中華紙漿股份有限公司
Chung Hwa Pulp Corporation

# 2023 ANNUAL REPORT

STOCK CODE **1905**
CHP annual report is available at **MOPS.TWSE.COM.TW**
Company website is **WWW.CHP.COM.TW**


Publishing Date: April 30, 2024

## 1. Spokesperson and Acting spokesperson

| Name | Title | Telephone | E-mail |
|---|---|---|---|
| Spokesperson<br>Ray Chen | President | +886-2-2396-2998 | IR.CHP@yfy.com |
| Acting spokesperson<br>David Lin | Manager | +886-2-2396-2998 | IR.CHP@yfy.com |

## 2. Headquarters, Branch office & Mill

| | | |
|---|---|---|
| Headquarters | No.100, Guanghua St., Ji'an Township, Hualien County | TEL：+886-3-842-1458 |
| Taipei Office | 12F., No.51, Sec.2, Chungching South Rd. Taipei | TEL：+886-2-2396-2998 |
| Taipei Branch | 12F., No.51, Sec.2, Chungching South Rd. Taipei | TEL：+886-2-2396-2998 |
| Taichung Branch | 5F., No.188, Zhonggong 2nd Rd., Xitun Dist., Taichung City | TEL：+886-4-2359-2457 |
| Tainan Branch | 2F., No. 27, Xin'ai Rd., South Dist., Tainan City | TEL：+886-6-297-3833 |
| Hualien Mill | No.100, Guanghua St., Ji'an Township, Hualien County | TEL：+886-3-842-1458 |
| Jiutang Mill | No.112, Jiutang Rd., Dashu Dist., Kaohsiung City | TEL：+886-7-652-0024 |
| Taitung Mill | No.371, Sec. 4, Zhongxing Rd., Taitung City, Taitung County | TEL：+886-89-382-255 |
| Guanyin Mill | No. 16, Guorui Rd., Guanyin Dist., Taoyuan City | TEL：+886-3-272-9888 |
| DingFung Mill | Shouyue, Nanjie, Guangning County, Zhaoqing City, Guangdong Province | TEL：+86-758-865-9000 |

## 3. Stock Administration

Name: SinoPac Securities – Share Registration Services Department

Address: 3F, No. 17, Boai Road, Taipei, Taiwan

Website: www.sinotrade.com.tw

Tel: +886-2-2381-6288

## 4. Auditors

Auditors: Shu-Wan Lin and Hui-Min Huang

Accounting Firm: Deloitte and Touche Taiwan

Address: 11073 20F, No.100, Songren Rd., Taipei, Taiwan

Website: www.deloitte.com.tw

Tel: +886-2-2725-9988

## 5. Overseas Securities Exchange: None

## 6. Company Website: www.chp.com.tw

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

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

***Notice to readers***

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

# Contents

## Letter to Shareholders

Dear Shareholders, Ladies and Gentlemen,

Manufacturing activities have slowed in several countries due to weakened demand for end products, resulting from factors such as high interest rates, high inflation, and weaker-than-expected post-pandemic economic performance in China in 2023. At the same time, the US has expanded its chip ban against China, and the conflict between Russia and Ukraine, as well as the Israeli-Palestinian conflict, continues. The global geopolitical landscape is trending towards group confrontation, impacting global economic development and social stability. In 2024, global merchandise trade is expected to trend towards recovery. Regardless of how fast that happens, Taiwan's foreign trade performance is expected to gradually stabilize. According to the Taiwan Institute of Economic Research's latest forecast released in November 2023, the GDP growth rate in 2024 is 3.15%, which is 1.72 percentage points higher than the updated 1.43% for 2023.

Looking back at the raw material supply situation for the global pulp and paper industry in 2023, the use of wood chips for green energy continues to grow. Due to the ongoing conflict between Russia and Ukraine, the global supply and demand for wood chips remains tight, as Russia, a major exporter of wood chips, faces many challenges. Global pulp prices plunged by US$250 in two months in the second quarter, while wood chip prices remained high, leading to a substantial decline in the pulp and paper industry's overall revenue. The international recycled paper market is relatively stable compared to virgin pulp. The quotations for AOCC remained stable in the first half of 2023, fluctuating between US$165 and US$170 per metric ton. However, in the second half of the same year, the quotations rose to more than US$200 per metric ton but dropped back down to US$170 to US$180 per metric ton due to the absence of favorable factors.

The above raw material supply situation shows that raw materials with natural fiber characteristics are still becoming more precious in the worldwide supply chain. Although demand might fluctuate sharply in the short term, the long-term uptrend won't change easily. Due to the volatile international situation and the availability of raw materials, CHP immediately modified its supply chain by establishing a diversified supply source strategy and building a robust supply chain network to reduce dependence on a single supplier. CHP also maintains adequate inventory reserves to cope with supply disruptions or raw material price fluctuations. At the same time, CHP has improved supply chain visibility, transparency, and immediacy. CHP focuses on both short-term emergency measures and long-term strategies, including establishing cross-domain supply chains to cope with changes in the long run. Last, CHP has strengthened its collaboration with suppliers and partners and created an open and reliable communication channel to promote effective and collaborative response times in crises. These efforts have resulted in relatively stable operations for CHP, even in unfavorable circumstances.

CHP's consolidated operating income for 2023 amounted to approximately NT$20.96 billion, a decrease of about NT$2.69 billion from NT$23.65 billion in 2023. The net loss after tax attributable to the Company in 2023 is approximately NT$570 million. The Company produced 368,660 metric tons of pulp in 2023. In addition to 231,677 metric tons for Company use, export pulp sales were 140,892 metric tons. Paper production was 383,800 metric tons. Domestic paper sales was 177,127 metric tons and export sales was 229,041, totaling 406,168 metric tons. Cardboard production was 116,618 metric tons. Domestic cardboard sales was 115,877 metric tons and export sales was 28,956, totaling 144,833 metric tons.

In the year 2024, CHP will focus on creating circular products. They will offer a new and improved kraft paper tape made of recyclable fibers that can be recycled alongside paper cartons after use. This tape can be used for shipping packages and sealing boxes, providing an eco-friendly packaging alternative for the booming e-commerce industry. Moreover, CHP will promote this product worldwide. CHP not only focuses on creating eco-friendly products but has also established the most powerful biomass power generation system in Taiwan at its Hualien mill. CHP has obtained green certificates and the mill can produce 150 million kilowatt-hours worth of green certificates annually. CHP will continuously expand its range of renewable energy sources and has implemented smart energy management models to enhance energy efficiency. The Company aims to achieve energy independence and keep pace with the green energy trend. The ultimate goals are corporate net zero, sustainability, and carbon neutrality.

For smart manufacturing, CHP will increase efforts in promoting digitalization and utilizing AI in papermaking. CHP's Jiutang mill's Automatic Virtual Metrology (AVM) system for advancing papermaking monitoring performance won the Model Large Enterprise of Smart Manufacturing Award and the ESG Special Award at the third Digital Transformation Ding Ge Awards organized by Harvard Business Review. CHP plans to replicate this smart manufacturing system to other mills to enhance papermaking efficiency and optimize paper product quality, enabling quality control to evolve from traditional offline management to online real-time management. This breakthrough is essential to bringing AI into Manufacturing 4.1.

Sustained development has always been the core value of CHP's business. With 3R (Recycle/Reclaim/Regenerate) as the core strategy, CHP actively achieved consistent forest, pulp, and paper production and built a comprehensive, sustained circular management system. In 2023, CHP participated in RE100, the global renewable energy initiative led by The Climate Group and CDP, demonstrating its commitment to sustainable development. CHP aims to achieve RE100, 100% renewable energy use, in stages by 2040. CHP will also extend this philosophy to the special materials industry to effect a new circular economy blueprint one step at a time. Looking to the future, CHP is committed to the principle of robust operations, becoming green, and achieving the three main goals of green energy, manufacturing, and products. CHP is relentless in achieving comprehensive and sustainable development.

Best regards,

Chairperson Kirk Hwang

## Corporate Overview

### 2.1 Date of Incorporation

July 5th 1968

### 2.2 Company History

**1968** Officially established the Company; initiated the construction for the Hualien mill.

**1970** Started production at the Hualien mill.

**1975** The company's stock were listed

**1976** Founded the invested company, PT Indah Kiat. Pulp & Paper.

**1978** The production capacity of the Hualien mill was expanded to 120,000 tons of bleach pulp annually. It was officially put in production in 1980.

**1990** Founded CHP International (BVI) Corporation.

**1994** Founded Hwa Fong Investment Co., Ltd.

**1996** Certified by ISO 9002, an international quality assurance certification.

**2000** Invested in Guangdong Dingfung Plup & Paper Co., Ltd.

**2000** Certified by ISO 14001, an international quality assurance certification.

**2006** Founded Zhaoqing Dingfung Forestry Co., Ltd. in Guangdong Province, China.

**2008** Invested in EFFION Enertech Co., Ltd.

**2009** Received the FSC-CoC certification for the cultural paper.

**2010** Received the PEFC-CoC certification for the kraft hardwood bleached pulp and cultural paper.

**2010** The Company's shares were fully converted into non-physical securities.

**2010** Obtained Paper Star Carbon Footprint Certificate for printing paper.

**2012** The Shareholders' Meeting passed the decision to take over the paper and paperboard division of YFY Paper MFG. Co., Ltd. through demerger.

**2013** The Director and Supervisor elections adopted the candidate nomination system and set up two seats for Independent Directors.

**2014** The Taipei Office was relocated from the Tai Tsi Building to the YFY Hsin-Yi Building.

**2014** The Guangdong Dingfung Pulp & Paper Co., Ltd. expanded the production line of household paper to 50,000 tons a year. It was put into production at the end of September, 2016.

**2015** The Shareholders' Meeting passed the cash capital reduction of NT$1.2 billion. The procedures were completed by October 2015, and the Company was re-listed for trading.

**2016** The Company re-elected the 17th Board of Directors and Independent

Directors, and set up the first Audit Committee to enter a new era of corporate governance.

**2017** The forestry land of a subsidiary, Zhaoqing Dingfung Forestry Co., Ltd., officially passed the SGS certification in China and obtained the FM/CoC certificate from the FSC (Forest Stewardship Council).

**2018** Guangdong Dingfung Pulp & Paper Co., Ltd. received Shenzhen Jinglun Paper Co., Ltd.. The non-fluorescent process was applied for all products.

**2018** The Company successfully developed the Easy Straw Paper and non-fluorescent cultural paper.

**2019** CHP INTERNATIONAL (BVI) CORPORATION sferred to Syntax Communication (H.K.) Ltd.

**2019** Subsidiary Guangdong Dingfung Pulp & Paper Co., Ltd. established Zhaoqing Xinchuan Green Technology Co., Ltd. to develop environmentally friendly processing technology for process waste.

**2020** The Board of Directors approved an investment of NT$2 billion to purchase a mill in the Taoyuan Guanyin industrial zone to build a development base for non-plastic materials.

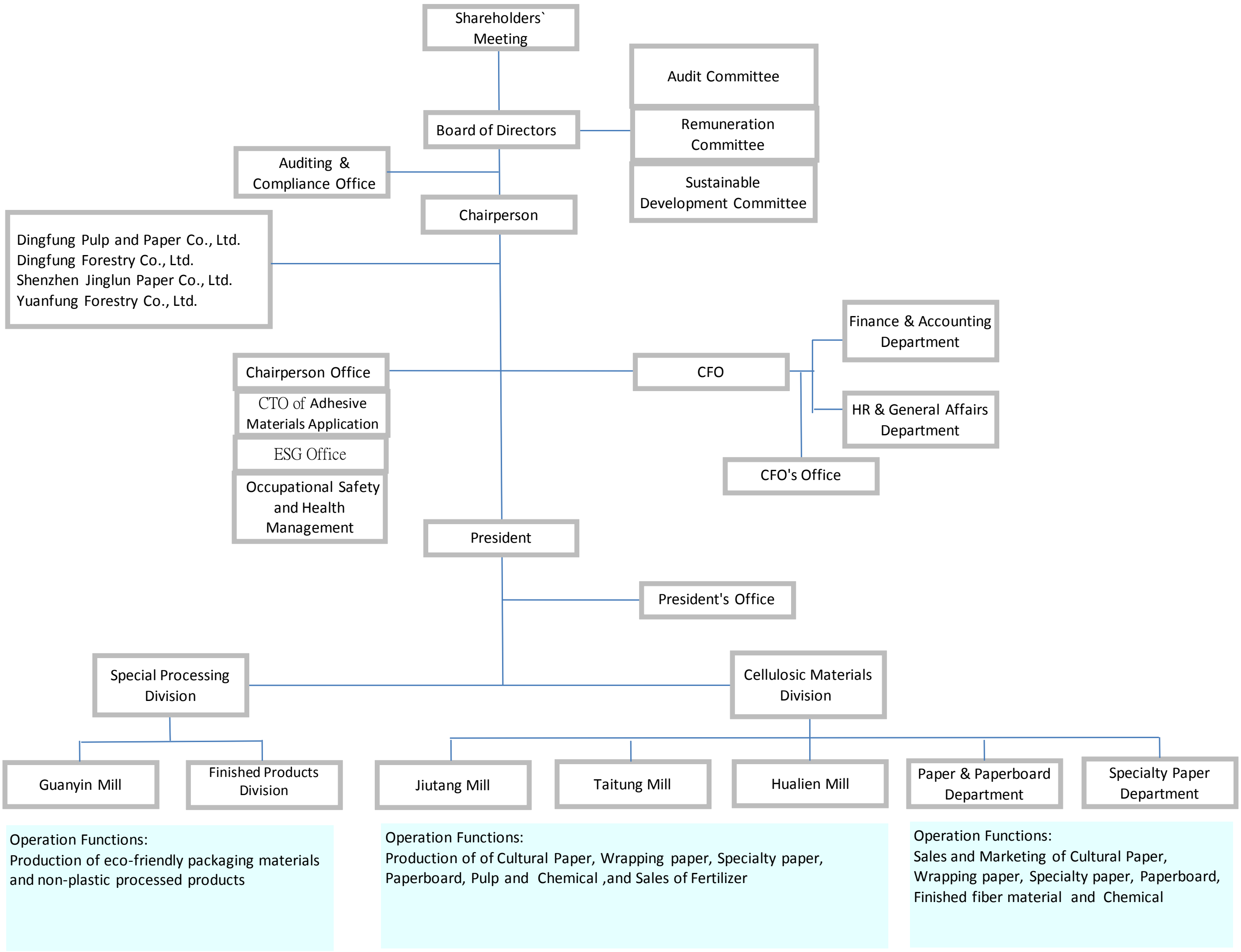
**2021** The Board of Directors of subsidiary Zhaoqing Dingfung Forestry Co., Ltd. approved the investment in Guizhou Yuanfung Forestry Co., Ltd.

**2022** The CircuWell Total Recyclable Packaging Solution won the 2022 Taiwan Excellence Silver Award, the highest honor for Taiwan's products.

**2023** The Jiutang Mill won the 2023 Harvard Business Review Ding Ge Model Large.

# Corporate Governance Report

## 3.1 Organization



## 3.2 Directors and Management Team

### 3.2.1 Directors (A)

4/30/2024

| Title | Nationality/ Place of Incorporation | Name | Gender Age | Date Elected | Term (Years) | Date First Elected | Shareholding when Elected | | Current Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience ( Education ) | Other Position | Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship | | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Shares | % | Shares | % | Shares | % | Shares | % | | | Title | Name | Relation | |
| Director | ROC | YFY INC. | - | 6/17/2022 | 3 | 6/13/2007 | 627,827,989 | 56.93 | 627,827,989 | 56.93 | - | - | - | - | - | - | - | - | - | - |
| Chairperson | ROC | YFY Inc. Representative: Kirk Hwang | Male Above 70 | 6/17/2022 | 3 | 7/1/2011 | 995,737 | 0.01 | 995,737 | 0.01 | - | - | - | - | CEO, CHP | Director of CHP International (BVI) Corp.<br>Director of Guangdong Dingfung pulp & paper Co., Ltd.<br>Other non-consolidated company positions please refer to the Note 1 | - | - | - | - |
| Director | ROC | YFY Inc. Representative: Jean Liu | Female 50 ~ 70 | 6/17/2022 | 3 | 5/17/2021 | - | - | - | - | - | - | - | - | Chairperson, YFY Inc. | Note2 | - | - | - | - |
| Director | ROC | YFY Inc. Representative: Guu-Fong Lin | Male Above 70 | 6/17/2022 | 3 | 12/12/2007 | 49,132 | - | 49,132 | - | 565 | - | - | - | COO, CHP | CFO of CHP<br>Director of CHP International (BVI) Corp.<br>Chairperson of Guangdong Dingfung pulp & paper Co., Ltd.<br>Chairperson and GM of Zhaoqing Dingfung Forestry Co., Ltd.<br>Chairperson of Zhaoqing Xinchuan Green Technology Co., Ltd.<br>Chairperson of Hwafong Investment Co.,Ltd.<br>Chairperson of Guizhou Yuanfong Forestry Co., Ltd.<br>Other non-consolidated company positions please refer to the Note 3 | - | - | - | - |
| Director | ROC | YFY Paradigm Investment Co., Ltd. | - | 6/17/2022 | 3 | 10/7/2020 | 7,752,732 | 0.70 | 7,752,732 | 0.70 | - | - | - | - | - | - | - | - | - | - |
| Director | ROC | YFY Paradigm Investment Co., Ltd. Representative: Ray Chen | Male 50~70 | 6/17/2022 | 3 | 6/24/2016 | 45 | - | 45 | - | - | - | - | - | Executive Vice President, CHP | President of CHP<br>Director of Shenzhen Jinglun paper Co., Ltd.<br>Other non-consolidated company positions please refer to the Note 4 | - | - | - | - |
| Independent Director | ROC | Donald Chang | Male Above 70 | 6/17/2022 | 3 | 6/18/2014 | - | - | - | - | - | - | - | - | President of Greater China of 3M | - | - | - | - | - |
| Independent Director | ROC | Hsiao-Kan Ma | Male Above 70 | 6/17/2022 | 3 | 7/20/2021 | - | - | - | - | - | - | - | - | Professor, NTU | Note 5 | - | - | - | - |
| Independent Director | ROC | Wan-Yu Liu | Female 40 ~ 50 | 6/17/2022 | 3 | 6/17/2022 | - | - | - | - | - | - | - | - | Professor, NCHU | Note 6 | - | - | - | - |

**Note1**: Director & CTO of YFY Inc., Director of Shin Foong Specialty and Applied Materials Co., Ltd., Director of Sustainable Carbohydrate Innovation Co., Ltd. , Director of Global Views Educational Foundation, Chairperson of Taiwan Paper Industry Association , Director of Taiwan Carbon Capture Storage and Utilization Association , Director of Taiwan-US Carbon Capture, Utilization and Storage (CCUS) Industries Promotion Alliance (TUCA), and President of Taiwan Technical Textiles Association.

**Note2**: Chairperson of YFY Inc., Chairperson of Fidelis IT Solutions Co., Ltd., Director of YFY Mauritius Corporation, Director of Shin Foong Specialty, Applied Materials Co., Ltd., Director of Effion Enertech Co., Ltd., and Director of Ensilience Co., Ltd.

**Note3**: Director of NTU Innovation Incubation Co., Ltd.

**Note4**: Director of Union Paper Corp. and Director of China Color Printing Co., Ltd.

**Note5:** TC Member of Environmental Analysis Laboratory, Environmental Protection Administration, Independent Director of Chung Hwa Chemical Industrial Works, Ltd., Independent Director of Data Image Corporation, Independent Director of Ho-Ping Power Company, President of Taiwan Carbon Capture Storage and Utilization Association, Honorary President of Chinese Boiler Association, Honorary Director of The Combustion Institute of R.O.C.

**Note6:** Professor of Department of Forestry, National Chung Hsing University, Adjunct Professor of National Chengchi University, Member of the National Environmental Education Review Committee of the Ministry of Environment, Review Committee Member of the National Science and Technology Council, Independent Director of the National Defense Industry Development Foundation, Independent Director of Lion Travel Service Co., Ltd. and Independent Director of Superalloy Industrial Co., Ltd..

**Major shareholders of the institutional shareholders**

12/31/2023

| Name of Institutional Shareholders | Major Shareholders |
|---|---|
| YFY INC. | S. C. Ho(7.83%), Hsin-Yi Foundation(5.66%), Hsin-Yi Enterprise Co., Ltd.(4.69%), Yuanta Taiwan Dividend Plus ETF.(4.45%), Hsinex International Corp.(3.62%), Cheng-Ting Ho(2.80%), YFY Inc. Labor Retirement Reserve Supervisory Committee(2.79%), Ru Yi Enterprise Co., Ltd.(2.68%), Mei-Yu Ho(2.65%), Felix Ho(2.14%) |
| YFY Paradigm Investment Co., Ltd. | YFY INC.(100.0%) |

**Major shareholders of the Company's major institutional shareholders**

12/31/2023

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

**Directors (B)**

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

4/30//2024

| Qualifications / Name | Professional qualifications and experience | Independence criteria | Number of concurrent posts at other listed companies as Independent Director |
|---|---|---|---|
| Kirk Hwang | Kirk Hwang has a Ph.D. in Materials Chemistry from the University of Wisconsin, R&D and multinational enterprise management expertise, experience as the Company's CEO and President, and served as a senior executive of a well-known global company. | Chairperson Kirk Hwang serves as a director and an important manager in the parent company Yuen Foong Yu Investment Holding Co., Ltd., and concurrently serves as a director of subsidiary Guandong Dingfung Pulp & Paper Co., Ltd. and CHP International (BVI) Corp. | - |
| Jean Liu | Jean Liu holds a Ph.D. in chemistry from Northwestern University, has worked as a senior executive at reputable global companies like IBM and Schneider Electric, and has extensive international work experience in energy and industrial ecosystem management. | Director Jean Liu serves as the Chairperson of the parent company YFY Inc. and a sister company of the Group. | - |
| Guu-Fong Lin | Guu-Fong Lin received a certificate of completion for the MBA program of the National Taipei University. He has accounting expertise and has been dispatched overseas to complete projects related to the establishment of factories for invested subsidiaries. | Director Guu-Fong Lin serves as the Company's CFO and concurrently serves as the Chairperson of subsidiaries Guandong Dingfung Pulp & Paper Co., Ltd., Zhaoqing Dingfung Forestry Co., Ltd., Zhaoqing Xinchuan Green Technology Co., Guizhou Yuanfung Forestry Co., Ltd., and Hwa Fong Investment Co., Ltd. and a director of CHP International (BVI) Corp. | - |
| Ray Chen | Ray Chen holds a master's degree from the Department of Forestry and Resource Conservation, National Taiwan University and is a senior manager of the Company. He has | Director Ray Chen serves as the President of the Company and concurrently serves as a director of subsidiary Shenzhen Jinglun Paper Co., Ltd. | - |

| Qualifications / Name | Professional qualifications and experience | Independence criteria | Number of concurrent posts at other listed companies as Independent Director |
|---|---|---|---|
| | accumulated more than 20 years of experience in the paper industry and is familiar with the development and ecology of the paper industry. | | |
| Donald Chang | Donald Chang has a bachelor's degree in chemical engineering from the Chinese Culture University and has expertise in managing multinational enterprises. He has served as the CEO of Greater China of the well-known global company 3M. | Independent Director Donald Chang, Independent Director Hsiao-Kan Ma, and Independent Director Wan-Yu Liu do not have any of the situations set forth in Article 3, Paragraph 1, Subparagraphs 1 to 9 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies and therefore meet the independence criteria. | - |
| Hsiao-Kan Ma | Hsiao-Kan Ma holds a Ph.D. in mechanical engineering from the University of Illinois and was a professor in the Department of Mechanical Engineering at National Taiwan University. He has thermodynamics, fluid mechanics, combustion, air pollution control, fuel cells, and SiO2 film formation expertise. | | 2 |
| Wan-Yu Liu | Wan-Yu Liu holds a Ph.D. from the Department of Agricultural Economics (Environmental and Resource Economics Group) of National Taiwan University. She has forest resources evaluation, climate change and carbon sequestration, natural carbon sinks and carbon rights, environmental and resource economics, and forest recreation management expertise. | | 2 |

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

2. Board diversity policy and independence criteria:

(1) Board diversity

The Company adopts a nomination system for the election of Directors. The Board of Directors consists of 7 Directors, including 4 Directors and 3 Independent Directors. Members of the Board of Directors include the Company’s senior managers, university professors, directors of public companies, and managers of reputable global enterprises. Director Kirk Hwang has expertise in materials development and innovation, Director Jean Liu has expertise in energy management and industrial ecosystem management, and Directors Guu-Fong Lin and Ray Chen have years of experience in the paper industry. Independent Director Donald Chang has a solid business management background and extensive experience in global markets. Independent Director Hsiao-Kan Ma is an expert in combustion and conduction in Taiwan who has also conducted in-depth research on renewable energy and the environment. Independent Director Wan-Yu Liu is skilled in environmental issues such as climate change and agricultural and forestry circular economies. The Company is committed to achieving gender equality for its Board of Directors and aims to have 1/3 of its Directors be female. Currently, 2/7 of the Executive Directors are also managers of the Company. They are between 40 to 75 years old. The relevant implementation status is as follows:

| Diversification / Name | Gender | Staff | Age | | | Director office term | | | Accounting and financial analysis | Transnational operations | Paper industry | Material research and development | Risk management |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | < 50 years old | 50-70 years old | 70 and above | < 3 years | 3-9 years | 9 years and above | | | | | |
| Kirk Hwang | Male | | | | V | | | V | V | V | V | V | V |
| Jean Liu | Female | | | V | | V | | | ※ | V | - | - | V |
| Guu-Fong Lin | Male | V | | | V | | | V | V | V | V | - | V |
| Ray Chen | Male | V | | V | | | V | | ※ | V | V | ※ | V |
| Donald Chang | Male | | | | V | | V | | V | V | - | - | V |
| Hsiao-Kan Ma | Male | | | | V | V | | | ※ | ※ | - | - | V |
| Wan-Yu Liu | Female | | V | | | V | | | V | - | V | - | V |

Note: * equip part of the ability.

(2) Board independence

The Company has a total of three Independent Directors, accounting for 3/7 of Board of Directors. The office term of all Independent Directors is less than nine years and they have no business dealings with the Company. They meet the independence regulations and have not violated Article 26-3 of the Securities and Exchange Act. They are not related to another Director.

## 3.2.2 Management Team

4/30/2024

| Title | Nationality | Name | Gender | Date Effective | Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience (Education) | Other Position | Managers who are Spouses or Within Two Degrees of Kinship | | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares | % | Shares | % | Shares | % | | | Title | Name | Relation | |
| President | ROC | Ray Chen | Male | 11/3/2023 | 45 | - | - | - | - | - | President of Cellulosic Materials Division of CHP | Director of Shenzhen Jinglun Paper Co., Ltd.<br>non-consolidated company positions please refer to the Note 1 | - | - | - | Note 2 |
| CFO | ROC | Guu-Fong Lin | Male | 9/1/2013 | 49,132 | - | 565 | - | - | - | CHP COO | Director of CHP International (BVI) Corp.<br>Chairperson of Guangdong Dingfung Pulp & Paper Co., Ltd.<br>Chairperson and GM of Zhaoqing Dingfung Forestry Co., Ltd.<br>Chairperson of Zhaoqing Xinchuan Green Technology Co., Ltd.<br>Chairperson of Hwafong Investment Co., Ltd.<br>Chairperson of Guizhou Yuanfong Forestry Co., Ltd.<br>non-consolidated company positions please refer to the Note 3 | - | - | - | - |
| CTO of Adhesive Materials Application | Japan | Yoshihiro Akiyama | Male | 11/3/2023 | - | - | - | - | - | - | 3M West Japan Administrative | - | - | - | - | Note 4 |
| Vice President of Cellulosic Materials Division | ROC | Alex Chen | Male | 7/1/2016 | - | - | - | - | - | - | CHP Manager | non-consolidated company positions please refer to the Note 5 | - | - | - | - |
| Vice President of Cellulosic Materials Division | ROC | Peter Huang | Male | 3/1/2021 | - | - | - | - | - | - | CHP Manager | - | - | - | - | - |
| Vice President of Specialty Processing Division | ROC | Hank Chen | Male | 8/11/2021 | - | - | - | - | - | - | 3M Alphabeta Vice President | - | - | - | - | - |
| Chief engineer | ROC | Yen-Chang Hsieh | Male | 1/1/2022 | 57 | - | 1,000 | - | - | - | CHP Director | Director of Hwafong Investment Co., Ltd. | - | - | - | - |
| Factory Director of Cellulosic Materials Division | ROC | Yung-Shun Chen | Male | 3/1/2018 | - | - | - | - | - | - | CHP Director | - | - | - | - | - |

| Title | Nationality | Name | Gender | Date Effective | Shareholding | | Spouse & Minor Shareholding | | Shareholding by Nominee Arrangement | | Experience (Education) | Other Position | Managers who are Spouses or Within Two Degrees of Kinship | | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares | % | Shares | % | Shares | % | | | Title | Name | Relation | |
| Factory Director of Cellulosic Materials Division | ROC | Shih-Ming Chen | Male | 1/1/2022 | - | - | - | - | - | - | CHP Deputy Director | non-consolidated company positions please refer to the Note 5 | - | - | - | - |
| Factory Director of Cellulosic Materials Division | ROC | Yi-Sheng Chiu | Male | 1/1/2022 | - | - | - | - | - | - | CHP Deputy Director | - | - | - | - | - |
| Factory Director of Specialty Processing Division | ROC | Murphy Ho | Male | 11/6/2023 | - | - | - | - | - | - | Product and Engineering Manager of Alpha Beta Global Tapes and Adhesives Co., Ltd. 3M | - | - | - | - | - |
| CISO | ROC | Casper Wu | Male | 4/1/2023 | - | - | - | - | - | - | Fidelis IT Solutions Co., Ltd. Manager | Manager, Fidelis IT Solutions Co., Ltd. | - | - | - | - |
| CISO | ROC | Yun-Chen Wu | Male | 11/30/2022 | - | - | - | - | - | - | CHP Manager | - | - | - | - | Note 6 |
| Finance Manager and Corporate Governance Manager | ROC | David Lin | Male | 1/1/2015 | - | - | - | - | - | - | CHP Manager | Supervisor of Hwafong Investment Co., Ltd.<br>Director of Syntax Communication (H.K.) Ltd. | - | - | - | - |
| Accounting Manager | ROC | Jung-Min Huang | Male | 3/17/2014 | - | - | - | - | - | - | CHP Manager | - | - | - | - | - |
| Audit Manager | ROC | Steven Chen | Male | 8/17/2018 | - | - | - | - | - | - | CHP Manager | - | - | - | - | - |

Note 1: Director of Union Paper Corp., and Director of China Color Printing Co., Ltd.
Note 2: To accommodate business development and reorganization, Fiber Materials Division President Ray Chen became the President on November 13, 2023.
Note 3: Director of NTU Innovation & Incubation Co., Ltd.
Note 4: To accommodate business development and reorganization, Specialty Materials Division President Yoshihiro Akiyama transferred to the Adhesive Materials Application CTO position on November 13, 2023.
Note 5: Director of Union Paper Corp.
Note 6: Approved by the Board of Directors on March 15, 2023 to be dismissed on April 1, 2023.

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

### 3.3.1 Remuneration of Directors and Independent Directors

12/31/2023, Unit: NT$ thousands

| Title | Name | Remuneration | | | | | | | | Ratio of Total Remuneration (A+B+C+D) to Net Income (%) | | Relevant Remuneration Received by Directors Who are Also Employees | | | | | | | | Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) | | Remuneration from ventures other than subsidiaries or from the parent company |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Base Compensation (A) | | Severance Pay (B) | | Directors Compensation(C) Note 2 | | Allowances (D) | | | | Salary, Bonuses, and Allowances (E) Note 3 | | Severance Pay (F) | | Employee Compensation (G) Note 2 | | | | | | |
| | | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | | Companies in the consolidated financial statements | | The company | Companies in the consolidated financial statements | |
| | | | | | | | | | | | | | | | | Cash | Stock | Cash | Stock | | | |
| Chairperson | YFY Inc. Representative: Kirk Hwang | 0 | 0 | 0 | 0 | 0 | 0 | 278 | 447 | 278/ (0.05) | 447/ (0.08) | 9,481 | 9,481 | 0 | 0 | 0 | 0 | 0 | 0 | 9,760/ (1.70) | 9,928/ (1.73) | 23,612 |
| Director | YFY Inc. Representative: Jean Liu | 0 | 0 | 0 | 0 | 0 | 0 | 226 | 226 | 226/ (0.04) | 226/ (0.04) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 226/ (0.04) | 226/ (0.04) | |
| Director | YFY Inc. Representative: Guu-Fong Lin | 0 | 0 | 0 | 0 | 0 | 0 | 226 | 507 | 226/ (0.04) | 507/ (0.09) | 6,135 | 7,168 | 108 | 108 | 0 | 0 | 0 | 0 | 6,469/ (1.13) | 7,782/ (1.36) | |
| Director | YFY Paradigm Investment Co., Ltd. Representative: Ray Chen | 0 | 0 | 0 | 0 | 0 | 0 | 226 | 226 | 226/ (0.04) | 226/ (0.04) | 6,886 | 6,886 | 108 | 108 | 0 | 0 | 0 | 0 | 7,219/ (1.26) | 7,219/ (1.26) | |
| Independent Director | Donald Chang | 1,000 | 1,000 | 0 | 0 | 0 | 0 | 270 | 270 | 1,270/ (0.22) | 1,270/ (0.22) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,270/ (0.22) | 1,270/ (0.22) | 0 |
| Independent Director | Shiao-Kan Ma | 1,000 | 1,000 | 0 | 0 | 0 | 0 | 270 | 270 | 1,270/ (0.22) | 1,270/ (0.22) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,270/ (0.22) | 1,270/ (0.22) | |
| Independent Director | Wan-Yu Liu | 1,000 | 1,000 | 0 | 0 | 0 | 0 | 270 | 270 | 1,270/ (0.22) | 1,270/ (0.22) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,270/ (0.22) | 1,270/ (0.22) | |

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

Note 2: Number of resolutions passed by the Board of Directors on March 11, 2024.

Note 3: Relevant expenses such as company car rental fees have been listed. The total expenses were approximately NT$1,259 thousand.

Explanation of the relevance and rationality of after-tax income and changes in remuneration:

The remuneration of the Directors of the Company is handled in accordance with the Articles of Incorporation approved by the shareholders' meeting on June 17, 2022. No more than 2% of the profit for the year (i.e., the profit before employee and Director remunerations is deducted from profit before tax) less the cumulative losses is allocated as the remuneration of the Directors. Because of the loss in 2023, the Board of Directors decided on March 11, 2024 not to pay remuneration to the Directors, so Directors' remuneration is not estimated.

Range of Remuneration

| Range of Remuneration | Name of Directors | | | |
|---|---|---|---|---|
| | Total of (A+B+C+D) | | Total of (A+B+C+D+E+F+G) | |
| | The company | All companies in the financial statements | The company | Parent company and all investment businesses group |
| Less than NT$ 1,000,000 | Kirk Hwang, Jean Liu, Guu-Fong Lin, Ray Chen | Kirk Hwang, Jean Liu, Guu-Fong Lin, Ray Chen | Jean Liu | Jean Liu |
| NT$1,000,000 ~ NT$1,999,999 | Donald Chang, Shiao-Kan Ma, Wan-Yu Liu | Donald Chang, Shiao-Kan Ma, Wan-Yu Liu | Donald Chang, Shiao-Kan Ma, Wan-Yu Liu | Donald Chang, Shiao-Kan Ma, Wan-Yu Liu |
| NT$2,000,000 ~ NT$3,499,999 | - | - | - | - |
| NT$3,500,000 ~ NT$4,999,999 | - | - | - | - |
| NT$5,000,000 ~ NT$9,999,999 | - | - | Kirk Hwang, Guu-Fong Lin, Ray Chen | Kirk Hwang, Guu-Fong Lin, Ray Chen |
| NT$10,000,000 ~ NT$14,999,999 | - | - | - | - |
| NT$15,000,000 ~ NT$29,999,999 | - | - | - | - |
| NT$30,000,000 ~ NT$49,999,999 | - | - | - | - |
| NT$50,000,000 ~ NT$99,999,999 | - | - | - | - |
| Greater than or equal to NT$100,000,000 | - | - | - | - |
| Total | 7 | 7 | 7 | 7 |

Note: Representative of YFY INC.: Kirk Hwang, Jean Liu, Guu-Fong Lin; Representative of YFY Paradigm Investment Co., Ltd.: Ray Chen

### 3.3.2 Remuneration of the President and Vice Presidents

12/31/2023, Unit: NT$ thousands

| Title | Name | Salary(A) | | Severance Pay (B) | | Bonuses and Allowances (C) (Note 1) | | Employee Compensation (D) (Note 2) | | | | Ratio of total compensation (A+B+C+D) to net income (%) | | Remuneration from ventures other than subsidiaries or from the parent company |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | | Companies in the consolidated financial statements | | The company | Companies in the consolidated financial statements | |
| | | | | | | | | Cash | Stock | Cash | Stock | | | |
| President | Ray Chen | 3,000 | 3,000 | 108 | 108 | 3,886 | 3,886 | 0 | 0 | 0 | 0 | 6,994/ (1.22) | 6,994/ (1.22) | 283 |
| CFO | Guu-Fong Lin | 2,472 | 3,000 | 108 | 108 | 3,663 | 4,168 | 0 | 0 | 0 | 0 | 6,243/ (1.09) | 7,276/ (1.27) | |
| CTO of Adhesive Materials Application | Yoshihiro Akiyama | 3,210 | 3,210 | 0 | 0 | 1,472 | 1,472 | 0 | 0 | 0 | 0 | 4,682/ (0.82) | 4,682/ (0.82) | |

Note 1: Relevant expenses such as company car rental fees have been listed. The total expenses were approximately NT$1,157 thousand.
Note 2: Number of resolutions passed by the Board of Directors on March 11, 2024.

Range of Remuneration

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

### 3.3.3 Managerial officers with the top five highest remuneration

12/31/2023, Unit: NT$ thousands

| Title | Name | Salary(A) | | Severance Pay (B) | | Bonuses and Allowances (C) (Note 1) | | Employee Compensation (D) (Note 2) | | | | Ratio of total compensation (A+B+C+D) to net income (%) | | Remuneration from ventures other than subsidiaries or from the parent company |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | | Companies in the consolidated financial statements | | The company | Companies in the consolidated financial statements | |
| | | | | | | | | Cash | Stock | Cash | Stock | | | |
| President | Ray Chen | 3,000 | 3,000 | 108 | 108 | 3,886 | 3,886 | 0 | 0 | 0 | 0 | 6,994/ (1.22) | 6,994/ (1.22) | 283 |
| CFO | Guu-Fong Lin | 2,472 | 3,000 | 108 | 108 | 3,663 | 4,168 | 0 | 0 | 0 | 0 | 6,243/ (1.09) | 7,276/ (1.27) | |
| CTO of Adhesive Materials Application | Yoshihiro Akiyama | 3,210 | 3,210 | 0 | 0 | 1,472 | 1,472 | 0 | 0 | 0 | 0 | 4,682/ (0.82) | 4,682/ (0.82) | |
| Chief engineer | Yen-Chang Hsieh | 2,203 | 2,203 | 0 | 0 | 675 | 675 | 0 | 0 | 0 | 0 | 2,879 (0.50) | 2,879 (0.50) | |
| Vice President of Specialty Processing Division | Hank Chen | 1,959 | 1,959 | 108 | 108 | 724 | 724 | 0 | 0 | 0 | 0 | 2,791 (0.49) | 2,791 (0.49) | |

Note 1: Relevant expenses such as company car rental fees have been listed. The total expenses were approximately NT$1,157 thousand.
Note 2: Number of resolutions passed by the Board of Directors on March 11, 2024.

### 3.3.4 Names of Managers and the Distribution of Employee's Compensation

12/31/2023, Unit: NT$ thousands

| Title | | Name | Employee Compensation - in Stock | Employee Compensation - in Cash | Total | Ratio of Total Amount to Net Income (%) |
|---|---|---|---|---|---|---|
| Executive Officers | President | Ray Chen | 0 | 0 | 0 | 0 |
| | CFO | Guu-Fong Lin | | | | |
| | CTO of Adhesive Materials Application | Yoshihiro Akiyama | | | | |
| | Vice President of Cellulosic Materials Division | Alex Chen | | | | |
| | Vice President of Cellulosic Materials Division | Peter Huang | | | | |
| | Vice President of Specialty Processing Division | Hank Chen | | | | |
| | Chief Engineer | Yen-Chang Hsieh | | | | |
| | Factory Director of Cellulosic Materials Division | Yung-Shun Chen | | | | |
| | Factory Director of Cellulosic Materials Division | Shih-Ming Chen | | | | |
| | Factory Director of Cellulosic Materials Division | Yi-Sheng Chiu | | | | |
| | Factory Director of Specialty Processing Division | Murphy Ho | | | | |
| | CISO | Casper Wu | | | | |
| | CISO | Yun-Chen Wu Note 1 | | | | |
| | Finance Manager and Corporate Governance Manager | David Lin | | | | |
| | Accounting Manager | Jung-Min Huang | | | | |
| | Audit Manager | Steven Chen | | | | |

Note1: Approved by the Board of Directors on March 15, 2023 to be dismissed.
Note2: According to the resolution by the Board of Directors on March 11, 2024, the company will not distribute the employee remuneration for the year 2023.

### 3.3.4 Comparison of remuneration for Directors, President and Vice Presidents in the most recent two fiscal years and remuneration policy for Directors, President and Vice Presidents

| Item | Ratio of total remuneration paid to Directors, President and Vice Presidents to net income (%) | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | 2022 | | Difference | |
| | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements | The company | Companies in the consolidated financial statements |
| Director | (4.79) | (5.05) | 6.54 | 6.95 | (11.33) | (12.00) |
| President and Vice President | (3.13) | (3.31) | 3.56 | 3.87 | (6.69) | (7.18) |

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

A. Remuneration of the Company's Directors: includes travel allowances, surplus earning distribution, and salary as an employee of the Company. Travel allowance standards for Directors are based on industry standards; Directors' remuneration is based on operating performance and future risks, and is handled in proportion to the Company's Articles of Incorporation.

B. Remuneration of the President and Executive Vice President is paid on a monthly basis: includes a monthly salary, allowances (e.g., additional duty payments and meal expenses), and other regular compensation. The annual bonuses and employee remuneration are paid separately. The salary standards are handled according to the agreement at the beginning of employment, while additional duty payments are determined by the position; performance bonus and other bonuses are based on business performance and personal performance. The information is consolidated each year and sent to the Remuneration Committee for review.

C. Due to the loss in 2023, the remuneration of Directors, President ,and Executive Vice President, etc., had an impact on the financial statements' post-tax profit and loss. If the remuneration for directors and employees from the previous year is not included, along with personnel changes, the actual payments to Directors, President, Executive Vice President, etc., in 2023 were approximately similar to those in 2022.

## 3.4 Implementation of Corporate Governance

### 3.4.1 Board of Directors

In the recent year (2023), the 19th Board of Directors met 4 times (A), the Directors' attendance is as follows:

<table>
<tr><th>Title</th><th colspan="2">Name</th><th>Attendance in Person (B)</th><th>By Proxy</th><th>Attendance Rate (%)【B/A】</th><th>Remarks</th></tr>
<tr><td>Chairperson</td><td>Kirk Hwang</td><td rowspan="3">YFY Inc. Representative</td><td>4</td><td>0</td><td>100</td><td>-</td></tr>
<tr><td>Director</td><td>Jean Liu</td><td>4</td><td>0</td><td>100</td><td>-</td></tr>
<tr><td>Director</td><td>Guu-Fong Lin</td><td>4</td><td>0</td><td>100</td><td>-</td></tr>
<tr><td>Director</td><td>Ray Chen</td><td>YFY Paradigm Investment Co., Ltd. Representative</td><td>4</td><td>0</td><td>100</td><td>-</td></tr>
<tr><td>Independent Director</td><td colspan="2">Donald Chang</td><td>4</td><td>0</td><td>100</td><td>-</td></tr>
<tr><td>Independent Director</td><td colspan="2">Hsiao-Kan Ma</td><td>4</td><td>0</td><td>100</td><td>-</td></tr>
<tr><td>Independent Director</td><td colspan="2">Wan-Yu Liu</td><td>4</td><td>0</td><td>100</td><td>-</td></tr>
</table>

Other mentionable items:

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

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

| Date | Agenda item | All Independent Directors' opinions and actions taken by the Company in response to Independent Directors' opinions |
|---|---|---|
| March 15th, 2023 (19th-term 5th time) | 1. Approved the 2022 remuneration to the employees and Directors. | Three Independent Directors recused themselves due to a conflict of interest. |
| May 12th, 2023 (19th-term 6th time) | 1. No matters prescribed under Article 14-3 of the Securities and Exchange Act were included in this Board meeting. | N/A |
| August 11th, 2023 (19th-term 7th time) | 1. No matters prescribed under Article 14-3 of the Securities and Exchange Act were included in this Board meeting. | N/A |
| November 13th, 2023 (19th-term 8th time) | 1. Approved the consecutive appointment of Shu Wan Lin and Hui-Ming Huang of Deloitte Taiwan as the Company's CPAs for 2023 to 2025 and their remuneration proposal. | Independent Directors had no opinion. Passed as proposed. |

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

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

In the 19th-term 5th Board meeting on March 15, 2023, three Independent Directors and four Directors had a conflict of interest with the 2022 employee remuneration and Director remuneration proposals. Thus, the Independent Directors recused themselves while the Directors discussed and voted on the Independent Director remuneration proposal, and the Directors recused themselves while the Independent Directors discussed and voted on the Director remuneration proposal.

3. Information about the Board's self evaluation:

(1)The Company approved the Board of Directors Performance Evaluation Guidelines in the 18th-term 3rd Board meeting on November 13, 2019, and made amendments in the 18th-term 8th Board meeting on November 12, 2020.

(2)Implementation status of the evaluation of Board of Directors in 2023:

| Evaluation cycle | Evaluation period | Scope of evaluation | Assessment method | Evaluation content |
|---|---|---|---|---|
| Implemented once a year | 2022.11.1-2023.10.31 | Performance evaluation of the Board of Directors | Self-evaluation of the Board | The Board performance evaluation includes five aspects: A. Understanding of and recommendations for Company operations, B. improving the quality of Board decisions, C. Board composition and structure, D. election and continuing education of the Directors, and E. internal control. |
| Implemented once a year | 2022.11.1-2023.10.31 | Performance evaluation of the Directors | Self-evaluation of the Board members | The measures for evaluating the performance of the Board members includes the following six aspects: A. Familiarity with the goals and missions of the Company, B. understanding of the roles and responsibilities of Directors, C. understanding of and recommendations for Company operations, D. management of internal relationship and communication, E. Director's professionalism and continuing education, and F. internal control. |
| Implemented once a year | 2022.11.1-2023.10.31 | Performance evaluation of the Audit Committee | Self-evaluation of committee members. | The measures for evaluating the performance of the Audit Committee includes the following five aspects: A. Understanding and recommendations for Company operations, B. understanding of the roles and responsibilities of the functional committees, C. improvement of the quality of committee decisions, D. composition of the functional committee and the selection of its members, and E. internal control. |

| Evaluation cycle | Evaluation period | Scope of evaluation | Assessment method | Evaluation content |
|---|---|---|---|---|
| Implemented once a year | 2022.11.1-2023.10.31 | Performance evaluation of the Remuneration Committee | Self-evaluation of committee members. | The measures for evaluating the performance of the Remuneration Committee includes the following four aspects: A. Understanding and recommendations for Company operations, B. understanding of the roles and responsibilities of the functional committees, C. improvement of the quality of committee decisions, and D. composition of the functional committee and the selection of its members. |

(3)Results of the evaluation of Board of Directors in 2023:

To implement corporate governance and enhance the performance of the Company's Board of Directors, the Company approved the Board of Directors Performance Evaluation Guidelines on November 12, 2020. Internal and self-evaluations were carried out in 2023. The performance evaluation results of the Company's Board of Directors, Directors, and functional committees (Audit Committee and Remuneration Committee) in 2023 are as follows:

| Scope of evaluation | Evaluation indicator | Evaluation results |
|---|---|---|
| Board of Directors | A. Understanding of and recommendations for Company operations. | 98.1 |
| | B. Improving the quality of Board decisions. | 97.1 |
| | C. Board composition and structure. | 97.6 |
| | D. Election and continuing education of the Directors. | 95.1 |
| | E. Internal control. | 97.1 |
| Directors | A. Familiarity with the goals and missions of the Company. | 97.1 |
| | B. Uunderstanding of the roles and responsibilities of Directors. | 99.0 |
| | C. Understanding of and recommendations for Company operations. | 97.5 |
| | D. Management of internal relationship and communication. | 97.1 |
| | E. Director's professionalism and continuing education. | 96.2 |
| | F. Internal control. | 100 |
| Audit Committee | A. Understanding and recommendations for Company operations. | 100 |
| | B. Understanding of the roles and responsibilities of the functional committees. | 98.1 |
| | C. Improvement of the quality of committee decisions. | 99.0 |

| Scope of evaluation | Evaluation indicator | Evaluation results |
|---|---|---|
| | D. composition of the functional committee and the selection of its members. | 100 |
| | E. Internal control. | 97.8 |
| Remuneration Committee | A. Understanding and recommendations for Company operations. | 100 |
| | B. Understanding of the roles and responsibilities of the functional committees. | 98.1 |
| | C. Improvement of the quality of committee decisions. | 99.0 |
| | D. composition of the functional committee and the selection of its members. | 100 |

The performance evaluation results were reported in the meetings of the Audit Committee and Remuneration Committee convened on February 27, 2024 and reported to the meeting of the Board of Directors convened on March 11, 2024.

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

(1) Three Independent Directors form the Company's Audit Committee in substitution of Supervisors. Matters prescribed under Article 14-5 of the Securities and Exchange Act is submitted to the Audit Committee for discussion and resolution. The convener of the Audit Committee is responsible for reporting resolutions passed by the Audit Committee to the Board of Directors.

(2) The Company discloses information regarding attendance to Board meetings, Director continuing education, and important resolutions passed during Board meetings and shareholders' meetings in the annual report.

(3) To increase information transparency, the Company posts all important resolutions passed during Board/shareholders' meetings on the Company website immediately following such meetings.

(4) In consideration of legal risks faced by Directors, the Company and its subsidiaries have purchased director liability insurance for all Directors.

(5) The Company periodically provides information on corporate governance courses to the directors and assists those who are interested in participating in further education with the registration process.

(6) The Company has established the Board of Directors Performance Evaluation Guidelines. Once the evaluations are done every year, the Company's Corporate Governance officer submits a report of the evaluation to the Board of Directors' the performance evaluation of the Board of Directors for 2023 was handled by internal evaluation. The evaluation results were reported to the Board on March 11, 2024.

### 3.4.2 Audit Committee

The Company elected three Independent Directors at the shareholders' meeting on June 17, 2022 and established an Audit Committee in accordance with the Securities and Exchange Act. The Committee's purpose is to verify the fair presentation of the Company's financial statements, the independence and performance of the CPAs; the effectiveness regarding implementation of the Company's internal control system; compliance with relevant regulations and rules; and the Company's control of existing or latent risks.

Four meetings of the 3rd Audit Committee were held in 2023. Key focuses for the year are described below:

A. Review financial reports

The Board of Directors prepared and submitted the 2022 business report, the 2022, 2023 Q1, 2023 Q2, and 2023 Q3 financial statements, and the 2022 earnings distribution proposal. The Company's Audit Committee reviewed them and found no instances of noncompliance. Deloitte & Touche audited the 2022 financial statements and submitted an audit report.

B. Assess internal control system effectiveness

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

C. Formulation of the pre-approval policy of non-assurance services provided by the accounting firm

The Company's Audit Committee has approved the pre-approval policy for non-assurance services provided by Deloitte Taiwan to the Company to meet the accounting firm's internal control needs and each unit's needs.

D. Evaluate the independence and competence of CPAs

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

E. Formulation of the Company's Sustainability Report Compilation and Verification Procedures

The Company's Audit Committee formulated the Sustainability Report Compilation and Verification Procedures in accordance with the Taiwan Stock Exchange Corporation's announcement.

F. Formulation of the Company's Cyber Security Management Guidelines

To strengthen the Company's cyber security and management mechanisms, the Company's Audit Committee formulated the Cyber Security Management Guidelines according to order Ching-Kuan-Cheng-Fa-Tze No. 1100365654 issued by the Financial Supervisory Commission.

G. Formulation of the Company's Rules Governing Financial and Business Matters Between the Company and its Related Parties

The Company's Audit Committee formulated the Rules Governing Financial and Business Matters Between the Company and its Related Parties in accordance with Article 17 of the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.

H. Approved the consecutive appointment of Shu Wan Lin and Hui-Ming Huang of Deloitte Taiwan as the Company's CPAs for 2023 to 2025 and their remuneration proposal

The Company's Audit Committee approved the consecutive appointment of Shu Wan Lin and Hui-Ming Huang of Deloitte Taiwan as the Company's CPAs and their remuneration proposal in accordance with Article 14-3 of the Securities and Exchange Act.

In 2023, the 3rd Audit committee has convened 4 meetings (A) each, and the records of attendance of the Independent Directors are as follows:

| Title | Name | Attendance in Person (B) | By Proxy | Attendance Rate (%)【B/A】 | Remarks |
|---|---|---|---|---|---|
| Independent Director | Wan-Yu Liu | 4 | 0 | 100 | - |
| Independent Director | Donald Chang | 4 | 0 | 100 | - |
| Independent Director | Hsiao-Kan Ma | 4 | 0 | 100 | - |

Other mentionable items:

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

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

| Date | Agenda item | All Independent Directors' opinions and actions taken by the Company in response to Independent Directors' opinions |
|---|---|---|
| March 10, 2023 (3rd-term 3rd time) | 1. Approved the 2022 business report and financial statements.<br>2. Approved the 2022 earnings distribution proposal.<br>3. Approved the 2022 Statement on Internal Control. | Passed as proposed. |
| May 10, 2023 (3rd-term 4th time) | 1. Approved the 2023 Q1 financial statements. | Passed as proposed. |
| August 3, 2023 (3rd-term 5th time) | 1. Approved the 2023 Q2 financial statements. | Passed as proposed. |
| November 7, 2023 (3rd-term 6th time) | 1. Approved the 2023 Q3 financial statements.<br>2. Approved the 2024 audit plan.<br>3. Approved the consecutive appointment of Shu Wan Lin and Hui-Ming Huang of Deloitte Taiwan as the Company's CPAs for 2023 to 2025 and their remuneration proposal. | Passed as proposed. |

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

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

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

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

Communication between Independent Directors and internal auditing officer:

A. On a regular basis —

Each month, email completed audit reports to each Audit Committee member and answer questions raised by Audit Committee members promptly via telephone or email. Each quarter, communicate and discuss with Independent Directors individually via face-to-face meetings.

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

B. On a non-regular basis —

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

Communication between Independent Directors and accountants:

A. On a regular basis —

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

B. On a non-regular basis －

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

(2) Summary of communication between Independent Directors and internal auditing officer and accountants:

<table>
<tr><th>Date</th><th>Key points of communication</th><th>Communication summary and results</th></tr>
<tr><td rowspan="2">2023.3.10</td><td>1. The Chief Auditor independently reported the audit implementation results and improvement status for 2022 Q4 to the Independent Directors before the Audit Committee meeting.<br>2. The Chief Auditor explained the 2022 Statement on Internal Control.</td><td>1. Approved and understood.<br>2. Passed as proposed after review.</td></tr>
<tr><td>1. The CPAs independently reported the status and important matters from their audit of the 2022 financial statements to the Independent Directors before the Audit Committee meeting.<br>2. The CPAs explained important regulations and changes.</td><td>1. Passed as proposed after reviewing related conditions and discussions.<br>2. Approved and understood.</td></tr>
<tr><td rowspan="2">2023.5.10</td><td>The Chief Auditor independently reported the audit implementation results and improvement status for 2023 Q1 to the Independent Directors before the Audit Committee meeting.</td><td>Approved and understood.</td></tr>
<tr><td>The CPAs independently described the matters regarding the 2023 Q1 financial statements and communicated with the Independent Directors before the Audit Committee meeting.</td><td>Approved and understood after inquiring about and reviewing related conditions.</td></tr>
<tr><td rowspan="2">2023.8.3</td><td>The Chief Auditor independently discussed the audit implementation status for 2023 Q2 with the Independent Directors before the Audit Committee meeting.</td><td>Approved and understood.</td></tr>
<tr><td>The CPAs independently described the matters regarding the 2023 Q2 financial statements and communicated with the Independent Directors before the Audit Committee meeting.</td><td>Approved and understood after inquiring about and reviewing related conditions.</td></tr>
<tr><td rowspan="2">2023.11.7</td><td>The Chief Auditor independently discussed the audit implementation status for 2023 Q3 and the audit plan for 2024 with the Independent Directors before the Audit Committee meeting.</td><td>Approved and understood. Approved the audit plan as proposed after review.</td></tr>
<tr><td>1. The CPAs independently described the matters regarding the 2023 Q3 financial statements and communicated with the Independent Directors before the Audit Committee meeting.<br>2. The CPAs reported the conclusions of the 2023 key audit matters.</td><td>Approved and understood after inquiring about and reviewing related conditions.</td></tr>
</table>

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

### 3.4.3 Corporate governance implementation status and deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"

| Evaluation Item | Implementation Status [1] | | | Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Abstract Illustration | |
| 1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"? | V | | The Company approved the Corporate Governance Code of Conduct in the 17-term 11th Board meeting on November 8, 2018 and disclosed it on the Company's website under the corporate governance section under investors for investors to review. | Compliant |
| 2. Shareholding structure & shareholders' rights | | | | |
| (1) Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure? | V | | To protect shareholders' interests, the spokesperson, stock affairs unit, and shareholder service agents are responsible for handling matters related to shareholders. | Compliant |
| (2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares? | V | | The Company regularly obtains this information through shareholder service agents at anytime. | Compliant |
| (3) Does the company establish and execute the risk management and firewall system within its conglomerate structure? | V | | The management of personnel, assets, and finances between the Company and its affiliates are clearly regulated and independent, and the Company regularly evaluates operating performance. | Compliant |
| (4) Does the company establish internal rules against insiders trading with undisclosed information? | V | | The Company has established the Procedures for Insider Trading Prevention and made amendments on November 11, 2022, to prohibit Directors and insiders from trading the Company's shares during the closed period of 30 days prior to the publication of the annual financial reports and 15 days prior to the publication of the quarterly financial reports. | Compliant |

| Evaluation Item | Implementation Status [1] | | | Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Abstract Illustration | |
| | | | Also, when investigating insider shareholding changes every month, relevant laws and precautions related to insider shareholding changes are provided to remind Directors and insiders to abide by applicable regulations and not to trade the Company's stock during the closed period. | |
| 3. Composition and Responsibilities of the Board of Directors<br>(1) Has the Board of Directors drawn up policies and specific targets on diversity of its members and implemented them? | V | | The adoption of the Company's Corporate Governance Code of Conduct was approved at the Board meeting on November 13, 2018. The code stipulates the diversification policy for the composition of the Board in Article 19 under Chapter 3, titled "Composition and Responsibilities of the Board of Directors."<br>The nomination and election of Board members are according to the regulations prescribed in the Company's Articles of Incorporation. A candidate nomination system is adopted per the Rules for Election of Directors and Corporate Governance Code of Conduct to ensure the diversity and independence of Board members.<br>The nomination and election of Board members are according to the regulations prescribed in the Company's Articles of Incorporation. A candidate nomination system is adopted per the Rules for Election of Directors and Corporate Governance Code of Conduct to ensure the diversity and | Compliant |

| Evaluation Item | Implementation Status [1] | | | Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Abstract Illustration | |
| | | | independence of Board members.<br>The professional backgrounds of the Company's Board members include expertise in industry and business management. According to the list of members of the 19th Board of Directors, those with the ability of leadership, business judgment, business management, crisis management, and industry knowledge include Director Kirk Hwang, Director Jean Liu, Director Guu-Fong Lin, Director Ray Chen, and Independent Director Donald Chang. Independent Director Hsiao-Kan Ma is a Professor Emeritus of National Taiwan University and an expert in combustion and conduction in Taiwan who has conducted in-depth research on renewable energy and the environment. Independent Director Wan-Yu Liu is a professor of the Department of Forestry at National Chung Hsing University who is skilled in environmental issues such as climate change, agricultural and forestry circular economies, and carbon sink.<br>The Company's Board of Directors comprises two Directors who are employees of the Company and three Independent Directors. One Independent Director has served six years, and two were elected as Independent Directors in 2022. The age distribution of Directors is as follows: four directors are 70 years of age and above; two are 50–70 years of age; and one is under 50 years of age. The | |

| Evaluation Item | Implementation Status [1] | | | Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Abstract Illustration | |
| | | | Company is committed to achieving gender equality in the composition of its Board of Directors. This term has two female members (one member is an Independent Director). The Company is committed to achieving gender equality for its Board of Directors and aims to have 1/3 of its Directors be female. | |
| (2) Besides the Remuneration Committee and the Audit Committee established according to law, has the Company actively established other types of functional committees? | V | | To realize social responsibility and promote the sustainable development of the economy, society, and environment, the Company approved Chairman Kirk Hwang, Independent Director Donald Chang, Independent Director Hsiao-Kan Ma, Independent Director Wan-Yu Liu, and Director Ray Chen to serve as members of the Sustainability Committee, with Chairman Kirk Hwang as the convener and meeting chair. The primary responsibilities of the members include the following: 1. Formulate, promote, and strengthen sustainable development policies, including corporate governance, ethical corporate management, and environmental and social goals, strategies, and action plans. 2. Review and manage the Company's sustainable development implementation status and effectiveness and report regularly to the Board of Directors. 3. Strengthen communication with stakeholders, including shareholders, clients, suppliers, employees, the government, non-profit organizations, the community, and the media, and | Compliant |

| Evaluation Item | Implementation Status [1] | | | Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
| --- | --- | --- | --- | --- |
| | Yes | No | Abstract Illustration | |
| | | | pay attention to their concerns. 4. Supervise other Board-approved sustainable development work and convene at least once a year.<br>The Board of Directors passed the Board of Directors Performance Evaluation Guidelines on November 12, 2020. Self-evaluations were carried out in 2023. The results were submitted to the Company's 19th-term 9th meeting of the Board of Directors on March 11, 2024. | |
| (3) Does the Company establish standards and method for evaluating Board performance, conduct annual performance evaluations, submit performance evaluation results to the Board, and use the results as a basis for determining the remuneration and nomination of individual directors? | V | | The Board of Directors passed the Board of Directors Performance Evaluation Guidelines on November 12, 2020. Self-evaluations were carried out in 2023. The results were submitted to the Company's 19th-term 9th meeting of the Board of Directors on March 11, 2024. | Compliant |
| (4) Does the company regularly evaluate the independence of CPAs? | V | | The Company's Audit Committee evaluates CPAs' independence and competence each year by requiring the CPAs to provide a statement of independence and AQIs. The Audit Committee also evaluates the CPAs' independence, competence, and five AQI aspects based on the indicators in the table below. The evaluation confirmed that the CPAs and the Company have no other financial interests or business interactions except for auditing and taxation project fees. Family members of the CPAs also do not violate the independence requirements. The AQIs confirmed that the auditing experience, hours of training, and quality control of the CPAs | Compliant |

| Evaluation Item | Implementation Status [1] | | | Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Abstract Illustration | |
| | | | and accounting firm have reached an acceptable level. They have also continuously introduced cloud audit platforms and applied digital audit tools in the past three years to improve audit quality. The evaluation results for the most recent year were approved by the Audit Committee on February 27, 2024, and reported to the Board of Directors on March 11, 2024, for approving the evaluation of CPAs' independence and competence. | |

Main evaluation content:

| Accountant Independence Evaluation | | | |
|---|---|---|---|
| Item No. | Evaluation item | Evaluation results | Fulfillment of independence criteria |
| 1 | Has the CPA submitted an independence declaration? | Yes | Yes |
| 2 | Does the CPA firm have a system for rotating CPAs? | Yes | Yes |
| 3 | Has the Company not been using the same CPA for 7 consecutive years? | Yes | Yes |
| 4 | Does the CPA have no direct or material indirect financial interest in the Company? | Yes | Yes |
| 5 | Are there no financing or endorsements between the CPA and the Company or directors? | Yes | Yes |
| 6 | Is the CPA not a relative the Company's directors, managers, or other individuals in positions that may have significant impact on the audit? (Evaluate at least the relations such as the spouse, underage children, and close relatives) | Yes | Yes |
| 7 | Does the CPA have no close business relations with the Company? (For example: joint investments in businesses, strategic alliances for profit, or product co-marketing or promotion) | Yes | Yes |

| Evaluation Item | Implementation Status [1] | | | Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Abstract Illustration | |

| | | | |
|---|---|---|---|
| 8 | Has no member of the audit service team currently served or had served as the Company's director, supervisor, manager, or positions that may have a significant impact on the audit in the most recent two years? | Yes | Yes |
| 9 | Has the CPA not accepted valuable (with value beyond regular social norms) gifts or presents from the Company, directors, or managers? | Yes | Yes |
| 10 | Is the CPA not appointed by the Company to perform routine tasks, receive fixed salary, or serve as a director? | Yes | Yes |
| 11 | Is the CPA not involved in any decision-making management functions of the Company? | Yes | Yes |
| 12 | Does the CPA not provide the Company with appraisal services with material impact on the financial statements or highly subjective appraisals? | Yes | Yes |

| Accountant Competency Evaluation | | | |
|---|---|---|---|
| Item No. | Evaluation item | Evaluation results | Fulfillment of competence criteria |
| 1 | Has the CPA been disciplined or received any other disciplinary action in the past 2 years that would impair his/her professionalism or independence? | Yes | Yes |
| 2 | Has the CPA actively provided the Company with the latest information on taxation, and securities supervisory regulations, and updates of IFRS accounting standards? | Yes | Yes |
| 3 | Does the CPA help the Company communicate and coordinate with the competent authority? | Yes | Yes |
| 4 | Have all financial statements been audited and reviewed within the deadline? | Yes | Yes |
| 5 | Does the CPA maintain good communication channels with the management, Audit Committee, and directors of the Company? | Yes | Yes |

| Evaluation Item | Implementation Status [1] | | | Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons |
|---|---|---|---|---|
| | Yes | No | Abstract Illustration | |

| Audit Quality Indicators Report (AQIs) | | | |
|---|---|---|---|
| Item No. | Evaluation item | Evaluation results | Fulfillment of audit quality indicators report |
| 1 | Does the CPA have sufficient audit experience and training hours? | Yes | Yes |
| 2 | Are the hours spent by the CPA on auditing and reviewing of financial statements comparable to those of industry standards? | Yes | Yes |
| 3 | Are the evaluation results of the CPA performing Engagement Quality Control Review (EQCR) in the past two years in compliance with regulations? | Yes | Yes |
| 4 | Does the support capability of quality control personnel from the CPA firm meet industry standards? | Yes | Yes |
| 5 | Does the CPA firm have plans related to innovation and enhancing audit quality? | Yes | Yes |

| | | | | |
|---|---|---|---|---|
| 4. Does the public company have a suitable number of competent corporate governance personnel and has it appointed a corporate governance supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their duties, assisting directors with regulatory compliance, handling matters related to Board meetings and shareholders’ meetings, and preparing proceedings for Board meetings and shareholders’ meetings)? | V | | In the Board meeting on May 14, 2020, the Company appointed the finance manager David Lin as the Corporate Governance Manager to help the legal, stock affairs, and HR administration office members to deal with corporate governance matters. These matters include businesses related to Board and shareholders’ meetings, assisting Directors' continuing education, providing Directors with information necessary to perform their duties, legal compliance, and other matters established in the Articles of Incorporation or contracts. In 2023, key corporate governance items include: 1. Organized | Compliant |

| Evaluation Item | Implementation Status [1] | | | Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Abstract Illustration | |
| | | | the self-evaluation of the Board of Directors and relevant committees in accordance with the Board of Directors Performance Evaluation Guidelines. 2. Reported on the status of the Company's ethical corporate management operations to the Board of Directors on November 13, 2023 for the Directors to understand the Company's practices and determination for implementing ethical management. In this year up to the print date of this annual report, the cumulative training hours is 12 hours. Please refer to the company's website for the content of the courses. | |
| 5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities? | V | | The Company has set up a relevant stakeholders section (https://www.chp.com.tw/en/responsibility/stakeholders) on the Company's website, and distinguishes between employees, customers, suppliers, shareholders and investors, government organizations, and media. Stakeholders are supported by corresponding contact channels and methods to properly respond to related issues. The details of communication with all stakeholders in 2023 were submitted to the 19th-term 8th meeting of the Board of Directors on November 13, 2023. | Compliant |
| 6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs? | V | | The Company has hired SinoPac Securities – Register & Transfer Agency Division to help with affairs related to shareholders' meetings. | Compliant |

| Evaluation Item | Implementation Status [1] | | | Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Abstract Illustration | |
| 7. Information Disclosure<br>(1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance? | V | | The Company has set up a corporate website (www.chp.com.tw) and discloses information regarding the Company's financial, business, and corporate governance status in a timely manner for investor inquiry. | Compliant |
| (2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)? | V | | The Company has held a total of 4 investor conferences in 2023 and has disclosed the relevant information through press releases or on the Company's website for investor inquiry. The Company has also set up a website in English to help foreign investors understand the information. | Compliant |
| (3) Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit? | V | | The Company announces and declares the annual financial report within 75 days after the end of the fiscal year, and announces and declares the first, second, and third quarter financial reports and operating status of each month within the prescribed deadline. | Roughly compliant |
| 8. Does the Company have other information that is helpful for understanding its status of corporate governance (including but not limited to employee rights and interests, employee well-being, investor relations, supplier relations, rights of stakeholders, further education sought by directors and supervisors, implementation of risk management policies and risk evaluation standards, implementation of customer policies, the purchase of liability insurance for directors and supervisors, etc.)? | V | | 1. The Company established the Corporate Governance Code of Conduct in the Board meeting on November 8, 2018.<br>2. The Company formulates working rules for employees and employees' rights and interests in favor of the employees in accordance with the Labor Standards Act, and established the Employee Welfare Committee to allocate employee benefits and hold regular labor-management meetings on a monthly basis, | Compliant |

| Evaluation Item | Implementation Status [1] | | | Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Abstract Illustration | |
| | | | as well as organize occupational training and recreational activities periodically.<br>3. Investors can communicate with us through shareholder service agents or spokespersons. The Company has also set up an investor relations mailbox to maintain a smooth communication channel. Suppliers and handling units can also maintain good communication between each other.<br>4. The Company has purchased liability insurance for the Directors and key personnel of the Company and its subsidiaries for 2023, and has reported such at the Board meeting on August 11, 2023. Periodic training information such as the stock exchange, the SFI and the Corporate Governance Association is provided for Directors to use as training reference, and laws and regulations relevant to the Directors are issued to each Director. When there are changes in the laws and regulations, the Directors will be notified by email first, and the updates will be explained to the Directors during the Board meetings.<br>5. The Company requires all suppliers to sign the Honesty and Integrity Declaration, which guarantees their commitment when dealing with relevant Company personnel to fulfill their obligations of honesty, integrity, environmental protection, and employment. | |

| Evaluation Item | Implementation Status [1] | | | Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Abstract Illustration | |
| | | | 6. The Company has set up a stakeholder section on its website to provide relevant contact information for stakeholders to provide feedback and file complaints. | |

9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures.

| Evaluation Indicators | Improvement |
|---|---|
| Are the Company's shareholders' meetings streamed live, or will uninterrupted audio and video recordings of the proceedings from beginning to end be uploaded after the meetings have ended? | The Company introduced live streaming for the first time for its shareholders' meeting on June 30, 2023. To facilitate the participation of shareholders and investors, the Company provided a link on its website. After the shareholders' meeting, the link remains on the website for shareholders and investors who wish to access the recording. |
| Has the Company established non-statutory functional committees such as nominating, risk management, or sustainable development committees comprised of at least three members, of whom more than half are Independent Directors and more than one is equipped with the professional skills required by the committee? Has the Company disclosed the committees' composition, responsibilities, and operating status? | The Company's Board of Directors approved the Sustainability Committee Charter on November 13, 2023. Chairman Kirk Hwang is the convener and meeting chair and Director Ray Chen and Independent Directors Donald Chang, Hsiao-Kan Ma, and Wan-Yu Liu are members of the Sustainability Committee, which was established to realize social responsibilities and promote the sustainable development of the economy, society, and environment. |
| Has the Company established internal rules prohibiting insiders from trading securities using information not disclosed to the market and disclosed the rules on the Company's website, including (but not limited to) prohibiting Directors from trading its shares during the closed period of 30 days prior to the publication of the annual financial reports and 15 days prior to the publication of the quarterly financial reports? | The Company established the Procedures for Insider Trading Prevention on November 11, 2022, to prohibit Directors and insiders from trading the Company's shares during the closed period of 30 days before the publication of the annual financial reports and 15 days before the publication of the quarterly financial reports. Also, when investigating insider shareholding changes every month, Directors and insiders are reminded to pay attention to applicable regulations. |

Directors' training records:

| Title | Name | Assignment Date | Study Date | Sponsoring Organization | Course | Training Hours | Total Hours |
|---|---|---|---|---|---|---|---|
| Chairperson | Kirk Hwang | 2022/06/17 | 2023/08/21 | Taiwan Corporate Governance Association | Net-Zero Trends and the Paper Industry's Response Strategies; Carbon Rights Management and Net Zero Support | 3.0 | 9.0 |
| | | | 2023/08/21 | Taiwan Corporate Governance Association | Taiwan's Opportunities in the AI Industry; Faster Digital Transformation and Smart Manufacturing With Generative AI | 3.0 | |
| | | | 2023/03/27 | Chinese National Association of Industry and Commerce | Training for Company Directors and Supervisors - Corporate Resilience and Taiwan's Competitiveness | 3.0 | |
| Director | Jean Liu | 2022/06/17 | 2023/07/25 | Taiwan Corporate Governance Association | Common Legal Issues in Merger and Acquisition Contracts | 3.0 | 9.0 |
| | | | 2023/07/21 | Taiwan Corporate Governance Association | Equity Planning and Organizational Structure Design for New Businesses | 3.0 | |
| | | | 2023/03/30 | Chinese National Association of Industry and Commerce | Training for Company Directors and Supervisors - Preparing for Digital Platform Opportunities and Ensuring Fair Competition | 3.0 | |
| Director | Guu-Fong Lin | 2022/06/17 | 2023/11/15 | Taiwan Institute for Sustainable Energy | 6th Global Corporate Sustainability Forum 2-1 | 3.0 | 9.0 |
| | | | 2023/08/21 | Taiwan Corporate Governance Association | Net-Zero Trends and the Paper Industry's Response Strategies; Carbon Rights Management and Net Zero Support | 3.0 | |
| | | | 2023/08/21 | Taiwan Corporate Governance Association | Taiwan's Opportunities in the AI Industry; Faster Digital Transformation and Smart Manufacturing With Generative AI | 3.0 | |
| Director | Ray Chen | 2022/06/17 | 2023/10/04 | Securities & Futures Institute | Advanced Seminar on Practices for Directors and Supervisors (Including Independent Supervisors) and Corporate Governance Supervisors | 3.0 | 8.0 |
| | | | 2023/04/27 | Taiwan Stock Exchange Corporation | Promotion Conference on Sustainable Development Action Plans for Public Companies | 3.0 | |

| Title | Name | Assignment Date | Study Date | Sponsoring Organization | Course | Training Hours | Total Hours |
|---|---|---|---|---|---|---|---|
| | | | 2023/02/09 | Taiwan Institute for Sustainable Energy | The 31st TCCS Board Meeting and CEO Lectures | 2.0 | |
| Independent Director | Donald Chang | 2022/06/17 | 2023/09/04 | FSC | The 14th Taipei Corporate Governance Forum | 3.0 | 6.0 |
| | | | 2023/08/21 | Taiwan Corporate Governance Association | Net-Zero Trends and the Paper Industry's Response Strategies; Carbon Rights Management and Net Zero Support | 3.0 | |
| Independent Director | Hsiao-Kan Ma | 2022/06/17 | 2023/07/18 | Accounting Research and Development Foundation in R.O.C. | 2023 Finance Transformation and Sustainability Disclosure Seminar | 3.0 | 9.0 |
| | | | 2023/03/27 | Chinese National Association of Industry and Commerce | Training for Company Directors and Supervisors - Corporate Resilience and Taiwan's Competitiveness | 3.0 | |
| | | | 2023/02/14 | Taiwan Corporate Governance Association | Corporate Governance's New Look Under ESG Trends | 3.0 | |
| Independent Director | Wan-Yu Liu | 2022/06/17 | 2023/11/03 | Taiwan Corporate Governance Association | Litigation and Beyond - How To Draft Effective Dispute Resolution Clauses for Contracts? | 3.0 | 6.0 |
| | | | 2023/07/18 | Taiwan Corporate Governance Association | Practical Analysis of Corporate Governance 3.0 Sustainability Reports | 3.0 | |

### 3.4.4 Composition, responsibilities and operations of the Remuneration Committee

1、Information on members of the Remuneration Committee

**4/30/2024**

<table>
<tr><th>Identity</th><th>Qualifications<br>Name</th><th>Professional qualifications and experience</th><th>Independence criteria (Note)</th><th>Number of publicly listed companies in which the member concurrently serves as a remuneration committee member</th></tr>
<tr><td>Independent Director (Convener)</td><td>Donald Chang</td><td>Donald Chang has a bachelor's degree in chemical engineering from the Chinese Culture University. He has served as the CEO of Greater China of the well-known global company 3M. He has expertise in managing multinational enterprises and an international market perspective.</td><td rowspan="3">The convener meets the independence criteria. Relevant related parties do not own shares of the Company, have not been a Director, Supervisor, or manager in any subsidiaries other than the Company, and have not received compensation from business dealings with the Company's group in the last two years.</td><td>-</td></tr>
<tr><td>Independent Director</td><td>Hsiao-kan Ma</td><td>Independent Director Hsiao-Kan Ma holds a Ph.D. in mechanical engineering from the University of Illinois. He previously worked as a professor in the Department of Mechanical Engineering at National Taiwan University. He is currently an independent director of Chung Hwa Chemical Industrial Works, Ltd., Data Image, and Ho-Ping Power Company (a private company). His expertise includes thermodynamics, fluid mechanics, combustion, and air pollution control.</td><td>2</td></tr>
<tr><td>Independent Director</td><td>Wan-Yu Liu</td><td>Wan-Yu Liu holds a Ph.D. from the Department of Agricultural Economics of the National Taiwan University. She serves as a judge for the National Enterprise Environmental Protection Award and the National Environmental Education Award of the Environmental Protection Administration, Executive Yuan, and was a member of the Board of Examiners and the Vice Dean of the International College of Innovation and Industry Liaison. She is currently a professor of the Department of Forestry at National Chung Hsing University and is skilled in natural carbon sinks and carbon rights, environmental and resource economics, and agriculture and forestry economics.</td><td>2</td></tr>
</table>

2. Attendance of members at Remuneration Committee meetings

(1) The Company’s Remuneration Committee is comprised of three persons.

(2) Term of the current members: June 17, 2022 to June 16, 2025; in the most recent year (2023), the

5th Remuneration Committee has convened 2 meetings (A). The qualifications and records of attendance of committee members are listed below:

| Title | Name | Attendance in Person(B) | By Proxy | Attendance Rate (%) 【B/A】 | Remarks |
|---|---|---|---|---|---|
| Convener | Donald Chang | 2 | 0 | 100 | |
| Committee Member | Hsiao-Kan Ma | 2 | 0 | 100 | |
| Committee Member | Wan-Yu Liu | 2 | 0 | 100 | |
| Other mentionable items: None | | | | | |

(3)Functions of the Company's Remuneration Committee

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

Responsibilities of the Company's Remuneration Committee.

I. Establish and conduct regular review of the policies, systems, standards, and structures for performance appraisal and remuneration of the Company's Directors and managers.

II. Regularly review Directors' and Managers' remuneration.

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

I. The performance evaluations and compensation of Directors and managers should reference the common standards of industry peers, as well as consider the fairness of links between individual performance, the Company's operational performance, and future risks.

II. There shall be no incentive for Directors or managers to pursue remuneration by engaging in activities that exceed the risk appetite of the Company.

III. For Directors and senior managers, the percentage of bonuses to be distributed based on their short-term performance and the time for payment of any variable remuneration shall be decided with regard to the characteristics of the industry and nature of the Company's business.

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

| Meeting date | Main issues | Resolutions | Actions taken by the Company in response to the opinion of the committee members |
|---|---|---|---|
| March 10, 2023 (5th-term 2nd time) | 1. 2022 Director remuneration distribution<br>2. 2022 employee remuneration distribution | Approved by all the present committee members, and the resolution was submitted to the Board of Directors and presented to the shareholders' meeting. | Submitted to the Board of Directors on March 15, 2023 and presented to the shareholders' meeting on June 30, 2023. |
| November 7, 2023 (5th-term 3rd time) | 1. Report on the annual adjustment of employee remuneration.<br>2. 2022 remuneration status report of main managers. | 1. Approved and understood by all the present committee members after discussion.<br>2. Approved and understood by all the present committee members after the report. | 1. The annual adjustment of employee remuneration took effect on August 1, 2023.<br>2. Not applicable |

### 3.4.5 Composition and operating status of the Company's Sustainability Committee:.

1. Composition of the Sustainability Committee: The Company's Board of Directors approved the Sustainability Committee Charter on November 13, 2023. The Committee members elected Chairman Kirk Hwang as the convener and Director Ray Chen and Independent Directors Donald Chang, Hsiao-Kan Ma, and Wan-Yu Liu are members of the Sustainability Committee.

2. Composition and operating status of the Company's Sustainable Development Committee:
(1) The Company's Sustainability Committee is comprised of five persons.
(2) Term of the current members: November 13, 2023 to June 16, 2025.
(3) Responsibilities of the Company's Sustainability Committee:

A. Formulate, promote, and strengthen sustainable development policies, including corporate governance, ethical corporate management, and environmental and social goals, strategies, and action plans.
B. Review and manage the Company's sustainable development implementation status and effectiveness and report regularly to the Board of Directors.
C. Strengthen communication with stakeholders, including shareholders, clients, suppliers, employees, the government, non-profit organizations, the community, and the media, and pay attention to their concerns.
D. Supervise other Board-approved sustainable development work.

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

| Evaluation Item | Implementation Status | | | Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Abstract Explanation | |
| 1. Has the Company established a governance structure to promote sustainable development? Does the Company have a dedicated (concurrent) unit responsible for promoting sustainable development? Is the unit run by senior managers, which are authorized by and report their progress to the Board of Directors? | V | | The Audit Committee and Board of Directors approved the establishment of the Sustainability and Social Responsibility Guidelines on November 6 and November 8, 2018, respectively, to serve as the policy for promoting matters regarding social responsibility and sustainable development. The Company regularly promotes sustainable policies and education and reports to management, such as the Chairman and President. In response to the Financial Supervisory Commission's "Corporate Governance 3.0 - Sustainable Development Roadmap," CHP changed the name of its "CSR Office" to "ESG Office" on September 1, 2021. It reports directly to the Chairman and has full-time staff. The 8th meeting of the 19th Board of Directors of the Company approved the establishment of the Sustainable Development Committee on November 13, 2023, with Chairman Hwang, Kirk as the convener elected by directors. For the review and management of the Company's sustainable development implementation status and effectiveness, this committee shall report to the Board of Directors at least once a year and convene meetings at any time as needed. Six teams were set up under this committee: "Environmental Sustainability & Climate Change," "Sustainable Products & Technological Innovation," "Corporate Governance", "Customer Relations & Supply Chain Management," "Employee Care," and "Social Welfare." Each unit's top manager serves as a team leader. The ESG Office facilitates lateral communication and works towards implementing and realizing sustainable development. | Compliant.<br>The Company has a dedicated unit in charge of handling sustainability matters. The Company complies with the Sustainable Development Best Practice Principles. |

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| | Yes | No | Abstract Explanation | |
| 2. Does the Company assess risks in environmental, social, and corporate governance issues relevant to its business activities and devise risk management policies and strategies based on the principle of materiality? | V | | To advance the Company's organizational operations, CHP devises rules to be followed by relevant units and implements management guidelines for internal management per the law. CHP lays out short, mid, and long-term ESG goals and countermeasures. CHP regularly holds business management meetings to discuss and identify key risks, including business, financial, and environmental risks, and then formulates response measures. The scope of risk assessment includes disclosure boundary covering the Taipei headquarters, other business locations in Taiwan, the Kaohsiung Jiutang, Hualien, Taitung, and Taoyuan Guanyin mills, and overseas subsidiaries Guandong Dingfung Pulp & Paper and Zhaoqing Dingfung Forestry. Operational risks are distributed and managed by various departments according to their functions. The ESG Office facilitates lateral communication and works towards implementing and realizing sustainable development. The audit department regularly and project-examines the implementation and compliance of the regulations, systems, and procedures of each department. | Compliant.<br>The Company realizes risk management policies, formulates strategies, and complies with the Sustainable Development Best Practice Principles. |
| 3. Environmental topics<br>(1) Has the Company established a proper environmental management system based on the characteristics of the industry? | V | | All production units of the Company have obtained ISO 14001, environmental management systems, ISO 9001, quality management systems, and FSC-COC, chain of custody certifications, conducts ISO 14064-1, greenhouse gas inventory each year and continues to realize the carbon management and FSC global forest management system standards. The Company continues to implement the ISO 50001 energy management system and has established energy-saving objectives. At the same time, each mill is equipped with dedicated personnel to confirm that the environmental management system is operating effectively. Every year, CHP will identify risks and create improvement plans for its sustainable strategy plan in response to the effects of climate change.. | Compliant |

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| | Yes | No | Abstract Explanation | |
| (2) Is the Company committed to improving energy efficiency and using recycled materials which have a low environmental impact? | V | | The core policy of CHP is to build a sustainable, circular management system named R3. With 3R (Recycle/Reclaim/Regenerate) as the core strategy, CHP actively achieved the consistent production of forest, pulp, and paper. CHP will focus on becoming green and move towards achieving the three main goals of green energy, manufacturing, and products. Every year, the Company invests a significant amount of money in improving its production equipment to reduce energy consumption, waste, and solid materials. It continues to enhance technologies for recycling residual heat, waste, and solid materials to reduce waste heat, improve energy efficiency (with a 1% increase in heating value of alternative energy input in 2023 compared to 2021), and reduce the use of fossil fuels (with a 28% decrease in heating value of fossil fuel input in 2023 compared to 2021). The Company was awarded again for excellence in green purchasing by the Ministry of Environment and obtained the green product mark. | Compliant |
| (3) Does the Company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and adopt appropriate countermeasures? | V | | The Company has incorporated global climate change and sustainable development trends into risk management for many years, and has identified items and results as an important basis for operating strategies. TCFD risk identification will begin in 2022 to actively enhance the climate risk management system and response measures, which will help the Company to realize sustainable development.<br>The TCFD compliance assessment was completed in March 2023. BSI, the unit conducting the evaluation, has given the Company's climate-related financial disclosure maturity model a Level-5: Excellence rating, the highest level.<br><br>The Company implemented a management framework for governance, strategy, risk management, and metrics and targets based on TFCD's recommendations for these four thematic areas to disclose climate-related risks and opportunities in the short, medium, and long term, aiming to accelerate the response to and deployment of | Compliant |

<table>
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<tr><th>Yes</th><th>No</th><th>Abstract Explanation</th></tr>
<tr><td></td><td></td><td></td><td>low-carbon development and adjustment strategies to gain a key competitive advantage. CHP is committed to finding solutions for climate change mitigation and enhancing sustainable business development.<br>• Here are the climate change management strategies that the Company has already completed:<br><table>
<tr><th>Core</th><th>Management strategies and actions</th></tr>
<tr><td>Governance</td><td>● The Environmental Sustainability & Climate Change Team analyzes and monitors the relevant risks of the corresponding units according to the risk management responsibilities of the supervisors of each mill/department.<br>● The ESG Office coordinates cross-departmental risk management interactions and communication and reports to the Chairman and President during annual business management meetings to ensure the effective implementation of risk control mechanisms and procedures.</td></tr>
<tr><td>Strategy</td><td>● Continue to implement climate change mitigation and adaptation projects.<br>● Adhere to the principle of robust operations, focus on becoming green, and move towards achieving the three main goals of green energy, manufacturing, and products.</td></tr>
<tr><td>Risk management</td><td>● Collaborate across departments to integrate, identify, and evaluate climate-related risks, quantify and evaluate financial impacts, and formulate management strategies.<br>● Realize the integration of the Company's risk management policies and procedures with the ISO management systems of</td></tr>
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<tr><td></td><td></td><td></td><td><table><tr><td></td><td>the mills.</td></tr><tr><td>Metrics and targets</td><td>Establish mid- and long-term goals for lowering greenhouse gas emissions (with 2018 as the base year) and continuously monitor the progress.<br>Reduce emissions by 7% by 2025 compared to the base year<br>Reduce emissions by 30% by 2030 compared to the base year<br>Net-zero emissions by 2050</td></tr></table></td><td></td></tr>
<tr><td>(4) Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and formulate policies on energy efficiency and carbon reduction, greenhouse gas reduction, water reduction, or waste management?</td><td>V</td><td></td><td>In response to climate change and global trends in controlling greenhouse gas emissions,<br>1. The Company continues to establish management strategies to address environmental concerns like greenhouse gas emissions control, water resource management, energy management, and resource recycling. The disclosure boundary includes the Taipei headquarters, other business locations in Taiwan, the Kaohsiung Jiutang, Hualien, Taitung, and Taoyuan Guanyin mills, and overseas subsidiaries Guandong Dingfung Pulp & Paper and Zhaoqing Dingfung Forestry.<table><tr><th>Environmental management items</th><th>Outlook and response measures</th></tr><tr><td>Water resources</td><td>1. Conduct water inventory to continue to carry out water conservation plans; strengthen water quality monitoring and establish response measures.<br>2. Control operating procedures and strengthen water treatment technologies.<br>3. Actively monitor the quality of discharge water and</td></tr></table></td><td>Compliant</td></tr>
</table>

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|---|---|---|---|---|---|
| | Yes | No | Abstract Explanation | | |
| | | | | strengthen information transparency of discharge water, such as building the external platform, disclosing real-time water quality data.<br>4. Introduce artificial wetlands to promote ecological restoration.<br>5. The water consumption in 2022 is 29,029 million liters, as audited in the sustainability report. The water consumption in 2023 is 28,159 million liters. | |
| | | | Energy resources | 1. Propose energy conservation plans and equipment improvements.<br>2. Increase the proportion of biofuel and energy efficiency.<br>3. Build green power generation equipment:<br>Upgrade the capacity of biomass conversion equipment and use heat recovery technology to increase power generation capacity and efficiency. | |
| | | | Production by-products | 1. Circular economy promotion:<br>Make various materials with process waste through recycling and technological reengineering. Actively work towards achieving zero waste and zero emissions.<br>2. The CHP’s residual materials from the production processes are non-hazardous waste. The total solid residue in 2022 is 255,800 metric tons and 178,800 metric tons in 2023.<br>3. The data on the CHP’s residual materials from the production processes are reported to the Ministry of Environment's “Business Waste Reporting and Management | |

<table>
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<tr><td></td><td></td><td></td><td>
<table>
<tr><td></td><td>Information System”, which is regularly inspected by the Environmental Protection Bureau every month. The total amount of waste is audited and approved by the sustainability report.</td></tr>
<tr><td>Gas emissions</td><td>1. CHP established a GHG Reduction Team to conduct inventories of greenhouse gas emission sources in the mills, develop reduction measures, register the inventory results on the national greenhouse gas tracking platform (Taiwan mills) after they are verified by a reputable third party, and disclose the results in the sustainability reports.<br>The audit has been completed in 2022, and planning for the 2023 audit is underway.<br>2. Regularly maintain, repair, and replace old equipment.<br>3. Improve energy-saving measures for production equipment and power generation systems.<br>4. Pollutant reduction plan.<br>5. 2022 GHG emissions is 982,000 metric tons CO2e (Scope 1 is 761,100 metric tons CO2e, Scope 2 is 220,900 metric tons CO2e). Emissions density is 41.52 (metric tons CO2e/NT$1 million).<br>2023 GHG emissions is 958,100 metric tons CO2e (Scope 1 is 754,800 metric tons CO2e, Scope 2 is 203,200 metric tons CO2e). Emissions density is 45.72 (metric tons CO2e/NT$1 million).</td></tr>
</table>
2. Energy conservation and carbon reduction:<br>The Company promotes the integration and reuse of resources within each mill, and</td><td></td></tr>
</table>

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| | Yes | No | Abstract Explanation | |
| | | | formulates emission reduction plans. The Company conducts mutual inspections of each mill every quarter and continues the promotion of energy saving projects among mills and offices. We regularly maintain, repair, and replace LED lights, use high-efficiency motors, and purchase office equipment and supplies with energy-efficiency marks. At the same time, technological exchange meetings are held to introduce energy saving related technologies and improve each mill's energy efficiency. We aim to move forward in the direction of energy conservation and environmental protection. In 2023, the Company reduced carbon emissions by 38,660 tons of carbon dioxide equivalents from energy-saving projects. | |
| 4. Social topics<br>(1) Does the Company comply with relevant laws and regulations and internationally recognized covenants on human rights, and have related management policies and procedures in place? | V | | The Company supports the principles and spirit of the Universal Declaration of Human Rights and the Global Compact of the United Nations, the International Labor Office Tripartite Declaration of Principles, the OECD Guidelines for Multinational Enterprises. The Company established related declarations such as the Human Rights Declaration, management policies, and procedures , and set up employee grievance channels to help employees solve problems. We also provide regular safety and health training according to the regulations and have set up a System and Regulations Review Team to discuss labor laws regularly and cooperate with law amendment announcements. Specific management policies and implementation status include the prohibition of forced labor, compliance with local government labor regulations, execution of a vacation system, and encouragement of colleagues to prioritize work-life balance. In 2023, the FSC labor rights policy had four main axes and was conducted over two sessions, with a total participation of 23 individuals and a total duration of 31 hours. | Compliant |
| (2) Has the Company established and | V | | The Company provides a comprehensive remuneration system, welfare measures, and performance management system while meeting requirements in the external business | Compliant |

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| implemented reasonable employee benefits (including remuneration, leave, and other benefits), and ensured business performance or results are reflected adequately in employee remuneration? | | | environment and building a fair and reasonable internal system. We provide a leave system that is more favorable than regulatory requirements and uphold the ideal of sharing profits with employees by attracting, retaining, developing, and encouraging talents.<br>1. Salary in line with market conditions<br>(1) The Company participates in compensation surveys in the industry or on the market and determine the salaries of employees based on their academic records, work experience, skills, and position.<br>(2) Salary is not determined by gender or age.<br>2. Bonus and compensation<br>(1) Year-end bonus and other incentives: The Company has established regulations on the year-end bonus to include at least 30 days of salary. The Company also established related standards for the issuance of additional bonuses based on the Company's operations and the employees' rank and performance. The bonuses are competitive and used as incentives to encourage employees to make more contributions and grow with the Company.<br>(2) Employee's remuneration: The Company's Articles of Incorporation specifies that if the Company sustains profit every year, 1% or more of the income shall be set aside as remunerations to employees.<br>3. Salary adjustment<br>(1) The Company has implemented salary adjustments every year in the past three years (2021~2023), and the salary adjustment amount accounts for 2.5%~3% of the total salary of all employees.<br>(2) Employees receive a raise when they are promoted as a way to reserve, encourage, and retain outstanding talent. | |
| (3) Does the Company | V | | The Company has promoted the occupational safety and health management system | Compliant |

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| | Yes | No | Abstract Explanation | |
| provide a safe and healthy work environment, and provide employees with regular safety and health training? | | | for many years. We are certified in OHSAS 18001 systems and ISO 45001 international standards and follow the PDCA cycle for managing our mills' occupational safety and health to serve as the foundation of sustainable development.<br>The Company has set up an Occupational Safety and Health Committee according to the Regulations Governing Occupational Safety and Health to supervise the effectiveness of the implementation of the occupational safety and health plans and the performance of occupational safety and health. The committee convenes one meeting per quarter and reports to the President regularly. We have also added an Operational Safety Management Committee to patrol, inspect, improve, and track the equipment, environment, and personnel of the mills to strive for excellence and build a safer workplace.<br>Employees must undertake at least three hours of safety and health training every three years. 2924 person-times of safety and health training was delivered in 2023. The number of occupational accidents in 2023 is 21, accounting for 0.73% of the total employees of CHP. In the future, CHP will strengthen employee education and training and increase the frequency of inspections.<br>The Company had no fire incidents in 2023. | |
| (4) Does the Company offer its employees effective occupational empowerment training programs? | V | | Every year, each unit of the Company prepares the personnel training budget according to actual needs. The HR administration and management unit evaluates and plans the skills the personnel should have and conducts internal and external education and training regularly to enhance the employees' career skills and improve the career development platform. To ensure employee stability after retirement, assist with retirement plans, and pass on technical knowledge to the younger generation, CHP hired retired senior employees as consultants to guide the younger generation through experience sharing. By learning from the experiences of others, the next generation can make better plans for their retirement. | Compliant |

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| | Yes | No | Abstract Explanation | |
| | | | The Company organized various education and training courses for employees in 2023, including 16,389 person-times and 34,737 hours, an average of 12.14 hours per person, of internal and external training. | |
| (5) Does the Company comply with relevant laws and international standards in relation to customer health and safety, customer privacy, marketing, and labeling of products and services, and does it establish relevant consumer or customer protection policies and grievance procedures? | V | | The Company operates in accordance with the laws and regulations of the locations of the mills, and provides customers with responsible products and services. The marketing and labeling of the Company's products and services comply with relevant laws and international standards, such as FSC, PEFC, ISO, etc. The Company's website provides certification consultation inquiries based on each product category, with a dedicated telephone line and email address to actively respond to the needs of customers and the general public. | Compliant |
| (6) Does the Company establish supplier management policies, which require suppliers to observe relevant regulations on environmental protection, occupational safety and hygiene, or labor and human rights? If so, describe the | V | | The Company has formulated the Supplier Code of Conduct and Due Diligence Statement that shall be signed by suppliers to ensure that CHP's supply chain complies with relevant regulations related to environment, health and safety, labor rights, code of ethics, and sustainable procurement. Since 2023, the Company has requested all new suppliers to sign the code of conduct before they are qualified for cooperation. New suppliers shall first fill in the "Supplier Information Survey" (including the Integrity Commitment Letter). After the supplier is internally evaluated as qualified, the Company can proceed with procurement operations with such a supplier in the material system. Suppliers are subject to regular evaluations (twice a year), and their level is determined based on data from procurement cases and scores from relevant user units through the system. For suppliers who fail to pass the | Compliant |

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<tr><td>implementation results.</td><td></td><td></td><td>evaluation, the Company will take relevant measures such as counseling for improvement or freezing the qualifications of qualified suppliers.</td><td></td></tr>
<tr><td>5. Does the Company reference internationally accepted reporting standards or guidelines when preparing reports that disclose non-financial information of the Company, such as sustainability reports? Does the Company obtain third-party assurance or qualified opinion for the reports above?</td><td>V</td><td></td><td>The Company commissioned a third party, British Standards Institution (BSI), to verify the annual Sustainability Report according to the GRI Sustainability Reporting Standards, AA1000AS v3 Assurance Standard, and SASB (Sustainability Accounting Standards Board). The report is verified to be in compliance with AA1000 Type 1 moderate-level assurance and the Core Option Criteria for GRI Standards.</td><td>Compliant</td></tr>
<tr><td colspan="5">6. Describe the difference, if any, between actual practice and the corporate social responsibility principles, if the company has implemented such principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies:<br>The Audit Committee and Board of Directors approved the establishment of the Company's Sustainability and Social Responsibility Guidelines on November 6 and November 8, 2018 respectively. The Company has set up a Sustainable Development Committee to serve as the unit responsible for promoting sustainable development. The ESG Office (formerly, CSR Office), established under the Sustainable Development Committee, is responsible for cross-department communication, planning and implementing relevant strategies and systems, and reviewing and improving implemented plans. There are no major differences between the operations and the Company’s Sustainability and Social Responsibility Guidelines.</td></tr>
<tr><td colspan="5">7. Other useful information for explaining the status of corporate social responsibility practices:<br>(1) Set up an environmental protection plan group to be responsible for implementing various response measures, and take the initiative to communicate and coordinate with the environmental stakeholders such as the public and community residents to form a consensus.<br>(2) Actively contact various local environmental protection administrations, township (district) offices, representatives' associations, environmental protection groups, agencies, and schools to carry out various cooperation projects and coexist with the community.</td></tr>
</table>

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| | Yes | No | Abstract Explanation | |

(3) ESG achievements:

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|---|---|
| Environmental protection | * CHP has been awarded for excellence for green purchasing by the Environmental Protection Administration for many consecutive years. In addition to the strict and rigorous work on environmental protection, the mill also participates in various activities and certifications to promote environmental protection. For example: ISO, FSC, and GHG inventory.<br>* The Company was awarded for excellence in green purchasing in 2022 (10th consecutive award).<br>* The Hualien mill has been awarded as an excellent adoption unit in the Air Quality Purification Zone of the Environmental Protection Administration for six consecutive years. The Company was recognized as a 2023 Greenhouse Gases Reduction Model Company.<br>* The Taitung mill is committed to reusing process waste and improving process efficiency. At the end of 2018, it was awarded the Star Award in the Waste Resource Circular Economy Evaluation, practicing the paper industry 's circular economy concept. The Company was awarded the Handling of Recyclable Waste Industry Assessment Program - Resource Recycling Cornerstone Mark of the Environmental Protection Administration in 2022.<br>* The Jiutang mill was recognized as a 2022 Greenhouse Gases Reduction Model Company by the Industrial Development Bureau, MOEA; also won the 2023 Harvard Business Review Ding Ge Model Large Enterprise of Smart Manufacturing Award and the ESG Special Award.<br>* Biofuel power generation:<br>a. Largest biomass power generation (20,000 kW) in Taiwan.<br>b.Lignin biofuel power generation: Accounts for 89% of the self-generated power of the pulp and paper mills (2023). |
| Social welfare | The Company has long paid attention to and implemented the promotion of popular science education in rural areas. In particular, we hope that Huadong students will not fall behind others through the power of the enterprise. With a foundation in science education, students can use science and technology education to transform their lives. We are committed to implementing our corporate spirit of deepening cultivation in the local area and fostering mutual prosperity in the community.<br>* Yuan T. Lee Science Competition<br>The Company has sponsored the Yuan T. Lee Science Competition to promote science education for many years. The competition lets senior and vocational high school students work on creative topics, where they can learn from difficult knowledge in the textbook by finding answers in real life, realizing the popularization of popular science education. We hope that with correct learning guidance, young students will be interested in exploring scientific knowledge.<br>* Yuan T. Lee Science Camp<br>The Company has cooperated with the Yuan T. Lee Foundation Science Education for All since 2013, and has sponsored the Science Foundation Program, which aims to shorten the educational gap between urban and rural areas, and popularize science and math education. This activity is organized in many schools in Huadong, including 20 primary and junior high schools, such as Hualien Yi Chang Junior High School and Taitung |

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| | | | County Changbin Junior High School. Approximately 2,000 children benefit from this activity every year.<br>* Tamkang University Chemistry On the Go<br>The aim of Chemistry On the Go happens to be the same as the 17 SDGs advocated by the United Nations, especially the beliefs of the 4th goal, quality education, and the 17th goal, developing partnerships. Since 2017, the Company has cooperated with the Center for Science Education of Tamkang University for many years in a row, becoming the university’s partner in chemical courses and events. The Company participates in coming up with teaching plans, provides materials for experiments, and participates in events as volunteers develop children's interest in science. The Company brings popular science education and chemistry experiments to rural schools in Hualien and Taitung through employee participation. More than 100 students participated in 2023.<br>* Promoting coding education<br>CHP started cooperating with Coding Nations in 2019 to promote basic programming education in Huadong. In 2022, CHP partnered with the Hualien County Government to organize the National 2022 CHP Cup Scratch Interscholastic Competition and Summer Camp. Eight teams from coding primary schools nationwide were formed, and 120 teachers and students participated in the two-day event, letting the Scratch coders demonstrate their learning achievements while learning from each other. Also, CHP's Taitung mill adopted six primary schools in its surroundings and conducted basic programming courses twice a week. CHP hopes to use the power of the enterprise to cooperate with Taitung to promote education and train teachers. Currently, we have held education promotion courses that total over 200 hours and conducted Scratch programming courses through the integration of IT courses. Over 100 students have benefited from the courses. This way, children in rural areas can also have the ability to stay ahead in the AI era and we are paving the way for the next generation of IT talent.<br>* “CHP Public Welfare Cup National Drone Computing Thinking Competition” and “Technology Digital Learning and Art Education Achievement Joint Exhibition”<br>Since 2019, CHP has held the CHP Public Welfare Cup with the aim of promoting basic science education. In November 2023, the Hualian County Government cooperated with CHP to organize the third Hualian County CHP Public Welfare Cup “National Drone Computing Thinking Competition.” This competition brought together 128 teams comprising 400 students from 7 counties and cities across the country to gather at Yuli Junior High School in Hualien. Through diverse exchanges and interactions, the participants engaged in intense competition, flying drones. In December 2023, CHP and the Hualian County Government jointly held a joint exhibition of technology and art education achievements. Through the display of the achievements of 80 booths, this exhibition allowed the public to gain further insights into the current status of technology, reading, art, local education, and elder care, thereby promoting sustainable social development.<br>* Keng Sheng Daily News Cup Mathematics Competition<br>Since 2021, CHP has been dedicated to improving the academic performance of local students in Huadong. We partner with Keng Sheng Daily News to organize math competitions and award scholarships to deserving students. In 2023, nearly 1,000 Huadong primary and secondary school | |

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| | | | | students participated in the competition. We hope to use our corporate influence to advance mathematics education in Taiwan and contribute to our communities and society.<br>* The dreams come true project, making yearbooks for primary schools located in the rural areas of Huadong<br>Certain aboriginal primary schools in rural areas have limited resources and a small student population, making it difficult for them to cover the costs of yearbook photos and compilation. Thus, CHP and the Taiwan Photography Association worked together in 2022 to take pictures of the primary school students of Huadong rural areas and produce the yearbook, hoping that students graduate with good memories and memorable keepsakes that can accompany them through life.<br>It's common for schools in rural areas to see less than ten students graduating each year. Therefore, creating yearbooks is not cost-effective and might not be affordable for schools or parents. In light of this, CHP hopes to leverage its corporate power by enlisting the help of employees who enjoy photography and partnering with the photography association to make yearbooks for these students to preserve their childhood memories and witness their growth.<br>* Sustainable Reading Series Parent-Child Activities<br>Since 2022, Kaohsiung Public Library and CHP jointly implemented the "Forest Thrives: Reading Sustainability Project", featuring activities such as "Comic Love the Earth Shorts: Storytelling Mother Action Drama", "Hands-on Fun: Handmade Paper Experience Camp," "Knowledge Learning: Mobile Book Cart/Forest Green Treasure/Wetland Walk," "Animal Forest Library AR Technology Reading." Through this project, we hope to encourage participation and exchange among CHP employees' families and community residents, realizing the Company's commitment to local cultivation and community prosperity. | |
| | Governance performance | | | * The Company has actively enhanced the disclosure of corporate governance information and strengthened the importance and investment in maintaining sustainable development, friendly environments, and social welfare, and won the TCSA - Top Taiwan Corporate Sustainability Award. The Company coordinated with downstream clients, paper machine mills, and paper recycling mills for the recycling system, which won the TCSA - Growth through Innovation Award.<br>* In 2017, the Company added new declaration documents in line with international sustainable management trends, including the Green Purchasing Declaration, Wood Chips and Pulp Procurement Declaration, Human Rights Declaration, and Support for the United Nations Convention to enhance the supply chain management needs of the Company and customers and fulfill our corporate social responsibility.<br>* Officially approved by the Board of Directors: Establishment of a Corporate Governance Supervisor. Establishment of the Board of Directors Performance Evaluation Guidelines (implemented in 2020), Corporate Governance Code of Conduct, Ethical Corporate Management Best Practice Principles, and Sustainability and Social Responsibility Guidelines.<br>* The Company's resource reutilization measures have been recognized by the Asia Responsible Enterprise Award (Circular Economy) in 2020.<br>* The Company won the 2021 TSAA Gold Award and the Company's CircuWell Non-Plastic All-Paper Recyclable Solution won the SDG 12: | |

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|---|---|---|---|---|
| | Yes | No | Abstract Explanation | |
| | | | Responsible Consumption and Production Award.<br>The CircuWell Total Recyclable Packaging Solution won the 2022 Taiwan Excellence Silver Award, the highest honor for Taiwan's products.<br>* The corporate governance evaluation in 2022 is in the range of 21%-35%.<br>* 2022 Asia Responsible Enterprise Award (AREA) - Circular Economy Leadership<br>* 2022 Asia Pacific Enterprise Awards (APEA) - Master Entrepreneur Award<br>* 2023 Taiwan Corporate Sustainability Awards (TCSA) - The Most Prestigious Sustainability Awards – Top 100 Domestic Companies<br>* 2023 Taiwan Corporate Sustainability Awards (TCSA) - Corporate Sustainability Report Award - Paper Industry - First Group Silver Award<br>* 2023 Harvard Business Review Ding Ge Model Large Enterprise of Smart Manufacturing Award and the ESG Special Award<br>* 2023 "Golden Pin Design Award" Concept Design Mark in the Integrated Design Category<br>* 2023 Greenhouse Gases Reduction Model Company | |

### 3.4.7 Climate related information of public companies

Implementation status of climate related information

| Item | Implementation status |
|---|---|
| 1. Explain how the Board of Directors and management oversee and manage climate-related risks and opportunities. | The Board of Directors plays a critical role in identifying and managing risks for the Company, including risk assessment, prioritization, and response measures. Established under the Board of Directors, the Company's Chairman and internal managers form the Sustainability Committee and the Business Development and Strategy Committee to strengthen corporate governance operations. A Climate Change Response Team has been established under the |

| Item | Implementation status |
| --- | --- |
| | Sustainability Committee to ensure effective risk management. A manager with over three years of financial and management experience has been appointed to oversee corporate governance matters and collaborate with members of the CFOs, legal affairs, shareholder services, accounting, auditing, and ESG offices on topics that include assessing and managing climate and environment-related issues. |
| 2. State the impact of the identified climate risks and opportunities on the Company's business, strategy, and finances (short, medium, and long term). | The Company evaluates climate-related risks and opportunities based on the TCFD framework and explores emerging climate change business opportunities by adopting the paper industry's circular economy model and sustainable afforestation.<br>(1) Short-term impact:<br>Stricter environmental regulations may result in particular risks for the Company, such as the imposition of carbon and water conservation fees and fossil fuel emission restrictions. These may lead to an increase in short-term operating costs. Response strategies include applying for voluntary reduction plans, using alternative fuels, and conserving water and electricity to reduce expenses.<br>(2) Medium-term impact:<br>Extreme weather conditions, such as drought, can decrease the |

| Item | Implementation status |
| --- | --- |
| | water supply. Similarly, high temperatures and an increase in pests and diseases can lead to a shortage of raw materials. Response strategies include planning water circulation systems to enhance recycling, finding alternative materials, and increasing raw material yield.<br>(3) Long-term impact:<br>Due to high carbon emissions, the papermaking industry faces increased negative press and legal and financial risks. Adoption of low-carbon transformation will increase operating costs in the long run. Response strategies include boosting low-carbon green energy production, improving transparency in information disclosure, and improving the industry's image. |
| 3. State the financial implications of extreme weather events and transformation actions. | Extreme weather events, such as typhoons, floods, or droughts, can damage mills, equipment, and inventory and affect transportation and supply chains, leading to production interruptions and revenue losses. In recent years, stricter environmental protection regulations, such as greenhouse gas emission regulations and carbon and water conservation fees, will impact future operations. Climate transformation actions such as investing in environmental protection, replacing old equipment with new ones, and investing in low-carbon product development will increase costs. However, these actions also |

| Item | Implementation status |
| --- | --- |
| | create business opportunities in emerging markets, such as providing renewable energy and green products and services, which will help diversify income. Transformation actions can reduce losses caused by risks, stabilize operations in the long term, and enhance brand value. |
| 4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system. | In 2021, the Company developed risk response strategies based on the TCFD framework to enhance climate-sustainable governance. The Environmental Sustainability & Climate Change Team of the Sustainability Committee has organized a team to analyze and monitor the relevant risks of the corresponding units according to the risk management responsibilities of the supervisors of each mill/department. The ESG Office will coordinate the collaboration across departments to integrate, identify, and evaluate climate-related risks, quantify and evaluate financial impacts, formulate management strategies, and implement ISO management systems within the mills. |
| 5. If scenario analysis is used to assess resilience to climate change risks, describe the scenarios, parameters, assumptions, analysis factors, and main financial impacts. | For analyzing climate scenarios, the Company mainly conducts climate change risk and opportunity assessments, then uses the results to make adjustments to bolster decision-making quality. CHP adopts the Nationally Determined Contribution (NDC) and Representative Concentration Pathways (RCP) simulation scenarios to analyze the impact of the Company's strategies on transformation and physical risks and opportunities. The results of this analysis are then used to |

| Item | Implementation status |
| --- | --- |
| | evaluate and adjust response strategies. Climate scenario identification and factors under transformation risks include carbon fees/emissions trading and emission targets/policies. The main financial impacts include carbon fees of NT$100-300/metric ton of $CO_2$in the short and medium term and carbon fees of NT$100-1,500/metric ton of $CO_2$in the long term. Climate scenario identification and factors under physical risks include heavy rain and floods, droughts, strong winds, high temperatures, and lightning strikes. Refer to the sustainability report's risk management and TCFD chapters for details. |
| 6. If a transformation plan exists to manage climate-related risks, describe its content and the indicators and targets used to identify and manage physical and transformation risks. | To assess climate-related risks, the Company mainly checks indicators such as GRI 302-1 to 5 (energy), GRI 303 (water resources), and 305-1 to 7 (emissions) to better track various energy performances. Response measures and management plans are monitored regularly and combined with the operational processes of the Company's quality management system (ISO 9001), environmental management system (ISO 14001), energy management system (ISO 50001), and greenhouse gas management system (ISO 14064-1) to integrate into all aspects of risk management across the Company. In addition, the Company ensures effective implementation through ISO-related and business management |

| Item | Implementation status |
| --- | --- |
| | meetings. Refer to the sustainability report's risk management and TCFD chapters for relevant risk response plans. |
| 7. If internal carbon pricing is utilized as a planning tool, describe the basis for setting the price. | The Company introduced internal carbon pricing in 2023 to expand business opportunities for developing low-carbon products through multiple niching. The Company uses implicit price assessments with the coal substitution plan, each mill's energy-conversation programs, and renewable energy usage as the basis for price setting. CHP is developing these prices and expects to complete the calculations by 2024. The prices will serve as a reference for future investments in environmental protection. |
| 8. If climate-related targets are set, specify the covered activities, scope of greenhouse gas emissions, planning period, and the progress made in terms of annual achievement. If carbon offsets or renewable energy certificates (RECs) are used to meet relevant targets, describe the source and amount of carbon credits or the quantity of RECs used. | The Company's emission boundaries cover mills in Taiwan and China. The targets include a 7% carbon reduction by 2025, a 30% reduction by 2030, and achieving net-zero emissions by 2050 (2023 showed a reduction of 75,000 metric tons compared with the 2018 base year. Since this equates to a 7% reduction, CHP has reached the emission reduction target path early). CHP established a GHG Reduction Team to conduct inventories of greenhouse gas emission sources in the mills, develop reduction measures, register the inventory results on the national greenhouse gas tracking platform (Taiwan mills) after they are verified by a reputable third party, and disclose the results in the sustainability reports. |

| Item | Implementation status |
| --- | --- |
| 9. Greenhouse gas inventory and assurance status and reduction goals, strategies, and concrete action plans. | |
| 9-1. The Company’s greenhouse gas inventory and assurance status in the last two years | The greenhouse gas disclosure boundary includes the Taipei headquarters, other business locations in Taiwan, the Kaohsiung Jiutang, Hualien, Taitung, and Taoyuan Guanyin mills, and overseas subsidiaries Guandong Dingfung Pulp & Paper and Zhaoqing Dingfung Forestry. |
| 9-1-1. Information about the greenhouse gas inventory<br>State the GHG emissions (metric tons CO2e) and intensity (metric tons CO2e/NT$1 million) and what the data covers. | 2022 GHG emissions is 982,000 metric tons Co2e (Scope 1 is 761,100 metric tons CO2e, Scope 2 is 220,900 metric tons CO2e). Emissions density is 41.52 (metric tons CO2e/NT$1 million).<br>2023 GHG emissions is 958,100 metric tons Co2e (Scope 1 is 754,800 metric tons CO2e, Scope 2 is 203,200 metric tons CO2e). Emissions density is 45.72 (metric tons CO2e/NT$1 million). |
| 9-1-2. GHG assurance information<br>Describe the assurance status for the most recent two years up to the printing date of the annual report, including the assurance scope, assurance institution, assurance principles, and assurance opinions. | The Company completed third-party verification of its greenhouse gas emissions in 2022 and is currently planning the verification schedule for 2023. The Company's total greenhouse gas emissions for 2022 amounted to 982,000 metric tons CO2e, representing 100% of the total emissions. These emissions have been confirmed by an assurance institution that used the ISO 14064-3 standard, and the verification opinion is that of reasonable assurance. SGS Taiwan Ltd. verified the Taitung and Hualien mills, DNV Business Assurance Co., Ltd. verified the Jiutang mill, and AFNOR Asia Ltd. verified the |

| Item | Implementation status |
| --- | --- |
| | Guanyin mill. Additionally, professional agencies duly authorized by China's government verified the Company's overseas subsidiaries, Guandong Dingfung Pulp & Paper and Zhaoqing Dingfung Forestry. |
| 9-2. Greenhouse gas reduction goals, strategies, and concrete action plans<br>Describe the greenhouse gas reduction base year and its data, reduction targets, strategies, and concrete action plans and reduction target achievements. | The Company has set carbon reduction targets (Scope 1 + Scope 2) using 2018 as the base year (1.0331 million metric tons CO2e). The targets are to reduce carbon emissions by 7% in 2025 and 30% in 2030 and ultimately achieve net zero by 2050. The self-inventory in 2023 revealed a total of 958,100 metric tons CO2e, which is a 7% reduction in carbon emissions compared to the base year. The Company reached the 2025 carbon reduction target ahead of schedule. The Company's carbon reduction strategies:<br>(1) Actively implement energy-conservation plans<br>(2) Reduce the use of fossil fuels and adopt low-carbon and renewable energy sources<br>(3) Continue to increase investments in biofuel<br>(4) Reduce waste and recycle<br>(5) Invest in low-carbon R&D and innovative technologies<br>(6) Adopt internal carbon pricing (ICP)<br>(7) Respond and commit to SBTi science-based targets<br>(8) Promote forestation projects<br>Concrete action plan:<br>The Company will reduce coal consumption every year, improve |

| Item | Implementation status |
|---|---|
| | energy efficiency, utilize equipment and local advantages at the mills, and adopt renewable energy sources, such as biomass and solar energy, to increase the use of alternative fuels to achieve net zero by 2050. |

### 3.4.8 Implementation of ethical corporate management and measures and deviation from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and reasons for deviation.

| Evaluation Item | Implementation Status | | | Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Abstract Illustration | |
| 1. Establishment of ethical corporate management policy and approaches | | | | |
| (1) Has the Company implemented a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and senior management towards enforcement of such policy? | V | | Through the approval of the Board on November 8, 2018, the Company has established the Ethical Corporate Management Best Practice Principles and amended the Procedures for Insider Trading Prevention through the Board on November 11, 2022, to actively prevent dishonest behavior and conflicts of interest, establish whistleblowing channels, and regulate the conduct of relevant personnel. | Compliant |
| (2) Does the Company have mechanisms in place to assess the risk of unethical conduct and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the Company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies? | | V | The Company complies with the relevant laws and regulations, and will establish an evaluation mechanism and measures in the future to take appropriate response measures. The Company established the Ethical Corporate Management Operating Procedures and Code of Conduct in accordance with the Ethical Corporate Management Best Practice Principles to clearly define disciplinary actions and complaint systems. The Company reviews and revises the actions and systems in a timely manner. | Changes are made gradually |

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

| Evaluation Item | Implementation Status | | | Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Abstract Illustration | |
| | | | no bribery or dishonest behavior are allowed. | |
| (2) Does the Company have a dedicated unit responsible for business integrity under the Board of Directors which reports the ethical management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations? | V | | The Company set up an Integrity Management Team in accordance with the Ethical Corporate Management Best Practice Principles. The Accounting Department presented a report of the status at the 8th meeting of the 19th Board of Directors on November 13, 2023. The main task is to promote integrity management matters, arrange integrity management courses for Directors and senior staff, and provide a dedicated email address for reports from stakeholders. Furthermore, the internal audit unit regularly checks the implementation status of these matters and includes the findings in the audit reports to be submitted to the Board of Directors. | Compliant |
| (3) Does the Company have policies that help prevent conflicts of interests, provide appropriate channels for filing related complaints, and precisely enforce them? | V | | The Company has established the Ethical Corporate Management Operating Procedures and Code of Conduct, which have regulations for Directors, managers, supervisors, and employees to avoid conflicts of interest. Anyone who may have a conflict of interest must recuse themselves. | Compliant |
| (4) Does the Company have effective accounting and internal control systems in place to implement business integrity? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the | V | | The Company's current accounting and internal control system implements a separation of powers and responsibilities to prevent personnel from having an opportunity for dishonesty. Internal auditors include staff integrity as a reference basis | Compliant |

| Evaluation Item | Implementation Status | | | Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons |
|---|---|---|---|---|
| | Yes | No | Abstract Illustration | |
| systems accordingly to prevent unethical conduct, or engage CPAs to perform the audits?<br>(5) Does the Company regularly provide internal and external training on ethical corporate management? | V | | for relevant audits.<br><br>The Company arranges relevant course content in various internal and external training sessions in a timely manner to ensure that responsible personnel understand what constitutes fraud and violations of the principles of honest trading. Additionally, during the onboarding process for new employees, they are required to sign the "Commitment Letter," the "Integrity and Confidentiality Agreement and Intellectual Property Agreement," and the "Insider Trading Prevention Commitment." Furthermore, we provide them with the "Employee Code of Conduct" to help employees understand the Company's commitment to integrity in business operations. | Compliant |
| 3. Implementation of the Company's whistleblowing system<br>(1) Does the Company have in place a concrete whistleblowing and reward system as well as a convenient reporting channel and appropriate designated personnel with regard to the party being reported on? | V | | There are many open reporting channels. The Company established a Personnel Evaluation Committee to investigate the reports and implement disciplinary actions. The Company also set up the Employee Code of Conduct as a standard for personnel to follow, and has reporting channels and dedicated staff for employees to report illegal acts. | Compliant |
| (2) Does the Company have in place standard operating procedures for investigating and processing reports, as well as follow-up actions and relevant | V | | After the report is processed, a record is made and the relevant unit will conduct an investigation and report the results to the responsible manager. After | Compliant |

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td>post-investigation confidentiality measures?<br><br>(3) Does the Company adopt measures to protect whistleblowers from improper treatment?</td><td><br><br>V</td><td></td><td>investigating and confirming that the specific behaviors violate the integrity regulations, the Company will severely discipline dishonest behaviors in accordance with the Employee Rewards and Disciplinary Actions, and record the situation as a serious offense at minimum or terminate the labor contract.<br>The Company will keep confidential the employees or personnel who report violations or participate in the investigation process. Those who know the identity or content of the whistleblower due to their duties or business shall not disclose the information. The Company promises not to treat the whistleblower improperly due to the whistleblowing.</td><td><br><br>Compliant</td></tr>
<tr><td>4. Reinforcing information disclosure<br>Has the Company disclosed the contents or its Ethical Corporate Management Guidelines as well as relative implementation results on its website and on the Market Observation Post System?</td><td>V</td><td></td><td>The Company has disclosed the Ethical Corporate Management Guidelines on the Company's website (www.chp.com.tw) and the Market Observation Post System. The relevant promotion situation and effectiveness will be gradually disclosed according to the promotion schedule.</td><td>Compliant</td></tr>
<tr><td colspan="5">5. If the Company has implemented its own ethical corporate management principles by following the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe the practice and any discrepancies with regard to the Best Practice Principles:<br>The Company established the Ethical Corporate Management Guidelines and relevant operational procedures in 2018 and incorporated the principles of ethical corporate management into applicable regulations. The operations comply with the Company's Ethical Corporate Management Guidelines and relevant regulations.</td></tr>
</table>

<table>
<tr><th rowspan="2">Evaluation Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td colspan="5">6. Other important information to facilitate better understanding of the Company’s implementation of ethical corporate management: (e.g., review/revision of the Company’s ethical corporate management principles, etc) :<br>(1) The Company requires all suppliers and third parties to sign the Honesty and Integrity Declaration to guarantee their commitment to fulfill their obligations of conducting honest business operations.<br>(2) The Board of Directors approved the Employee Code of Conduct in 2016 to implement the Company’s core values, maintain high ethical standards, provide employees with standard compliance requirements when performing their daily duties and tasks, protect the Company’s reputation, and earn the respect and trust of our clients, vendors, and other individuals.<br>(3) In 2017, the Board of Directors approved the Procedures for Insider Trading Prevention, which is followed by Directors and other insiders when trading stocks and is included in the internal control system. Auditors regularly understand the status of compliance to implement the management of insider trading.<br>(4) In 2018, the Board of Directors approved the Ethical Corporate Management Best Practice Principles as a basic policy for all employees of the Company and its subsidiaries to maintain the corporate culture and develop comprehensive integrity management.<br>(5) The Board of Directors approved the Rules Governing Financial and Business Matters Between the Company and its Related Parties in 2023 to improve the financial and business standards between related parties.</td></tr>
</table>

### 3.4.9 Corporate governance guidelines and regulations

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

### 3.4.10 Other important information regarding corporate governance

1. The Company established a Business Development and Strategy Committee on October 19, 2020 to plan and discuss short-, mid-, and long-term business development and strategies, and listen to the opinions of Independent Directors. The 2023 committee has five members, including the Chairman, President, and three Independent Directors of the Company. Relevant employees are invited to attend meetings according to the meeting agenda..

The 2nd Business Development and Strategy Committee held 4 meetings (A) each in 2023. The attendance details are as follows:

| Title | Name | Attendance in person (B) | Attendance by proxy | Actual attendance rate (%) (B/A) | Remarks |
|---|---|---|---|---|---|
| Chairperson | Kirk Hwang | 4 | 0 | 100 | Chairperson |
| Independent Director | Donald Chang | 4 | 0 | 100 | international business management expertise |
| Independent Director | Hsiao-Kan Ma | 4 | 0 | 100 | renewable energy and environmental expertise |
| Independent Director | Wan-Yu Liu | 4 | 0 | 100 | agriculture and forestry economics, natural carbon sinks, and carbon rights expertise |
| President | Ray Chen | 4 | 0 | 100 | - |

Note: To accommodate business development and reorganization, Fiber Materials Division President Ray Chen became the President on November 13, 2023.

The 2023 communication status is as follows:

| Date | Participants | Matters of communication | Communication results |
|---|---|---|---|
| 2023.3.10 | Present: Chairperson Kirk Hwang, Independent Director Donald Chang, Independent Director Hsiao-Kan Ma , Independent Director Wan-Yu Liu, and Cellulosic Materials Division President Ray Chen.<br>In attendance: CFO Guu-Fong Lin | The impact of recent market changes on business performance and discussion. | Independent Directors made recommendations on each proposal as a reference for the management team. |

| | | | |
|---|---|---|---|
| 2023.5.10 | Present: Chairperson Kirk Hwang, Independent Director Donald Chang, Independent Director Hsiao-Kan Ma , Independent Director Wan-Yu Liu, and Cellulosic Materials Division President Ray Chen.<br>In attendance: CFO Guu-Fong Lin | The impact of recent market changes on business performance and discussion. | Independent Directors made recommendations on each proposal as a reference for the management team. |
| 2023.8.3 | Present: Chairperson Kirk Hwang, Independent Director Donald Chang, Independent Director Hsiao-Kan Ma , Independent Director Wan-Yu Liu, and Cellulosic Materials Division President Ray Chen.<br>In attendance: CFO Guu-Fong Lin | The impact of recent market changes on business performance and discussion. | Independent Directors made recommendations on each proposal as a reference for the management team. |
| 2023.11.7 | Present: Chairperson Kirk Hwang, Independent Director Donald Chang, Independent Director Hsiao-Kan Ma , Independent Director Wan-Yu Liu, and Cellulosic Materials Division President Ray Chen.<br>In attendance: CFO Guu-Fong Lin | The impact of recent market changes on business performance and discussion. | Independent Directors made recommendations on each proposal as a reference for the management team. |

Note: To accommodate business development and reorganization, Fiber Materials Division President Ray Chen became the President on November 13, 2023.

2. Deliver laws and regulations relevant to Directors to the Directors for reference.
3. Disclose important information in a timely manner and hold regular investor conferences to announce the results of operations, and disclose the relevant information on the Company's website (www.chp.com.tw) as well as the Market Observation Post System.
4. Since 2015, the Company started preparing corporate social responsibility reports, Sustainability Report since 2022 and disclosed them on the Company's website and the Market Observation Post System.

### 3.4.11 Internal control systems

A. .Internal Control Statement

Chung Hwa Pulp Corporation

Statement of Internal Control System

Date：March 11 2024

Based on the findings of a self-assessment, CHP states the following with regard to its internal control system during the year 2023：

1. CHP's Board of Directors and Management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets), reliability of our financial reporting, and compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and CHP takes immediate remedial actions in response to any identified deficiencies.
3. CHP evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the “Regulations”). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring.
4. CHP has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, CHP believes that on December 31, 2023, it has maintained, in all material respects an effective internal control system (that includes the supervision and management of our subsidiaries) to provide reasonable assurance over our operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations.
6. This Statement shall become a main part of the annual report and prospectus and be disclosed to the public. If there are any deceptive or concealed statements herein, the Company shall be liable for violations of Articles 20, 32, 171 and 174 of the Securities and Exchange Act..
7. This Statement has been passed by the Board of Directors in their meeting held on March 11, 2024, where all of the seven attending directors express dissenting opinion and affirmed the content of this Statement.

Chung Hwa Pulp Corporation

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

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

**3.4.13 Major resolutions of shareholders' meeting and board meetings**

**A. Important resolutions of the 2023 Shareholders' Meeting (June 30, 2023) (abstract):**

(1). Approved the acknowledgment of the Company's 2022 financial statements.

(2). Approved the acknowledgment of the Company's 2022 earning appropriation.

Implementation status: The Company approved July 28, 2023 as the ex-dividend date (cash dividend of NT$0.3 per share) in the shareholders' meeting and completed the payment of the cash dividends on August 25, 2023.

**B. Important Board resolutions**

**Important resolutions of the 5th meeting of the 19th Board of Directors on March 15, 2023 (abstract):**

(1).Approved the 2022 financial statements.
(2).Approved the 2022 earnings distribution proposal.
(3).Approved the 2022 remuneration to the employees and Directors.
(4).Approved the 2022 Statement on Internal Control.
(5)Approved the location and other relevant matters regarding the 2023 shareholders' meeting.
(6)Approved the formulation of the pre-approval policy of non-assurance services provided by the accounting firm.
(7)Approved the establishment of the Company's Sustainability Report Compilation and Verification Procedures.
(8)Approved the Company's interbank lending credit line application.
(9)Approved the Company to be the joint promissory note maker of subsidiaries'

interbank lending credit line applications.

(10)Approved the acknowledgment of the total amount of guarantees for endorsements for external parties by the Company and its subsidiaries as of the fourth quarter of 2022.

(11)Approved the change of the Company’s Chief Information Security Officer.

(12)Approved the change of the manager of the Company's Tainan branch.

**Important resolutions of the 6th meeting of the 19th Board of Directors on May 12, 2023 (abstract):**

(1)Approved the Company’s 2023 Q1 financial statements.

(2)Approved the formulation of the Company's “Cyber Security Management Guidelines.”

(3)Approved a resolution to finance CHP's existing loans from banks and replenish the medium-term operational budget as well as improve CHP's capital structure via a five-year syndicated loan with Bank of Taiwan, First Bank and Hua Nan Bank as lead banks.

(4)Approved the Company's interbank lending credit line application.

(5)Approved the total amount of guarantees for endorsements for external parties by the Company and its subsidiaries as of the first quarter of 2023.

**Important resolutions of the 7th meeting of the 19th Board of Directors on August 11, 2023 (abstract):**

(1)Approved the Company’s 2023 Q2 financial statements.

(2)Approved the formulation of the Company’s “Rules Governing Financial and Business Matters Between the Company and its Related Parties.”

(3)Approved the Company's interbank lending credit line application.

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

(5)Approved the total amount of guarantees for endorsements for external parties by the Company and its subsidiaries as of the second quarter of 2023.

**Important resolutions of the 8th meeting of the 19th Board of Directors on November 13, 2023 (abstract):**

(1)Approved the Company's 2023 Q3 financial statements.

(2)Approved the Company's 2024 annual operational budget.

(3)Approved the Company's 2024 audit plan.

(4)Approved the establishment of the Company’s “Sustainable Development Committee Charter.”

(5)Approved the consecutive appointment of Shu Wan Lin and Hui-Ming Huang of Deloitte Taiwan as the Company’s CPAs for 2023 to 2025 and their remuneration proposal.

(6) Approved the Company's interbank lending credit line application.

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

(8) Approved the total amount of guarantees for endorsements for external parties by the Company and its subsidiaries as of the third quarter of 2023.

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

(10) Approved the change of the business address for the Company's Tainan branch.

**Important resolutions of the 9th meeting of the 19th Board of Directors on March 11, 2024 (abstract):**

(1) Approved the 2023 financial statements.

(2) Approved the loss appropriation for 2023.

(3) Approved the 2023 remuneration to the employees and Directors.

(4) Approved the 2023 Statement on Internal Control.

(5) Approved the amendments to the Rules and Procedures for Board of Directors Meetings.

(6) Approved the amendments to the Audit Committee Organizational Rules.

(7) Approved the location and other relevant matters regarding the 2024 shareholders' meeting.

(8) Approved the replacement of former CPAs with CPAs Hsiu-Ming Hsu and Hui-Ming Huang.

(9) Approved the Company's interbank lending credit line application.

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

(11) Approved the total amount of guarantees for endorsements for external parties by the Company and its subsidiaries as of the fourth quarter of 2023.

### 3.4.14 Major issues of record or written statements made by any director dissenting to important resolutions passed by the board of directors: None

### 3.4.15 Resignation or dismissal of the Company's key individuals, including the Chairperson, CEO, and heads of accounting, finance, internal audit, company secretary and R&D:

| Title | Name | Date of appointment | Date of dismissal | Reason for resignation or adjustment |
|---|---|---|---|---|
| President of Specialty Materials Division | Yoshihiro Akiyama | 3/1/2021 | 11/13/2023 | Reorganization, transferred to the Adhesive Materials Application CTO position |

### 3.4.16 Internal audit licenses

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

## 3.5 Audit Fee

Unit: NT$ thousands

| Accounting Firm | Name of CPA | Period Covered by CPA's Audit | Audit Fee | Non-audit Fee | Total | Remarks |
|---|---|---|---|---|---|---|
| Deloitte & Touche | Shu-Wan Lin<br>Hui-Ming Huang | 1/1/2023~12/31/2023 | 3,500 | 25 | 3,525 | - |

Note: The non-supervisor full-time employee salary information checklist for 2022 is NT$25 thousand.

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

## 3.6 Replacement of Certified Public Accountant (CPA):

None

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

None

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

Unit: Shares

| Title | Name | | 2023 | | As of April 30, 2024 | |
|---|---|---|---|---|---|---|
| | | | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) | Holding Increase (Decrease) | Pledged Holding Increase (Decrease) |
| Director | YFY INC. | | - | - | - | - |
| Chairperson | Kirk Hwang | Representative of YFY INC. | - | - | - | - |
| Director | Jean Liu | Representative of YFY INC. | - | - | - | - |
| Director | Guu-Fong Lin[Note1] | Representative of YFY INC. | - | - | - | - |
| Director | YFY Paradigm Investment Co., Ltd. | | - | - | - | - |
| Director | Ray Chen | Representative of YFY Paradigm Investment Co., Ltd. | - | - | - | - |
| Independent Director | Donald Chang | | - | - | - | - |
| Independent Director | Hsiao-Kan Ma | | - | - | - | - |
| Independent Director | Wan-Yu Liu | | - | - | - | - |
| President | Ray Chen[Note1] | | - | - | - | - |
| CFO | Guu-Fong Lin | | - | - | - | - |
| CTO of Adhesive Materials Application | Yoshihiro Akiyama[Note2] | | - | - | - | - |
| CISO | Casper Wu | | - | - | - | - |
| CISO | Yun-Chen Wu[Note3] | | - | - | - | - |
| Finance and Corporate Governance Manager | David Lin | | - | - | - | - |
| Accounting Manager | Jung-Min Huang | | - | - | - | - |
| Audit Manager | Steven Chen | | - | - | - | - |
| Major shareholder | YFY INC. | | - | - | - | - |

Note1: To accommodate business development and reorganization, Fiber Materials Division President Ray Chen became the President on November 13, 2023.

Note2: To accommodate business development and reorganization, Special Materials Division President Yoshihiro

Akiyama transferred to the Adhesive Materials Application CTO position on November 13, 2023.
Note3: Approved by the Board of Directors on March 15, 2023 to be dismissed on April 1.

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

**April 30, 2024**

| Name | Current Shareholding | | Spouse's/minor's Shareholding | | Shareholding by Nominee Arrangement | | Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees | | Remarks |
|---|---|---|---|---|---|---|---|---|---|
| | Shares | % | Shares | % | Shares | % | Name | Relationship | |
| YFY INC. | 627,827,989 | 56.93 | - | - | - | - | YFY Paradigm Investment Co., Ltd.<br>YFY Paradigm Investment Co., Ltd. | juristic-person director<br>juristic-person supervisor | - |
| Representative: Jean Liu | - | - | - | - | - | - | - | - | - |
| Hsin-Yi Enterprise Co., Ltd. | 50,149,248 | 4.55 | - | - | - | - | YFY INC.<br>Hsin-Yi Investment Co., Ltd.<br>Yuen Shin Yi Enterprise Co., Ltd. | juristic-person director<br>juristic-person director<br>juristic-person director | - |
| Representative: Sing-Ju Chang | - | - | 1,223,071 | 0.11 | - | - | Representative of Hsin-Yi Investment Co., Ltd., S. C. Ho<br>Representative of Yuen Hsin Yi Enterprise Co., Ltd., S. C. Ho | Spouse<br>Spouse | - |
| Hsin-Yi Investment Co., Ltd. | 21,090,110 | 1.91 | - | - | - | - | Yuen Hsin Yi Enterprise Co., Ltd. | juristic-person supervisor | - |
| Representative: S. C. Ho | 1,223,071 | 0.11 | - | - | - | - | Representative of Hsin-Yi Enterprise Co., Ltd., Sing-Ju Chang<br>Representative of Yuen Hsin Yi Enterprise Co., Ltd., S. C. Ho | Spouse<br>Same Representative | - |
| Hsin-Yi Recreation Co., Ltd. | 15,955,028 | 1.45 | - | - | - | - | - | - | - |
| Representative: Bao-Yu Hsieh | - | - | - | - | - | - | - | - | - |
| YFY paradigm Investment Co., Ltd | 7,752,732 | 0.70 | - | - | - | - | - | - | - |
| David Lo | - | - | - | - | - | - | - | - | - |
| Yuen Hsin Yi Enterprise Co., Ltd | 7,231,001 | 0.66 | - | - | - | - | - | - | - |
| Representative: S. C. Ho | 1,223,071 | 0.11 | - | - | - | - | Representative of Hsin-Yi Enterprise Co., Ltd., Sing-Ju Chang<br>Representative of Hsin-Yi Investment Co., Ltd., S. C. Ho | Spouse<br>Same Representative | - |
| Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds | 5,645,000 | 0.51 | - | - | - | - | - | - | - |
| JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds | 4,838,818 | 0.44 | - | - | - | - | - | - | - |
| State Street Global Advisors Trust Company | 3,772,339 | 0.34 | - | - | - | - | - | - | - |
| Vanguard Fiduciary Trust Company Institutional Total International Stock Market Index Trust II | 2,847,000 | 0.26 | - | - | - | - | - | - | - |

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

Unit: shares/ %

| Affiliated Enterprises | Ownership by the Company | | Direct or Indirect Ownership by Directors/Supervisors/Managers | | Total Ownership | |
|---|---|---|---|---|---|---|
| | Shares | % | Shares | % | Shares | % |
| CHP INT'L (BVI) CORP. | 61,039,956 | 100 | - | - | 61,039,956 | 100 |
| Hwa Fong Investment Co., Ltd | 6,600,000 | 100 | - | - | 6,600,000 | 100 |
| Guangdong Dingfung Pulp & Paper Co., Ltd. | - | - | - | 100 | - | 100 |
| Zhaoqing Dingfung Forestry Co., Ltd. | - | - | - | 100 | - | 100 |
| Genovella Renewables Inc. | - | - | - | 100 | - | 100 |
| Shenzhen Jinglun Paper Co., Ltd | - | - | - | 100 | - | 100 |
| Syntax Communication (H.K.) Ltd. | - | - | - | 100 | - | 100 |
| Zhaoqing Xinchuan Green Technology Co., Ltd. | - | - | - | 100 | - | 100 |
| E Ink Holdings Inc. | 20,000,000 | 1.75 | 164,671,200 | 14.44 | 184,671,200 | 16.19 |
| Guizhou Yuanfong Forestry Co., Ltd. | - | - | - | 67.0 | - | 67.0 |
| Union Paper Corp. | - | - | 32,894,914 | 31.77 | 32,894,914 | 31.77 |

## Capital Overview

### 4.1 Source of capital

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

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

| Share Type | Authorized Capital | | | Remarks |
|---|---|---|---|---|
| | Issued Shares | Un-issued Shares | Total Shares | |
| Common Stock | 1,102,835,316 | 197,164,684 | 1,300,000,000 | 1. Listed stocks<br>2. As of April.30, 2024, the treasury shares is 15,944,000 shares |

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

### 4.2 Shareholder Structure

April 30, 2024

| Item | Government Agencies | Financial Institutions | Other Juridical Persons | Domestic Natural Persons | Foreign Institutions & Natural Persons | Treasury Stocks | Total |
|---|---|---|---|---|---|---|---|
| Number of Shareholders | - | 17 | 105 | 83,394 | 184 | 1 | 83,701 |
| Shareholding (shares) | - | 1,826,330 | 741,063,776 | 305,566,511 | 38,434,699 | 15,944,000 | 1,102,835,316 |
| Percentage | - | 0.16 | 67.20 | 27.71 | 3.48 | 1.45 | 100.0 |

## 4.3 Shareholding Distribution

April 30, 2024

| Class of Shareholding (Unit: Share) | Number of Shareholders | Shareholding (Shares) | Percentage |
|---|---|---|---|
| 1 ~ 999 | 26,275 | 5,849,815 | 0.53 |
| 1,000 ~ 5,000 | 46,296 | 96,091,078 | 8.71 |
| 5,001 ~ 10,000 | 6,371 | 52,007,052 | 4.72 |
| 10,001 ~ 15,000 | 1,563 | 20,217,276 | 1.83 |
| 15,001 ~ 20,000 | 1,153 | 21,802,735 | 1.98 |
| 20,001 ~ 30,000 | 788 | 20,321,174 | 1.84 |
| 30,001 ~ 40,000 | 367 | 13,319,131 | 1.21 |
| 40,001 ~ 50,000 | 221 | 10,444,154 | 0.95 |
| 50,001 ~ 100,000 | 408 | 29,007,845 | 2.63 |
| 100,001 ~ 200,000 | 158 | 22,187,462 | 2.01 |
| 200,001 ~ 400,000 | 50 | 13,833,765 | 1.25 |
| 400,001 ~ 600,000 | 14 | 6,473,297 | 0.59 |
| 600,001 ~ 800,000 | 8 | 5,446,596 | 0.49 |
| 800,001 ~ 1,000,000 | 6 | 5,492,607 | 0.50 |
| 1,000,001 or over | 23 | 780,341,329 | 70.76 |
| Total | 83,701 | 1,102,835,316 | 100.00 |

## 4.4 Major Shareholders

April 30, 2024

| Shareholder's Name | Shareholding | |
|---|---|---|
| | Shares | Percentage |
| YFY INC. | 627,827,989 | 56.93 |
| Hsin-Yi Enterprise Co., Ltd. | 50,149,248 | 4.55 |
| Hsin-Yi Investment Co., Ltd. | 21,090,110 | 1.91 |
| Hsin-Yi Recreation Co., Ltd. | 15,955,028 | 1.45 |
| YFY paradigm Investment Co., Ltd | 7,752,732 | 0.70 |
| Yuen Hsin Yi Enterprise Co., Ltd | 7,231,001 | 0.66 |
| Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds | 5,645,000 | 0.51 |
| JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds | 4,838,818 | 0.44 |
| State Street Global Advisors Trust Company | 3,772,339 | 0.34 |
| Vanguard Fiduciary Trust Company Institutional Total International Stock Market Index Trust II | 2,847,000 | 0.26 |

## 4.5 Share Price, Net Worth, Earnings, Dividends and Related Information in the last two years

| Items / Year | 2022 | 2023 | As of April 30, 2024 |
|---|---|---|---|
| **Market Price per Share** | | | |
| Highest Market Price | 24.95 | 33.90 | 25.00 |
| Lowest Market Price | 15.40 | 15.90 | 21.85 |
| Average Market Price | 18.96 | 22.40 | 23.23 |
| **Net Worth per Share** | | | |
| Before Distribution | 14.52 | 13.95 | - |
| After Distribution | 14.22 | 13.95 | - |
| **Earnings per Share** | | | |
| Weighted Average Shares | 1,086,891,316 | 1,086,891,316 | 1,086,891,316 |
| Diluted Earnings Per Share | 0.41 | -0.53 | - |
| Adjusted Diluted Earnings Per Share | 0.41 | - | - |
| **Dividends per Share** | | | |
| Cash Dividends | 0.30 | - | - |
| Stock Dividends | | | |
| • Dividends from Retained Earnings | - | - | - |
| • Dividends from Capital Surplus | - | - | - |
| Accumulated Undistributed Dividends | - | - | - |
| **Return on Investment** | | | |
| Price / Earnings Ratio (Note 1) | 46.2 | - | - |
| Price / Dividend Ratio (Note 2) | 63.2 | - | - |
| Cash Dividend Yield Rate (Note 3) | 1.58 | - | - |

Note 1: Price / Earnings Ratio = Average Market Price / Earnings per Share.
Note 2: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share.
Note 3: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price.
Note 4: The 2023 deficit compensation proposal has already been approved by the Board of Directors and will be submitted to the 2024 shareholders' meeting for recognition.

## 4.6 Dividend Policy and Implementation Status

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

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

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

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

The shareholders` meeting proposes for no dividend payments.

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

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

**4.8 Employees' and Directors' Remunerations**

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

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

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

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

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

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

**C. Remuneration proposals approved by the Board of Directors:**

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

Remuneration of Employees and Directors were not distributed this year.

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

Not applicable.

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

Employee Remuneration for 2022 was NT$5,000,000; Director Remuneration was NT$6,500,000. The actual distribution is consistent with the resolution of the Board of Directors.

## 4.9 Repurchases of Treasury Stock

4.9.1 Exercised:

| | |
|---|---|
| Phase of repurchase: | Third |
| Purpose of repurchase | To transfer shares to employees |
| Repurchase period | 2020/5/15-2020/7/14 |
| Repurchase price range | The price per share ranges from NT$7.70 to NT$9.07, with an average buyback price of NT$8.58 per share. |
| Type and quantity of repurchased shares | 15,944,000 common shares |
| Amount of repurchased shares | NT$136,726,350 |
| Ratio of quantity of repurchased shares to scheduled quantity of shares to repurchase (%) | 53.15% |
| Quantity of shares eliminated and transferred | 0 shares |

| | |
|---|---|
| Accumulated quantity of Company shares held | 15,944,000 shares |
| Accumulated quantity of Company shares held to issued shares (%) | 1.45% |

4.9.2 Currently exercising: None.

## 4.10 Corporate Bond Issuance

The Company does not issue any corporate bonds.

## 4.11 Preferred Stock Issuance

The Company does not issue preferred shares.

## 4.12 Global Depository Receipts Issuance

The Company did not issue any global depository receipts.

## 4.13 Employee Stock Options

The Company did not issue any employee stock options.

## 4.14 New Restricted Employee Shares

None

## 4.15 Shares Issued for Mergers and Acquisitions

None

## 4.16 Utilization of Funds

4.16.1 Plan: The Company does not have any specific financial plans.
4.16.2 Implementation: None

## 5.1 Scope of Business

### 5.1.1 Business scope

**A. Main areas of business operations**

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

**B. Revenue distribution**

Unit: NT$ thousands

| Major Divisions | Total Sales in Year 2023 | (%) of Total Sales |
|---|---|---|
| Forestry | 80,182 | 0.38 |
| Pulp | 2,786,223 | 13.30 |
| Paper | 14,202,891 | 67.78 |
| Paperboard | 3,015,678 | 14.39 |
| Other | 870,477 | 4.15 |
| Total | 20,955,451 | 100.00 |

**C. Main products**

Timber, pulp (NBKP, LBKP), paper and cardboard (paper stationary products, special purpose paper, toilet paper), tape, and other process-derived products such as chemical drugs and fertilizers.

**D. New products development:**

Special materials.

### 5.1.2 Industry overview

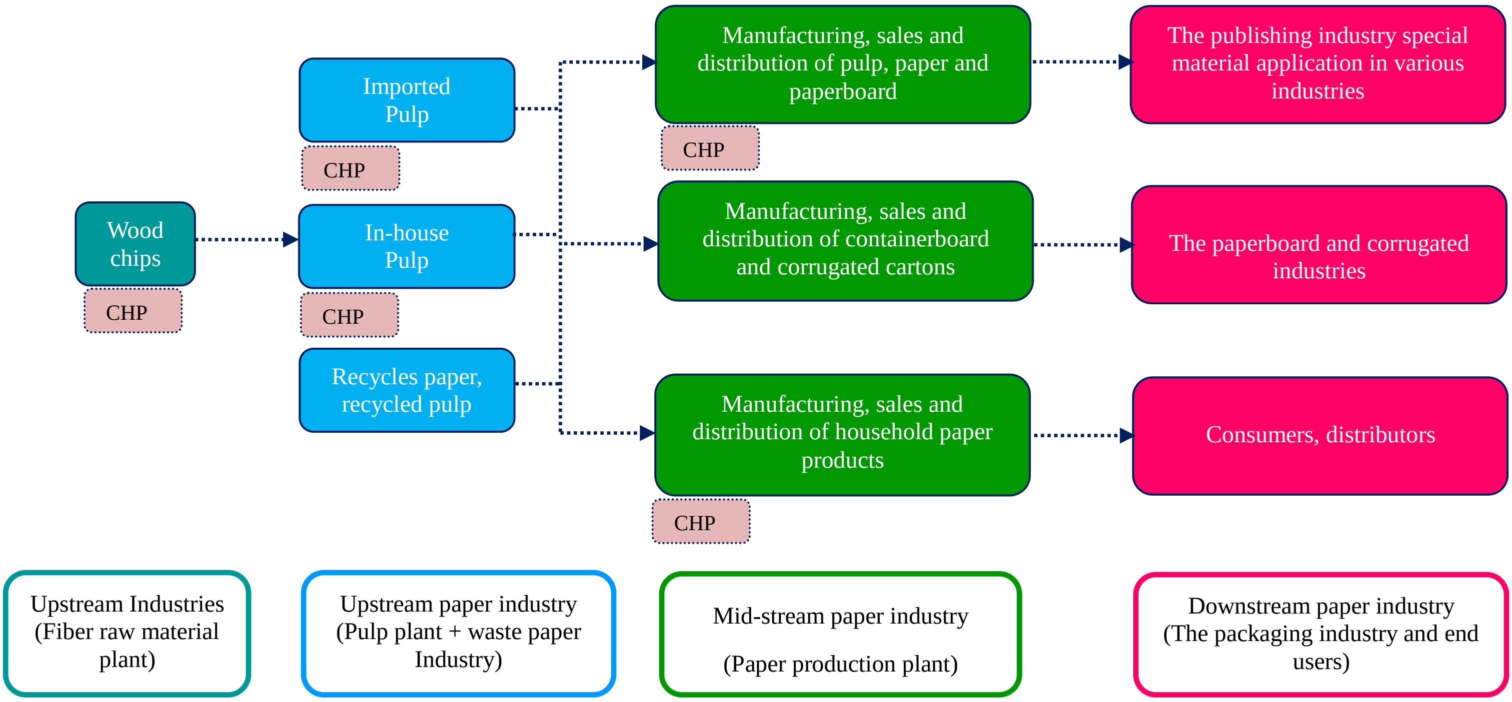
**A. Overall economic environment**

The global economy was expected to continue to recover in 2023. However, manufacturing activities have slowed in several countries due to weakened demand for end products, resulting from global economic factors such as high interest rates, high inflation, and weaker-than-expected post-pandemic economic performance in China.

**B. Current industry conditions and development**

Changes in the economic environment in 2023 caused a decrease in demand. Peak periods were not prosperous and demand was weak overall. At the same time, due to factors such as the uncertainty of the international situation, many are in observation mode.

**C. Relationship with up-, middle- and downstream companies**




**D. Product development trend and competition**

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

On the demand side, the global demand for paper stationery products and paper keeps declining due to changes in reading habits and the impact of the pandemic in the past two years. However, the demand for packaging paper stays stable due to the prosperous development in e-Commerce. Global economic development and increasing ESG awareness are expected to drive the growth of other special purpose paper.

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

**5.1.3 Research and development**

**A. Research and development expenses in the past year and as of the published day:**

In the past year and up to the date of publication of the annual report, the research and development expenses invested are about NT 178.22 million and 42.02 million respectively, and the relevant costs for research and development applications are not included.

**B. Research and development achievements of the past year:**

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

(2) Paper products: We added new technical elements and researched and developed multi-domain and multi-purpose special purpose paper products to increase the added value of the products.

### 5.1.4 Long- and short-term business development plans

**Short-term plans**

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

**Long-term plans**

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

## 5.2 Market and Sales Outlook

### 5.2.1 Market analysis

**A. Sales of main products**

In terms of pulp, international pulp prices plunged by US$250 in two months in the second quarter of 2023. However, wood chip prices remained high, leading to a substantial decline in the pulp and paper industry's overall revenue. To CHP, the sales strategy is still based on supplying short-fiber pulp to the various mills in the group. Our operation strategy is to retain cash, adjust production, and lengthen the period of regular equipment maintenance in response to the falling demand.

In terms of paper sales, in response to the worldwide trend of plastic and emissions reduction, CHP has transformed significantly since 2021 by investing in the production of fibrous material of fixed carbon. CHP is now a supplier of recyclable and circular materials. We leverage the benefits of pulping to produce circular products, focusing on a circular economy as the development core.

The Company's consolidated operating income for 2023 amounted to approximately NT$20.96 billion, a decrease of about NT$2.69 billion from NT$23.65 billion in 2023. The net loss after tax attributable to the Company in 2023 is approximately NT$570 million. The Company produced 368,660 metric tons of pulp in 2023. In addition to 231,677 metric tons for Company use, pulp sales were 140,892 metric tons. Paper production was 383,800 metric tons. Domestic paper sales was 177,127 metric tons and export sales was 229,041, totaling 406,168 metric tons. Cardboard production was 116,618 metric tons. Domestic cardboard sales was 115,877 metric tons and export sales was 28,956, totaling 144,833 metric tons. The Company will continue to improve product quality, strengthen the stability of raw material sources, prices, and supply, expand product application markets, and strengthen services to enhance market competitiveness.

The Company continues to focus on the development of circular products with the aim of gradually transforming the production portfolio from paper stationery products to industrial-use special materials to meet the diverse demands of the packaging, food, and electronics industry. Advanced countries have greater demands for multi-use special purpose paper products, and the emerging new market also have stronger demands day by day. These are the source for sales value growth. Looking ahead to 2024, CHP will also actively implement green supply chains and ESG emission reduction practices. CHP built cogeneration systems at its Hualien, Taitung, and Jiutang mills. To invest in net-zero transformation, CHP has already planned to use diverse renewable energy sources as the power mill's source of calorific value. The Company aims to achieve energy independence and keep pace with the green energy trend. The ultimate goals are corporate net zero, sustainability, and carbon neutrality.

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

a. Main sources of raw materials:
   Pulp: Chile, Brazil, Canada, the United States, Finland, Sweden, New Zealand, and Japan.
   Wood chips: Australia, Chile, Brazil, Vietnam, Thailand, and South Africa.

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

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

**5.2.2 Major applications and production procedures of main products**

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

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

Tape—Specific base materials are selected to match different product uses to meet the growing demand for reduced plastic usage and environmentally friendly products. These materials are then coated with special adhesives, rolled, and cut into appropriate sizes. Products include masking tapes, mainly used in the automotive and construction industries, and green packaging tapes, suitable for various industries.

### 5.2.3 Supply status of main materials

In 2023, the Company imported wood chips for short-fiber pulp in Taiwan, mainly from Thailand, Australia and Vietnam Eucalyptus wood chips. Considering market price fluctuations of wood chips, shipping time, and product characteristic requirements, we adjust the purchase amount from sources flexibly. For purchasing raw materials, we will keep abreast of changes in market supply and demand and monitor the quality of sources to stabilize the cost of raw materials.

### 5.2.4 Major suppliers and clients

A. Major suppliers in the last two calendar years

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

B. Major clients in the last two calendar years

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

### 5.2.5 Production in the last two years

Unit: MT / NT$ thousands

| Year / Output / Main Products | 2022 | | 2023 | |
|---|---|---|---|---|
| | Quantity | Amount | Quantity | Amount |
| Pulp | 381,178 | 8,790,947 | 368,660 | 7,290,477 |
| Paper | 386,153 | 13,716,424 | 383,800 | 13,420,731 |
| Paperboard | 124,852 | 2,918,795 | 116,618 | 2,428,187 |

Note: Outputs include the total numbers of overseas subsidiaries.

### 5.2.6 Shipments and sales in the last two years

Unit: MT / NT$ thousands

| Year / Shipments & Sales / Major Products | 2022 | | | | 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| | Local | | Export | | Local | | Export | |
| | Quantity | Amount | Quantity | Amount | Quantity | Amount | Quantity | Amount |
| Pulp | 74,490 | 1,776,539 | 84,255 | 1,884,541 | 63,829 | 1,279,252 | 77,063 | 1,506,971 |
| Paper | 204,857 | 5,802,818 | 230,038 | 9,644,956 | 177,127 | 5,326,730 | 229,041 | 8,876,161 |
| Paperboard | 133,622 | 2,927,996 | 34,145 | 994,060 | 115,877 | 2,325,343 | 28,956 | 690,335 |

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

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

| Year | | 2022 | 2023 | As of April 30, 2024 |
|---|---|---|---|---|
| Number of employees | | 2,847 | 2,866 | 2,845 |
| Average age | | 42.67 | 43.02 | 42.91 |
| Average year of services | | 13.20 | 13.38 | 13.38 |
| Education distribution ratio % | Ph.D. | 0.10 | 0.10 | 0.10 |
| | Masters | 5.90 | 6.22 | 6.19 |
| | Bachelor's Degree | 40.50 | 41.65 | 42.36 |
| | Below Senior High School | 53.50 | 52.03 | 51.35 |

Note: The employee count includes both overseas subsidiaries and the total number of foreign workers introduced in 2023.

## 5.4 Environmental Protection Expenditure

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

| Provision(s) violated | Content of disposition | Penalty date | Disposition No. | Response measures |
|---|---|---|---|---|
| Article(s): Paragraph 1, Article 7 of the Water Pollution Control Act<br>Content: Those enterprises, sewage systems, or building sewage treatment facilities that discharge wastewater or sewage into surface water bodies shall comply with effluent standards. | A penalty of NT$432,000 | January 19, 2023 | 30-112-010005 | Relevant improvement reports have been approved by the competent authority. |
| Article(s): Article 107, Paragraph 1 of the Water Pollution Control Measures and Test Reporting Management Regulations and Article 18 of the Water Pollution Control Act<br>Content: For the automatic monitoring/surveillance facilities installed, if the brand name or model number of the unit or data retrieving and processing systems used for replacement is not the same as the originally installed facilities, the information shall be submitted to the competent authority for approval 15 days before the replacement. | A penalty of NT$35,000. | February 23, 2023 | 30-112-020002 | Additional documents have been filed after the occurrence. |

| | | | | |
|---|---|---|---|---|
| Article(s): Article 89 of the Air Pollution Control Act and Article 20, Paragraph 1 of the Air Pollution Control Act<br>Content: When the malfunction of public facilities related to a stationary pollution source causes violation of the Act, response measures shall be promptly implemented, and stationary pollution sources that emit air pollutants shall comply with emission standards. | A penalty of NT$780,000 in total. | March 24, 2023 | 20-112 -030003 | This has been handled according to relevant laws. |
| | | January 15, 2024 | 20-113 -010006 | Relevant improvement reports have been approved by the competent authority. |
| | | January 15, 2024 | 20-113 -010007 | Relevant improvement reports have been approved by the competent authority. |
| Article(s): Article 31, Paragraph 1 of the Waste Disposal Act<br>Content: Failure to accurately report the quantity of reused pulp and paper sludge within the wastewater treatment process in February 2023, as well as the quantity of pulp and paper sludge used in the boiler cogeneration process in May 2023. | A penalty of NT$6,000. | October 3, 2023 | 40-112 -100009 | Additional documents have been correctly filed after the occurrence. |
| Article(s): Article 36, Paragraph 1 of the Waste Disposal Act<br>Content: The locations, containers and facilities for storing pulp and paper sludge within the boiler cogeneration plant are not marked in Chinese in a prominent place with the name of the waste they contain; The fugitive, seeping waste and contamination of the ground occurred in the pulp and paper sludge storage area due to the transport equipment carrying waste to the stacking area. | A penalty of NT$6,000. | October 3, 2023 | 40-112 -100010 | Additional documents have been correctly filed after the occurrence. |
| | A penalty of NT$6,000 | November 20, 2023 | 40-112 -110001 | Additional documents have been correctly filed after the occurrence. |

2. As of the publication date, companies in the consolidated statements have no environmental protection appeals.

3. The Company and its subsidiaries handle various by-products generated in the production process in accordance with the relevant environmental protection laws and regulations, and continue to strengthen the professional knowledge of relevant operators, equipment maintenance, and investments in environmental protection equipment.

4. In 2023, the production units of the Company and its subsidiaries mainly invested about NT$116 million in related environmental protection expenditures, including expenditures related to air quality control of about NT$80 million, water resource treatment of about NT$19 million, and the processing of noise control and residual materials of about NT$16 million.

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

| Item / Year | 2022 | 2023 |
|---|---|---|
| Scope 1 emissions (CO2e) (in ten thousand metric tons) | 76.11 | 75.48 |
| Scope 2 emissions (CO2e) (in ten thousand metric tons) | 22.09 | 20.32 |
| Greenhouse Gas Emissions ($CO_2e$) (in ten thousand metric tons) | 98.20 | 95.81 |
| Total water withdrawal (in millions of metric tons) | 29.03 | 28.16 |

| Item / Year | 2022 | 2023 |
|---|---|---|
| Total amount of solid residue (in ten thousand metric tons) | 25.58 | 17.88 |

* Solid residue processing: 70% reused by the mills, 30% recycled/reused outside of the mills.
* The Company's residual material from production processes are non-hazardous waste.
* The scope covered includes CHP's four major production units (Taitung, Hualien, Jiutang, and Guanyin mills) and Guandong Dingfung Pulp & Paper Co. (including Zhaoqing Dingfung Forestry Co.).
* The Company completed third-party verification of its greenhouse gas emissions in 2022 and is currently planning the verification schedule for 2023.

## 5.5 Labor Relations

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

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

- Employee Retirement Program:

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

- Labor-management Communications:

  The Company regularly convenes employer-employee meetings to communicate and coordinate with employees, and subsequently adjusts measures according to the consensus of both parties.

- Continuing Education and Training for Employees

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

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

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

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

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

The Company organized various education and training courses for employees in 2023, including 16,389 person-times and 34,737 hours of internal training and external training.

| Course type | Number of Classes | Total Number of Employees | Total Hours | Total Expenses (in thousand dollars) |
|---|---|---|---|---|
| Professional competency | 588 | 10,396 | 24,718 | 2,323 |
| Management and general knowledge | 934 | 5,766 | 8,949 | 201 |
| Cultural cultivation for new recruits | 66 | 226 | 1,046 | 10 |
| On-the-job training | - | 1 | 24 | - |

- Employee Safety and Health:

The Company is responsible for and obligated to protect the health and safety of its employees. In addition to the ISO45001 certification for occupational safety and health, the Company's Mills have declared their determination to promote employee safety and the vision to create a corporate safety culture.

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

(1) Responsibilities of different levels of responsible units: The first level is the occupational safety and health center supervisor. A professional in occupational safety and health is responsible for cross-unit coordination and direct supervision of the safety and health policies, regulations, and practices adopted by each mill. The second level is the Company's mills. Each mill appoints an occupational safety and health supervisor who reports to the supervisor of the center and is responsible for developing safety and health work rules for the mills, and acts as the counselor, supervisor, and auditor of safety and health measures.

(2) Safe operations promotion: Through safety education and labor safety systems, the safety management functions of managers of all levels are reinforced to gradually establish a coherent set of safety values and standards, and build a consensus to promote safe operations.

(3) Operation standardization: Standard operating procedures and work safety analysis are implemented for various operations.

(4) Employee health management: Regular employee physical checkups are held and exceed requirements of the Labor Health Protection Regulations. Health promotion programs for employees are developed according to health checkup results.

(5) Employee safety training: Employees and contractors must receive safety training upon entering the Company and during reassignments. Departments hold ad hoc work safety training and education seminars to increase collective safety awareness.

(6) Accident reporting and investigation: Any work accident at any of the mills must be reported to the occupational safety and health center supervisor and the person in charge of the mill within 24 hours, and an investigation for cause and improvement must take place within one week. Meanwhile, all employees are informed of the incident to prevent it from repeating.

(7) Work safety reviews and disaster drills: In addition to regular disaster drills and monthly occupational safety and health center meetings, equipment safety inspections are reinforced to actively improve the workplace and safety measures.

- Employee code of conduct or ethics:

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

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

- Other important agreements:
  None

**5.5.2 Performance of social responsibilities:**

(1) The Company has formulated Work Rules in favor of the employees and regularly holds employee-employer meetings as an open communication channel between labor and management.

(2) The Company has set up an employee grievance mechanism and contact method, and handles complaints properly.

(3) The Company's mills in Taiwan have all obtained ISO45001 certification. Each mill has assembled a special unit for safety and health to actively promote related businesses, implement standard operating procedures and work safety analysis for the operations to fully standardize the operations and make them safe, and reinforce the safety management functions of the management to slowly establish a unified set of safety value and standards and build a consensus to promote safe operations. Employees are required to receive safety training upon entering the company and at reassignment. The departments hold regular safety training and education seminars to increase collective safety awareness and regular disaster drills and quarterly work safety reviews. They also reinforce equipment safety inspections to actively improve the workplace and safety measures.

(4) The Company also organizes various education and training courses for employees which include professional competency, management and general knowledge, cultural cultivation for new recruits, and on-the-job continuing education to provide employees with development opportunities and cultivate effective occupational empowerment.

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

(1) Regularly organized employee gatherings and encouraged employees to travel domestically so that employees can relieve stress through various activities.

(2) Increased the employee travel subsidies and added a variety of welfare products to meet the different needs of employees.

(3) During the epidemic, we provided epidemic prevention materials free of charge to ensure the health and safety of all employees.

(4) Increased the employee health checkup items to provide health checkups that are superior to regulations.

**5.5.4 Losses due to labor disputes last year and up to the print date for this**

**annual report:**

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

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

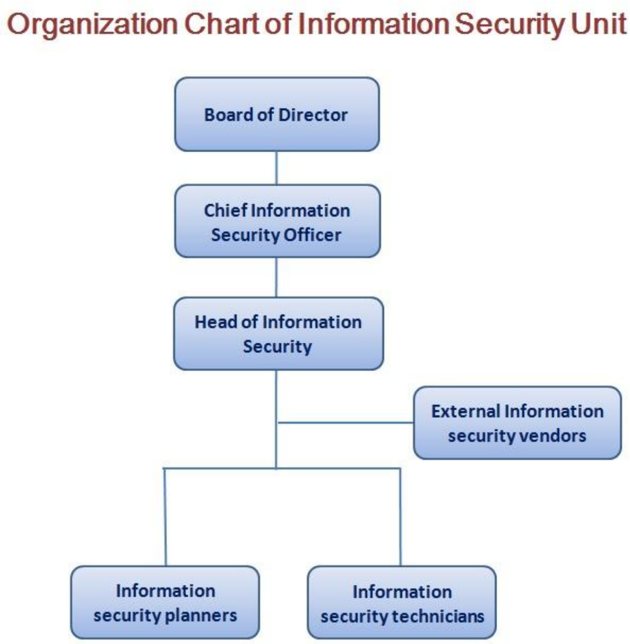
| Disposition date | Disposition No. | Provisions(s) violated | Content of provision(s) violated | Content of disposition | Estimated values that might occur now and in the future and their countermeasures |
|---|---|---|---|---|---|
| July 31, 2023 | Fu-She-Lao-Zi No. 1120159581 | Paragraph 2, Article 34 of the Labor Standards Act | According to the preceding paragraph, the rest period between rotations should be at least eleven continual hours. | NT$20,000 | For special situations, employee rotation schedules will be coordinated to shift their schedules, and the rotation method has been adjusted to avoid insufficient rest periods. |

## 5.6 Cyber security management

### 5.6.1 Cyber security risk management framework, cyber security policy, and specific management plan:

Cyber security risk management framework:

The Company's Board of Directors approved the appointment of the Company's Chief Information Security Officer on November 11, 2022. We have already set up a unit dedicated to cyber security (the organizational chart is shown below) responsible for promoting, coordinating, monitoring, and reviewing cyber security management matters. The unit reviews the cyber security policy and goals regularly, proposes specific implementation and management plans, and regularly reports the results to the Board of Directors. Additionally, the unit evaluates and selects potential risks and develops corresponding mitigation plans.



**Cyber security policy disclosure**

Through the dedicated cyber security management platform and dedicated management unit, the Company's cyber security management allows the Company and its subsidiaries to adopt optimal approaches to utilize resources, centralize management in an appropriate and timely manner, and upgrade existing information security network equipment and mechanisms to ensure that the information remains secure, in line with current trends.

**Cyber security policy**

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

**Specific management plan**

- Firewall:
  1. Data access: We control security through monitoring data access from people, events, time, execution method, source, destination, and accessed object.
  2. Threat detection: Intrusion detection and defense, viruses, and worms are effectively controlled.
  3. Record logging: Including who, where, and the access of data.
- Server room management:
  1. Tire 1 data centers: Implement various standards for physical and environmental safety.
  2. UPS systems: Avoid equipment damage, data loss, and service interruption due to power outages.
  3. Air-conditioning systems: Meet the heat dissipation requirements of high-density cabinets.
  4. Fire detection and automatic extinguishing systems: Comply with the relevant fire regulations and are regularly maintained.
  5. Access control: Installation of both physical hardware and facilities to prevent important information hardware from being damaged and destroyed.
  6. Video surveillance: 24-hour operation to avoid unauthorized access and keep data assets safe.
- Remote backup: Server room facilities and backup media.
- User cyber security management:
  1. Setting permissions on personal computers.
  2. Perform security updates for computer systems regularly.
  3. Email protection.
  4. Enterprise endpoint antivirus solutions.
  5. Endpoint detection.
  6. External network access.
  7. Internal system control.
  8. Online control for electronic documents of the group and other

mechanisms.
9. Cyber security management specifications.

- Drills:

  The cyber security management unit periodically conducts drills each year to ensure the recovery plans work and enhance the cyber security emergency response and recovery abilities.

- Mill cyber security management:
  1. Regular discussions: The Company conducts yearly discussions with employees of each mill's cyber security management unit to talk about cyber security problems, trends, and reinforcement measures.
  2. Education and training: The Company organizes education and training programs to increase employees’ awareness of the environmental maintenance of cyber security and risks.

- Education and training: The Company explains the existing cyber security crime methods and matters that require attention. We actively improve employees’ knowledge of cyber security to raise their awareness.
  1. Send emails to promote cyber security.
  2. Physical cyber security courses and lectures.

**Future focus:**

- Strengthen enterprise network security protection.
- Improve employees' awareness of cyber security risks.
- Comply with government policies and in-house regulations regarding cyber security.
- Complete routine cyber security management tasks.

**Quantitative data:**

- Convene a monthly cyber security meeting to review and track all cyber security related work.
- Hire a professional cyber security company at least once a year to conduct a cyber security health inspection and a vulnerability scan.
- Apply to join TWCERT.
- Publish a monthly report on cyber security and conduct social engineering drills every six months to enhance awareness and prevent risks.
- Dedicated cyber security personnel completed more than 12 hours of professional cyber security courses in 2023. General employees who use information systems completed 2 hours of general cyber security knowledge courses.
- Obtained a government-recognized professional cyber security certificate in September 2023.

### 5.6.2 Losses due to material cyber security incidents last year and up to the print date for this annual report and the possible impacts and response measures: None.

## 5.7 Major Contracts

| Agreement | Counterparty | Period | Major Contents | Restrictions |
|---|---|---|---|---|
| Long term loan contract | Made jointly by Bank of Taiwan, Taipei Fubon Bank and Agricultural Bank of Taiwan and 5 participating banks. | 9/30/2022~ 9/30/2027 | 5-year green syndicated loan repaid at maturity | None |
| Long term loan contract | Made jointly by Bank of Taiwan, First Bank, Hua Nan Bank, and 3 participating banks. | 8/7/2023~ 8/7/2028 | 5-year syndicated loan repaid at maturity | None |

## Financial Overview

### 6.1 Five-Year Financial Summary

#### 6.1.1 Condensed balance sheet and condensed statement of comprehensive income

#### A. Condensed balance sheet – IFRSs (Consolidated)

Unit: NT$ thousands

| Item / Year | | Financial summary for the last five years | | | | |
|---|---|---|---|---|---|---|
| | | 2019 | 2020 | 2021 | 2022 | 2023 |
| Current assets | | 13,098,672 | 12,893,835 | 14,411,937 | 15,935,904 | 16,252,980 |
| Property, Plant and Equipment | | 14,654,819 | 16,557,872 | 16,436,919 | 16,151,011 | 15,677,388 |
| Long-Term Investment | | 1,835,627 | 1,707,274 | 1,396,027 | 1,394,253 | 1,409,340 |
| Other assets | | 1,509,299 | 1,511,252 | 1,723,573 | 1,958,003 | 2,089,519 |
| Total assets | | 31,098,417 | 32,670,233 | 33,968,456 | 35,439,171 | 35,429,227 |
| Current liabilities | Before distribution | 11,116,249 | 12,035,465 | 13,203,844 | 6,343,318 | 14,362,527 |
| | After distribution | 11,116,249 | 12,035,465 | 13,644,978 | 6,669,385 | 14,362,527 |
| Non-current liabilities | | 2,587,144 | 3,649,014 | 3,131,048 | 11,001,243 | 3,582,806 |
| Total liabilities | Before distribution | 13,703,393 | 15,684,479 | 16,334,892 | 17,344,561 | 17,945,333 |
| | After distribution | 13,703,393 | 15,684,479 | 16,776,026 | 17,670,628 | 17,945,333 |
| Equity attributable to shareholders of the parent | | 15,117,231 | 14,784,979 | 15,469,412 | 15,784,442 | 15,165,486 |
| Capital stock | | 11,028,353 | 11,028,353 | 11,028,353 | 11,028,353 | 11,028,353 |
| Capital surplus | | 29,563 | 29,821 | 28,880 | 35,632 | 39,116 |
| Retained earnings | Before distribution | 3,649,276 | 3,446,694 | 3,866,246 | 3,911,470 | 2,986,945 |
| | After distribution | 3,649,276 | 3,446,694 | 3,425,112 | 3,585,403 | 2,986,945 |
| Other equity interest | | 287,918 | 410,039 | 416,837 | 945,713 | 1,247,798 |
| Treasury stock | | - | (136,726) | (136,726) | (136,726) | (136,726) |
| Equity Attributable To Former Owner Of Business Combination Under Common Control | | - | - | - | - | - |
| Non-controlling interest | | 2,277,793 | 2,200,775 | 2,164,152 | 2,310,168 | 2,318,408 |
| Total equity | Before distribution | 17,395,024 | 16,985,754 | 17,633,564 | 18,094,610 | 17,483,894 |
| | After distribution | 17,395,024 | 16,985,754 | 17,192,430 | 17,768,543 | 17,483,894 |

Note: The 2023 proposal for deficit compensation has been approved by the Board and is subject to confirmation by the 2024 shareholders' meeting.

### B. Condensed statement of comprehensive income – IFRSs (Consolidated)

Unit: NT$ thousands

| Item \ Year | Financial summary for the last five years | | | | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | 2023 |
| Operating revenue | 20,689,397 | 18,616,694 | 22,031,850 | 23,651,129 | 20,955,451 |
| Gross profit | 1,213,022 | 1,241,776 | 2,402,478 | 2,552,141 | 1,089,889 |
| Income from operations | (383,777) | (390,177) | 272,452 | 240,572 | (859,198) |
| Non-operating income & expenses | 21,365 | 86,693 | 252,226 | 304,305 | 159,950 |
| Income before tax | (362,412) | (303,484) | 524,678 | 544,877 | (699,248) |
| Net income (Loss) | (302,084) | (312,392) | 463,373 | 539,691 | (554,497) |
| Net income (Loss) from Discontinued Operations | - | - | - | - | - |
| Net income (Loss) in the period | (302,084) | (312,392) | 463,373 | 539,691 | (554,497) |
| Other comprehensive income (income after tax) | 34,337 | 39,592 | 186,137 | 353,398 | 237,324 |
| Total comprehensive income | (267,747) | (272,800) | 649,510 | 893,089 | (317,173) |
| Net income attributable to shareholders of the parent | (245,098) | (201,797) | 488,231 | 445,934 | (573,395) |
| Net income attributable to Former Owner Of Business Combination Under Common Control | - | - | - | - | - |
| Net income attributable to non-controlling interest | (56,986) | (110,595) | (24,858) | 93,757 | 18,898 |
| Comprehensive income attributable to Shareholders of the parent | (116,582) | (195,782) | 686,133 | 765,984 | (296,215) |
| Comprehensive income attributable to Former Owner Of Business Combination Under Common Control | - | - | - | - | - |
| Comprehensive income attributable to non-controlling interest | (151,165) | (77,018) | (36,623) | 127,105 | (20,958) |
| Earnings per share | (0.22) | (0.18) | 0.45 | 0.41 | (0.53) |

### C. Condensed balance sheet – IFRS (Stand-Alone)

Unit: NT$ thousands

| Item \ Year | | Financial summary for the last five years | | | | |
|---|---|---|---|---|---|---|
| | | 2019 | 2020 | 2021 | 2022 | 2023 |
| Current assets | | 7,790,430 | 7,733,030 | 9,132,282 | 10,274,800 | 10,391,438 |
| Property, Plant and Equipment | | 12,420,909 | 14,244,035 | 14,182,152 | 13,997,814 | 13,636,858 |
| Long-Term Investment | | 6,718,464 | 6,511,721 | 6,308,452 | 6,523,603 | 6,634,835 |
| Other assets | | 997,434 | 1,032,040 | 1,251,689 | 1,474,924 | 1,570,679 |
| Total assets | | 27,927,237 | 29,517,826 | 30,874,575 | 32,271,141 | 32,233,810 |
| Current liabilities | Before distribution | 10,429,002 | 11,319,473 | 12,520,643 | 5,688,350 | 13,686,817 |
| | After distribution | 10,429,002 | 11,319,473 | 12,961,777 | 6,014,417 | 13,686,817 |
| Non-current liabilities | | 2,381,004 | 3,413,374 | 2,884,520 | 10,798,349 | 3,381,507 |
| Total liabilities | Before distribution | 12,810,006 | 14,732,847 | 15,405,163 | 16,486,699 | 17,068,324 |
| | After distribution | 12,810,006 | 14,732,847 | 15,846,297 | 16,812,766 | 17,068,324 |
| Capital stock | | 11,028,353 | 11,028,353 | 11,028,353 | 11,028,353 | 11,028,353 |
| Capital surplus | | 29,563 | 29,821 | 28,880 | 35,632 | 39,116 |
| Retained earnings | Before distribution | 3,649,276 | 3,446,694 | 3,866,246 | 3,911,470 | 2,986,945 |
| | After distribution | 3,649,276 | 3,446,694 | 3,425,112 | 3,585,403 | 2,986,945 |
| Other equity interest | | 410,039 | 416,837 | 682,659 | 945,713 | 1,247,798 |
| Treasury stock | | - | (136,726) | (136,726) | (136,726) | (136,726) |
| Former Owner Of Business Combination Under Common Control | | - | - | - | - | - |
| Total equity | Before distribution | 15,117,231 | 14,784,979 | 15,469,412 | 15,784,442 | 15,165,486 |
| | After distribution | 15,117,231 | 14,784,979 | 15,028,278 | 15,458,375 | 15,165,486 |

Note: The 2023 proposal for deficit compensation has been approved by the Board and is subject to confirmation by the 2024 shareholders' meeting.

**D. Condensed statement of comprehensive income – IFRSs (Stand-Alone)**

Unit: NT$ thousands

| Item \ Year | Financial summary for the last five years | | | | |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | 2023 |
| Operating revenue | 18,328,975 | 16,720,832 | 19,453,580 | 20,363,170 | 18,511,691 |
| Gross profit | 1,122,100 | 1,262,653 | 2,225,905 | 2,022,004 | 743,085 |
| Income from operations | (237,550) | (150,501) | 316,380 | (29,551) | (942,169) |
| Non-operating income & expenses | (43,311) | (51,296) | 230,520 | 477,773 | 224,167 |
| Income before tax | (280,861) | (201,797) | 546,900 | 448,222 | (718,002) |
| Net profit for the current period | (245,098) | (201,797) | 488,231 | 445,934 | (573,395) |
| Net income (Loss) from Discontinued Operations | - | - | - | - | - |
| Net income (Loss) | (245,098) | (201,797) | 488,231 | 445,934 | (573,395) |
| Other comprehensive income (income after tax) | 128,516 | 6,015 | 197,902 | 320,050 | 277,180 |
| Total comprehensive income | (116,582) | (195,782) | 686,133 | 765,984 | (296,215) |
| Earnings per share | (0.22) | (0.18) | 0.45 | 0.41 | (0.53) |

**6.1.2 Auditors' name and their opinions**

| Year | CPA's Name | Audit Opinion |
|---|---|---|
| 2019 | Shu-Wan Lin, Shiow-Ming Shue | An Unmodified Opinion With Emphasis of Matter paragraph |
| 2020 | Shu-Wan Lin, Shiow-Ming Shue | An Unmodified Opinion With Emphasis of Matter paragraph |
| 2021 | Shu-Wan Lin, Hui-Min Huang | An Unmodified Opinion With Emphasis of Matter paragraph |
| 2022 | Shu-Wan Lin, Hui-Min Huang | An Unmodified Opinion With Emphasis of Matter paragraph |
| 2023 | Shu-Wan Lin, Hui-Min Huang | An Unmodified Opinion With Emphasis of Matter paragraph |

## 6.2 Five-Year Financial Analysis

### A. Consolidated Financial Analysis – IFRSs

| Item \ Year | | Financial analysis for the last five years | | | | |
|---|---|---|---|---|---|---|
| | | 2019 | 2020 | 2021 | 2022 | 2023 |
| Financial Structure (%) | Debt Ratio | 44.06 | 48.01 | 48.09 | 48.94 | 50.65 |
| | Ratio of long-term capital to property, plant and equipment | 120.81 | 111.33 | 126.33 | 180.15 | 134.38 |
| Solvency (%) | Current ratio | 117.83 | 107.13 | 109.15 | 251.22 | 113.16 |
| | Quick ratio | 77.48 | 68.93 | 72.80 | 158.35 | 69.55 |
| | Interest earned ratio (times) | (2.97) | (2.17) | 6.85 | 4.75 | (1.96) |
| Operating Performance | Accounts receivable turnover (times) | 6.30 | 5.83 | 6.13 | 6.18 | 6.04 |
| | Average collection period | 57.94 | 62.61 | 59.54 | 59.06 | 60.43 |
| | Inventory turnover (times) | 4.82 | 4.54 | 4.87 | 4.55 | 3.79 |
| | Accounts payable turnover (times) | 9.82 | 9.33 | 10.23 | 10.62 | 10.31 |
| | Average days in sales | 75.73 | 80.40 | 74.95 | 80.22 | 96.31 |
| | Property, plant and equipment turnover (times) | 1.41 | 1.12 | 1.34 | 1.45 | 1.32 |
| | Total assets turnover (times) | 0.67 | 0.57 | 0.65 | 0.68 | 0.59 |
| Profitability | Return on total assets (%) | (0.73) | (0.74) | 1.61 | 1.89 | (1.03) |
| | Return on stockholders' equity (%) | (1.97) | (2.09) | 2.68 | 3.02 | (3.12) |
| | Pre-tax income to paid-in capital (%) | (3.29) | (2.75) | 4.76 | 4.94 | (6.34) |
| | Profit ratio (%) | (1.46) | (1.68) | 2.10 | 2.28 | (2.65) |
| | Earnings per share (NT$) | (0.22) | (0.18) | 0.45 | 0.41 | (0.53) |
| Cash Flow | Cash flow ratio (%) | 7.38 | 2.23 | 3.77 | 7.60 | 0.79 |
| | Cash flow adequacy ratio (%) | 55.41 | 25.42 | 26.70 | 18.82 | 18.84 |
| | Cash reinvestment ratio (%) | 0.88 | 0.53 | 0.96 | 0.07 | (0.39) |
| Leverage | Operating leverage | (1.99) | (1.95) | 5.40 | 6.08 | (0.41) |
| | Financial leverage | 0.81 | 0.80 | 1.49 | 2.53 | 0.78 |

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

1. Long-term capital to property, plant, and equipment: Due to the repayment of long-term loans.
2. Current ratio: Due to the increase in short-term loans.
3. Quick ratio: Due to the increase in short-term loans.
4. Interest protection multiples: Due to this period’s losses, the rate hikes by central banks, and the increase of interest expenses.
5. Days sales in inventory: Due to plummeting pulp prices in the second quarter, the weak economy, and reduced paper sales.
6. Return on assets: Due to this period’s losses.
7. Return on equity: Same as Note 6.
8. Ratio of pre-tax income to share capital: Same as Note 6.
9. Net margin: Same as Note 6.
10. Earnings per share: Same as Note 6.
11. Cash flow ratio: Due to the losses and decrease in cash flow from operating activities in this period.
12. Cash reinvestment ratio: The cash reinvestment ratio decreased due to this period's losses and distribution of cash dividends in 2022.
13. Operating leverage: Due to this period's operating losses.
14. Financial leverage: Due to this period's operating losses and the increase in interest expenses.

## B. Stand-Alone Financial Analysis – IFRSs

| Item | Year | Financial Analysis for the Last Five Years | | | | |
|---|---|---|---|---|---|---|
| | | 2019 | 2020 | 2021 | 2022 | 2023 |
| Financial structure (%) | Debt Ratio | 46 | 50 | 50 | 51 | 53 |
| | Ratio of long-term capital to property, plant and equipment | 141 | 128 | 129 | 190 | 136 |
| Solvency (%) | Current ratio | 75 | 68 | 73 | 181 | 76 |
| | Quick ratio | 41 | 36 | 43 | 95 | 40 |
| | Interest earned ratio (times) | (2) | (1) | 7 | 4 | (2) |
| Operating Performance | Accounts receivable turnover (times) | 6.28 | 5.96 | 6.09 | 5.72 | 5.61 |
| | Average collection period | 58 | 61 | 60 | 64 | 65 |
| | Inventory turnover (times) | 5.12 | 5.07 | 5.32 | 4.75 | 4.03 |
| | Accounts payable turnover (times) | 9.89 | 9.31 | 9.85 | 10.19 | 10.38 |
| | Average days in sales | 71 | 72 | 69 | 77 | 91 |
| | Property, plant and equipment turnover (times) | 1.48 | 1.17 | 1.37 | 1.45 | 1.34 |
| | Total assets turnover (times) | 0.66 | 0.57 | 0.63 | 0.64 | 0.57 |
| Profitability | Return on total assets (%) | (0.63) | (0.45) | 1.84 | 1.76 | (1.21) |
| | Return on stockholders' equity (%) | (1.59) | (1.35) | 3.23 | 2.85 | (3.71) |
| | Pre-tax income to paid-in capital (%) | (2.55) | (1.83) | 4.96 | 4.06 | (6.51) |
| | Profit ratio (%) | (1.34) | (1.21) | 2.51 | 2.19 | (3.10) |
| | Earnings per share (NT$) | (0.22) | (0.18) | 0.45 | 0.41 | (0.53) |
| Cash flow | Cash flow ratio (%) | 8 | 5 | 1 | (1) | 0 |
| | Cash flow adequacy ratio (%) | 39.95 | 31.31 | 31.46 | 11.04 | 2.81 |
| | Cash reinvestment ratio (%) | 1.06 | 1.23 | 0.34 | (0.86) | (0.59) |
| Leverage | Operating leverage | (2.89) | (5.27) | 4.11 | (32.95) | (5.61) |
| | Financial leverage | 0.74 | 0.62 | 1.37 | 0.18 | 0.80 |

Analysis of financial ratio differences for the last two years

1. Long-term capital to property, plant, and equipment: Due to the repayment of long-term loans.
2. Current ratio: Due to the increase in short-term loans.
3. Quick ratio: Due to the increase in short-term loans.
4. Interest protection multiples: Due to this period’s losses, the rate hikes by central banks, and the increase of interest expenses.
5. Return on assets: Due to this period’s losses.
6. Return on equity: Same as Note 5.
7. Ratio of pre-tax income to share capital: Same as Note 5.
8. Net margin: Same as Note 5.
9. Earnings per share: Same as Note 5.
10. Cash flow ratio: Due to the losses and decrease in cash flow from operating activities in this period.
11. Cash flow adequacy ratio: The cash reinvestment ratio decreased due to this period's losses and distribution of cash dividends in 2022.
12. Cash reinvestment ratio: Same as Note 11.
13. Operating leverage: Due to this year’s operating losses.
14. Financial leverage: Due to this year’s operating losses and the increase in interest expenses.

Note:

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

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

2. Solvency

(1) Current ratio = Current assets / Current liabilities
(2) Quick ratio = (Current assets – Inventory – Prepaid expenses) / Current liabilities
(3) Interest coverage ratio = Income before interest and taxes / Interest expense

3. Operation Performance

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

4. Profitability

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

5. Cash Flow

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

6. Leverage

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

## 6.3 Audit Committee's Report for the Most Recent Year

The Company's 2023 business report, financial statements and proposal of deficit compensation , and auditors' reports relating to the financial statements were compiled by the Board of Directors, and have been examined and determined to be correct and accurate by the Audit Committee in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To: 2024 Annual General Shareholders' Meeting

Chung Hwa Pulp Corporation
Audit Committee Convener: Wan-Yu Liu
March 11, 2024

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

# INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Shareholders
Chung Hwa Pulp Corporation

**Opinion**

We have audited the accompanying consolidated financial statements of Chung Hwa Pulp Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated balance sheets as of December 31, 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:

Estimation of Expected Credit Loss of Accounts Receivable

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

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

1. We obtained 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.

T hose 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 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 |

(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) 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) | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share Capital | | | Retained Earnings | | | | Other Equity | | | | | | |
| | 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) |

(Continued)

# 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)

## CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

### 1. GENERAL INFORMATION

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

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

YFY Inc. and its subsidiaries held 58.6% of ordinary shares of the Company 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:

   Amendments to IAS 12 "International Tax Reform - Pillar Two Model Rules"

   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 SIGNIFICANT ACCOUNTING POLICIES

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

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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 | December 31 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 | December 31 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 | December 31 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 |
| 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 | December 31 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 | 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 |
| 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

| | 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 |

| | Due Date | Article | Interest Rate | December 31 2023 | December 31 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.<br>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<br>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

| Related Party Type | For the Year Ended December 31 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 | December 31 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

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

h. Proceeds from disposal of property, plant and equipment

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

i. Lease arrangements

| Related Party Type | For the Year Ended December 31 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 |

(Continued)

| | | | |
|---|---|---|---|
| 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 |

(Concluded)

| | **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) |
| 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 |

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<br>(RMB 104,346) | $ -<br>- | $ -<br>- | - | Short-term financing | $ - | Operating capital | $ - | - | - | $ 463,328<br>(RMB 106,876) | $ 1,853,311<br>(RMB 427,502) | |
| | | YFY Packaging (Yangzhou) Inc. | Other receivables from related parties | Yes | 452,364<br>(RMB 104,346) | -<br>- | -<br>- | - | Short-term financing | - | Operating capital | - | - | - | 463,328<br>(RMB 106,876) | 1,853,311<br>(RMB 427,502) | |
| 2 | CHP International (BVI) Corporation | Zhaoqing Dingfung Forestry Ltd. | Other receivables from related parties | Yes | 134,001<br>(US$ 4,364) | 127,889<br>(US$ 4,165) | 127,889<br>(US$ 4,165) | 2.5 | Short-term financing | - | Operating capital | - | - | - | 2,094,768<br>(US$ 68,222) | 2,094,768<br>(US$ 68,222) | Note 5 |
| | | Shenzhen Jinglun Paper Co., Ltd. | Long-term receivables from related parties | Yes | 186,597<br>(US$ 6,077) | 78,034<br>(US$ 2,541) | 78,034<br>(US$ 2,541) | 2.5 | Short-term financing | - | Operating capital | - | - | - | 2,094,768<br>(US$ 68,222) | 2,094,768<br>(US$ 68,222) | Note 5 |
| | | Shenzhen Jinglun Paper Co., Ltd. | Other receivables from related parties | | 108,416<br>(RMB 3,531) | 104,045<br>(RMB 3,389) | 104,045<br>(RMB 3,389) | 2.5 | Short-term financing | - | Operating capital | - | - | - | 2,094,768<br>(US$ 68,222) | 2,094,768<br>(US$ 68,222) | Note 5 |
| | | Guangdong Dingfung Pulp & Paper Co., Ltd. | Other receivables from related parties | Yes | 894,433<br>(RMB 29,130) | 858,372<br>(RMB 27,955) | 858,372<br>(RMB 27,955) | 2.5 | Short-term financing | - | Operating capital | - | - | - | 2,094,768<br>(US$ 68,222) | 2,094,768<br>(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<br>(RMB 3,103) | -<br>- | -<br>- | - | Short-term financing | - | Operating capital | - | - | - | 13,531<br>(RMB 3,121) | 54,124<br>(RMB 12,485) | |
| | | YFY Packaging (Yangzhou) Inc. | Other receivables from related parties | Yes | 13,453<br>(RMB 3,103) | -<br>- | -<br>- | - | Short-term financing | - | Operating capital | - | - | - | 13,531<br>(RMB 3,121) | 54,124<br>(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.

# 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.

TABLE 4

## CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL**
**FOR THE 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.

# CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

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

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

# 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: Outward | Remittance of Funds: Inward | 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 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 | $ 996,454 | 5 months after transaction month | 3 |
| | | | | Sales | 1,776,651 | By market price | 8 |
| 2 | Zhaoqing Dingfung Forestry Ltd. | Guangdong Dingfung Pulp & Paper Co., Ltd. | Fellow subsidiary | Accounts receivable | 104,166 | 2 months after transaction month | - |
| | | | | Sales | 307,748 | 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.

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

# INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Shareholders

Chung Hwa Pulp Corporation

**Opinion**

We have audited the accompanying parent company only financial statements of Chung Hwa Pulp Corporation (the "Company") which comprise the balance sheets as of December 31, 2023 and 2022, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies (collectively referred to as the "parent company only financial statements").

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

**Basis for Opinion**

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

**Key Audit Matter**

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the parent company only financial statements for the year ended December 31, 2023. The matter was addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

The key audit matter identified in the parent company only financial statements for the year ended December 31, 2023 is as follows:

Estimation of Expected Credit Loss of Accounts Receivable

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

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

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

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

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

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

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

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

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

**Auditors’ Responsibilities for the Audit of the Parent Company Only Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine the matter that was of most significance in the audit of the parent company only financial statements for the year ended December 31, 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 parent company only financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such parent company only financial statements are those generally applied in the Republic of China.*

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

# CHUNG HWA PULP CORPORATION

**PARENT COMPANY ONLY BALANCE SHEETS**
**DECEMBER 31, 2023 AND 2022**
**(In Thousands of New Taiwan Dollars)**

| | 2023 | | 2022 | |
|---|---|---|---|---|
| **ASSETS** | **Amount** | **%** | **Amount** | **%** |
| CURRENT ASSETS | | | | |
| Cash (Notes 4 and 6) | $ 146,520 | - | $ 215,175 | 1 |
| Financial assets at fair value through profit or loss - current (Notes 4 and 7) | 28,773 | - | - | - |
| Financial assets at fair value through other comprehensive income - current (Notes 4 and 8) | 2,134,854 | 7 | 1,688,524 | 5 |
| Notes and accounts receivable (Notes 4 and 10) | 1,797,589 | 6 | 2,383,235 | 7 |
| Accounts receivable from related parties (Notes 4 and 24) | 1,305,756 | 4 | 1,108,431 | 4 |
| Inventories (Notes 4 and 11) | 4,570,253 | 14 | 4,256,307 | 13 |
| Other current assets | 407,693 | 1 | 623,128 | 2 |
| Total current assets | 10,391,438 | 32 | 10,274,800 | 32 |
| NON-CURRENT ASSETS | | | | |
| Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8) | 451,021 | 2 | 492,716 | 2 |
| Investments accounted for using the equity method (Notes 4 and 12) | 6,183,814 | 19 | 6,030,887 | 19 |
| Property, plant and equipment (Notes 4 and 13) | 13,636,858 | 42 | 13,997,814 | 43 |
| Right-of-use assets (Notes 4 and 14) | 49,497 | - | 51,897 | - |
| Investment properties (Notes 4 and 15) | 755,275 | 3 | 755,542 | 2 |
| Deferred tax assets (Notes 4 and 20) | 277,617 | 1 | 123,590 | 1 |
| Prepayments for equipment | 56,445 | - | 102,005 | - |
| Net defined benefit assets (Notes 4 and 17) | 351,695 | 1 | 366,066 | 1 |
| Other non-current assets | 80,150 | - | 75,824 | - |
| Total non-current assets | 21,842,372 | 68 | 21,996,341 | 68 |
| TOTAL | $ 32,233,810 | 100 | $ 32,271,141 | 100 |
| **LIABILITIES AND EQUITY** | | | | |
| CURRENT LIABILITIES | | | | |
| Short-term borrowings (Note 16) | $ 3,213,529 | 10 | $ 2,599,000 | 8 |
| Short-term bills payable (Note 16) | 7,780,171 | 24 | 249,851 | 1 |
| Financial liabilities at fair value through profit or loss - current (Notes 4 and 7) | 198 | - | 8,650 | - |
| Financial liabilities for hedging - current (Notes 4 and 9) | 4,155 | - | - | - |
| Notes and accounts payable | 1,350,093 | 4 | 1,540,173 | 5 |
| Accounts payable to related parties (Note 24) | 278,394 | 1 | 253,749 | 1 |
| Other payables | 828,123 | 2 | 820,636 | 2 |
| Lease liabilities - current (Notes 4 and 14) | 23,268 | - | 26,496 | - |
| Other current liabilities | 208,886 | 1 | 189,795 | 1 |
| Total current liabilities | 13,686,817 | 42 | 5,688,350 | 18 |
| NON-CURRENT LIABILITIES | | | | |
| Long-term borrowings (Note 16) | 1,270,467 | 4 | 8,690,645 | 27 |
| Deferred tax liabilities (Notes 4 and 20) | 2,075,915 | 7 | 2,073,441 | 6 |
| Lease liabilities - non-current (Notes 4 and 14) | 26,515 | - | 25,807 | - |
| Other non-current liabilities | 8,610 | - | 8,456 | - |
| Total non-current liabilities | 3,381,507 | 11 | 10,798,349 | 33 |
| Total liabilities | 17,068,324 | 53 | 16,486,699 | 51 |
| EQUITY (Notes 4 and 18) | | | | |
| Share capital | 11,028,353 | 34 | 11,028,353 | 34 |
| Capital surplus | 39,116 | - | 35,632 | - |
| Retained earnings | | | | |
| Legal reserve | 316,847 | 1 | 268,212 | 1 |
| Special reserve | 1,186,894 | 4 | 1,186,894 | 4 |
| Unappropriated earnings | 1,483,204 | 4 | 2,456,364 | 7 |
| Total retained earnings | 2,986,945 | 9 | 3,911,470 | 12 |
| Other equity | 1,247,798 | 4 | 945,713 | 3 |
| Treasury shares | (136,726) | - | (136,726) | - |
| Total equity | 15,165,486 | 47 | 15,784,442 | 49 |
| TOTAL | $ 32,233,810 | 100 | $ 32,271,141 | 100 |

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

## CHUNG HWA PULP CORPORATION

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

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | **Amount** | **%** | **Amount** | **%** |
| OPERATING REVENUE (Notes 4 and 24) | | | | |
| Sales | $ 18,656,016 | 101 | $ 20,420,474 | 100 |
| Sales returns and allowances | 227,110 | 1 | 131,863 | - |
| Net sales | 18,428,906 | 100 | 20,288,611 | 100 |
| Other operating revenue | 82,785 | - | 74,559 | - |
| Total operating revenue | 18,511,691 | 100 | 20,363,170 | 100 |
| OPERATING COSTS (Notes 4, 11, 19 and 24) | | | | |
| Cost of goods sold | 17,733,526 | 96 | 18,299,149 | 90 |
| Other operating cost | 35,080 | - | 42,017 | - |
| Total operating costs | 17,768,606 | 96 | 18,341,166 | 90 |
| GROSS PROFIT | 743,085 | 4 | 2,022,004 | 10 |
| OPERATING EXPENSES (Notes 4, 19 and 24) | | | | |
| Selling and marketing | 1,417,536 | 8 | 1,799,729 | 9 |
| General and administrative | 187,375 | 1 | 200,557 | 1 |
| Research and development | 80,343 | - | 51,269 | - |
| Total operating expenses | 1,685,254 | 9 | 2,051,555 | 10 |
| LOSS FROM OPERATIONS | (942,169) | (5) | (29,551) | - |
| NON-OPERATING INCOME AND EXPENSES | | | | |
| Finance costs (Note 19) | (229,696) | (1) | (139,113) | (1) |
| Share of profit of subsidiaries and associates (Notes 4 and 12) | 274,674 | 1 | 346,579 | 2 |
| Interest income | 3,199 | - | 1,435 | - |
| Dividend income | 65,257 | - | 93,942 | 1 |
| Other income (Note 24) | 154,235 | 1 | 87,874 | - |
| Gain on disposal of property, plant and equipment | 60 | - | 176 | - |
| Gain on disposal of investments | 1 | - | - | - |
| Foreign exchange gain (Note 4) | 22,691 | - | 202,175 | 1 |
| Loss on financial instruments at FVTPL | (65,129) | - | (112,241) | (1) |
| Other losses | (1,125) | - | (3,054) | - |
| Total non-operating income and expenses | 224,167 | 1 | 477,773 | 2 |

(Continued)

# CHUNG HWA PULP CORPORATION

**PARENT COMPANY ONLY 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) PROFIT BEFORE INCOME TAX | $ (718,002) | (4) | $ 448,222 | 2 |
| INCOME TAX BENEFIT (EXPENSE) (Notes 4 and 20) | 144,607 | 1 | (2,288) | - |
| NET (LOSS) PROFIT FOR THE YEAR | (573,395) | (3) | 445,934 | 2 |
| OTHER COMPREHENSIVE INCOME | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Remeasurement of defined benefit plans (Note 17) | (34,729) | - | 58,450 | - |
| Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income | 323,095 | 2 | (8,212) | - |
| Share of the other comprehensive income of subsidiaries and associates | 55,650 | - | 7,675 | - |
| Tax effect of items that will not be reclassified (Note 20) | 6,946 | - | (11,690) | - |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Loss on hedging instruments (Note 18) | (6,034) | - | - | - |
| Share of the other comprehensive (loss) income of subsidiaries and associates (Note 18) | (67,748) | (1) | 273,827 | 2 |
| Other comprehensive income for the year, net of income tax | 277,180 | 1 | 320,050 | 2 |
| TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR | $ (296,215) | (2) | $ 765,984 | 4 |
| (LOSS) EARNINGS PER SHARE (Note 21) | | | | |
| Basic | $ (0.53) | | $ 0.41 | |
| Diluted | | | $ 0.41 | |

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

## CHUNG HWA PULP CORPORATION

**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY**
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| | Share Capital (Notes 4 and 18) | | | Retained Earnings (Notes 4 and 18) | | | | Other Equity (Notes 4 and 18) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shares (Thousands) | Amount | Capital Surplus (Notes 4 and 18) | Legal Reserve | Special Reserve | Unappropriated Earnings | Total | Exchange Differences on Translation of the Financial Statements of Foreign Operations | Unrealized (Loss) Gain on Financial Assets at Fair Value Through Other Comprehensive Income | Gain on Hedging Instrument | Treasury Shares | 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 |
| Appropriation of 2021 earnings | | | | | | | | | | | | |
| Legal reserve | - | - | - | 41,955 | - | (41,955) | - | - | - | - | - | - |
| Cash dividends distributed by the Company | - | - | - | - | - | (441,134) | (441,134) | - | - | - | - | (441,134) |
| Adjustments for the changes in equity of subsidiaries and associates | - | - | 5,958 | - | - | - | - | | - | - | - | 5,958 |
| Unclaimed dividend | - | - | 794 | - | - | - | - | - | - | - | - | 794 |
| Net profit for the year ended December 31, 2022 | - | - | - | - | - | 445,934 | 445,934 | - | - | - | - | 445,934 |
| Other comprehensive income (loss) for the year ended December 31, 2022 | - | - | - | - | - | 47,088 | 47,088 | 273,827 | (865) | - | - | 320,050 |
| Total comprehensive income (loss) for the year ended December 31, 2022 | - | - | - | - | - | 493,022 | 493,022 | 273,827 | (865) | - | - | 765,984 |
| Difference between the consideration received and the carrying amount of the associates' net assets during actual disposal | - | - | - | - | - | (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 |
| Appropriation of 2022 earnings | | | | | | | | | | | | |
| Legal reserve | - | - | - | 48,635 | - | (48,635) | - | - | - | - | - | - |
| Cash dividends distributed by the Company | - | - | - | - | - | (326,067) | (326,067) | - | - | - | - | (326,067) |
| Adjustments for the changes in equity of subsidiaries and associates | - | - | 1,873 | - | - | (158) | (158) | - | - | - | - | 1,715 |
| Unclaimed dividend | - | - | 1,077 | - | - | - | - | - | - | - | - | 1,077 |
| Net loss for the year ended December 31, 2023 | - | - | - | - | - | (573,395) | (573,395) | - | - | - | - | (573,395) |
| Other comprehensive (loss) income for the year ended December 31, 2023 | - | - | - | - | - | (28,854) | (28,854) | (67,748) | 379,816 | (6,034) | - | 277,180 |
| Total comprehensive (loss) income for the year ended December 31, 2023 | - | - | - | - | - | (602,249) | (602,249) | (67,748) | 379,816 | (6,034) | - | (296,215) |
| Disposal of investments accounted for using the equity method | - | - | 534 | - | - | 183 | 183 | - | (183) | - | - | 534 |
| Disposal of investments in equity instruments designated as at FVTOCI by associates | - | - | - | - | - | 3,766 | 3,766 | - | (3,766) | - | - | - |
| BALANCE AT DECEMBER 31, 2023 | 1,102,835 | $ 11,028,353 | $ 39,116 | $ 316,847 | $ 1,186,894 | $ 1,483,204 | $ 2,986,945 | $ (220,748) | $ 1,474,580 | $ (6,034) | $ (136,726) | $ 15,165,486 |

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

## CHUNG HWA PULP CORPORATION

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

| | 2023 | 2022 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| (Loss) income before income tax | $ (718,002) | $ 448,222 |
| Adjustments for: | | |
| Depreciation and amortization expenses | 995,023 | 1,003,388 |
| Expected credit loss (reversed) | 24,387 | (1,570) |
| Loss on financial instruments at FVTPL | 65,129 | 112,241 |
| Finance costs | 229,696 | 139,113 |
| Interest income | (3,199) | (1,435) |
| Dividend income | (65,257) | (93,942) |
| Share of profit of subsidiaries and associates | (274,674) | (346,579) |
| Net gain on disposal of property, plant and equipment | (60) | (176) |
| Net gain on disposal of investments | (1) | - |
| Gain on lease modification | - | (75) |
| (Reversal of write-downs) write-downs of inventories | (16,966) | 20,178 |
| Unrealized loss (gain) on foreign currency exchange | 47,384 | (4,971) |
| Changes in operating assets and liabilities | | |
| Financial assets mandatorily classified as at FVTPL | (102,354) | (102,496) |
| Notes and accounts receivable | (197,325) | (24,081) |
| Notes and accounts receivable from related parties | 515,509 | 160,999 |
| Inventories | (296,980) | (804,772) |
| Other current assets | 205,065 | (323,766) |
| Net defined benefit assets | (20,358) | (15,837) |
| Notes payable and accounts payable | (188,210) | 183,905 |
| Notes and accounts payable to related parties | 24,645 | (192,103) |
| Other payables | 30,074 | (90,439) |
| Other current liabilities | 19,398 | 25,315 |
| Cash generated from operations | 272,924 | 91,119 |
| Interest received | 3,199 | 1,435 |
| Interest paid | (239,524) | (141,609) |
| Income tax paid | (262) | (120) |
| Net cash generated from (used in) operating activities | 36,337 | (49,175) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of financial assets at fair value through other comprehensive income | (81,540) | - |
| Proceeds from the sale of financial instruments for hedging | (1,879) | - |
| Proceeds from disposal of investments accounted for using equity method | - | 253,501 |
| Payments for property, plant and equipment | (604,479) | (1,278,378) |
| Proceeds from disposal of property, plant and equipment | 60 | 294 |
| Increase in other non-current assets | (15,886) | (21,511) |
| Decrease in prepayments for equipment | 45,560 | 361,125 |
| Dividend received | 177,156 | 157,942 |
| Net cash used in investing activities | (481,008) | (527,027) |

(Continued)

# CHUNG HWA PULP CORPORATION

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

| | 2023 | 2022 |
|---|---|---|
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase (decrease) in short-term borrowings | $ 621,350 | $ (1,366,759) |
| 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 | (30,818) | (28,653) |
| Increase in other non-current liabilities | 154 | 4,224 |
| Cash dividends | (326,067) | (441,134) |
| Capital surplus transferred from unclaimed dividends | 1,077 | 794 |
| Net cash generated from financing activities | 376,016 | 669,102 |
| NET (DECREASE) INCREASE IN CASH | (68,655) | 92,900 |
| CASH AT THE BEGINNING OF THE YEAR | 215,175 | 122,275 |
| CASH AT THE END OF THE YEAR | $ 146,520 | $ 215,175 |

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

# CHUNG HWA PULP CORPORATION

## NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
## FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

### 1. GENERAL INFORMATION

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

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

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

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

The parent company only financial statements were approved by the Company's board of directors on March 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 Company'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 parent company only financial statements were authorized for issue, the Company has assessed that the application of other standards and interpretations will not have a material impact on the Company'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 parent company only financial statements were authorized for issue, the Company is continuously assessing the possible impact of the application of other standards and interpretations on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

## 4. SUUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

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

a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, or the IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC.

b. Basis of preparation

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

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

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

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

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

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

3) Cash and cash equivalents.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

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

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

d. Foreign currencies

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

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

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

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

e. Inventories

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

f. Investments in subsidiaries

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

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

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

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

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

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

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

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

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

g. Investments in associates

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

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

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

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

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

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

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

h. Property, plant and equipment

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

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

Freehold land is not depreciated.

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

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

i. Investment properties

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

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

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.

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

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

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

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

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

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

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

ii. Financial assets at amortized cost

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

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

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

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

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

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

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

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

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

l. Hedge accounting

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

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

m. Provisions

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

n. Revenue recognition

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

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

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

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

o. Leases

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

1) The Company as lessor

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

2) The Company as lessee

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

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

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

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

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

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

p. Borrowing costs

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

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

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

r. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

3) Current and deferred taxes

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

## 5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Estimated impairment of accounts receivable

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

## 6. CASH

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Cash on hand | $ 456 | $ 1,214 |
| Checking accounts and demand deposits | 146,064 | 213,961 |
| | $ 146,520 | $ 215,175 |

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% |

## 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 | $ 28,773 | $ - |
| Financial liabilities at FVTPL - current | | |
| Financial liabilities mandatorily classified as at FVTPL | | |
| Derivative financial liabilities (not under hedge accounting) | | |
| Foreign exchange forward contracts | $ 198 | $ 8,650 |

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 |
| 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 |

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

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

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Current | | |
| Domestic investments | | |
| Listed shares | $ 2,134,854 | $ 1,688,524 |

(Continued)

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Non-current | | |
| Domestic investments | | |
| Listed shares | $ 290,015 | $ 308,709 |
| Unlisted shares | 161,006 | 184,007 |
| | $ 451,021 | $ 492,716 |

(Concluded)

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

## 9. FINANCIAL INSTRUMENTS FOR HEDGING

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

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

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

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

The decrease in value used for calculating hedge ineffectiveness in 2023 and 2022 were $4,155 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 18(e) for information relating to gain (loss) on changes in the fair value of hedging instruments and the original carrying amount transferred to hedged items in 2023

## 10. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Notes receivable - operating | $ 18,446 | $ 18,996 |
| Accounts receivable - operating | 1,812,301 | 2,373,010 |
| Gross carrying amount | 1,830,747 | 2,392,006 |
| Less: Allowance for impairment loss | (33,158) | (8,771) |
| | $ 1,797,589 | $ 2,383,235 |

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

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

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

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

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

December 31, 2023

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

December 31, 2022

| | Not Past Due | Less than 90 Days | 91 Days to A Year | Over A Year | Total |
|---|---|---|---|---|---|
| Gross carrying amount | $2,042,501 | $ 346,331 | $ 3,174 | $ - | $2,392,006 |
| Loss allowance (Lifetime ECL) | (423) | (6,242) | (2,106) | - | (8,771) |
| Amortized cost | $2,042,078 | $ 340,089 | $ 1,068 | $ - | $2,383,235 |

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

| | 2023 | 2022 |
|---|---|---|
| Balance at January 1 | $ 8,771 | $ 10,341 |
| Net remeasurement of loss allowance | 24,387 | (1,570) |
| Balance at December 31 | $ 33,158 | $ 8,771 |

## 11. INVENTORIES

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Finished and purchased goods | $ 2,793,720 | $ 2,445,352 |
| Work in process | 636,892 | 555,458 |
| Materials | 1,139,641 | 1,255,497 |
| | $ 4,570,253 | $ 4,256,307 |

The cost of goods sold for the years ended December 31, 2023 and 2022 included reversal of inventory write-downs of $16,966 thousand and inventory write-down of $20,178 thousand, respectively.

## 12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Investments in subsidiaries | $ 5,421,694 | $ 5,358,813 |
| Investments in associates | 762,120 | 672,074 |
| | $ 6,183,814 | $ 6,030,887 |

a. Investments in subsidiaries

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| CHP International (BVI) Corporation | $ 5,308,450 | $ 5,239,951 |
| Hwa Fong Investment Co., Ltd. | 113,244 | 118,862 |
| | $ 5,421,694 | $ 5,358,813 |

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

| Name of Subsidiary | Proportion of Ownership and Voting Rights December 31 2023 | 2022 |
|---|---|---|
| CHP International (BVI) Corporation | 100% | 100% |
| Hwa Fong Investment Co., Ltd. | 100% | 100% |

b. Investments in associates

| | December 31 2023 | 2022 |
|---|---|---|
| Associates that are not individually material | $ 762,120 | $ 672,074 |

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

| | For the Year Ended December 31 2023 | 2022 |
|---|---|---|
| The Company's share of: | | |
| Profit for the year | $ 137,032 | $ 188,293 |
| Other comprehensive income | 40,749 | 50,210 |
| Total comprehensive income for the year | $ 177,781 | $ 238,503 |

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

In February 2022, the Company and Hwa Fong Investment Co., Ltd. sold all of their ownership on Effion Enertech Co., Ltd. to YFY Inc. at $253,501 thousand and $5,172 thousand, respectively, and the difference between the transaction price and the carrying amount was $16,241 thousand and $331 thousand, respectively, total amount $16,572 thousand was recognized as the difference in equity and presented in unappropriated earnings as debit balance.

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

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

## 13. PROPERTY, PLANT AND EQUIPMENT

| | Freehold Land | Buildings | Machinery | Electric Equipment | Tools | Miscellaneous Equipment | Property in Construction | Total |
|---|---|---|---|---|---|---|---|---|
| Cost | | | | | | | | |
| Balance at January 1, 2022 | $ 8,197,658 | $ 3,395,127 | $ 26,627,810 | $ 3,122,752 | $ 1,860,362 | $ 667,195 | $ 537,756 | $ 44,408,660 |
| Additions | 224,089 | 8,743 | 76,665 | 14,144 | 17,221 | 9,381 | 930,867 | 1,281,110 |
| Disposals | - | (1,446 ) | (18,507 ) | (128,885 ) | (4,448 ) | (9,182 ) | - | (162,468 ) |
| Reclassifications | (499,200 ) | 32,522 | 408,238 | 24,856 | 46,970 | 9,776 | (522,362 ) | (499,200 ) |
| Balance at December 31, 2022 | $ 7,922,547 | $ 3,434,946 | $ 27,094,206 | $ 3,032,867 | $ 1,920,105 | $ 677,170 | $ 946,261 | $ 45,028,102 |
| Accumulated depreciation and impairment | | | | | | | | |
| Balance at January 1, 2022 | $ - | $ 2,802,367 | $ 22,717,604 | $ 2,561,510 | $ 1,572,877 | $ 572,150 | $ - | $ 30,226,508 |
| Disposals | - | (1,446 ) | (18,424 ) | (128,885 ) | (4,413 ) | (9,182 ) | - | (162,350 ) |
| Depreciation expense | - | 79,980 | 659,364 | 87,270 | 108,185 | 31,331 | - | 966,130 |
| Balance at December 31, 2022 | $ - | $ 2,880,901 | $ 23,358,544 | $ 2,519,895 | $ 1,676,649 | $ 594,299 | $ - | $ 31,030,288 |
| Carrying amounts at December 31, 2022 | $ 7,922,547 | $ 554,045 | $ 3,735,662 | $ 512,972 | $ 243,456 | $ 82,871 | $ 946,261 | $ 13,997,814 |
| Cost | | | | | | | | |
| Balance at January 1, 2023 | $ 7,922,547 | $ 3,434,946 | $ 27,094,206 | $ 3,032,867 | $ 1,920,105 | $ 677,170 | $ 946,261 | $ 45,028,102 |
| Additions | 1,772 | 10,553 | 53,515 | 11,907 | 24,655 | 9,699 | 479,441 | 591,542 |
| Disposals | - | - | (142,339 ) | (3,264 ) | (8,731 ) | (12,224 ) | - | (166,558 ) |
| Reclassifications | - | 53,459 | 364,680 | 121,596 | 67,411 | 5,113 | (612,259 ) | - |
| Balance at December 31, 2023 | $ 7,924,319 | $ 3,498,958 | $ 27,370,062 | $ 3,163,106 | $ 2,003,440 | $ 679,758 | $ 813,443 | $ 45,453,086 |
| Accumulated depreciation and impairment | | | | | | | | |
| Balance at January 1, 2023 | $ - | $ 2,880,901 | $ 23,358,544 | $ 2,519,895 | $ 1,676,649 | $ 594,299 | $ - | $ 31,030,288 |
| Disposals | - | - | (142,339 ) | (3,264 ) | (8,731 ) | (12,224 ) | - | (166,558 ) |
| Depreciation expense | - | 75,334 | 661,345 | 88,461 | 98,135 | 29,223 | - | 952,498 |
| Balance at December 31, 2023 | $ - | $ 2,956,235 | $ 23,877,550 | $ 2,605,092 | $ 1,766,053 | $ 611,298 | $ - | $ 31,816,228 |
| Carrying amounts at December 31, 2023 | $ 7,924,319 | $ 542,723 | $ 3,492,512 | $ 558,014 | $ 237,387 | $ 68,460 | $ 813,443 | $ 13,636,858 |

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

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

## 14. LEASE ARRANGEMENTS

a. Right-of-use assets

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Carrying amount | | |
| Land | $ 8,438 | $ 10,900 |
| Buildings | 20,178 | 23,880 |
| Machinery and office equipment | 15,280 | 10,669 |
| Transportation equipment | 5,601 | 6,448 |
| | $ 49,497 | $ 51,897 |

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Additions to right-of-use assets | $ 28,297 | $ 42,497 |
| Depreciation charge for right-of-use assets | | |
| Land | $ 2,580 | $ 2,610 |
| Buildings | 17,954 | 14,413 |
| Machinery and office equipment | 7,012 | 8,879 |
| Transportation equipment | 3,151 | 2,166 |
| | $ 30,697 | $ 28,068 |

b. Lease liabilities

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Carrying amount | | |
| Current | $ 23,268 | $ 26,496 |
| Non-current | $ 26,515 | $ 25,807 |

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%-1.75% | 0.88%-1.21% |
| Machinery and 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 Company leases certain equipment and plant for the use of operating activities with lease terms of 2 to 5 years. These arrangements do not contain renewal or purchase options at the end of the lease terms.

The Company also leases land and buildings for the use of plants, offices, and warehouses with lease terms of 2 to 8 years. The Company does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms.

d. Other lease information

Lease arrangements under operating leases for the leasing out of investment properties are set out in Note 15.

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Expenses relating to short-term leases and low-value asset leases | $ 87,366 | $ 68,986 |
| Total cash outflow for leases | $ (126,900) | $ (109,841) |

## 15. INVESTMENT PROPERTIES

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Cost | | |
| Opening balance | $ 771,534 | $ 272,334 |
| Reclassifications | - | 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 Company are depreciated over their estimated useful life of 55 years, using the straight-line method.

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

| | December 31 | |
|---|---|---|
| | 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 Company 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 |

## 16. BORROWINGS

a. Short-term borrowings

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Bank credit loans | $ 2,970,000 | $ 2,599,000 |
| Letter of credit loans | 243,529 | - |
| | $ 3,213,529 | $ 2,599,000 |

As of December 31, 2023 and 2022, interest rates on short-term borrowings were 1.625%-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 discount 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 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 |

| | Due Date | Article | Interest Rate | December 31 2023 | December 31 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 |

## 17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

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

The amounts included in the parent company only balance sheets in respect of the Company's defined benefit plan were as follows:

| | December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Fair value of plan assets | $ 817,691 | $ 835,666 |
| Present value of defined benefit obligation | (465,996) | (469,600) |
| Net defined benefit assets | $ 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 (Liabilities)** |
|---|---|---|---|
| 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 |

(Continued)

| | Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Net Defined Benefit Assets (Liabilities) |
|---|---|---|---|
| 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 loss - 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 |

(Concluded)

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

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

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

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

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

| | December 31 | |
|---|---|---|
| | 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 |

## 18. 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 |

(Continued)

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| May be used to offset a deficit only | | |
| Arising from share of changes in capital surplus of subsidiaries and associates | $ 14,275 | $ 11,868 |
| Capital surplus transferred from unclaimed dividends | 3,540 | 2,463 |
| | $ 39,116 | $ 35,632 |

(Concluded)

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

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, refer to employees' compensation and remuneration of directors in Note 19 (c).

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

1) At least 20% as cash dividends; and

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

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

Under Order No. 1010047490, Order No. 1030006415 and Order No. 1090150022 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of 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:

| | 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 Gain (Loss) on Financial Assets at FVTOCI | Loss on Hedging Instruments | Total |
|---|---|---|---|---|
| 2023 | | | | |
| Balance at January 1 | $ (153,000) | $ 1,098,713 | $ - | $ 945,713 |
| Unrealized gain on financial assets at FVTOCI | - | 323,095 | - | 323,095 |
| Share of other comprehensive (loss) gain of subsidiaries and associates | (67,748) | 56,538 | - | (11,210) |
| Fair value changes of financial instruments for hedging | - | - | (6,034) | (6,034) |
| Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal | - | (3,766) | - | (3,766) |
| Balance at December 31 | $ (220,748) | $ 1,474,580 | $ (6,034) | $ 1,247,798 |
| 2022 | | | | |
| Balance at January 1 | $ (426,827) | $ 1,109,486 | $ - | $ 682,659 |
| Unrealized loss on financial assets at FVTOCI | - | (8,212) | - | (8,212) |
| Share of other comprehensive gain of subsidiaries and associates | 273,827 | 7,347 | - | 281,174 |
| Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal | - | (9,908) | - | (9,908) |
| Balance at December 31 | $ (153,000) | $ 1,098,713 | $ - | $ 945,713 |

f. 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.

## 19. NET PROFIT FROM CONTINUING OPERATIONS

a. Finance costs

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Interest on bank loans | $ 229,921 | $ 139,443 |
| Add: Interest of lease liabilities | 552 | 564 |
| Less: Amounts included in the cost of qualifying assets | (777) | (894) |
| | $ 229,696 | $ 139,113 |

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 | $ 975,745 | $ 986,619 |
| Operating expenses | 7,717 | 7,847 |
| | $ 983,462 | $ 994,466 |
| An analysis of amortization by function | | |
| Operating costs | $ 6,108 | $ 3,471 |
| Operating expenses | 5,453 | 5,451 |
| | $ 11,561 | $ 8,922 |

c. Employee benefit expense

| | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Post-employment benefits | | |
| Defined contribution plans | $ 65,398 | $ 65,546 |
| Defined benefit plans | 5,510 | 11,251 |
| | 70,908 | 76,797 |
| Other employee benefits | 1,854,376 | 1,882,764 |
| Total employee benefit expense | $ 1,925,284 | $ 1,959,561 |
| An analysis of employee benefit expense by function | | |
| Operating costs | $ 1,751,363 | $ 1,781,118 |
| Operating expenses | 173,921 | 178,443 |
| | $ 1,925,284 | $ 1,959,561 |

As of December 31, 2023 and 2022, the Company had 2,077 and 2,080 employees, including 4 board of directors who were also classified as employees, respectively. The calculation basis is consistent with the employee benefits.

According to the Articles of Incorporation of the Company, the Company accrued compensation of employees and remuneration of directors at the rates of no less than 1% and no higher than 2%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. For the 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** |
|---|---|
| | **Cash** |
| 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.

## 20. 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** |
| Deferred tax | | |
| In respect of the current year | $ (144,607) | $ 2,288 |
| Income tax (benefit) expense recognized in profit or loss | $ (144,607) | $ 2,288 |

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 | $ (718,002) | $ 448,222 |
| Income tax (benefit) expense calculated at the statutory rate (20%) | $ (143,600) | $ 89,644 |
| Permanent differences | (1,007) | (87,356) |
| Income tax (benefit) expense recognized in profit or loss | $ (144,607) | $ 2,288 |

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 Comprehensive Income | Closing Balance |
|---|---|---|---|---|
| Deferred tax assets | | | | |
| Temporary differences | | | | |
| Loss carryforwards | $ 81,628 | $ 142,742 | $ - | $ 224,370 |
| Others | 41,962 | 11,285 | - | 53,247 |
| | $ 123,590 | $ 154,027 | $ - | $ 277,617 |
| 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 |

For the year ended December 31, 2022

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Closing Balance |
|---|---|---|---|---|
| Deferred tax assets | | | | |
| Temporary differences | | | | |
| Loss carryforwards | $ 99,155 | $ (17,527) | $ - | $ 81,628 |
| Others | 25,056 | 16,906 | - | 41,962 |
| | $ 124,211 | $ (621) | $ - | $ 123,590 |

(Continued)

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Closing Balance |
|---|---|---|---|---|
| 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 | 76,788 | (1,501) | - | 75,287 |
| | $ 2,060,084 | $ 1,667 | $ 11,690 | $ 2,073,441 |

(Concluded)

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

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

e. 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.

f. Income tax assessments

| | Latest Approved Year |
|---|---|
| The Company | 2021 |

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

## 22. CAPITAL MANAGEMENT

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

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

## 23. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

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

The management of the Company considers that the carrying amounts of financial assets and financial liabilities recognized in the parent company only financial statements as approximate fair values.

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

December 31, 2023

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

December 31, 2022

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at FVTOCI | | | | |
| Securities listed in the ROC | $ 1,997,233 | $ - | $ - | $ 1,997,233 |
| Domestic unlisted shares | - | - | 184,007 | 184,007 |
| | $ 1,997,233 | $ - | $ 184,007 | $ 2,181,240 |
| Financial liabilities at FVTPL | | | | |
| Derivative financial liabilities - foreign exchange forward contracts (not under hedge accounting) | $ - | $ 8,650 | $ - | $ 8,650 |

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 |

| Financial Assets | Financial Assets of Equity Securities at FVTOCI |
|---|---|
| Balance at January 1, 2022 | $ 273,721 |
| Recognized in other comprehensive income | (89,714) |
| 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:<br>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<br>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 | $ 28,773 | $ - |
| Financial assets at amortized cost (1) | 3,335,586 | 3,744,881 |
| Financial assets at FVTOCI | 2,585,875 | 2,181,240 |
| Financial liabilities | | |
| Financial liabilities at FVTPL | | |
| Mandatorily classified as at FVTPL | 198 | 8,650 |
| Financial liabilities at amortized cost (2) | 14,729,387 | 14,162,510 |
| Financial liabilities for hedging | 4,155 | - |

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

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

c. Financial risk management objectives and policies

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

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

1) Market risk

a) Foreign currency risk

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

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

Sensitivity analysis

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

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

The following table details the Company's sensitivity to a 5% increase in the functional currency against the relevant foreign currencies. For a 5% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax (loss) 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 | $ 95,924 | $ 31,401 |
| RMB | 66,902 | 25,874 |
| EUR | 10,996 | 540 |

b) Interest rate risk

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

| | For the Year Ended December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Fair value interest rate risk | | |
| Financial liabilities | $ 9,100,422 | $ 8,992,799 |
| Cash flow interest rate risk | | |
| Financial assets | 146,064 | 213,961 |
| Financial liabilities | 3,213,529 | 2,599,000 |

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

Sensitivity analysis

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

| | For the Year Ended December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Decrease/increase | $ 3,067 | $ 2,385 |

c) Other price risk

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

Sensitivity analysis

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

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

| | For the Year Ended December 31 | |
|---|---|---|
| | **2023** | **2022** |
| Other comprehensive (loss) income | | |
| Increase/decrease | $ 129,294 | $ 109,062 |

2) Credit risk

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

The Company's concentration of credit risk was attributable to the Company's largest customer. As of December 31, 2023 and 2022, the ratio of trade receivables was 9% and 10%, respectively.

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

3) Liquidity risk

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

As of December 31, 2023 and 2022, the Company's unused financing facilities were $10,028,233 thousand and $10,401,454 thousand, respectively.

## 24. TRANSACTIONS WITH RELATED PARTIES

a. Related party name and category

| Related Party Name | Related Party Category |
|---|---|
| YFY Inc. | Parent company |
| Genovella Renewables Inc. | Subsidiary |
| Shenzhen Jinglun Paper Co., Ltd. | Subsidiary |
| SYNTAX Communication (H.K.) Co., Ltd. | Subsidiaries |
| YFY Consumer Products Co., Ltd. | Fellow subsidiary |
| YFY Packaging Inc. | Fellow subsidiary |
| Yuen Foong Yu Paper MFG (Yangzhou) Co., Ltd. | Fellow subsidiary |
| YFY Development Corp. | Fellow subsidiary |
| Union Paper Corp. | Fellow subsidiary |
| Shin Foong Specialty & Applied Materials Co., Ltd. | Fellow subsidiary |
| China Color Printing Co., Ltd. | Fellow subsidiary |
| Cupid InfoTech Co., Ltd. | Fellow subsidiary |
| YFY Corporate Advisory & Services Co., Ltd. | Fellow subsidiary |
| Ever Growing Agriculture Biotech Co., Ltd. | Fellow subsidiary |
| YFY Japan Co., Ltd. | Fellow subsidiary |
| Sustainable Carbohydrate Innovation Co., Ltd. | Fellow subsidiary |
| MOBIUS105 LIMITED | Fellow subsidiary |
| Arizon RFID Technology (Hong Kong) Co., Ltd., Taiwan Branch | Fellow subsidiary |
| Yuen Foong Shop Co., Ltd. | Fellow subsidiary |
| Ensilience Co., Ltd. | Fellow subsidiary |
| YFY Biotechnology Co., Ltd. | Parent’s associate |
| E Ink Holdings Inc. | Parent’s associate |
| Shin-Yi Foundation | Substantial related party |
| Beautone Co., Ltd. | Substantial related party |
| Shin-Yi Enterprise Co., Ltd. | Substantial related party |
| Yuen Foong Paper Co., Ltd. | Substantial related party |
| SinoPac Securities Co., Ltd. | Substantial related party |

b. Sales of goods

| Related Party Type | For the Year Ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| Fellow subsidiaries | $ 2,039,024 | $ 2,710,234 |
| Subsidiaries | 1,776,651 | 1,302,616 |
| Substantial related parties | 159,746 | 178,755 |
| Parent’s associates | 1,442 | 4 |
| Parent company | 38 | 33 |
| | $ 3,976,901 | $ 4,191,642 |

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 | $ 1,054,378 | $ 1,360,764 |
| Subsidiaries | 1,142 | 3,264 |
| Substantial related parties | 857 | 1,575 |
| Parent’s associates | 94 | 659 |
| | $ 1,056,471 | $ 1,366,262 |

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

d. Receivables from related parties

| Related Party Type | December 31 2023 | 2022 |
|---|---|---|
| Subsidiaries | | |
| Shenzhen Jinglun Paper Co., Ltd. | $ 996,454 | $ 733,414 |
| Others | 458 | 484 |
| | 996,912 | 733,898 |
| Fellow subsidiaries | | |
| YFY Consumer Products Co., Ltd. | 110,473 | 225,491 |
| Union Paper Corp. | 67,509 | 49,692 |
| Others | 73,103 | 65,300 |
| | 251,085 | 340,483 |
| Substantial related parties | 57,756 | 34,050 |
| Parent company | 3 | - |
| | $ 1,305,756 | $ 1,108,431 |

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. Payables 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 |
| Union Paper Corp. | 18,573 | 10,013 |
| Others | 14,624 | 15,418 |
| | 271,833 | 248,039 |
| Subsidiaries | 5,459 | 4,483 |
| Substantial related parties | 1,102 | 1,036 |
| Parent’s associates | - | 191 |
| | $ 278,394 | $ 253,749 |

The outstanding accounts payable to related parties are unsecured.

f. Acquisitions of property, plant and equipment

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

g. Disposal of property, plant and equipment

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

h. Lease arrangements

| | December 31 | |
|---|---|---|
| **Related Party Type** | **2023** | **2022** |
| Lease liabilities | | |
| Parent company | $ - | $ 4,877 |

| | For the Year Ended December 31 | |
|---|---|---|
| **Related Party Type** | **2023** | **2022** |
| Interest expense | | |
| Parent company | $ 32 | $ 91 |
| Subsidiaries | - | 80 |
| | $ 32 | $ 171 |
| Lease expense | | |
| Parent company | $ 11,028 | $ 11,028 |
| Subsidiaries | 9,488 | 9,054 |
| Substantial related parties | 7,121 | 7,065 |
| | $ 27,637 | $ 27,147 |

i. Other transactions with related parties

| | Rental Income (Accounted as Other Income) | |
|---|---|---|
| | For the Year Ended December 31 | |
| **Related Party Type** | **2023** | **2022** |
| Parent's associates | $ 15,408 | $ 5,799 |
| Fellow subsidiaries | 1,728 | 1,429 |
| Parent company | 114 | 114 |
| | $ 17,250 | $ 7,342 |

| Related Party Type | Other Operating Expenses 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 |
| 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.

j. Acquisition of financial assets

For the year ended December 31, 2023

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

k. Disposal of financial assets

For the year ended December 31, 2022

| 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 | 34,300,000 | Equity of Effion Enertech Co., Ltd. | $ 253,501 |

Refer to Note 12 for information relating to proceeds from financial assets.

l. 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.

## 25. 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.

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

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

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

| | December 31, 2022 | | |
|---|---|---|---|
| | Foreign Currency (In Thousands) | Exchange Rate | New Taiwan Dollars |
| Financial assets | | | |
| Monetary items | | | |
| USD | $ 81,532 | 30.71 | $ 2,503,848 |
| RMB | 165,372 | 4.409 | 729,130 |
| EUR | 12,279 | 32.72 | 401,784 |
| Investments accounted for using the equity method | | | |
| USD | 170,621 | 30.71 | 5,239,951 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD | 19,382 | 30.71 | 595,221 |
| EUR | 949 | 32.72 | 31,051 |
| Non-monetary items | | | |
| Derivative instruments | | | |
| USD | 41,700 | 30.71 | 1,280,607 |
| RMB | 48,000 | 4.409 | 211,632 |
| EUR | 11,000 | 32.72 | 359,920 |

## 27. SEPARATELY DISCLOSURED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others (None)

2) Endorsements/guarantees provided (Table 1)

3) Marketable securities held (Table 2)

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

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

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

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital (Table 3)

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

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

10) Information on investees (Table 5)

b. Information on investments in mainland China:

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 6)

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

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period (None)

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period (Table 3)

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

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes (Table 1)

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to the financing of funds (None)

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

c. Information of major shareholders: List all shareholders with ownership of 5% or greater, showing the name of the shares owned, and percentage of ownership of each shareholder (Table 7)

# CHUNG HWA PULP CORPORATION

**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 thousand) | $ 706,215 (US$ 23,000 thousand) | $ 276,356 | $ - | 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 financial statements issued by CPA. The limit on endorsement/guarantee is 200% of the net equity of the latest financial statements issued by CPA.

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

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

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

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

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

TABLE 2

## CHUNG HWA PULP CORPORATION

**MARKETABLE SECURITIES HELD**
**DECEMBER 31, 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 |

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

Note 2: Refer to Tables 5 and 6 for information on investments in subsidiaries and associates.

# CHUNG HWA PULP CORPORATION

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

| Buyer/Seller | Related Party | Relationship (Note) | Transaction Details | | | | Abnormal Transaction | | Notes/Accounts Receivable (Payable) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchase/ Sale | Amount | % of Total | Payment Terms | Unit Price | Payment Terms | Ending Balance | % of Total |
| Chung Hwa Pulp Corporation | YFY Development | a. | Sale | $ (627,247) | (3) | 0.5 month after transaction month | $ - | - | $ 41,881 | 1 |
| | Shenzhen Jinglun Paper Co., Ltd. | b. | Sale | (1,776,651) | (10) | 5 months after transaction month | - | - | 996,454 | 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) |

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

TABLE 4

# CHUNG HWA PULP CORPORATION

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL**
**DECEMBER 31, 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 | 2.05 | $ - | - | $ 208,814 | $ - |
| | Yuen Foong Yu Consumer Products Co., Ltd. | Fellow subsidiaries | 110,473 | 3.20 | - | - | 85,461 | - |

TABLE 5

## CHUNG HWA PULP CORPORATION

**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 of the Investee | Share of Profits | 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. |

Note: a. Subsidiaries.
b. Investments accounted for using the equity method.

TABLE 6

# CHUNG HWA PULP CORPORATION

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

1.

| Investee Company | Main Businesses and Products | Paid-in Capital (Foreign Currencies in Thousands) (Note 1) | Method of Investment | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023 (Foreign Currencies in Thousands) (Note 1) | Remittance of Funds | | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022 (Foreign Currencies in Thousands) (Note 1) | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) | Carrying Amount as of December 31, 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 thousand) (Note 3) | Investment in mainland China through companies set up in another country. | $ 405,306 (US$ 13,200 thousand) | $ - | $ - | $ 405,306 (US$ 13,200 thousand) | $ 29,470 (Note 2, b) | 60 | $ 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 thousand) | (Note 5) | - | - | - | (Note 5) | (3,639) (Note 2, b) | 100 | 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 thousand) | Investment in mainland China through companies set up in another country. | 135,962 (US$ 4,428 thousand) | - | - | 135,962 (US$ 4,428 thousand) | 52,700 (Note 2, b) | (Note 4) | 45,590 (Note 2, b) | 2,613,847 | - |
| Zhaoqing Xinchuan Green Technology Co., Ltd. (Note 4) | Environmental equipment technology research and development; construction of wastewater, flue gas, noise and solid waste treatment; pure water treatment construction; environmental technology consulting; sale of environmental protection equipment and chemical raw material; import and export of cargo and technology | 8,670 (RMB 2,000 thousand) | (Note 5) | - | - | - | (Note 5) | 4,343 (Note 2, b) | 100 | 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 thousand) | (Note 6) | - | - | - | (Note 6) | - (Note 2, b) | 67 | - (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, 3 and 4.

**TABLE 7**

# CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

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

## 6.6 Any financial difficulty and the impact on the Company's finance in last year and up to the print date of this annual report:

**None**

## 7.1 Balance sheet analysis

Unit: NT$ thousands

| Item \ Year | 2023 | 2022 | Difference | |
|---|---|---|---|---|
| | | | Amount | % |
| Current Assets | 16,252,980 | 15,935,904 | 317,076 | 2 |
| Property, plant and equipment | 15,677,388 | 16,151,011 | (473,623) | (3) |
| Other Assets | 3,498,859 | 3,352,256 | 146,603 | 4 |
| **Total Assets** | 35,429,227 | 35,439,171 | (9,944) | - |
| Current Liabilities | 14,362,527 | 6,343,318 | 8,019,209 | 126 |
| Non-current Liabilities | 3,582,806 | 11,001,243 | (7,418,437) | (67) |
| **Total Liabilities** | 17,945,333 | 17,344,561 | 600,772 | 3 |
| Capital Stock | 11,028,353 | 11,028,353 | - | - |
| Capital Surplus | 39,116 | 35,632 | 3,484 | 10 |
| Retained Earnings | 2,986,945 | 3,911,470 | (924,525) | (24) |
| Other Equity | 1,247,798 | 945,713 | 302,085 | 32 |
| Treasury Stock | (136,726) | (136,726) | - | - |
| Non-controlling Interests | 2,318,408 | 2,310,168 | 8,240 | - |
| **Total Stockholders' Equity** | 17,483,894 | 18,094,610 | (610,716) | (3) |

Analysis of changes in financial ratios:
(1) Current liabilities: Mainly due to obtaining short-term loans to repay long-term loans.
(2) Non-current liabilities: Mainly due to the repayment of long-term loans.
(3) Retained earnings: Mainly due to this period's losses and distribution of cash dividends of the previous year.
(4) Other equity: Mainly due to the change in unrealized gains on investments in equity instruments measured at fair value.

## 7.2 Statements of Comprehensive Income Analysis

### 7.2.1. Statements of comprehensive income analysis of operation results

Unit: NT$ thousands

| Year / Item | 2023 | 2022 | Difference | |
|---|---|---|---|---|
| | | | Amount | % |
| Net Sales | 20,955,451 | 23,651,129 | (2,695,678) | (11) |
| Cost of Sales | 19,864,687 | 21,096,585 | (1,231,898) | (6) |
| Changes in Biological Assets | (875) | (2,403) | 1,528 | (64) |
| Gross Profit | 1,089,889 | 2,552,141 | (1,462,252) | (57) |
| Operating Expenses | 1,949,087 | 2,311,569 | (362,482) | (16) |
| Operating Income | (859,198) | 240,572 | (1,099,770) | (457) |
| Non-operating Gains and Losses | 159,950 | 304,305 | (144,355) | (47) |
| Income (Loss) before Tax | (699,248) | 544,877 | (1,244,125) | (228) |
| Tax Expense (Benefit) | (144,751) | 5,186 | (149,937) | (2,891) |
| Net income (Loss) | (554,497) | 539,691 | (1,094,188) | (203) |

Analysis of changes in financial ratios:

(1) Gains or losses sustained by changes in fair value minus the cost to sell a biological asset: Mainly due to the change and decrease in fair value minus the cost to sell a biological asset.

(2) Gross profit: The decline in costs failed to match the plummeting pulp prices in the second quarter, resulting in losses.

(3) Net operating profit: Same as Note (2).

(4) Non-operating income and expenditure: Mainly due to the recognition of the profits of affiliated companies, dividends, and the decrease in foreign exchange gains.

(5) Pre-tax profit (loss): Same as Note (2).

(6) Income tax (benefits) expenses: Mainly due to this year's losses and the recognition of income tax benefits.

(7) Net profit (loss) of this period: Same as Note (2).

### 7.2.2. Expected sales in 2024

As inflation gradually falls and central banks of various countries implement preventive interest rate cuts, the global economy will improve progressively. Additionally, as the high prices of pulp stabilize and paper product sales recover, overall revenue in 2024 should be slightly better than in 2023.

## 7.3 Cash Flow Analysis

**Cash flow analysis for the current year**

Unit: NT$ thousands

| Cash and Cash Equivalents, Beginning of Year | Net Cash Flow from Operating Activities | Cash Outflow | Cash Surplus (Deficit) | Leverage of Cash Deficit | |
|---|---|---|---|---|---|
| | | | | Investment Plans | Financing Plans |
| 805,296 | 112,829 | 46,214 | 871,911 | - | - |

7.3.1 Analysis on the cash flow changes of 2023

1. Operating activities: Mainly the recovery of receivables.
2. Other activities: Mainly the cash outflow due to routine capital expenditures and the distribution of cash dividends.

7.3.2 Remedy for cash deficit and liquidity analysis: None

7.3.3 Cash Flow Analysis for the Coming Year:

1. Operating Activities: Continue to strengthen inventory management and actively destock inventory to maintain stable operating cash flow under normal operations.
2. Investment Activities: Mainly for replacing and repairing equipment with constancy mechanisms.
3. Financing Activities: Appropriate financing or repayments will be arranged based on the overall operating and investment activities.

## 7.4 Major Capital Expenditures and Impact on Financial Operations in last year

An addition to maintaining operations and production, major capital expenditures in 2023 mainly covered improving energy sources and reducing carbon emissions. For example, the Guanyin plant switched to natural gas as fuel for its boilers, while the Dingfeng mill in China upgraded its equipment, replaced old equipment with new ones, and coordinated with the Company's product capacity adjustments and additions to improve and replace various equipment in the production process. Working capital for capital expenditure are sourced from the Company's funds and bank loans. This year's interest expenditures were more than last year, mainly due to the rate hikes by central banks. There was no material impact on the Company's overall financial position.

## 7.5 Reinvestment Policy, Reasons for Profit or Loss, Improvement Plans, and Investment Plans for Next Year

7.5.1 The Company's reinvestments are in line with its long-term development strategy, which focuses on areas such as afforestation and pulp and paper to achieve consistent forest, pulp, and paper production. The investee companies continued to profit in 2023, but profits decreased due to the decline in international pulp prices and sluggish demand.

7.5.2 As China continues to roll out stimulus packages, the Company anticipates maintaining profitability as pulp prices stabilize and the market gradually recovers.

## 7.6 Risk Analysis and Assessment (in the most recent year and up to the print date of this annual report)

### 7.6.1 Impact of changes in interest rates, exchange rates, and inflation on the Company's profitability and response measures:

**Interest rate**: Because of the slowdown of global economic in 2023, the decreasing market demand alleviated global inflationary pressures. Although the Fed continued to raise interest rates with the scale of 100 bps in 2023 and led the raise of USD market interest rate , the scale was much less than the scale of 425 bps in 2022. In Taiwan, the decreasing global market demand forced the trade performance declined in 2023.The Central Bank of Taiwan raised the basic discount rate with the scale of 12.5 bps in the first quarter of 2023 and kept rate unchanged in the next three quarter of 2023. The rising pressure on TWD market interest rate was alleviated obviously.

**Response measures**: Because the global Inflation is expected to slow further, the trend of monetary policy of Fed and other main countries will change from tightening to easing in 2024. The Company will evaluate the liability positions and financing policies regularly and flexibly, to maintain enough liquidity and effectively reduce the Company's interest expenses.

**Exchange rate**: The scale of 100 bps of rate hiking by Fed in 2023 led the international USD exchange rate continued to stay at high level. In the meanwhile, the continuing recession of real estate industry and the decrease of global demand, caused the whole economics of China fall down, and lead the depreciation of RMB in 2023. TWD also faced the pressure of depreciation due to the slowdown of trade and economic performance in 2023.

**Response measures**: Looking forward to 2024, under the uncertainty of the start timing of central bank of major countries adopt to easing monetary policy and the easing scale, The fluctuations of foreign exchange rates remain affected by numerous variables. The Company will take into account exchange rate risks and hedging costs, and make appropriate financial and hedging strategies to reduce the negative impact of exchange rate fluctuations on the Company's overall operations.

**Inflation**: Although all central banks continued using tighten monetary policy, made the pressure of high inflation be relieved, the degree of price declining was still limited in 2023. In Taiwan, the pressure of inflation continued in 2023 but edged down than 2022. The CPI was 2.50% and the core CPI (CPI excluding energy and fruits and vegetables) was 2.58% in 2023..

**Response measures**: Looking forward to 2024, The pressure of global inflation is expected to slow further in 2024 because the price of raw material and energy had slid down gradually. The Central Bank of Taiwan estimated that the CPI will below 2% in 2024. Up to the printing date of this annual report, inflation does not exert a material impact on the Company. However, due to factors such as global carbon reduction, competition between China and the United States, the impact of geopolitical tensions on global logistics and supply chains, commodity prices are still at risk of substantial fluctuations. In the future, we still need to pay close attention to the risks caused by related factors.

### 7.6.2 Policies on high risk or high leverage investments, lending to others, making endorsements or guarantees, and trading derivatives, reasons for profit or loss, and response measures:

The Company has not invested in high risk and high leverage instruments. For example, the utilization of short-term idle funds focuses on repaying working capital loans and reducing interest expenses.

The Company adheres to its Procedures for Extending Loans to Others and Procedures for Endorsements and Guarantees when lending funds to others and providing endorsements and guarantees. Funds or endorsement/guarantees are extended between affiliated parent companies and subsidiaries for financial and business purposes.

The Company engages in derivative transactions in accordance with its Procedure for Processing Derivative Transactions so as to clearly define the purposes of each transaction, which must be primarily hedging. The derivatives operated in 2023 are primarily aimed at avoiding USD, JPY and CNY exchange rate risks. The hedging ratio is adjusted with due consideration given to the hedge cost and exchange rate risk of derivatives to mitigate the effects of USD, JPY and CNY exchange rate fluctuations.

### 7.6.3 Future R&D plans and expected R&D investment:

**A. Future R&D plans:**

We plan to develop botanical fiber-based material products, like the farmland paper that we already created.

**B. Expected R&D investment:**

Expected R&D expenditure for 2024 is approximately NT$130 million to 150 million.

### 7.6.4 Major changes in government policies and laws at home and broad, impact on the Company’s finance and business, and response measures:

For the purpose of managing legal risks as a whole, the Company hired external legal consultants to assist the Company in managing legal risks due to regulation changes in addition to signing a legal service contract with the legal department of Yuen Foong Yu Investment Holding Co., Ltd.

The Company’s response measures for any potential impact of important policy and legislative changes in Taiwan and overseas on the Company's financial or sales performance will be devised by the legal department together with the responsible departments. In case of any noncompliance with the law in the Company's internal guidelines and operating procedures, the responsible departments will make the necessary changes to effectively manage and reduce the Company's legal risk.

### 7.6.5 Impact of recent technological and market changes (including information and communications security risks) on the Company’s finance and business, and response measures:

With the rapid development of technology, technological innovation has become an indispensable plan for operations, and it is also an important niche for corporate competition. The Company is committed to industrial innovation and will evaluate the impact on the Company's finances and business to adopt good response measures to pursue sustainable operation. The Company has already appointed a Chief Information Security Officer and established a dedicated cyber security unit. Through the dedicated cyber security management platform and team, the Company and its subsidiaries can adopt optimal approaches to utilize resources, centralize management in an appropriate and timely manner, upgrade existing cyber security network equipment and mechanisms, and plan to provide cyber security health checks and guidance through government-approved, compliant cyber security consulting companies so that the information is kept secure in line with current trends.

### 7.6.6 Impact of corporate image change on risk management and response measures:

There are various risks in the operation of enterprises, including aspects such as industrial safety, finance, products, marketing, and cyber security. Especially with today’s widespread mass media and social networks, the occurrence of a risky event and the deliberate dissemination of false information will often evolve into an irreparable crisis. The Company believes that corporate image is more than just a facade, and to fundamentally adjust the Company’s structure, we must start from the inside and enhance our corporate image at a steady pace.

CHP was established over 50 years ago in 1968. The Company has always adhered to the professional concept of corporate governance and conducts talent training, participates in social and community public welfare activities, and gives back to local neighborhoods. The management team has always adhered to the mission of sustainable development by using employees, community, and the environment as its three major concerns. With an active and robust approach in taking actions, we aim to externally transform our corporate image by taking not only actions but also maintaining constant communication.

In terms of employees and community involvement, we share the goals and vision of the Company to raise employee's awareness towards environmental protection and eco-friendly subjects, and encourage employees to participate in environmental, cultural, and charitable activities. With respect to supply chain management, we aim to incorporate environmental protection, labor safety, and other standards into the work process, regulations, and agreements.

In the protection of employee rights, we continue to improve personnel health and provide a safe work environment. We have raised the threshold of CHP's safety and health, social responsibility, and sustainable development fields. Through internal communication, we internalized the Company's philosophy, brand value, and major concerns in the minds of employees, and raised the standards in various fields such as safety and health, social responsibility, and sustainable development. From employees to leaders, we clearly understand the attitude and response to facing related issues, so that we can radically reduce the probability of occurrence of various crises such as industrial safety and environmental protection in enterprise operations, and at the same time promote the corporate image with specific results.

For CHP, corporate image change and corporate crisis management are important topics with mutual objectives and consistent goals, as well as major management policies that we will keep improving from now to the future to respond to social needs and world trends.

### 7.6.7 The expected benefits and possible risks of mergers and acquisitions as well as the responding measures:

The company has no new merger and acquisition plan in 2024, so there are no related risks and countermeasures.

### 7.6.8 Expected benefits of plant expansion, potential risks, and response measures:

As of the publication date, the Company has no plans for plant expansion, so there are no related risks and countermeasures.

### 7.6.9 Risks in concentrated procurement or sales and response measures:

A. Procurements: The main raw material procurement strategy for the Company's products is to comprehensively consider factors such as supplier quality, price, delivery time, and whether there will be a global shortage of raw materials in the future to select suitable suppliers and flexibly adjust the preparation period. Moreover, the Company maintains more than two suppliers for the main raw materials and has good long-term relationship with them. There is currently no risk of centralized purchasing.

B. Sales: The Company has not yet had a significant degree of centralization, and each customer has accounted for less than 10% of the sales in the past three years. The company maintains a long-term cooperative relationship with existing customers. On the one hand, we strive to develop new customers to expand and diversify our business sources, so there should be no risk of sales centralization.

**7.6.10 Impact of mass transfer of equity by or change of directors, supervisors, or shareholders holding more than 10% equity of the Company, associated risks and response measures:**

The composition of directors or shareholders holding more than 10% of the Company's shares and the shareholding ratio are stable. As of the print date of this annual report, there are not large transfers. Equity transfer or conversion is considered a normal financial transaction for shareholders, which does not have a significant impact on the Company. The Company's directors and major shareholders always maintain open channels of communication.

**7.6.11 The impact and risk of a change in company ownership, and response measures:**

The Company is not exposed to risks of control transfer.

**7.6.12 Litigation or non-litigation events:**

The Company is currently not involved in any litigation.

**7.6.13 Other significant risks and response measures:**

In addition to implementing management guidelines for internal management accordance with the law, the Company also devises rules to be followed by relevant units. Operational risks are distributed and managed by various departments according to their functions, and the audit department regularly and project-examines the implementation and compliance of the regulations, systems, and procedures of each department.

The organizational structure for risk management countermeasures:

| Unit | Operation (function) | Corresponding Risks |
|---|---|---|
| Cellulosic Materials Division | Production of household paper, paper stationery products, special purpose paper, paperboard, pulp, and chemical products | Production, labor safety, labor management, markets, and law |

| Unit | Operation (function) | Corresponding Risks |
|---|---|---|
| Special Processing Division | R&D and production of non-plastic products | Production, labor safety, labor management, markets, and law |
| Human Resource and Administrative Division | Human resources management, human resources and organizational development | Laws, policies, and organizations |
| Financial and Accounting Department | Investment analysis, financial management, and fund utilization management, and accounting administration | Interest rate, exchange rate, inflation, investment, acquisition, laws, equity, and policies |
| Auditing Office | Internal control plans and systems auditing and research | Laws and policies |

## 7.7 Other Important Matters

None

## 8.1 Summary of Affiliated Companies

### 8.1.1 Relationship report

(1). Relationship between subordinate company and control company

| Control Company | Control Name | Holding or Pledged of Shares | | | Served Position | |
|---|---|---|---|---|---|---|
| | | Shares | Percentage | Pledged | Title | Name |
| YFY INC. | Obtained more than half of Directors' seats | 627,827,989 | 57.8 | - | Chairperson<br>Director | Kirk Hwang<br>Jean Liu |

(2). Transactions

A. Sales and purchase

a. Percentage of (sales) purchase and sales amount in total purchase (sales) amount

| Import/Sale | Amount(NT Thousand) | Ratio of Import(Sale) | Gross Margin(NT Thousand) |
|---|---|---|---|
| Sale | 38 | - | 2 |

b. Transaction terms and comparison with general transaction terms: equivalent

c. Accounts receivable (payable), balance of bills receivable (payable) and the ratio of each item at the end of the period:

| Notes and accounts receivable/payable | Ending balance | Percentages of the Ending balance |
|---|---|---|
| Notes and accounts receivable | 4 | - |

d. When accounts receivable were overdue during the year, the amount, handling method and provision for bad debts: None.

e. Advanced receipts (prepayments): None.

B. Property transaction: None

C. Bank accommodation: None

D. Asset leasing:

Unit: NT$ thousands

| Transaction type | Nature of lease | Rental decisions | Collection (payment) method | Comparison with general rental levels | Total current rent | Other agreed items |
|---|---|---|---|---|---|---|
| Lessee | Operating leases | Reference to general local standards | Monthly payment | Equivalent | 11,028 | None |

E. Other important transactions: None.

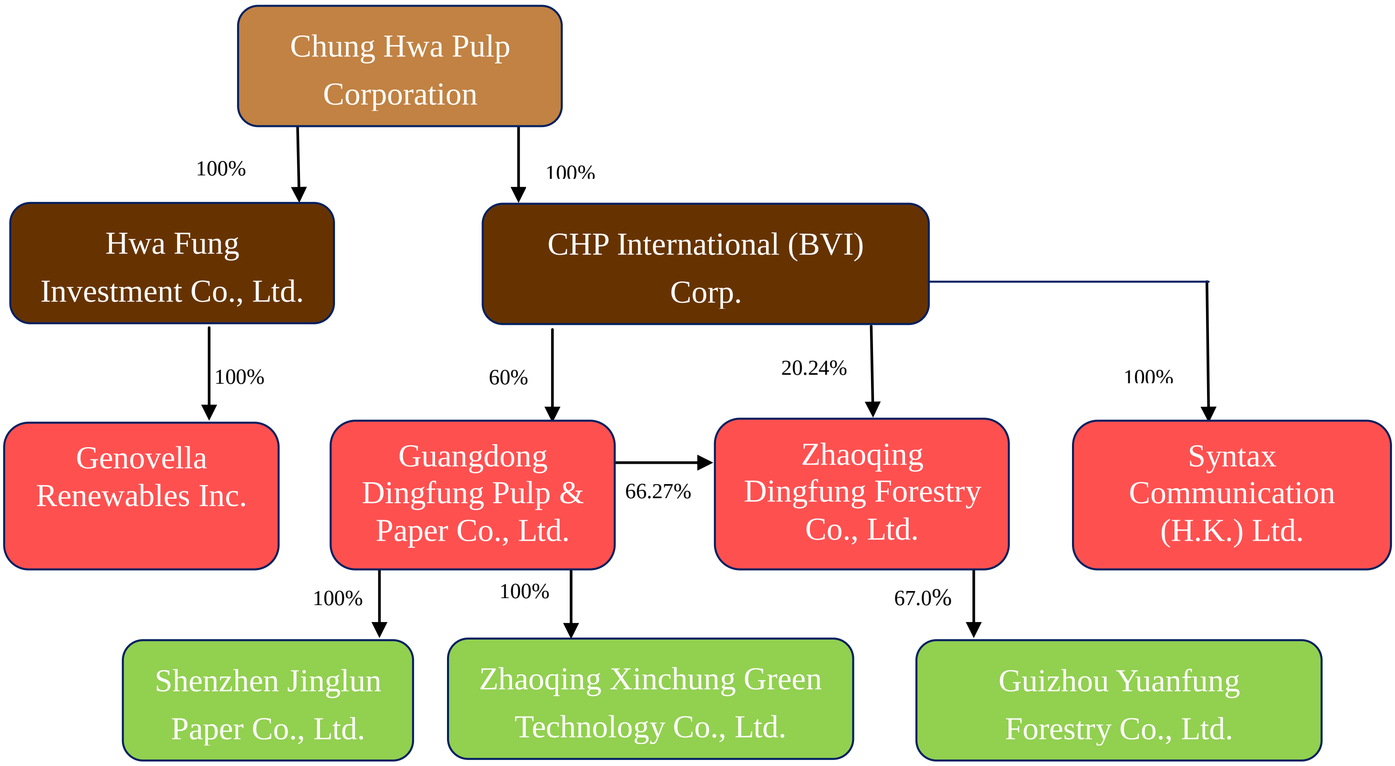
(3). Endorsements/Guarantees: None.

(4). Other matters that have a significant impact on the financial and business activities: None.

### 8.1.2 Relationship business merger business report

**A. Affiliates' highlights**

(1). Affiliates' structure




(2). Affiliates' profile

| Name | Date of Incorporation | Address | Paid-in Capital (Thousand) | Main Business |
|---|---|---|---|---|
| CHP International (BVI) Corp. | 3/15/1990 | Citco Building, P.O. BOX 662, Road Town, Tortola, British Virgin Islands | US$ 61,040 | Investment and holding |
| Hwa Fung Investment Co., Ltd | 2/4/1994 | 12F, 51, Sec. 2, Chung Ching S. Rd., Taipei, Taiwan | NT$ 66,000 | Investment and holding |
| Genovella Renewables Inc. | 8/30/2010 | No.100, Guanghua St., Ji'an Township, Hualien County, Taiwan | NT$ 14,000 | 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 |

| Name | Date of Incorporation | Address | Paid-in Capital (Thousand) | Main Business |
|---|---|---|---|---|
| Guangdong Dingfung Pulp & Paper Co., Ltd. | 8/18/2000 | Shouyue, Nanjie, Guangning County, Zhaoqing City, Guangdong Province, PROC | US$ 85,630 | Pulp and paper production, trading and forestry business |
| Zhaoqing Dingfung Forestry Co., Ltd. | 4/1/2006 | Shouyue, Nanjie, Guangning County, Zhaoqing City, Guangdong Province, PROC | US$ 21,880 | Seedling cultivation and sales, reforestation, sales-cum-forest logging and other forestry, processing and transportation |
| Shenzhen Jinglun Paper Co., Ltd. | 6/24/2008 | Room 1705, Tongxin Building 17F, No. 5020, Binhe Avenue, Futian Dist. Shenzhen City, Guangdong Province | CNY 3,200 | Paper trading, cargo and technic Import and export business |
| Syntax Communication (H.K.) Ltd. | 5/31/1985 | Unit 16, 23/F., Metropole Square, 2 On Yiu Street, Shek Mun, Shatin, N.T., H.K. | HKD 34,088 | Sale and print of paper merchandise. |
| Zhaoqing Xinchuan Green Technology Co., Ltd. | 9/19/2019 | Shouyue, Nanjie, Guangning County, Zhaoqing City, Guangdong Province, PROC | CNY 2,000 | 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 |
| Guizhou Yuanfung Forestry Co., Ltd. | 12/3/2021 | Qiandao, Wuxing Village, Longping Town, Luodian County, Qiannan Prefecture, Guizhou Province Room 4, 1st Floor, Area B, Lake Hotel | CNY 33,000 | Seedling cultivation and sales, reforestation, sales-cum-forest logging and other forestry, processing and transportation |

(3). Industry covered by the overall Affiliates

a. Production and Sales of Pulp and Paper Product.
b. Production and Sales of Afforestation, Nursery and Forestry
c. Investment Business
d. Steam and Electricity Symbiosis Industry
e. Manufacturing and Retailing of Fertilizer
f. Retail and wholesale of chemical raw materials
g. Manufacturing, Retail and wholesale of refractory material
h. Environment equipment technology research and development, waste treatment and treatment engineering

(4). Directors, Supervisors and GM of all Affiliates

Unit: Share; %

| Company Name | Title | Name of Representative | Shareholding | |
|---|---|---|---|---|
| | | | Shares | % |
| CHP International (BVI) Corp. | Director<br>Director | Kirk Hwang: Representative of CHP<br>Guu-Fong Lin: Representative of CHP | 61,039,956 | 100.0 |
| Hwa Fong Investment Co., Ltd | Chairperson<br>Director<br>Director<br>Supervisor | Guu-Fong Lin: Representative of CHP<br>Yen-Chang Hsieh: Representative of CHP<br>Claire Hou: Representative of CHP<br>David Lin: Representative of CHP | 6,600,000 | 100.0 |
| Genovella Renewables Inc. | Director | Nan-Hsiung Wang: Representative of Hwa Fong Investment Co., Ltd. | - | 100.0 |
| Guangdong Dingfung Pulp & Paper Co., Ltd. | Chairperson<br>Director<br>Director<br>Supervisor<br>President | Guu-Fong Lin: Representative of CHP International (BVI) Corp.<br>Frank Chin: Representative of CHP International (BVI) Corp.<br>Kirk Hwang: Representative of YFY International B. V.<br>Vincent Chan: Representative of YFY International B. V.<br>Frank Chin | -<br>-<br>- | 60.0<br>40.0 |
| Zhaoqing Dingfung Forestry Co., Ltd. | Chairperson & President<br>Director<br>Director<br>Supervisor | Guu-Fong Lin: Representative of Guangdong Dingfung Pulp & Paper Co., Ltd.<br>Frank Chin: Representative of CHP International (BVI) Corp.<br>Tsung-yun Lin: Representative of YFY International B. V.<br>Vincent Chan: Representative of YFY International B. V. | -<br>-<br>- | 66.27<br>20.24<br>13.49 |
| Shenzhen Jinglun Paper Co., Ltd | Chairperson<br>Director<br>Director<br>Supervisor<br>President | Chih-Cheng Huang: Representative of Guangdong Dingfung Pulp & Paper Co., Ltd.<br>Ray Chen: Representative of Guangdong Dingfung Pulp & Paper Co., Ltd.<br>Owen Kwong: Representative of Guangdong Dingfung Pulp & Paper Co., Ltd.<br>Vincent Chan: Representative of Guangdong Dingfung Pulp & Paper Co., Ltd.<br>Owen Kwong | - | 100.0 |
| Syntax Communication (H.K.) Ltd. | Director<br>Director<br>Director<br>President | Chih-Cheng Huang: Representative of CHP International (BVI) Corp..<br>Owen Kwong: Representative of CHP International (BVI) Corp.<br>David Lin: Representative of CHP International (BVI) Corp.<br>Owen Kwong | - | 100.0 |
| Zhaoqing Xinchuan Green Technology Co., Ltd. | Chairperson<br>Director<br>Director<br>Supervisor<br>President | Guu-Fong Lin: Representative of Guangdong Dingfung Pulp & Paper Co., Ltd.<br>Frank Chin: Representative of Guangdong Dingfung Pulp & Paper Co., Ltd.<br>Tsung-Yun Lin: Representative of Guangdong Dingfung Pulp & Paper Co., Ltd.<br>Claire Hou: Representative of Guangdong Dingfung Pulp & Paper Co., Ltd.<br>Frank Chin | - | 100.0 |
| Guizhou Yuanfung Forestry Co., Ltd. | Chairperson | Guu-Fong Lin: Representative of Zhaoqing Dingfung Forestry Co., Ltd. | - | 67.0 |

| Company Name | Title | Name of Representative | Shareholding | |
|---|---|---|---|---|
| | | | Shares | % |
| | Director | Tsung-Yum Lin: Representative of Zhaoqing Dingfung Forestry Co., Ltd. | | 67.0 |
| | Director | Chen-Yuan Xiao: Representative of Hezhou Chenyuan Forestry Co., Ltd. | | 33.0 |
| | Supervisor | Ming-Hui Lin: Representative of Zhaoqing Dingfung Forestry Co., Ltd. | | 67.0 |
| | President | Chen-Yuan Xiao | | |

B. Affiliates' operating highlights

Unit: Thousand

| Company Name | Currency | Paid-in Capital | Total Assets | Total Liabilities | Net Worth | Operating Revenue | Operating Income | Net Income | EPS |
|---|---|---|---|---|---|---|---|---|---|
| CHP International (BVI) Corp. | USD | 61,040 | 172,838 | 121 | 172,717 | - | (13) | 3,968 | 0.07 |
| Hwa Fong Investment Co., Ltd | NTD | 66,000 | 183,932 | 70,688 | 113,244 | - | (161) | 9,026 | 1.37 |
| Genovella Renewables Inc. | NTD | 14,000 | 42,968 | 17,747 | 25,221 | 60,539 | 4,274 | 3,426 | - |
| Guangdong Dingfung Pulp & Paper Co., Ltd. | CNY | 648,482 | 1,372,005 | 297,349 | 1,074,656 | 541,785 | 9,065 | 6,661 | - |
| Zhaoqing Dingfung Forestry Co., Ltd. | CNY | 178,162 | 832,090 | 135,122 | 696,968 | 87,688 | 11,912 | 11,912, | - |
| Shenzhen Jinglun Paper Co., Ltd | CNY | 3,200 | 277,817 | 253,757 | 24,060 | 383,203 | (6,015) | (7,152) | - |
| Syntax Communication (H.K.) Ltd. | HKD | 34,088 | 2,200 | 672 | 1,528 | 3,881 | (747) | (587) | (0.02) |
| Zhaoqing Xinchuan Green Technology Co., Ltd. | CNY | 2,000 | 5,916 | 13 | 4,618 | 8,435 | 689 | 982 | - |
| Guizhou Yuanfung Forestry Co., Ltd. | CNY | 33,000 | 33,211 | 211 | 33,000 | - | - | - | - |

**8.1.3 Consolidated of financial statements of affiliated:**

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 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:

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March 11, 2024

## 8.2 Private Placement Securities in the Last Fiscal Year and Up to the Publishing Date of this Annual Report

None

## 8.3 The Shares in the Company Held or Disposed of by Subsidiaries in the last Fiscal Year and Up to the Publishing Date of this Annual Report

None

## 8.4 Other Information Which Should be Disclosed

None

## 8.5 Other Supplementary Information

Matters according to the Article 36.3.2 of the Securities and Exchange Act of Taiwan in the most recent year and up to the date of printing of this Annual Report which have significant impact to Shareholders' Equity or stock price: None