Chung Hwa Pulp Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2023 and 2022 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2023 are all the same as the companies required to be included in the consolidated financial statements of the parent company and its subsidiaries as provided in International Financial Reporting Standard No. 10 "Consolidated Financial Statements". Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of the parent company and its subsidiaries. Hence, we did not prepared a separate set of consolidated financial statements of affiliates for the year ended December 31, 2023.

Very truly yours,

CHUNG HWA PULP CORPORATION

By:

March 11, 2024

Deloitte.

勤業眾信

勤業眾信聯合會計師事務所
110016 台北市信義區松仁路100號20樓

Deloitte & Touche
20F, Taipei Nan Shan Plaza
No. 100, Songren Rd.,
Xinyi Dist., Taipei 110016, Taiwan

Tel :+886 (2) 2725-9988
Fax:+886 (2) 4051-6888
www.deloitte.com.tw

INDEPENDENT AUDITORS' REPORT

The Board of Directors and 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, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, 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 Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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, 2023. 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, 2023 is as follows:

<u>Estimation of Expected Credit Loss of Accounts Receivable</u>

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

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

1. We obtained the reports of impaired receivables impairment and assessed the reasonableness of the methodology and data used in the reports.

2. We tested the receivables aging schedule and reviewed the calculation of expected credit loss for reasonableness of the recognized expected credit loss on receivables.

3. We tested the recoverability of receivables by analyzing overdue accounts and by verifying cash receipts in the subsequent period. For a receivable that was past due but not yet received, we assessed the reasonableness of the expected credit loss based on the customer's payment history, customer's credit policy control and tracking of overdue receivables.

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, 2023 and 2022, on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the 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, 2023, and is therefore the key audit matter. We describe the matter in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 11, 2024

Notice to Readers

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

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

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

	2023		2022	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 871,911	3	$ 805,296	2
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	61,791	-	26,082	-
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	2,183,460	6	1,729,041	5
Financial assets at amortized cost - current (Notes 4 and 10)	344,755	1	470,342	1
Notes and accounts receivable (Notes 4 and 11)	2,878,725	8	3,268,971	9
Notes and accounts receivable from related parties (Notes 4 and 27)	308,985	1	482,649	2
Other receivables from related parties (Notes 4 and 27)	-	-	6,255	-
Inventories (Notes 4 and 12)	5,508,496	16	4,987,857	14
Biological assets (Notes 4 and 13)	3,339,318	9	3,255,711	9
Other current assets	755,539	2	903,700	3
Total current assets	16,252,980	46	15,935,904	45
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	451,021	1	492,716	2
Financial assets at amortized cost - non-current (Notes 4 and 10)	86,704	-	132,283	1
Investments accounted for using the equity method (Notes 4 and 15)	871,615	3	769,254	2
Property, plant and equipment (Notes 4 and 16)	15,677,388	44	16,151,011	46
Right-of-use assets (Notes 4 and 17)	458,510	1	478,428	1
Investment properties (Notes 4 and 18)	755,275	2	755,542	2
Deferred tax assets (Notes 4 and 23)	281,426	1	127,439	-
Prepayments for equipment	102,962	-	131,197	-
Net defined benefit assets (Notes 4 and 20)	351,695	1	366,066	1
Other non-current assets (Note 15)	139,651	1	99,331	-
Total non-current assets	19,176,247	54	19,503,267	55
TOTAL	$ 35,429,227	100	$ 35,439,171	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 19)	$ 3,305,705	9	$ 2,640,000	7
Short-term bills payable (Note 19)	7,780,171	22	249,851	1
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	3,768	-	9,005	-
Financial liabilities for hedging - current (Note 9)	4,155	-	-	-
Notes and accounts payable	1,565,036	5	1,760,322	5
Notes and accounts payable to related parties (Note 27)	276,116	1	251,203	1
Other payables	1,016,203	3	1,029,904	3
Current tax liabilities (Note 23)	615	-	1,510	-
Lease liabilities - current (Notes 4 and 17)	28,891	-	32,663	-
Other current liabilities	381,867	1	368,860	1
Total current liabilities	14,362,527	41	6,343,318	18
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 19)	1,270,467	4	8,690,645	24
Deferred tax liabilities (Notes 4 and 23)	2,075,915	6	2,073,441	6
Lease liabilities - non-current (Notes 4 and 17)	31,476	-	29,015	-
Other non-current liabilities	204,948	-	208,142	1
Total non-current liabilities	3,582,806	10	11,001,243	31
Total liabilities	17,945,333	51	17,344,561	49
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 21)				
Share capital	11,028,353	31	11,028,353	31
Capital surplus	39,116	-	35,632	-
Retained earnings				
Legal reserve	316,847	1	268,212	1
Special reserve	1,186,894	3	1,186,894	3
Unappropriated earnings	1,483,204	4	2,456,364	7
Total retained earnings	2,986,945	8	3,911,470	11
Other equity	1,247,798	4	945,713	3
Treasury shares	(136,726)	-	(136,726)	-
Total equity attributable to owners of the Company	15,165,486	43	15,784,442	45
NON-CONTROLLING INTERESTS	2,318,408	6	2,310,168	6
Total equity	17,483,894	49	18,094,610	51
TOTAL	$ 35,429,227	100	$ 35,439,171	100

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

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Except (Loss) Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Note 27)				
Sales	$ 21,049,669	100	$ 23,648,721	100
Sales returns and allowances	227,110	1	131,863	1
Net sales	20,822,559	99	23,516,858	99
Other operating revenue	132,892	1	134,271	1
Total operating revenue	20,955,451	100	23,651,129	100
OPERATING COSTS (Notes 12, 20, 22 and 27)				
Cost of goods sold	19,796,745	95	21,010,240	89
Other operating cost	67,942	-	86,345	-
Total operating costs	19,864,687	95	21,096,585	89
LOSS FROM CHANGES IN FAIR VALUE LESS COSTS TO SELL OF BIOLOGICAL ASSETS (Note 13)	(875)	-	(2,403)	-
GROSS PROFIT	1,089,889	5	2,552,141	11
OPERATING EXPENSES (Notes 20, 22 and 27)				
Selling and marketing	1,457,540	7	1,834,629	8
General and administrative	313,323	1	327,441	1
Research and development	178,224	1	149,499	1
Total operating expenses	1,949,087	9	2,311,569	10
(LOSS) PROFIT FROM OPERATIONS	(859,198)	(4)	240,572	1
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Notes 22 and 27)	(235,927)	(1)	(145,485)	(1)
Share of profit of associates (Note 15)	136,466	-	188,961	1
Interest income (Note 27)	39,860	-	16,923	-
Dividend income	66,708	-	95,858	1
Gain from bargain purchase (Note 15)	5,803	-	18,792	-
Other income (Note 27)	156,013	1	92,294	-
Gain on disposal of property, plant and equipment	59	-	109	-
Gain on disposal of investments	1	-	-	-
Foreign exchange gain	3,825	-	83,837	-
Loss on financial instruments at FVTPL	(8,553)	-	(40,909)	-
Other losses	(4,305)	-	(6,075)	-
Total non-operating income and expenses	159,950	-	304,305	1

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CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Except (Loss) Earnings Per Share)

	2023		2022	
	Amount	**%**	**Amount**	**%**
(LOSS) PROFIT BEFORE INCOME TAX	$ (699,248)	(4)	$ 544,877	2
INCOME TAX BENEFIT (EXPENSE) (Notes 4 and 23)	144,751	1	(5,186)	-
NET (LOSS) PROFIT FOR THE YEAR	(554,497)	(3)	539,691	2
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 20)	(34,729)	-	58,450	-
Unrealized gain (loss) on investments in equity instruments at FVTOCI	331,184	2	(6,372)	-
Share of the other comprehensive income of associates	47,561	-	5,835	-
Tax effect of items that will not be reclassified (Note 23)	6,946	-	(11,690)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	(99,974)	(1)	262,049	1
Loss on hedging instruments	(6,034)	-	-	-
Share of other comprehensive (loss) income of associates	(7,630)	-	45,126	1
Other comprehensive income for the year, net of income tax	237,324	1	353,398	2
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	$ (317,173)	(2)	$ 893,089	4
NET (LOSS) PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ (573,395)	(3)	$ 445,934	2
Non-controlling interests	18,898	-	93,757	-
	$ (554,497)	(3)	$ 539,691	2
TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ (296,215)	(2)	$ 765,984	3
Non-controlling interests	(20,958)	-	127,105	1
	$ (317,173)	(2)	$ 893,089	4

(Continued)

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	**%**	**Amount**	**%**
(LOSS) EARNINGS PER SHARE (Note 24)				
Basic	$ (0.53)		$ 0.41	
Diluted			$ 0.41	

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

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company (Notes 4 and 21)													
								Other Equity						
	Share Capital			Retained Earnings										
	Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized (Loss) Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Gain (Loss) on Hedging Instrument	Treasury Share	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2022	1,102,835	$ 11,028,353	$ 28,880	$ 226,257	$ 1,186,894	$ 2,453,095	$ 3,866,246	$ (426,827)	$ 1,109,486	$ -	$ (136,726)	$ 15,469,412	$ 2,164,152	$ 17,633,564
Appropriation of 2021 earnings														
Legal reserve	-	-	-	41,955	-	(41,955)	-	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(441,134)	(441,134)	-	-	-	-	(441,134)	-	(441,134)
Adjustments for the changes in equity of associates	-	-	5,958	-	-	-	-	-	-	-	-	5,958	-	5,958
Unclaimed dividends	-	-	794	-	-	-	-	-	-	-	-	794	-	794
Net profit for the year ended December 31, 2022	-	-	-	-	-	445,934	445,934	-	-	-	-	445,934	93,757	539,691
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	47,088	47,088	273,827	(865)	-	-	320,050	33,348	353,398
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	493,022	493,022	273,827	(865)	-	-	765,984	127,105	893,089
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	18,911	18,911
Difference between the consideration received and the carrying amount of the associates' net assets during actual disposal	-	-	-	-	-	(16,572)	(16,572)	-	-	-	-	(16,572)	-	(16,572)
Disposal of investments in equity instruments designated as at FVTOCI by associates	-	-	-	-	-	9,908	9,908	-	(9,908)	-	-	-	-	-
BALANCE AT DECEMBER 31, 2022	1,102,835	11,028,353	35,632	268,212	1,186,894	2,456,364	3,911,470	(153,000)	1,098,713	-	(136,726)	15,784,442	2,310,168	18,094,610
Appropriation of 2022 earnings														
Legal reserve	-	-	-	48,635	-	(48,635)	-	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(326,067)	(326,067)	-	-	-	-	(326,067)	-	(326,067)
Adjustments for the changes in equity of associates	-	-	1,873	-	-	(158)	(158)	-	-	-	-	1,715	-	1,715
Unclaimed dividends	-	-	1,077	-	-	-	-	-	-	-	-	1,077	-	1,077
Net profit (loss) for the year ended December 31, 2023	-	-	-	-	-	(573,395)	(573,395)	-	-	-	-	(573,395)	18,898	(554,497)
Other comprehensive (loss) income for the year ended December 31, 2023	-	-	-	-	-	(28,854)	(28,854)	(67,748)	379,816	(6,034)	-	277,180	(39,856)	237,324
Total comprehensive (loss) income for the year ended December 31, 2023	-	-	-	-	-	(602,249)	(602,249)	(67,748)	379,816	(6,034)	-	(296,215)	(20,958)	(317,173)
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	29,198	29,198
Disposal of investments accounted for using the equity method	-	-	534	-	-	183	183	-	(183)	-	-	534	-	534
Disposal of investments in equity instruments designated as at FVTOCI by associates	-	-	-	-	-	3,766	3,766	-	(3,766)	-	-	-	-	-
BALANCE AT DECEMBER 31, 2023	1,102,835	$ 11,028,353	$ 39,116	$ 316,847	$ 1,186,894	$ 1,483,204	$ 2,986,945	$ (220,748)	$ 1,474,580	$ (6,034)	$ (136,726)	$ 15,165,486	$ 2,318,408	$ 17,483,894

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

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) income before income tax	$ (699,248)	$ 544,877
Adjustments for:		
Depreciation and amortization expenses	1,214,336	1,223,412
Expected credit loss (reversed)	39,765	(1,570)
Loss on financial instruments at FVTPL	8,553	40,909
Finance costs	235,927	145,485
Interest income	(39,860)	(16,923)
Dividend income	(66,708)	(95,858)
Share of profit of associates	(136,466)	(188,961)
Gain on disposal of property, plant and equipment	(59)	(109)
Gain on disposal of investments	(1)	-
Gain on lease modification	(1)	(31)
(Reversal of) write-downs of inventories	(19,172)	20,178
Unrealized loss (gain) on foreign currency exchange	47,384	(4,971)
Loss on changes in fair value less costs to sell of biological assets	875	2,403
Gain from bargain purchase	(5,803)	(18,792)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at FVTPL	(49,556)	(63,017)
Notes and accounts receivable	285,514	202,054
Notes and accounts receivable from related parties	174,006	(25,871)
Inventories	(516,621)	(714,771)
Biological assets	(142,126)	(14,660)
Other current assets	130,826	(387,152)
Net defined benefit assets	(20,358)	(15,837)
Notes and accounts payable	(189,768)	233,971
Notes and accounts payable to related parties	26,768	(188,918)
Other payables	(14,361)	(107,993)
Other payables to related parties	-	(2,271)
Other current liabilities	50,406	47,297
Cash generated from operations	314,252	612,881
Interest received	40,684	14,361
Interest paid	(241,090)	(145,043)
Income tax paid	(1,017)	(146)
Net cash generated from operating activities	112,829	482,053
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(435,183)	(587,377)
Proceeds from sale of financial assets at amortized cost	606,585	221,732
Purchase of financial assets at fair value through other comprehensive income	(81,540)	-
Proceeds from sale of financial instruments for hedging	(1,879)	-
Purchase of investments accounted for using the equity method	(7,912)	(25,332)

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CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

	2023	2022
Proceeds from disposal of investment accounted for using equity method	$ -	$ 258,673
Payments for property, plant and equipment	(704,391)	(1,338,410)
Proceeds from disposal of property, plant and equipment	60	294
Decrease in other receivables from related parties	6,272	103,762
Increase in other non-current assets	(53,034)	(28,207)
Decrease in prepayments for equipment	27,379	361,666
Dividends received	156,708	159,858
Net cash used in investing activities	(486,935)	(873,341)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) increase in short-term borrowings	672,970	(1,352,759)
Increase (decrease) in short-term bills payable	7,530,320	(5,399,370)
Proceeds from long-term borrowings	1,780,000	8,700,000
Repayments of long-term borrowings	(9,200,000)	(800,000)
Repayment of the principal portion of lease liabilities	(38,626)	(33,192)
Increase (decrease) in other non-current liabilities	168	(47,047)
Cash dividends	(326,067)	(441,134)
Increase in non-controlling interests	29,198	18,911
Capital surplus transferred from unclaimed dividends	1,077	794
Net cash generated from financing activities	449,040	646,203
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(8,319)	14,253
NET INCREASE IN CASH AND CASH EQUIVALENTS	66,615	269,168
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	805,296	536,128
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 871,911	$ 805,296

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

1. GENERAL INFORMATION

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

In line with the Company's operating strategy to carry out vertical integration, in the meetings of the board of directors on March 21, 2012 and of the shareholders on June 27, 2012, the Company decided to issue new shares in exchange for YFY Inc.'s paper and cardboard business unit's assets, liabilities and operations on October 1, 2012. After this transaction, the Company became a subsidiary of YFY Inc.

YFY Inc. and its subsidiaries held 58.6% of ordinary shares of the Company as of December 31, 2023 and 2022.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on March 11, 2024.

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

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

   Except for the following, the initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Group's accounting policies:

   <u>Amendments to IAS 12 "International Tax Reform - Pillar Two Model Rules"</u>

   The amendments introduce a temporary exception to the requirements in IAS 12 by stipulating that the Company should neither recognize nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. The amendments also require the Company to disclose that it has applied the exception and separately disclose its current tax expense (income) related to Pillar Two income taxes. In addition, for periods in which Pillar Two legislation is enacted or substantively enacted but not yet in effect, the Company should disclose qualitative and quantitative information that helps users of financial statements understand the Company's exposure to Pillar Two income taxes. The requirement that the Company apply the exception and the requirement to disclose that fact are applied immediately and retrospectively upon issuance of the amendments. The remaining disclosure requirements apply for annual reporting periods beginning on or after January 1, 2023, but not for any interim period ending on or before December 31, 2023.

b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024
Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"	January 1, 2024 (Note 3)

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

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

As of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group's financial position and financial performance.

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

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

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

a. Statement of compliance

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

b. Basis of preparation

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

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

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

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

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

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

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

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

e. Business combinations

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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held interests in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. Other types of non-controlling interests are measured at fair value.

f. Foreign currencies

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

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

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

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

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

g. Inventories

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

h. Investments in associates

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

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

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

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

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

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

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

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

i. Property, plant and equipment

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

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

Freehold land is not depreciated.

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

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

j. Investment properties

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

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

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

Depreciation is recognized using the straight-line method.

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

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

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

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

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

l. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

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

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

ii. Financial assets at amortized cost

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

i) The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

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

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

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

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

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

m. Hedge accounting

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

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

n. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

o. Revenue recognition

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

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

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

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

p. Leases

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

1) The Group as lessor

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

2) The Group as lessee

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

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

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

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

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

The Group negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2022, that results in the revised consideration for the lease. There is no substantive change to other terms and conditions. The Group elects to apply the practical expedient to all of these rent concessions and, therefore, does not assess whether the rent concessions are lease modifications. Instead, the Group recognizes the reduction in lease payment in profit or loss as a deduction of expenses of variable lease payments, in the period in which the events or conditions that trigger the concession occur, and makes a corresponding adjustment to the lease liability.

q. Borrowing costs

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

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

r. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

s. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

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

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

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

3) Current and deferred taxes

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

t. Biological assets

Biological assets are measured at fair value less costs to sell on initial recognition and on each balance sheet date, and the related subsequent expenditures are capitalized as part of biological assets when incurred. Any gain or loss arising from the change in fair value less costs to sell is recognized in profit or loss when it is incurred.

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Estimated Impairment of Accounts Receivable

The provision for impairment of accounts receivable is based on assumptions on probability of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group’s historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 11. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2023	2022
Cash on hand	$ 689	$ 1,842
Checking accounts and demand deposits	403,977	638,773
Cash equivalents		
Time deposits with original maturities of less than three months	467,245	164,681
	$ 871,911	$ 805,296

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

	December 31	
	2023	2022
Bank balance	0.001%-1.45%	0.001%-1.05%
Cash equivalents	1.000%-5.49%	0.975%-4.00%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2023	2022
Financial assets at FVTPL - current		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	$ 55,322	$ 19,692
Non-derivative financial assets		
Mutual funds	6,469	6,390
	$ 61,791	$ 26,082
Financial liabilities at FVTPL - current		
Financial liabilities mandatorily classified as at FVTPL		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	$ 3,768	$ 9,005

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

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2023			
Sell	USD:NTD	2024.01.08-2024.03.29	USD29,200/NTD896,586
	EUR:NTD	2024.01.12	EUR4,000/NTD135,920
	RMB:NTD	2024.02.07-2024.02.20	RMB80,000/NTD346,800
Buy	USD:RMB	2024.03.28-2024.09.06	USD36,000/RMB254,990

(Continued)

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2022			
Sell	USD:NTD	2023.01.13-2023.03.15	USD41,700/NTD1,280,607
	EUR:NTD	2023.01.30-2023.02.06	EUR11,000/NTD359,920
	RMB:NTD	2023.01.31-2023.03.31	RMB48,000/NTD211,632
Buy	USD:RMB	2023.01.19-2023.06.30	USD36,000/RMB250,726

(Concluded)

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

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

	December 31	
	2023	2022
Current		
Domestic investments		
Listed shares	$ 2,183,460	$ 1,729,041
Non-current		
Domestic investments		
Listed shares	$ 290,015	$ 308,709
Unlisted shares	161,006	184,007
	$ 451,021	$ 492,716

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

9. FINANCIAL INSTRUMENTS FOR HEDGING

	December 31	
	2023	2022
Financial assets - current		
Cash flow hedges		
Forward exchange contracts	$ 4,155	$ -

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

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

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

The decrease in value used for calculating hedge ineffectiveness in 2023 and 2022 were $4,155 thousand and $0 thousand, respectively. The following tables summarize the information relating to the hedges of foreign currency risk.

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2023			
Buy	JPY:NTD	2024.01.18-2024.02.20	JPY594,150/NTD129,049

December 31, 2023

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

Refer to Note 21(e) for information relating to gain on changes in the fair value of hedging instruments and the original carrying amount transferred to hedged items in 2023.

10. FINANCIAL ASSETS AT AMORTIZED COST

	December 31 2023	December 31 2022
Current		
Domestic investments		
Time deposits with original maturity between three months and a year	$ 7,000	$ 3,000
Foreign investments		
Time deposits with original maturity between three months and a year	337,755	467,342
	$ 344,755	$ 470,342
Non-current		
Foreign investments		
Time deposits with original maturity of more than a year	$ 86,704	$ 132,283

As of December 31, 2023 and 2022, the interest rates for time deposits with original maturity between three months and a year were 1.56%-5.55% and 1.44%-5.07%, respectively, and the interest rates for time deposits with original maturity of more than a year both were 3.25%.

11. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	December 31	
	2023	2022
Notes receivable - operating	$ 531,514	$ 446,796
Accounts receivable - operating	2,403,288	2,838,967
Gross carrying amount	2,934,802	3,285,763
Less: Allowance for impairment loss	(56,077)	(16,792)
	$ 2,878,725	$ 3,268,971

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

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

The Group applies the simplified approach for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook.

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

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

December 31, 2023

	Not Past Due	Less than 90 Days	91 Days to A Year	Over A Year	Total
Gross carrying amount	$ 2,534,378	$ 342,759	$ 56,372	$ 1,293	$ 2,934,802
Loss allowance (Lifetime ECL)	(8,833)	(8,177)	(37,774)	(1,293)	(56,077)
Amortized cost	$ 2,525,545	$ 334,582	$ 18,598	$ -	$ 2,878,725

December 31, 2022

	Not Past Due	Less than 90 Days	91 Days to A Year	Over A Year	Total
Gross carrying amount	$ 2,775,257	$ 483,968	$ 26,534	$ 4	$ 3,285,763
Loss allowance (Lifetime ECL)	(423)	(10,084)	(6,281)	(4)	(16,792)
Amortized cost	$ 2,774,834	$ 473,884	$ 20,253	$ -	$ 3,268,971

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

	For the Year Ended December 31	
	2023	2022
Balance at January 1	$ 16,792	$ 18,238
Net remeasurement of loss allowance	39,765	(1,570)
Foreign exchange translation gains and losses	(480)	124
Balance at December 31	$ 56,077	$ 16,792

As of December 31, 2023 and 2022, the Group discounted a portion of its banker's acceptance bills in mainland China with an aggregate carrying amount of $99,161 thousand and $42,050 thousand, respectively. For information on the transfer of financial instruments, refer to Note 26.

12. INVENTORIES

	December 31	
	2023	2022
Finished and purchased goods	$ 3,343,730	$ 2,754,404
Work in process	673,221	570,663
Materials	1,491,545	1,662,790
	$ 5,508,496	$ 4,987,857

The cost of goods sold for the years ended December 31, 2023 and 2022 included reversal of inventory write-downs of $19,172 thousand and inventory write-downs of $20,178 thousand, respectively.

13. BIOLOGICAL ASSETS

	For the Year Ended December 31	
	2023	2022
Balance at January 1	$ 3,255,711	$ 3,193,535
Increase due to planting	322,123	327,924
Loss from changes in fair value less costs to sell	(875)	(2,403)
Decrease due to harvest	(179,997)	(313,264)
Net exchange differences	(57,644)	49,919
Balance at December 31	$ 3,339,318	$ 3,255,711

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

	For the Year Ended December 31	
	2023	2022
Eucalyptus (Level 3)	$ 3,448,240	$ 3,359,818

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

	For the Year Ended December 31	
	2023	2022
Opening balance	$ 3,359,818	$ 3,295,021
Increase due to planting	337,406	355,779
Loss from changes in fair value less costs to sell - unrealized	(917)	(2,608)
Decrease due to harvest	(188,537)	(339,876)
Foreign exchange translation gains and losses	(59,530)	51,502
Ending balance	$ 3,448,240	$ 3,359,818

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

14. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

			% of Ownership	
			December 31	
Investor	Investee	Main Business	2023	2022
The Company	CHP International (BVI) Corporation	Investment and holding.	100.0	100.0
	Hwa Fong Investment Co., Ltd.	Investment and holding.	100.0	100.0
CHP International (BVI) Corporation	Guangdong Dingfung Pulp & Paper Co., Ltd.	Pulp and paper production, trading and forestry business.	60.0	60.0
	Zhaoqing Dingfung Forestry Ltd.	Seedling cultivation and sales, reforestation, sales-cum-forest logging and other forestry, processing and transportation.	20.2	20.2
	Syntax Communication (H.K.) Limited	Sale and print of paper merchandise.	100.0	100.0
Hwa Fong Investment Co., Ltd.	Genovella Renewables Inc.	Sale and production of fertilizer, retail sale of food products and groceries, plant cultivation, refractory materials manufacturing, cement and concrete products manufacturing, refractory materials wholesale and sale of building material, manpower services and wholesale and sale of chemistry raw materials.	100.0	100.0
Guangdong Dingfung Pulp & Paper Co., Ltd.	Zhaoqing Dingfung Forestry Ltd.	Seedling cultivation and sales, reforestation, sales-cum-forest logging and other forestry, processing and transportation.	66.3	66.3
	Shenzhen Jinglun Paper Co., Ltd.	Paper trading, cargo and technic import and export business.	100.0	100.0
	Zhaoging Xinchuan Green Technology Co., Ltd.	Environment equipment technology research and development, construction for wastewater, flue gas, noise and solid waste treatment, pure water construction, environment technology consulting, sale of environment equipment and chemical raw material, cargo and technic import and export.	100.0	100.0

(Continued)

Investor	Investee	Main Business	% of Ownership December 31 2023	2022
Zhaoqing Dingfung Forestry Ltd.	Guizhou Yuanfung Forestry Co., Ltd.	Seedling cultivation and sales, reforestation, sales-cum-forest logging and other forestry, processing and transportation.	67.0	67.0

(Concluded)

The consolidated financial statements of subsidiaries that are not individually material were based on the subsidiaries' results which have been audited for the same years.

15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31 2023	2022
Associates that are not individually material	$ 871,615	$ 769,254

The aggregate information of associates that are not individually material was as follows:

	December 31 2023	2022
The Group's share of:		
Profit from continuing operations	$ 136,466	$ 188,961
Other comprehensive income	39,931	50,961
Total comprehensive income for the year	$ 176,397	$ 239,922

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

For the years ended December 31, 2023 and 2022, the Group obtained 1,126,842 and 3,608,089 voting shares of Union Paper Corporation., Ltd. at $7.02 per share with a total investment of $7,912 thousand and $25,332 thousand, respectively, and 1.09% and 3.49% of voting rights, respectively. The Group recognized a gain from bargain purchase of $5,803 thousand and $18,792 thousand, respectively.

In February 2022, the Group sold its ownership of Effion Enertech Co., Ltd. to YFY Inc at $258,673 thousand, and the difference between the transaction price and the carrying amount was $16,572 thousand, which was recognized as the difference in equity and presented in unappropriated earnings as debit balance.

The combined ownership held by the Group in some associates that are not individually material even if it holds less than 20% of their voting rights. Thus, the Group used the equity method to account for its investments in these associates.

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2023 and 2022 were based on the subsidiaries' financial statements which have been audited for the same years.

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery	Electric Equipment	Tools	Miscellaneous Equipment	Property in Construction	Total
Cost								
Balance at January 1, 2022	$ 8,197,658	$ 4,114,135	$ 30,999,749	$ 3,122,751	$ 1,862,583	$ 838,925	$ 798,540	$ 49,934,341
Additions	224,089	8,743	83,201	14,144	17,221	16,851	983,306	1,347,555
Disposals	-	(1,446)	(53,482)	(128,885)	(4,572)	(9,183)	-	(197,568)
Effect of foreign currency exchange differences	-	11,239	67,822	-	238	2,883	4,516	86,698
Reclassifications	(499,200)	35,067	538,890	24,856	46,970	9,776	(655,559)	(499,200)
Balance at December 31, 2022	$ 7,922,547	$ 4,167,738	$ 31,636,180	$ 3,032,866	$ 1,922,440	$ 859,252	$ 1,130,803	$ 50,671,826
Accumulated depreciation and impairment								
Balance at January 1, 2022	$ -	$ 3,100,754	$ 25,569,942	$ 2,561,509	$ 1,574,842	$ 690,375	$ -	$ 33,497,422
Disposals	-	(1,446)	(53,398)	(128,885)	(4,471)	(9,183)	-	(197,383)
Depreciation expense	-	108,625	822,826	87,270	108,279	42,623	-	1,169,623
Effect of foreign currency exchange differences	-	4,508	43,948	-	215	2,482	-	51,153
Balance at December 31, 2022	$ -	$ 3,212,441	$ 26,383,318	$ 2,519,894	$ 1,678,865	$ 726,297	$ -	$ 34,520,815
Carrying amounts at December 31, 2022	$ 7,922,547	$ 955,297	$ 5,252,862	$ 512,972	$ 243,575	$ 132,955	$ 1,130,803	$ 16,151,011
Cost								
Balance at January 1, 2023	$ 7,922,547	$ 4,167,738	$ 31,636,180	$ 3,032,866	$ 1,922,440	$ 859,252	$ 1,130,803	$ 50,671,826
Additions	1,772	12,978	63,510	11,907	24,694	12,242	586,600	713,703
Disposals	-	-	(142,340)	(3,264)	(8,731)	(13,616)	-	(167,951)
Effect of foreign currency exchange differences	-	(12,401)	(81,098)	-	(7)	(3,021)	(753)	(97,280)
Reclassifications	-	54,391	588,430	121,596	67,411	4,405	(836,233)	-
Balance at December 31, 2023	$ 7,924,319	$ 4,222,706	$ 32,064,682	$ 3,163,105	$ 2,005,807	$ 859,262	$ 880,417	$ 51,120,298
Accumulated depreciation and impairment								
Balance at January 1, 2023	$ -	$ 3,212,441	$ 26,383,318	$ 2,519,894	$ 1,678,865	$ 726,297	$ -	$ 34,520,815
Disposals	-	-	(142,340)	(3,264)	(8,731)	(13,615)	-	(167,950)
Depreciation expense	-	104,036	820,923	88,461	98,181	40,423	-	1,152,024
Effect of foreign currency exchange differences	-	(6,156)	(54,214)	-	(7)	(1,602)	-	(61,979)
Balance at December 31, 2023	$ -	$ 3,310,321	$ 27,007,687	$ 2,605,091	$ 1,768,308	$ 751,503	$ -	$ 35,442,910
Carrying amounts at December 31, 2023	$ 7,924,319	$ 912,385	$ 5,056,995	$ 558,014	$ 237,499	$ 107,759	$ 880,417	$ 15,677,388

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

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

17. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2023	2022
Carrying amount		
Land	$ 406,931	$ 428,111
Buildings	21,733	23,880
Office equipment	24,245	19,989
Transportation equipment	5,601	6,448
	$ 458,510	$ 478,428

	For the Year Ended December 31	
	2023	**2022**
Additions to right-of-use assets	$ 37,553	$ 42,691
Depreciation charge for right-of-use assets		
Land	$ 14,515	$ 14,573
Buildings	19,323	14,725
Office equipment	9,600	8,879
Transportation equipment	7,012	6,326
	$ 50,450	$ 44,503

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the years ended December 31, 2023 and 2022.

b. Lease liabilities

	December 31	
	2023	**2022**
Carrying amount		
Current	$ 28,891	$ 32,663
Non-current	$ 31,476	$ 29,105

Range of discount rates for lease liabilities was as follows:

	December 31	
	2023	**2022**
Land	0.88%-1.75%	0.88%-1.02%
Buildings	0.88%-2.50%	0.88%-1.21%
Office equipment	0.88%-1.75%	0.88%-1.21%
Transportation equipment	0.88%-1.75%	0.88%-1.21%

c. Material lease-in activities and terms

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

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

d. Other lease information

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

	For the Year Ended December 31	
	2023	**2022**
Expenses relating to short-term leases and low-value asset leases	$ 88,464	$ 70,054
Total cash outflow for leases	$ (136,203)	$ (110,909)

18. INVESTMENT PROPERTIES

	For the Year Ended December 31	
	2023	**2022**
Cost		
Opening balance	$ 771,534	$ 272,334
Reclassification	-	499,200
Ending balance	$ 771,534	$ 771,534
Accumulated depreciation and impairment		
Opening balance	$ (15,992)	$ (15,724)
Depreciation expense	(267)	(268)
Ending balance	$ (16,259)	$ (15,992)
Ending carrying amount	$ 755,275	$ 755,542

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

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

	December 31	
	2023	**2022**
Fair value	$ 856,590	$ 856,590

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

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

	December 31	
	2023	**2022**
Lease commitment of investment properties	$ 299,409	$ 322,251

19. BORROWINGS

a. Short-term borrowings

	December 31	
	2023	2022
Bank credit loans	$ 3,062,176	$ 2,640,000
Letter of credit loans	243,529	-
	$ 3,305,705	$ 2,640,000

As of December 31, 2023 and 2022, interest rates on short-term borrowings were 1.37%-6.72% and 1.21%-1.85%, respectively.

b. Short-term bills payable

	December 31	
	2023	2022
Commercial paper	$ 7,800,000	$ 250,000
Less: Unamortized discounts on bills payable	(19,829)	(149)
	$ 7,780,171	$ 249,851

Short-term bills payable are commercial papers due within one year. As of December 31, 2023 and 2022 interest rates on bills payable were 1.405%-1.61% and 1.55%, respectively.

c. Long-term borrowings

	December 31	
	2023	2022
Unsecured bank loans	$ 1,280,000	$ 8,700,000
Less: Loan management fees	(9,533)	(9,355)
Long-term bank loans	$ 1,270,467	$ 8,690,645

				December 31	
	Due Date	Article	Interest Rate	2023	2022
Taiwan Bank credit loan A	2025.03.31	The credit can be revolved within 60 months from March 31, 2020, the first drawdown date of the loan. The credit has repaid in advance in the three quarters of 2023.	1.79%-1.81%	$ -	$ 3,700,000
Syndicated loan from First Bank - credit loan A	2028.12.29	The credit can be revolved within 60 months from December 29, 2023, the first drawdown date of the loan.	1.93%	800,000	-
Syndicated loan from Taipei Fubon Bank and Bank of Taiwan - credit loan A	2027.09.30	The credit can be used separately within 60 months from September 30, 2022, the first drawdown date of the loan.	1.79%-1.91%	480,000	500,000
Syndicated loan from Taipei Fubon Bank and Bank of Taiwan - credit loan B	2027.09.30	The credit can be revolved within 60 months from September 30, 2022, the first drawdown date of the loan. The credit has repaid in advance in the three quarters of 2023.	1.79%	-	4,500,000
				$ 1,280,000	$ 8,700,000

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

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

b. Defined benefit plans

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

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

	December 31	
	2023	**2022**
Fair value of plan assets	$ 817,691	$ 835,666
Present value of defined benefit plan	(465,996)	(469,600)
Net defined benefit asset	$ 351,695	$ 366,066

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Assets (Liability)
Balance at January 1, 2022	$ (542,455)	$ 834,234	$ 291,779
Service cost			
Current service cost	(13,482)	-	(13,482)
Net interest (expense) income	(3,871)	6,102	2,231
Recognized in profit or loss	(17,353)	6,102	(11,251)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	64,903	64,903
Actuarial loss - experience adjustments	(32,708)	-	(32,708)
Actuarial gain - changes in financial assumptions	26,255	-	26,255
Recognized in other comprehensive income	(6,453)	64,903	58,450
Contributions from the employer	-	27,088	27,088
Benefits paid	96,661	(96,661)	-
Balance at December 31, 2022	$ (469,600)	$ 835,666	$ 366,066
Balance at January 1, 2023	$ (469,600)	$ 835,666	$ 366,066
Service cost			
Current service cost	(11,965)	-	(11,965)
Net interest (expense) income	(7,792)	14,247	6,455
Recognized in profit or loss	(19,757)	14,247	(5,510)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	3,635	3,635
Actuarial loss - experience adjustments	(32,850)	-	(32,850)
Actuarial gain - changes in financial assumptions	(5,514)	-	(5,514)
Recognized in other comprehensive income	(38,364)	3,635	(34,729)
Contributions from the employer	-	25,868	25,868
Benefits paid	61,725	(61,725)	-
Balance at December 31, 2023	$ (465,996)	$ 817,691	$ 351,695

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

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government and corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

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

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

	December 31	
	2023	2022
Discount rates	1.50%	1.75%
Expected rates of salary increase - less than 16 years	1.50%	1.50%
Expected rates of salary increase - more than 16 years	1.00%	1.00%

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

	December 31	
	2023	2022
Discount rates		
0.125% increase	$ (2,774)	$ (3,105)
0.125% decrease	$ 2,806	$ 3,142
Expected rates of salary increase		
0.125% increase	$ 2,817	$ 3,163
0.125% decrease	$ (2,791)	$ (3,132)

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

	December 31	
	2023	2022
The expected contributions to the plans for the next year	$ 7,283	$ 5,510
The average duration of the defined benefit obligation	4.9 years	5.4 years

21. EQUITY

a. Ordinary shares

	December 31	
	2023	2022
Number of shares authorized (in thousands)	1,300,000	1,300,000
Shares authorized	$ 13,000,000	$ 13,000,000
Number of shares issued and fully paid (in thousands)	1,102,835	1,102,835
Shares issued	$ 11,028,353	$ 11,028,353

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

b. Capital surplus

	December 31	
	2023	2022
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*		
Arising from treasury share transactions	$ 20,817	$ 20,817
The difference between consideration paid and the carrying amount of the subsidiary's net assets during actual acquisition	484	484
May be used to offset a deficit only		
Arising from share of changes in capital surplus of associates	14,275	11,868
Capital surplus transferred from unclaimed dividends	3,540	2,463
	$ 39,116	$ 35,632

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

c. Retained earnings and dividends policy

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

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

1) At least 20% as cash dividends; and

2) Remainder, as share dividends. If there is a requirement for capital expenditure, the Company may distribute only share dividends.

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

Under Order No. 1010047490, Order No. 1030006415 and Order No. 1090150022 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company shall appropriate to or reverse from a special reserve. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed.

The appropriation of earnings for 2022 and 2021, which was proposed by the Company's board of directors on June 30, 2023 and June 17, 2022, respectively, was as follows:

	Appropriation of Earnings For the Year Ended December 31	
	2022	2021
Legal reserve	$ 48,635	$ 41,955
Cash dividends	$ 326,067	$ 441,134
Cash dividends per share (NT$)	$ 0.3	$ 0.4

d. Special reserves

	For the Year Ended December 31	
	2023	2022
Special reserves	$ 1,186,894	$ 1,186,894

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

e. Other equity items

	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized (Loss) Gain on Financial Assets at FVTOCI	Gain (Loss) on Hedging Instruments	Total
2023				
Balance at January 1	$ (153,000)	$ 1,098,713	$ -	$ 945,713
Unrealized loss on financial assets at FVTOCI	-	331,184	-	331,184
Exchange differences on translation of the financial statements of foreign operations	(60,118)	-	-	(60,118)
Fair value changes of financial instruments for hedging	-	-	(6,034)	(6,034)
Share of other comprehensive income of associates	(7,630)	48,632	-	41,002
Disposal of associates	-	(183)	-	(183)
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal of associates	-	(3,766)	-	(3,766)
Balance at December 31	$ (220,748)	$ 1,474,580	$ (6,034)	$ 1,247,798

(Continued)

	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized (Loss) Gain on Financial Assets at FVTOCI	Gain (Loss) on Hedging Instruments	Total
2022				
Balance at January 1	$ (426,827)	$ 1,109,486	$ -	$ 682,659
Unrealized loss on financial assets at FVTOCI	-	(6,372)	-	(6,372)
Exchange differences on translation of the financial statements of foreign operations	228,701	-	-	228,701
Share of other comprehensive income of associates	45,126	5,507	-	50,633
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal of associates	-	(9,908)	-	(9,908)
Balance at December 31	$ (153,000)	$ 1,098,713	$ -	$ 945,713

(Concluded)

f. Non-controlling interests

	For the Year Ended December 31	
	2023	2022
Balance at January 1	$ 2,310,168	$ 2,164,152
Increase in non-controlling interests	29,198	18,911
Attributable to non-controlling interests:		
Share of profit for the year	18,898	93,757
Exchange differences on translation of the financial statements of foreign operations	(39,856)	33,348
Balance at December 31	$ 2,318,408	$ 2,310,168

g. As of December 31, 2023, the Company has bought back 15,944 thousand treasury shares for transferring to employees with an average buy-back price of $8.58 per share. The acquisition was approved by the board of directors on May 14, 2020 and fully executed on July 14, 2020. Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders’ rights on these shares, such as the rights to dividends and to vote.

22. NET (LOSS) PROFIT FROM CONTINUING OPERATIONS

a. Finance costs

	For the Year Ended December 31	
	2023	2022
Interest on bank loans	$ 236,045	$ 145,761
Add: Interest of lease liabilities	659	618
Less: Amounts included in the cost of qualifying assets	(777)	(894)
	$ 235,927	$ 145,485

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2023	2022
Capitalization rate	1.75%-1.84%	0.84%-1.64%

b. Depreciation and amortization

	For the Year Ended December 31	
	2023	2022
An analysis of depreciation by function		
Operating costs	$ 1,168,869	$ 1,187,077
Operating expenses	33,872	27,317
	$ 1,202,741	$ 1,214,394
An analysis of amortization by function		
Operating costs	$ 6,108	$ 3,471
Operating expenses	5,487	5,547
	$ 11,595	$ 9,018

c. Employee benefit expense

	For the Year Ended December 31	
	2023	2022
Post-employment benefits		
Defined contribution plans	$ 81,963	$ 80,365
Defined benefit plans	5,510	11,251
	87,473	91,616
Other employee benefits	2,050,067	2,071,016
Total employee benefit expense	$ 2,137,540	$ 2,162,632
An analysis of employee benefit expense by function		
Operating costs	$ 1,904,273	$ 1,925,400
Operating expenses	233,267	237,232
	$ 2,137,540	$ 2,162,632

As of December 31, 2023 and 2022, the Group had 2,866 and 2,847 employees, respectively. The calculation basis is consistent with the employee benefits.

According to the Articles of Incorporation of the Company, the Company accrued compensation of employees and remuneration of directors at the rates of no less than 1% and no higher than 2%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. For the year ended December 31, 2023, due to operation loss, the Company did not estimate the compensation of employees and the remuneration of directors.

The appropriations of compensation of employees and remuneration of directors for 2022 that were resolved by the board of directors on March 15, 2023 are as shown below:

	For the Year Ended December 31, 2022
Compensation of employees	$ 5,000
Remuneration of directors	$ 6,500

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2022.

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

23. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

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

	For the Year Ended December 31	
	2023	**2022**
Current tax		
In respect of the current year	$ 1,257	$ 2,515
Adjustments for prior years	(1,401)	396
	(144)	2,911
Deferred tax		
In respect of the current year	(144,607)	2,275
Income tax (benefit) expense recognized in profit or loss	$ (144,751)	$ 5,186

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

	For the Year Ended December 31	
	2023	**2022**
Net (loss) Profit before tax from continuing operations	$ (699,248)	$ 544,877
Income tax (benefit) expense calculated at the statutory rate (20%)	$ (139,850)	$ 108,975
Permanent differences	(9,576)	(85,324)
Additional tax on unappropriated earnings	153	23
Unrecognized loss carryforwards	6,608	(29,362)
Adjustments for prior years	(1,401)	396
Effect of different tax rates of group entities in the Group operating in other jurisdictions	(685)	10,478
Income tax expense (benefit) recognized in profit or loss	$ (144,751)	$ 5,186

The applicable tax rate used by subsidiaries in China is 25%. Under the "Criteria for Designation of High and New Technology Enterprise", a designated high and new technology enterprise is allowed a 15% income tax rate. Guangdong Dingfung Pulp & Paper Co., Ltd. had obtained its qualification certificates and have a tax incentive of 15% income tax rate. Under the "Preferential Income Tax Policies for Micro and Small Enterprises and Individual Industrial and Commercial Households", Zhaoging Xinchuan Green Technology Co., Ltd. has met its requirements, Zhaoqing Dingfung Forestry Ltd. and Guizhou Yuanfung Forestry Co., Ltd. are apply the tax-exempt tax rates. Tax rates used by other entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2023	**2022**
Deferred tax		
Remeasurement on defined benefit plan	$ 6,946	$ (11,690)

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2023

	Opening Balance	**Recognized in Profit or Loss**	**Recognized in Other Compre-hensive Income**	**Exchange Differences**	**Closing Balance**
Deferred tax assets					
Temporary differences					
Loss carryforwards	$ 81,628	$ 142,742	$ -	$ -	$ 224,370
Others	45,811	11,285	-	(40)	57,056
	$ 127,439	$ 154,027	$ -	$ (40)	$ 281,426

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Exchange Differences	Closing Balance
Deferred tax liabilities					
Temporary differences					
Land value increment tax	$ 1,924,940	$ -	$ -	$ -	$ 1,924,940
Defined benefit plan	73,214	4,071	(6,946)	-	70,339
Others	75,287	5,349	-	-	80,636
	$ 2,073,441	$ 9,420	$ (6,946)	$ -	$ 2,075,915

(Concluded)

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Exchange Differences	Closing Balance
Deferred tax assets					
Temporary differences					
Loss carryforwards	$ 99,155	$ (17,527)	$ -	$ -	$ 81,628
Others	28,686	16,920	-	205	45,811
	$ 127,841	$ (607)	$ -	$ 205	$ 127,439
Deferred tax liabilities					
Temporary differences					
Land value increment tax	$ 1,924,940	$ -	$ -	$ -	$ 1,924,940
Defined benefit plan	58,356	3,168	11,690	-	73,214
Others	76,787	(1,500)	-	-	75,287
	$ 2,060,083	$ 1,668	$ 11,690	$ -	$ 2,073,441

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

	December 31	
	2023	2022
Loss carryforwards		
Expiry in 2029	$ 178,148	$ 181,199
Expiry in 2030	370,478	376,821
Expiry in 2031	171,629	174,567
Expiry in 2033	59,650	-
Unlimited	23,450	14,301
	$ 803,355	$ 746,888

e. Loss carryforwards as of December 31, 2023 comprised:

The Company

Unused Amount	Expiry Year
$ 88,731	2029
319,406	2030
713,711	2033
$ 1,121,848	

Guangdong Dingfung Pulp & Paper Co., Ltd.

Unused Amount	Expiry Year
$ 178,148	2029
370,478	2030
171,629	2031
59,650	2033
$ 779,905	

Syntax Communication (H.K.) Limited.

Unused Amount	Expiry Year
$ 23,450	Unlimited

f. Deferred tax liabilities associated with investments

As of December 31, 2023 and 2022, the taxable temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognized were $652,253 thousand and $647,002 thousand, respectively.

g. Income tax assessments

	Latest Approved Year
The Company	2021
Hwa Fong Investments Co., Ltd.	2021
Genovella Renewables Inc.	2021

h. Pillar Two income taxes legislation

For the year ended December 2023, the Hong Kong government, where the Syntax Communication (H.K.) Limited is registered, Pillar Two legislation is enacted, which came into effect on January 1, 2025. Since this at the end of the reporting period not yet in effect, there is no relevant current tax impacts on the Group. The Group also continued to review the impact of the Pillar Two income taxes legislation on financial performance.

24. (LOSS) EARNINGS PER SHARE

	For the Year Ended December 31	
	2023	2022
Basic (loss) earnings per share	$ (0.53)	$ 0.41
Diluted earnings per share		$ 0.41

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

Net (loss) profit for the year:

	For the Year Ended December 31	
	2023	2022
(Loss) profit for the year attributable to owners of the Company	$ (573,395)	$ 445,934

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

	For the Year Ended December 31	
	2023	2022
Weighted average number of ordinary shares used in the computation of basic loss earnings per share	1,086,891	1,086,891
Effect of potentially dilutive ordinary shares:		
Compensation issued to employees		357
Weighted average number of ordinary shares used in the computation of diluted earnings per share		1,087,248

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

25. CAPITAL MANAGEMENT

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

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

26. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

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

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

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

December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	$ 6,469	$ -	$ -	$ 6,469
Derivative financial assets - foreign exchange forward contracts (not under hedge accounting)	-	55,322	-	55,322
	$ 6,469	$ 55,322	$ -	$ 61,791
Financial assets at FVTOCI				
Securities listed in the ROC	$ 2,473,475	$ -	$ -	$ 2,473,475
Domestic unlisted shares	-	-	161,006	161,006
	$ 2,473,475	$ -	$ 161,006	$ 2,634,481
Financial liabilities at FVTPL				
Derivative financial liabilities - foreign exchange forward contracts (not under hedge accounting)	$ -	$ 3,768	$ -	$ 3,768
Financial liabilities for hedging				
Derivative financial liabilities - foreign exchange forward contracts	$ -	$ 4,155	$ -	$ 4,155

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	$ 6,390	$ -	$ -	$ 6,390
Derivative financial assets - foreign exchange forward contracts (not under hedge accounting)	-	19,692	-	19,692
	$ 6,390	$ 19,692	$ -	$ 26,082
Financial assets at FVTOCI				
Securities listed in the ROC	$ 2,037,750	$ -	$ -	$ 2,037,750
Domestic unlisted shares	-	-	184,007	184,007
	$ 2,037,750	$ -	$ 184,007	$ 2,221,757
Financial liabilities at FVTPL				
Derivative financial liabilities - foreign exchange forward contracts (not under hedge accounting)	$ -	$ 9,005	$ -	$ 9,005

There were no transfers between Levels 1 and 2 for the years ended December 31, 2023 and 2022.

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

Financial Assets	Financial Assets of Equity Securities at FVTOCI
Balance at January 1, 2023	$ 184,007
Recognized in other comprehensive income	(23,001)
Balance at December 31, 2023	$ 161,006
Balance at January 1, 2022	$ 273,721
Recognized in other comprehensive income	(89,174)
Balance at December 31, 2022	$ 184,007

4) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivatives - foreign exchange forward contracts	Discounted cash flow. a) The average exchange rate (i.e., difference between the highest and the lowest exchange rates) of the counterparties' financial institutions in accordance with the Reuters quoting system, or b) The daily spot exchange rate quoted by financial institutions.

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

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

	December 31	
	2023	**2022**
Discount for lack of marketability	15%	15%

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

	December 31	
	2023	**2022**
Discount for lack of marketability		
2.5% increase	$ (4,735)	$ (5,412)
2.5% decrease	$ 4,735	$ 5,412

b. Categories of financial instruments

	December 31	
	2023	**2022**
Financial assets		
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	$ 61,791	$ 26,082
Financial assets at amortized cost (1)	4,663,211	5,215,236
Financial assets at FVTOCI	2,634,481	2,221,757
Financial liabilities		
Financial liabilities at FVTPL	3,768	9,005
Financial liabilities at amortized cost (2)	15,418,646	14,830,067
Financial liabilities for hedging	4,155	-

1) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable, notes and accounts receivable from related parties, other receivables from related parties, other receivables (accounted as other current assets), and refundable deposits (accounted as other non-current assets).

2) The balances include financial liabilities measured at amortized cost, which comprise short-term borrowings, short-term bills payable, notes and accounts payable, notes and accounts payable to related parties, other payables, other payables to related parties, long-term borrowings, and deposits received (accounted as other non-current liabilities).

c. Financial risk management objectives and policies

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

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

1) Market risk

a) Foreign currency risk

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

The Group used foreign exchange forward contracts to eliminate currency exposure. These foreign exchange forward contracts could reduce the influence of the exchange rate fluctuations on the Group's income.

Sensitivity analysis

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

The Group is mainly exposed to the USD, RMB and EUR.

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

	For the Year Ended December 31	
	2023	**2022**
Influence to profit or loss at 5% variance		
USD	$ 125,321	$ 67,788
RMB	130,902	80,430
EUR	10,996	539

b) Interest rate risk

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

	December 31	
	2023	**2022**
Fair value interest rate risk		
Financial assets	$ 898,704	$ 773,561
Financial liabilities	9,111,005	9,002,174
Cash flow interest rate risk		
Financial assets	403,977	638,773
Financial liabilities	3,305,705	2,640,000

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

Sensitivity analysis

For the Group's floating interest rate financial liabilities, if interest rates had been 0.1% higher/lower and all other variables were held constant, the Group's pre-tax (loss) profit for the years ended December 31, 2023 and 2022 would have decreased/increased as follows:

	For the Year Ended December 31	
	2023	**2022**
Other comprehensive income		
Increase/decrease	$ 2,902	$ 2,001

c) Other price risk

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

Sensitivity analysis

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

If equity prices had been 5% higher/lower, the Group's comprehensive (loss) income for the years ended December 31, 2023 and 2022 would have increased/decreased as follows:

	For the Year Ended December 31	
	2023	**2022**
(Loss) profit before tax		
Increase/decrease	$ 323	$ 320
Other comprehensive (loss) income		
Increase/decrease	131,724	111,088

2) Credit risk

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

The Group's concentration of credit risk of 8% and 9% of total amounts of trade receivables as of December 31, 2023 and 2022, respectively, were attributable to the Group's largest customer.

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

3) Liquidity risk

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

As of December 31, 2023 and 2022, the Group's unused financing facilities were $10,098,733 thousand and $10,471,950 thousand, respectively.

d. Transfers of financial assets

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

	For the Year Ended December 31	
	2023	**2022**
The discounted amount	$ 99,161	$ 42,050
The received amount	$ 98,550	$ 41,868
Interest rates	0.97%-1.90%	1.58%1.69%

27. TRANSACTIONS WITH RELATED PARTIES

The Company's parent is YFY Inc. Company, which held 57.8% of the ordinary shares of the Company as of December 31, 2023 and 2022.

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

a. Related party name and category

Related Party Name	Related Party Category
YFY Consumer Products Co., Ltd.	Fellow subsidiary
YFY Packaging Inc.	Fellow subsidiary
Yuen Foong Yu Paper MFG (Yangzhou) Co., Ltd.	Fellow subsidiary
YFY Family Care (Kunshan) Co., Ltd.	Fellow subsidiary
YFY Family Paper (Beijing) Co., Ltd.	Fellow subsidiary
YFY Development Corp. (formerly as YFY Capital Co., Ltd.)	Fellow subsidiary
Union Paper Corp.	Fellow subsidiary
Shin Foong Specialty & Applied Materials Co., Ltd.	Fellow subsidiary
YFY Japan Co., Ltd.	Fellow subsidiary
YFY Investment Co., Ltd.	Fellow subsidiary
China Color Printing Co., Ltd.	Fellow subsidiary
Cupid InfoTech Co., Ltd.	Fellow subsidiary
Ever Growing Agriculture Biotech Co., Ltd.	Fellow subsidiary
Arizon RFID Technology (Hong Kong) Co., Ltd., Taiwan Branch	Fellow subsidiary
Yuen Foong Yu Consumer Products (Yangzhou) Co., Ltd.	Fellow subsidiary
Sustainable Carbohydrate Innovation Co., Ltd.	Fellow subsidiary
MOBIUS 105 LIMITED	Fellow subsidiary
YFY Holding Management Co., Ltd.	Fellow subsidiary
Yuen Foong Shop Co., Ltd.	Fellow subsidiary
Ensilience Co., Ltd.	Fellow subsidiary
Hwa Fong Paper (Hong Kong) Co., Ltd.	Fellow subsidiary
YFY Biotechnology Co., Ltd.	Parent's associates
E Ink Holdings Inc.	Parent's associates
Shin-Yi Foundation	Substantial related party
Shin-Yi Enterprise Co., Ltd.	Substantial related party
Beautone Co., Ltd.	Substantial related party
Yuen Foong Paper Co., Ltd.	Substantial related party
SinoPac Securities Co., Ltd.	Substantial related party

b. Sales of goods

	For the Year Ended December 31	
Related Party Type	**2023**	**2022**
Fellow subsidiaries	$ 2,130,006	$ 3,155,221
Substantial related parties	159,747	178,754
Parent's associates	1,442	4
Parent company	38	33
	$ 2,291,233	$ 3,334,012

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

c. Purchases of goods

Related Party Type	For the Year Ended December 31 2023	2022
Fellow subsidiaries	$ 1,096,447	$ 1,400,363
Substantial related parties	857	1,575
Parent's associates	94	659
	$ 1,097,398	$ 1,402,597

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

d. Notes and accounts receivable from related parties

Related Party Type	December 31 2023	2022
Fellow subsidiaries		
YFY Consumer Products Co., Ltd	$ 110,473	$ 225,491
Union Paper Corp.	67,509	49,692
YFY Development Corp.	41,881	36,813
YFY Investment Co., Ltd.	-	108,095
Others	31,294	28,486
	251,157	448,577
Substantial related parties	57,816	34,071
Parent's associates	8	1
Parent company	4	-
	$ 308,985	$ 482,649

The outstanding accounts receivable from related parties are unsecured. No bad debt was recognized for the years ended December 31, 2023 and 2022 for allowance of impaired accounts receivable from related parties.

e. Notes and accounts payable to related parties

Related Party Type	December 31 2023	2022
Fellow subsidiaries		
Shin Foong Specialty & Applied Materials Co., Ltd.	$ 108,949	$ 105,399
YFY Packaging Inc.	96,308	74,808
YFY Development Corp.	33,379	42,401
Others	36,378	27,368
	275,014	249,976
Substantial related parties	1,102	1,036
Parent's associates	-	191
	$ 276,116	$ 251,203

The outstanding accounts payable to related parties are unsecured.

f. Loan to related parties (interest receivable included)

Related Party Type	December 31 2023	December 31 2022
Fellow subsidiaries		
Yuen Foong Yu Paper MFG (Yangzhou) Co., Ltd.	$ -	$ 6,255

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

For the years ended December 31, 2023 and 2022, the interest income from the loans to related parties amounted to $364 thousand and $4,079 thousand, respectively.

g. Acquisitions of property, plant and equipment

	Purchase Price	
	For the Year Ended December 31	
Related Party Type	2023	2022
Fellow subsidiary	$ 431	$ 597

h. Proceeds from disposal of property, plant and equipment

	Consideration Received	
	For the Year Ended December 31	
Related Party Type	2023	2022
Fellow subsidiaries	$ -	$ 13

i. Lease arrangements

	For the Year Ended December 31	
Related Party Type	2023	2022
Lease liabilities		
Parent company	$ -	$ 4,877
Interest expense		
Parent company	$ 32	$ 91
Lease expense		
Parent company	$ 11,028	$ 11,028
Substantial related parties	7,121	7,065
	$ 18,149	$ 18,093

j. Other transactions with related parties

Related Party Type	Rental Income (Accounted as Other Income) For the Year Ended December 31 2023	2022
Parent's associates	$ 15,462	$ 5,799
Fellow subsidiaries	1,674	1,429
Parent company	114	114
	$ 17,250	$ 7,342

Related Party Type	Other Operating Expense For the Year Ended December 31 2023	2022
Fellow subsidiaries	$ 45,003	$ 45,364

Related Party Type	Management Fee (Accounted as Operating Expenses) For the Year Ended December 31 2023	2022
Fellow subsidiaries	$ 88,843	$ 91,713
Parent's associates	3,735	-
	$ 92,578	$ 91,713

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

k. Acquisition of financial assets

For the year ended December 31, 2023

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

l. Disposal of financial assets

Related Party Type/Name	Account Classification	Number of Shares Traded	Object of Transaction	Proceeds from Transactions
YFY Inc.	Investments accounted for using the equity method	35,000,000	Equity of Effion Enertech Co., Ltd.	$ 258,673

Refer to Note 15 for information relating to proceeds from financial assets.

m. Compensation of key management personnel

	For the Year Ended December 31	
	2023	2022
Salaries and benefits	$ 25,549	$ 30,130
Executive fees	2,720	2,977
	$ 28,269	$ 33,107

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

28. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

As of December 31, 2023 and 2022, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately $243,529 thousand and $423,309 thousand, respectively.

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

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

	December 31, 2023		
	Foreign Currency (In Thousands)	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 55,034	30.705	$ 1,689,819
RMB	524,137	4.335	2,272,134
EUR	10,571	33.98	359,203
Non-monetary items			
Derivative instruments			
USD	56,700	30.705	1,740,974
RMB	80,000	4.335	346,800
Financial liabilities			
Monetary items			
USD	21,605	30.705	663,382
RMB	207	4.335	897
EUR	99	33.98	3,364
Non-monetary items			
Derivative instruments			
USD	8,500	30.705	260,993
EUR	4,000	33.98	135,920

	December 31, 2022		
	Foreign Currency (In Thousands)	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 81,777	30.71	$ 2,511,372
RMB	412,809	4.409	1,820,257
EUR	12,279	32.72	401,769
Non-monetary items			
Derivative instruments			
USD	32,000	30.71	982,720
Financial liabilities			
Monetary items			
USD	23,930	30.71	734,890
Non-monetary items			
Derivative instruments			
USD	45,700	30.71	1,403,447
RMB	48,000	4.409	211,632
EUR	11,000	32.72	359,920

For the years ended December 31, 2023 and 2022, realized and unrealized foreign exchange gains were $3,825 thousand and $83,837 thousand, respectively. It is impractical to disclose net foreign exchange gains or losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities in the Group.

30. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others (Table 1)

2) Endorsements/guarantees provided (Table 2)

3) Marketable securities held (Table 3)

4) Marketable securities acquired or disposed at costs or prices at least NT$300 million or 20% of the paid-in capital (None)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital (None)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 4)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 5)

9) Trading in derivative instruments (Notes 7 and 9)

10) Intercompany relationships and significant intercompany transactions (Table 8)

11) Information on investees (Table 6)

b. Information on investments in mainland China:

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 7)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period (Table 4)

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period (Tables 4 and 8)

c) The amount of property transactions and the amount of the resultant gains or losses (None)

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes (Table 2)

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to the financing of funds (Table 1)

f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services (None)

c. Information of major shareholders: List all shareholders with ownership of 5% or greater, showing the name of the shares owned, and percentage of ownership of each shareholder (Table 9)

31. SEGMENT INFORMATION

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

	Business Unit of Pulp and Fine Paper	Business Unit of Forestry	Other Segment	Adjustment and Elimination	Total
For the year ended December 31, 2023					
Revenue from external customers	$ 20,742,377	$ 80,182	$ 132,892	$ -	$ 20,955,451
Revenue from other internal operating segments	$ 1,794,108	$ 307,748	$ 47,746	$ (2,149,602)	$ -
Segment profit or loss	$ (608,296)	$ 52,700	$ 1,099	$ -	$ (554,497)

(Continued)

	Business Unit of Pulp and Fine Paper	Business Unit of Forestry	Other Segment	Adjustment and Elimination	Total
For the year ended December 31, 2022					
Revenue from external customers	$ 23,416,258	$ 100,600	$ 134,271	$ -	$ 23,651,129
Revenue from other internal operating segments	$ 1,323,481	$ 511,771	$ 46,289	$ (1,881,541)	$ -
Segment profit or loss	$ 475,605	$ 40,333	$ 23,753	$ -	$ 539,691

(Concluded)

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

a. Pulp and fine paper segment

   Manufacture and sale of cardboard, paper and pulp.

b. Forestry segment

   Seedling cultivation and reforestation.

The accounting policies of each segment are the same as those accounting policies stated in Note 4. The performance of segments is measured by income after tax.

Revenue and profit between segments have been adjusted; these adjustments include the elimination of inter-segment transactions to reconcile the segment information with that reported for the Group as a whole.

Geographical Information

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

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

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2023	2022	2023	2022
Taiwan	$ 16,732,389	$ 19,055,730	$ 14,590,872	$ 14,996,098
Mainland China	4,223,062	4,595,399	2,542,915	2,619,411
	$ 20,955,451	$ 23,651,129	$ 17,133,787	$ 17,615,509

Information about Major Customers

No other single customers contributed 10% or more to the Group's revenue for both 2023 and 2022.

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period (Foreign Currencies in Thousands) (Notes 2 and 4)	Ending Balance (Foreign Currencies in Thousands) (Notes 2 and 4)	Actual Borrowing Amount (Foreign Currencies in Thousands) (Note 4)	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Foreign Currencies in Thousands) (Notes 3 and 4)	Aggregate Financing Limit (Foreign Currencies in Thousands) (Notes 3 and 4)	Note
													Item	Value			
1	Guangdong Dingfung Pulp & Paper Co., Ltd.	Yuen Foong Yu Paper MFG (Yangzhou) Co., Ltd	Other receivables from related parties	Yes	$ 452,364 (RMB 104,346)	$ - -	$ - -	-	Short-term financing	$ -	Operating capital	$ -	-	-	$ 463,328 (RMB 106,876)	$ 1,853,311 (RMB 427,502)	
		YFY Packaging (Yangzhou) Inc.	Other receivables from related parties	Yes	452,364 (RMB 104,346)	- -	- -	-	Short-term financing	-	Operating capital	-	-	-	463,328 (RMB 106,876)	1,853,311 (RMB 427,502)	
2	CHP International (BVI) Corporation	Zhaoqing Dingfung Forestry Ltd.	Other receivables from related parties	Yes	134,001 (US$ 4,364)	127,889 (US$ 4,165)	127,889 (US$ 4,165)	2.5	Short-term financing	-	Operating capital	-	-	-	2,094,768 (US$ 68,222)	2,094,768 (US$ 68,222)	Note 5
		Shenzhen Jinglun Paper Co., Ltd.	Long-term receivables from related parties	Yes	186,597 (US$ 6,077)	78,034 (US$ 2,541)	78,034 (US$ 2,541)	2.5	Short-term financing	-	Operating capital	-	-	-	2,094,768 (US$ 68,222)	2,094,768 (US$ 68,222)	Note 5
		Shenzhen Jinglun Paper Co., Ltd.	Other receivables from related parties		108,416 (RMB 3,531)	104,045 (RMB 3,389)	104,045 (RMB 3,389)	2.5	Short-term financing	-	Operating capital	-	-	-	2,094,768 (US$ 68,222)	2,094,768 (US$ 68,222)	Note 5
		Guangdong Dingfung Pulp & Paper Co., Ltd.	Other receivables from related parties	Yes	894,433 (RMB 29,130)	858,372 (RMB 27,955)	858,372 (RMB 27,955)	2.5	Short-term financing	-	Operating capital	-	-	-	2,094,768 (US$ 68,222)	2,094,768 (US$ 68,222)	Note 5
3	Shenzhen Jinglun Paper Co., Ltd.	Yuen Foong Yu Paper MFG (Yangzhou) Co., Ltd	Other receivables from related parties	Yes	13,453 (RMB 3,103)	- -	- -	-	Short-term financing	-	Operating capital	-	-	-	13,531 (RMB 3,121)	54,124 (RMB 12,485)	
		YFY Packaging (Yangzhou) Inc.	Other receivables from related parties	Yes	13,453 (RMB 3,103)	- -	- -	-	Short-term financing	-	Operating capital	-	-	-	13,531 (RMB 3,121)	54,124 (RMB 12,485)	

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

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

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

Note 3: a. Limitation of financing provided to Guangdong Dingfung Pulp & Paper Co., Ltd:

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

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

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

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

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

d. The participants of cash pooling share the quota as the end of the period balance. The end of the period balance has been repetitively calculated due to the arrangement of cash pooling, but the Company has not reached the quota of cash pooling.

Note 4: The exchange rates are US$1=NT$30.705 or RMB1=NT$4.335211 as of December 31, 2023.

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

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period (Foreign Currencies in Thousands) (Note 4)	Outstanding Endorsement/ Guarantee at the End of the Period (Foreign Currencies in Thousands) (Note 5)	Actual Borrowing Amount (Note 6)	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries (Note 7)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent (Note 7)	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China (Note 7)
		Name	Relationship (Note 2)										
0	Chung Hwa Pulp Corporation	CHP International (BVI) Corporation	b.	$ 22,477,089	$ 745,775 (US$ 24,288)	$ 706,215 (US$ 23,000)	$ 27,635	$ -	4.71	$ 29,969,452	Note 8	N	N
		Hwa Fong Investment Ind. Co., Ltd.	b.	22,477,089	130,000	130,000	70,500	-	0.87	29,969,452	Note 8	N	N

Note 1: The number column is illustrated as follows:

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

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

a. The companies with which it has business relations.
b. Subsidiaries in which it holds more than 50% of its total outstanding ordinary shares.
c. Companies in which it holds more than 50% of its total outstanding ordinary shares.
d. Companies in which it holds more than 90% of its total outstanding ordinary shares.
e. Companies in same type of business and providing mutual endorsements/guarantees in favor of each other in accordance with the contractual obligations in order to fulfill the needs of the construction project.
f. Shareholders making endorsements/guarantees for their mutually invested companies in proportion to their shareholding percentages.
g. Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: The limit on endorsement/guarantee given on behalf of Chung Hwa Pulp Corporation to a single entity is 150% of the net equity of the latest consolidated financial statements issued by CPA. The limit on endorsement/guarantee is 200% of the net equity of the latest consolidated financial statements issued by CPA.

Note 4: The balance is the maximum amount endorsed/guaranteed to others during the period.

Note 5: The balance is the amount approved by the board of directors. If the chairman is authorized by the board of directors to make the endorsement/guarantee decisions based on the guidelines for lending of capital, endorsements and guarantees by Public Companies Art. 12.8, the balance is the amount approved by the chairman.

Note 6: The balance is the actual borrowing amount determined by the endorsee/guarantee within the limit.

Note 7: Endorsement/guarantee given by parent on behalf of subsidiaries, endorsement/guarantee given by subsidiaries on behalf of parent, and endorsement/guarantee given on behalf of companies in mainland China should be Y.

Note 8: The endorsee and guarantee jointly issued promissory notes in consideration of the line of credit of financial institutions.

TABLE 3

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2023			
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value (Note 1)
Chung Hwa Pulp Corporation	Ordinary shares						
	SinoPac Holdings Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	108,368,224	$ 2,134,854	0.9	$ 2,134,854
	NTU Innovation & Incubation Co., Ltd.	The investor is the member of the investee's board of directors.	Financial assets at fair value through profit or loss - non-current	800,000	-	6.3	-
	Groundhog Technologies Inc.	-	Financial assets at fair value through profit or loss - non-current	275,000	-	1.0	-
	KHL IB Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	16,415,242	161,003	14.9	161,003
	Direct Insight Inc.		Financial assets at fair value through other comprehensive income - non-current	286,200	3	0.9	3
	TaiGen Biopharmaceuticals Holdings Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	17,829,132	271,003	2.5	271,003
	Medeon Biodesign, Inc.	-	Financial assets at fair value through other comprehensive income - non-current	407,550	19,012	0.4	19,012
Hwa Fong Investment Co., Ltd.	Ordinary shares						
	Caihui Technology Co., Ltd.	-	Financial assets at fair value through profit or loss - non-current	150,000	-	0.2	-
	SinoPac Holdings Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	2,467,287	48,606	-	48,606
Genovella Renewables Inc.	Mutual fund						
	SinoPac TWD Money Market Fund	-	Financial assets at fair value through profit or loss - current	452,369	6,469	-	6,469

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

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

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Buyer/Seller	Related Party	Relationship (Note 1)	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)	
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total
Chung Hwa Pulp Corporation	YFY Development (Note 2)	a.	Sale	$ (627,247)	(3)	0.5 month after transaction month	$ -	-	$ 41,881	1
	Shenzhen Jinglun Paper Co., Ltd.	b.	Sale	(1,776,651) (Note 2)	(10)	5 months after transaction month	-	-	996,454 (Note 2)	32
	YFY Consumer Products Co., Ltd.	a.	Sale	(536,842)	(3)	2 months after transaction month	-	-	110,473	4
	YFY Packaging Inc.	a.	Purchase	383,830	2	2 months after transaction month	-	-	(96,308)	(6)
	Union Paper Corp.	a.	Sale	(734,996)	(4)	1 month after transaction month	-	-	67,509	2
	Union Paper Corp.	a.	Purchase	126,885	1	1 month after transaction month	-	-	(18,573)	(1)
	Yuen Foong Paper Co., Ltd.	c.	Sale	(160,011)	(1)	1 month after transaction month	-	-	57,756	2
	YFY Japan Co., Ltd.	a.	Purchase	319,998	2	In agreed terms	-	-	-	-
	Shin Foong Specialty and Applied Materials Co., Ltd.	a.	Purchase	221,734	1	4 months after transaction month	-	-	(108,949)	(7)
Guangdong Dingfung Pulp & Paper Co., Ltd.	Zhaoqing Dingfung Forestry Ltd.	b.	Purchase	307,748 (Note 2)	13	2 months after transaction month	-	-	(104,166) (Note 2)	(37)
Zhaoqing Dingfung Forestry Ltd.	Guangdong Dingfung Pulp & Paper Co., Ltd.	b.	Sale	(307,748) (Note 2)	(79)	2 months after transaction month	-	-	104,166 (Note 2)	100
Shenzhen Jinglun Paper Co., Ltd.	Chung Hwa Pulp Corporation	b.	Purchase	1,776,651 (Note 2)	100	5 months after transaction month	-	-	(996,454) (Note 2)	(100)

Note 1: a. Fellow subsidiary.
b. Parent company and subsidiary.
c. Related party in substance.

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

TABLE 5

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Chung Hwa Pulp Corporation	Shenzhen Jinglun Paper Co., Ltd.	Parent company and subsidiary	$ 996,454 (Note)	2.05	$ -	-	$ 208,814	$ -
	Yuen Foong Yu Consumer Products Co., Ltd.	Fellow subsidiaries	110,473	3.20	-	-	85,461	-
Zhaoqing Dingfund forestry Ltd.	Guandong Difung Pulp & Paper Co., Ltd.	Parent company and subsidiary	104,166 (Note)	2.98	-	-	104,166	-

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

TABLE 6

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of December 31, 2023			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2023	December 31, 2022	Number of Shares	%	Carrying Amount			
Chung Hwa Pulp Corporation	CHP International (BVI) Corporation	British Virgin Island	Investment and holding	$ 1,747,085	$ 1,747,085	61,039,956	100.0	$ 5,308,450	$ 123,619	$ 128,617	a.
	E Ink Holdings Inc.	Hsinchu, Taiwan	To research, develop, produce and sale of thin-film transistor liquid crystal display	329,000	329,000	20,000,000	1.8	762,120	7,814,326	137,032	b.
	Hwa Fong Investment Co., Ltd.	Taipei, Taiwan	Investment and holding	36,000	36,000	6,600,000	100.0	113,244	9,025	9,025	a.
Hwa Fong Investment Co., Ltd.	Genovella Renewables Inc.	Hualien, Taiwan	Fertilizer production, sale of fertilizer, retail sale of food products and groceries, special crop and edible fungus cultivation, refractory materials manufacturing, cement and concrete products manufacturing, ready-mixed concrete manufacturing, refractory materials wholesale and sale of building material	5,000	5,000	-	100.0	25,221	3,426	3,426	b.
	Union Paper Corp	Yunlin, Taiwan	Pulp manufacturing, processing and sales business	63,571	55,659	9,027,682	8.7	109,495	(8,220)	(566)	b.
CHP International (BVI) Corporation	Syntax Communication (H.K.) Limited	Hong Kong	Sale and print of paper merchandise	US$ 466 thousand	US$ 466 thousand	34,000,000	100.0	6,005	(2,408)	(2,408)	a.

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

TABLE 7

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1.

Investee Company	Main Businesses and Products	Paid-in Capital (Foreign Currencies in Thousand) (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023 (Foreign Currencies in Thousand) (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022 (Foreign Currencies in Thousand) (Note 1)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2023	Accumulated Repatriation of Investment Income as of December 31, 2023
					Outward	Inward						
Guangdong Dingfung Pulp & Paper Co., Ltd.	Pulp and paper production, trading and forestry business	$ 2,629,269 (US$ 85,630) (Note 3)	Investment in mainland China through companies set up in another country	$ 405,306 (US$ 13,200)	$ -	$ -	$ 405,306 (US$ 13,200)	$ 29,470 (Note 2,b.)	60.0	$ 17,682 (Note 2,b.)	$ 2,795,316	$ -
Shenzhen Jinglun Paper Co., Ltd.	Sale of paper merchandise and import/export business	13,873 (RMB 3,200)	(Note 5)	-	-	-	(Note 5)	(3,639) (Note 2,b.)	100.0	(31,639) (Note 2,b.)	104,306	-
Zhaoqing Dingfung Forestry Ltd.	Export factoring, domestic factoring, business factoring and related consulting services, develop credit risk management platform	671,825 (US$ 21,880)	Investment in mainland China through companies set up in another country	135,962 (US$ 4,428)	-	-	135,962 (US$ 4,428)	52,700 (Note 2,b.)	(Note 4)	45,590 (Note 2,b.)	2,613,847	-
Zhaoqing Xinchuan Green Technology Co., Ltd.	Environmental equipment technology research and development; construction of wastewater, flue gas, noise and solid waste treatment; pure water treatment construction; environmental technology consulting; sale of environmental protection equipment and chemical raw material; import and export of cargo and technology	8,670 (RMB 2,000)	(Note 5)	-	-	-	(Note 5)	4,343 (Note 2,b.)	100.0	4,343 (Note 2,b.)	20,021	-
Guizhou Yuanfung Forestry Co., Ltd.	Export factoring, domestic factoring, business factoring and related consulting services, develop credit risk management platform	143,062 (RMB 33,000)	(Note 6)	-	-	-	(Note 6)	- (Note 2,b.)	67.0	- (Note 2,b.)	95,852	-

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$541,271 (Note 1)	$1,308,218 (Note 1)	$9,099,291

Note 1: The exchange rates are US$1=NT$30.705 or RMB1=NT$4.335211 as of December 31, 2023.

Note 2: The recognition basis for investment gain (loss) are as follows:

a. Financial statements audited by an international CPA firm with the cooperation of the ROC CPA firm.
b. Financial statements audited by the ROC CPA firm.
c. Others.

Note 3: Guangdong Dingfung Pulp & Paper Co., Ltd. increased its capital by retained earnings in an amount of US$41,630 thousand from 2004 to 2007, and increased its capital by retained earnings from 2007 and 2008 in an amount of US$22,000 thousand in July 2015. The paid-in-capital after the capital increase was US$85,630 thousand.

Note 4: Ownership percentages of investment for CHP International (BVI) Corporation and Guangdong Dingfung Pulp & Paper Co., Ltd. are 20.2% and 66.3%, respectively.

Note 5: Investment in mainland China through companies is set up in another country. The direct investor is Guangdong Dingfung Pulp & Paper Co., Ltd.

Note 6: Investment in mainland China through companies is set up in another country. The direct investor is Zhaoqing Dingfung Forestry Ltd.

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

CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)

No.	Investee Company	Counterparty	Relationship	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets
1	Chung Hwa Pulp Corporation	Shenzhen Jinglun Paper Co., Ltd.	Subsidiary	Accounts receivable Sales	$ 996,454 1,776,651	5 months after transaction month By market price	3 8
2	Zhaoqing Dingfung Forestry Ltd.	Guangdong Dingfung Pulp & Paper Co., Ltd.	Fellow subsidiary	Accounts receivable Sales	104,166 307,748	2 months after transaction month By market price	- 1

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

TABLE 9

CHUNG HWA PULP CORPORATION

INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2023

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

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