

# 2022 ANNUAL REPORT

STOCK CODE 1905

CHP annual report is available at [MOPS.TWSE.COM.TW](http://MOPS.TWSE.COM.TW)

Company website is [WWW.CHP.COM.TW](http://WWW.CHP.COM.TW)



## 1. Spokesperson and Acting spokesperson

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Acting spokesperson David Lin	Manager	+886-2-2396-2998	IR.CHP@yfy.com

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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
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## 5. Overseas Securities Exchange: None

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### Notice to readers

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

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## **Letter to Shareholders**

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Dear Shareholders, Ladies and Gentlemen,

The performance of the world economy in 2022 was disappointing due to the impact of the Russia-Ukraine war, mutating viruses, and high inflation. Most countries have tightened their monetary policies to tackle high inflation. However, the negative impacts of rising inflation, policy tightening, and financial pressures have weakened the global economy. According to the Taiwan Institute of Economic Research's latest forecast released in January 2023, the GDP growth rate in 2023 is 2.58%, 0.33 percentage points lower than the 2.91% of the November 2022 update.

Regarding the international paper industry, Russia is a major exporter of wood chips and energy. However, the outbreak of the Russia-Ukraine war skyrocketed global pulp prices in 2022. Short-fiber pulp prices, for example, soared from US\$600 per ton in early 2022 to US\$900 by the end of the year, a 50% increase. Long-fiber prices also rose from an average of US\$750-800 in 2021 to above US\$1,000 at one point last year. High pulp prices throughout the year have placed an unbearable burden on downstream virgin pulp manufacturers. The highest price in history for wood chips was US\$190 per ton. Yet in 2022, market prices ranged from US\$240 to US\$300, setting a new record. A shortage of wood chips due to the worldwide timber supply shortage caused the record-high prices. In the international recycled paper market, the price of AOCC tumbled rapidly in July 2021. It once broke above US\$320 per ton in 2022, fell to the lowest point of US\$125 in September 2022, recovered shortly after, and consolidated between US\$160-180. One can see that raw materials with natural fiber characteristics are still becoming more and more precious resources in the worldwide supply chain. Although demand might fluctuate sharply in the short term, the long-term uptrend won't change easily. However, CHP is still striving for stable performance under extreme uncertainty.

CHP's consolidated operating income for 2022 amounted to approximately NT\$23.65 billion, an increase of about NT\$1.62 billion from NT\$22.03 billion in 2021. The net profit after tax attributable to the Company in 2022 is approximately NT\$446 million. The Company produced 381,178 metric tons of pulp in 2022. In addition to 231,210 metric tons for Company use, domestic pulp sales were 74,490 metric tons, and export sales were 84,255, totaling 158,745 metric tons. Paper production was 386,153 metric tons. Domestic paper sales was 204,857 metric tons and export sales was 230,038, totaling 434,895 metric tons. Cardboard production for the year was 124,852 metric tons and sales were 167,767 metric tons.

Since COP21 adopted the Paris Agreement in 2015, CHP actively invested in bio-based materials for developing fixed carbon to establish a supply chain for recyclable and circular materials. Sludge generated from the pulping process and leftover wood chips can be recycled and reused for other applications, including asphalt, landscaping, and agricultural improvement. CHP will continue to promote the Circuwell non-plastic food-safe paper products and utilize the characteristics of the fixed carbon content of paper to produce circular, low-carbon products by focusing on a circular economy as the development core to fill the diverse demands of the packaging, food, and electronics industries.

Looking ahead to 2023, we will continue to improve the quality of our products and expand their cross-market applications, ensure a stable supply of raw materials and imported products, and actively grow the green supply chain and ESG commitments. CHP built cogeneration systems at its Hualien, Taitung, and Jiutang mills. To invest in net-zero transformation, CHP will gradually increase the proportion of renewable energy and make it the power mill's source of calorific value. The Hualien mill will obtain renewable energy generation equipment certification for 20,000 KW in the first quarter of 2023. The rooftop solar PV systems for the Taitung and Jiutang mills were completed at the end of 2022, substantially increasing the use of solid recovered fuel

and biomass energy and significantly reducing carbon emissions. The liquefied natural gas equipment that will fully replace heavy oil for the Guanyin mill will be completed in 2023. CHP plans to transform the energy structure of each mill according to its production capacity characteristics and local conditions. Diverse renewable energy sources such as agricultural waste, biogas power generation, and biomass boilers are already in place. By pairing these sources with systematic energy management models, CHP improved energy efficiency and ensured energy independence. CHP is heading toward the ultimate goals of corporate net zero, sustainability, and carbon neutrality.

Sustained development has always been the greatest common denominator of CHP's business. With 3R (Recycle/Reclaim/Regenerate) as the core strategy, CHP actively achieved the consistent production of forest, pulp, and paper, built a sustainable, circular management system, and then promoted it to the specialty materials industry. CHP is effecting a new circular economy blueprint one step at a time. Looking to the future, CHP will also adhere to robust operations. CHP will focus on becoming green and move towards green energy, manufacturing, and products.

Best regards,

Chairperson Kirk Hwang



## **Corporate Overview**

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### **2.1 Date of Incorporation**

July 5<sup>th</sup> 1968

### **2.2 Company History**

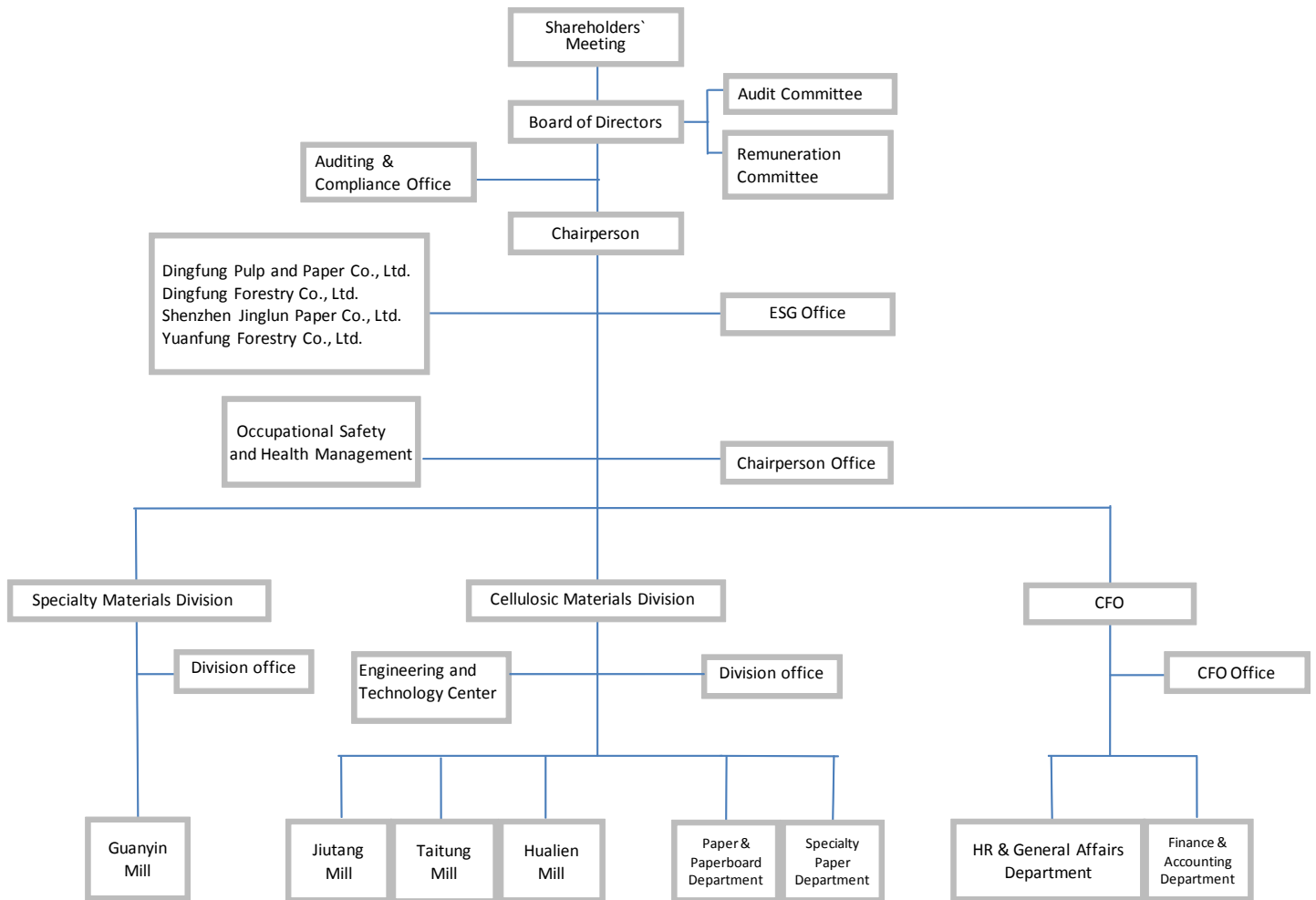
- 1968** Officially established the Company; initiated the construction for the Hualien mill.
- 1970** Started production at the Hualien mill.
- 1975** The company's stock were listed
- 1976** Founded the invested company, PT Indah Kiat. Pulp & Paper.
- 1978** The production capacity of the Hualien mill 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.

# Corporate Governance Report

## 3.1 Organization



Operation Functions:  
Production of environmentally friendly packaging materials and non-plastic processed products

Operation Functions:  
Production of Cultural Paper, Wrapping paper, Specialty paper, Paperboard, Pulp and Chemical, and Sales of Fertilizer

Operation Functions:  
Sales and Marketing of Cultural Paper, Wrapping paper, Specialty paper, Paperboard, Finished fiber material and Chemical

Operation Functions:  
HR & General Affairs, Finance, Accounting

### 3.2 Directors and Management Team

#### 3.2.1 Directors (A)

5/3/2023

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. Director of Guangdong Dingfung pulp and paper Co., Ltd. Other non-consolidated company positions please refer to the Note 1	-	-	-	-
Director	ROC	YFY Inc. Representative: Jean Liu	Female 50 ~ 70	6/17/2022	3	6/17/2022	-	-	-	-	-	-	-	-	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 Director of CHP International (BVI) Corp. Chairperson of Guangdong Dingfung pulp and paper Co., Ltd. Chairperson and GM of Zhaoqing Dingfung Forestry Co., Ltd. Chairperson of Zhaoqing Xinchuan Green Technology Co., Ltd. Chairperson of Hwafong Investment Co.,Ltd. Chairperson of Guizhou Yuanfong Forestry Co., Ltd. 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	-	-	-	-	-	-	-	Executive Vice President, CHP	President of Cellulosic Materials Division of CHP Director of Shenzhen Jinglun paper Co., Ltd. Other non-consolidated company positions please refer to the Note 4	-	-	-	-
Independent Director	ROC	Donald Chang	Male Above 70	6/17/2022	3	6/24/2016	-	-	-	-	-	-	-	-	President of Greater China of 3M	Note 5	-	-	-	-
Independent Director	ROC	Hsiao-Kan Ma	Male Above 70	6/17/2022	3	6/17/2022	-	-	-	-	-	-	-	-	Professor, NTU	Note 6	-	-	-	-
Independent Director	ROC	Wan-Yu Liu	Female 40 ~ 50	6/17/2022	3	6/17/2022	-	-	-	-	-	-	-	-	Professor, NCHU	Note 7	-	-	-	-

**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 Center for Corporate Sustainability Taiwan, Chairperson of Taiwan Paper Industry Association, Director of Taiwan Carbon Capture Storage and Utilization Association, Director of Global Views Educational Foundation, 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 Energetech 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:** Director of Advantech Co., Ltd. and Independent Director of E Ink Holdings Inc.

**Note6:** Independent Director of Chung Hwa Chemical Industrial Works, Ltd., Independent Director of Data Image, Independent Director of Ho-Ping Power Company, President of Taiwan Carbon Capture Storage and Utilization Association, President of Taiwan Association of Environmental and Resource Economics; Committee Member of Taiwan Institute for Sustainable Energy, Committee Member of Taiwan Alliance for Net Zero Emissions, Secretary General of Taiwan Net Zero Emissions Association, TC Member of Environmental Analysis Laboratory, Environmental Protection Administration, Honorary President of Chinese Boiler Association, Honorary Director of The Combustion Institute of R.O.C., and Environmental Impact Assessment Review Committee Member of Environmental Protection Administration.

**Note7:** Professor of Department of Forestry, National Chung Hsing University, Judge of National Environmental Education Award, Environmental Protection Administration, Executive Yuan of Expert Committee Member of Climate Change Program Office, Council of Agriculture, Executive Yuan of Consultant of Chung-Hua Institution for Economic Research, Director of Taiwan Association of Environmental and Resource Economics, Director of Rural Economics Society of Taiwan, Director of Taiwan Bio-energy Technology Development Association, and Technical Expert of Taiwan Accreditation Foundation (TAF).

### Major shareholders of the institutional shareholders

12/31/2022

Name of Institutional Shareholders	Major Shareholders
YFY INC.	S. C. Ho(9.77%), Hsin-Yi Foundation(5.66%), Shin-Yi Enterprise Co., Ltd.(4.69%), 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%), NEW TALENT LIMITED(2.16%), Felix Ho(2.14%)
YFY Paradigm Investment Co., Ltd.	YFY INC.(100.0%)

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

12/31/2022

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

## Directors (B)

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

5/3//2023

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 Chairwoman of the parent company YFY Investment Co., Ltd. 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 Fiber Materials Division of the Company and concurrently serves as a director of subsidiary Shenzhen Jinglun Paper	-



<b>Qualifications</b> <b>Name</b>	<b>Professional qualifications and experience</b>	<b>Independence criteria</b>	<b>Number of concurrent posts at other listed companies as Independent Director</b>
	accumulated more than 20 years of experience in the paper industry and is familiar with the development and ecology of the paper industry.	Co., Ltd.	
Donald Chang	Donald Chang has a bachelor's degree in chemical engineering from the Chinese Culture University and has expertise in managing multinational enterprises. He has served as the CEO of Greater China of the well-known global company 3M and is now a director of a reputable public company.	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.	1
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 SiO <sub>2</sub> 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.		-

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				√			√	√	√	√	√	√
Jean Liu	Female			√		√		-	√	-	-	-	√
Guu-Fong Lin	Male	√			√			√	√	√	√	-	√
Ray Chen	Male	√		√			√	※	√	√	√	※	√
Donald Chang	Male				√		√	√	√	-	-	-	√
Hsiao-Kan Ma	Male				√	√		※	※	-	-	-	√
Wan-Yu Liu	Female		√			√		√	-	√	-	-	√

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

5/3/2023

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 of Cellulosic Materials Division	ROC	Ray Chen	Male	3/1/2021	45	-	-	-	-	-	CHP Executive Vice President	Director of Shenzhen Jinglun Paper Co., Ltd. non-consolidated company positions please refer to the Note 1	-	-	-	-
President of Specialty Materials Division	Japan	Yoshihiro Akiyama	Male	3/1/2021	-	-	-	-	-	-	3M West Japan Administrative	-	-	-	-	-
CFO	ROC	Guu-Fong Lin	Male	9/1/2013	49,132	-	565	-	-	-	CHP COO	Director of CHP International (BVI) Corp. Chairperson of Guangdong Dingfung Pulp and Paper Co., Ltd. Chairperson and GM of Zhaoqing Dingfung Forestry Co., Ltd. Chairperson of Zhaoqing Xinchuan Green Technology Co., Ltd. Chairperson of Hwafong Investment Co., Ltd. Chairperson of Guizhou Yuanfong Forestry Co., Ltd. non-consolidated company positions please refer to the Note 2	-	-	-	-
Vice President of Cellulosic Materials Division	ROC	Alex Chen	Male	7/1/2016	-	-	-	-	-	-	CHP Manager	non-consolidated company positions please refer to the Note 3	-	-	-	-
Vice President of Cellulosic Materials Division	ROC	Peter Huang	Male	3/1/2021	-	-	-	-	-	-	CHP Manager	-	-	-	-	-
Vice President of Specialty Materials Division	ROC	Hank Chen	Male	8/11/2021	-	-	-	-	-	-	3M Alphabeta Vice President	-	-	-	-	-
Chief engineer of Cellulosic Materials Division	ROC	Yen-Chang Hsieh	Male	5/15/2017	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	Tony Chen	Male	1/1/2022	-	-	-	-	-	-	CHP Deputy Director	-	-	-	-	-
Factory Director of Cellulosic Materials Division	ROC	Allen Chiu	Male	1/1/2022	-	-	-	-	-	-	CHP Deputy Director	-	-	-	-	-
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 4
CISO	ROC	York Kuo	Male	11/11/2022	-	-	-	-	-	-	Fidelis IT Solutions Co., Ltd. President	President, Fidelis IT Solutions Co., Ltd.	-	-	-	Note 5
Finance Manager and Corporate Governance Manager	ROC	David Lin	Male	1/1/2015	-	-	-	-	-	-	CHP Manager	Supervisor of Hwafong Investment Co., Ltd. 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: Director of NTU Innovation & Incubation Co., Ltd.

Note 3: Director of Union Paper Corp.

Note 4: Approved by the Board of Directors on March 15, 2023 to be dismissed on April 1, 2023.

Note 5: Approved by the Board of Directors on November 30, 2022 to be dismissed.

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

#### 3.3.1 Remuneration of Directors and Independent Directors

12/31/2022, 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	Cash	Stock	Cash	Stock	The company	Companies in the consolidated financial statements			
Chairperson	YFY Inc. Representative: Kirk Hwang																							
Director	YFY Inc. Representative: Jean Liu Note 4																							
Director	YFY Inc. Representative: Guu-Fong Lin Note 4																							
Director	YFY Inc. Representative: S. C. Ho Note 5																							
Director	YFY Inc. Representative: Felix Ho Note 5																							
Director	YFY Paradigm Investment Co., Ltd. Representative: Ray Chen	0	0	0	0	3,500	3,500	1,163	1,636	4,663 1.05%	5,136 1.15%	20,481	21,835	216	216	8	0	8	0	25,368 5.69%	27,195 6.10%	20,700		
Director	YFY Paradigm Investment Co., Ltd. Representative: Cheng-Hsien, Chu Note 5																							
Director	YFY Paradigm Investment Co., Ltd. Representative: Guu-Fong Lin Note 5																							
Director	YFY Paradigm Investment Co., Ltd. Representative: Chih-Cheng Huang Note 6																							
Independent Director	Donald Chang																							
Independent Director	Shiao-Kan Ma Note 4																							
Independent Director	Wan-Yu Liu Note 4	0	0	0	0	3,000	3,000	809	809	3,809 0.85%	3,809 0.85%	0	0	0	0	0	0	0	0	3,809 0.85%	3,809 0.85%	0		
Independent Director	Shih-Lai Lu Note 5																							
Independent Director	Yi Lee Note 5																							

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 15, 2023.

Note 3: Relevant expenses such as company car rental fees have been listed. The total expenses were approximately NT\$1,157 thousand.

Note 4: Newly appointed after re-election of director on June 17, 2022.

Note 5: Dismissed after re-election of directors on June 17, 2022.

Note 6: The legal person director was reassigned and dismissed on February 7, 2022.

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. Thus, Director remuneration for 2022 is estimated to be NT\$6,500 thousand.

Range of Remuneration

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	All companies in the financial statements	The company	Parent company and all investment businesses group
Less than NT\$ 1,000,000	Jean Liu, Guu-Fong Lin S. C. Ho, Felix Ho Ray Chen, Cheng-Hsien Chu Chih-Cheng Huang, Shiao-Kan Ma Wan-Yu Liu, Shih-Lai Lu Yi Lee	Jean Liu, S. C. Ho Felix Ho, Ray Chen Cheng-Hsien Chu, Chih-Cheng Huang Shiao-Kan Ma, Wan-Yu Liu, Shih-Lai Lu, Yi Lee	Jean Liu, S. C. Ho Felix Ho, Cheng-Hsien Chu Chih-Cheng Huang Shiao-Kan Ma, Wan-Yu Liu, Shih-Lai Lu, Yi Lee	Jean Liu, S. C. Ho Felix Ho, Cheng-Hsien Chu Chih-Cheng Huang Shiao-Kan Ma, Wan-Yu Liu, Shih-Lai Lu, Yi Lee
NT\$1,000,000 ~ NT\$1,999,999	Kirk Hwang, Donald Chang	Kirk Hwang, Guu-Fong Lin Donald Chang	Donald Chang	Donald Chang
NT\$2,000,000 ~ NT\$3,499,999	-	-	-	-
NT\$3,500,000 ~ NT\$4,999,999	-	-	-	-
NT\$5,000,000 ~ NT\$9,999,999	-	-	Guu-Fong Lin, Ray Chen	Guu-Fong Lin, Ray Chen
NT\$10,000,000 ~ NT\$14,999,999	-	-	Kirk Hwang	Kirk Hwang
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	13	13	13	13

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



### 3.3.2 Remuneration of the President and Vice Presidents

12/31/2022, 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 of Cellulosic Materials Division	Ray Chen													
President of Specialty Materials Division	Yoshihiro Akiyama	8,685	9,213	216	216	6,973	7,799	8	0	8	0	15,882 3.56%	17,036 3.87%	146
CFO	Guu-Fong Lin													

Note 1: Relevant expenses such as company car rental fees have been listed. The total expenses were approximately NT\$1,061 thousand.

Note 2: Number of resolutions passed by the Board of Directors on 3/15/2023.

### 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, Guu-Fong Lin	Ray Chen, 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 Names of Managers and the Distribution of Employee's Compensation

12/31/2022, Unit: NT\$ thousands

Title		Name	Employee Compensation - in Stock	Employee Compensation - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	President of Cellulosic Materials Division	Ray Chen	0	35	35	0
	President of Specialty Materials Divisions	Yoshihiro Akiyama				
	CFO	Guu-Fong Lin				
	Vice President of Cellulosic Materials Division	Alex Chen				
	Vice President of Cellulosic Materials Division	Peter Huang				
	Vice President of Specialty Materials Division	Hank Chen				
	Chief Engineer	Yen-Chang Hsieh				
	Factory Director of Cellulosic Materials Division	Yung-Shun Chen				
	Factory Director of Cellulosic Materials Division	Tony Chen				
	Factory Director of Cellulosic Materials Division	Allen Chiu				
	CISO	Yun-Chen Wu				
	CISO	York Ku <sup>Note1</sup>				
	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 November 30, 2022 to be dismissed.

Note2: The Board of Directors approved the plan to distribute NT\$5,000 thousand (all in cash) as employee remuneration for 2022 on March 15, 2023. Since the distribution list has not been finalized, this table is an estimation of the proposed amount.

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

Item	Ratio of total remuneration paid to Directors, President and Vice Presidents to net income (%)					
	2022		2021		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	6.54	6.95	7.82	8.12	(1.28)	(1.17)
President and Vice President	3.56	3.87	5.54	5.72	(1.98)	(1.85)

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 decrease in profits and the retirement of President Chin-Cheng Huang and Executive Vice President Rong-Ming Lin in 2022, the remuneration of Directors, Presidents, and Executive Vice Presidents accounted for changes in the income after tax.

### 3.4 Implementation of Corporate Governance

#### 3.4.1 Board of Directors

A total of 3 meetings of the 18th-term Board of Directors and 4 meetings of the 19th-term Board of Directors (appointed on June 17, 2022) were held in 2022. Directors and Supervisors' attendance is as follows:

Title	Name		Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Chairperson	Kirk Hwang	YFY Inc. Representative	3	0	100	18 <sup>th</sup> term
Director	S. C. Ho		3	0	100	18 <sup>th</sup> term
Director	Felix Ho		3	0	100	18 <sup>th</sup> term
Director	Cheng-Hsien Chu	YFY Paradigm Investment Co., Ltd. Representative	3	0	100	18 <sup>th</sup> term, February 7, 2022 Reassigned to take office
	Chih-Cheng Huang		-	-	-	18 <sup>th</sup> term, February 7, 2022 Reassigned
Director	Guu-Fong Lin		3	0	100	18 <sup>th</sup> term
Director	Ray Chen		3	0	100	18 <sup>th</sup> term
Independent Director	Donald Chang		3	0	100	18 <sup>th</sup> term
Independent Director	Shih-Lai Lu		3	0	100	18 <sup>th</sup> term
Independent Director	Yi Lee		3	0	100	18 <sup>th</sup> term
Chairperson	Kirk Hwang	YFY Inc. Representative	4	0	100	19 <sup>th</sup> term ( Assumed on June 17, 2022)
Director	Jean Liu		4	0	100	19 <sup>th</sup> term ( Assumed on June 17, 2022)
Director	Guu-Fong Lin		4	0	100	19 <sup>th</sup> term ( Assumed on June 17, 2022)
Director	Ray Chen	YFY Paradigm Investment Co., Ltd. Representative	4	0	100	19 <sup>th</sup> term ( Assumed on June 17, 2022)
Independent Director	Donald Chang		4	0	100	19 <sup>th</sup> term ( Assumed on June 17, 2022)
Independent Director	Hsiao-Kan Ma		4	0	100	19 <sup>th</sup> term ( Assumed on June 17, 2022)
Independent Director	Wan-Yu Liu		4	0	100	19 <sup>th</sup> term ( Assumed on June 17, 2022)

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, 2022 (18th-term 16th time)	<ol style="list-style-type: none"> <li>1. Approved the 2021 remuneration to the employees and Directors.</li> <li>2. Approved the amendments to the Company's internal control system.</li> <li>3. Approved the amendments to the Company's Articles of Incorporation.</li> <li>4. Approved the amendment of the Company's Procedures for the Acquisition or Disposal of Assets.</li> <li>5. Approved the amendment of the Company's Transactions with Related Parties.</li> </ol>	Except for three Independent Directors who were recused from the first proposal due to a conflict of interest, the remaining three proposals were approved by all Independent Directors after discussion.
April 26th, 2022 (17th special meeting of the 18th Board of Directors)	<ol style="list-style-type: none"> <li>1. Approved the submission of the list of the Director and Independent Director candidates for the 19th term to the shareholders' meeting.</li> </ol>	Independent Director Donald Chang recused himself from discussing and voting on the Independent Director candidates.
May 13th, 2022 (18th-term 18th time)	<ol style="list-style-type: none"> <li>1. No matters prescribed under Article 14-3 of the Securities and Exchange Act were included in this Board meeting.</li> </ol>	N/A
June 17th, 2022 (1st special meeting of the 19th Board of Directors)	<ol style="list-style-type: none"> <li>1. Approved the signing of an industry-academia cooperation and academic feedback mechanism contract with the National Chung Hsing University.</li> </ol>	Independent Director Wan-Yu Liu had a conflict of interest and recused herself.
August 12th, 2022 (19th-term 2nd time)	<ol style="list-style-type: none"> <li>1. Approved the lease of the Company's vacant land in Toayuan Guanyin to E Ink Holdings Inc. to increase the Company's rental income.</li> </ol>	Independent Director Donald Chang recused himself from the discussion and voting because he is also an Independent Director of E Ink Holdings Inc.
November 11th, 2022 (19th-term 3rd time)	<ol style="list-style-type: none"> <li>1. No matters prescribed under Article 14-3 of the Securities and Exchange Act were included in this Board meeting.</li> </ol>	N/A
November 30th, 2022 (4th special meeting of the 19th Board of Directors)	<ol style="list-style-type: none"> <li>1. No matters prescribed under Article 14-3 of the Securities and Exchange Act were included in this Board meeting.</li> </ol>	N/A

(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:

- (1) In the 18th-term 16th Board meeting on March 15, 2022, three Independent Directors and six Directors had a conflict of interest with the 2021 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.
- (2) In the 18th-term 17th interim Board meeting on April 26, 2022, regarding a proposal to review the list of Director and Independent Director candidates for the 19th term that was proposed by the Company's Board of Directors, Independent Director Donald Chang recused himself from discussing and voting on the review of the 3 Independent Director candidates due to a conflict of interest while the remaining Directors in attendance proceeded with the discussion and voting. During the review of the 4 Director candidates, Directors Kirk Hwang, S. C. Ho, Felix Ho, Cheng-Hsien Chu, Guu-Fong Lin, and Ray Chen recused themselves from discussing and voting due to a conflict of interest with a candidate or the institutional entities the candidates represent. The Independent Directors proceeded with the discussion and voting.
- (3) In the 19th-term first interim Board meeting on June 17, 2022, regarding the signing of an industry-academia cooperation and academic feedback mechanism contract with the National Chung Hsing University, Independent Director Wan-Yu Liu recused herself from the discussion and voting because she is a National Chung Hsing University professor and therefore had a conflict of interest.
- (4) In the 19th-term 2nd Board meeting on August 12, 2022, regarding the lease of the Company's vacant land in Toayuan Guanyin to E Ink Holdings Inc., Independent Director Donald Chang recused himself from the discussion and voting because he is also an Independent Director of E Ink Holdings Inc.

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 2022:

Evaluation cycle	Evaluation period	Scope of evaluation	Assessment method	Evaluation content
Implemented once a year	2021.11.1-2022.10.31	Performance evaluation of the Board of Directors and functional committees	Commissioned the external institution, Taiwan Investor Relations Institute, to organize	The measures for evaluating the Board's performance includes the following five aspects: A. Board composition and professional development, B. quality of Board decisions, C. Board operating performance, D. internal control and risk management, and E. level of Board participation in corporate social responsibility. The measures for evaluating the performance of the functional committees includes the following five aspects: A. Participation level in the Company's 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.

(3)Results of the evaluation of Board of Directors in 2022:

The Company commissioned an external institution, the Taiwan Investor Relations Institute, to organize the 2022 results. The comprehensive evaluation was conducted through the related documents provided by the Company, each Director's self-evaluation survey, and on-the-spot interviews. The performance evaluation report was issued according to the evaluation results. The 2022 performance evaluation results of the Company's Board of Directors and functional committees are as follows: (5 points is the maximum score)

Scope of evaluation	Evaluation indicator	Evaluation results
Board of Directors	A. Board composition and professional development	4.74
	B. Quality of Board decisions	4.90
	C. Board operating performance	4.90
	D. Internal control and risk management	4.77
	E. Level of Board participation in corporate social responsibility	4.80
Functional committee	A. Participation level in the Company's operations	5.00
	B. Understanding of the roles and responsibilities of the functional committee	4.79
	C. Improvement of the quality of committee decisions	4.95
	D. Composition of the functional committee and the selection of its members	4.88
	E. Internal control	5.00

The evaluation conclusions and recommendations proposed by the Taiwan Investor Relations Institute mainly include: 1. Set up a Sustainable Development Committee, a functional committee, 2. publish an English sustainability report, 3. establish a succession plan for the Board members and important managers, 4. establish a Board-approved risk management policy and procedure, and 5. formulate an intellectual property management plan that is linked to operational goals. Please visit the Company's website for more information regarding the evaluation report.

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 Supervisor submits a report of the evaluation to the Board of Directors' The performance evaluation of the Board of Directors for 2022 was handled by external evaluation. The evaluation results were reported to the 19th-term 5th Board meeting on March 15, 2023.

### **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.

A total of 2 meetings of the 2nd Audit Committee and 2 meetings of the 3rd Audit Committee (appointed on June 17, 2022) were held in 2022. Key focuses for the year are described below:

A. Review financial reports

The Board of Directors prepared and submitted the 2021 business report, the 2021, 2022 Q1, 2022 Q2, and 2022 Q3 financial statements, and the 2021 earnings distribution proposal. The Company's Audit Committee reviewed them and found no instances of noncompliance. Deloitte & Touche audited the 2021 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. 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.

D. Amend the Company's Procedures for the Acquisition or Disposal of Assets and Procedure for Transactions with Related Parties

The Company amended the Procedures for the Acquisition or Disposal of Assets and Procedure for Transactions with Related Parties according to order Ching-Kuan-Cheng-Fa-Tze No. 1110380465 issued by the Financial Supervisory Commission on January 28, 2022, and the Company's current practices. The amendments were reviewed and approved by the Company's Audit Committee.

E. The lease of the Company's vacant land in Taoyuan Guanyin to E Ink Holdings Inc. to increase rental income

There are no plans to use the Company's idle and vacant land in Taoyuan Guanyin for mill expansion in the short term. It is proposed to lease this vacant

land to E Ink Holdings Inc. to increase rental income. This proposal was reviewed and approved by the Company's Audit Committee.

In 2022, the 2nd and 3rd Audit committee has convened 2 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	Yi Lee	2	0	100	Convener, 2 <sup>nd</sup> term
Independent Director	Donald Chang	2	0	100	2 <sup>nd</sup> term
Independent Director	Shih-Lai Lu	2	0	100	2 <sup>nd</sup> tem
Independent Director	Wan-Yu Liu	2	0	100	Convener, 3 <sup>rd</sup> term (re-elected on June 17, 2022)
Independent Director	Donald Chang	2	0	100	3 <sup>rd</sup> term (re-elected on June 17, 2022)
Independent Director	Hsiao-Kan Ma	2	0	100	3 <sup>rd</sup> term (re-elected on June 17, 2022)

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 9, 2022 (2 <sup>nd</sup> -term 13 <sup>th</sup> time)	1. Approved the 2021 business report and financial statements. 2. Approved the 2021 earnings distribution proposal. 3. Approved the 2021 Statement on Internal Control. 4. Approved the amendments to the Company's Asset Acquisition and Disposal Procedure 5. Approved the amendment of the Company's Procedure for Transactions with Related Parties.	Passed as proposed.
May 10, 2022 (2 <sup>nd</sup> -term 14 <sup>th</sup> time)	1. Approved the 2022 Q1 financial statements..	Passed as proposed.
August 8, 2022 (3 <sup>rd</sup> -term 1 <sup>st</sup> time)	1. Approved the 2022 Q2 financial statements. 2. Approved the lease of the Company's vacant land in Taoyuan Guanyin to E Ink Holdings Inc. to increase the Company's rental income.	Passed as proposed.

Date	Agenda item	All Independent Directors' opinions and actions taken by the Company in response to Independent Directors' opinions
November 7, 2022 (3 <sup>rd</sup> -term 2 <sup>nd</sup> time)	1. Approved the 2022 Q3 financial statements. 2. Approved the compliance of the CPAs' independence and competence as required by the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies. 3. Approved the 2023 audit plan.	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, completed audit reports are sent via email to each Audit Committee member. Each quarter, communicate with and respond to the inquiries of Independent Directors individually.

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

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, Audit Committee members must be notified according to regulations.

Communication between Independent Directors and accountants:

A. On a regular basis —

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

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:

Date	Key points of communication	Communication summary and results
2022.3.9	<ol style="list-style-type: none"> <li>1. The Chief Auditor independently reported the audit implementation results and improvement status for 2021 Q4 to the Independent Directors before the Audit Committee meeting.</li> <li>2. The Chief Auditor explained the 2021 Statement on Internal Control.</li> </ol>	<ol style="list-style-type: none"> <li>1. Approved and understood.</li> <li>2. Passed as proposed after review.</li> </ol>
	<ol style="list-style-type: none"> <li>1. The CPAs independently reported the status and important matters from their audit of the 2021 financial statements to the Independent Directors before the Audit Committee meeting.</li> <li>2. The CPAs explained changes in important regulations and communications.</li> </ol>	<ol style="list-style-type: none"> <li>1. Passed as proposed after reviewing related conditions and discussions.</li> <li>2. Approved and understood.</li> </ol>
2022.5.10	The Chief Auditor independently reported the audit implementation results and improvement status for 2022 Q1 to the Independent Directors before the Audit Committee meeting.	Approved and understood.
	The CPAs independently described the matters regarding the 2022 Q1 financial statements and communicated with the Independent Directors before the Audit Committee meeting.	Approved and understood after inquiring about and reviewing related conditions.
2022.8.8	The Chief Auditor independently discussed the audit implementation status for 2022 Q2 with the Independent Directors before the Audit Committee meeting.	Approved and understood.
	The CPAs independently described the matters regarding the 2022 Q2 financial statements and communicated with the Independent Directors before the Audit Committee meeting.	Approved and understood after inquiring about and reviewing related conditions.
2022.11.7	The Chief Auditor independently discussed the audit implementation status for 2022 Q3 and the audit plan for 2023 with the Independent Directors before the Audit Committee meeting.	Approved and understood. Approved the audit plan as proposed after review.
	<ol style="list-style-type: none"> <li>1. The CPAs independently described the matters regarding the 2022 Q3 financial statements and communicated with the Independent Directors before the Audit Committee meeting.</li> <li>2. The CPAs reported the conclusions of the 2022 key audit matters.</li> </ol>	Approved and understood after inquiring about and reviewing related conditions.

(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 <sup>1</sup>			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 <sup>1</sup>			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..	
<p>3. Composition and Responsibilities of the Board of Directors</p> <p>(1) Has the Board of Directors drawn up policies and specific targets on diversity of its members and implemented them?</p>	V		<p>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.”</p> <p>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.</p> <p>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</p>	Compliant

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(2) Besides the Remuneration Committee and the Audit Committee established according to law, has the Company actively established other types of	V		<p>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 and agricultural and forestry circular economies.</p> <p>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 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).</p> <p>To strengthen short-, mid-, and long-term business development and strategies, and improve operational performance, the Company established a</p>	Compliant

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
functional committees?			Business Development and Strategy Committee on October 19, 2020. The committee currently has five members, including the Chairman, President of the Fiber Materials Division, and the three Independent Directors of the Company. Relevant employees are invited to attend meetings according to the meeting agenda. Please refer to page 66 for the composition and operations of the Business Development and Strategy Committee.	
(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 approved the amendments to the Board of Directors Performance Evaluation Guidelines on November 12, 2020. Self-evaluations by Directors are expected to take place in 2020. The Company commissioned an external institution, the Taiwan Investor Relations Institute, to organize the 2022 evaluation. The results were submitted to the Company's 19th-term 5th meeting of the Board of Directors on March 15, 2023.	Compliant
(4) Does the company regularly evaluate the independence of CPAs?	V		The Company's accounting department regularly evaluates the CPAs each year. The results of the 2022 evaluation were reported to the Audit Committee on November 7, 2022, and the Board of Directors on November 11, 2022. The evaluation items include independence and competence, such as obtaining the statement of independence issued by the CPA and verifying whether the CPA has not been subject to any other punishment or involved in situations that compromise professionalism or	Compliant

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			independence in the past two years. The 2023 evaluation results were also submitted to the Audit Committee on March 10, 2023, and reported to the Board of Directors on March 15, 2023. In addition to the existing evaluation items concerning independence and competence, items such as evaluating the CPA's audit experience and hours of training according to the Audit Quality Indicators (AQI). The evaluation results show that the CPAs' independence, competence, and AQI comply with the Company's requirements.	
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 held on May 14, 2020, the Company approved the appointment of David Lin, the Finance Manager, as the Corporate Governance Supervisor. He is responsible for overseeing corporate governance matters along with the Legal, Stock Affairs, and HR Administration departments. These responsibilities include, but are not limited to, handling matters related to the Board of Directors and shareholders' meetings, assisting directors in their professional development, providing necessary information for directors to fulfill their duties, ensuring compliance with legal regulations, and addressing other matters outlined in the Articles of Incorporation or contracts. In 2022, key corporate governance items include: 1. Commissioned the Taiwan Investor Relations Institute to organize the external evaluation of the Directors and functional	Compliant

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			committees according to the Board of Directors Performance Evaluation Guidelines and help arrange continuing education for Directors. The external evaluation results were reported to the Board of Directors on March 15, 2023. 2. Reported on the status of the Company's ethical corporate management operations to the Board of Directors on November 11, 2022 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 16 hours. Please refer to the company's website for the content of the courses.	
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	V		The Company has set up a relevant stakeholders section (www.chp.com.tw>Sustainability>StakeholdersEngagement) on the Company's website, and distinguishes between employees, customers, suppliers, shareholders and investors, and government organizations. Stakeholders are supported by corresponding contact channels and methods to properly respond to related issues.	Compliant
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company has hired SinoPac Securities – Register & Transfer Agency Division to help with affairs related to shareholders' meetings.	Compliant
7. Information Disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of	V		The Company has set up a corporate website (www.chp.com.tw) and discloses information	Compliant

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>corporate governance?</p> <p>(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)?</p> <p>(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?</p>	V		<p>regarding the Company’s financial, business, and corporate governance status in a timely manner for investor inquiry.</p> <p>The Company has held a total of 4 investor conferences in 2022 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.</p>	Compliant
	V		<p>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.</p>	Roughly compliant
<p>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.)?</p>	V		<p>1. The Company established the Corporate Governance Code of Conduct in the Board meeting on November 8, 2018.</p> <p>2. The Company formulates working rules for employees and employees’ rights and interests in favor of the employees in accordance with the Labor Standards Act, and established the Employee Welfare Committee to allocate employee benefits and hold regular labor-management meetings on a monthly basis, as well as organize occupational training and recreational activities periodically.</p> <p>3. Investors can communicate with us through</p>	Compliant

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>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 with each other.</p> <p>4. The Company has purchased liability insurance for the Directors and key personnel of the Company and its subsidiaries for 2022, and has reported such at the Board meeting on August 12, 2022. 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.</p> <p>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.</p> <p>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</p>	

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
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		
Is there at least one female Director on the Company’s Board?		After the elections held at the shareholders’ meeting on June 17, 2022, the Board has two female Directors, accounting for 2/7 of the Board.		
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 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. 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.		
Has the Company uploaded English sustainability reports to the Market Observation Post System and the Company’s website?		The Company has already uploaded English sustainability reports to the Market Observation Post System and the Company’s website.		

Directors’ training records:

Title	Name	Assignment Date	Study Date	Sponsoring Organization	Course	Training Hours	Total Hours
Chairperson	Kirk Hwang	2022/06/17	2022/12/12	Taiwan Corporate Governance Association	Sustainable Energy Practices of Combining Power Produced From Agricultural and Forestry Waste Gasification With Microgrids	3.0	13.0
			2022/12/06	Taiwan Corporate Governance Association	The Net-Zero Path and Development Direction of Carbon Capture and Hydrogen Energy	3.0	



Title	Name	Assignment Date	Study Date	Sponsoring Organization	Course	Training Hours	Total Hours
			2022/11/03	Taiwan Corporate Governance Association	Offensive and Defensive Hostile Takeover Strategies and the Responsibilities of the Company's Responsible Persons	3.0	
			2022/04/28	Taiwan Institute for Sustainable Energy	The 28th TCCS Board Meeting and CEO Lectures	2.0	
			2022/02/10	Taiwan Institute for Sustainable Energy	The 27th CEO Lectures and Talks	2.0	
Director	Jean Liu	2022/06/17	2022/12/12	Taiwan Corporate Governance Association	Sustainable Energy Practices of Combining Power Produced From Agricultural and Forestry Waste Gasification With Microgrids	3.0	18.0
			2022/12/06	Taiwan Corporate Governance Association	The Net-Zero Path and Development Direction of Carbon Capture and Hydrogen Energy	3.0	
			2022/08/30	Taiwan Corporate Governance Association	Evaluating and Executing Investments, Mergers, and Acquisitions Through a Legal Lens	3.0	
			2022/08/23	Taiwan Corporate Governance Association	Analysis of Corporate Financial Information and Using the Information for Making Decisions	3.0	
			2022/05/30	Chinese National Association of Industry and Commerce	The Impact of the Commercial Case Adjudication Act and the Expert Witness System on Directors and Supervisors	3.0	
			2022/05/20	Securities & Futures Institute	2022 Annual Promotional Conference on Prevention of Insider Trading	3.0	
Director	Guu-Fong Lin	2022/06/17	2022/06/21	Taiwan Corporate Governance Association	How To Prevent Internal Issues – Analysis of Corporate Internal Investigations	3.0	6.0
			2022/06/07	Securities & Futures Institute	Advanced Seminar on Practices for Directors and Supervisors (Including Independent Supervisors) and Corporate Governance Supervisors	3.0	
Director	Ray Chen	2022/06/17	2022/10/12	Securities & Futures Institute	2022 Seminar on Legal Compliance of Insider Equity Swaps	3.0	7.0
			2022/07/28	Taiwan Institute for Sustainable Energy	The 29th TCCS Board Meeting and CEO Lectures	2.0	
			2022/04/28	Taiwan Institute for Sustainable Energy	The 28th TCCS Board Meeting and CEO Lectures	2.0	

Title	Name	Assignment Date	Study Date	Sponsoring Organization	Course	Training Hours	Total Hours
Independent Director	Donald Chang	2022/06/17	2022/10/28	Taiwan Corporate Governance Association	Corporate ESG and Sustainability Strategies and Risk Management Evolve Again To Address New Global Trends	3.0	9.0
			2022/07/29	Taiwan Corporate Governance Association	Creating Value in M&As; Cross-Boarder M&As; M&A Integration Management	3.0	
			2022/04/22	Taiwan Institute for Sustainable Energy	Taishin 30 Net Zero Summit - Net Zero 2030	3.0	
Independent Director	Hsiao-Kan Ma	2022/06/17	2022/11/18	Taiwan Institute for Sustainable Energy	The 5th Global Corporate Sustainability Forum (GCSF)	3.0	11.0
			2022/11/17	Taiwan Institute for Sustainable Energy	The 5th Global Corporate Sustainability Forum (GCSF)	3.0	
			2022/10/21	Securities & Futures Institute	2022 Annual Promotional Conference on Prevention of Insider Trading	3.0	
			2022/07/27	Taiwan Stock Exchange Corporation	Sustainable Development Roadmap Industry Theme Promotion Conference	2.0	
Independent Director	Wan-Yu Liu	2022/06/17	2022/07/29	Taiwan Institute for Sustainable Energy	2022 Net Zero and Sustainable Development Forum - Day Two	3.0	12.0
			2022/07/15	Taiwan Corporate Governance Association	Real or Fake? Crisis Management for Fake News	3.0	
			2022/07/12	Taiwan Corporate Governance Association	Advanced Audit Committee Practices - Reviewing M&As and Directors' Responsibilities	3.0	
			2022/06/28	Taiwan Corporate Governance Association	Quickly Understanding and Preparing for ESG Disclosure Requirements Under Corporate Governance 3.0	3.0	

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

#### A. Information on members of the Remuneration Committee

5/3/2023

Identity	Qualifications Name	Professional qualifications and experience	Independence criteria (Note)	Number of publicly listed companies in which the member concurrently serves as a remuneration committee member
Independent Director (Convener)	Donald Chang	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 and is now a director of Advantech Co., Ltd. and an independent director of E Ink Holdings Inc. He has expertise in managing multinational enterprises and an international market perspective.	The convener meets the independence criteria. Relevant related parties do not own shares of the Company, have not been a Director, Supervisor, or manager in any subsidiaries other than the Company, and have not received compensation from business dealings with the Company's group in the last two years.	1
Independent Director	Hsiao-kan Ma	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.		2
Independent Director	Wan-Yu Liu	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.		-

#### B. Attendance of members at Remuneration Committee meetings

- (1) The Company's Remuneration Committee is comprised of three persons.
- (2) Term of the current members: June 17, 2022 to June 16, 2025; in the most recent year (2022), the

4th and 5th Remuneration Committee (A) has each convened 1 meeting. 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	1	0	100	4 <sup>th</sup> term
Committee Member	Shih-Lai Lu	1	0	100	4 <sup>th</sup> term
Committee Member	Yi Lee	1	0	100	4 <sup>th</sup> term
Convener	Donald Chang	1	0	100	5 <sup>th</sup> term, re-elected on June 17, 2022
Committee Member	Hsiao-Kan Ma	1	0	100	5 <sup>th</sup> term, re-elected on June 17, 2022
Committee Member	Wan-Yu Liu	1	0	100	5 <sup>th</sup> term, re-elected on June 17, 2022
Other mentionable items: None					

### (3) Functions of the Company's Remuneration Committee

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

Responsibilities of the Company's Remuneration Committee.

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

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

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

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

Meeting date	Main issues	Resolutions	Actions taken by the Company in response to the opinion of the committee members
March 9, 2022 (4th-term 6th time)	1. 2021 Director remuneration distribution 2. 2021 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, 2022 and presented to the shareholders' meeting on June 17, 2022.
November 7, 2022 (5th-term 1st time)	1. Report on the annual adjustment of employee remuneration. 2. Remuneration Committee Charter report.	1. Approved and understood by all the present committee members after discussion. 2. Understood by all the present committee members after the report.	1. The annual adjustment of employee remuneration took effect on September 1, 2022. 2. N/A

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

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
1. Has the Company established a governance structure to promote sustainable development? Does the Company have a dedicated (concurrent) unit responsible for promoting sustainable development? Is the unit run by senior managers, which are authorized by and report their progress to the Board of Directors?	V		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 two full-time staff. The tasks were reorganized, and six teams were set up: 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. The Company has a dedicated unit in charge of handling sustainability matters. The Company complies with the Sustainable Development Best Practice Principles.
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. 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	Compliant. The Company realizes risk management policies, formulates strategies, and complies with the Sustainable Development Best Practice Principles.

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			development. The audit department regularly and project-examines the implementation and compliance of the regulations, systems, and procedures of each department.	
3. Environmental topics (1) Has the Company established a proper environmental management system based on the characteristics of the industry?	V		All production units of the Company have obtained ISO 14001, environmental management systems, ISO 14064-1, greenhouse gas inventory, and FSC-CoC, chain of custody, certifications to continue to realize the FSC global forest management system standards. The Company plans 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
(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 (the proportion of renewable energy to the energy consumed by the organization increased from 29% in 2021 to 32% in 2022), and reduce the use of fossil fuels (fossil fuel use decreased by 7% in 2022 compared to 2021). The Company was awarded again for excellence for green purchasing by the Environmental Protection Administration Year and obtained the green product mark for 20 years in a row.	Compliant

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons				
	Yes	No	Abstract Explanation					
(3) Does the Company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and adopt appropriate countermeasures?	V		<p>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.</p> <p>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.</p> <p>The Company implemented a management framework for governance, strategy, risk management, and metrics and targets based on TFCF'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 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.</p> <p>Here are the climate change management strategies that the Company has already completed:</p> <table border="1" data-bbox="757 1093 1736 1332"> <thead> <tr> <th>Core</th> <th>Management strategies and actions</th> </tr> </thead> <tbody> <tr> <td>Governance</td> <td> <ul style="list-style-type: none"> <li>● The Environmental Sustainability &amp; 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.</li> <li>● The ESG Office coordinates cross-departmental risk management interactions and communication and reports to</li> </ul> </td> </tr> </tbody> </table>	Core	Management strategies and actions	Governance	<ul style="list-style-type: none"> <li>● The Environmental Sustainability &amp; 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.</li> <li>● The ESG Office coordinates cross-departmental risk management interactions and communication and reports to</li> </ul>	Compliant
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Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(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	V			the Chairman and President during annual business management meetings to ensure the effective implementation of risk control mechanisms and procedures.
			Strategy	<ul style="list-style-type: none"> <li>● Continue to implement climate change mitigation and adaptation projects.</li> <li>● 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.</li> </ul>
			Risk management	<ul style="list-style-type: none"> <li>● Collaborate across departments to integrate, identify, and evaluate climate-related risks, quantify and evaluate financial impacts, and formulate management strategies.</li> <li>● Realize the integration of the Company's risk management policies and procedures with the ISO management systems of the mills.</li> </ul>
			Metrics and targets	<ul style="list-style-type: none"> <li>● Establish mid- and long-term goals for lowering greenhouse gas emissions (with 2018 as the base year) and continuously monitor the progress.</li> <li>● Reduce emissions by 7% by 2025 compared to the base year</li> <li>● Reduce emissions by 30% by 2030 compared to the base year</li> <li>● Net-zero emissions by 2050</li> </ul>
			In response to climate change and global trends in controlling greenhouse gas emissions, 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.	
				Compliant

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons										
	Yes	No	Abstract Explanation											
policies on energy efficiency and carbon reduction, greenhouse gas reduction, water reduction, or waste management?			<table border="1"> <thead> <tr> <th>Environmental management items</th> <th>Outlook and response measures</th> </tr> </thead> <tbody> <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.            2. Control operating procedures and strengthen water treatment technologies.            3. Actively monitor the quality of discharge water and strengthen information transparency of discharge water, and disclose the water footprint. If we build an external platform, we will disclose real-time water quality data.            4. Introduce artificial wetlands to promote ecological restoration.         </td> </tr> <tr> <td>Energy resources</td> <td>           1. Propose energy conservation plans and equipment improvements.            2. Increase the proportion of biofuel and energy efficiency.            3. Build green power generation equipment:            Upgrade the capacity of biomass conversion equipment and use heat recovery technology to increase power generation capacity and efficiency.         </td> </tr> <tr> <td>Production by-products</td> <td>           Circular economy promotion:            Make various materials with process waste through recycling and technological reengineering. Actively work towards achieving zero waste and zero emissions.         </td> </tr> <tr> <td>Gas emissions</td> <td>1. Established a GHG Reduction Team to conduct an</td> </tr> </tbody> </table>	Environmental management items	Outlook and response measures	Water resources	1. Conduct water inventory to continue to carry out water conservation plans; strengthen water quality monitoring and establish response measures. 2. Control operating procedures and strengthen water treatment technologies. 3. Actively monitor the quality of discharge water and strengthen information transparency of discharge water, and disclose the water footprint. If we build an external platform, we will disclose real-time water quality data. 4. Introduce artificial wetlands to promote ecological restoration.	Energy resources	1. Propose energy conservation plans and equipment improvements. 2. Increase the proportion of biofuel and energy efficiency. 3. Build green power generation equipment: Upgrade the capacity of biomass conversion equipment and use heat recovery technology to increase power generation capacity and efficiency.	Production by-products	Circular economy promotion: Make various materials with process waste through recycling and technological reengineering. Actively work towards achieving zero waste and zero emissions.	Gas emissions	1. Established a GHG Reduction Team to conduct an	
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	Yes	No	Abstract Explanation	
			<p>inventory of emission sources in the mill, develop many reduction measures, formulate emission reduction plans, and set targets.</p> <p>2. Regularly maintain, repair, and replace old equipment.</p> <p>3. Improve energy-saving measures for production equipment and power generation systems.</p> <p>4. Pollutant reduction plan.</p>	
			<p>2. Energy conservation and carbon reduction: The Company promotes the integration and reuse of resources within each mill, and formulates emission reduction plans. The Company conducts quarterly mutual inspections of each mill and promotes energy-saving projects for our 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, we hold technological exchange meetings to introduce energy conservation technologies and improve each mill’s energy efficiency. We aim to move toward energy conservation and environmental protection. In 2022, the Company was able to save 5,660 gigajoules of energy and reduce carbon emissions by 45,810 tons of carbon dioxide equivalents.</p>	
<p>4. Social topics</p> <p>(1) Does the Company comply with relevant laws and regulations and internationally recognized covenants on human rights, and have related management policies and</p>	V		<p>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</p>	Compliant

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
procedures in place?			Review Team to discuss labor laws regularly and cooperate with law amendment announcements.	
(2) Has the Company established and implemented reasonable employee benefits (including remuneration, leave, and other benefits), and ensured business performance or results are reflected adequately in employee remuneration?	V		The Company clearly stipulates employee leave and benefits, and sets aside 1% or more of the profit as employee remuneration every year. We also organize various welfare activities, including benefits related to daily life, marriage and childbirth, personal safety insurance, further education rewards, and employee matchmaking. An Employee Welfare Committee has been set up for both the Taiwan area of CHP and YFY Group. In addition to setting aside 0.5% of employee remuneration per the law, the Company allocates 0.1% of the monthly operating income and 40% of the money earned from selling scrap towards various employee welfare activities.	Compliant
(3) Does the Company provide a safe and healthy work environment, and provide employees with regular safety and health training?	V		The Company has promoted the occupational safety and health management system 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. 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. Employees must undertake at least three hours of safety and health training every three years. 2,329 person-times of safety and health training was delivered in 2022.	Compliant

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(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. The Company organized various education and training courses for employees in 2022, including 13,129 person-times and 39,326 hours, an average of 13.95 hours per person, of internal and external training.	Compliant
(5) Does the Company comply with relevant laws and international standards in relation to customer health and safety, customer privacy, marketing, and labeling of products and services, and does it establish relevant consumer or customer protection policies and grievance procedures?	V		The Company operates in accordance with the laws and regulations of the locations of the 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.	Compliant
(6) Does the Company establish supplier	V		The Company requests all new suppliers and contractors to sign an Honesty and Integrity Declaration that includes compliance with the principles of honesty,	Compliant

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
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 implementation results.			trustworthiness and integrity, environmental and labor laws, as well as liabilities in case of a breach of contract. When the Company signs a contract with the supplier, declarations have been made with respect to environmental protection and labor legal compliance as well as the liability for damages sustained. We request that all contractors commit to their corporate social responsibility. In the event of a violation, the Company has the right to terminate and void the contract.	
5. Does the Company reference internationally accepted reporting standards or guidelines when preparing reports that disclose non-financial information of the Company, such as sustainability reports? Does the Company obtain third-party assurance or qualified opinion for the reports above?	V		The Company commissioned a third party, British Standards Institution (BSI), to verify the 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.	Compliant
6. Describe the difference, if any, between actual practice and the corporate social responsibility principles, if the company has implemented such principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies: The Audit Committee and Board of Directors approved the establishment of the Company's Sustainability and Social Responsibility Guidelines on November 6 and November 8, 2018 respectively. The Company has set up a Sustainable Development Committee to serve as the unit responsible for				

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
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			<p>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.</p>	
			<p>7. Other useful information for explaining the status of corporate social responsibility practices:</p> <p>(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..</p> <p>(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.</p> <p>(3) ESG achievements:</p>	
Environmental protection			<p>* 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.</p> <p>* The Company was awarded for excellence for green purchasing in 2021.</p> <p>* 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.</p> <p>* 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.</p> <p>* The Jiutang mill has been awarded as an excellent adoption unit in the Air Quality Purification Zone of the Environmental Protection Administration in 2021. The Company was recognized as a 2022 Greenhouse Gases Reduction Model Company by the Industrial Development Bureau, MOEA.</p> <p>* Biofuel power generation:</p> <p>a. Largest biomass power generation (20,000 kW) in Taiwan.</p> <p>b. Lignin biofuel power generation: Accounts for 93% of the self-generated power of the pulp and paper mills (2022).</p>	
Social welfare			<p>The Company has long paid attention to and implemented the promotion of popular science education in rural areas. In particular, we hope that through the power of the enterprise, the students of Huadong can have excellent science education resources. Moreover, we also sponsored Hualien cyclists to support outstanding local youths to win glory for the country.</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>* Yuan T. Lee Science Competition The Company has sponsored the Yuan T. Lee Science Competition to promote science education for many years. The competition lets senior and vocational high school students work on creative topics, where they can learn from difficult knowledge in the textbook by finding answers in real life, realizing the popularization of popular science education. We hope that with correct learning guidance, young students will be interested in exploring scientific knowledge.</p> <p>* Yuan T. Lee Science Camp 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 County Changbin Junior High School. Approximately 2,000 children benefit from this activity every year.</p> <p>* Tamkang University Chemistry On the Go 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 2022.</p> <p>* Promoting coding education 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.</p> <p>* The dreams come true project, making yearbooks for primary schools located in the rural areas of Huadong 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</p>	



Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>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.</p> <p>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.</p> <p>* CHP is 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 2022, nearly 1,500 Huadong primary and secondary school 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.</p>	
Governance performance			<p>* The Company has actively enhanced the disclosure of corporate governance information and strengthened the importance and investment in maintaining sustainable development, friendly environments, and social welfare, and won the TCSA - Top Taiwan Corporate Sustainability Award. The Company coordinated with downstream clients, paper machine plants, and paper recycling plants for the recycling system, which won the TCSA - Growth through Innovation Award.</p> <p>* 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.</p> <p>* 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.</p> <p>* The corporate governance evaluation in 2021 is in the range of 21%-35%.</p> <p>* The Company's resource reutilization measures have been recognized by the Asia Responsible Enterprise Award (Circular Economy) in 2020.</p> <p>* The Company won the 2021 TSAA Gold Award and the Company's CircuWell Non-Plastic All-Paper Recyclable Solution won the SDG 12: Responsible Consumption and Production Award.</p> <p>* The CircuWell Total Recyclable Packaging Solution won the 2022 Taiwan Excellence Silver Award, the highest honor for Taiwan's products.</p> <p>* 2022 Taiwan Corporate Sustainability Awards (TCSA) - The Most Prestigious Sustainability Awards – Top 100 Domestic Companies</p> <p>* 2022 Taiwan Corporate Sustainability Awards (TCSA) - Corporate Sustainability Report Award - Paper Industry - First Group Silver Award</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			* 2022 Asia Responsible Enterprise Award (AREA) - Circular Economy Leadership * 2022 Asia Pacific Enterprise Awards (APEA) - Master Entrepreneur Award	

**3.4.6 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	
<p>1. Establishment of ethical corporate management policy and approaches</p> <p>(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?</p> <p>(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?</p>	V	V	<p>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.</p> <p>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.</p>	<p>Compliant</p> <p>Changes are made gradually</p>

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		<p>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:</p> <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> </ol>	Compliant
<p>2. Implementation of Ethical Corporate Management</p> <p>(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?</p>	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	
(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		no bribery or dishonest behavior are allowed. The Company set up an Integrity Management Team in accordance with the Ethical Corporate Management Best Practice Principles. The Accounting Department presented a report of the status at the 14th meeting of the 18th Board of Directors on November 11, 2021. The report was included in the audit reports and submitted to the Board of Directors.	Compliant
(3) Does the Company have policies that help prevent conflicts of interests, provide appropriate channels for filing related complaints, and precisely enforce them?	V		The Company has established the Ethical Corporate Management Operating Procedures and Code of Conduct, which have regulations for Directors, managers, supervisors, and employees to avoid conflicts of interest. Anyone who may have a conflict of interest must recuse themselves.	Compliant
(4) Does the Company have effective accounting and internal control systems in place to implement business integrity? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or engage CPAs to perform the audits?	V		The Company's current accounting and internal control system implements a separation of powers and responsibilities to prevent personnel from having an opportunity for dishonesty. Internal auditors include staff integrity as a reference basis for relevant audits.	Compliant
(5) Does the Company regularly provide internal and external training on ethical corporate management?	V		The Company arranges relevant internal and external education and training courses to promote ethical corporate management. The Company organized internal training for ethical corporate management in	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	
			<p>2022 to ensure that the appropriate personnel understands fraud and violations of the honesty and integrity principles. The training covered recent common deficiencies in internal control audits and analyzed common fraud patterns of corporations.</p> <p>The 2022 ethical corporate management course, Common Internal Control Deficiency and Legal Responsibilities, is two hours long, and 155 employees (unit managers and above and procurement personnel) took the training.</p>	
<p>3. Implementation of the Company's whistleblowing system</p> <p>(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?</p> <p>(2) Does the Company have in place standard operating procedures for investigating and processing reports, as well as follow-up actions and relevant post-investigation confidentiality measures?</p>	V		<p>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.</p> <p>After the report is processed, a record is made and the relevant unit will conduct an investigation and report the results to the responsible manager. After investigating and confirming that the specific behaviors violate the integrity regulations, the Company will severely discipline dishonest behaviors in accordance with the Employee Rewards and Disciplinary Actions, and record the situation as</p>	<p>Compliant</p> <p>Compliant</p>

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 adopt measures to protect whistleblowers from improper treatment?	V		a serious offense at minimum or terminate the labor contract. The Company will keep confidential the employees or personnel who report violations or participate in the investigation process. Those who know the identity or content of the whistleblower due to their duties or business shall not disclose the information. The Company promises not to treat the whistleblower improperly due to the whistleblowing.	Compliant
4. Reinforcing information disclosure 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?	V		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.	Compliant
5. If the Company has implemented its own ethical corporate management principles by following the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe the practice and any discrepancies with regard to the Best Practice Principles: The 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.				
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) : (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. (2) The Board of Directors approved the Employee Code of Conduct in 2016 to implement the Company’s core values, maintain high ethical				

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>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.</p> <p>(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.</p> <p>(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.</p>				



### 3.4.7 Corporate governance guidelines and regulations

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

### 3.4.8 Other important information regarding corporate governance

1. The Company established a Business Development and Strategy Committee on October 19, 2020 to plan and discuss short-, mid-, and long-term business development and strategies, and listen to the opinions of Independent Directors. The 2022 committee has five members, including the Chairperson, President of the Fiber Materials Division, and three Independent Directors of the Company. Relevant employees are invited to attend meetings according to the meeting agenda.

The 1st and 2nd Business Development and Strategy Committee held 2 meetings (A) each in 2022. The attendance details are as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Chairperson	Kirk Hwang	2	0	100	First Committee, Chairperson
Independent Director	Donald Chang	2	0	100	First Committee, international business management expertise
Independent Director	Shih-Lai Lu	2	0	100	First Committee, R&D expertise
Independent Director	Yi Lee	2	0	100	First Committee, financial expertise
Cellulosic Materials Division President	Ray Chen	2	0	100	First Committee
Chairperson	Kirk Hwang	2	0	100	2nd Committee, Chairperson
Independent Director	Donald Chang	2	0	100	2nd Committee, international business management expertise
Independent Director	Hsiao-Kan Ma	2	0	100	2nd Committee, renewable energy and environmental expertise
Independent Director	Wan-Yu Liu	2	0	100	2nd Committee, agriculture and forestry economics, natural carbon sinks, and carbon rights expertise
Cellulosic Materials Division President	Ray Chen	4	0	100	2nd Committee

The 2022 communication status is as follows:

Date	Participants	Matters of communication	Communication results
2022.3.9	Present: Chairperson Kirk Hwang, Independent Director Donald Chang, Independent Director Shih-Lai Lu, Independent Director Yi Lee, and Cellulosic Materials Division President Ray Chen. In attendance: CFO Guu-Fong Lin	1. The impact of recent market changes on business performance and discussion. 2. The progress of new product development. 3. The plan for energy transformation.	Independent Directors made recommendations on each proposal as a reference for the management team, and to serve as the direction for tracking and execution.
2022.5.10	Present: Chairperson Kirk Hwang, Independent Director Donald Chang, Independent Director Shih-Lai Lu, Independent Director Yi Lee, and Cellulosic Materials Division President Ray Chen. In attendance: CFO Guu-Fong Lin	1. The impact of recent market changes on business performance and discussion. 2. The progress of new product development.	Independent Directors made recommendations on each proposal as a reference for the management team, and to serve as the direction for tracking and execution.
2022.8.8	Present: Chairperson Kirk Hwang, Independent Director Donald Chang, Independent Director Shih-Lai Lu, Independent Director Yi Lee, and Cellulosic Materials Division President Ray Chen. In attendance: CFO Guu-Fong Lin (attended by video conference)	1. The impact of recent market changes on business performance and discussion. 2. The progress of new product development.	Independent Directors made recommendations on each proposal as a reference for the management team, and to serve as the direction for tracking and execution.
2022.11.7	Present: Chairperson Kirk Hwang, Independent Director Donald Chang, Independent Director Shih-Lai Lu, Independent Director Yi Lee, and Cellulosic Materials Division President Ray Chen. In attendance: CFO Guu-Fong Lin (attended by video conference), and Vice President of Specialty Materials Division Hank Chen	1. The impact of recent market changes on business performance and discussion. 2. Description of the business plan for the new year. 3. The progress of new product development. 4. The progress of energy transformation.	Independent Directors made recommendations on each proposal as a reference for the management team, and to serve as the direction for tracking and execution.

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

### **3.4.9 Internal control systems**

#### **A. Internal Control Statement**

### **Chung Hwa Pulp Corporation Statement of Internal Control System**

Date : March 15 2023

Based on the findings of a self-assessment, CHP states the following with regard to its internal control system during the year 2022 :

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, 2019, it has maintained, in all material respects an effective internal control system (that includes the supervision and management of our subsidiaries) to provide reasonable assurance over our operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations.
6. This Statement will be an integral part of CHP's Annual Report for the year 2016 and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement has been passed by the Board of Directors in their meeting held on

March 15, 2023, 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

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

#### **3.4.11 Major resolutions of shareholders' meeting and board meetings**

##### **A. Important resolutions of the 2022 Shareholders' Meeting (June 17, 2022) (abstract):**

- (1). Approved the acknowledgment of the Company's 2021 financial statements.
- (2). Approved the acknowledgment of the Company's 2021 earning appropriation.

*Implementation status:* The Company approved July 21, 2022 as the ex-dividend date (cash dividend of NT\$0.4 per share, adjusted to NT\$0.40586774 due to the outstanding shares on the ex-dividend date) in the shareholders' meeting and completed the payment of the cash dividends on August 18, 2022.

- (3). Approved the amendment of the Company's Articles of Incorporation.
- (4). Approved the amendments to the Company's Rule of Procedure for Shareholders' Meeting.
- (5). Approved the amendments to the Company's Procedures for the Acquisition or Disposal of Assets.
- (6). Approved the amendments to the Company's Procedures for Transactions with Related Parties.

*Implementation status:* After the resolution of the shareholders' meeting, the Company will handle the matters (3) to (6) according to the resolutions of

the shareholders' meeting.

(7). Elected the 19th Board of Directors (4 in total) and Independent Directors (3 in total).

(8). Approved the removal of the non-compete clause for the Company's new Directors and the institutional entities they represent.

*Implementation status:* For matters (7) and (8), the Company has formed the 19th Board of Directors in accordance with the election results of the shareholders' meeting and registered the change on June 24, 2022. In accordance with the resolution of the shareholders' meeting, the Company has removed the non-compete clause for the Company's new Directors and the institutional entities they represent.

## **B. Important Board resolutions**

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

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

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

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

**Important resolutions of the 17th (interim) meeting of the 18th Board of Directors on April 26, 2022 (abstract):**

(1).Approved the submission of the list of the Director and Independent Director candidates for the 19th term to the shareholders' meeting.

**Important resolutions of the 18th meeting of the 18th Board of Directors on May 13, 2022 (abstract):**

(1).Approved the Company's 2022 Q1 financial statements.

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

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

**Important resolutions of the 1st (interim) meeting of the 19th Board of Directors on June 17, 2022 (abstract):**

(1).Election of the Company's 19th Chairman.

(2).Approved a resolution to appoint the Company's 3rd Audit Committee members.

(3).Approved a resolution to appoint the Company's 5th Remuneration Committee members.

(4).Approved the signing of an industry-academia cooperation and academic feedback mechanism contract with the National Chung Hsing University.

**Important resolutions of the 2nd meeting of the 19th Board of Directors on August 12, 2022 (abstract):**

(1).Approved the Company's 2022 Q2 financial statements.

(2).Approved the lease of the Company's vacant land in Toayuan Guanyin to E Ink Holdings Inc. to increase rental income.

(3).Approved a five-year syndicated loan of NT\$5 billion with Bank of Taiwan and Taipei Fubon Bank as the lead banks to support capital expenditures related to green investment plans, green materials procurement, and replenish the medium-term operational budget.

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

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

- (6).Approved the total amount of guarantees for endorsements for external parties by the Company and its subsidiaries as of the second quarter of 2022.

**Important resolutions of the 3rd meeting of the 19th Board of Directors on November 11, 2022 (abstract):**

- (1).Approved the Company's 2022 Q3 financial statements.
- (2).Approved the Company's 2023 annual operational budget.
- (3).Approved the Company's 2023 audit plan.
- (4).Approved the amendments to the Company's Rules and Procedures for Board of Directors Meetings.
- (5).Approved the establishment of the Company's Procedures for Handling Material Inside Information.
- (6).Approved the amendments to the Company's Procedures for Insider Trading Prevention.
- (7).Approved the establishment of a Chief Information Security Officer and unit dedicated to cyber security.
- (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 total amount of guarantees for endorsements for external parties by the Company and its subsidiaries as of the third quarter of 2022.

**Important resolutions of the 4th (interim) meeting of the 19th Board of Directors on November 30, 2022 (abstract):**

- (1).Approved the change of the Company's Chief Information Security Officer.

**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.

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

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

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

**3.4.14 Internal audit licenses**

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

**3.5 Audit Fee**

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Audit Fee	Non-audit Fee	Total	Remarks
Deloitte & Touche	Shu-Wan Lin Shiow- Ming Shue	1/1/2022~12/31/2022	3,500	25	3,525	-

Note: The non-supervisor full-time employee salary information checklist for 2021 is NT\$25 thousand.

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



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

#### A. Regarding the former CPA

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

B. Regarding the successor CPA

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

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

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

None

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

Unit: Shares

Title	Name	2022		As of May.3, 2023	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Director	YFY INC.	-	-	-	-
Chairperson	Kirk Hwang	-	-	-	-
Director	Jean Liu <sup>Note1</sup>	-	-	-	-
Director	Guu-Fong Lin <sup>Note1</sup>	-	-	-	-
Director	S. C. Ho <sup>Note2</sup>	-	-	-	-
Director	Felix Ho <sup>Note2</sup>	-	-	-	-
Director	YFY Paradigm Investment Co., Ltd.	-	-	-	-
Director	Ray Chen	-	-	-	-
Director	Cheng-Hsien Chu <sup>Note2</sup>	-	-	-	-
Director	Guu-Fong Lin <sup>Note2</sup>	-	-	-	-
Director	Chih-Cheng Huang <sup>Note3</sup>	-	-	-	-
Independent Director	Donald Chang	-	-	-	-
Independent Director	Hsiao-Kan Ma <sup>Note1</sup>	-	-	-	-
Independent Director	Wan-Yu Liu <sup>Note1</sup>	-	-	-	-
Independent Director	Shih-Lai Lu <sup>Note2</sup>	-	-	-	-
Independent Director	Yi Lee <sup>Note2</sup>	-	-	-	-
President	Chih-Cheng Huang <sup>Note4</sup>	-	-	-	-
President of Cellulosic Materials Division	Ray Chen	-	-	-	-
President of Specialty Materials Division	Yoshihiro Akiyama	-	-	-	-
CFO	Guu-Fong Lin	-	-	-	-
CISO	Casper Wu	-	-	-	-

Title	Name	2022		As of May.3, 2023	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
CISO	Yun-Chen Wu <sup>Note5</sup>	-	-	-	-
CISO	York Ku <sup>Note6</sup>	-	-	-	-
Finance Manager and Corporate Governance Manager	David Lin	-	-	-	-
Accounting Manager	Jung-Min Huang	-	-	-	-
Major shareholder	YFY INC.	-	-	-	-

Note1: Newly appointed after re-election of director on June 17, 2022.

Note2: Dismissed after re-election of directors on June 17, 2022.

Note3: The Director was reassigned and stepped down on February 7, 2022.

Note4: Retired on January 1, 2022.

Note5: Approved by the Board of Directors on March 15, 2023 to be dismissed on April 1, 2023.

Note6: Approved by the Board of Directors on November 30, 2022 to be dismissed.

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

May 3, 2023

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

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	
Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	5,252,000	0.48	-	-	-	-	-	-	-
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	5,136,818	0.47	-	-	-	-	-	-	-
SPDR(R) Index Shares Funds – SPDR Portfolio Emerging Market Markets ETF	3,297,589	0.30	-	-	-	-	-	-	-
UPAMC ALL WEATHER Funds	2,640,000	0.24	-	-	-	-	-	-	-

**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.	-	-	31,768,072	30.68	31,768,072	30.68

## Capital Overview

### 4.1 Source of capital

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

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

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Stock	1,102,835,316	197,164,684	1,300,000,000	1. Listed stocks 2. As of 2022.5.3, the treasury shares is 15,944,000 shares

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

### 4.2 Shareholder Structure

5/3/2023

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Treasury Stocks	Total
Number of Shareholders	-	13	110	83,853	164	1	84,141
Shareholding (shares)	-	3,429,599	749,505,600	297,504,291	36,451,826	15,944,000	1,102,835,316
Percentage	-	0.31	67.96	26.98	3.30	1.45	100.0

### **4.3 Shareholding Distribution**

5/3/2023

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	25,548	5,775,174	0.52
1,000 ~ 5,000	48,151	97,808,061	8.87
5,001 ~ 10,000	6,023	49,606,067	4.50
10,001 ~ 15,000	1,428	18,358,321	1.66
15,001 ~ 20,000	1,140	21,637,954	1.96
20,001 ~ 30,000	733	19,128,504	1.73
30,001 ~ 40,000	306	11,134,366	1.01
40,001 ~ 50,000	209	9,891,976	0.90
50,001 ~ 100,000	354	25,738,499	2.34
100,001 ~ 200,000	151	21,261,947	1.93
200,001 ~ 400,000	43	12,057,177	1.10
400,001 ~ 600,000	13	6,315,462	0.57
600,001 ~ 800,000	11	7,700,416	0.70
800,001 ~ 1,000,000	6	5,437,012	0.49
1,000,001 or over	25	790,984,380	71.72
Total	84,141	1,102,835,316	100.00

### **4.4 Major Shareholders**

5/3/2023

Shareholder's Name	Shareholding	
	Shares	Percentage
YFY INC.	627,827,989	56.93
Shin-Yi Enterprise Co., Ltd.	50,149,248	4.55
Shin-Yi Recreation Co., Ltd.	23,624,028	2.14
Shin-Yi Investment Co., Ltd.	21,090,110	1.91
YFY paradigm Investment Co., Ltd	7,752,732	0.70
Yuen Shin Yi Enterprise Co., Ltd	7,231,001	0.66
Vanguard Emerging Markets Stock Index Fund, a series of Vanguard International Equity Index Funds	5,252,000	0.48
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	5,136,818	0.47
SPDR(R) Index Shares Funds – SPDR Portfolio Emerging Market Markets ETF	3,297,589	0.30
UPAMC ALL WEATHER Funds	2,640,000	0.24

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

Items \ Year	2021	2022	As of 5/3/2023
<b>Market Price per Share</b>			
Highest Market Price	33.60	24.95	26.40
Lowest Market Price	9.72	15.40	15.90
Average Market Price	21.33	18.96	22.93
<b>Net Worth per Share</b>			
Before Distribution	14.23	14.52	-
After Distribution	13.83	14.22	-
<b>Earnings per Share</b>			
Weighted Average Shares	1,086,891,316	1,086,891,316	1,086,891,316
Diluted Earnings Per Share	0.45	0.41	-
Adjusted Diluted Earnings Per Share	0.45	0.41	-
<b>Dividends per Share</b>			
Cash Dividends	0.40	0.30	-
<b>Stock Dividends</b>			
• Dividends from Retained Earnings	-	-	-
• Dividends from Capital Surplus	-	-	-
Accumulated Undistributed Dividends	-	-	-
<b>Return on Investment</b>			
Price / Earnings Ratio (Note 1)	47.4	46.2	-
Price / Dividend Ratio (Note 2)	53.3	63.2	-
Cash Dividend Yield Rate (Note 3)	1.88	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 2022 earnings distribution proposal has already been approved by the Board of Directors and will be submitted to the 2023 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 board of directors of the company has approved the distribution of a cash dividend of NT\$0.3 per share on March 15, 2023, which will be submitted to the shareholders' meeting for recognition.

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

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

**4.8 Employees' and Directors' Remunerations**

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

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

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

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

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

**current period:**

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

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

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

Employee Compensation	NT\$ 5,000Thousand
Directors' Compensation	NT\$ 6,500Thousand

The above compensation is paid in cash. No share has been distributed, and the amount is consistent with the estimated expenses for 2022.

(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 2021 was NT\$6,000,000; Director Remuneration was NT\$7,000,000. 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

## **Business Overview**

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### **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 2022	(%) of Total Sales
Forestry	100,600	0.43
Pulp	3,661,080	15.48
Paper	15,447,774	65.31
Paperboard	3,922,056	16.58
Other	519,619	2.20
Total	23,651,129	100.00

##### **C. Main products**

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

##### **D. New products development:**

Development of specialty and food safety paper.

### **5.1.2 Industry overview**

#### **A. Overall economic environment**

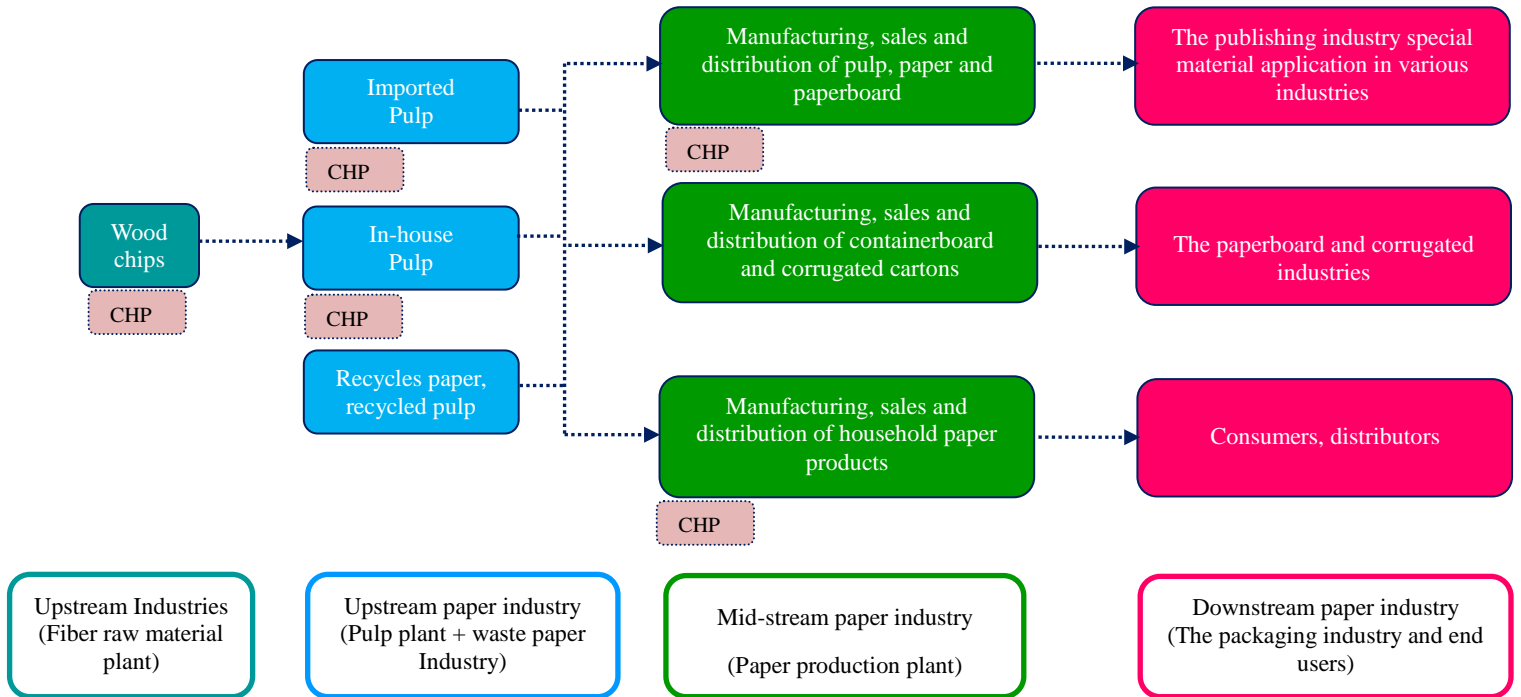
The performance of the world economy in 2022 was disappointing due to the impact of the Russia-Ukraine war, mutating viruses, and high inflation. Most countries have tightened their monetary policies to tackle high inflation. However, the negative impacts of rising inflation, policy tightening, and financial pressures have weakened the global economy. According to the Taiwan Institute of Economic Research's latest forecast released in January 2023, the GDP growth rate in 2023 is 2.58%, which is 0.33 percentage points lower than the updated 2.91% for 2022 November.

#### **B. Current industry conditions and development**

Regarding the international paper industry, Russia is a major exporter of wood chips and energy. However, the outbreak of the Russia-Ukraine war skyrocketed global pulp prices in 2022. Short-fiber pulp prices, for example, soared from US\$600 per ton in early 2022 to US\$900 by the end of the year, a 50% increase. Long-fiber prices also rose from an average of US\$750-800 in 2021 to above US\$1,000 at one point last year. High pulp prices throughout the year have placed an unbearable burden on downstream virgin pulp manufacturers. The highest price in history for wood chips was US\$190 per ton. Yet in 2022, market prices ranged from US\$240 to US\$300, setting a new record. A shortage of wood chips due to the worldwide timber supply shortage caused the record-high prices. In the international recycled paper

market, the price of AOCC tumbled rapidly in July 2021. It once broke above US\$320 per ton in 2022, fell to the lowest point of US\$125 in September 2022, recovered shortly after, and consolidated between US\$160-180. 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. However, CHP is still striving for stable performance under extreme uncertainty.

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



### D. Product development trend and competition

Facing the fluctuation of international pulp prices, the pulp and paper subsidiary supplies the demand for short-fiber pulp from various factories within the group to reduce the impact of market price fluctuations on profit and loss. The global demand for paper stationery products keeps declining due to changes in reading habits, digitalization, and a reduced birth rate. The pulp and paper subsidiary implements flexible production and marketing policies to maintain the Company's reasonable profits and market share and will gradually transform the production portfolio from paper stationery products to industrial-use special materials to meet the diverse demands of the packaging, food, and electronics industry. It will continue to promote non-plastic food paper that is free of plastic coating and 100% recyclable. The non-plastic food paper can be used for paper cups, paper bowls, and paper lunch boxes, which can be directly recycled and reused to achieve the three main goals of reducing plastic, reducing carbon, and reducing waste.

#### 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 149.50 million and 41.66 million respectively, and the relevant costs for research and development applications are not included.

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

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

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

##### **Short-term plans**

- (1) Actively improve the process and management, and enhance the momentum of transformation.
- (2) Strengthen the research and development of niche products, develop all kinds of alternative products for plastic, and stabilize our position in the environmental protection products market.
- (3) Vertically integrate the supply chain, strengthen cooperative development with downstream processing 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, the outbreak of the Russia-Ukraine war skyrocketed global pulp prices in 2022. Wood is a green energy source. Although burning wood will release carbon, planting trees can contribute to carbon sequestration. With the global rise of environmental awareness, the United Kingdom, Hokkaido, and more and more power plants burn wood chips to generate electricity. Long-term demand is in an upward trend. To CHP, the sales strategy is still based on supplying short-fiber pulp to the

various plants in the group. Our operation strategy is to retain cash, adjust production, and lengthen the period of regular equipment maintenance in response to the falling demand.

In terms of the sale of paper, in the development of special purpose paper sales and in response to the worldwide plastics reduction trend, and under the impact of the pandemic, the demand for medical supplies and packaging paper increased. Also, the demand for food-safe paper increased substantially since people made purchases online or ordered in due to reduced outdoor activities. Since 2022, CHP has undergone significant transformation 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.

CHP's consolidated operating income for 2022 amounted to approximately NT\$23.65 billion, an increase of about NT\$1.62 billion from NT\$22.03 billion in 2021. The net profit after tax attributable to the Company in 2022 is approximately NT\$446 million. The Company produced 381,178 metric tons of pulp in 2022. In addition to 231,210 metric tons for Company use, domestic pulp sales were 74,490 metric tons, and export sales were 84,255, totaling 158,745 metric tons. Paper production was 386,153 metric tons. Domestic paper sales was 204,857 metric tons and export sales was 230,038, totaling 434,895 metric tons. Cardboard production for the year was 124,852 metric tons and the amount sold was 167,767 metric tons. CHP will continue to improve product quality, strengthen the stability of raw material sources, prices, and supply, expand product application markets, and strengthen services to enhance market competitiveness.

The Company is focused on the development of special purpose paper with the aim of gradually transforming the production portfolio from paper stationery products to industrial-use special materials to meet the diverse demands of the packaging, food, and electronics industry. Advanced countries have greater demands for multi-use special purpose paper products, and the emerging new market also have stronger demands day by day. These are the source for sales value growth. Looking ahead to 2023, CHP will actively implement the green supply chain and ESG emission reduction actions. In response to the worldwide growth trend of plastic reduction and food-safe paper demands, CHP will continue to leverage the characteristics of the fixed carbon content of paper to develop circular, low-carbon products, improve product quality, and expand cross-market applications. We will focus on becoming green and move towards achieving the goals of green energy, manufacturing, and products to steadily head toward corporate net zero, sustainability, and carbon neutrality goals.

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

### **a. Main sources of raw materials:**

Pulp: Chile, Brazil, Canada, Uruguay, the United States, Finland, Sweden, Germany, New Zealand, Japan, Thailand and Indonesia.

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

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

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

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

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

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

### 5.2.3 Supply status of main materials

In 2022, the Company imported wood chips for short-fiber pulp in Taiwan, mainly from Australia, Thailand 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	2021		2022	
	Quantity	Amount	Quantity	Amount
Pulp	364,218	6,649,377	381,178	8,790,947
Paper	395,713	12,533,111	386,153	13,716,424
Paperboard	136,838	2,984,489	124,852	2,918,795

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	2021				2022			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Pulp	92,576	1,768,812	121,635	2,141,944	74,490	1,776,539	84,255	1,884,541
Paper	188,644	5,390,574	233,376	7,975,738	204,857	5,802,818	230,038	9,644,956
Paperboard	162,441	3,510,386	36,181	821,650	133,622	2,927,996	34,145	994,060

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	2021	2022	As of May 3, 2023
Number of employees	2,723	2,865	2,866
Average age	42.58	42.67	42.67
Average year of services	13.54	13.20	13.20
Education distribution ratio %	Ph.D.	0.15	0.10
	Masters	6.17	5.90
	Bachelor's Degree	51.78	40.50
	Below Senior High School	41.90	53.50

Note: The employee count includes both overseas subsidiaries and the total number of foreign workers introduced in 2022.

## **5.4 Environmental Protection Expenditure**

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

Provision(s) violated	Content of disposition	Penalty date	Disposition No.	Response measures
Article(s): Article 18 of the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution Content: Corporations and other producers and business operators shall conduct environmental impact assessments and disclose environmental impact assessment documents in accordance with the law when constructing projects that have an impact on the atmospheric environment. The discharge of pollutants into the atmosphere shall comply with the standards for the discharge of atmospheric pollutants and the control requirements for emission of key atmospheric pollutants.	A penalty of RMB 480,000	April 2, 2022	Zhao-Huan-Ning-Fa-Zi No. (2022)1	Improvements have been made in accordance with the requirements of the environmental protection department.
Article(s): Paragraph 1, Article 7 of the Water Pollution Control Act Content: Those enterprises, sewage systems, or building sewage treatment facilities that discharge wastewater or sewage into surface water bodies shall comply with effluent standards.	A penalty of NT\$795,000 in total.	March 22, 2022	30-111-030002	Relevant improvement reports have been approved by the competent authority.
		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 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 2 of the Stationary Pollution Source Air Pollutant Emissions Standards and Paragraph 1, Article 20 of the Air Pollution Control Act Content: Public and private premises with stationary pollution sources that emit air pollutants shall comply with emission standards.	A penalty of NT\$1,980,000 in total.	January 21, 2022	20-111-010002	Improvements were completed and relevant improvement reports have been approved by the competent authority.
		January 22, 2022	20-111-010003	Improvements were completed and relevant improvement reports have been approved by the competent authority.
		November 30, 2022	20-111-110001	Relevant improvement reports have been approved by the competent authority.
Article(s): Article 89 of the Air Pollution Control Act and Article 20, Paragraph 1 of the Air Pollution Control Act 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\$270,000.	March 25, 2023	20-112-030003	This has been handled according to relevant laws.

2. As of the publication date, companies in the consolidated statements have zero environmental protection appeals.
3. The Company and its subsidiaries handle various by-products generated in the production process in accordance with the relevant environmental protection laws and regulations, and continue to strengthen the professional knowledge of relevant operators, equipment maintenance, and investments in environmental protection equipment.
4. In 2022, the production units of the Company and its subsidiaries mainly invested about NT\$145 million in related environmental protection expenditures, including expenditures related to air quality control of about NT\$104 million, water resource treatment of about NT\$15 million, and the processing of residual materials of about NT\$25 million.

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

Item	Year	2021	2022
Greenhouse Gas Emissions (CO <sub>2</sub> e) (in ten thousand metric tons)		100.89	99.42
Total water withdrawal (in millions of metric tons)		28.57	29.03
Total amount of solid residue (in ten thousand metric tons)		23.98	25.58

\* Solid waste treatment: 70% is recycled in the factory, 30% is recycled/reused outside the factory.

## **5.5 Labor Relations**

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

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

- Employee Retirement Program:

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

- Labor-management Communications:

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

- Continuing Education and Training for Employees

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

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

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

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

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

The Company organized various education and training courses for employees in 2022, including 13,129 person-times and 39,326 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	433	8,294	28,649	2,370
Management and general knowledge	104	4,488	9,179	207
Cultural cultivation for new recruits	41	344	1,234	9
On-the-job training	36	3	264	150

● 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 plants, 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
December 5, 2022	Fu-She-Lao-Zi No. 1110239379B	Article 70 of the Labor Standards Act	The work rules were not reported and announcements were not made to disclose the rules in accordance with the regulations	NT\$20,000	The Company will revise the work rules according to the amended or updated laws and report the revised rules for review and recordation.
December 5, 2022	Fu-She-Lao-Zi No. 1110239379A	Paragraph 2, Article 34 of the Labor Standards Act	The rest period between rotations was less than eleven continual hours	NT\$100,000	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.
July 8, 2022	Fu-She-Lao-Zi No. 1110142767	Paragraph 2, Article 32 of the Labor Standards Act	The extension of working hours referred to in the preceding paragraph, combined with the regular working hours shall not exceed twelve hours a day; the total overtime shall not exceed forty-six hours a month	NT\$20,000	For special situations, employee rotation schedules will be coordinated to comply with the regulations.
May 30, 2022	Fu-She-Lao-Zi No. 1110109394	Paragraph 2, Article 32 of the Labor Standards Act	The extension of working hours referred to in the preceding paragraph, combined with the regular working hours shall not exceed twelve hours a day; the total overtime shall not exceed forty-six hours a month; however, the extension of working hours, with the consent of a labor union or with the approval of a labor-management conference if no labor union exists in the business entity, shall not exceed fifty-four hours a month and one hundred and thirty-eight hours every three months.	NT\$20,000	For special situations, employee rotation schedules will be coordinated to comply with the regulations.

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
March 25, 2022	Fu-She-Lao-Zi No. 1110058062	Paragraph 3, Article 34 of the Labor Standards Act	The change in the rest period was not reported to the local competent authority for record, as required by law	NT\$50,000	For special situations, employee rotation schedules will be coordinated and the rotation method will be adjusted to comply with the regulations.

## **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.

**Organization Chart of Information Security Unit**



### **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.
- Plant cyber security management:
  1. Regular discussions: The Company conducts yearly discussions with

employees of each plant'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.

**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, Chang Hwa Bank, Land Bank of Taiwan, Taiwan Cooperative Bank, First Bank, Hua Nan Bank, and Taipei Fubon Bank and 5 participating banks.	3/31/2020~3/31/2025	5-year syndicated loan repaid at maturity	None
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

## **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				
			2018 (Audited after restated)	2019	2020	2021	2022
Current assets			13,777,988	13,098,672	12,893,835	14,411,937	15,935,904
Property, Plant and Equipment			14,565,801	14,654,819	16,557,872	16,436,919	16,151,011
Long-Term Investment			1,600,194	1,835,627	1,707,274	1,396,027	1,394,253
Other assets			1,433,589	1,509,299	1,511,252	1,723,573	1,958,003
Total assets			31,377,572	31,098,417	32,670,233	33,968,456	35,439,171
Current liabilities	Before distribution		9,173,037	11,116,249	12,035,465	13,203,844	6,343,318
	After distribution		9,559,029	11,116,249	12,035,465	13,644,978	6,669,385
Non-current liabilities			4,140,427	2,587,144	3,649,014	3,131,048	11,001,243
Total liabilities	Before distribution		13,313,464	13,703,393	15,684,479	16,334,892	17,344,561
	After distribution		13,699,456	13,703,393	15,684,479	16,776,026	17,670,628
Equity attributable to shareholders of the parent			15,621,710	15,117,231	14,784,979	15,469,412	15,784,442
Capital stock			11,028,353	11,028,353	11,028,353	11,028,353	11,028,353
Capital surplus			31,468	29,563	29,821	28,880	35,632
Retained earnings	Before distribution		4,273,971	3,649,276	3,446,694	3,866,246	3,911,470
	After distribution		3,887,979	3,649,276	3,446,694	3,425,112	3,585,403
Other equity interest			225,267	287,918	410,039	416,837	945,713
Treasury stock			-	-	(136,726)	(136,726)	(136,726)
Equity Attributable To Former Owner Of Business Combination Under Common Control			13,440	-	-	-	-
Non-controlling interest			2,428,958	2,277,793	2,200,775	2,164,152	2,310,168
Total equity	Before distribution		18,064,108	17,395,024	16,985,754	17,633,564	18,094,610
	After distribution		17,678,116	17,395,024	16,985,754	17,192,430	17,768,543

Note: The profit distribution for year 2022 has been approved by the Board and is subject to confirmation by the 2023 shareholders' meeting.

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

Unit: NT\$ thousands

Item \ Year	Financial summary for the last five years				
	2018 (Audited after restated)	2019	2020	2021	2022
Operating revenue	24,025,221	20,689,397	18,616,694	22,031,850	23,651,129
Gross profit	2,336,838	1,213,022	1,241,776	2,402,478	2,552,141
Income from operations	592,042	(383,777)	(390,177)	272,452	240,572
Non-operating income & expenses	77,054	21,365	86,693	252,226	304,305
Income before tax	669,096	(362,412)	(303,484)	524,678	544,877
Net income (Loss)	532,245	(302,084)	(312,392)	463,373	539,691
Net income (Loss) from Discontinued Operations	-	-	-	-	-
Net income (Loss) in the period	532,245	(302,084)	(312,392)	463,373	539,691
Other comprehensive income (income after tax)	(47,309)	34,337	39,592	186,137	353,398
Total comprehensive income	484,936	(267,747)	(272,800)	649,510	893,089
Net income attributable to shareholders of the parent	445,663	(245,098)	(201,797)	488,231	445,934
Net income attributable to Former Owner Of Business Combination Under Common Control	21,999	-	-	-	-
Net income attributable to non-controlling interest	64,583	(56,986)	(110,595)	(24,858)	93,757
Comprehensive income attributable to Shareholders of the parent	445,156	(116,582)	(195,782)	686,133	765,984
Comprehensive income attributable to Former Owner Of Business Combination Under Common Control	18,233	-	-	-	-
Comprehensive income attributable to non-controlling interest	21,547	(151,165)	(77,018)	(36,623)	127,105
Earnings per share	0.40	(0.22)	(0.18)	0.45	0.41

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

Unit: NT\$ thousands

Year		Financial summary for the last five years				
		2018 (Audited after restated)	2019	2020	2021	2022
Current assets		7,971,014	7,790,430	7,733,030	9,132,282	10,274,800
Property, Plant and Equipment		12,255,178	12,420,909	14,244,035	14,182,152	13,997,814
Long-Term Investment		7,020,935	6,718,464	6,511,721	6,308,452	6,523,603
Other assets		802,133	997,434	1,032,040	1,251,689	1,474,924
Total assets		28,049,260	27,927,237	29,517,826	30,874,575	32,271,141
Current liabilities	Before distribution	8,474,607	10,429,002	11,319,473	12,520,643	5,688,350
	After distribution	8,860,599	10,429,002	11,319,473	12,961,777	6,014,417
Non-current liabilities		3,939,503	2,381,004	3,413,374	2,884,520	10,798,349
Total liabilities	Before distribution	12,414,110	12,810,006	14,732,847	15,405,163	16,486,699
	After distribution	12,800,102	12,810,006	14,732,847	15,846,297	16,812,766
Capital stock		11,028,353	11,028,353	11,028,353	11,028,353	11,028,353
Capital surplus		31,468	29,563	29,821	28,880	35,632
Retained earnings	Before distribution	4,273,971	3,649,276	3,446,694	3,866,246	3,911,470
	After distribution	3,887,979	3,649,276	3,446,694	3,425,112	3,585,403
Other equity interest		287,918	410,039	416,837	682,659	945,713
Treasury stock		-	-	(136,726)	(136,726)	(136,726)
Former Owner Of Business Combination Under Common Control		13,440	-	-	-	-
Total equity	Before distribution	15,635,150	15,117,231	14,784,979	15,469,412	15,784,442
	After distribution	15,249,158	15,117,231	14,784,979	15,028,278	15,458,375

Note: The profit distribution for year 2022 has been approved by the Board and is subject to confirmation by the 2023 shareholders' meeting.

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

Unit: NT\$ thousands

Item \ Year	Financial summary for the last five years				
	2018 (Audited after restated)	2019	2020	2021	2022
Operating revenue	21,005,335	18,328,975	16,720,832	19,453,580	20,363,170
Gross profit	1,765,932	1,122,100	1,262,653	2,225,905	2,022,004
Income from operations	291,560	(237,550)	(150,501)	316,380	(29,551)
Non-operating income & expenses	244,752	(43,311)	(51,296)	230,520	477,773
Income before tax	536,312	(280,861)	(201,797)	546,900	448,222
Net profit for the current period	467,662	(245,098)	(201,797)	488,231	445,934
Net income (Loss) from Discontinued Operations	-	-	-	-	-
Net income (Loss)	467,662	(245,098)	(201,797)	488,231	445,934
Other comprehensive income (income after tax)	(4,273)	128,516	6,015	197,902	320,050
Total comprehensive income	463,389	(116,582)	(195,782)	686,133	765,984
Earnings per share	0.40	(0.22)	(0.18)	0.45	0.41

#### 6.1.2 Auditors' name and their opinions

Year	CPA's Name	Audit Opinion
2018	Shu-Wan Lin, Shiow-Ming Shue	An Unmodified Opinion With Emphasis of Matter paragraph
2019	Shu-Wan Lin, Shiow-Ming Shue	An Unmodified Opinion With Emphasis of Matter paragraph
2020	Shu-Wan Lin, Shiow-Ming Shue	An Unmodified Opinion With Emphasis of Matter paragraph
2021	Shu-Wan Lin, Hui-Min Huang	An Unmodified Opinion With Emphasis of Matter paragraph
2022	Shu-Wan Lin, Hui-Min Huang	An Unmodified Opinion With Emphasis of Matter paragraph

## 6.2 Five-Year Financial Analysis

### A. Consolidated Financial Analysis – IFRSs

Year		Financial analysis for the last five years				
		2018	2019	2020	2021	2022
Financial Structure (%)	Debt Ratio	42.44	44.06	48.01	48.09	48.94
	Ratio of long-term capital to property, plant and equipment	135.68	120.81	111.33	126.33	180.15
Liquidity (%)	Current ratio	150.10	117.83	107.13	109.15	251.22
	Quick ratio	99.94	77.48	68.93	72.80	158.35
	Interest earned ratio (times)	8.27	(2.97)	(2.17)	6.85	4.75
Operating Ability	Accounts receivable turnover (times)	6.86	6.30	5.83	6.13	6.18
	Average collection period	53.21	57.94	62.61	59.54	59.06
	Inventory turnover (times)	6.00	4.82	4.54	4.87	4.55
	Accounts payable turnover (times)	9.54	9.82	9.33	10.23	10.62
	Average days in sales	60.83	75.73	80.40	74.95	80.22
	Property, plant and equipment turnover (times)	1.65	1.41	1.12	1.34	1.45
	Total assets turnover (times)	0.77	0.67	0.57	0.65	0.68
Profitability	Return on total assets (%)	1.96	(0.73)	(0.74)	1.61	1.89
	Return on stockholders' equity (%)	3.38	(1.97)	(2.09)	2.68	3.02
	Pre-tax income to paid-in capital (%)	6.03	(3.29)	(2.75)	4.76	4.94
	Profit ratio (%)	2.20	(1.46)	(1.68)	2.10	2.28
	Earnings per share (NT\$)	0.40	(0.22)	(0.18)	0.45	0.41
Cash Flow	Cash flow ratio (%)	5.39	7.38	2.23	3.77	7.60
	Cash flow adequacy ratio (%)	71.90	55.41	25.42	26.70	18.82
	Cash reinvestment ratio (%)	(0.11)	0.88	0.53	0.96	0.07
Leverage	Operating leverage	2.94	(1.99)	(1.95)	5.40	6.08
	Financial leverage	1.18	0.81	0.80	1.49	2.53

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 utilization of more long-term loans.
2. Current ratio: Due to repaying short-term loans with long-term loans.
3. Quick ratio: Due to repaying short-term loans with long-term loans.
4. Interest protection multiples: Due to the increase of this year's interest expenses as a result of rate hikes by central banks.
5. Cash flow ratio: Due to the decrease in short-term loans.
6. Cash flow adequacy ratio: Due to the decrease in investments for purchasing plant and equipment and the increase in inventory.
7. Cash reinvestment ratio: The cash reinvestment ratio decreased due to this year's distribution of cash dividends.
8. Financial leverage: Due to the increase of this year's interest expenses as a result of rate hikes by central banks.

## B. Stand-Alone Financial Analysis – IFRSs

Item		Year	Financial Analysis for the Last Five Years				
			2018	2019	2020	2021	2022
Financial structure (%)	Debt Ratio		44	46	50	50	51
	Ratio of long-term capital to property, plant and equipment		160	141	128	129	190
Liquidity (%)	Current ratio		94	75	68	73	181
	Quick ratio		49	41	36	43	95
	Interest earned ratio (times)		8	(2)	(1)	7	4
Operating Ability	Accounts receivable turnover (times)		7.14	6.28	5.96	6.09	5.72
	Average collection period		51	58	61	60	64
	Inventory turnover (times)		5.98	5.12	5.07	5.32	4.75
	Accounts payable turnover (times)		9.49	9.89	9.31	9.85	10.19
	Average days in sales		61	71	72	69	77
	Property, plant and equipment turnover (times)		1.71	1.48	1.17	1.37	1.45
	Total assets turnover (times)		0.75	0.66	0.57	0.63	0.64
Profitability	Return on total assets (%)		1.91	(0.63)	(0.45)	1.84	1.76
	Return on stockholders' equity (%)		2.97	(1.59)	(1.35)	3.23	2.85
	Pre-tax income to paid-in capital (%)		4.84	(2.55)	(1.83)	4.96	4.06
	Profit ratio (%)		2.21	(1.34)	(1.21)	2.51	2.19
	Earnings per share (NT\$)		0.40	(0.22)	(0.18)	0.45	0.41
Cash flow	Cash flow ratio (%)		3	8	5	1	(1)
	Cash flow adequacy ratio (%)		60.69	39.95	31.31	31.46	11.04
	Cash reinvestment ratio (%)		(0.61)	1.06	1.23	0.34	(0.86)
Leverage	Operating leverage		4.10	(2.89)	(5.27)	4.11	(32.95)
	Financial leverage		1.34	0.74	0.62	1.37	0.18

Analysis of financial ratio differences for the last two years

1. Long-term capital to property, plant, and equipment: Due to the utilization of more long-term loans.
2. Current ratio: Due to repaying short-term loans with long-term loans.
3. Quick ratio: Due to repaying short-term loans with long-term loans.
4. Interest protection multiples: Due to the increase of this year's interest expenses as a result of rate hikes by central banks.
5. Cash flow ratio: Due to the decrease in short-term loans.
6. Cash flow adequacy ratio: Due to the decrease in investments for purchasing plant and equipment and the increase in inventory.
7. Cash reinvestment ratio: The cash reinvestment ratio decreased due to this year's distribution of cash dividends.
8. Operating leverage: Due to this year's operating losses.
9. 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 2022 business report, financial statements and proposal of surplus distribution have been reviewed and determined to be correct and accurate by the Audit Committee, so according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report to the 2023 Annual General Meeting of shareholders of the Company.

Chung Hwa Pulp Corporation

Convener of the Audit Committee: Wan-Yu Liu

March 15, 2023

**6.4 Consolidated Financial Statements for the Years Ended December 31, 2022 and 2021, 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, 2022 and 2021, 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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC) and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

**Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and 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, 2022. 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, 2022 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, 2022 and 2021, on which we have issued an unmodified opinion.

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

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

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

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

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine the matter that was of most significance in the audit of the consolidated financial statements for the year ended December 31, 2022, and is therefore the key audit matter. We describe the matter in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche

Taipei, Taiwan

Republic of China

March 15, 2023

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, 2022 AND 2021  
(In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 805,296	2	\$ 536,128	2
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	26,082	-	2,459	-
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	1,729,041	5	1,650,599	5
Financial assets at amortized cost - current (Notes 4 and 10)	470,342	1	220,074	1
Notes and accounts receivable (Notes 4 and 11)	3,268,971	9	3,446,252	10
Notes and accounts receivable from related parties (Notes 4 and 27)	482,649	2	456,010	1
Other receivables from related parties (Notes 4 and 27)	6,255	-	107,737	-
Inventories (Notes 4 and 12)	4,987,857	14	4,281,553	13
Biological assets (Notes 4 and 13)	3,255,711	9	3,193,535	9
Other current assets	<u>903,700</u>	<u>3</u>	<u>517,590</u>	<u>1</u>
Total current assets	<u>15,935,904</u>	<u>45</u>	<u>14,411,937</u>	<u>42</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	492,716	2	577,531	2
Financial assets at amortized cost - non-current (Notes 4 and 10)	132,283	1	-	-
Investments accounted for using the equity method (Notes 4 and 15)	769,254	2	818,496	3
Property, plant and equipment (Notes 4 and 16)	16,151,011	46	16,436,919	48
Right-of-use assets (Notes 4 and 17)	478,428	1	474,998	1
Investment properties (Notes 4 and 18)	755,542	2	256,610	1
Deferred tax assets (Notes 4 and 23)	127,439	-	127,841	-
Prepayments for equipment	131,197	-	492,402	2
Net defined benefit assets (Notes 4 and 20)	366,066	1	291,779	1
Other non-current assets (Note 15)	<u>99,331</u>	<u>-</u>	<u>79,943</u>	<u>-</u>
Total non-current assets	<u>19,503,267</u>	<u>55</u>	<u>19,556,519</u>	<u>58</u>
<b>TOTAL</b>	<u>\$ 35,439,171</u>	<u>100</u>	<u>\$ 33,968,456</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 19)	\$ 2,640,000	7	\$ 3,992,759	12
Short-term bills payable (Note 19)	249,851	1	5,649,221	17
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	9,005	-	7,486	-
Notes and accounts payable	1,760,322	5	1,528,096	5
Notes and accounts payable to related parties (Note 27)	251,203	1	434,313	1
Other payables	1,029,904	3	1,123,646	3
Other payables to related parties (Note 27)	-	-	2,223	-
Current tax liabilities (Note 23)	1,510	-	1,666	-
Lease liabilities - current (Notes 4 and 17)	32,663	-	26,092	-
Other current liabilities	<u>368,860</u>	<u>1</u>	<u>438,342</u>	<u>1</u>
Total current liabilities	<u>6,343,318</u>	<u>18</u>	<u>13,203,844</u>	<u>39</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Note 19)	8,690,645	24	792,992	2
Deferred tax liabilities (Notes 4 and 23)	2,073,441	6	2,060,083	6
Lease liabilities - non-current (Notes 4 and 17)	29,015	-	26,939	-
Other non-current liabilities	<u>208,142</u>	<u>1</u>	<u>251,034</u>	<u>1</u>
Total non-current liabilities	<u>11,001,243</u>	<u>31</u>	<u>3,131,048</u>	<u>9</u>
Total liabilities	<u>17,344,561</u>	<u>49</u>	<u>16,334,892</u>	<u>48</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 21)</b>				
Share capital	<u>11,028,353</u>	<u>31</u>	<u>11,028,353</u>	<u>33</u>
Capital surplus	<u>35,632</u>	<u>-</u>	<u>28,880</u>	<u>-</u>
Retained earnings				
Legal reserve	268,212	1	226,257	1
Special reserve	1,186,894	3	1,186,894	3
Unappropriated earnings	<u>2,456,364</u>	<u>7</u>	<u>2,453,095</u>	<u>7</u>
Total retained earnings	<u>3,911,470</u>	<u>11</u>	<u>3,866,246</u>	<u>11</u>
Other equity	<u>945,713</u>	<u>3</u>	<u>682,659</u>	<u>2</u>
Treasury shares	<u>(136,726)</u>	<u>-</u>	<u>(136,726)</u>	<u>-</u>
Total equity attributable to owners of the Company	15,784,442	45	15,469,412	46
<b>NON-CONTROLLING INTERESTS</b>	<u>2,310,168</u>	<u>6</u>	<u>2,164,152</u>	<u>6</u>
Total equity	<u>18,094,610</u>	<u>51</u>	<u>17,633,564</u>	<u>52</u>
<b>TOTAL</b>	<u>\$ 35,439,171</u>	<u>100</u>	<u>\$ 33,968,456</u>	<u>100</u>

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

# CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Note 27)				
Sales	\$ 23,648,721	100	\$ 22,034,226	100
Sales returns and allowances	<u>131,863</u>	<u>1</u>	<u>110,871</u>	<u>-</u>
Net sales	23,516,858	99	21,923,355	100
Other operating revenue	<u>134,271</u>	<u>1</u>	<u>108,495</u>	<u>-</u>
Total operating revenue	<u>23,651,129</u>	<u>100</u>	<u>22,031,850</u>	<u>100</u>
OPERATING COSTS (Notes 12, 20, 22 and 27)				
Cost of goods sold	21,010,240	89	19,548,884	89
Other operating cost	<u>86,345</u>	<u>-</u>	<u>83,883</u>	<u>-</u>
Total operating costs	<u>21,096,585</u>	<u>89</u>	<u>19,632,767</u>	<u>89</u>
(LOSS) GAIN FROM CHANGES IN FAIR VALUE LESS COSTS TO SELL OF BIOLOGICAL ASSETS (Note 13)				
	<u>(2,403)</u>	<u>-</u>	<u>3,395</u>	<u>-</u>
GROSS PROFIT	<u>2,552,141</u>	<u>11</u>	<u>2,402,478</u>	<u>11</u>
OPERATING EXPENSES (Notes 20, 22 and 27)				
Selling and marketing	1,834,629	8	1,660,255	8
General and administrative	327,441	1	365,017	2
Research and development	<u>149,499</u>	<u>1</u>	<u>104,754</u>	<u>-</u>
Total operating expenses	<u>2,311,569</u>	<u>10</u>	<u>2,130,026</u>	<u>10</u>
PROFIT FROM OPERATIONS	<u>240,572</u>	<u>1</u>	<u>272,452</u>	<u>1</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Notes 22 and 27)	(145,485)	(1)	(89,635)	-
Share of profit of associates (Note 15)	188,961	1	108,630	-
Interest income (Note 27)	16,923	-	8,061	-
Dividend income	95,858	1	148,767	1
Gain from bargain purchase (Note 15)	18,792	-	22,018	-
Other income (Note 27)	92,294	-	99,113	-
Gain on disposal of property, plant and equipment	109	-	30	-
Loss on disposal of investments	-	-	(159)	-
Foreign exchange gain	83,837	-	17,633	-
Loss on financial instruments at FVTPL	(40,909)	-	(56,417)	-
Other losses	<u>(6,075)</u>	<u>-</u>	<u>(5,815)</u>	<u>-</u>
Total non-operating income and expenses	<u>304,305</u>	<u>1</u>	<u>252,226</u>	<u>1</u>

(Continued)

## CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	2022		2021	
	Amount	%	Amount	%
PROFIT BEFORE INCOME TAX	\$ 544,877	2	\$ 524,678	2
INCOME TAX EXPENSE (Notes 4 and 23)	<u>(5,186)</u>	<u>-</u>	<u>(61,305)</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>539,691</u>	<u>2</u>	<u>463,373</u>	<u>2</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 20)	58,450	-	(89,995)	-
Unrealized (loss) gain on investments in equity instruments at FVTOCI	(6,372)	-	295,445	1
Share of the other comprehensive income of associates	5,835	-	57,090	-
Tax effect of items that will not be reclassified (Note 23)	(11,690)	-	17,999	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	262,049	1	(76,581)	-
Gain on hedging instruments	-	-	5,249	-
Share of the other comprehensive income (loss) of associates	<u>45,126</u>	<u>1</u>	<u>(23,070)</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>353,398</u>	<u>2</u>	<u>186,137</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 893,089</u>	<u>4</u>	<u>\$ 649,510</u>	<u>3</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 445,934	2	\$ 488,231	2
Non-controlling interests	<u>93,757</u>	<u>-</u>	<u>(24,858)</u>	<u>-</u>
	<u>\$ 539,691</u>	<u>2</u>	<u>\$ 463,373</u>	<u>2</u>
TOTAL COMPREHENSIVE GAIN (LOSS) INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 765,984	3	\$ 686,133	3
Non-controlling interests	<u>127,105</u>	<u>1</u>	<u>(36,623)</u>	<u>-</u>
	<u>\$ 893,089</u>	<u>4</u>	<u>\$ 649,510</u>	<u>3</u>

(Continued)



## CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

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	2022		2021	
	Amount	%	Amount	%
EARNINGS PER SHARE (Note 24)				
Basic	<u>\$ 0.41</u>		<u>\$ 0.45</u>	
Diluted	<u>\$ 0.41</u>		<u>\$ 0.45</u>	

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

**CHUNG HWA PULP CORPORATION AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company (Notes 4 and 21)													Non-controlling Interests	Total Equity
	Share Capital		Capital Surplus	Legal Reserve	Retained Earnings			Exchange Differences on Translation of the Financial Statements of Foreign Operations	Other Equity Unrealized (Loss) Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Gain (Loss) on Hedging Instrument	Treasury Share	Total			
	Shares (In Thousands)	Amount			Special Reserve	Unappropriated Earnings	Total								
BALANCE AT JANUARY 1, 2021	1,102,835	\$ 11,028,353	\$ 29,821	\$ 226,257	\$ 1,186,894	\$ 2,033,543	\$ 3,446,694	\$ (338,941)	\$ 761,027	\$ (5,249)	\$ (136,726)	\$ 14,784,979	\$ 2,200,775	\$ 16,985,754	
Adjustments for the changes in equity of associates	-	-	(2,136)	-	-	(759)	(759)	-	-	-	-	(2,895)	-	(2,895)	
Unclaimed dividends	-	-	1,220	-	-	-	-	-	-	-	-	1,220	-	1,220	
Net profit (loss) for the year ended December 31, 2021	-	-	-	-	-	488,231	488,231	-	-	-	-	488,231	(24,858)	463,373	
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	(72,412)	(72,412)	(87,886)	352,951	5,249	-	197,902	(11,765)	186,137	
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	415,819	415,819	(87,886)	352,951	5,249	-	686,133	(36,623)	649,510	
Disposal of investments accounted for using the equity method	-	-	(25)	-	-	1,650	1,650	-	(1,650)	-	-	(25)	-	(25)	
Disposal of investments in equity instruments designated as at FVTOCI by associates	-	-	-	-	-	2,842	2,842	-	(2,842)	-	-	-	-	-	
BALANCE AT DECEMBER 31, 2021	1,102,835	11,028,353	28,880	226,257	1,186,894	2,453,095	3,866,246	(426,827)	1,109,486	-	(136,726)	15,469,412	2,164,152	17,633,564	
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 (loss) income for the year ended December 31, 2022	-	-	-	-	-	47,088	47,088	273,827	(865)	-	-	320,050	33,348	353,398	
Total comprehensive (loss) income 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	
Disposal of investments in equity instruments designated as at FVTOCI by associates	-	-	-	-	-	9,908	9,908	-	(9,908)	-	-	-	-	-	
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)	
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	

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, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 544,877	\$ 524,678
Adjustments for:		
Depreciation and amortization expenses	1,223,412	1,198,553
Expected credit loss (reversed) recognized	(1,570)	5,150
Loss on financial instruments at FVTPL	40,909	56,417
Finance costs	145,485	89,635
Interest income	(16,923)	(8,061)
Dividend income	(95,858)	(148,767)
Share of profit of associates	(188,961)	(108,630)
Gain on disposal of property, plant and equipment	(109)	(30)
Loss on disposal of investments	-	159
Gain on lease modification	(31)	-
Write-downs (reversal of write-downs) of inventories	20,178	(4,648)
Unrealized gain on foreign currency exchange	(4,971)	(8,080)
Loss (gain) on changes in fair value less costs to sell of biological assets	2,403	(3,395)
Gain from bargain purchase	(18,792)	(22,018)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at FVTPL	(63,017)	(47,539)
Notes and accounts receivable	202,054	(649,197)
Notes and accounts receivable from related parties	(25,871)	18,823
Inventories	(714,771)	(505,393)
Biological assets	(14,660)	119,601
Other current assets	(387,152)	305,169
Net defined benefit assets	(15,837)	(372,368)
Notes and accounts payable	233,971	33,873
Notes and accounts payable to related parties	(188,918)	55,626
Other payables	(107,993)	148,176
Other payables to related parties	(2,271)	-
Other current liabilities	47,297	(92,333)
Cash generated from operations	612,881	585,401
Interest received	14,361	8,036
Interest paid	(145,043)	(90,457)
Income tax paid	(146)	(4,705)
Net cash generated from operating activities	<u>482,053</u>	<u>498,275</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from capital reduction on investments accounted for financial assets at FVTOCI	-	26,122
Purchase of financial assets at amortized cost	(587,377)	-
Proceeds from sale of financial assets at amortized cost	221,732	5,000
Proceeds from sale of financial instruments for hedging	-	5,303

(Continued)

## CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
Purchase of investments accounted for using the equity method	\$ (25,332)	\$ (30,222)
Proceeds from disposal of investment accounted for using equity method	258,673	19,975
Payments for property, plant and equipment	(1,338,410)	(1,768,736)
Proceeds from disposal of property, plant and equipment	294	53
Decrease in other receivables from related parties	103,762	3,276
Increase in other non-current assets	(28,207)	(19,455)
Decrease in prepayments for equipment	361,666	108,217
Dividends received	<u>159,858</u>	<u>202,577</u>
Net cash used in investing activities	<u>(873,341)</u>	<u>(1,447,890)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Decrease) increase in short-term borrowings	(1,352,759)	2,359,734
Decrease in short-term bills payable	(5,399,370)	(648,139)
Proceeds from long-term borrowings	8,700,000	3,100,000
Repayments of long-term borrowings	(800,000)	(3,700,000)
Increase in other payables to related parties	-	3,213
Repayment of the principal portion of lease liabilities	(33,192)	(27,788)
(Decrease) increase in other non-current liabilities	(47,047)	12,703
Cash dividends	(441,134)	-
Increase in non-controlling interests	18,911	-
Capital surplus transferred from unclaimed dividends	<u>794</u>	<u>1,220</u>
Net cash generated from financing activities	<u>646,203</u>	<u>1,100,943</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>14,253</u>	<u>(1,804)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	269,168	149,524
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>536,128</u>	<u>386,604</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 805,296</u>	<u>\$ 536,128</u>

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

# CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

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

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

YFY Inc. and its subsidiaries held 58.6% of ordinary shares of the Company as of December 31, 2022 and 2021.

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 15, 2023.

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

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

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2023

<b>New, Amended and Revised Standards and Interpretations</b>	<b>Effective Date Announced by IASB</b>
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

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

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group 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 IFRSs in issue but not yet endorsed and issued into effect by the FSC

<b>New, Amended and Revised Standards and Interpretations</b>	<b>Effective Date Announced by IASB (Note 1)</b>
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
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

Note 1: Unless stated otherwise, the above IFRSs 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.

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 will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

- a. Statement of compliance

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

- b. Basis of preparation

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

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

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

c. 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 unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

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.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company.

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

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

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

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

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 interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

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

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

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

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. Investment in associates

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

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



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

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

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

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

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

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

i. Property, plant and equipment

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

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

Freehold land is not depreciated.

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

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

j. Investment properties

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

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

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

Depreciation is recognized using the straight-line method.

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

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

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

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

l. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

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

i. Financial assets at FVTPL

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

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

ii. Financial assets at amortized cost

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

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

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

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

### 3) Financial liabilities

#### a) Subsequent measurement

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

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

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

#### b) Derecognition of financial liabilities

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

### 4) Derivative financial instruments

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

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

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

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 Group uses the lessee's incremental borrowing rate.

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

The Group negotiates with the lessor for rent concessions as a direct consequence of the Covid-19

to change the lease payments originally due by June 30, 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 the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

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

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

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

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

provision.

## 2) Deferred tax

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

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

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

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

## 3) Current and deferred taxes for the year

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

## 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. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Group considers the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates on cash flow projections, growth rate, discount



rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

### Estimated Impairment of Accounts Receivable

The provision for impairment of accounts receivable is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 11. Where the actual future cash inflows are less than expected, a material impairment loss may arise. Furthermore, the estimate of the probability of default is subject to greater uncertainties in the current year due to impact on credit risk of financial assets arising from the uncertainty on COVID-19 pandemic.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Cash on hand	\$ 1,842	\$ 2,070
Checking accounts and demand deposits	638,773	328,008
Cash equivalents		
Time deposits with original maturities of less than three months	<u>164,681</u>	<u>206,050</u>
	<u>\$ 805,296</u>	<u>\$ 536,128</u>

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Bank balance	0.001%-1.05%	0.001%-0.36%
Cash equivalents	0.975%-4.00%	0.35%-1.10%

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	\$ 19,692	\$ 1,095
Non-derivative financial assets		
Mutual funds	<u>6,390</u>	<u>1,364</u>
	<u>\$ 26,082</u>	<u>\$ 2,459</u>

(Continued)

### Financial liabilities at FVTPL - current

Financial liabilities mandatorily classified as at FVTPL

Derivative financial liabilities (not under hedge accounting)

Foreign exchange forward contracts	\$ <u>9,005</u>	\$ <u>7,486</u> (Concluded)
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At the end of the reporting year, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2022</u>			
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
<u>December 31, 2021</u>			
Sell	USD:NTD	2022.01.14-2022.01.27	USD6,200/NTD171,616
	EUR:NTD	2022.01.26	EUR1,000/NTD31,320
Buy	USD:RMB	2022.01.18-2022.03.28	USD35,000/RMB223,150

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	
	2022	2021
<u>Current</u>		
Domestic investments		
Listed shares	\$ <u>1,729,041</u>	\$ <u>1,650,599</u>
<u>Non-current</u>		
Domestic investments		
Listed shares	\$ 308,709	\$ 303,810
Unlisted shares	<u>184,007</u>	<u>273,721</u>
	<u>\$ 492,716</u>	<u>\$ 577,531</u>

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

## 9. FINANCIAL INSTRUMENTS FOR HEDGING

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

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

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

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

December 31, 2021

<b>Hedged Items</b>	<b>Change in Value Used for Calculating Hedge Ineffectiveness</b>	<b>Other Equity Carrying Amount in Continuing Hedges</b>
Cash flow hedge		
Forecast transactions (capital expenditures)	\$ <u>5,249</u>	\$ <u>-</u>

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 2021.

## 10. FINANCIAL ASSETS AT AMORTIZED COST

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Current</u>		
Domestic investments		
Time deposits with original maturity between three months and a year	\$ 3,000	\$ 3,000
Foreign investments		
Time deposits with original maturity between three months and a year	467,342	-
Time deposits with original maturity of more than a year	<u>-</u>	<u>271,074</u>
	<u>\$ 470,342</u>	<u>\$ 220,074</u>
<u>Non-current</u>		
Foreign investments		
Time deposits with original maturity of more than a year	\$ <u>132,283</u>	\$ <u>-</u>

As of December 31, 2022 and 2021, the interest rates for time deposits with original maturity between three months and a year were 1.44%-5.07% and 0.82%, respectively, and the interest rates for time deposits with original maturity of more than a year were 3.25% and 3.96%, respectively.

## 11. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	December 31	
	2022	2021
Notes receivable - operating	\$ 446,796	\$ 657,448
Accounts receivable - operating	<u>2,838,967</u>	<u>2,807,042</u>
Gross carrying amount	3,285,763	3,464,490
Less: Allowance for impairment loss	<u>(16,792)</u>	<u>(18,238)</u>
	<u>\$ 3,268,971</u>	<u>\$ 3,446,252</u>

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

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

The Group applies the simplified approach for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

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

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

### December 31, 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)	<u>(423)</u>	<u>(10,084)</u>	<u>(6,281)</u>	<u>(4)</u>	<u>(16,792)</u>
Amortized cost	<u>\$ 2,774,834</u>	<u>\$ 473,884</u>	<u>\$ 20,253</u>	<u>\$ -</u>	<u>\$ 3,268,971</u>

### December 31, 2021

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

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

	2022	2021
Balance at January 1	\$ 18,238	\$ 13,131
Net remeasurement of allowance	(1,570)	5,150
Foreign exchange translation gains and losses	<u>124</u>	<u>(43)</u>
Balance at December 31	<u>\$ 16,792</u>	<u>\$ 18,238</u>

As of December 31, 2022 and 2021, the Group discounted a portion of its banker's acceptance bills in mainland China with an aggregate carrying amount of \$42,050 thousand and \$73,795 thousand. For information on the transfer of financial instruments, refer to Note 26.

## 12. INVENTORIES

	December 31	
	2022	2021
Finished and purchased goods	\$ 2,754,404	\$ 2,341,317
Work in process	570,663	351,643
Materials	<u>1,662,790</u>	<u>1,588,593</u>
	<u>\$ 4,987,857</u>	<u>\$ 4,281,553</u>

The cost of goods sold for the years ended December 31, 2022 and 2021 included inventory write-downs of \$20,178 thousand and reversal of inventory write downs of \$4,648 thousand, respectively.

## 13. BIOLOGICAL ASSETS

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 3,193,535	\$ 3,327,526
Increase due to planting	327,924	200,732
(Loss) gain from changes in fair value less costs to sell	(2,403)	3,395
Decrease due to harvest	(313,264)	(320,333)
Net exchange differences	<u>49,919</u>	<u>(17,785)</u>
Balance at December 31	<u>\$ 3,255,711</u>	<u>\$ 3,193,535</u>

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

	For the Year Ended December 31	
	2022	2021
Eucalyptus (Level 3)	<u>\$ 3,359,818</u>	<u>\$ 3,295,021</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Opening balance	\$ 3,295,021	\$ 3,437,755
Increase due to planting	355,779	214,819
(Loss) gain from changes in fair value less costs to sell - unrealized	(2,608)	3,633
Decrease due to harvest	(339,876)	(342,813)
Foreign exchange translation gains and losses	51,502	(18,373)
Ending balance	<u>\$ 3,359,818</u>	<u>\$ 3,295,021</u>

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

#### 14. SUBSIDIARIES

<b>Investor</b>	<b>Investee</b>	<b>Main Business</b>	<b>% of Ownership</b>	
			<b>December 31</b>	<b>2022</b>
The Company	CHP International (BVI) Corporation	Investment and holding.	100.0	100.0
CHP International (BVI) Corporation	Hwa Fong Investment Co., Ltd.	Investment and holding.	100.0	100.0
	Guangdong Dingfung Pulp & Paper Co., Ltd.	Pulp and paper production, trading and forestry business.	60.0	60.0
	Zhaoqing Dingfung Forestry Ltd.	Seedling cultivation and sales, reforestation, sales-cum-forest logging and other forestry, processing and transportation.	20.2	20.2
Hwa Fong Investment Co., Ltd.	Syntax Communication (H.K.) Limited	Sale and print of paper merchandise.	100.0	100.0
	Genovella Renewables Inc.	Sale and production of fertilizer, retail sale of food products and groceries, plant cultivation, refractory materials manufacturing, cement and concrete products manufacturing, refractory materials wholesale and sale of building material, manpower services and wholesale and sale of chemistry raw materials.	100.0	100.0
Guangdong Dingfung Pulp & Paper Co., Ltd.	Zhaoqing Dingfung Forestry Ltd.	Seedling cultivation and sales, reforestation, sales-cum-forest logging and other forestry, processing and transportation.	66.3	66.3
	Shenzhen Jinglun Paper Co., Ltd.	Paper trading, cargo and technic import and export business.	100.0	100.0
	Zhaoqing Xinchuan Green Technology Co., Ltd.	Environment equipment technology research and development, construction for wastewater, flue gas, noise and solid waste treatment, pure water construction, environment technology consulting, sale of environment equipment and chemical raw material, cargo and technic import and export.	100.0	100.0
Zhaoqing Dingfung Forestry Ltd.	Guizhou Yuanfung Forestry Co., Ltd. (Note)	Seedling cultivation and sales, reforestation, sales-cum-forest logging and other forestry, processing and transportation.	67.0	67.0

Note: Established in the fourth quarter of 2021, and the capital injection has been executed successively in 2022.

## 15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2022	2021
Associates that are not individually material	<u>\$ 769,254</u>	<u>\$ 818,496</u>

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

	December 31	
	2022	2021
The Group's share of:		
Profit from continuing operations	\$ 188,961	\$ 108,630
Other comprehensive income	<u>50,961</u>	<u>34,020</u>
Total comprehensive income for the year	<u>\$ 239,922</u>	<u>\$ 142,650</u>

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

For the years ended December 31, 2022 and 2021, the Group obtained 3,608,089 voting shares and 4,272,247 voting shares of Union Paper Corporation., Ltd. at \$7.02 and \$7-7.61 per share, with a total investment of \$25,332 thousands and \$30,222 thousands, as well as 3.49% and 4.13% of voting rights. The Group recognized gain from bargain purchase of \$18,792 thousands and \$22,018 thousands.

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

The Group is able to exercise significant influence over some associates that are not individually material even if it holds less than 20% of their voting rights. Thus, the Group uses the equity method to account for its investments in these associates.

## 16. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery	Electric Equipment	Tools	Miscellaneous Equipment	Property in Construction	Total
<u>Cost</u>								
Balance at January 1, 2021	\$ 8,197,658	\$ 4,058,786	\$ 30,174,512	\$ 3,056,980	\$ 1,747,207	\$ 815,800	\$ 996,690	\$ 49,047,633
Additions	-	16,154	54,667	22,786	26,194	7,199	919,511	1,046,511
Disposals	-	(1,326)	(103,833)	(8,643)	(10,119)	(6,861)	-	(130,832)
Effect of foreign currency exchange differences	-	(3,863)	(22,524)	-	(81)	(990)	(1,513)	(28,971)
Reclassifications	-	44,384	896,977	51,628	99,382	23,777	(1,116,148)	-
Balance at December 31, 2021	<u>\$ 8,197,658</u>	<u>\$ 4,114,135</u>	<u>\$ 30,999,749</u>	<u>\$ 3,122,751</u>	<u>\$ 1,862,583</u>	<u>\$ 838,925</u>	<u>\$ 798,540</u>	<u>\$ 49,934,341</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2021	\$ -	\$ 2,994,525	\$ 24,880,732	\$ 2,482,915	\$ 1,478,679	\$ 652,910	\$ -	\$ 32,489,761
Disposals	-	(1,326)	(103,883)	(8,643)	(10,115)	(6,842)	-	(130,809)
Depreciation expense	-	109,010	807,569	87,237	106,351	44,941	-	1,155,108
Effect of foreign currency exchange differences	-	(1,455)	(14,476)	-	(72)	(634)	-	(16,638)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 3,100,754</u>	<u>\$ 25,569,942</u>	<u>\$ 2,561,509</u>	<u>\$ 1,574,842</u>	<u>\$ 690,375</u>	<u>\$ -</u>	<u>\$ 33,497,422</u>
Carrying amounts at December 31, 2021	<u>\$ 8,197,658</u>	<u>\$ 1,013,381</u>	<u>\$ 5,429,807</u>	<u>\$ 561,242</u>	<u>\$ 287,741</u>	<u>\$ 148,550</u>	<u>\$ 798,540</u>	<u>\$ 16,436,919</u>
<u>Cost</u>								
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	<u>\$ 7,922,547</u>	<u>\$ 4,167,738</u>	<u>\$ 31,636,180</u>	<u>\$ 3,032,866</u>	<u>\$ 1,922,440</u>	<u>\$ 859,252</u>	<u>\$ 1,130,803</u>	<u>\$ 50,671,826</u>
<u>Accumulated depreciation and impairment</u>								
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	<u>\$ -</u>	<u>\$ 3,212,441</u>	<u>\$ 26,383,318</u>	<u>\$ 2,519,894</u>	<u>\$ 1,678,865</u>	<u>\$ 726,297</u>	<u>\$ -</u>	<u>\$ 34,520,815</u>
Carrying amounts at December 31, 2022	<u>\$ 7,922,547</u>	<u>\$ 955,297</u>	<u>\$ 5,252,862</u>	<u>\$ 512,972</u>	<u>\$ 243,575</u>	<u>\$ 132,955</u>	<u>\$ 1,130,803</u>	<u>\$ 16,151,011</u>

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

### Buildings

Main buildings

15-35 years

Others

3-44 years

### Machinery

3-15 years

### Electric equipment

5-15 years

### Tools

3-5 years

### Miscellaneous equipment

3-20 years

## 17. LEASE ARRANGEMENTS

### a. Right-of-use assets

	December 31	
	2022	2021
<u>Carrying amount</u>		
Land	\$ 428,111	\$ 425,106
Buildings	23,880	25,961
Office equipment	19,989	20,853
Transportation equipment	6,448	3,348
	<u>\$ 478,428</u>	<u>\$ 474,998</u>



	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Additions to right-of-use assets	<u>\$ 42,691</u>	<u>\$ 47,763</u>
Depreciation charge for right-of-use assets		
Land	\$ 14,573	\$ 14,655
Buildings	14,725	12,664
Office equipment	8,879	9,989
Transportation equipment	<u>6,326</u>	<u>1,570</u>
	<u>\$ 44,503</u>	<u>\$ 38,878</u>

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the years ended December 31, 2022 and 2021.

b. Lease liabilities

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Carrying amount</u>		
Current	<u>\$ 32,663</u>	<u>\$ 26,092</u>
Non-current	<u>\$ 29,105</u>	<u>\$ 26,939</u>

Range of discount rates for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Land	0.88%-1.02%	0.97%-1.21%
Buildings	0.88%-1.21%	0.97%-1.21%
Office equipment	0.88%-1.21%	0.97%-1.21%
Transportation equipment	0.88%-1.21%	0.97%-1.21%

c. Material lease-in activities and terms

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

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

d. Other lease information

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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Expenses relating to short-term leases and low-value asset leases	<u>\$ 70,054</u>	<u>\$ 62,392</u>
Total cash outflow for leases	<u>\$ (110,909)</u>	<u>\$ (86,173)</u>

## 18. INVESTMENT PROPERTIES

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Cost</u>		
Opening balance	\$ 272,334	\$ 272,334
Reclassification	<u>499,200</u>	<u>-</u>
Ending balance	<u>\$ 771,534</u>	<u>\$ 272,334</u>
<u>Accumulated depreciation and impairment</u>		
Opening balance	\$ (15,724)	\$ (15,457)
Depreciation expense	<u>(268)</u>	<u>(267)</u>
Ending balance	<u>\$ (15,992)</u>	<u>\$ (15,724)</u>
Ending carrying amount	<u>\$ 755,542</u>	<u>\$ 256,610</u>

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

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Fair value	<u>\$ 856,590</u>	<u>\$ 357,390</u>

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

The future minimum lease payments of non-cancellable operating lease commitments as of December 31, 2022 and 2021 are as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Lease commitment of investment properties	<u>\$ 322,251</u>	<u>\$ 25,948</u>

## 19. BORROWINGS

### a. Short-term borrowings

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Bank credit loans	\$ 2,640,000	\$ 2,815,000
Letter of credit loans	<u>-</u>	<u>1,177,759</u>
	<u>\$ 2,640,000</u>	<u>\$ 3,992,759</u>

As of December 31, 2022 and 2021, the interest rates of short-term borrowings were 1.21%-1.85% and 0.52%-1.05% per annum, respectively.

b. Short-term bills payable

	December 31	
	2022	2021
Commercial paper	\$ 250,000	\$ 5,650,000
Less: Unamortized discounts on bills payable	<u>(149)</u>	<u>(779)</u>
	<u>\$ 249,851</u>	<u>\$ 5,649,221</u>

Short-term bills payable are commercial papers due within one year. Interest rates on these bills payable were 1.55% and 0.24%-0.66% as of December 31, 2022 and 2021, respectively.

c. Long-term borrowings

	December 31	
	2022	2021
Unsecured bank loans	\$ 8,700,000	\$ 800,000
Less: Loan management fees	<u>(9,355)</u>	<u>(7,008)</u>
Long-term bank loans	<u>\$ 8,690,645</u>	<u>\$ 792,992</u>

	Due Date	Article	Interest Rate	December 31	
				2022	2021
Taiwan Bank Credit loan A	2025.03.31	The credit can be revolved within 60 months from March 31, 2020, the first drawdown date of the loan.	1.79%-1.81%	\$ 3,700,000	\$ 800,000
Syndicated loan from Taipei Fubon Bank and Bank of Taiwan - credit loan A	2027.09.30	The credit can be used separately within 60 months from September 30, 2022, the first drawdown date of the loan.	1.79%	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.	1.79%	<u>4,500,000</u>	<u>-</u>
				<u>\$ 8,700,000</u>	<u>\$ 800,000</u>

## 20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

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

b. Defined benefit plans

The defined benefit plan adopted by the Group in accordance with the Labor Standards Law is operated by the government of the Republic of China. Pension benefits are calculated on the basis of the length of service and average monthly salary of the six months before retirement. The Group contributes specific percentage of total monthly salaries and wages to a pension fund administered by the pension

fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Fair value of plan assets	\$ 835,666	\$ 834,234
Present value of defined benefit plan	<u>(469,600)</u>	<u>(542,455)</u>
Net defined benefit asset	<u>\$ 366,066</u>	<u>\$ 291,779</u>

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

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Assets (Liability)</b>
Balance at January 1, 2021	\$ (513,617)	\$ 523,023	\$ 9,406
Service cost			
Current service cost	(14,207)	-	(14,207)
Net interest (expense) income	<u>(2,474)</u>	<u>2,556</u>	<u>82</u>
Recognized in profit or loss	<u>(16,681)</u>	<u>2,556</u>	<u>(14,125)</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	7,796	7,796
Actuarial loss - experience adjustments	(95,054)	-	(95,054)
Actuarial loss - changes in financial assumptions	<u>(2,737)</u>	<u>-</u>	<u>(2,737)</u>
Recognized in other comprehensive income	<u>(97,791)</u>	<u>7,796</u>	<u>(89,995)</u>
Contributions from the employer	-	386,493	386,493
Benefits paid	<u>85,634</u>	<u>(85,634)</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ (542,455)</u>	<u>\$ (834,234)</u>	<u>\$ 291,779</u>
Balance at January 1, 2022	\$ (542,455)	\$ 834,234	\$ 291,779
Service cost			
Current service cost	(13,482)	-	(13,482)
Net interest (expense) income	<u>(3,871)</u>	<u>6,102</u>	<u>2,231</u>
Recognized in profit or loss	<u>(17,353)</u>	<u>6,102</u>	<u>(11,251)</u>
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	<u>26,255</u>	<u>-</u>	<u>26,255</u>
Recognized in other comprehensive income	<u>(6,453)</u>	<u>64,903</u>	<u>58,450</u>
Contributions from the employer	-	27,088	27,088
Benefits paid	<u>96,661</u>	<u>(96,661)</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ (469,600)</u>	<u>\$ 835,666</u>	<u>\$ 366,066</u>

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

following risks:

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

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Discount rates	1.75%	0.75%
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:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Discount rates		
0.125% increase	<u>\$ (3,105)</u>	<u>\$ (3,760)</u>
0.125% decrease	<u>\$ 3,142</u>	<u>\$ 3,810</u>
Expected rates of salary increase		
0.125% increase	<u>\$ 3,163</u>	<u>\$ 3,797</u>
0.125% decrease	<u>\$ (3,132)</u>	<u>\$ (3,757)</u>

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
The expected contributions to the plans for the next year	<u>\$ 5,510</u>	<u>\$ 11,251</u>
The average duration of the defined benefit obligation	5.4 years	5.6 years

## 21. EQUITY

### a. Ordinary shares

	December 31	
	2022	2021
Number of shares authorized (in thousands)	<u>1,300,000</u>	<u>1,300,000</u>
Shares authorized	<u>\$ 13,000,000</u>	<u>\$ 13,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>1,102,835</u>	<u>1,102,835</u>
Shares issued	<u>\$ 11,028,353</u>	<u>\$ 11,028,353</u>

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

### b. Capital surplus

	December 31	
	2022	2021
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*		
Arising from treasury share transactions	\$ 20,817	\$ 20,817
The difference between consideration paid and the carrying amount of the subsidiary's net assets during actual acquisition	484	484
<u>May be used to offset a deficit only</u>		
Arising from share of changes in capital surplus of associates	11,868	5,910
Capital surplus transferred from unclaimed dividends	<u>2,463</u>	<u>1,669</u>
	<u>\$ 35,632</u>	<u>\$ 28,880</u>

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

### c. Retained earnings and dividends policy

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

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

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

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

Under Order No. 1010047490 and 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 should appropriate to or reverse from a special reserve. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed.

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

The appropriations of earnings which approved by the shareholder on June 17, 2022 were as follows:

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

The appropriation of earnings for 2022, which was proposed by the Company’s board of directors on March 15, 2023, was as follows:

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

The appropriation of earnings for 2022 will be resolved by the shareholders in their meeting to be held in June 2023. Information on the appropriation of earnings resolved by the Company’s board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

d. Special reserves

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Special reserves	<u>\$ 1,186,894</u>	<u>\$ 1,186,894</u>

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

e. Other equity items

	<b>Exchange Differences on Translation of the Financial Statements of Foreign Operations</b>	<b>Unrealized (Loss) Gain on Financial Assets at FVTOCI</b>	<b>Gain (Loss) on Hedging Instruments</b>	<b>Total</b>
<u>2022</u>				
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	<u>\$ (153,000)</u>	<u>\$ 1,098,713</u>	<u>\$ -</u>	<u>\$ 945,713</u>
<u>2021</u>				
Balance at January 1	\$ (338,941)	\$ 761,027	\$ (5,249)	\$ 416,837
Unrealized gain on financial assets at FVTOCI	-	295,445	-	295,445
Exchange differences on translation of the financial statements of foreign operations	(64,816)	-	-	(64,816)
Gain arising on changes in the fair value of hedging instrument	-	-	5,249	5,249
Share of other comprehensive (loss) income of associates	(23,070)	57,506	-	34,436
Disposal of associates accounted for using equity method	-	(1,650)	-	(1,650)
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal of associates	-	(2,842)	-	(2,842)
Balance at December 31	<u>\$ (426,827)</u>	<u>\$ 1,109,486</u>	<u>\$ -</u>	<u>\$ 682,659</u>



f. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Balance at January 1	\$ 2,164,152	\$ 2,200,775
Increase in non-controlling interests	18,911	-
Attributable to non-controlling interests:		
Share of profit (loss) for the year	93,757	(24,858)
Exchange differences on translation of the financial statements of foreign operations	<u>33,348</u>	<u>(11,765)</u>
Balance at December 31	<u>\$ 2,310,168</u>	<u>\$ 2,164,152</u>

- g. As of December 31, 2022, the Company had bought back 15,944 thousand treasury shares for transferring to employees with an average buy-back price of \$8.58 per share. The acquisition was approved by the board of directors on May 14, 2020 and fully executed on July 14, 2020. Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

## 22. NET (LOSS) PROFIT FROM CONTINUING OPERATIONS

a. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Interest on bank loans	\$ 145,761	\$ 90,322
Add: Interest of lease liabilities	618	582
Less: Amounts included in the cost of qualifying assets	<u>(894)</u>	<u>(1,269)</u>
	<u>\$ 145,485</u>	<u>\$ 89,635</u>

Information about capitalized interest was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Capitalization rate	0.84%-1.64%	0.79%-0.97%

b. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
An analysis of depreciation by function		
Operating costs	\$ 1,187,077	\$ 1,158,978
Operating expenses	<u>27,317</u>	<u>35,275</u>
	<u>\$ 1,214,394</u>	<u>\$ 1,194,253</u>
An analysis of amortization by function		
Operating costs	\$ 3,471	\$ 1,308
Operating expenses	<u>5,547</u>	<u>2,992</u>
	<u>\$ 9,018</u>	<u>\$ 4,300</u>

c. Employee benefit expense

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Post-employment benefits		
Defined contribution plans	\$ 80,365	\$ 75,958
Defined benefit plans	<u>11,251</u>	<u>14,125</u>
	91,616	90,083
Other employee benefits	<u>2,071,016</u>	<u>2,075,200</u>
Total employee benefit expense	<u>\$ 2,162,632</u>	<u>\$ 2,165,283</u>
An analysis of employee benefit expense by function		
Operating costs	\$ 1,925,400	\$ 1,909,259
Operating expenses	<u>237,232</u>	<u>256,024</u>
	<u>\$ 2,162,632</u>	<u>\$ 2,165,283</u>

As of December 31, 2022 and 2021, the Group had 2,847 and 2,723 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.

The appropriations of compensation of employees and remuneration of directors for 2022 and 2021 that were resolved by the board of directors on March 15, 2023 and March 15, 2022 are as shown below:

	<b>For the Year Ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Compensation of employees	<u>\$ 5,000</u>	<u>\$ 6,000</u>
Remuneration of directors	<u>\$ 6,500</u>	<u>\$ 7,000</u>

If there is a change in the amounts after the annual consolidated financial statements for 2022 are authorized for issue, the differences are recorded as a change in the accounting estimate in the following year.

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

## 23. INCOME TAXES RELATING TO CONTINUING OPERATIONS

### a. Income tax recognized in profit or loss

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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Current tax		
In respect of the current year	\$ 2,515	\$ 2,312
Adjustments for prior years	<u>396</u>	<u>118</u>
	<u>2,911</u>	<u>2,430</u>
Deferred tax		
In respect of the current year	2,275	69,692
Adjustments for prior years	<u>-</u>	<u>(10,817)</u>
	<u>2,275</u>	<u>58,875</u>
Income tax expense recognized in profit or loss	<u>\$ 5,186</u>	<u>\$ 61,305</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Profit (loss) before tax from continuing operations	<u>\$ 544,877</u>	<u>\$ 524,678</u>
Income tax expense (benefit) calculated at the statutory rate (20%)	\$ 108,975	\$ 104,936
Permanent differences	(85,324)	(61,909)
Additional tax on unappropriated earnings	23	-
Unrecognized loss carryforwards	(29,362)	29,269
Adjustments for prior years	396	(10,699)
Effect of different tax rates of group entities in the Group operating in other jurisdictions	<u>10,478</u>	<u>(292)</u>
Income tax expense recognized in profit or loss	<u>\$ 5,186</u>	<u>\$ 61,305</u>

The applicable tax rate used by subsidiaries in China is 25%. Under the “Criteria for Designation of High and New Technology Enterprise”, a designated high and new technology enterprise is allowed a 15% income tax rate. Guangdong Dingfung Pulp & Paper Co., Ltd. had obtained its qualification certificates and have a tax incentive of 15% income tax rate. Under the “Preferential Income Tax Policies for Micro and Small Enterprises and Individual Industrial and Commercial Households”, Zhaoging Xinchuan Green Technology Co., Ltd. has met its requirements. 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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Deferred tax</u>		
Remeasurement on defined benefit plan	<u>\$ (11,690)</u>	<u>\$ 17,999</u>

### c. Deferred tax assets and liabilities

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

For the year ended December 31, 2022

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

For the year ended December 31, 2021

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Compre- hensive Income</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>					
Temporary differences					
Defined benefit plan	\$ 41,181	\$ (41,181)	\$ -	\$ -	\$ -
Loss carryforwards	36,072	63,083	-	-	99,155
Others	<u>33,618</u>	<u>(4,862)</u>	<u>-</u>	<u>(70)</u>	<u>28,686</u>
	<u>\$ 110,871</u>	<u>\$ 17,040</u>	<u>\$ -</u>	<u>\$ (70)</u>	<u>\$ 127,841</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Land value increment tax	\$ 1,924,940	\$ -	\$ -	\$ -	\$ 1,924,940
Defined benefit plan	-	76,355	17,999	-	58,356
Others	<u>77,227</u>	<u>(440)</u>	<u>-</u>	<u>-</u>	<u>76,787</u>
	<u>\$ 2,002,167</u>	<u>\$ (75,915)</u>	<u>\$ (17,999)</u>	<u>\$ -</u>	<u>\$ 2,060,083</u>

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Loss carryforwards		
Expiry in 2029	\$ 181,199	\$ 293,797
Expiry in 2030	376,821	371,014
Expiry in 2031	174,567	171,877
Unlimited	<u>14,301</u>	<u>12,888</u>
	<u>\$ 746,888</u>	<u>\$ 849,576</u>

e. Loss carryforwards as of December 31, 2022 comprised:

The Company

Unused Amount	Expiry Year
\$ 88,731	2029
<u>319,406</u>	2030
<u>\$ 408,137</u>	

Guangdong Dingfung Pulp & Paper Co., Ltd.

Unused Amount	Expiry Year
\$ 181,199	2029
376,821	2030
<u>174,567</u>	2031
<u>\$ 732,587</u>	

Syntax Communication (H.K.) Limited.

Unused Amount	Expiry Year
<u>\$ 14,301</u>	Unlimited

f. Deferred tax liabilities associated with investments

As of December 31, 2022 and 2021, the taxable temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognized were \$647,002 thousand and \$559,153 thousand, respectively.

g. Income tax assessments

	Latest Approved Year
The Company	2020
Hwa Fong Investments Co., Ltd.	2020
Genovella Renewables Inc.	2020

## 24. EARNINGS PER SHARE

	For the Year Ended December 31	
	2022	2021
Basic earnings per share	<u>\$ 0.41</u>	<u>\$ 0.45</u>
Diluted earnings per share	<u>\$ 0.41</u>	<u>\$ 0.45</u>

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

Net profit for the year:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Profit for the year attributable to owners of the Company	<u>\$ 445,934</u>	<u>\$ 488,231</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Weighted average number of ordinary shares used in the computation of basic earnings per share	1,086,891	1,086,891
Effect of potentially dilutive ordinary shares:		
Compensation issued to employees	<u>357</u>	<u>242</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>1,087,248</u>	<u>1,087,133</u>

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

## 25. CAPITAL MANAGEMENT

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

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

## 26. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments

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

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

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

December 31, 2022

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

December 31, 2021

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

There were no transfers between Levels 1 and 2 for the years ended December 31, 2022 and 2021.

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

Financial Assets	Financial Assets of Equity Securities at FVTOCI
Balance at January 1, 2022	\$ 273,721
Recognized in other comprehensive income	<u>(89,174)</u>
Balance at December 31, 2022	<u>\$ 184,007</u>
Balance at January 1, 2021	\$ 371,963
Proceeds from capital reduction	(26,122)
Recognized in other comprehensive income	<u>(72,120)</u>
Balance at December 31, 2021	<u>\$ 273,721</u>

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

Financial Instruments	Valuation Techniques and Inputs
Derivatives - foreign exchange forward contracts	<p>Discounted cash flow.</p> <p>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</p> <p>b) The daily spot exchange rate quoted by financial institutions.</p>

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	
	2022	2021
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	
	2022	2021
Discount for lack of marketability		
2.5% increase	<u>\$ (5,412)</u>	<u>\$ (8,051)</u>
2.5% decrease	<u>\$ 5,412</u>	<u>\$ 8,051</u>



b. Categories of financial instruments

	December 31	
	2022	2021
<u>Financial assets</u>		
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	\$ 26,082	\$ 2,459
Financial assets at amortized cost (1)	5,550,003	5,160,712
Financial assets at FVTOCI	2,221,757	2,228,130
<u>Financial liabilities</u>		
Financial liabilities at FVTPL		
Financial liabilities at amortized cost (2)	9,005	7,486
	14,830,067	13,774,284

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

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

1) Market risk

a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk. The Group used foreign exchange forward contracts to eliminate currency exposure. These foreign exchange forward contracts could reduce the influence of the exchange rate fluctuations on the Group's income.

Sensitivity analysis

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

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

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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Influence to profit or loss at 5% variance		
USD	\$ 67,788	\$ (25,788)
RMB	80,430	111,602
EUR	539	9,332

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:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Fair value interest rate risk		
Financial assets	\$ 773,561	\$ 533,861
Financial liabilities	9,002,174	6,495,244
Cash flow interest rate risk		
Financial assets	638,773	328,008
Financial liabilities	2,640,000	3,992,759

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

Sensitivity analysis

For the Group's floating interest rate financial liabilities, if interest rates had been 0.1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2022 and 2021 would have decreased/increased as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Other comprehensive income		
Increase/decrease	<u>\$ 2,001</u>	<u>\$ 3,665</u>

c) Other price risk

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

### Sensitivity analysis

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

If equity prices had been 5% higher/lower, the Group's comprehensive income for the years ended December 31, 2022 and 2021 would have increased/decreased as follows:

	For the Year Ended December 31	
	2022	2021
Profit before tax		
Increase/decrease	\$ 320	\$ 68
Other comprehensive income		
Increase/decrease	111,088	111,407

#### 2) Credit risk

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

The Group's concentration of credit risk of 9% and 12% of total amounts of trade receivables as of December 31, 2022 and 2021, respectively, was attributable to the Group's largest customer.

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

#### 3) Liquidity risk

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

As of December 31, 2022 and 2021, the Group's unused financing facilities were \$10,471,950 thousand and \$5,627,907 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:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
The discounted amount	<u>\$ 42,050</u>	<u>\$ 73,795</u>
The received amount	<u>\$ 41,868</u>	<u>\$ 73,359</u>
Interest rates	1.58%-1.69%	2.60%-2.83%

## 27. TRANSACTIONS WITH RELATED PARTIES

The Company's parent is YFY Inc., which both held 57.8% of the ordinary shares of the Company as of December 31, 2022 and 2021.

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

### a. Related party name and category

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

b. Sales of goods

Related Party Type	For the Year Ended December 31	
	2022	2021
Fellow subsidiaries	\$ 3,155,221	\$ 3,763,130
Substantial related parties	178,754	199,870
Parent company	33	52
Parent's associates	4	23
	<u>\$ 3,334,012</u>	<u>\$ 3,963,075</u>

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

c. Purchases of goods

Related Party Type	For the Year Ended December 31	
	2022	2021
Fellow subsidiaries	\$ 1,400,363	\$ 2,061,418
Substantial related parties	1,575	1,645
Parent's associates	659	491
	<u>\$ 1,402,597</u>	<u>\$ 2,063,554</u>

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

d. Notes and accounts receivable from related parties

Related Party Type	December 31	
	2022	2021
Fellow subsidiaries		
YFY Consumer Products Co., Ltd	\$ 225,491	\$ 134,892
YFY Investment Co., Ltd.	108,095	28,802
Union Paper Corp.	49,692	86,111
YFY Development Corp.	36,813	56,905
Others	28,486	100,256
	<u>448,577</u>	<u>406,966</u>
Substantial related parties	34,071	49,036
Parent company	-	7
Parent's associates	1	1
	<u>\$ 482,649</u>	<u>\$ 456,010</u>

The outstanding accounts receivable from related parties are unsecured. No bad debt was recognized for the years ended December 31, 2022 and 2021 for allowance of impaired accounts receivable from related parties.

e. Notes and accounts payable to related parties

Related Party Type	December 31	
	2022	2021
Fellow subsidiaries		
YFY Packaging Inc.	\$ 74,808	\$ 245,005
Shin Foong Specialty & Applied Materials Co., Ltd.	105,399	120,809
Others	<u>69,769</u>	<u>67,524</u>
	249,976	433,338
Substantial related parties	1,036	970
Parent's associates	<u>191</u>	<u>5</u>
	<u>\$ 251,203</u>	<u>\$ 434,313</u>

The outstanding accounts payable to related parties are unsecured.

f. Other payable to related parties

Related Party Type	December 31	
	2022	2021
Fellow subsidiaries		
YFY Investment Co., Ltd.	<u>\$ -</u>	<u>\$ 2,223</u>

g. Loan to related parties (interest receivable included)

Related Party Type	December 31	
	2022	2021
Fellow subsidiaries		
Yuen Foong Yu Paper MFG (Yangzhou) Co., Ltd.	<u>\$ 6,255</u>	<u>\$ 107,737</u>

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

For the years ended December 31, 2022 and 2021, the interest income from the loans to related parties amounted to \$4,079 thousand and \$4,646 thousand, respectively.

h. Loans from related parties

Related Party Type	December 31	
	2022	2021
Fellow subsidiaries		
Yuen Foong Yu Paper MFG (Yangzhou) Co., Ltd.	<u>\$ -</u>	<u>\$ -</u>

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

For the years ended December 31, 2022 and 2021, the interest expense from the loans to related parties amounted to \$0 thousand and \$2 thousand, respectively.

i. Acquisitions of property, plant and equipment

Related Party Type	Purchase Price For the Year Ended December 31	
	2022	2021
Fellow subsidiary	\$ <u>597</u>	\$ <u>52</u>

j. Disposal of property, plant and equipment

Related Party Type	Consideration Received For the Year Ended December 31	
	2022	2021
Fellow subsidiaries	\$ <u>13</u>	\$ <u>-</u>

k. Lease arrangements

Related Party Type	For the Year Ended December 31	
	2022	2021
<u>Lease liabilities</u>		
Parent company	\$ <u>4,877</u>	\$ <u>9,695</u>
<u>Interest expense</u>		
Parent company	\$ <u>91</u>	\$ <u>149</u>
<u>Lease expense</u>		
Parent company	\$ 11,028	\$ 11,028
Substantial related parties	<u>7,065</u>	<u>7,068</u>
	\$ <u>18,093</u>	\$ <u>18,096</u>

l. Other transactions with related parties

Related Party Type	Rental Income (Accounted as Other Income) For the Year Ended December 31	
	2022	2021
Parent's associates	\$ 5,799	\$ -
Fellow subsidiaries	1,429	1,429
Parent company	<u>114</u>	<u>114</u>
	\$ <u>7,342</u>	\$ <u>1,543</u>

Related Party Type	Other Operating Expense For the Year Ended December 31	
	2022	2021
Fellow subsidiaries	\$ <u>45,364</u>	\$ <u>43,152</u>

Related Party Type	Management Fee (Accounted as Operating Expenses) For the Year Ended December 31	
	2022	2021
Fellow subsidiaries	\$ <u>91,713</u>	\$ <u>89,809</u>

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

m. 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 Eneritech Co., Ltd.	<u>\$ 258,673</u>

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

n. Compensation of key management personnel

	For the Year Ended December 31	
	2022	2021
Salaries and benefits	\$ 30,130	\$ 38,637
Executive fees	<u>2,977</u>	<u>3,150</u>
	<u>\$ 33,107</u>	<u>\$ 41,787</u>

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

## 28. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

As of December 31, 2022 and 2021, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately \$423,309 thousand and \$282,485 thousand, respectively.

## 29. OTHER ITEMS

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

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

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



	<b>December 31, 2022</b>		
	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>

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
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Financial liabilities

Monetary items

USD	\$ 23,930	30.71	\$ 734,890
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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

	<b>December 31, 2021</b>		
	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>

Financial assets

Monetary items

USD	\$ 69,201	27.68	\$ 1,915,484
RMB	517,394	4.341	2,232,038
EUR	4,959	31.32	155,316

Non-monetary items

Derivative instruments

USD	6,200	27.68	171,616
EUR	1,000	31.32	31,320

Financial liabilities

Monetary items

USD	59,034	27.68	1,634,061
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Non-monetary items

Derivative instruments

USD	35,000	27.68	968,800
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For the years ended December 31, 2022 and 2021, realized and unrealized foreign exchange gains were \$83,837 thousand and \$17,633 thousand, respectively. It is impractical to disclose net foreign exchange gains by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities in the Group.

### **31. SEPARATELY DISCLOSED ITEMS**

a. Information about significant transactions and investees:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (Table 2)
- 3) Marketable securities held (Table 3)
- 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5)
- 9) Trading in derivative instruments (Notes 7 and 9)
- 10) Intercompany relationships and significant intercompany transactions (Table 8)
- 11) Information on investees (Table 6)

b. Information on investments in mainland China:

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 7)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
  - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period (Table 4)
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period (Tables 4 and 8)
  - c) The amount of property transactions and the amount of the resultant gains or losses (None)
  - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes (Table 2)
  - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds (Table 1)

- f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services (None)
- c. Information of major shareholders: List all shareholders with ownership of 5% or greater, showing the name of the shares owned, and percentage of ownership of each shareholder (Table 9)

### 32. SEGMENT INFORMATION

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

	<b>Business Unit of Pulp and Fine Paper</b>	<b>Business Unit of Forestry</b>	<b>Other Segment</b>	<b>Adjustment and Elimination</b>	<b>Total</b>
<u>For the year ended December 31, 2022</u>					
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
<u>For the year ended December 31, 2021</u>					
Revenue from external customers	\$ 21,772,938	\$ 150,417	\$ 108,495	\$ -	\$ 22,031,850
Revenue from other internal operating segments	\$ 1,899,708	\$ 420,921	\$ 40,848	\$ (2,361,477)	\$ -
Segment profit or loss	\$ 389,535	\$ 45,297	\$ 28,541	\$ -	\$ 463,373

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.

	<b>Revenue from External Customers</b>		<b>Non-current Assets</b>	
	<b>For the Year Ended</b>		<b>December 31</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Taiwan	\$ 19,055,730	\$ 17,611,063	\$ 14,996,098	\$ 15,043,300
Mainland China	<u>4,595,399</u>	<u>4,420,787</u>	<u>2,619,411</u>	<u>2,697,842</u>
	<u>\$ 23,651,129</u>	<u>\$ 22,031,850</u>	<u>\$ 17,615,509</u>	<u>\$ 17,740,872</u>

**Information about Major Customers**

No other single customers contributed 10% or more to the Group's revenue for both 2022 and 2021.

**CHUNG HWA PULP CORPORATION AND SUBSIDIARIES**

**FINANCING PROVIDED TO OTHERS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
(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 YFY Packaging (Yangzhou) Inc.	Other receivables from related parties	Yes	\$ 459,122 (RMB 104,122)	\$ 448,969 (RMB 101,820)	\$ 3,326 (RMB 754)	3.25	Short-term financing	\$ -	Operating capital	\$ -	-	-	\$ 461,967 (RMB 104,768)	\$ 1,847,868 (RMB 419,017)	
			Other receivables from related parties	Yes	459,122 (RMB 104,122)	448,969 (RMB 101,820)	-	3.25	Short-term financing	-	Operating capital	-	-	-	-	461,967 (RMB 104,768)	1,847,868 (RMB 419,017)
2	CHP International (BVI) Corporation	Zhaoqing Dingfung Forestry Ltd.	Other receivables from related parties	Yes	349,250 (US\$ 11,373)	138,195 (US\$ 4,500)	138,195 (US\$ 4,500)	1.80	Short-term financing	-	Operating capital	-	-	-	2,046,289 (US\$ 66,633)	2,046,289 (US\$ 66,633)	Note 5
		Shenzhen Jinglun Paper Co., Ltd.	Other receivables from related parties		189,384 (RMB 42,950)	185,197 (RMB 42,000)	105,827 (RMB 24,000)	2.50-3.50	Short-term financing	-	Operating capital	-	-	-	2,046,289 (RMB 464,070)	2,046,289 (RMB 464,070)	Note 5
		Guangdong Dingfung Pulp & Paper Co., Ltd.	Other receivables from related parties	Yes	1,154,343 (RMB 261,789)	873,070 (RMB 198,000)	873,070 (RMB 198,000)	2.50-3.25	Short-term financing	-	Operating capital	-	-	-	2,046,289 (RMB 464,070)	2,046,289 (RMB 464,070)	Note 5
3	Shenzhen Jinglun Paper Co., Ltd.	Yuen Foong Yu Paper MFG (Yangzhou) Co., Ltd YFY Packaging (Yangzhou) Inc.	Other receivables from related parties	Yes	14,577 (RMB 3,301)	13,352 (RMB 3,028)	2,920 (RMB 662)	3.25	Short-term financing	-	Operating capital	-	-	-	13,354 (RMB 3,029)	53,415 (RMB 12,114)	
			Other receivables from related parties	Yes	13,654 (RMB 3,097)	13,252 (RMB 3,028)	-	3.25	Short-term financing	-	Operating capital	-	-	-	13,354 (RMB 3,029)	53,415 (RMB 12,114)	

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

- The Company is numbered 0.
- 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\$30.71 or RMB1=NT\$4.409442 as of December 31, 2022.

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

## CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

**ENDORSEMENTS/GUARANTEES PROVIDED**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period (Foreign Currencies in Thousands) (Note 4)	Outstanding Endorsement/ Guarantee at the End of the Period (Foreign Currencies in Thousands) (Note 5)	Actual Borrowing Amount (Note 6)	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries (Note 7)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent (Note 7)	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China (Note 7)
		Name	Relationship (Note 2)										
0	Chung Hwa Pulp Corporation	CHP International (BVI) Corporation	b.	\$ 23,705,570	\$ 740,945 (US\$ 24,127)	\$ 706,330 (US\$ 23,000)	\$ -	\$ -	4.47	\$ 31,607,426	Note 8	N	N
		Hwa Fong Investment Ind. Co., Ltd.	b.	23,705,570	130,000	130,000	41,000	-	0.82	31,607,426	Note 8	N	N

Note 1: The number column is illustrated as follows:

- The Company is numbered 0.
- 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:

- The companies with which it has business relations.
- Subsidiaries in which it holds more than 50% of its total outstanding ordinary shares.
- Companies in which it holds more than 50% of its total outstanding ordinary shares.
- Companies in which it holds more than 90% of its total outstanding ordinary shares.
- 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.
- Shareholders making endorsements/guarantees for their mutually invested companies in proportion to their shareholding percentages.
- 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, 2022

(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, 2022			
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value (Note 1)
Chung Hwa Pulp Corporation	<u>Ordinary shares</u> SinoPac Holdings Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	100,807,420	\$ 1,688,524	0.9	\$ 1,688,524
	NTU Innovation & Incubation Co., Ltd.	The investor is the member of the investee's board of directors.	Financial assets at fair value through profit or loss - non-current	800,000	-	6.3	-
	Groundhog Technologies Inc.	-	Financial assets at fair value through profit or loss - non-current	275,000	-	1.0	-
	KHL IB Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	12,443,688	184,004	14.9	184,004
	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	286,158	2.5	286,158
	Medeon Biodesign, Inc.	-	Financial assets at fair value through other comprehensive income - non-current	388,146	22,551	0.4	22,551
Hwa Fong Investment Co., Ltd.	<u>Ordinary shares</u> Caihui Technology Co., Ltd.	-	Financial assets at fair value through profit or loss - non-current	150,000	-	0.2	-
	SinoPac Holdings Co., Ltd.	-	Financial assets at fair value through other comprehensive income - current	2,418,909	40,517	-	40,517
Genovella Renewables Inc.	<u>Mutual fund</u> SinoPac TWD Money Market Fund	-	Financial assets at fair value through profit or loss - current	452,369	6,390	-	6,390

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

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

## CHUNG HWA PULP CORPORATION AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(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	\$ (767,046)	(4)	0.5 month after transaction month	\$ -	-	\$ 36,813	1
	Shenzhen Jinglun Paper Co., Ltd.	b.	Sale	(1,302,616)	(6)	5 months after transaction month	-	-	733,414	21
	YFY Consumer Products Co., Ltd.	a.	Sale	(754,151)	(4)	2 months after transaction month	-	-	225,491	6
	YFY Packaging Inc.	a.	Sale	(111,858)	(1)	3 months after transaction month	-	-	9,748	-
	YFY Packaging Inc.	a.	Purchase	778,051	4	1 months after transaction month	-	-	(74,808)	(4)
	Union Paper Corp.	a.	Sale	(1,010,395)	(5)	1 month after transaction month	-	-	49,692	1
	Union Paper Corp.	a.	Purchase	139,708	1	1 month after transaction month	-	-	(10,013)	(1)
	Beautone Co., Ltd.	c.	Sale	(129,216)	(1)	1 month after transaction month	-	-	22,818	1
	YFY Japan Co., Ltd.	a.	Purchase	212,049	1	In agreed terms	-	-	-	-
	Shin Foong Specialty and Applied Materials Co., Ltd.	a.	Purchase	228,545	1	4 months after transaction month	-	-	(105,399)	(6)
Guangdong Dingfung Pulp & Paper Co., Ltd.	YFY Investment Co., Ltd.	a.	Sale	(404,996)	(14)	2 months after transaction month	-	-	108,095	25
	Zhaoqing Dingfung Forestry Ltd.	b.	Purchase	511,771 (Note 2)	21	2 months after transaction month	-	-	(102,227)	(35)
Zhaoqing Dingfung Forestry Ltd.	Guangdong Dingfung Pulp & Paper Co., Ltd.	b.	Sale	(511,771) (Note 2)	(84)	2 months after transaction month	-	-	102,227	100
Shenzhen Jinglun Paper Co., Ltd.	Chung Hwa Pulp Corporation	b.	Purchase	1,302,616 (Note 2)	87	5 months after transaction month	-	-	(733,414)	(100)

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

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



**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, 2022**

**(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	\$ 733,414	1.62	\$ -	-	\$ 272,256	\$ -
	Yuen Foong Yu Consumer Products Co., Ltd.	Fellow subsidiaries	225,491	4.19	-	-	129,236	-
Zhaoqing Dingfund forestry Ltd.	Guandong Difung Pulp & Paper Co., Ltd.	Parent company and subsidiary	102,227	2.55	-	-	95,173	-
Guandong Difung Pulp & Paper Co., Ltd.	YFY Investment Co., Ltd.	Fellow subsidiaries	108,095	5.92	-	-	48,504	-

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

**CHUNG HWA PULP CORPORATION AND SUBSIDIARIES**

**INFORMATION ON INVESTEEES**

**FOR THE YEAR ENDED DECEMBER 31, 2022**

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

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of December 31, 2022			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2022	December 31, 2021	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	\$ 5,239,951	\$ 129,278	\$ 134,037	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	672,074	9,911,750	173,831	b.
	Effion Enertech Co., Ltd.	Taipei, Taiwan	To operate cogeneration and provide power technology	-	343,000	-	-	-	17,441	14,462	b.
	Hwa Fong Investment Co., Ltd.	Taipei, Taiwan	Investment and holding	36,000	36,000	6,600,000	100.0	118,862	24,249	24,249	a.
Hwa Fong Investment Co., Ltd.	Effion Enertech Co., Ltd.	Taipei, Taiwan	To operate cogeneration and provide power technology	-	7,000	-	-	-	17,441	295	b.
	Genovella Renewables Inc.	Hualien, Taiwan	Fertilizer production, sale of fertilizer, retail sale of food products and groceries, special crop and edible fungus cultivation, refractory materials manufacturing, cement and concrete products manufacturing, ready-mixed concrete manufacturing, refractory materials wholesale and sale of building material	5,000	5,000	-	100.0	21,796	3,407	3,407	a.
	Union Paper Corp	Yunlin, Taiwan	Pulp manufacturing, processing and sales business	55,659	30,327	7,900,840	7.6	97,181	7,301	373	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	8,331	(1,464)	(1,464)	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, 2022  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (Foreign Currencies in Thousand) (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022 (Foreign Currencies in Thousand) (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021 (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, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022
					Outward	Inward						
Guangdong Dingfung Pulp & Paper Co., Ltd.	Pulp and paper production, trading and forestry business	\$ 2,629,697 (US\$ 85,630) (Note 3)	Investment in mainland China through companies set up in another country	\$ 405,372 (US\$ 13,200)	\$ -	\$ -	\$ 405,372 (US\$ 13,200)	\$ 220,788 (Note 2,b.)	60.0	\$ 132,481 (Note 2,b.)	\$ 2,825,556	\$ -
Shenzhen Jinglun Paper Co., Ltd.	Sale of paper merchandise and import/export business	14,110 (RMB 3,200)	(Note 5)	-	-	-	(Note 5)	4,112 (Note 2,b.)	100.0	4,112 (Note 2,b.)	137,627	-
Zhaoqing Dingfung Forestry Ltd.	Export factoring, domestic factoring, business factoring and related consulting services, develop credit risk management platform	671,935 (US\$ 21,880)	Investment in mainland China through companies set up in another country	135,984 (US\$ 4,428)	-	-	135,984 (US\$ 4,428)	40,333 (Note 2,b.)	- (Note 4)	34,888 (Note 2,b.)	2,610,751	-
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	8,819 (RMB 2,000)	(Note 5)	-	-	-	(Note 5)	4,863 (Note 2,b.)	100.0	4,863 (Note 2,b.)	16,035	-
Guizhou Yuanfung Forestry Co., Ltd.	Export factoring, domestic factoring, business factoring and related consulting services, develop credit risk management platform	57,323 (RMB 13,000)	(Note 6)	-	-	-	(Note 6)	- (Note 2,b.)	67	- (Note 2,b.)	38,406	-

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$541,356 (Note 1)	\$1,352,741 (Note 1)	\$9,470,665

Note 1: The exchange rates are US\$1=NT\$30.71 or RMB1=NT\$4.409442 as of December 31, 2022.

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

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

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

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

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

Note 6: Investment in mainland China through companies 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, 2022  
(In Thousands of New Taiwan Dollars)**

No.	Investee Company	Counterparty	Relationship	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets
1	Chung Hwa Pulp Corporation	Shenzhen Jinglun Paper Co., Ltd.	Subsidiary	Accounts receivable Sales	\$ 733,414 1,302,616	5 months after transaction month By market price	2 5
2	Zhaoqing Dingfung Forestry Ltd.	Guangdong Dingfung Pulp & Paper Co., Ltd.	Fellow subsidiary	Accounts receivable Sales	102,227 511,771	2 months after transaction month By market price	- 2

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

**TABLE 9****CHUNG HWA PULP CORPORATION****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2022**

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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, 2022 and 2021, and  
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Shareholders

Chung Hwa Pulp Corporation

**Opinion**

We have audited the accompanying financial statements of Chung Hwa Pulp Corporation (the "Company") which comprise the balance sheets as of December 31, 2022 and 2021, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

**Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and 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 financial statements for the year ended December 31, 2022. The matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

The key audit matter identified in the financial statements for the year ended December 31, 2022 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 Financial Statements**

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

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

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

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

From the matters communicated with those charged with governance, we determine the matter that was of most significance in the audit of the financial statements for the year ended December 31, 2022, and is therefore the key audit matter. We describe the matter in



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

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 15, 2023

*Notice to Readers*

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

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

# CHUNG HWA PULP CORPORATION

## BALANCE SHEETS DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash (Notes 4 and 6)	\$ 215,175	1	\$ 122,275	1
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	-	-	1,095	-
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	1,688,524	5	1,611,921	5
Notes and accounts receivable (Notes 4 and 10)	2,383,235	7	2,352,789	8
Accounts receivable from related parties (Notes 4 and 24)	1,108,431	4	1,269,430	4
Inventories (Notes 4 and 11)	4,256,307	13	3,471,713	11
Other current assets	623,128	2	303,059	1
Total current assets	<u>10,274,800</u>	<u>32</u>	<u>9,132,282</u>	<u>30</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	492,716	2	577,531	2
Investments accounted for using the equity method (Notes 4 and 12)	6,030,887	19	5,730,921	19
Property, plant and equipment (Notes 4 and 13)	13,997,814	43	14,182,152	46
Right-of-use assets (Notes 4 and 14)	51,897	-	52,724	-
Investment properties (Notes 4 and 15)	755,542	2	256,610	1
Deferred tax assets (Notes 4 and 20)	123,590	1	124,211	-
Prepayments for equipment	102,005	-	463,130	1
Net defined benefit assets (Notes 4 and 17)	366,066	1	291,779	1
Other non-current assets	75,824	-	63,235	-
Total non-current assets	<u>21,996,341</u>	<u>68</u>	<u>21,742,293</u>	<u>70</u>
TOTAL	<u>\$ 32,271,141</u>	<u>100</u>	<u>\$ 30,874,575</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 16)	\$ 2,599,000	8	\$ 3,965,759	13
Short-term bills payable (Note 16)	249,851	1	5,649,221	18
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	8,650	-	-	-
Notes and accounts payable	1,540,173	5	1,360,462	4
Accounts payable to related parties (Note 24)	253,749	1	445,852	2
Other payables	820,636	2	909,056	3
Lease liabilities - current (Notes 4 and 14)	26,496	-	26,014	-
Other current liabilities	189,795	1	164,279	1
Total current liabilities	<u>5,688,350</u>	<u>18</u>	<u>12,520,643</u>	<u>41</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Note 16)	8,690,645	27	792,992	2
Deferred tax liabilities (Notes 4 and 20)	2,073,441	6	2,060,084	7
Lease liabilities - non-current (Notes 4 and 14)	25,807	-	27,212	-
Other non-current liabilities	8,456	-	4,232	-
Total non-current liabilities	<u>10,798,349</u>	<u>33</u>	<u>2,884,520</u>	<u>9</u>
Total liabilities	<u>16,486,699</u>	<u>51</u>	<u>15,405,163</u>	<u>50</u>
<b>EQUITY (Notes 4 and 18)</b>				
Share capital	11,028,353	34	11,028,353	36
Capital surplus	35,632	-	28,880	-
Retained earnings				
Legal reserve	268,212	1	226,257	-
Special reserve	1,186,894	4	1,186,894	4
Unappropriated earnings	2,456,364	7	2,453,095	8
Total retained earnings	<u>3,911,470</u>	<u>12</u>	<u>3,866,246</u>	<u>12</u>
Other equity	945,713	3	682,659	2
Treasury shares	(136,726)	-	(136,726)	-
Total equity	<u>15,784,442</u>	<u>49</u>	<u>15,469,412</u>	<u>50</u>
TOTAL	<u>\$ 32,271,141</u>	<u>100</u>	<u>\$ 30,874,575</u>	<u>100</u>

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

# CHUNG HWA PULP CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 24)				
Sales	\$ 20,420,474	100	\$ 19,514,804	100
Sales returns and allowances	<u>131,863</u>	-	<u>110,871</u>	-
Net sales	20,288,611	100	19,403,933	100
Other operating revenue	<u>74,559</u>	-	<u>49,647</u>	-
Total operating revenue	<u>20,363,170</u>	<u>100</u>	<u>19,453,580</u>	<u>100</u>
OPERATING COSTS (Notes 4, 11, 19 and 24)				
Cost of goods sold	18,299,149	90	17,189,991	88
Other operating cost	<u>42,017</u>	-	<u>37,684</u>	-
Total operating costs	<u>18,341,166</u>	<u>90</u>	<u>17,227,675</u>	<u>88</u>
GROSS PROFIT	<u>2,022,004</u>	<u>10</u>	<u>2,225,905</u>	<u>12</u>
OPERATING EXPENSES (Notes 4, 19 and 24)				
Selling and marketing	1,799,729	9	1,626,601	9
General and administrative	200,557	1	246,038	1
Research and development	<u>51,269</u>	-	<u>36,886</u>	-
Total operating expenses	<u>2,051,555</u>	<u>10</u>	<u>1,909,525</u>	<u>10</u>
(LOSS) GAIN FROM OPERATIONS	<u>(29,551)</u>	<u>-</u>	<u>316,380</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs (Note 19)	(139,113)	(1)	(85,055)	-
Share of profit of subsidiaries and associates (Notes 4 and 12)	346,579	2	108,758	-
Interest income	1,435	-	423	-
Dividend income	93,942	1	147,091	1
Other income (Note 24)	87,874	-	80,475	-
Gain on disposal of property, plant and equipment	176	-	-	-
Loss on disposal of investments	-	-	(159)	-
Foreign exchange gain (loss) (Note 4)	202,175	1	(12,929)	-
Loss on financial instruments at FVTPL	(112,241)	(1)	(3,875)	-
Other losses	<u>(3,054)</u>	-	<u>(4,209)</u>	-
Total non-operating income and expenses	<u>477,773</u>	<u>2</u>	<u>230,520</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	448,222	2	546,900	3
INCOME TAX EXPENSE (Notes 4 and 20)	<u>(2,288)</u>	<u>-</u>	<u>(58,669)</u>	<u>-</u>

(Continued)

# CHUNG HWA PULP CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
NET PROFIT FOR THE YEAR	\$ 445,934	2	\$ 488,231	3
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 17)	58,450	-	(89,995)	-
Unrealized (loss) gain on investments in equity instruments at fair value through other comprehensive income	(8,212)	-	284,189	1
Share of the other comprehensive income of subsidiaries and associates	7,675	-	68,346	-
Tax effect of items that will not be reclassified (Note 20)	(11,690)	-	17,999	-
Items that may be reclassified subsequently to profit or loss:				
Gain on hedging instruments (Note 18)	-	-	5,249	-
Share of the other comprehensive gain (loss) of subsidiaries and associates (Note 18)	273,827	2	(87,886)	-
Other comprehensive income for the year, net of income tax	320,050	2	197,902	1
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 765,984	4	\$ 686,133	4
EARNINGS PER SHARE (Note 21)				
Basic	\$ 0.41		\$ 0.45	
Diluted	\$ 0.41		\$ 0.45	

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

(Concluded)

**CHUNG HWA PULP CORPORATION**

STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Share Capital (Notes 4 and 18)		Capital Surplus (Notes 4 and 18)	Legal Reserve	Retained Earnings (Notes 4 and 18)			Other Equity (Notes 4 and 18)				
	Shares (Thousands)	Amount			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, 2021	1,102,835	\$ 11,028,353	\$ 29,821	\$ 226,257	\$ 1,186,894	\$ 2,033,543	\$ 3,446,694	\$ (338,941)	\$ 761,027	\$ (5,249)	\$ (136,726)	\$ 14,784,979
Adjustments for the changes in equity of subsidiaries and associates	-	-	(2,136)	-	-	(759)	(759)	-	-	-	-	(2,895)
Unclaimed dividend	-	-	1,220	-	-	-	-	-	-	-	-	1,220
Net profit for the year ended December 31, 2021	-	-	-	-	-	488,231	488,231	-	-	-	-	488,231
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	(72,412)	(72,412)	(87,886)	352,951	5,249	-	197,902
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	415,819	415,819	(87,886)	352,951	5,249	-	686,133
Disposal of investments accounted for using the equity method	-	-	(25)	-	-	1,650	1,650	-	(1,650)	-	-	(25)
Disposal of investments in equity instruments designated as at FVTOCI by associates	-	-	-	-	-	2,842	2,842	-	(2,842)	-	-	-
BALANCE AT DECEMBER 31, 2021	1,102,835	11,028,353	28,880	226,257	1,186,894	2,453,095	3,866,246	(426,827)	1,109,486	-	(136,726)	15,469,412
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
Disposal of investments in equity instruments designated as at FVTOCI by associates	-	-	-	-	-	9,908	9,908	-	(9,908)	-	-	-
Difference between the consideration received and the carrying amount of the associates' net assets during actual disposal	-	-	-	-	-	(16,572)	(16,572)	-	-	-	-	(16,572)
BALANCE AT DECEMBER 31, 2022	<u>1,102,835</u>	<u>\$ 11,028,353</u>	<u>\$ 35,632</u>	<u>\$ 268,212</u>	<u>\$ 1,186,894</u>	<u>\$ 2,456,364</u>	<u>\$ 3,911,470</u>	<u>\$ (153,000)</u>	<u>\$ 1,098,713</u>	<u>\$ -</u>	<u>\$ (136,726)</u>	<u>\$ 15,784,442</u>

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

# CHUNG HWA PULP CORPORATION

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 448,222	\$ 546,900
Adjustments for:		
Depreciation and amortization expenses	1,003,388	984,552
Expected credit loss (reversed) recognized	(1,570)	5,150
Loss on financial instruments at FVTPL	112,241	3,875
Finance costs	139,113	85,055
Interest income	(1,435)	(423)
Dividend income	(93,942)	(147,091)
Share of profit of subsidiaries and associates	(346,579)	(108,758)
Net gain on disposal of property, plant and equipment	(176)	-
Net loss on disposal of investments	-	159
Gain on lease modification	(75)	-
Write-downs (reversal of write-downs) of inventories	20,178	(4,648)
Unrealized gain on foreign currency exchange	(4,971)	(8,080)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at FVTPL	(102,496)	400
Notes and accounts receivable	(24,081)	(558,945)
Notes and accounts receivable from related parties	160,999	(298,714)
Inventories	(804,772)	(459,834)
Other current assets	(323,766)	346,963
Net defined benefit assets	(15,837)	(372,368)
Notes payable and accounts payable	183,905	39,226
Notes and accounts payable to related parties	(192,103)	78,607
Other payables	(90,439)	98,247
Other current liabilities	25,315	12,907
Cash generated from operations	91,119	243,180
Interest received	1,435	423
Interest paid	(141,609)	(83,936)
Income tax (paid) received	(120)	709
Net cash (used in) generated from operating activities	<u>(49,175)</u>	<u>160,376</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from capital reduction on financial assets at FVTOCI	-	26,122
Proceeds from the sale of financial instruments for hedging	-	5,303
Proceeds from disposal of investments accounted for using equity method	253,501	19,975
Payments for property, plant and equipment	(1,278,378)	(1,602,528)
Proceeds from disposal of property, plant and equipment	294	-
Increase in other non-current assets	(21,511)	(11,629)
Decrease in prepayments for equipment	361,125	106,206
Dividend received	157,942	205,490
Net cash used in investing activities	<u>(527,027)</u>	<u>(1,251,061)</u>

(Continued)

# CHUNG HWA PULP CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Decrease) increase in short-term borrowings	\$ (1,366,759)	\$ 2,332,734
Decrease in short-term bills payable	(5,399,370)	(648,139)
Proceeds from long-term borrowings	8,700,000	3,100,000
Repayments of long-term borrowings	(800,000)	(3,700,000)
Repayment of the principal portion of lease liabilities	(28,653)	(26,361)
Increase (decrease) in other non-current liabilities	4,224	(51)
Cash dividends	(441,134)	-
Capital surplus transferred from unclaimed dividends	<u>794</u>	<u>1,220</u>
Net cash generated from financing activities	<u>669,102</u>	<u>1,059,403</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	92,900	(31,282)
<b>CASH AT THE BEGINNING OF THE YEAR</b>	<u>122,275</u>	<u>153,557</u>
<b>CASH AT THE END OF THE YEAR</b>	<u>\$ 215,175</u>	<u>\$ 122,275</u>

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

(Concluded)

# CHUNG HWA PULP CORPORATION

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

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#### 1. GENERAL INFORMATION

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

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

YFY Inc. and its subsidiaries held 58.6% of ordinary shares of the Company, respectively, as of December 31, 2022 and 2021.

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

#### 2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 15, 2023.

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

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

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

- b. The IFRSs endorsed by the FSC for application starting from 2023

<b>New, Amended and Revised Standards and Interpretations</b>	<b>Effective Date Announced by IASB</b>
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)



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

Note 2: The amendments will be applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the financial statements were authorized for issue, the Company 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 IFRSs in issue but not yet endorsed and issued into effect by the FSC

<b>New, Amended and Revised Standards and Interpretations</b>	<b>Effective Date Announced by IASB (Note 1)</b>
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
Amendments to IFRS 16 "Leases Liability in a Sale and Leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

Note 1: Unless stated otherwise, the above IFRSs 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.

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the convenience of readers, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China (ROC). If there is any

conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language financial statements shall prevail.

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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

d. Foreign currencies

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

At the end of each reporting period, monetary items denominated in foreign currencies are

retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

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

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

e. Inventories

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

f. Investments in subsidiaries

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

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

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

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

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

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

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

subsequent period.

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

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

g. Investment in associates

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

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

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

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

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

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the

related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Company continues to apply the equity method and does not remeasure the retained interest.

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

h. Property, plant and equipment

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

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

Freehold land is not depreciated.

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

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

i. Investment properties

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

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

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

Depreciation is recognized using the straight-line method.

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

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

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the

impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

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

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

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

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

i. Financial assets at FVTPL

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

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

ii. Financial assets at amortized cost

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

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

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

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

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the

risks and rewards of ownership of the asset to another party.

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

## 2) Equity instruments

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

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

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

## 3) Financial liabilities

### a) Subsequent measurement

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

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

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

### b) Derecognition of financial liabilities

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

## 4) Derivative financial instruments

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

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



1. Hedge accounting

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

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

m. Provisions

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

n. Revenue recognition

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

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

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

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

o. Leases

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

1) The Company as lessor

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

2) The Company as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

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

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

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

The Company negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 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 the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period in which they

occur or when the plan amendment or curtailment occurs. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

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

r. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

3) Current and deferred taxes for the year

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

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

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

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

### Estimated impairment of accounts receivable

The provision for impairment of accounts receivable is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 10. Where the actual future cash inflows are less than expected, a material impairment loss may arise. Furthermore, the estimate of the probability of default is subject to greater uncertainties in the current year due to impact on credit risk of financial assets arising from the uncertainty on COVID-19 pandemic.

## 6. CASH

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Cash on hand	\$ 1,214	\$ 705
Checking accounts and demand deposits	<u>213,961</u>	<u>121,570</u>
	<u>\$ 215,175</u>	<u>\$ 122,275</u>

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Bank balance	0.001%-1.05%	0.001%-0.20%

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2022	2021

### Financial assets at FVTPL - current

Financial assets mandatorily classified as at FVTPL

Derivative financial assets (not under hedge accounting)

Foreign exchange forward contracts	\$ _____ -	\$ <u>1,095</u>
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### Financial liabilities at FVTPL - current

Financial liabilities mandatorily classified as at FVTPL

Derivative financial liabilities (not under hedge accounting)

Foreign exchange forward contracts	\$ <u>8,650</u>	\$ _____ -
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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)
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### 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

### December 31, 2021

Sell	USD:NTD	2022.01.14-2022.01.27	USD6,200/NTD171,616
	EUR:NTD	2022.01.26	EUR1,000/NTD31,320

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	
	2022	2021

### Current

Domestic investments

Listed shares	\$ <u>1,688,524</u>	\$ <u>1,611,921</u>
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### Non-current

Domestic investments

Listed shares	\$ 308,709	\$ 303,810
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Unlisted shares	<u>184,007</u>	<u>273,721</u>
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	<u>\$ 492,716</u>	<u>\$ 577,531</u>
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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

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

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

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

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

December 31, 2021

Hedged Items	Change in Value Used for Calculating Hedge Ineffectiveness	Other Equity Carrying Amount in Continuing Hedges
Cash flow hedge		
Forecast transactions (capital expenditures)	\$ 5,249	\$ -

For the years ended December 31 2021, refer to Note 18(e) for information relating to gain (loss) on changes in the fair value of hedging instruments and the original carrying amount transferred to hedged items in 2021.

## 10. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	December 31	
	2022	2021
Notes receivable - operating	\$ 189,996	\$ 16,866
Accounts receivable - operating	2,373,010	2,346,264
Gross carrying amount	2,392,006	2,363,130
Less: Allowance for impairment loss	(8,771)	(10,341)
	<u>\$ 2,383,235</u>	<u>\$ 2,352,789</u>

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

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

The Company applies the simplified approach for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

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

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

December 31, 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)	<u>(423)</u>	<u>(6,242)</u>	<u>(2,106)</u>	<u>-</u>	<u>(8,771)</u>
Amortized cost	<u>\$ 2,042,078</u>	<u>\$ 340,089</u>	<u>\$ 1,068</u>	<u>\$ -</u>	<u>\$ 2,383,235</u>

December 31, 2021

	Not Past Due	Less than 90 Days	91 Days to A Year	Over A Year	Total
Gross carrying amount	\$ 2,095,556	\$ 261,211	\$ 6,363	\$ -	\$ 2,363,130
Loss allowance (Lifetime ECL)	<u>(484)</u>	<u>(8,552)</u>	<u>(1,305)</u>	<u>-</u>	<u>(10,341)</u>
Amortized cost	<u>\$ 2,095,072</u>	<u>\$ 252,659</u>	<u>\$ 5,058</u>	<u>\$ -</u>	<u>\$ 2,352,789</u>

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

	2022	2021
Balance at January 1	\$ 10,341	\$ 5,191
Net remeasurement of allowance	<u>(1,570)</u>	<u>5,150</u>
Balance at December 31	<u>\$ 8,771</u>	<u>\$ 10,341</u>

## 11. INVENTORIES

	December 31	
	2022	2021
Finished and purchased goods	\$ 2,445,352	\$ 1,950,040
Work in process	555,458	338,685
Materials	<u>1,255,497</u>	<u>1,182,988</u>
	<u>\$ 4,256,307</u>	<u>\$ 3,471,713</u>

The cost of goods sold for the years ended December 31, 2022 and 2021 included inventory write-downs of \$20,178 thousand and reversal of inventory write-down \$4,648 thousand, respectively.

## 12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2022	2021
Investments in subsidiaries	\$ 5,358,813	\$ 4,969,579
Investments in associates	<u>672,074</u>	<u>761,342</u>
	<u>\$ 6,030,887</u>	<u>\$ 5,730,921</u>

### a. Investments in subsidiaries

	December 31	
	2022	2021
CHP International (BVI) Corporation	\$ 5,239,951	\$ 4,877,213
Hwa Fong Investment Co., Ltd.	<u>118,862</u>	<u>92,366</u>
	<u>\$ 5,358,813</u>	<u>\$ 4,969,579</u>

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

Name of Subsidiary	Proportion of Ownership and Voting Rights	
	December 31 2022	December 31 2021
CHP International (BVI) Corporation	100%	100%
Hwa Fong Investment Co., Ltd.	100%	100%

### b. Investments in associates

	December 31	
	2022	2021
Associates that are not individually material	<u>\$ 672,074</u>	<u>\$ 761,342</u>

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



**For the Year Ended December 31**  
**2022** **2021**

The Company's share of:

Profit for the year	\$ 188,293	\$ 108,645
Other comprehensive income	<u>50,210</u>	<u>34,327</u>
Total comprehensive income for the year	<u>\$ 238,503</u>	<u>\$ 142,972</u>

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

In February 2022, the Company and Hwa Fong Investment Co., Ltd. sold all of their ownership on Effion Eneritech 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 Company is able to exercise significant influence over some associates that are not individually material even if it holds less than 20% of their voting rights. Thus, the Company uses the equity method to account for its investments in these associates.

The Company's share of profit (loss) and other comprehensive income (loss) from subsidiaries using the equity method was recognized based on each subsidiary's audited financial statements.

### 13. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery	Electric Equipment	Tools	Miscellaneous Equipment	Property in Construction	Total
<b>Cost</b>								
Balance at January 1, 2021	\$ 8,197,658	\$ 3,336,184	\$ 25,961,270	\$ 3,056,981	\$ 1,744,637	\$ 644,182	\$ 705,773	\$ 43,646,685
Additions	-	15,885	54,406	22,786	26,166	6,613	766,003	891,859
Disposals	-	(1,326)	(103,883)	(8,643)	(9,823)	(6,209)	-	(129,884)
Reclassifications	-	44,384	716,017	51,628	99,382	22,609	(934,020)	-
Balance at December 31, 2021	<u>\$ 8,197,658</u>	<u>\$ 3,395,127</u>	<u>\$ 26,627,810</u>	<u>\$ 3,122,752</u>	<u>\$ 1,860,362</u>	<u>\$ 667,195</u>	<u>\$ 537,756</u>	<u>\$ 44,408,660</u>
<b>Accumulated depreciation and impairment</b>								
Balance at January 1, 2021	\$ -	\$ 2,722,699	\$ 22,173,931	\$ 2,482,916	\$ 1,476,484	\$ 546,260	\$ -	\$ 29,402,650
Disposals	-	(1,326)	(103,833)	(8,643)	(9,823)	(6,209)	-	(129,884)
Depreciation expense	-	80,994	647,556	87,237	106,126	31,739	-	953,742
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 2,802,367</u>	<u>\$ 22,717,604</u>	<u>\$ 2,561,510</u>	<u>\$ 1,572,877</u>	<u>\$ 572,150</u>	<u>\$ -</u>	<u>\$ 30,226,508</u>
Carrying amounts at December 31, 2021	<u>\$ 8,197,658</u>	<u>\$ 592,760</u>	<u>\$ 3,910,206</u>	<u>\$ 561,242</u>	<u>\$ 287,485</u>	<u>\$ 95,045</u>	<u>\$ 537,756</u>	<u>\$ 14,182,152</u>
<b>Cost</b>								
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	9,318	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	<u>\$ 7,922,547</u>	<u>\$ 3,434,946</u>	<u>\$ 27,094,206</u>	<u>\$ 3,032,867</u>	<u>\$ 1,920,105</u>	<u>\$ 677,170</u>	<u>\$ 946,261</u>	<u>\$ 45,028,102</u>
<b>Accumulated depreciation and impairment</b>								
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	<u>\$ -</u>	<u>\$ 2,880,901</u>	<u>\$ 23,358,544</u>	<u>\$ 2,519,895</u>	<u>\$ 1,676,649</u>	<u>\$ 594,299</u>	<u>\$ -</u>	<u>\$ 31,030,288</u>
Carrying amounts at December 31, 2022	<u>\$ 7,922,547</u>	<u>\$ 554,045</u>	<u>\$ 3,735,662</u>	<u>\$ 512,972</u>	<u>\$ 243,456</u>	<u>\$ 82,871</u>	<u>\$ 946,261</u>	<u>\$ 13,997,814</u>

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

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

#### 14. LEASE ARRANGEMENTS

##### a. Right-of-use assets

	December 31	
	2022	2021
<u>Carrying amount</u>		
Land	\$ 10,900	\$ 2,613
Buildings	23,880	25,386
Machinery and office equipment	10,669	21,377
Transportation equipment	<u>6,448</u>	<u>3,348</u>
	<u>\$ 51,897</u>	<u>\$ 52,724</u>
	For the Year Ended December 31	
	2022	2021
Additions to right-of-use assets	<u>\$ 42,497</u>	<u>\$ 48,419</u>
Depreciation charge for right-of-use assets		
Land	\$ 2,610	\$ 2,942
Buildings	14,413	11,747
Machinery and office equipment	8,879	10,121
Transportation equipment	<u>2,166</u>	<u>1,570</u>
	<u>\$ 28,068</u>	<u>\$ 26,380</u>

##### b. Lease liabilities

	December 31	
	2022	2021
<u>Carrying amount</u>		
Current	<u>\$ 26,496</u>	<u>\$ 26,014</u>
Non-current	<u>\$ 25,807</u>	<u>\$ 27,212</u>

Range of discount rates for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Land	0.88%-1.02%	0.97%-1.21%
Buildings	0.88%-1.21%	0.97%-1.21%
Machinery and office equipment	0.88%-1.21%	0.97%-1.21%
Transportation equipment	0.88%-1.21%	0.97%-1.21%

c. Material lease-in activities and terms

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

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

d. Other lease information

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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Expenses relating to short-term leases and low-value asset leases	<u>\$ 68,986</u>	<u>\$ 61,381</u>
Total cash outflow for leases	<u>\$ (109,841)</u>	<u>\$ (88,481)</u>

## 15. INVESTMENT PROPERTIES

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
<u>Cost</u>		
Opening balance	\$ 272,334	\$ 272,334
Reclassifications	<u>499,200</u>	<u>-</u>
Ending balance	<u>\$ 771,534</u>	<u>\$ 272,334</u>
<u>Accumulated depreciation and impairment</u>		
Opening balance	\$ (15,724)	\$ (15,457)
Depreciation expense	<u>(268)</u>	<u>(267)</u>
Ending balance	<u>\$ (15,992)</u>	<u>\$ (15,724)</u>
Ending carrying amount	<u>\$ 755,542</u>	<u>\$ 256,610</u>

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

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Fair value	<u>\$ 856,590</u>	<u>\$ 357,390</u>

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

The future minimum lease payments of non-cancellable operating lease commitments are as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Lease commitment of investment properties	<u>\$ 322,251</u>	<u>\$ 25,948</u>

## 16. BORROWINGS

### a. Short-term borrowings

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Bank credit loans	\$ 2,599,000	\$ 2,788,000
Letter of credit loans	<u>-</u>	<u>1,177,559</u>
	<u>\$ 2,599,000</u>	<u>\$ 3,965,759</u>

As of December 31, 2022 and 2021, the interest rates of short-term borrowings were 1.21%-1.85% and 0.52%-1.05%, respectively.

### b. Short-term bills payable

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Commercial paper	\$ 250,000	\$ 5,650,000
Less: Unamortized discount on bills payable	<u>(149)</u>	<u>(779)</u>
	<u>\$ 249,851</u>	<u>\$ 5,649,221</u>

Short-term bills payable are commercial papers due within one year. Interest rates on these bills payable were 1.55% and 0.24%-0.66% as of December 31, 2022 and 2021, respectively.

c. Long-term borrowings

	December 31	
	2022	2021
Unsecured bank loans	\$ 8,700,000	\$ 800,000
Less: Loan management fees	<u>(9,355)</u>	<u>(7,008)</u>
Long-term bank loans	<u>\$ 8,690,645</u>	<u>\$ 792,992</u>

			December 31		
	Due Date	Article	Interest Rate	2022	2021
Taiwan Bank Credit loan A	2025.03.31	The credit can be revolved within 60 months from March 31, 2020, the first drawdown date of the loan.	1.79%-1.81%	\$ 3,700,000	\$ 800,000
Syndicated loan from Taipei Fubon Bank and Bank of Taiwan - credit loan A	2027.09.30	The credit can be used separately within 60 months from September 30, 2022, the first drawdown date of the loan.	1.79%	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.	1.79%	<u>4,500,000</u>	<u>-</u>
				<u>\$ 8,700,000</u>	<u>\$ 800,000</u>

## 17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

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

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Fair value of plan assets	\$ 835,666	\$ 834,234
Present value of defined benefit obligation	<u>(469,600)</u>	<u>(542,455)</u>
Net defined benefit assets	<u>\$ 366,066</u>	<u>\$ 291,779</u>

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

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Assets (Liabilities)</b>
Balance at January 1, 2021	<u>\$ (513,617)</u>	<u>\$ 523,023</u>	<u>\$ 9,406</u>
Service cost			
Current service cost	(14,207)	-	(14,207)
Net interest (expense) income	<u>(2,474)</u>	<u>2,556</u>	<u>82</u>
Recognized in profit or loss	<u>(16,681)</u>	<u>2,556</u>	<u>(14,125)</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	7,796	7,796
Actuarial loss - experience adjustments	(95,504)	-	(95,504)
Actuarial loss - changes in financial assumptions	<u>(2,737)</u>	<u>-</u>	<u>(2,737)</u>
Recognized in other comprehensive income	<u>(97,791)</u>	<u>7,796</u>	<u>(89,995)</u>
Contributions from the employer	-	386,493	386,493
Benefits paid	<u>85,634</u>	<u>(85,634)</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ (524,455)</u>	<u>\$ 834,234</u>	<u>\$ 291,779</u>
Balance at January 1, 2022	<u>\$ (524,455)</u>	<u>\$ 834,234</u>	<u>\$ 291,779</u>
Service cost			
Current service cost	(13,482)	-	(13,482)
Net interest (expense) income	<u>(3,871)</u>	<u>6,102</u>	<u>2,231</u>
Recognized in profit or loss	<u>(17,353)</u>	<u>6,102</u>	<u>(11,251)</u>
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	<u>26,255</u>	<u>-</u>	<u>26,255</u>
Recognized in other comprehensive income	<u>(6,453)</u>	<u>64,903</u>	<u>58,450</u>
Contributions from the employer	-	27,088	27,088
Benefits paid	<u>96,661</u>	<u>(96,661)</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ (469,600)</u>	<u>\$ 835,666</u>	<u>\$ 366,066</u>

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

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities,

bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

- 2) Interest risk: A decrease in the government and corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Discount rates	1.75%	0.75%
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 will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
Discount rates		
0.125% increase	<u>\$ (3,105)</u>	<u>\$ (3,760)</u>
0.125% decrease	<u>\$ 3,142</u>	<u>\$ 3,810</u>
Expected rates of salary increase		
0.125% increase	<u>\$ 3,163</u>	<u>\$ 3,797</u>
0.125% decrease	<u>\$ (3,132)</u>	<u>\$ (3,757)</u>

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

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
The expected contributions to the plans for the next year	<u>\$ 5,510</u>	<u>\$ 11,251</u>
The average duration of the defined benefit obligation	5.4 years	5.6 years

## 18. EQUITY

### a. Ordinary shares

	December 31	
	2022	2021
Number of shares authorized (in thousands)	<u>1,300,000</u>	<u>1,300,000</u>
Shares authorized	<u>\$ 13,000,000</u>	<u>\$ 13,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>1,102,835</u>	<u>1,102,835</u>
Shares issued	<u>\$ 11,028,353</u>	<u>\$ 11,028,353</u>

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

### b. Capital surplus

	December 31	
	2022	2021
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*</u>		
Arising from treasury share transactions	\$ 20,817	\$ 20,817
The difference between consideration paid and the carrying amount of the subsidiary's net assets during actual acquisition	484	484
<u>May be used to offset a deficit only</u>		
Arising from share of changes in capital surplus of subsidiaries and associates	11,868	5,910
Capital surplus transferred from unclaimed dividends	<u>2,463</u>	<u>1,669</u>
	<u>\$ 35,632</u>	<u>\$ 28,880</u>

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

### c. Retained earnings and dividends policy

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

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

- 1) At least 20% as cash dividends; and



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

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

Under Order No. 1010047490 and 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 should appropriate to or reverse from a special reserve. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed.

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

The appropriation of earnings for 2021, which were approved by the shareholders in their meetings on March 15, 2022, was as follows:

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

The appropriations of earnings for 2022, which were proposed by the Company's board of directors on March 15, 2023, were as follows:

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

The appropriation of earnings for 2022 will be resolved by the shareholders in their meeting to be held in June 2023. Information on the appropriation of earnings resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

d. Special reserves

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Special reserves	<u>\$ 1,186,894</u>	<u>\$ 1,186,894</u>

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

e. Other equity items

	<b>Exchange Differences on Translation of the Financial Statements of Foreign Operations</b>	<b>Unrealized Gain (Loss) on Financial Assets at FVTOCI</b>	<b>Gain (Loss) on Hedging Instruments</b>	<b>Total</b>
<u>2022</u>				
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	<u>-</u>	<u>(9,908)</u>	<u>-</u>	<u>(9,908)</u>
Balance at December 31	<u>\$ (153,000)</u>	<u>\$ 1,098,713</u>	<u>\$ -</u>	<u>\$ 945,713</u>
<u>2021</u>				
Balance at January 1	\$ (338,941)	\$ 761,027	\$ (5,249)	\$ 416,837
Unrealized gain on financial assets at FVTOCI	-	284,189	-	284,189
Gain arising on changes in the fair value of hedging instruments	-	-	5,249	5,249
Share of other comprehensive loss (gain) of subsidiaries and associates	(87,886)	68,762	-	(19,124)
Disposal of associates accounted for using equity method	-	(1,650)	-	(1,650)
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal	<u>-</u>	<u>(2,842)</u>	<u>-</u>	<u>(2,842)</u>
Balance at December 31	<u>\$ (426,827)</u>	<u>\$ 1,109,486</u>	<u>\$ -</u>	<u>\$ 682,659</u>

- f. As of December 31, 2022, the Company had bought back 15,944 thousand treasury shares for transferring to employees with an average buy-back price of \$8.58 per share. The acquisition was approved by the board of directors on May 14, 2020 and fully executed on July 14, 2020. Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

## 19. NET PROFIT FROM CONTINUING OPERATIONS

### a. Finance costs

	For the Year Ended December 31	
	2022	2021
Interest on bank loans	\$ 139,443	\$ 85,749
Add: Interest of lease liabilities	564	575
Less: Amounts included in the cost of qualifying assets	<u>(894)</u>	<u>(1,269)</u>
	<u>\$ 139,113</u>	<u>\$ 85,055</u>

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2022	2021
Capitalization rate	0.84%-1.64%	0.79%-0.97%

### b. Depreciation and amortization

	For the Year Ended December 31	
	2022	2021
An analysis of depreciation by function		
Operating costs	\$ 986,619	\$ 960,646
Operating expenses	<u>7,847</u>	<u>19,743</u>
	<u>\$ 994,466</u>	<u>\$ 980,389</u>
An analysis of amortization by function		
Operating costs	\$ 3,471	\$ 1,308
Operating expenses	<u>5,451</u>	<u>2,855</u>
	<u>\$ 8,922</u>	<u>\$ 4,163</u>

### c. Employee benefit expense

	For the Year Ended December 31	
	2022	2021
Post-employment benefits		
Defined contribution plans	\$ 65,546	\$ 60,711
Defined benefit plans	<u>11,251</u>	<u>14,125</u>
	76,797	74,836
Other employee benefits	<u>1,882,764</u>	<u>1,880,192</u>
Total employee benefit expense	<u>\$ 1,959,561</u>	<u>\$ 1,955,028</u>
An analysis of employee benefit expense by function		
Operating costs	\$ 1,781,118	\$ 1,757,497
Operating expenses	<u>178,443</u>	<u>197,531</u>
	<u>\$ 1,959,561</u>	<u>\$ 1,955,028</u>

As of December 31, 2022 and 2021, the Company had 2,080 and 2,059 employees, including 4 and 6 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.

The appropriations of compensation of employees and remuneration of directors for 2022 and 2021 that were resolved by the board of directors on March 15, 2023 and March 15, 2022 are as shown below:

	<b>For the Year Ended December 31, 2022</b>	<b>For the Year Ended December 31, 2021</b>
Compensation of employees	<u>\$ 5,000</u>	<u>\$ 6,000</u>
Remuneration of directors	<u>\$ 6,500</u>	<u>\$ 7,000</u>

If there is a change in the amounts after the annual financial statements for 2022 are authorized for issue, the differences are recorded as a change in the accounting estimate in the following year.

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

## 20. INCOME TAXES RELATING TO CONTINUING OPERATIONS

### a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	<b>For the Year Ended December 31 2022</b>	<b>2021</b>
Deferred tax		
In respect of the current year	\$ 2,288	\$ 69,486
Adjustments for prior years	<u>-</u>	<u>(10,817)</u>
Income tax expense recognized in profit or loss	<u>\$ 2,288</u>	<u>\$ 58,669</u>

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

	<b>For the Year Ended December 31 2022</b>	<b>2021</b>
Profit before tax from continuing operations	<u>\$ 448,222</u>	<u>\$ 546,900</u>
Income tax expense calculated at the statutory rate (20%)	\$ 89,644	\$ 109,380
Permanent differences	(87,356)	(51,442)
Unrecognized loss carryforwards and temporary differences	-	11,548
Adjustments for prior years	<u>-</u>	<u>(10,817)</u>
Income tax expense recognized in profit or loss	<u>\$ 2,288</u>	<u>\$ 58,669</u>

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>

Deferred tax

Remeasurement on defined benefit plan	<u>\$ (11,690)</u>	<u>\$ 17,999</u>
---------------------------------------	--------------------	------------------

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2022

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Com- prehensive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Loss carryforwards	\$ 99,155	\$ (17,527)	\$ -	\$ 81,628
Others	<u>25,056</u>	<u>16,906</u>	<u>-</u>	<u>41,962</u>
	<u>\$ 124,211</u>	<u>\$ (621)</u>	<u>\$ -</u>	<u>\$ 123,590</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Land value increment tax	\$ 1,924,940	\$ -	\$ -	\$ 1,924,940
Defined benefit plan	58,356	3,168	11,690	73,214
Others	<u>76,788</u>	<u>(1,501)</u>	<u>-</u>	<u>75,287</u>
	<u>\$ 2,060,084</u>	<u>\$ 1,667</u>	<u>\$ 11,690</u>	<u>\$ 2,073,441</u>

For the year ended December 31, 2021

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Com- prehensive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit plan	\$ 41,181	\$ (41,181)	\$ -	\$ -
Loss carryforwards	36,072	63,083	-	99,155
Others	<u>29,711</u>	<u>(4,655)</u>	<u>-</u>	<u>25,056</u>
	<u>\$ 106,964</u>	<u>\$ 17,247</u>	<u>\$ -</u>	<u>\$ 124,211</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Com- prehensive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Land value increment tax	\$ 1,924,940	\$ -	\$ -	\$ 1,924,940
Defined benefit plan	-	76,355	(17,999)	58,356
Others	<u>77,227</u>	<u>(439)</u>	<u>-</u>	<u>76,788</u>
	<u>\$ 2,002,167</u>	<u>\$ 75,916</u>	<u>\$ (17,999)</u>	<u>\$ 2,060,084</u>

(Concluded)

d. Loss carryforwards as of December 31, 2022 comprised:

Unused Amount	Expiry Year
\$ 88,731	2029
<u>319,406</u>	2030
<u>\$ 408,137</u>	

e. The aggregate amount of temporary differences associated with investments for which deferred tax liabilities have not been recognized.

As of December 31, 2022 and 2021, the taxable temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognized were \$647,002 thousand and \$559,153 thousand, respectively.

f. Income tax assessments

	Latest Approved Year
The Company	2020

## 21. EARNINGS PER SHARE

	For the Year Ended December 31	
	2022	2021
Basic earnings per share	<u>\$ 0.41</u>	<u>\$ 0.45</u>
Diluted earnings per share	<u>\$ 0.41</u>	<u>\$ 0.45</u>

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

### Net Profit for the Year

	For the Year Ended December 31	
	2022	2021
Profit for the year attributable to owners of the Company	<u>\$ 445,934</u>	<u>\$ 488,231</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Weighted average number of ordinary shares used in the computation of basic earnings per share	1,086,891	1,086,891
Effect of potentially dilutive ordinary shares:		
Compensation issued to employees	<u>357</u>	<u>242</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>1,087,248</u>	<u>1,087,133</u>

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

## 22. CAPITAL MANAGEMENT

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

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

## 23. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments

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

The management of the Company considers that the carrying amounts of financial assets and financial liabilities recognized in the financial statements to approximate their fair values.

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

December 31, 2022

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

(Continued)

December 31, 2021

	Level 1	Level 2	Level 3	Total
<b>Financial assets at FVTPL</b>				
Derivative financial assets - foreign exchange forward contracts (not under hedge accounting)	\$ -	\$ 1,095	\$ -	\$ 1,095
<b>Financial assets at FVTOCI</b>				
Securities listed in the ROC	\$ 1,915,731	\$ -	\$ -	\$ 1,915,731
Domestic unlisted shares	-	-	273,721	273,721
	<u>\$ 1,915,731</u>	<u>\$ -</u>	<u>\$ 273,721</u>	<u>\$ 2,189,452</u>

(Concluded)

There were no transfers between Levels 1 and 2 for the years ended December 31, 2022 and 2021.

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

<b>Financial Assets</b>	<b>Financial Assets of Equity Securities at FVTOCI</b>
Balance at January 1, 2022	\$ 273,721
Recognized in other comprehensive income	(89,714)
Balance at December 31, 2022	<u>\$ 184,007</u>
Balance at January 1, 2021	\$ 371,963
Proceeds from capital reduction	(26,122)
Recognized in other comprehensive income	(72,120)
Balance at December 31, 2021	<u>\$ 273,721</u>

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

<b>Financial Instruments</b>	<b>Valuation Techniques and Inputs</b>
Derivatives - foreign exchange forward contracts	Discounted cash flow: <ul style="list-style-type: none"> <li>a) The average exchange rate (i.e., difference between the highest and the lowest exchange rates) of the counterparties' financial institutions in the accordance with the Reuters quoting system, or</li> <li>b) The daily spot exchange rate quoted by financial institutions.</li> </ul>

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	
	2022	2021
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	
	2022	2021
Discount for lack of marketability		
2.5% increase	\$ (5,412)	\$ (8,051)
2.5% decrease	\$ 5,412	\$ 8,051

b. Categories of financial instruments

	December 31	
	2022	2021
<u>Financial assets</u>		
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	\$ -	\$ 1,095
Financial assets at amortized cost (1)	3,744,881	3,832,706
Financial assets at FVTOCI	2,181,240	2,189,452
<u>Financial liabilities</u>		
Financial liabilities at FVTPL		
Mandatorily classified as at FVTPL	8,650	-
Financial liabilities at amortized cost (2)	14,162,510	13,127,574

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

c. Financial risk management objectives and policies

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

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

1) Market risk

a) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk. The Company used foreign exchange forward contracts to eliminate currency exposure. These foreign exchange forward contracts could reduce the influence of the exchange rate fluctuations on the Company's income.

Sensitivity analysis

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

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

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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Influence to profit or loss at 5% variance		
USD	\$ 31,401	\$ 37,605
RMB	25,874	46,973
EUR	540	9,332

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:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Fair value interest rate risk		
Financial liabilities	\$ 8,992,799	\$ 6,495,439
Cash flow interest rate risk		
Financial assets	213,961	121,570
Financial liabilities	2,599,000	3,965,759

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

### Sensitivity analysis

For the Company's floating interest rate financial liabilities, if interest rates had been 0.1% higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2022 and 2021 would have decreased/increased as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Decrease/increase	\$ 2,385	\$ 3,844

#### c) Other price risk

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

### Sensitivity analysis

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

If equity prices had been 5% higher/lower, the Company's comprehensive income for the years ended December 31, 2022 and 2021 would have increased/decreased as follows:

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Other comprehensive income		
Increase/decrease	\$ 109,062	\$ 109,473

#### 2) Credit risk

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

The Company's concentration of credit risk was attributable to the Company's largest customer. As of December 31, 2022 and 2021, the ratio of trade receivables was 10% and 13%, respectively.

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

#### 3) Liquidity risk

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

Company has sufficient financial flexibility.

As of December 31, 2022 and 2021, the Company's unused financing facilities were \$10,401,454 thousand and \$5,627,907 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
Guandong Dingfung Pulp & Paper Co., Ltd.	Subsidiary
YFY Consumer Products Co., Ltd.	Fellow subsidiary
YFY Packaging Inc.	Fellow subsidiary
YFY International Ltd.	Fellow subsidiary
Yuen Foong Yu Paper MFG (Yangzhou) Co., Ltd.	Fellow subsidiary
YFY Development Corp.	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 Jupiter Ltd.	Fellow subsidiary
YFY Japan Co., Ltd.	Fellow subsidiary
Sustainable Carbohydrate Innovation Co., Ltd.	Fellow subsidiary
MOBIUS105 LIMITED	Fellow subsidiary
Arizon RFID Technology (Hong Kong) Co., Ltd., Taiwan Branch	Fellow subsidiary
YFY Holding Management Co., Ltd.	Fellow subsidiary
Yuen Foong Shop Co., Ltd.	Fellow subsidiary
YFY Biotechnology Co., Ltd.	Parent's associate
E Ink Holdings Inc.	Parent's associate
Shin-Yi Foundation	Substantial related party
Beautone Co., Ltd.	Substantial related party
Shin-Yi Enterprise Co., Ltd.	Substantial related party
Yuen Foong Paper Co., Ltd.	Substantial related party
SinoPac Leasing Co., Ltd.	Substantial related party
SinoPac Securities Co., Ltd.	Substantial related party

### b. Sales of goods

Related Party Type	For the Year Ended December 31	
	2022	2021
Fellow subsidiaries	\$ 2,710,234	\$ 2,880,643
Subsidiaries	1,302,616	1,863,948
Substantial related parties	178,755	199,870
Parent company	33	52
Parent's associates	<u>4</u>	<u>23</u>
	<u>\$ 4,191,642</u>	<u>\$ 4,944,536</u>

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

c. Purchases of goods

Related Party Type	For the Year Ended December 31	
	2022	2021
Fellow subsidiaries	\$ 1,360,764	\$ 1,844,560
Subsidiaries	3,264	9,366
Substantial related parties	1,575	1,646
Parent's associates	<u>659</u>	<u>491</u>
	<u>\$ 1,366,262</u>	<u>\$ 1,856,063</u>

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

d. Receivables from related parties

Related Party Type	December 31	
	2022	2021
Subsidiaries		
Shenzhen Jinglun Paper Co., Ltd.	\$ 733,414	\$ 871,104
Others	<u>484</u>	<u>372</u>
	<u>733,898</u>	<u>871,476</u>
Fellow subsidiaries		
YFY Consumer Products Co., Ltd.	225,491	134,892
Others	<u>114,992</u>	<u>214,037</u>
	<u>340,483</u>	<u>348,929</u>
Substantial related parties	34,050	49,018
Parent company	<u>-</u>	<u>7</u>
	<u>\$ 1,108,431</u>	<u>\$ 1,269,430</u>

The outstanding accounts receivable from related parties are unsecured. No bad debt was recognized for the years ended December 31, 2022 and 2021 for allowance of impaired accounts receivable from related parties.

e. Payables to related parties

Related Party Type	December 31	
	2022	2021
Fellow subsidiaries		
Shin Foong Specialty & Applied Materials Co., Ltd.	\$ 105,399	\$ 120,809
YFY Packaging Inc.	74,808	245,005
YFY Development Corp.	42,401	41,902
Others	<u>25,431</u>	<u>25,622</u>
	<u>248,039</u>	<u>433,338</u>
Subsidiaries	4,483	11,539
Substantial related parties	1,036	970
Parent's associates	<u>191</u>	<u>5</u>
	<u>\$ 253,749</u>	<u>\$ 445,852</u>

The outstanding accounts payable to related parties are unsecured.

f. Acquisitions of property, plant and equipment

Related Party Type	Purchase Price For the Year Ended December 31	
	2022	2021
Fellow subsidiary	\$ <u>597</u>	\$ <u>52</u>

g. Disposal of property, plant and equipment

Related Party Type	Consideration Received For the Year Ended December 31	
	2022	2021
Fellow subsidiaries	\$ <u>13</u>	\$ <u>-</u>

h. Lease arrangements

Related Party Type	December 31	
	2022	2021
<u>Lease liabilities</u>		
Parent company	\$ 4,877	\$ 9,695
Subsidiaries	<u>-</u>	<u>18,088</u>
	\$ <u>4,877</u>	\$ <u>27,783</u>

Related Party Type	For the Year Ended December 31	
	2022	2021
<u>Interest expense</u>		
Parent company	\$ 91	\$ 149
Subsidiaries	<u>80</u>	<u>115</u>
	\$ <u>171</u>	\$ <u>264</u>
<u>Lease expense</u>		
Parent company	\$ 11,028	\$ 11,028
Subsidiaries	9,054	8,647
Substantial related parties	<u>7,065</u>	<u>7,068</u>
	\$ <u>27,147</u>	\$ <u>26,743</u>

i. Other transactions with related parties

Related Party Type	Rental Income (Accounted as Other Income) For the Year Ended December 31	
	2022	2021
Parent's associates	\$ 5,799	\$ -
Fellow subsidiaries	1,429	1,429
Parent company	<u>114</u>	<u>114</u>
	\$ <u>7,342</u>	\$ <u>1,543</u>

Related Party Type	Other Operating Expenses For the Year Ended December 31	
	2022	2021
Fellow subsidiaries	\$ <u>45,364</u>	\$ <u>43,152</u>

Related Party Type	Management Fee (Accounted as Operating Expenses) For the Year Ended December 31	
	2022	2021
Fellow subsidiaries	\$ <u>91,713</u>	\$ <u>89,809</u>

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

j. 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	34,300,000	Equity of Effion Eneritech Co., Ltd.	\$ <u>253,501</u>

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

k. Compensation of key management personnel

	For the Year Ended December 31	
	2022	2021
Salaries and benefits	\$ 30,130	\$ 38,637
Executive fees	<u>2,977</u>	<u>3,150</u>
	\$ <u>33,107</u>	\$ <u>41,787</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

## 25. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

As of December 31, 2022 and 2021, unused letters of credit for purchases of raw materials and machinery and equipment amounted to approximately \$423,309 thousand and \$282,485 thousand, respectively.

## 26. OTHER ITEMS

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

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

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

				December 31, 2022		
				Foreign Currency (In Thousands)	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
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
<u>Financial liabilities</u>						
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
				December 31, 2021		
				Foreign Currency (In Thousands)	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary items						
	USD	\$	68,946	27.68	\$	1,908,425
	RMB		216,417	4.341		939,466
	EUR		4,959	31.32		155,316
Investments accounted for using the equity method						
	USD		176,200	27.68		4,877,213
Non-monetary items						
Derivative instruments						
	USD		6,200	27.68		171,616
	EUR		1,000	31.32		31,320
<u>Financial liabilities</u>						
Monetary items						
	USD		47,975	27.68		1,327,948



## 28. SEPARATELY DISCLOSED ITEMS

### a. Information about significant transactions and investees:

- 1) Financing provided to others (None)
- 2) Endorsements/guarantees provided (Table 1)
- 3) Marketable securities held (Table 2)
- 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 3)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
- 9) Trading in derivative instruments (Notes 7 and 9)
- 10) Information of investee (Table 5)

### b. Information on investments in mainland China:

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 6)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
  - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period (None)
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period (Table 3)
  - c) The amount of property transactions and the amount of the resultant gains or losses (None)
  - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes (Table 1)
  - e) The highest balance, the end of period balance, the interest rate range, and total current

period interest with respect to financing of funds (None)

- f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services. (None)
- c. Information of major shareholders: List all shareholders with ownership of 5% or greater, showing the name of the shares owned, and percentage of ownership of each shareholder (Table 7)

## CHUNG HWA PULP CORPORATION

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period (Foreign Currencies in Thousands) (Note 4)	Outstanding Endorsement/ Guarantee at the End of the Period (Foreign Currencies in Thousands) (Note 5)	Actual Borrowing Amount (Note 6)	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries (Note 7)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent (Note 7)	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China (Note 7)
		Name	Relationship (Note 2)										
0	Chung Hwa Pulp Corporation	CHP International (BVI) Corporation	b.	\$ 23,705,570	\$ 740,935 (US\$ 24,127 thousand)	\$ 706,330 (US\$ 23,000 thousand)	\$ -	\$ -	4.47	\$ 31,607,426	Note 8	N	N
		Hwa Fong Investment Ind. Co., Ltd.	b.	23,705,570	130,000	130,000	41,000	-	0.82	31,607,426	Note 8	N	N

Note 1: The number column is illustrated as follows:

- The Company is numbered 0.
- 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:

- The Companies with which it has business relations.
- Subsidiaries in which it holds more than 50% of its total outstanding ordinary shares.
- Companies in which it holds more than 50% of its total outstanding ordinary shares.
- Companies in which it holds more than 90% of its total outstanding ordinary shares.
- 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.
- Shareholders making endorsements/guarantees for their mutually invested companies in proportion to their shareholding percentages.
- Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

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

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

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

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

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

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

## CHUNG HWA PULP CORPORATION

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2022

(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, 2022			
				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	100,807,420	\$ 1,688,524	0.9	\$ 1,688,524
	NTU Innovation & Incubation Co., Ltd.	The investor is the member of the investee's board of directors.	Financial assets at fair value through profit or loss - non-current	800,000	-	6.3	-
	Groundhog Technologies Inc.	-	Financial assets at fair value through profit or loss - non-current	275,000	-	1.0	-
	KHL IB Venture Capital Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	12,443,688	184,004	14.9	184,004
	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	286,158	2.5	286,158
Medeon Biodesign, Inc.	-	Financial assets at fair value through other comprehensive income - non-current	388,146	22,551	0.4	22,551	

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

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

## 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, 2022

(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	\$ (767,046)	(4)	0.5 month after transaction month	\$ -	-	\$ 36,813	1
	Shenzhen Jinglun Paper Co., Ltd.	b.	Sale	(1,302,616)	(6)	5 months after transaction month	-	-	733,414	21
	YFY Consumer Products Co., Ltd.	a.	Sale	(754,151)	(4)	2 months after transaction month	-	-	225,491	6
	YFY Packaging Inc.	a.	Sale	(111,858)	(1)	3 months after transaction month	-	-	9,748	-
	YFY Packaging Inc.	a.	Purchase	778,051	4	2 months after transaction month	-	-	(74,808)	(4)
	Union Paper Corp.	a.	Sale	(1,010,395)	(5)	1 month after transaction month	-	-	49,692	1
	Union Paper Corp.	a.	Purchase	139,708	1	1 month after transaction month	-	-	(10,013)	(1)
	Beautone Co., Ltd.	c.	Sale	(129,216)	(1)	1 month after transaction month	-	-	22,818	1
	YFY Japan Co., Ltd.	a.	Purchase	212,049	1	In agreed terms	-	-	-	-
	Shin Foong Specialty and Applied Materials Co., Ltd.	a.	Purchase	228,545	1	4 months after transaction month	-	-	(105,399)	(6)

Note: a. Fellow subsidiaries.  
b. Parent company and subsidiary.  
c. Substantial related-party.

**CHUNG HWA PULP CORPORATION**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**DECEMBER 31, 2022**

**(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	\$ 733,414	1.62	\$ -	-	\$ 272,256	\$ -
	Yuen Foong Yu Consumer Products Co., Ltd.	Fellow subsidiaries	225,491	4.19	-	-	129,236	-

## CHUNG HWA PULP CORPORATION

INFORMATION ON INVESTEEES  
 FOR THE YEAR ENDED DECEMBER 31, 2022  
 (In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of December 31, 2022			Net Income of the Investee	Share of Profits	Note
				December 31, 2022	December 31, 2021	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	\$ 5,239,951	\$ 129,278	\$ 134,037	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	672,074	9,911,750	173,831
	Effion Eneritech Co., Ltd.	Taipei, Taiwan	To operate cogeneration and provide power technology	-	343,000	-	-	-	17,441	14,462	b.
	Hwa Fong Investment Co., Ltd.	Taipei, Taiwan	Investment and holding	36,000	36,000	6,600,000	100.0	118,862	24,249	24,249	a.

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

## CHUNG HWA PULP CORPORATION

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(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, 2022 (Foreign Currencies in Thousands) (Note 1)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021 (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, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022
					Outward	Inward						
Guangdong Dingfung Pulp & Paper Co., Ltd.	Pulp and paper production, trading and forestry business	\$ 2,629,697 (US\$ 85,630 thousand) (Note 3)	Investment in mainland China through companies set up in another country.	\$ 405,372 (US\$ 13,200 thousand)	\$ -	\$ -	\$ 405,372 (US\$ 13,200 thousand)	\$ 220,788 (Note 2,b.)	60	\$ 132,481 (Note 2,b.)	\$ 2,825,556	\$ -
Shenzhen Jinglun Paper Co., Ltd.	Sale of paper merchandise and import/export business	14,110 (RMB 3,200 thousand)	(Note 5)	-	-	-	(Note 5)	4,112 (Note 2,b.)	100	4,112 (Note 2,b.)	137,627	-
Zhaoqing Dingfung Forestry Ltd.	Export factoring, domestic factoring, business factoring and related consulting services, develop credit risk management platform	671,935 (US\$ 21,880 thousand)	Investment in mainland China through companies set up in another country.	135,984 (US\$ 4,428 thousand)	-	-	135,984 (US\$ 4,428 thousand)	40,333 (Note 2,b.)	(Note 4)	34,888 (Note 2,b.)	2,610,751	-
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	8,819 (RMB 2,000 thousand)	(Note 5)	-	-	-	(Note 5)	4,863 (Note 2,b.)	100	4,863 (Note 2,b.)	16,035	-
Guizhou Yuanfung Forestry Co., Ltd.	Export factoring, domestic factoring, business factoring and related consulting services, develop credit risk management platform	57,323 (RMB 13,000 thousand)	(Note 6)	-	-	-	(Note 6)	- (Note 2,b.)	67	- (Note 2,b.)	38,406	-

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$541,356 (Note 1)	\$1,352,741 (Note 1)	\$9,470,665

Note 1: The exchange rates are US\$1= NT\$30.71 or RMB1= NT\$4.409442 as of December 31, 2022.

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

- Financial statements audited by an international CPA firm with the cooperation of the ROC CPA firm.
- Financial statements audited by the ROC CPA firm.
- Others.

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

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

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

Note 6: Investment in mainland China through companies 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, 2022**

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

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

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

None

## Review of Financial Conditions, Financial Performance, and Risk Management

### 7.1 Balance sheet analysis

Unit: NT\$ thousands

Item \ Year	2022	2021	Difference	
			Amount	%
Current Assets	15,935,904	14,411,937	1,523,967	11
Property, plant and equipment	16,151,011	16,436,919	(285,908)	(2)
Other Assets	3,352,256	3,119,600	232,656	7
<b>Total Assets</b>	<b>35,439,171</b>	<b>33,968,456</b>	<b>1,470,715</b>	<b>4</b>
Current Liabilities	6,343,318	13,203,844	(6,860,526)	(52)
Non-current Liabilities	11,001,243	3,131,048	7,878,195	251
<b>Total Liabilities</b>	<b>17,344,561</b>	<b>16,334,892</b>	<b>1,009,669</b>	<b>6</b>
Capital Stock	11,028,353	11,028,353	-	-
Capital Surplus	35,632	28,880	6,752	23
Retained Earnings	3,911,470	3,866,246	45,224	1
Other Equity	945,713	682,659	263,054	39
Treasury Stock	(136,726)	(136,726)	-	-
Non-controlling Interests	2,310,168	2,164,152	146,016	7
<b>Total Stockholders' Equity</b>	<b>18,094,610</b>	<b>17,633,564</b>	<b>461,046</b>	<b>3</b>

Analysis of changes in financial ratios:

- (1) Current Liabilities: Mainly due to obtaining long-term loans to repay short-term loans.
- (2) Non-current Liabilities: Mainly due to obtaining long-term loans to repay short-term loans.
- (3) Capital Surplus: Mainly due to the recognition of changes in the equity of subsidiaries and affiliated companies under the equity method.
- (4) Other Equity: Mainly due to the recognition of changes in the other comprehensive income of subsidiaries and affiliated companies under the equity method.

## **7.2 Statements of Comprehensive Income Analysis**

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

Unit: NT\$ thousands

Item \ Year	2022	2021	Difference	
			Amount	%
Net Sales	23,651,129	22,031,850	1,619,279	7
Cost of Sales	21,096,585	19,632,767	1,463,818	7
Changes in Biological Assets	(2,403)	3,395	(5,798)	(171)
Gross Profit	2,552,141	2,402,478	149,663	6
Operating Expenses	2,311,569	2,130,026	181,543	9
Operating Income	240,572	272,452	(31,880)	(12)
Non-operating Gains and Losses	304,305	252,226	52,079	21
Income (Loss) before Tax	544,877	524,678	20,299	4
Tax Expense (Benefit)	5,186	61,305	(56,119)	(92)
Net income (Loss)	539,691	463,373	76,318	16
Analysis of changes in financial ratios: (1) Changes in Biological Assets: Mainly due to the increase in fair value minus the cost to sell a biological asset. (2) Non-operating Gains and Losses: Mainly due to the recognition of the profits of affiliated companies and the increase in foreign exchange gains. (3) Tax Expense (Benefit): Mainly due to the decrease in this year's income taxes due to decrease in profits of individual companies.				

### **7.2.2. Expected sales in 2023**

The interest rate hikes by central banks to curb inflation could cause a global economic recession, which would impact the market for consumer paper products. The Company anticipates that the revenue in 2023 will be similar to that of 2022 due to global policies aimed at ESG, reducing emissions, and limiting plastic usage.

### **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
536,128	482,053	212,885	805,296	-	-

#### 7.3.1 Analysis on the cash flow changes of 2023

1. Operating Activities: The Company's net cash flow from operating activities decreased slightly compared with the previous period, mainly due to the impact resulting from the interaction between the increase in the payment for goods recovered in the current period compared with the last period, the increase in inventory, and the increase in advance payment.
2. Investment Activities: The Company's net cash flow from investment activities decreased compared with the previous period, mainly due to not having any investment plans for major projects, in comparison, except for routine capital expenditures in the current period.
3. Financing Activities: The Company's net cash flow from financing activities decreased compared with the previous period, mainly due to raising the funds needed for 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**

The Company's major capital expenditures in the most recent year include: Projects for modifying production equipment and process equipment are briefly described as follows:

We are modifying production equipment of the Guanyin plant to support the Company's transformation. Existing equipment and manufacturing processes will be modified to prepare for future market demand.

We are modifying the process equipment of the Dingfeng plant by adding low-emission equipment to reduce the discharge of production by-products and ensuring environmental protection and compliance with laws and regulations.

Working capital for the abovementioned capital expenditures 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 the Company's long-term development strategy, focusing on areas such as afforestation and pulp and paper to achieve the consistent production of forests, pulp, and paper. The reinvestment entities recovered and profited in 2022, mainly due to the impact of the Russia-Ukraine war on the supply of raw materials and energy. Raw material prices rebounded, and transportation costs remained high, resulting in the sustained high prices of pulp.

7.5.2 Lockdowns in Europe and America were lifted gradually in 2022, followed by the China region in 2023, and with the relief of worldwide port congestion, the global economy is expected to resume its growth in the second half of the year. With the development of policies to limit plastic usage, the Company will continue to develop plastic-free products with a circular economy as the development core.

## **7.6 Risk Analysis and Assessment (in the most recent year and up to the print date of this annual report)**

### **7.6.1 Impact of changes in interest rates, exchange rates, and inflation on the Company's profitability and response measures:**

**Interest rate:** The outbreak of the Russia-Ukraine war in February 2022 exacerbated supply chain bottlenecks and skyrocketed global raw material and energy prices. The soaring inflation forced the Federal Reserve to resort to aggressive rate hikes, a total of 425 basis points in 2022, leading to a sharp rise in market interest rates. Taiwan also faced the strains of rising inflation. In addition to raising interest rates by a total of 62.5 basis points, the Central Bank of the Republic of China (Taiwan) increased the required reserve ratio by 50 basis points, causing the market interest rate of the New Taiwan Dollar to increase.

**Response measures:** Despite the signs of a slowing global economy, the primary goal of global central banks will still be to control inflation. The market expects market funds to lean towards tightening this year. The Company will regularly and flexibly assess its liability positions and financing policies to ensure adequate liquidity and reduce interest expenses effectively.

**Exchange rate:** Due to the persistently high inflation in the U.S., the Federal Reserve increased interest rates faster, causing the U.S. dollar to grow stronger while other major currencies like the euro, yen, and Australian dollar depreciated in 2022. China's economy suffered a severe blow as a result of the downturn in the real estate industry and the

dynamic zero COVID policy, causing the RMB to plunge. The Taiwan dollar weakened due to capital outflows from Taiwan, triggered by the Federal Reserve's substantial increase in interest rates. Major exchange rate risks faced by the Company are overseas loans from China. In 2022, the Company continued to dynamically adjust the RMB hedging ratio and implement response measures for hedging and cost control to reduce fluctuations in currency exchange gain or loss.

**Response measures:** Looking ahead to 2023, we will continue to be susceptible to the high risk of changes as the global economy and financial markets are affected by monetary policy tightening by central banks. Related foreign currency exchange rate fluctuations are full of variables. The Company will take into account exchange rate risks and hedging costs, and make appropriate financial and hedging strategies to reduce the negative impact of exchange rate fluctuations on the Company's overall operations.

**Inflation:** The outbreak of the Russia-Ukraine war skyrocketed energy prices like crude oil and natural gas, causing severe inflationary strains in Europe and the U.S. in the first three quarters of 2022. Fortunately, demand decreased due to this year's warm winter. Moreover, the global central banks' efforts to control inflation by tightening monetary policies have eased inflationary pressures from the fourth quarter. Taiwan faced inflationary strains in 2022. The overall CPI in 2022 was 2.95%, while core CPI (excluding the CPI of energy, fruits, and vegetables) was 2.61%; both hit 14-year highs.

**Response measures:** Looking ahead to 2023, the Central Bank of the Republic of China (Taiwan) has projected a gradual decrease in global inflationary pressure due to the easing of supply chain bottlenecks, the reduction in international freight rates, and the decline in raw material prices like crude oil. The Central Bank estimates the annual growth rates of CPI and core CPI in 2023 to be 1.88% and 1.87%, respectively. 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, the competition between the United States and China, the impact of the pandemic on global logistics and supply chains, and geopolitical tensions, there is still a risk of substantial fluctuations in raw material prices. In the future, we must pay close attention to the risks caused by related factors.

#### **7.6.2 Policies on high risk or high leverage investments, lending to others, making endorsements or guarantees, and trading derivatives, reasons for profit or loss, and response measures:**

The Company has not invested in high risk and high leverage instruments. For example, the utilization of short-term idle funds focuses on repaying working capital loans and reducing interest expenses.

The Company adheres to its Procedures for Extending Loans to Others and Procedures for Endorsements and Guarantees when lending funds to others and providing endorsements and guarantees. Funds or endorsement/guarantees are extended between affiliated parent companies and subsidiaries for financial and business purposes.

The Company engages in derivative transactions in accordance with its Procedure for Processing Derivative Transactions so as to clearly define the purposes of each transaction, which must be primarily hedging. The derivatives operated in 2021 are primarily aimed at avoiding USD, EUR and RMB exchange rate risks. The hedging ratio is adjusted with due consideration given to the hedge cost and exchange rate risk of derivatives to mitigate the effects of USD, EUR and RMB 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 2023 is approximately NT\$110 million to 130 million.

### **7.6.4 Major changes in government policies and laws at home and broad, impact on the Company's finance and business, and response measures:**

For the purpose of managing legal risks as a whole, the Company hired external legal consultants to assist the Company in managing legal risks due to regulation changes in addition to signing a legal service contract with the legal department of Yuen Foong Yu Investment Holding Co., Ltd.

The Company's response measures for any potential impact of important policy and legislative changes in Taiwan and overseas on the Company's financial or sales performance will be devised by the legal department together with the responsible departments. In case of any noncompliance with the law in the Company's internal guidelines and operating procedures, the responsible departments will make the necessary changes to effectively manage and reduce the Company's legal risk.

### **7.6.5 Impact of recent technological and market changes on the Company's finance and business, and response measures:**

With the rapid development of technology, technological innovation has become an indispensable plan for operations, and it is also an important niche for corporate competition. The Company is committed to industrial innovation and will evaluate the impact on the Company's finances and business to adopt good response measures to pursue sustainable operation. 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 2023, 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 litigations. Non-litigious events of the Company are mainly appeals against environmental sanctions. There was one appeal in 2021 that has already been concluded.

**7.6.13 Other significant risks and response measures:**

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:

<b>Unit</b>	<b>Operation (function)</b>	<b>Corresponding Risks</b>
Cellulosic Materials Division	Production of household paper, paper stationery products, special purpose paper, paperboard, pulp, and chemical products	Production, labor safety, labor management, markets, and law
Specialty Materials Division	R&D and production of non-plastic products	Production, labor safety, labor management, markets, and law
Human Resource and Administrative Division	Human resources management, human resources and organizational development	Laws, policies, and organizations
Financial and Accounting Department	Investment analysis, financial management, and fund utilization management, and accounting administration	Interest rate, exchange rate, inflation, investment, acquisition, laws, equity, and policies
Auditing Office	Internal control plans and systems auditing and research	Laws and policies

**7.7 Other Important Matters**

None

## Special Disclosure

### 8.1 Summary of Affiliated Companies

#### 8.1.1 Relationship report

(1). Relationship between subordinate company and control company

Control Company	Control Name	Holding or Pledged of Shares			Served Position	
		Shares	Percentage	Pledged	Title	Name
YFY INC.	Obtained more than half of Directors' seats	627,827,989	57.8	-	Chairperson Director	Kirk Hwang 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	33	-	3

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	-	-

d. When accounts receivable were overdue during the year, the amount, handling method and provision for bad debts: None.

e. Advanced receipts (prepayments): None.

B. Property transaction: None

C. Bank accommodation: None

D. Asset leasing:

Unit: NT\$ thousands

Transaction type	Nature of lease	Rental decisions	Collection (payment) method	Comparison with general rental levels	Total current rent	Other agreed items
Lessee	Operating leases	Reference to general local standards	Monthly payment	Equivalent	11,028	None

E. Other important transactions: None.

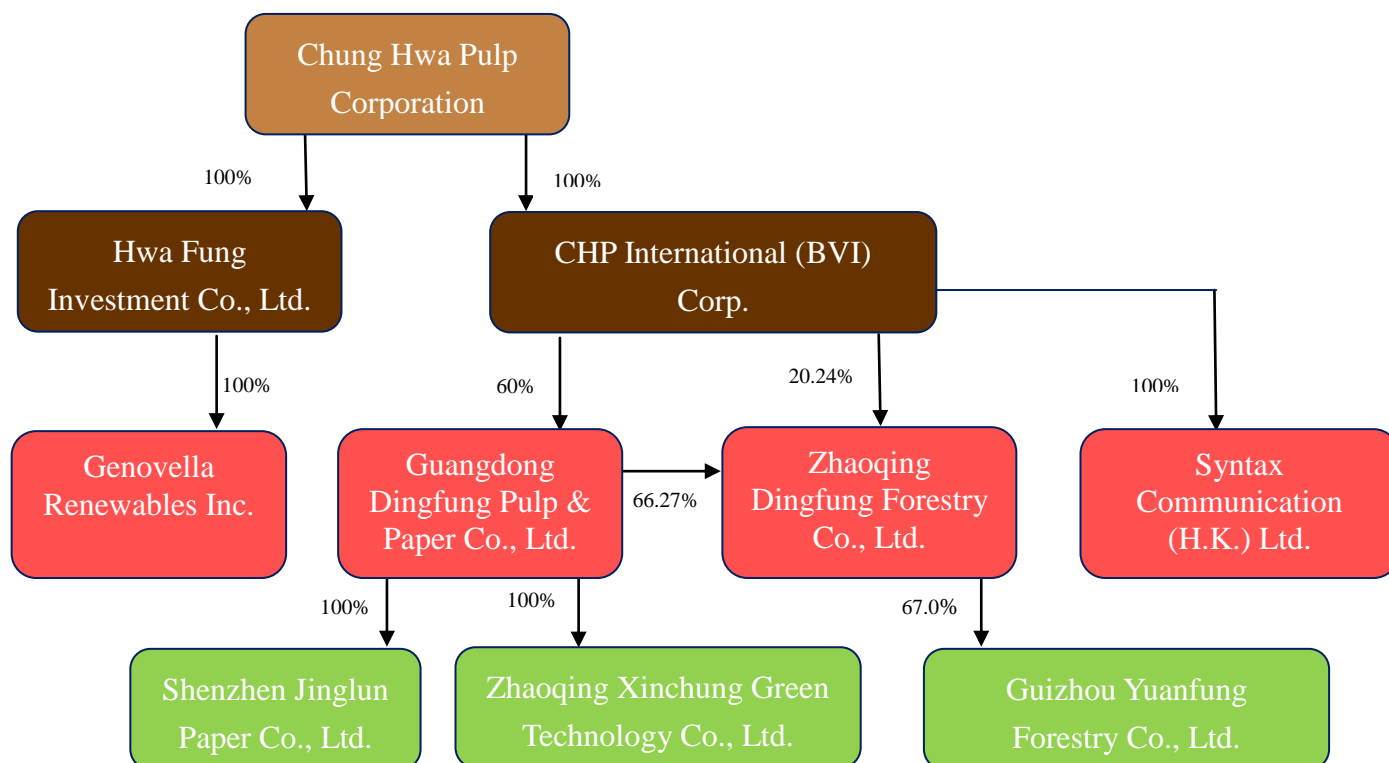
(3). Endorsements/Guarantees: None.

(4). Other matters that have a significant impact on the financial and business activities: None.

### 8.1.2 Relationship business merger business report

#### A. Affiliates' highlights

(1). Affiliates' structure



(2). Affiliates' profile

Name	Date of Incorporation	Address	Paid-in Capital (Thousand)	Main Business
CHP International (BVI) Corp.	3/15/1990	Citco Building, P.O. BOX 662, Road Town, Tortola, British Virgin Islands	US\$ 61,040	Investment and holding
Hwa Fung Investment Co., Ltd	2/4/1994	12F, 51, Sec. 2, Chung Ching S. Rd., Taipei, Taiwan	NT\$ 36,000	Investment and holding
Genovella Renewables Inc.	8/30/2010	No.100, Guanghua St., Ji'an Township, Hualien County, Taiwan	NT\$ 14,000	To produce fertilizer
Guangdong Dingfung Pulp & Paper Co., Ltd.	8/18/2000	Shouyue, Nanjie, Guangning County, Zhaoqing City, Guangdong Province, PROC	US\$ 85,630	Pulp and paper production, trading and forestry business
Zhaoqing Dingfung Forestry Co., Ltd.	4/1/2006	Shouyue, Nanjie, Guangning County, Zhaoqing City, Guangdong Province, PROC	US\$ 21,880	Seedling cultivation and sales, reforestation, sales-cum-forest logging and other forestry, processing and transportation
Shenzhen Jinglun Paper Co., Ltd.	6/24/2008	Room 1705, Tongxin Building 17F, No. 5020, Binhe Avenue, Futian Dist. Shenzhen City, Guangdong Province	CNY 3,200	Paper trading, cargo and technic Import and export business

Name	Date of Incorporation	Address	Paid-in Capital (Thousand)	Main 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	Trading, printing and sales of all types of paper products; paper-related businesses.
Zhaoqing Xinchuan Green Technology Co., Ltd.	9/19/2019	Shouyue, Nanjie, Guangning County, Zhaoqing City, Guangdong Province, PROC	CNY 2,000	Environmental equipment technology research and development; construction of wastewater, flue gas, noise and solid waste treatment; pure water treatment construction; environmental technology consulting; sale of environmental protection equipment and chemical raw material; import and export of cargo and technology
Guizhou Yuanfung Forestry Co., Ltd.	12/3/2021	Qiandao, Wuxing Village, Longping Town, Luodian County, Qiannan Prefecture, Guizhou Province Room 4, 1st Floor, Area B, Lake Hotel	CNY 13,000	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 Director	Kirk Hwang: Representative of CHP Guu-Fong Lin: Representative of CHP	61,039,956	100.0
Hwa Fong Investment Co., Ltd	Chairperson Director Director Supervisor	Guu-Fong Lin: Representative of CHP Yen-Chang Hsieh: Representative of CHP Claire Hou: Representative of CHP David Lin: Representative of CHP	6,600,000	100.0
Genovella Renewables Inc.	Director	Nan-Hsiung Wang: Representative of Hwa Fong Investment Co., Ltd.	-	100.0

Company Name	Title	Name of Representative	Shareholding	
			Shares	%
Guangdong Dingfung Pulp & Paper Co., Ltd.	Chairperson	Guu-Fong Lin: Representative of CHP International (BVI) Corp.	-	60.0
	Director	Frank Chin: Representative of CHP International (BVI) Corp.		
	Director	Kirk Hwang: Representative of YFY International Corp.	-	40.0
	Supervisor	Vincent Chan: Representative of YFY International Corp.		
	President	Frank Chin		
Zhaoqing Dingfung Forestry Co., Ltd.	Chairperson & President	Guu-Fong Lin: Representative of Guangdong Dingfung Pulp & Paper Co., Ltd.	-	66.27
	Director	Frank Chin: Representative of CHP International (BVI) Corp.	-	20.24
	Director	Tsung-yun Lin: Representative of YFY International Corp.	-	13.49
	Supervisor	Vincent Chan: Representative of YFY International Corp.		
Shenzhen Jinglun Paper Co., Ltd	Chairperson	Chih-Cheng Huang: Representative of Guangdong Dingfung Pulp & Paper Co., Ltd.		
	Director	Ray Chen: Representative of Guangdong Dingfung Pulp & Paper Co., Ltd.	-	100.0
	Director	Owen Kwong: Representative of Guangdong Dingfung Pulp & Paper Co., Ltd.		
	Supervisor	Vincent Chan: Representative of Guangdong Dingfung Pulp & Paper Co., Ltd.		
	President	Owen Kwong		
Syntax Communication (H.K.) Ltd.	Director	Chih-Cheng Huang: Representative of CHP International (BVI) Corp..		
	Director	Owen Kwong: Representative of CHP International (BVI) Corp.	-	100.0
	Director	David Lin: Representative of CHP International (BVI) Corp.		
	President	Owen Kwong		
Zhaoqing Xinchuan Green Technology Co., Ltd.	Chairperson	Guu-Fong Lin: Representative of Guangdong Dingfung Pulp & Paper Co., Ltd.		
	Director	Frank Chin: Representative of Guangdong Dingfung Pulp & Paper Co., Ltd.	-	100.0
	Director	Tsung-Yun Lin: Representative of Guangdong Dingfung Pulp & Paper Co., Ltd.		
	Supervisor	Claire Hou: Representative of Guangdong Dingfung Pulp & Paper Co., Ltd.		
	President	Frank Chin		
Guizhou Yuanfung Forestry Co., Ltd. Note	Chairperson	Guu-Fong Lin: Representative of Zhaoqing Dingfung Forestry Co., Ltd.		67.0
	Director	Tsung-Yum Lin: Representative of Zhaoqing Dingfung Forestry Co., Ltd.		67.0
	Director	Chen-Yuan Xiao: Representative of Hezhou Chenyuan Forestry Co., Ltd.	-	33.0
	Supervisor	Ming-Hui Lin: Representative of Zhaoqing Dingfung Forestry Co., Ltd.		67.0
	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	176,635	15	170,620	-	(14)	4,338	0.07
Hwa Fong Investment Co., Ltd	NTD	66,000	160,042	41,180	118,862	-	(182)	24,249	3.67
Genovella Renewables Inc.	NTD	14,000	38,836	17,040	21,796	56,690	4,660	3,475	-
Guangdong Dingfung Pulp & Paper Co., Ltd.	CNY	648,482	1,358,225	290,231	1,067,994	645,219	53,870	49,787	-
Zhaoqing Dingfung Forestry Co., Ltd.	CNY	178,162	829,014	143,959	685,055	138,088	9,637	9,095	-
Shenzhen Jinglun Paper Co., Ltd	CNY	3,200	212,905	181,693	31,212	355,064	2,313	210	-
Syntax Communication (H.K.) Ltd.	HKD	34,088	2,838	722	2,116	4,001	(570)	(405)	(0.01)
Zhaoqing Xinchuan Green Technology Co., Ltd.	CNY	2,000	3,652	15	3,637	11,119	1,124	1,097	-
Guizhou Yuanfung Forestry Co., Ltd.	CNY	13,000	13,214	214	13,000	-	-	-	-



### **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, 2022 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, 2022.

Very truly yours,

CHUNG HWA PULP CORPORATION

By:

\_\_\_\_\_

March 15, 2023

### **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