gains or losses.

Chapter V Managerial Persons

- Article 28 The Company may establish managerial personnel whose title, appointment, discharge and remuneration shall comply with Article 29 of the Company Act.
- Article 29 The president of the Company manages daily corporate operations pursuant to the board of directors resolutions, supported by vice president and associate vice president.

Chapter VI Accounting

- Article 30 The Company's accounting period ends at the end of December. The board of directors shall prepare the

following documents related to accounting affairs, and then present and acknowledge them at the shareholders' meeting pursuant to related laws and regulations.

I. Business report.

II. Financial statements.

III. Earnings distribution or accumulated deficit offset proposal.

Article 31 In profitable years, the Company shall allocate no less than 1 percent of profit of the current year as employees' compensation, while allocating no more than 2 percent as directors' compensation. However, the Company's accumulated losses shall be covered prior to such allocations.

Compensation of directors is distributed in cash; compensation of employees, include employees of subsidiaries of the company meeting certain specific requirements, is distributed in cash or stock and authorizing the board of directors to decide on such requirements. The distribution ratio of directors' remunerations and the method of distribution and ratio of employees' remunerations shall be resolved by a majority vote at a meeting attended by more than two-thirds of the directors and shall be reported at the shareholders' meeting.

In calculating employees and directors' compensation, profit of the current year (i.e. pre-tax profit before distribution of employees and directors' compensation) shall first deduct accumulated deficit and the resulting balance is used for calculation of employees and directors' compensation.

Article 31-1 Where the Company has final earnings in a year, except for income tax payable as required, it shall first cover its previous losses, then set aside 10 percent legal reserve and special reserve as required from the remainder, as well as necessary special reserve or retained earnings according to its judgement; the remaining may be paid as dividends of common shares and bonus according to the total amount of shares.

Article 32 In consideration of economic situation and long-term financial planning, and for the purpose of sustainable and stable development, the Company's dividend policy depends on its judgement based on capital budging for the coming years; need of funds is first financed by means of retained earnings, followed by necessary reserves for business operations, no less than 20 percent of remaining earnings is distributable as cash dividends, while the remainder is distributable as stock dividends. In cases where capital expenditure is necessary, the aforesaid surplus earnings may be distributed in full by means of stock dividends.

Article 32-1 The Company may, by a resolution adopted by a majority of the shareholders present who represent two-thirds or more of the total number of board members, have the surplus profit distributable as dividends and bonuses in whole or in part distributed in cash, which shall be reported to the shareholders' meeting.

Chapter VII Supplementary Provisions

Article 33 Organic regulations and operational regulations of the Company shall be developed separately.

Article 34 Matters unspecified in these Articles shall be handled in compliance with the Company Act and other relevant laws and regulations.

Article 35 The Articles of Incorporation were established on July 5, 1968. 1st amended on July 3, 1969; 2nd amended on Mar 5, 1970; 3rd amended on Mar 31, 1971; 4th amended on Mar 28, 1972; 5th amended on Mar 8, 1973; 6th amended on Mar 21, 1974; 7th amended on Mar 27, 1975; 8th amended on Mar 25, 1976; 9th amended on Jul 20, 1976; 10th amended on Mar 15, 1977; 11th amended on Mar 23, 1978; 12th amended on Mar 21, 1979; 13th amended on Mar 21, 1980; 14th amended on Nov 26, 1980; 15th amended on Mar 27, 1981; 16th amended on Sep 8, 1981; 17th amended on Mar 31, 1982; 18th amended on Mar 31, 1983; 19th amended on Mar 30, 1984; 20th amended on Mar 26, 1985; 21st amended on Mar 27, 1986; 22nd amended on Mar 24, 1987; 23rd amended on Mar 25, 1988; 24th amended on Mar 24, 1989; 25th amended on Mar 23, 1990; 26th amended on Mar 28, 1991; 27th amended on Jun 4, 1991; 28th amended on Mar 28, 1992; 29th amended on Mar 31, 1993; 30th amended on Mar 27, 1995; 31st amended on Mar 27, 1996; 32nd amended on May 8, 1997; 33rd amended on May 14, 1998; 34th amended on Apr 29, 1999; 35th amended on May 9, 2000; 36th amended on May 14, 2002; 37th amended on May 27, 2004; 38th amended on Jun 6, 2006; 39th amended on Jun 13, 2007; 40th amended on Jun 13, 2008; 41st amended on Jun 27, 2012; 42nd amended on Jun 25, 2013; 43rd amended on Jun 24, 2016; 44th amended on June 26, 2018; 45th amended on June 21, 2019; and 46th amended on June 30th, 2020, and the 47th amendment was made on May 25th, 2021.

Chung Hwa Pulp Corporation

Table of Comparison of Operational Procedures for Loaning Funds to Others

Article number	Amended article	Existing article	Description
Article 3	When engaging in the loan of funds to companies or businesses with business transactions with the Company, the total loan amount is limited to 40% of the Company's net worth <u>on the latest financial statements</u> . The amount that can be loaned to each individual party is limited to the purchase and sales amount between the two parties in the previous year.	When engaging in the loan of funds to companies or businesses with business transactions with the Company, the total loan amount is limited to 40% of the Company's net worth <u>at the end of the previous year</u> . The amount that can be loaned to each individual party is limited to the purchase and sales amount between the two parties in the previous year.	The amendment is based on Article 7 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, amended in July 2020, which states that the calculation of a company's net worth should be based on the latest audited financial report.
Article 4	Loans due to the need of short-term financing are limited to the following circumstances: (I) Companies requiring short-term financing due to business needs where the Company and its subsidiaries hold shares individually or hold a combined share of 20% or more. (II) Other companies and businesses requiring short-term financing due to the purchase of materials or operating needs. (III) Other parties approved by the Company's Board of	Loans due to the need of short-term financing are limited to the following circumstances: (I) Companies requiring short-term financing due to business needs where the Company and its subsidiaries hold shares individually or hold a combined share of 20% or more. (II) Other companies and businesses requiring short-term financing due to the purchase of materials or operating needs. (III) Other parties approved by the Company's Board of	The amendment is based on Article 7 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, amended in July 2020, which states that the calculation of a company's net worth should be based on the latest audited financial report.

	<p>Directors.</p> <p>Should the funds be loaned by the Company to third parties due to their requirement for short-term financing, the total loan amount is limited to 40% of the Company's net worth <u>on the latest financial statements</u>. The amount that can be loaned to each individual party is limited to 40% of the Company's net worth.</p>	<p>Directors.</p> <p>Should the funds be loaned by the Company to third parties due to their requirement for short-term financing, the total loan amount is limited to 40% of the Company's net worth <u>at the end of the previous year</u>. The amount that can be loaned to each individual party is limited to 40% of the Company's net worth.</p>	
Article 5	<p>The total loan amount is limited to 80% of the Company's net worth <u>on the latest financial statements</u>; loan amounts to each individual party is limited to 80%.</p> <p>When engaging in loans to foreign companies where the Company, directly or indirectly, holds 100% shares with voting rights, or from foreign companies in which the Company directly or indirectly holds 100% of the voting rights, the loans are not subject to the limitations of Articles 2, 3, 4, and the preceding paragraph. Should the engagement in loans result from the nature of the relation of business transactions with the Company and the need for short-term financing, the loan amount is limited to twice the company's net</p>	<p>The total loan amount is limited to 80% of the Company's net worth <u>at the end of the previous year</u>; loan amounts to each individual party is limited to 80%.</p> <p>When engaging in loans to foreign companies where the Company, directly or indirectly, holds 100% shares with voting rights, or from foreign companies in which the Company directly or indirectly holds 100% of the voting rights, the loans are not subject to the limitations of Articles 2, 3, 4 and the preceding paragraph. Should the engagement in loans result from the nature of the relation of business transactions with the Company and the need for short-term financing, the loan amount is limited to twice the company's net</p>	<p>The amendment is based on Article 7 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, amended in July 2020, which states that the calculation of a company's net worth should be based on the latest audited financial report.</p>

	<p>worth <u>on</u> the <u>latest</u> <u>financial</u> <u>statements</u>.</p> <p>Individual parties are limited to twice the company's net worth, and each loan term must not exceed 3 years.</p> <p>.....</p>	<p>worth <u>at</u> the <u>end of the</u> <u>previous</u> <u>year</u>. Individual parties are limited to twice the company's net worth, and each loan term must not exceed 3 years.</p> <p>.....</p>	
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Chung Hwa Pulp Corporation

Operational Procedures for Loaning Funds to Others (After amendment)

Article 1: To ensure that loans are collected safely, the Company establishes the Procedures in accordance with Article 15 of the Company Act and the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.

Article 2: The Company may lend funds to the following companies:

- (I) A company or firm with which the Company does business.
- (II) A company or firm, where short-term financing facility is necessary. The term "short-term" used herein refers to one year or one operating cycle, whichever is longer.

Article 3: When engaging in the loan of funds to companies or businesses with business transactions with the Company, the total loan amount is limited to 40% of the Company's net worth on the latest financial statements. The amount that can be loaned to each individual party is limited to the purchase and sales amount between the two parties in the previous year.

Article 4: Loans due to the need of short-term financing are limited to the following circumstances:

- (I) Companies requiring short-term financing due to business needs where the Company and its subsidiaries hold shares individually or hold a combined share of 20% or more.
- (II) Other companies and businesses requiring short-term financing due to the purchase of materials or operating needs.
- (III) Other parties approved by the Company's Board of Directors.

Should the funds be loaned by the Company to third parties due to their requirement for short-term financing, the total loan amount is limited to 40% of the Company's net worth on the latest financial statements. The amount that can be loaned to each individual party is limited to 40% of the Company's net worth.

Article 5: The total loan amount is limited to 80% of the Company's net worth on the latest financial statements; loan amounts to each individual party is limited to 80%.

When engaging in loans to foreign companies where the Company, directly or indirectly, holds 100% shares with voting rights, or from foreign companies in which the Company directly or indirectly holds 100% of the voting rights, the loans are not subject to the limitations of Articles 2, 3, 4, and the preceding paragraph. Should the engagement in loans result from the nature of the relation of business transactions with the Company and the need for short-term financing, the loan amount is limited to twice the company's net worth on the latest financial statements. Individual parties are limited to twice the company's net worth, and each loan term must not exceed 3 years.

When responsible person of the Company violates Article 3 and Article 4 of these Procedures, the responsible person shall be liable and jointly with the borrower, for the repayment of the loan and for the damages, if any, to the Company resulted therefrom.

Article 6: Before lending funds to others, the Company shall review the borrowers and amounts in detail in accordance with the following procedures:

(I)Credit investigation

As to the loan, borrower shall apply to the Company for the financing amount in writing by providing required company and financial information.

After the Company accepts the application, related business departments of the Company shall investigate and evaluate the borrower's business, finance, solvency, credit, and profitability as well as the purpose of the loan, and make an investigation report to be submitted to the legal and financial unit.

(II) Risk management

The financial related departments of the Company shall review the impact of the loan on the Company's business operations, financial condition and shareholders' equity.

(III)Security

When reviewing an application for a loan, the Company may request the borrower to provide a collateral recognized by the Company and to set the pledge on its chattel or real property whenever necessary, so as to ensure its claim. If a borrower provides an individual or company with considerable financial resources and credit as a replacement for a collateral, the board of directors may resolve in consideration of the credit investigation report. If a company is provided as a collateral, the company shall have a guarantee clause prescribed in its articles of incorporation

(IV)Ratification

After the Company conducts the credit investigation on the application for a loan, the application shall be submitted to the Chairman for approval and to the board of directors for resolution.

Loans of funds between the Company and its subsidiaries, or between subsidiaries, shall be submitted for a resolution to the Board of Directors pursuant to Subparagraph 4 in the preceding paragraph, and the Chairman may be authorized, for a specific borrowing counterparty, within a certain monetary limit resolved by the Board of Directors, and within a period not to exceed one year, to give loans in installments or to make a revolving credit line available for the counterparty to draw down.

The "certain monetary limit" mentioned in the preceding paragraph shall be in compliance with paragraph 2, Article 5. In addition, the authorized limit on loans extended by the Company or any of its subsidiaries to any single entity shall not exceed 10 percent of the net worth on the most current financial statements of the lending company.

Article 7:The interest rate of each fund lent by the Company shall be calculated based on the market rate or cost of the fund.

Except as stipulated in paragraph 2, Article 5, the duration of each loan shall be within one year (inclusive) or one operating cycle (whichever is longer).

Article 8:After appropriating a loan, the responsible employee shall always pay attention to the financial condition, business, and credit of the borrower and the guarantor. If a collateral is provided, the responsible employee shall be aware of any changes in the value of the collateral. In case of significant changes, the responsible employee shall report to the Chairman immediately and act according to the Chairman's instructions.

When a borrower repays loans upon maturity, interests accrued shall be computed first. After the interests and principal are paid off altogether, the Company may return collateral to the borrower or cancel the mortgage.

The borrower shall pay off the principal and interest of the loan immediately at maturity. If the borrower fails to do so, the Company may dispose of or recover the loss from the collateral provided or the guarantee.

Article 9: The Company shall prepare a memorandum book for its fund-lending activities and truthfully record the following information: borrower, amount, date of approval by the board of directors, lending/borrowing date, and matters to be carefully evaluated according to the regulations. The Company shall also reserve sufficient allowance for bad debts, and shall adequately disclose relevant information in its financial reports and provide certified public accountants with relevant information for implementation of necessary auditing procedures.

The Company's internal auditors shall audit the Procedures and the implementation thereof no less frequently than quarterly and prepare written records accordingly. They shall promptly notify the members of the audit committee in writing of any material violation found, if any.

Article 10: If, as a result of a change in circumstances, an entity to which a fund is lent does not meet the requirements of the Procedures or the loan balance exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to the audit committee, and shall complete the rectification according to the schedule set out in the plan.

Article 11: The Company shall announce and report the previous month's loan balances of itself and its subsidiaries by the 10th day of each month.

The Company whose lending of funds reaches one of the following levels shall announce and report such an event within two days commencing immediately from the date of occurrence:

- (I) The aggregate balance of loans to others by the Company and its subsidiaries reaches 20 percent or more of the Company's net worth as stated in its latest financial statements.
- (II) The balance of loans by the Company and its subsidiaries to a single enterprise reaches 10 percent or more of the Company's net worth as stated in its latest financial statements.
- (III) The amount of new lending of funds by the Company or its subsidiaries reaches NT\$10 million or more, and reaches 2 percent or more of the Company's net worth as stated in its latest financial statements.

The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such a subsidiary is required to announce and report pursuant to Subparagraph 3 in the preceding paragraph.

"Subsidiary" and "parent company" as used in the Procedures shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

The net value as used in the Procedures refer to equities attributable to the owners of the parent company in the balance sheet in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

"Date of occurrence" as used in these Procedures refer to the date of contract signing, date of payment, date of board of directors' resolutions or other dates that can confirm the counterpart and monetary amount of the financial loan, whichever date is earlier.

The announcements and reports in the Procedures refer to information entered on the information reporting website designated by the Financial Supervisory Commission.

Article 12: Where a subsidiary of the Company intends to lend funds to others, it shall comply with its own procedures for lending funds to other parties and the Procedures.

Article 13: When managerial persons and persons in charge of lending of funds to others violate the Procedures, punishment shall be imposed.

Article 14: Matters not prescribed in the Procedures shall be governed by the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.

Article 15: The Procedures shall require approval by more than half of the audit committee, resolved by the board of directors and ratified in the shareholders' meeting. If any director expresses objection and it is recorded or presented in a written statement, the Company shall submit the dissenting opinions to the audit committee and also present it for discussion in a shareholder meeting. The same procedure shall apply to any amendments to the Procedures. If the approval of a majority of all members of the audit committee is not obtained, the Procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

“All members of the audit committee” and “all members of the board of directors” referred to in the Procedures shall include only the persons who are currently holding such offices.

When the board of directors discuss pursuant to the preceding subparagraph 1, the opinion of each independent director shall be fully taken into consideration. If any director expresses dissenting or qualified opinion, it shall be indicated in the board of directors meeting minutes.

Chung Hwa Pulp Corporation

Table of Comparison of Operational Procedures for Making of Endorsement/ Guarantees

Article number	Amended article	Existing article	Description
Article 15	<p>For endorsements or guarantees as part of a business relationship, the endorsement or guarantee amount is limited to the purchase and sales amount between the two parties in the previous year.</p> <p>The total amount of the Company's overall external endorsements and guarantees is twice the Company's net worth on the <u>latest</u> financial statements.</p> <p>An endorsement or guarantee by the Company to a single enterprise is limited to 1.5 times the Company's net worth on the <u>latest</u> financial statements.</p> <p>The total amount of external endorsements and guarantees for the Company and its subsidiaries is twice the Company's net worth on the <u>latest</u> financial statements.</p> <p>An endorsement or guarantee by the Company and its subsidiaries to a single enterprise is limited to 1.5 times the Company's</p>	<p>For endorsements or guarantees as part of a business relationship, the endorsement or guarantee amount is limited to the purchase and sales amount between the two parties in the previous year.</p> <p>The total amount of the Company's overall external endorsements and guarantees is twice the Company's net worth on the <u>previous year's</u> financial statements.</p> <p>An endorsement or guarantee by the Company to a single enterprise is limited to 1.5 times the Company's net worth on the <u>previous year's</u> financial statements.</p> <p>The total amount of external endorsements and guarantees for the Company and its subsidiaries is twice the Company's net worth on the <u>previous year's</u> financial statements.</p> <p>An endorsement or guarantee by the Company and its subsidiaries to a single enterprise is limited to 1.5 times the Company's</p>	<p>The amendment is based on Article 7 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, amended in July 2020, which states that the calculation of a company's net worth should be based on the latest audited financial report.</p>

	<p>net worth on the <u>latest</u> financial statements.</p> <p>When the Company handles endorsements and guarantees, it shall obtain approval from the Board of Directors in advance. If necessary, the chairman of the Board may be authorized to approve the provision of endorsement/guarantees provided that the amount of such endorsement/guarantees provided by the Company does not exceed 10% of the Company's net worth on the <u>latest</u> financial statements. Subsequently, endorsements/guarantees shall be submitted to be approved and ratified by the Board.</p>	<p>net worth on the <u>previous year's</u> financial statements.</p> <p>When the Company handles endorsements and guarantees, it shall obtain approval from the Board of Directors in advance. If necessary, the chairman of the Board may be authorized to approve the provision of endorsement/guarantees provided that the amount of such endorsement/guarantees provided by the Company does not exceed 10% of the Company's net worth on the <u>previous year's</u> financial statements. Subsequently, endorsements/guarantees shall be submitted to be approved and ratified by the Board.</p>	
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Chung Hwa Pulp Corporation

Operational Procedures for Making of Endorsement/ Guarantees (After amendment)

Article 1: According to the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”, the Company’s endorsements or guarantees for others shall be processed in accordance with these Procedures.

Article 2: The Company shall provide endorsements/guarantees to the following companies:

- I. A company which has a business relationship with the Company.
- II. A company in which the Company directly and indirectly holds more than 50 percent of the voting shares.
- III. A company that directly and indirectly holds more than 50 percent of the voting shares in the Company.
Companies in which the Company holds, directly or indirectly, 90 percent or more of the voting shares may make endorsements/guarantees for each other. The amount in endorsements/guarantees may not exceed 10 percent of the net worth of the Company,

Companies in which the Company holds, directly or indirectly, 90 percent or more of the voting shares may make endorsements/guarantees for each other. The amount in endorsements/guarantees may not exceed 10 percent of the net worth of the Company, provided that this restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100 percent of the voting shares.

Where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for the purposes of undertaking a construction project or where all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages, such endorsements/guarantees may be made free of the restriction of the preceding two paragraphs.

Capital contribution referred to in the preceding paragraph shall mean capital contribution directly by the Company, or through a company in which the Company holds 100 percent of the voting shares.

Article 3: Endorsements/guarantees used in these Procedures refer to the following:

- I. Endorsements/guarantees for financing, including:
 - (I) Bill discount financing.
 - (II) Endorsement or guarantee made to meet the financing needs of another company.
 - (III) Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the Company itself.
- II. Customs duty endorsement/guarantee, meaning an endorsement or guarantee for the Company itself or another company with respect to customs duty matters.
- III. Other endorsements/guarantees, meaning endorsements or guarantees beyond the scope of the preceding two subparagraphs.

Any creation by the Company of a pledge or mortgage on its chattel or real property as security for the loans of another company shall also comply with these Procedures.

Article 4: "Subsidiary" and "parent company" as used in these Procedures shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Article 5: The Company shall use its corporate chop registered with the Ministry of Economic Affairs as the dedicated chop for endorsements/guarantees. The chop shall be kept in the custody of a designated person approved by the board of directors and the black bill shall be kept in the custody of the cashier. All endorsements/guarantees by the Company shall require application and approval in accordance with specified procedures before the application of seals or issuance of negotiable instruments.

Article 6: When making an external guarantee, the Company shall have the guarantee agreement signed by a person authorized by the board of directors.

Article 7: When the Company or subsidiary companies carry out endorsements/guarantees, it shall prepare a memorandum book and record in detail the recipient(s) of its endorsements/guarantees, amount, date of approval by the board of directors or decision by the Chairman, and matters to be carefully evaluated. The Company shall also evaluate or recognize losses (if any) from the endorsements/guarantees and appropriately disclose information on endorsements/guarantees in the financial reports. The Company shall provide certified public accountants with relevant information for implementation of necessary auditing procedures.

If the recipient of the endorsement/guarantee is a subsidiary whose net worth is lower than half of its paid-in capital, the Company shall require the recipient to submit monthly financial statements and conduct financial analyses carefully to implement related management and control measures. In the case of a subsidiary with shares having no par value or a par value other than NT\$10, the paid-in capital shall be calculated as the sum of the share capital plus stock issuance premiums from the paid-in capital.

The Company's internal auditors shall audit the Procedures and its implementation at least once every quarter and prepare written records accordingly. They shall promptly notify the audit committee in writing of any material violation found.

Article 8: The Company's endorsements/guarantees shall be processed through the head office and they shall not be implemented by the branch institutions.

All endorsements and guarantees of subsidiary companies with the exception of bill discount financing shall require the person in charge of the subsidiary company assigned by the Company to file an application to the Company's financial and accounting unit and obtain approval from the Company's board of directors.

Where necessary, the Company's board of directors may delegate the Chairman to decide such matters when the amount is within 50 percent of the amount limit of endorsement and guarantee of the subsidiaries and within NT\$500 million and have the decisions subsequently submitted to and ratified by the next board of directors meeting. Subsidiaries shall inform the Company's financial and accounting unit immediately upon the endorsement and guarantee is made.

Article 9: Units shall fill out the "Promissory Note Application Form" when a promissory note is required for external guarantees. The application form shall be submitted to the accounting unit to produce accounting documents before transferring them to the cashier for issuance. When the promissory note is voided or canceled, the original promissory note shall be recovered, canceled, and used to cancel the case on the accounts.

Article 10: To make bill discount for financing (with specified amount) of the Company, notice of bill discount for financing shall be filled, approved and sent to financial and accounting unit to produce relevant voucher to be

forwarded to and handled by cashier unit.

Article 11: Units shall fill out the “Endorsement/Guarantee Application Form” when the endorsement/guarantee does not require a promissory note. The application form shall be submitted to the accounting unit to produce accounting documents and listing in official accounts before being transferred to the Company’s seal custodian to apply the seal and provide the guarantee.

Article 12: For external endorsements/guarantees provided by the Company, accounting unit shall enter such matters and preserve complete data of the original application form for future audit and evaluation.

Article 13: When the endorsement/guarantee is canceled, the original applicant unit shall fill out the “Endorsement/Guarantee Cancellation Notification Form” and apply for the removal of liabilities along with related documents to officially close the case in the accounts.

Article 14: Prior to making endorsements/guarantees, the Company shall comply with the following procedures to perform a detailed review and prepare evaluation record:

- I. The necessity of and reasonableness of endorsements/guarantees
- II. The recipient's credit status and risk assessment.
- III. Impact on the company's business operations, financial condition, and shareholders' equity.
- IV. Whether collateral must be obtained and appraisal of the value thereof.

Article 15: For endorsements or guarantees as part of a business relationship, the endorsement or guarantee amount is limited to the purchase and sales amount between the two parties in the previous year.

The total amount of the Company’s overall external endorsements and guarantees is twice the Company’s net worth on the latest financial statements.

An endorsement or guarantee by the Company to a single enterprise is limited to 1.5 times the Company's net worth on the latest financial statements.

The total amount of external endorsements and guarantees for the Company and its subsidiaries is twice the Company's net worth on the latest financial statements.

An endorsement or guarantee by the Company and its subsidiaries to a single enterprise is limited to 1.5 times the Company's net worth on the latest financial statements.

When the Company handles endorsements and guarantees, it shall obtain approval from the Board of Directors in advance. If necessary, the chairman of the Board may be authorized to approve the provision of endorsement/guarantees provided that the amount of such endorsement/guarantees provided by the Company does not exceed 10% of the Company’s net worth on the latest financial statements. Subsequently, endorsements/guarantees shall be submitted to be approved and ratified by the Board.

Article 16: Where the Company’s endorsements/guarantees require amounts over the limits specified in the preceding article due to business requirements and the endorsements/guarantees meet the conditions specified in the Procedures, the approval of the board of directors and a joint guarantee from more than half of the directors shall be required to amend the Procedures and submit the amended Procedures to the shareholders' meeting for ratification. If the shareholders' meeting does not approve the amendment, a plan shall be formulated to cancel the excess parts within a specific period.

Article 17: If, as a result of a change in circumstances, an entity to which a fund is lent does not meet the requirements of the Procedures or the loan balance exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to the audit committee, and shall complete the rectification according to the schedule set out in the plan.

Article 18: The Company shall publicly disclose and report the previous month's balance of its endorsements/guarantees and its subsidiaries before the 10th day of each month.

Where the balance of Company's endorsements/guarantees reaches one of the following thresholds, it shall publicly disclose and report such events within two days of the occurrence:

- I. The balance of the Company and its subsidiaries' endorsements/guarantees reaches 50 percent or more of the Company's net worth as stated in its latest financial statements.
- II. The balance of the Company and its subsidiaries' endorsements/guarantees to a single company reaches 20 percent or more of the Company's net worth as stated in its latest financial statements.
- III. The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$10 millions or more and the aggregate amount in equity method of all endorsements and guarantees for, and balance of loans to, such enterprise reaches 30 percent or more of the Company's net worth as stated in its latest financial statement.
- IV. The balance of the Company and its subsidiaries' new endorsements/guarantees reaches NT\$30 million or more and 5 percent or more of the Company's net worth as stated in its latest financial statements.

The net value specified in the Procedures refer to equities attributable to the owners of the parent company in the balance sheet in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

"Date of occurrence" as used in these Procedures refer to the date of contract signing, date of payment, dates of board of directors' resolutions, or other dates that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier.

If a subsidiary company is not a publicly listed company, the Company shall carry out relevant information announcement and reporting on behalf of the subsidiary for announcements and reports specified in subparagraph 4 of the preceding paragraph.

The announcements and reports in the Procedures refer to information entered on the information reporting website designated by the Financial Supervisory Commission.

Article 19: Where a subsidiary of the Company intends to make endorsements/guarantees for others, the Company shall instruct it to formulate its own Procedures for Endorsements/Guarantees and comply with these Procedures when making endorsements/guarantees.

Article 20: Violation of the Procedures by managerial officers and personnel in charge shall be punished.

Article 21: Matters not prescribed herein shall be processed in accordance with the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies".

Article 22: These Procedures shall require approval by more than half of the audit committee, resolved by the board of directors and ratified in the shareholders' meeting. If any director expresses objection and it is recorded or presented in a written statement, the Company shall submit the dissenting opinions to the audit committee and also present it for discussion in a shareholder meeting. The same procedure shall apply to any amendments to

the Procedures. If the approval of a majority of all members of the Audit Committee is not obtained, the Procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.

“All members of the Audit Committee” and "all members of the board of directors" referred to in the Procedures shall include only the persons who are currently holding such offices.

When the board of directors discuss pursuant to the preceding subparagraph, the opinion of each independent director shall be fully taken into consideration. If any director expresses dissenting or qualified opinion, it shall be indicated in the board of directors meeting minutes.

Chung Hwa Pulp Corporation

Articles of Incorporation

46th amended on June 30th, 2020

Chapter I General Provisions

- Article 1 The Company shall be incorporated, as a company limited by shares, under the Company Law of the Republic of China, and its name is 中華紙漿股份有限公司, and Chung Hwa Pulp Corporation in the English language.
- Article 2 The Company's scope of business is as follows:
- I. A101011 Seeding.
 - II. A201010 Forestation.
 - III. A201030 Special forest business.
 - IV. A202040 Logging.
 - V. A299990 Other logging services.
 - VI. C501010 Lumbering.
 - VII. C501030 Plywood manufacturing.
 - VIII. C501040 Reconstituted wood manufacturing.
 - IX. C601010 Paper mills.
 - X. C601020 Paper manufacturing.
 - XI. C601990 Manufacture of other paper products.
 - XII. C801010 Basic industrial chemical manufacturing.
 - XIII. C802090 Cleaning products manufacturing.
 - XIV. C805020 Plastic sheets & bags manufacturing.
 - XV. C114010 Food additives manufacturing.
 - XVI. CB01010 Machinery and equipment manufacturing.
 - XVII. D101050 Steam and electricity paragenesis.
 - XVIII. F107030 Wholesale of cleaning preparations.
 - XIX. F107190 Wholesale of plastic sheets & bags.
 - XX. F107200 Wholesale of chemistry raw material.
 - XXI. F107990 Wholesale of other chemical products.
 - XXII. F121010 Wholesale of food additives.
 - XXIII. F207030 Retail sale of cleaning preparations.
 - XXIV. F207190 Retail sale of plastic sheets & bags.
 - XXV. F207200 Retail sale of chemistry raw material.
 - XXVI. F221010 Retail of food additives.
 - XXVII. F299990 Retail sale of other retail trade not elsewhere classified.
 - XXVIII. F399040 Retail business without shop.
 - XXIX. H701010 Residence and buildings lease construction and development.
 - XXX. H701040 Specialized field construction and development.
 - XXXI. H701060 New county and community construction and investment.
 - XXXII. H701090 Renovation, or maintenance within the renewal area.
 - XXXIII. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

- Article 3 The Company has established its headquarters in Hualien County, Taiwan, and opens subsidiaries or branch offices and production/marketing units as needed.
- Article 4 Public announcements of the Company are made pursuant to Article 28 of the Company Act.
- Article 5 The Company extends external guarantees and check endorsements to companies and organizations, and is limited to the circumstances to the left:
- I. Required for the businesses of the Company and the business scope the Company invests in.
 - II. Related to inter-industry guarantees.
- Article 6 The Company's investments in other enterprises is not be subject to the limit of 40 percent of its paid-in capital as imposed by Article 13 of the Company Act.

Chapter II Shares

- Article 7 The total amount of capital of the Company is NT\$13 billion, being divided into 1.3 billion shares of par value NT\$10 per share, and authorizing the board of directors to issue in installments.
- Article 8 Stocks of the Company shall be registered, signed, or sealed by at least three of the Company's directors, list the items of Article 162 of the Company Act, and issued after proper certification by the competent authority or its authorized registration institutes.
- Stocks issued according to the preceding paragraph are not required to be printed. The Company shall contact the centralized securities depository enterprise institution for registration of the share certificates.
- Article 9 Upon opening a new account, the shareholder shall supply a specimen chop, where the specimen chop is registered, replaced, lost, destroyed, or upon transfer of stock certificates, registration of change, pledges, and lost reporting procedures, the Regulations Governing the Administration of Shareholder Services of Public Companies promulgated by competent authority shall apply.
- Article 10 The original copies and application should be submitted to the Company for the renewal of soiled or mutilated stock certificates; however, when authenticity is beyond recognition, the preceding provision of lost share certificates applies, mutatis mutandis.
- Article 11 Taiwan Depository & Clearing Corporation may request a large par value securities substitute by means of consolidation, in which the costs are borne by the company.
- Article 12 Where the Company processes a shareholder's application to issue replacement stocks due to splits and such split stocks do not exceed 1,000 shares, the company may charge a handling fee, except where the stocks were obtained through inheritance.
- Article 13 The Company shall not handle any requests for transfers of shares within 60 days prior to the regular shareholders' meeting, 30 days prior to the special shareholders meeting, or five days prior to the record date for the distribution of dividends, bonuses or other interests.

Chapter III Shareholders' Meeting

- Article 14 Shareholders' meeting of the Company shall be of the following two kinds: regular meeting of shareholders and special meeting of shareholders.
- III. Regular meeting of shareholders shall be convened within 6 months after close of each fiscal year.
 - IV. Special meeting of shareholders is held when necessary pursuant to the Company Act.
- Article 15 Convening of regular and special shareholder's meeting shall notify each registered shareholder 30 and 15 days prior to meeting date respectively.
- Article 16 Resolutions at a shareholders' meeting shall, unless otherwise provided for in the Company Act, be adopted by a majority vote of the shareholders present, who represent more than one-half of the total number of voting shares.

- Article 17 Except in the circumstances set forth in Item 3, Article 157 of the Company, a shareholder shall have one voting power in respect of each share in his/her/its possession.
- The shares shall have no voting power under any of the following circumstances:
- IV. The share(s) of a company that are held by the issuing company itself in accordance with the laws.
 - V. The shares of a holding company that are held by its subordinate company, where the total number of voting shares or total shares equity held by the holding company in such a subordinate company represents more than one half of the total number of voting shares or the total shares equity of such a subordinate company.
 - VI. The shares of a holding company and its subordinate company(ies) that are held by another company, where the total number of the shares or total shares equity of that company held by the holding company and its subordinate company(ies) directly or indirectly represents more than one half of the total number of voting shares or the total share equity of such a company.
- Article 17-1 When the Company holds a shareholders' meeting, voting rights of the shareholders shall be exercised in electronic means and may be exercised by correspondence. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders meeting notice.
- Shareholders exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person, but to have waived their rights with respect to the extempore motions and amendments to original proposals of that meeting.
- Article 18 Shareholders who cannot attend shareholders' meeting may appoint representatives to attend on their behalf by executing a power of attorney printed and issued by the Company, stating clearly the scope of the authorization. When one person is authorized to act as proxy by over two shareholders, the voting rights represented shall not exceed three percent of the total outstanding shares; voting rights exceeded the said limit shall not be counted. Otherwise, the portion of excessive voting power shall not be counted.
- Article 19 The Chairman of the board of directors shall preside the shareholders' meeting unless the Company Act provides otherwise. In case the Chairman of the board of directors is absent for any cause, the Chairman shall designate one of the directors; in the absence of such a designation, the directors shall elect one from among themselves to preside over the meeting.
- Article 20 Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting, which shall bear the signature or seal of the chairperson of the meeting; and shall be distributed to all shareholders of the company within 20 days after the close of the meeting. The preparation and distribution of the minutes of shareholders' meeting may be effected by means of electronic transmission. The aforesaid distribution of the minutes of shareholders' meeting may be effected by means of public notice. The minutes shall be kept permanently throughout the existence of the Company; the attendance record bearing the signatures of shareholders present at the meeting and the powers of attorney of the proxies shall be kept by the Company for a minimum period of one year. However, if a lawsuit has been instituted by any shareholder in accordance with the provisions of Article 189 of the Company Act, the minutes of the shareholders' meeting involved shall be kept by the Company until the legal proceedings of the foregoing lawsuit have been concluded.

Chapter IV Directors

- Article 21 The Company shall have seven to thirteen directors. The Board meeting is authorized to approve the number of directors. A candidate nomination system shall be adopted. Candidates shall be nominated and elected at the shareholders' meeting from the list of candidates in accordance with Article 198 of the Company Act. The term of office shall be three years, and the director may be eligible for re-election.
- In the aforesaid quota of directors, independent directors shall be at least three and not less than representing one-fifth of all directors. Regarding other requirements on independent directors including professional qualifications, restrictions on shareholdings and concurrent positions held, determination of independence, method of nomination, and other compliance matters, the Company shall be set forth in

accordance with relevant regulations announced by the competent authority for the securities industry.

- Article 21-1 The Company has established an audit committee since the 17th Board of Directors. The audit committee is composed of the entire number of independent directors which shall not be fewer than three persons in number; one of whom shall be convener, and at least one of whom shall have accounting or financial expertise. The exercise of power by audit committee and independent directors and related matters shall be set forth in accordance with relevant regulations or the Articles of Incorporation.
- Article 22 The total registered shares owned by all directors shall not be less than the minimum percentage of total issued shares specified in the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies.
- Article 23 When the number of vacancies reaches one-third of the total number of directors, the board of directors shall call, within 60 days of the date of occurrence, a by-election for directors at a special shareholders' meeting. The term of office for the director to be elected in the by-election shall be limited to the remaining term of office of the former director.
- Article 24 Directors shall organize board meetings in which their duties are performed. A chairman shall be elected from the directors to represent the Company. If the Chairman is unable to perform such duties due to leave of absence or any other reason, the Chairman shall appoint one of the directors to act on the Chairman's behalf. If no delegate is appointed by the Chairman, one shall be elected from among the directors to act on the Chairman's behalf.
- Article 25 The board of directors shall make decisions on pledge of assets to meet the cash flow requirements for business operations.
- Article 26 The notice of board of directors meeting may be effected by means of electronic transmission. Unless otherwise provided for in the Company Act, resolutions of the board of directors shall be adopted by a majority of the directors present at a meeting attended by a majority of the directors. A director may appoint another director as his/her proxy to attend the board of directors meetings.
- In case a board of directors meeting is held by video conference, then the directors taking part in such a video conference shall be deemed to have attended the meeting in person.
- Article 27 Remuneration of directors shall be determined by shareholders' meetings. Payment to employees shall be made in accordance with general standards regardless of the Company's gains or losses.

Chapter V Managerial Persons

- Article 28 The Company may establish managerial personnel whose title, appointment, discharge and remuneration shall comply with Article 29 of the Company Act.
- Article 29 The president of the Company manages daily corporate operations pursuant to the board of directors resolutions, supported by vice president and associate vice president.

Chapter VI Accounting

- Article 30 The Company's accounting period ends at the end of December. The board of directors shall prepare the following documents related to accounting affairs, and then present and acknowledge them at the shareholders' meeting pursuant to related laws and regulations.
- IV. Business report.
 - V. Financial statements.
 - VI. Earnings distribution or accumulated deficit offset proposal.
- Article 31 In profitable years, the Company shall allocate no less than 1 percent of profit of the current year as employees' compensation, while allocating no more than 2 percent as directors' compensation. However, the Company's accumulated losses shall be covered prior to such allocations.
- Compensation of directors is distributed in cash; compensation of employees, include employees of subsidiaries of the company meeting certain specific requirements, is distributed in cash or stock and authorizing the board of directors to decide on such requirements. The distribution ratio of directors' remunerations and the method of distribution and ratio of employees' remunerations shall be resolved by a

majority vote at a meeting attended by more than two-thirds of the directors and shall be reported at the shareholders' meeting.

In calculating employees and directors' compensation, profit of the current year (i.e. pre-tax profit before distribution of employees and directors' compensation) shall first deduct accumulated deficit and the resulting balance is used for calculation of employees and directors' compensation.

- Article 31-1 Where the Company has final earnings in a year, except for income tax payable as required, it shall first cover its previous losses, then set aside 10 percent legal reserve and special reserve as required from the remainder, as well as necessary special reserve or retained earnings according to its judgement; the remaining may be paid as dividends of common shares and bonus according to the total amount of shares.
- Article 32 In consideration of economic situation and long-term financial planning, and for the purpose of sustainable and stable development, the Company's dividend policy depends on its judgement based on capital budging for the coming years; need of funds is first financed by means of retained earnings, followed by necessary reserves for business operations, no less than 20 percent of remaining earnings is distributable as cash dividends, while the remainder is distributable as stock dividends. In cases where capital expenditure is necessary, the aforesaid surplus earnings may be distributed in full by means of stock dividends.
- Article 32-1 The Company may, by a resolution adopted by a majority of the shareholders present who represent two-thirds or more of the total number of board members, have the surplus profit distributable as dividends and bonuses in whole or in part distributed in cash, which shall be reported to the shareholders' meeting.

Chapter VII Supplementary Provisions

- Article 33 Organic regulations and operational regulations of the Company shall be developed separately.
- Article 34 Matters unspecified in these Articles shall be handled in compliance with the Company Act and other relevant laws and regulations.
- Article 35 The Articles of Incorporation were established on July 5, 1968. 1st amended on July 3, 1969; 2nd amended on Mar 5, 1970; 3rd amended on Mar 31, 1971; 4th amended on Mar 28, 1972; 5th amended on Mar 8, 1973; 6th amended on Mar 21, 1974; 7th amended on Mar 27, 1975; 8th amended on Mar 25, 1976; 9th amended on Jul 20, 1976; 10th amended on Mar 15, 1977; 11th amended on Mar 23, 1978; 12th amended on Mar 21, 1979; 13th amended on Mar 21, 1980; 14th amended on Nov 26, 1980; 15th amended on Mar 27, 1981; 16th amended on Sep 8, 1981; 17th amended on Mar 31, 1982; 18th amended on Mar 31, 1983; 19th amended on Mar 30, 1984; 20th amended on Mar 26, 1985; 21st amended on Mar 27, 1986; 22nd amended on Mar 24, 1987; 23rd amended on Mar 25, 1988; 24th amended on Mar 24, 1989; 25th amended on Mar 23, 1990; 26th amended on Mar 28, 1991; 27th amended on Jun 4, 1991; 28th amended on Mar 28, 1992; 29th amended on Mar 31, 1993; 30th amended on Mar 27, 1995; 31st amended on Mar 27, 1996; 32nd amended on May 8, 1997; 33rd amended on May 14, 1998; 34th amended on Apr 29, 1999; 35th amended on May 9, 2000; 36th amended on May 14, 2002; 37th amended on May 27, 2004; 38th amended on Jun 6, 2006; 39th amended on Jun 13, 2007; 40th amended on Jun 13, 2008; 41st amended on Jun 27, 2012; 42nd amended on Jun 25, 2013; 43rd amended on Jun 24, 2016; 44th amended on June 26, 2018; 45th amended on June 21, 2019; and 46th amended on June 30th, 2020.

Chung Hwa Pulp Corporation

Rules of Board Meetings

- Article 1. For the purpose of soundness of Board of Directors governance and function of supervision and management, the Rules of Procedure for Meetings of Board of Directors (hereinafter the "Board") are adopted pursuant to the Regulations Governing Procedure for Board of Directors Meetings of Public Companies.
- Article 2. The main agenda items, operational procedures, required content of meeting minutes, public announcements, and other compliance requirements for Board meetings shall be handled in accordance with the these regulations herein.
- Article 3. The Board of the Company meets once every quarter.
The reasons for calling a Board meeting shall be notified to each director at least seven days in advance. In emergency circumstances, however, a meeting may be called on shorter notice.
The notice set forth in the preceding paragraph may be effected by means of electronic transmission, after obtaining prior consent from the recipients thereof.
All matters set out in the subparagraphs of Article 12, paragraph 1, shall be specified in the notice of the reasons for calling a board of directors meeting; none of them may be raised by an extraordinary motion except in the case of an emergency or legitimate reason.
- Article 4. The Board of the Company shall appoint Finance and Accounting Dept. as the agenda working group.
The agenda working group shall prepare agenda items for Board meetings and provide comprehensive pre-meeting materials, to be sent together with the notice of the meeting.
A director of the opinion that the pre-meeting materials provided are insufficiently comprehensive may request the agenda working group to supplement the materials. If a director is of the opinion that materials concerning any proposal are insufficient in content, the deliberation of such proposal may be postponed by a resolution of the Board.
- Article 5. When a meeting of the board of directors is held, an attendance book shall be made ready for signature by directors attending the meeting and thereafter made available for future reference.
All board directors shall attend board meetings in person; if attendance in person is not possible, they may, pursuant to the company's articles of incorporation, appoint another director to attend as their proxy. Attendance via tele- or video-conference is deemed as attendance in person.
When a director attends other directors to attend directors meeting by proxy, a letter of authorization shall be presented, and the scope of responsibilities and obligations based on the purpose of the meeting shall be stated.
A proxy under paragraph 2 may accept a proxy from one person only.
- Article 6. A Board meeting shall be held at the location and during the business hours of the company, or at a place and time convenient to all directors and suitable for holding such a meeting.
- Article 7. The Company's board meetings shall be convened and chaired by the Chairman. However, the first meeting of a newly-elected board shall be convened by the director who receives the highest number of votes during the shareholders' meeting. Meetings shall be chaired by the persons who convene them; in cases where there are two or more conveners, one of whom shall be elected to chair the meeting.
If the Chairman is unable to perform such duties due to leave of absence or any other reason, the Vice Chairman shall act on the Chairman's behalf. If the Company has no Vice Chairman or if the Vice Chairman is also unable to perform duties due to leave of absence or any reason, the Chairman shall appoint one of the directors to act on the Chairman's behalf. If the Chairman does not appoint a deputy, the remaining directors shall appoint an acting chairperson from among themselves.
- Article 8. Upon calling of a Boarding meeting, the administration department (or the agenda working group

appointed by the Board) shall prepare comprehensive pre-meeting materials for directors' reference whenever necessary.

When holding a meeting of the board, the Company may, as necessary for the agenda items of the meeting, notify personnel of relevant departments or subsidiaries to attend the meeting as nonvoting participants. When necessary, the company may also invite certificated public accountants, attorneys, or other professionals to attend as nonvoting participants and to make explanatory statements, provided that they shall leave the meeting when deliberation or voting takes place.

When the time of a meeting has arrived and over one-half all Board directors are present, the meeting chair may announce convening of the meeting; when the time of a meeting has arrived and one-half all Board directors are not present, the meeting chair may announce postponement of the meeting time, provided that only two postponements may be made. If the quorum is still not met after two such delays, the chair shall re-call the meeting following the procedures provided in Article 3, paragraph 2.

The term "all Board directors" as used in the preceding paragraph and in Article 16, paragraph 2, subparagraph 2 shall be calculated as the number of directors then in office.

Article 9. The company shall record on audio or video tape the entire proceedings of a Board meeting, and preserve the recordings for at least five years, in electronic form or otherwise.

If before the end of the preservation period referred to in the preceding paragraph any litigation arises in connection with a resolution of a Board meeting, the relevant audio or video recordings shall continue to be preserved until the litigation is concluded.

Where a Board meeting is held via tele- or video conferencing, the audio and visual documentation of the meeting form a part of the meeting minutes and shall be well preserved during the existence of the company.

Article 10. Agenda items for regular Board meetings shall include at least the following:

I. Reports

1. Minutes of the last meeting and action taken.
2. Reporting on important financial and business matters.
3. Reporting on internal audit report.
4. Other important matters to be reported.

II. Discussions

1. Items for continued discussion from the last meeting.
2. Items for discussion at this meeting.

III. Extraordinary Motions

Article 11. A Board meeting shall be conducted in accordance with the order of business on the agenda as specified in the meeting notice. However, the order may be changed with the approval of a majority of directors present at the meeting.

The meeting chair may not declare the meeting closed without the approval of a majority of directors present at the meeting.

If at any time during the proceeding of a Board meeting the directors sitting at the meeting are not over half of the directors present at the meeting, then upon motion by the directors sitting at the meeting, the chair shall declare a suspension of meeting, in which case paragraph 3 of Article 8 shall apply mutatis mutandis.

Article 12. The following issues shall be raised for discussion in board meetings:

I. The Company's business plans.

II. The annual financial report signed or sealed by the Chairman, managerial officer, and accounting managerial officer, and the second quarter financial report subject to audit by the CPA.

III. Establishment or amendments to the internal control system according to Article 14-1 of the Securities and Exchange Act, and the evaluation of the effectiveness of the internal control system.

IV. Establishment or amendments to asset acquisition/disposal procedures, derivative trading procedures, procedures on loans to others, endorsement and guarantee procedures, and other procedures of major financial consequences as specified in Article 36-1 of the Securities and Exchange Act.

- V. Offering, issuance, or private placement of securities with equity characteristics.
- VI. Appointments and dismissal of finance, accounting and internal audit managers.
- VII. Donations to related parties or major donations to non-related parties. However, in the occurrence of a major natural disaster, emergency aids of charitable nature can be made first and acknowledged later during the next board meeting.
- VIII. Decisions that require a resolution of the shareholders meeting or the board of directors according to Article 14-3 of the Securities and Exchange Act, other laws or the articles of incorporation or other important matters specified by the competent authorities.

The term "related party" in Subparagraph 7 of the preceding paragraph means a related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term "major donation to a non-related party" means any individual donation, or cumulative donations within a 1-year period to a single recipient, at an amount of NT\$100 million or more, or at an amount equal to or greater than 1 percent of net operating revenue or 5 percent of paid-in capital as stated in the CPA-attested financial report for the most recent year.

The term "within a 1-year period" in the preceding paragraph means a period of 1 year calculated retroactively from the date on which the current board of director meeting is convened. Amounts already submitted to and passed by a resolution of the Board are exempted from inclusion in the calculation.

At least one independent director shall attend in person any meeting of the Board. With respect to a matter prescribed in Paragraph 1 that must be approved by resolution at a Board meeting, all independent directors shall attend the meeting in person or appoint another independent director to attend the meeting as a proxy. If independent directors have opposing or reserved opinions, these opinions shall be recorded in the Board meeting records; if independent directors cannot personally attend Board meeting to express their opposing or reserved opinion, they shall give a written opinion before the meeting unless they have an appropriate reason and the opinion shall be recorded in the Board meeting records.

Article 13. The meeting chairperson may announce to discontinue further discussions if the agenda is considered to have been sufficiently discussed to proceed with the voting.

The Company's motion is considered passed if the chairperson receives no objections from any attending directors, which has the same effect as voting. Should anyone express objections after being inquired by the chairperson, the agenda will proceed to the voting process.

The chairperson may choose to proceed with voting in any of the following methods, but if there is any objection from any attendants, the chairperson shall proceed according to the opinion of the majority:

- I. Voting with a show of hands or using voting instruments.
- II. Vote by roll call.
- III. Ballot votes.
- IV. Any other methods chosen by the Company.

The attending directors mentioned in the previous two paragraphs do not include directors who are prohibited from voting under Article 15, Paragraphs 1 and 2.

Article 14. Except as otherwise stated in the Act or in the Company Act, a resolution on a matter at a Board meeting requires the approval of a majority of the directors present at the meeting that shall be attended by a majority of all directors.

When there is an amendment or an alternative to same proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. If one of the proposals is approved by vote, the rest is deemed voted down, none of which requires re-vote.

Vote monitoring and counting is appointed by the chair when necessary, provided that scrutineer shall be a director.

The result of voting shall be reported on the spot and prepared in the minutes.

Article 15. If a director, or a corporate entity that the director represents, is considered an interested party in the discussed agenda, a full disclosure is required during the current meeting session. The director shall recuse himself/herself from all discussions and voting if it is in conflict with the Company's interests. In which case, the director may not exercise voting rights on behalf of other directors.

If a director's spouse or relatives of second degree, or companies that have a control and affiliation relationship with a director are stakeholders of the aforementioned discussed agenda, the director shall be

considered as an interested party to such matters.

A resolution of the Company's board of directors subject to any director who may not exercise the voting right as specified in the preceding two paragraphs shall be handled according to the rules under Article 180, Paragraph 2 of the Company Act applied mutatis mutandis from Article 206, Paragraph 4 of the same act.

Article 16. Minutes shall be prepared of the discussions at Board meetings. The meeting minutes shall record the following.

- I. Session (or year), time, and place of the meeting.
- II. Name of the meeting chair.
- III. Attendance of directors at the meeting, including the names and the number of directors present, excused, and absent.
- IV. Names and titles of those attending the meeting as nonvoting participants.
- V. Name of minutes taker.
- VI. Matters reported at the meeting.
- VII. Discussion items: the resolution method and the result for each proposal; a summary of the comments made by directors, experts, or other persons; an explanation of the important aspects of the relationship of interest as referred to in Paragraph 1 of the preceding article, the reasons for recusal and non-recusal, and the status of recusal; opinions expressing objections or reservations at the meeting that were included in records or stated in writing; and any opinion issued in writing by an independent director under Paragraph 4, Article 12.
- VIII. Extraordinary motions: the name of the mover, the resolution method and the result for each motion; a summary of the comments made by directors, experts, or other persons; the name of any director that is an interested party as referred to in Paragraph 1 of the preceding article, an explanation of the important aspects of the relationship of interest, the reasons for recusal and non-recusal, and the status of their recusal; opinions expressing objections or reservations at the meeting that were included in records or stated in writing.
- IX. Other matters required to be recorded.

Any of the following matters in relation to a resolution passed at a meeting of the Board shall be stated in the meeting minutes and within two days of the meeting be published on Market Observation System designated by Financial Supervisory Commission.

- I. Any matter about which an independent director expresses an objection or reservation that has been included in records or stated in writing.
- II. Any matter that has not been passed by the audit committee, but has been adopted with the approval of two-thirds or more of all Board directors.

The attendance book forms a part of the minutes for each Board meeting and shall be well preserved during the existence of the company.

The minutes of a Board meeting shall bear the signature or seal of both the meeting chair and the minute taker; a copy of the minutes shall be distributed to each director within 20 days after the meeting, and well preserved as important company records during the existence of the company.

The production and distribution of the meeting minutes referred to in paragraph 1 may be done in electronic form.

Article 17. Apart from matters referred to in paragraph 1 of Article 12, which are required to be submitted for discussion by the Board, when the Board delegates any exercise of its powers pursuant to laws or regulations or the company's articles of incorporation, matters such as the level and substance of the delegation shall be concretely and specifically set out.

Article 18. (This article has been deleted.)

Article 19. Adoption and amendment of these regulations shall be approved by the Board of the Company and submitted to Shareholders' meeting for reporting.

Chung Hwa Pulp Corporation

Name and Current Shareholding of Directors

Book closure date: Mar 27, 2021

BOOK CLOSURE DATE: Mar 27, 2021

Position	Name		Date elected	Shareholding while elected			Current shareholding		
				Type	Shares	ratio	Type	Shares	ratio
Chairman	Kirk Kwang	YFY Inc. Representative	6.21.2019	Common Shares	627,827,989	56.93%	Common Shares	627,827,989	56.93%
Director	S.C. Ho								
Director	Felix Ho								
Director	Chih-Cheng Huang	YFY Paradigm Investment Co., Ltd. Representative	6.21.2019	Common Shares	117,247	0.01%	Common Shares	7,752,732	0.70%
Director	Guu-Fong Lin								
Director	Ray Chen								
Independent Director	Donald Chang		6.21.2019	Common Shares	-	-	Common Shares	-	-
Independent Director	Shih-Lai Lu		6.21.2019	Common Shares	-	-	Common Shares	-	-
Independent Director	Yi Lee		6.21.2019	Common Shares	-	-	Common Shares	-	-
Total					627,945,236	56.94%		635,580,721	57.63%

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

Total issued shares: 1,102,835,316 shares as of Mar 27, 2021, and all directors of the company shall hold the shares according to law: 32,000,000 shares and all directors held: 635,580,721 shares